

**SPEECH BY  
YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI  
AT THE INVEST MALAYSIA 2006 CONFERENCE  
AT SHANGRI-LA, KUALA LUMPUR  
23 MARCH 2006**

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BISMILLAHIR RAHMANIR RAHIM

ASSALAMUALAIKUM WARAHMATULLAHI WABARAKATUH AND GOOD AFTERNOON

YB TAN SRI NOR MOHAMED YAKCOP  
SECOND MINISTER OF FINANCE

YABHG. TUN MOHAMED DZAIDDIN HAJI ABDULLAH  
CHAIRMAN, BURSA MALAYSIA

YBHG. TAN SRI MD. NOR YUSOFF  
CHAIRMAN, SECURITIES COMMISSION

YBHG. DATO' NAZIR RAZAK  
CHIEF EXECUTIVE, C.I.M.B GROUP

MR. RORY TAPNER  
CHAIRMAN AND C.E.O. (ASIA-PACIFIC), U.B.S.

DISTINGUISHED GUESTS

LADIES AND GENTLEMEN

1. IT IS MY PLEASURE TO ONCE AGAIN ADDRESS PARTICIPANTS AT THIS INVEST MALAYSIA CONFERENCE. THIS CONFERENCE IS INDEED AN IMPORTANT EVENT ON THE DOMESTIC INVESTMENT CALENDAR, AS IT PROVIDES INSTITUTIONAL INVESTORS AN OPPORTUNITY TO GAIN VIEWS AND INSIGHTS FROM MALAYSIAN POLICY MAKERS AND CORPORATE LEADERS, AS WE LISTEN TO YOU. AS I HAD HIGHLIGHTED PREVIOUSLY, ANY FEEDBACK THAT YOU MAY GIVE AT THIS FORUM IS EXTREMELY USEFUL TO US, AS IT WILL ENABLE THE MALAYSIAN GOVERNMENT AND CORPORATE MALAYSIA TO BETTER UNDERSTAND AND APPRECIATE THE VIEWS OF THE INTERNATIONAL INVESTMENT COMMUNITY.

2. LET ME TAKE THIS OPPORTUNITY TO ALSO COMMEND THE EFFORTS OF BURSA MALAYSIA, C.I.M.B. AND U.B.S. IN ORGANISING THIS CONFERENCE. OVER THE NEXT TWO DAYS, I HOPE THAT ALL PARTICIPANTS AT THIS CONFERENCE WILL OBTAIN MAXIMUM BENEFIT FROM THE OPEN AND CANDID MEETINGS THAT HAVE BEEN ARRANGED BY THE ORGANISERS, IN ORDER TO STRENGTHEN THE LONG-STANDING RELATIONSHIP BETWEEN THE MALAYSIAN CORPORATE WORLD AND THE GLOBAL INVESTMENT COMMUNITY. I BELIEVE THAT WE SHOULD ALWAYS SEEK TO BUILD BRIDGES, FOSTER UNDERSTANDING AND DEEPEN RELATIONSHIPS IN ALL THAT WE DO; AND INVEST MALAYSIA 2006 IS ONE SUCH EVENT THAT WILL ENABLE US TO DO JUST THAT.

LADIES AND GENTLEMEN

3. OVER THE LAST SEVERAL DECADES, THE MALAYSIAN ECONOMY HAS BEEN ABLE TO SUSTAIN A RAPID RATE OF GROWTH DUE TO THE ADOPTION OF SPECIALLY TAILORED POLICIES BY THE GOVERNMENT. AS SOME OF YOU MAY BE AWARE, ECONOMIC POLICIES IN MALAYSIA ARE SHAPED OVER THE LONG TERM AND THEREFORE RESULT IN TREMENDOUS CONTINUITY OF PLANS AND PROGRAMMES. WE SEEK TO ENSURE A GOOD BALANCE BETWEEN ACHIEVING ECONOMIC OBJECTIVES AND PURSUING SOCIAL GOALS. FOR EXAMPLE, CAREFUL PLANNING AND PROPER USE OF PRO-GROWTH STRATEGIES HAS ENABLED THE MALAYSIAN GOVERNMENT TO ALMOST ERADICATE HARD-CORE POVERTY AS WELL AS TO CORRECT SOCIAL IMBALANCES, WHICH HAVE PAVED THE WAY FOR SOCIAL HARMONY AND STABILITY IN THE COUNTRY.

4. THROUGH SUBSTANTIAL INFRASTRUCTURE DEVELOPMENT, FOCUS ON EDUCATION, PRUDENT FISCAL MANAGEMENT AS WELL AS POLITICAL AND ECONOMIC STABILITY, I BELIEVE THAT MALAYSIA PROVIDES A CONDUCIVE ENVIRONMENT FOR FOREIGN AND LOCAL INVESTORS LOOKING TO INVEST OVER LONGER TERM. I AM HAPPY TO NOTE THAT THIS IS REFLECTED BY THE LEVEL OF FOREIGN DIRECT INVESTMENTS (F.D.I.) IN MALAYSIA, WHEREIN THE AMOUNT TO BE INVESTED IN APPROVED PROJECTS ROSE BY 36 PERCENT TO 17.9 BILLION RINGGIT IN 2005, AS COMPARED TO 13.2 BILLION RINGGIT IN 2004.

5. ALHAMDULILLAH, THESE SAME SOCIO-ECONOMIC POLICIES HAVE ALSO MADE MALAYSIA AMONG THE TOP TRADING NATIONS IN THE WORLD. CURRENTLY, THE GOVERNMENT'S POLICIES ARE FOCUSED ON ACHIEVING VISION 2020, THAT IS TRANSITIONING THE COUNTRY TO BECOME A DEVELOPED NATION BY 2020. WE WILL CONTINUE TO PUSH HARD TO ACHIEVE COMPREHENSIVE NATIONAL DEVELOPMENT, INCLUDING IN ENHANCING OUR ECONOMIC FUNDAMENTALS. IN THIS RESPECT, I DARE SAY THAT MALAYSIA'S PROGRESS HAS BEEN VERY ENCOURAGING. GROWTH CONTINUES TO BE STRONG AND BROADBASED. WE ARE AT FULL EMPLOYMENT LEVEL. INFLATION, ALTHOUGH RISING BECAUSE OF THE REDUCTION IN FUEL SUBSIDIES, IS BEING MANAGED EFFECTIVELY. TRADE CONTINUES TO GROW, WHICH HAS RESULTED IN A HEALTHY CURRENT ACCOUNT SURPLUS. EXTERNAL RESERVES ARE NOW SUFFICIENT TO FINANCE 7.6 MONTHS OF RETAINED IMPORTS AND COVER 6.7 TIMES OF SHORT-TERM EXTERNAL DEBTS. ALL OF THIS PROVIDES MALAYSIA CONSIDERABLE ABILITY TO MAINTAIN ECONOMIC STABILITY EVEN IN THE MOST TESTING OF CIRCUMSTANCES.

6. SIMILARLY, WE HAVE BEEN IMPROVING FISCAL DISCIPLINE OVER THE LAST SEVERAL YEARS. WE HAVE REDUCED THE FISCAL DEFICIT FROM 5.6 PERCENT OF G.D.P. IN 2002 TO 3.8 PERCENT AT THE END OF 2005. BEYOND FISCAL DISCIPLINE, WE ARE ALSO TARGETING INCREASES IN PRODUCTIVITY AND EFFICIENCY OF GOVERNMENT BUDGETARY SPENDING; SUCH THAT GOVERNMENT SPENDING WILL HAVE A GREATER IMPACT ON NATIONAL ECONOMIC GROWTH AS WELL AS ON INCOMES. IT IS MY HOPE THAT THIS WILL NOT ONLY DELIVER BENEFITS FROM THE CONSOLIDATION OF THE GOVERNMENT'S FINANCES, BUT ALSO PROMOTE THE WELL-BEING OF ALL MALAYSIANS IN AREAS SUCH AS EDUCATION, HOUSING, TRANSPORTATION, AGRICULTURE AND RURAL DEVELOPMENT.

7. GOING FORWARD, WE ARE ALSO POSITIONING THE ECONOMY TO TAP INTO THE MANIFOLD OPPORTUNITIES CREATED BY GROWING INTER-REGIONAL TRADE AND BY THE STRENGTHENING OF ECONOMIC TIES IN THE ASIAN REGION. GROWTH IN ASIA IS BROAD-BASED; RANGING FROM THE EMERGENCE OF THE GIANT ECONOMIES OF CHINA AND INDIA, THE TECHNOLOGICAL STRENGTHS OF NORTH ASIA, THE DIVERSE STRENGTHS OF THE ASEAN REGION, AND THE OIL REVENUES OF WEST ASIA.

8. INDEED, I FIRMLY BELIEVE THAT THE ASIAN ECONOMIES HAVE MUCH TO OFFER EACH OTHER. IN THIS RESPECT, THE EFFECTS OF RISING ASIAN PROSPERITY CAN ALREADY BE SEEN IN STRONG EXPORT REVENUES, GROWTH OF THE SERVICES SECTOR AND HIGHER JOB CREATION IN MALAYSIA. MALAYSIA INTENDS TO FURTHER CAPITALISE ON THESE EXCITING REGIONAL DEVELOPMENTS BY DIVERSIFYING AND BROADENING ITS ECONOMY THROUGH THE DEVELOPMENT OF NEW SOURCES OF GROWTH, WHICH WILL COMPLEMENT ITS TRADITIONAL STRENGTHS IN AREAS SUCH AS MANUFACTURING AND COMMODITIES EXPORTS.

LADIES AND GENTLEMEN

9. IN MOVING TOWARDS DEVELOPED NATION STATUS, IT IS ENCOURAGING TO NOTE THAT THE MALAYSIAN CAPITAL MARKET IS ALREADY A SIGNIFICANT COMPONENT OF THE LARGER FINANCIAL SYSTEM WITH AN ASSET SIZE TOTALING 1.1 TRILLION RINGGIT IN 2005. MOREOVER, THERE IS SUBSTANTIAL DEPTH IN THE MARKET, AS THE NUMBER OF LISTED COMPANIES HAS BREACHED THE 1,000 MARK WITH EQUITY MARKET CAPITALISATION AT 695 BILLION RINGGIT. MEANWHILE, THE DEBT MARKET IS NOW AT A SIZEABLE 416 BILLION RINGGIT.

10. EQUALLY ENCOURAGING IS THE FACT THAT THERE ARE MANY THRIVING SEGMENTS WITHIN THE CAPITAL MARKET ITSELF. PERHAPS THE FIRST OF THESE THAT COME TO MIND IS THE ISLAMIC CAPITAL MARKET (I.C.M.). AS AN INDICATION OF THE ATTRACTIVENESS OF I.C.M. IN MALAYSIA, IT IS WORTH NOTING THAT IN 2005 ABOUT 71 PERCENT OF NEW BOND OFFERINGS VALUED AT 43.3 BILLION RINGGIT APPROVED BY THE SECURITIES COMMISSION (S.C.) WERE ISLAMIC BONDS.

11. IN ADDITION, THE DOMESTIC UNIT TRUST INDUSTRY HAS ACHIEVED CRITICAL MASS WITH A NET ASSET VALUE REACHING 98.5 BILLION RINGGIT IN 2005, REPRESENTING 14.2 PERCENT OF TOTAL MARKET CAPITALISATION. THERE REMAINS CONSIDERABLE ROOM FOR GROWTH, AS TOTAL INVESTIBLE ASSETS IN MALAYSIA EXCEED 750 BILLION RINGGIT AS AT THE END OF 2005. THIS IS A SUBSTANTIAL AMOUNT OF INDIVIDUAL SAVINGS THAT IS ALMOST DOUBLE THE ANNUAL G.N.P., AND LARGER THAN THE MARKET CAPITALISATION OF THE EQUITY MARKET. GIVEN THE IMPORTANCE OF MANAGING THE SAVINGS OF MALAYSIANS, WE WILL ACCELERATE OUR EFFORTS TO DEVELOP THE INVESTMENT MANAGEMENT INDUSTRY FURTHER INTO A SIGNIFICANT DRIVER OF GROWTH IN THE CAPITAL MARKET.

12. THE BROADENING OF MALAYSIA'S CAPITAL MARKET INCREASES THE DIVERSITY OF FINANCING SOURCES, WHICH IN TURN ENSURES THAT THERE IS READILY AVAILABLE FUNDING CAPACITY FOR LARGE LONG-TERM PROJECTS AND CORPORATE TRANSACTIONS. THIS SUGGESTS THAT THERE IS SUFFICIENT CRITICAL MASS TO FURTHER ACCELERATE THE GROWTH OF OUR CAPITAL MARKET. GOING FORWARD, I EXPECT THE CAPITAL MARKET TO PLAY AN INCREASINGLY IMPORTANT ROLE IN CAPITALISING ON DOMESTIC AND INTERNATIONAL GROWTH OPPORTUNITIES DURING THE NINTH MALAYSIA PLAN THAT I WILL BE PRESENTING NEXT WEEK.

13. IN THIS REGARD, THERE IS A NEED TO FURTHER EXPAND THE ROLE OF THE CAPITAL MARKET TO SUPPORT MALAYSIA'S TRANSITION TO DEVELOPED NATION STATUS. FOR EXAMPLE, A DEVELOPED ECONOMY REQUIRES AN ADVANCED INTERMEDIATION PLATFORM THAT CAN PROVIDE SEED FUNDING TO START-UPS REPRESENTING POTENTIAL NEW SOURCES OF GROWTH AS WELL AS PROVIDE BRIDGE FINANCING FOR LARGE CROSS-BORDER TRANSACTIONS AND INFRASTRUCTURE PROJECTS. THE TRANSITION TO BECOMING A DEVELOPED NATION THEREFORE REQUIRES A DEVELOPED CAPITAL MARKET WITH A FULL COMPLEMENT OF PRODUCTS AND MARKET REGULATION. THIS REQUIRES AN ACCELERATED PACE OF PRODUCT INNOVATION – INCLUDING IN THE WIDE AVAILABILITY OF INSTRUMENTS TO MANAGE RISKS ASSOCIATED WITH BUSINESS AND FINANCIAL ACTIVITIES.

14. ADDITIONALLY, A VIBRANT MARKETPLACE REQUIRES BROAD AND DIVERSE PARTICIPATION FOR ACTIVE TRADING IN THE MARKET. THIS INVOLVES MOBILISING DOMESTIC RETAIL PARTICIPATION AS WELL AS ATTRACTING TO MALAYSIA MORE INTERNATIONAL PLAYERS WHO CAN CONTRIBUTE TECHNICAL EXPERTISE AND A GLOBAL CLIENT BASE. IN THIS RESPECT, THE MALAYSIAN GOVERNMENT LOOKS FORWARD TO WORKING CLOSELY WITH DOMESTIC AND INTERNATIONAL INVESTORS BY REMOVING UNNECESSARY MARKET IMPEDIMENTS AND ENHANCING ITS REGULATORY DELIVERY SYSTEM TO ENHANCE THE COUNTRY'S POSITION AS AN ATTRACTIVE AND INVESTOR-FRIENDLY DESTINATION.

15. WE HAVE STRATEGIC CLARITY AS TO OUR LONG-TERM DIRECTION IN TERMS OF A ROADMAP PROVIDED IN THE CAPITAL MARKET MASTERPLAN (C.M.P.). AT THIS POINT, I AM PLEASED TO SAY THAT WE ARE AT THE HALFWAY MARK OF IMPLEMENTING THE C.M.P., AND HAVE ALREADY COMPLETED 65 PERCENT OF THE 152 RECOMMENDATIONS IDENTIFIED IN THE PLAN. IN THE FINAL PHASE OF IMPLEMENTATION, OUR OBJECTIVES ARE TO ENHANCE THE INTERNATIONAL COMPETITIVENESS OF THE MALAYSIAN CAPITAL MARKET, AND TO ACCELERATE GROWTH WITHIN A WELL-REGULATED MARKET ENVIRONMENT. IN THIS CONTEXT, THE GOVERNMENT ALSO ASPIRES TO MAKE MALAYSIA EMERGE A GLOBAL HUB FOR ISLAMIC CAPITAL MARKET PRODUCTS AND SERVICES.

16. FOR THE LONG TERM, IT IS MY WISH TO SEE A MARKETPLACE THAT IS FULL OF QUALITY OFFERINGS FOR INVESTORS; PARTICULARLY IN TERMS OF THE HIGH NUMBER OF QUALITY LISTED COMPANIES, AS BENCHMARKED BY THEIR PRACTICE OF CORPORATE GOVERNANCE AND BY THEIR ABILITY TO GENERATE SHAREHOLDER VALUE. ON MY GOVERNMENT'S PART, WE REMAIN COMMITTED TO REFORMING GOVERNMENT LINKED COMPANIES, OR G.L.C.'S, TO MAKE THEM MORE RESILIENT AND COMPETITIVE. THIS PROCESS BEGAN IN EARNEST WITH

THE ANNOUNCEMENT IN MAY 2004 OF OUR DESIRE TO SEE A CULTURE OF HIGH PERFORMANCE BEING INSTILLED IN THE G.L.C.'S.

17. AT THIS JUNCTURE, THIS PROGRAM HAS PROGRESSED WELL AND HAS CULMINATED IN THE FORMULATION OF THE G.L.C. TRANSFORMATION PROGRAM UNDER THE GUIDANCE OF THE PUTRAJAYA COMMITTEE ON G.L.C. HIGH PERFORMANCE, OR P.C.G. FOR SHORT. I AM PLEASED TO NOTE THAT THE P.C.G. AND THE G.L.C.'S HAVE TAKEN ANOTHER MAJOR STEP IN DELIVERING THEIR MANDATE, BY THE ANNOUNCEMENTS OF HEADLINE K.P.I.'S BY THE 15 MAIN G.L.C.'S IN CONJUNCTION WITH THEIR PARTICIPATION AT THIS CONFERENCE.

18. WHILE THIS IS AN IMPORTANT STEP, THERE REMAINS A SIGNIFICANT AMOUNT OF WORK THAT THE G.L.C.'S MUST UNDERTAKE TO FULLY TRANSFORM THEMSELVES INTO COMPETITIVE AND EFFICIENT COMPANIES AND I HOPE THAT THEY WILL CONTINUE TO STRIVE HARD IN EXECUTING THIS VITAL PART OF OUR NATIONAL ECONOMIC AGENDA. ON MY PART, I WOULD LIKE TO REITERATE MY GOVERNMENT'S STRONG COMMITMENT TO THIS PROGRAM AS WE ENTER THE PERIOD OF THE NINTH MALAYSIA PLAN AND MOVE FURTHER TOWARDS 2020.

LADIES AND GENTLEMEN

19. IN LIGHT OF THE IMPORTANCE OF THE CAPITAL MARKET AS WELL AS THE GOVERNMENT'S STRONG COMMITMENT TO ACCELERATING ITS GROWTH AND DEVELOPMENT, I WOULD NOW LIKE TO ANNOUNCE A FEW SPECIFIC POLICY INITIATIVES.

20. DURING LAST YEAR'S BUDGET, I ANNOUNCED MEASURES TO CREATE A MORE CONDUCTIVE ENVIRONMENT FOR MERGERS AND ACQUISITIONS TO EXPAND THE SUPPLY OF QUALITY COMPANIES FOR INVESTORS. THE GOVERNMENT HAD ALSO EXPRESSED ITS WISH TO SEE MORE MALAYSIAN COMPANIES ASPIRE TO BE REGIONAL LEADERS IN THEIR INDUSTRY SECTORS. THUS, IT IS ENCOURAGING THAT WE ARE ALREADY SEEING INCREASED ACTIVITY AMONG MALAYSIAN COMPANIES SEEKING INVESTMENT OPPORTUNITIES IN THE REGION TO EXPAND THEIR SCALE OF OPERATIONS AND IMPROVE THEIR REVENUES.

21. TO ENHANCE THE ROLE OF THE CAPITAL MARKET IN SUPPORTING AND FINANCING CORPORATE EXPANSION ABROAD, I WOULD LIKE TO ANNOUNCE THAT THE LISTING RULES WILL BE AMENDED TO PROVIDE FLEXIBILITY FOR LARGE MALAYSIAN COMPANIES WITH FOREIGN OPERATIONS TO SEEK A LISTING ON BURSA MALAYSIA. IT IS ENVISIONED THAT THIS WILL PROVIDE DOMESTIC COMPANIES GREATER ABILITY TO FINANCE CROSS-BORDER MERGERS AND ACQUISITIONS THROUGH THE EQUITY MARKET.

22. TO IMPROVE THE VALUE PROPOSITION OF MALAYSIA'S CAPITAL MARKET TO INVESTORS, I AM ALSO PLEASED TO ANNOUNCE THAT FOREIGN-OWNED COMPANIES WITH FOREIGN ASSETS OF AT LEAST 1 BILLION RINGGIT IN POTENTIAL MARKET CAPITALISATION WILL BE PERMITTED TO LIST ON BURSA MALAYSIA. IN THIS REGARD, IT IS INTENDED THAT BURSA MALAYSIA WILL BE POSITIONED AS A REGIONAL SPECIALISED EXCHANGE FOR RESOURCE-BASED

COMPANIES. IN MY VIEW, THIS POSITIONING CAPITALISES ON OUR RICH HISTORY, STRENGTH AND WIDE EXPERIENCE IN THE RESOURCE SECTORS SUCH AS PLANTATIONS, AGRICULTURE AS WELL AS OIL AND GAS. AS SUCH, TO PROMOTE FURTHER CROSS-BORDER LINKAGES WITH OTHER CAPITAL MARKETS AS WELL AS TO EXPAND THE DIVERSITY OF LISTED OFFERINGS, DUAL LISTINGS WILL BE ALLOWED IN TERMS OF MALAYSIAN PUBLIC LISTED COMPANIES SEEKING A SECONDARY LISTING ABROAD AND FOREIGN-LISTED COMPANIES SEEKING A SECONDARY LISTING ON BURSA MALAYSIA.

LADIES AND GENTLEMEN

23. WE ARE ALL GREATLY AWARE THAT CAPITAL MARKET ACTIVITY IS BECOMING INCREASINGLY INTEGRATED. HENCE, IT IS CRITICAL THAT THE REGULATORY FRAMEWORK BE RE-ALIGNED TO FACILITATE THE EXPANSION OF ACTIVITIES BY CAPITAL MARKET INTERMEDIARIES, AS THIS IS CRITICAL IN PROMOTING INNOVATION AND IN ENHANCING THE ABILITY OF INSTITUTIONS TO MEET THE NEEDS OF THEIR CUSTOMERS. IN THIS RESPECT, I AM PLEASED TO ANNOUNCE THAT SECURITIES AND FUTURES LAWS ARE TO BE CONSOLIDATED INTO A SINGLE "OMNIBUS" LEGISLATION TO PROVIDE FOR CONSISTENT REGULATION OF PRODUCTS, INDIVIDUALS, INSTITUTIONS AND MARKETS ON A FUNCTIONAL BASIS.

24. THE CONSOLIDATION OF SECURITIES AND FUTURES LAWS WILL ENABLE THE INTRODUCTION OF A SINGLE LICENSING FRAMEWORK FOR MARKET PARTICIPANTS. IT IS ENVISIONED THAT THIS WILL ALLOW MARKET PARTICIPANTS TO CONDUCT THE FULL RANGE OF INTERMEDIATION SERVICES THROUGH A SINGLE LEGAL ENTITY. MOREOVER, IT BECOMES POSSIBLE FOR INDIVIDUAL LICENSE HOLDERS TO EXPAND THEIR INCOME BY OFFERING A GREATER RANGE OF PRODUCTS AND SERVICES TO THEIR CLIENTS WITHOUT THE REQUIREMENT FOR MULTIPLE LICENSES.

25. THE "OMNIBUS" LEGISLATION WILL REINFORCE MY GOVERNMENT'S COMMITMENT TO BUILD A MORE ROBUST CORPORATE GOVERNANCE FRAMEWORK FOR PUBLIC LISTED COMPANIES. THIS WILL ENABLE THE S.C. TO TAKE MORE EFFECTIVE ENFORCEMENT ACTION AGAINST CORPORATE MISCONDUCT IN PUBLIC LISTED COMPANIES, WHILE AT THE SAME STRENGTHENING THE FIDUCIARY DUTIES OF DIRECTORS.

LADIES AND GENTLEMEN

26. IN OPERATING IN THIS HIGHLY INTEGRATED INDUSTRY, IT HAS BECOME AN IMPERATIVE FOR MALAYSIA TO ATTRACT GLOBAL TALENT INTO THE COUNTRY, AS THE EXPERTISE, EXPERIENCE AND SOCIAL NETWORKS OF HIGHLY EXPERIENCED INDIVIDUALS ARE CRITICAL TO BUILDING AN ADVANCED CAPITAL MARKET. THIS IS PARTICULARLY IMPORTANT IN RELATION TO MEETING THE GOVERNMENT'S ASPIRATION TO DEVELOP MALAYSIA AS AN INTERNATIONAL HUB FOR ISLAMIC FINANCE.

27. AS SUCH, IN ORDER TO IMPROVE SYSTEM EFFICIENCY AND FACILITATE GREATER OPPORTUNITIES FOR SKILLS TRANSFER, I WOULD LIKE TO ANNOUNCE THAT THE PROCESSING OF VISAS AND WORK PERMITS FOR FOREIGN INDIVIDUALS IN ALL ASPECTS OF THE FINANCIAL SERVICES SECTOR WILL BE CENTRALISED AT THE RESPECTIVE REGULATORS, NAMELY BANK NEGARA MALAYSIA AND THE SECURITIES COMMISSION. THIS SHOULD ASSIST IN MAKING THE PROCESS OF RECRUITING AND RETAINING GLOBAL TALENT THAT MUCH EASIER AND EFFICIENT FOR ALL CONCERNED.

LADIES AND GENTLEMEN

28. WE HAVE, FOR MANY YEARS NOW, RECEIVED REQUESTS FROM BOTH THE INTERNATIONAL AND DOMESTIC FINANCIAL COMMUNITY TO RE-INTRODUCE SHORT-SELLING IN MALAYSIA. THUS FAR, WE HAVE TAKEN A CONSERVATIVE STANCE. OUR CAUTION ARISES FROM THE NEED TO PROVIDE THE DOMESTIC ECONOMY AND FINANCIAL SYSTEM A HIGH DEGREE OF INSULATION FROM THE INSTABILITY CREATED BY VOLATILE GLOBAL CAPITAL FLOWS. IN ADDITION, WE HAVE PLACED PRIORITY ON ENHANCING CAPITAL FORMATION.

29. NEVERTHELESS, THE COMPLETION OF INITIATIVES FOR THE FIRST HALF OF THE C.M.P. AND THE FINANCIAL SECTOR MASTERPLAN HAS STRENGTHENED THE RESILIENCE OF THE DOMESTIC FINANCIAL SYSTEM TO EXTERNAL SHOCKS. MOREOVER, THE CONSOLIDATION OF DOMESTIC FINANCIAL INTERMEDIARIES TOGETHER WITH A STRENGTHENING OF INSTITUTIONAL CONTROL SYSTEMS – IN TERMS OF CORPORATE GOVERNANCE, PRUDENTIAL FRAMEWORKS AND RISK MANAGEMENT SYSTEMS – NOW PROVIDE US WITH A HIGH LEVEL OF COMFORT OF DOMESTIC CAPABILITIES TO WEATHER AND MANAGE THE RISKS ARISING FROM PRICE VOLATILITY, CAPITAL FLOWS AND PRODUCT COMPLEXITY.

30. THUS, I BELIEVE THAT THE ENVIRONMENT IS NOW CONDUCIVE TO ANNOUNCE THAT REGULATED SHORT SELLING (R.S.S.) AND SECURITIES BORROWING AND LENDING (S.B.L.) WILL BE RE-INTRODUCED IN THE DOMESTIC MARKET. THE AVAILABILITY OF SHORT-SELLING WILL FACILITATE INNOVATION IN RELATION TO RISK MANAGEMENT PRODUCTS THAT ARE INCREASINGLY BEING REQUIRED BY DOMESTIC AND INTERNATIONAL INVESTORS, AND IS THEREFORE INTEGRAL TO OUR OBJECTIVES OF CREATING A FULLY DEVELOPED CAPITAL MARKET.

LADIES AND GENTLEMEN

31. IN TIME, I AM CONFIDENT THAT YOU WILL TAKE NOTE OF THE SUBSTANTIAL CHANGES THAT THE MALAYSIAN CAPITAL MARKET HAS AND IS GOING THROUGH, AS WE IMPLEMENT INITIATIVES TO BUILD A WORLD-CLASS CAPITAL MARKET IN SUPPORT OF THE LARGER ASPIRATION OF ATTAINING DEVELOPED NATION STATUS BY 2020. LET ME ASSURE YOU THAT THE MALAYSIAN GOVERNMENT IS FULLY COMMITTED TO IMPLEMENT FORWARD-LOOKING POLICIES AND INITIATIVES THAT WILL ATTRACT DOMESTIC AND INTERNATIONAL INVESTORS. IN THE FORESEEABLE FUTURE, IT IS MY WISH TO DEVELOP A VIBRANT CAPITAL MARKET WITH AMPLE OPPORTUNITIES FOR DOMESTIC AND INTERNATIONAL MARKET PLAYERS TO FLOURISH. I HOPE YOU

WILL JOIN ME IN THAT EFFORT TO RAISE STANDARDS AND DEVELOP THE MALAYSIAN CAPITAL MARKET INTO A WORLD-CLASS MARKET.

32. ON THAT NOTE, I WISH YOU A PRODUCTIVE AND FRUITFUL "INVEST MALAYSIA 2006" CONFERENCE.

THANK YOU.

\* SPEECH DELIVERED BY Y.B. TAN SRI NOR MOHAMED BIN YAKCOP, MINISTER OF FINANCE II, ON BEHALF OF THE Y.A.B. PRIME MINISTER