Key Capital Market Measures in 2003

Capital market measures introduced in 2003 were aimed at improving retail investors' participation and protection, enhancing market liquidity and efficiency, easing the process for capital-raising and listing, and strengthening intermediation in the Malaysian capital market. The key measures were as follows:

Enhancing Investor Participation

- Effective 17 March, the cap on **stamp duty for all securities traded on the Kuala Lumpur Stock Exchange (KLSE) was reduced to RM200 per contract** (previously capped at RM1,000 per contract).

- On 26 May, the **exercise to standardise board lot sizes to 100 units** from the previous 1000 units for all securities listed on the KLSE was completed.

Increasing the Efficiency of the Capital-Raising Process

- In line with the **reduction in the processing time for IPOs** to less than three months from the present six to eight months, the time-to-market period (period beginning from the issue of prospectus to the first day of listing) was also reduced to 13 days (from 25 days previously), effective 1 December 2003.

- Beginning 12 March, all corporate proposals which required **approvals from both the Foreign Investment Committee (FIC) and the Securities Commission (SC) would be processed by the SC only.** In cases where the SC's approval was not required, the approval remained with FIC.

- On 18 November, a set of **guidance notes on share splits** for public listed companies was introduced. Among others, liberalisation included abolishing the requirements for the appointment of a principle adviser to submit proposals and for the approved share split exercise to be implemented within three months.

Strengthening Investor Protection and Corporate Governance

- On 3 June, the SC issued the "**Guide on Areas of Compliance and Internal Controls for Management Companies and Trustees**" to assist fund management companies and trustees in establishing effective internal controls within their respective organisations. The Guide identified key areas of compliance and internal controls.

Enhancing Restructuring of Distressed Companies

- On 18 June, the SC issued a set of **criteria for delisted PN4 companies to seek re-listing on the KLSE.** The criteria, among others, allowed delisted PN4 companies to seek re-listing without the requirement for a general public offering, provided that the application was submitted within 12 months from the date of delistment.

- On 19 November, the SC announced **a six-month extension of the deadline for under-capitalised public listed companies to increase their paid-up capital to at least RM60 million for Main Board companies and RM40 million for Second Board companies.** The new deadline is 30 June 2004.

Liberalisation of KLSE Listing Policies

- Effective 11 March, the **moratorium on the shareholding period for promoters (which includes original owners and stakeholders of the companies) for all new IPOs/ Reverse Takeovers (RTO) was reduced from four years to one year.**

- On 11 March, the SC issued a set of **new guidelines to ease the listing process for large companies.** The new guidelines exempted large companies (with a minimum market capitalisation of RM250 million and after-tax profits of at least RM8 million for the latest financial year) from the three to five profits record requirement.

- On 19 September, the SC announced further liberalisation of the Guidelines on Issues/Offer of Securities to widen the breadth of listings in the Malaysian equity market. The revised listing policy **allowed Malaysian businesses abroad and foreign corporations with Malaysian operations to list on the KLSE.** The companies must also obtain the approval of Bank Negara Malaysia, where applicable, for the use of proceeds from the issue/offering of securities.

- **Amendments to the share buy-back guidelines** were made to allow flexibility for companies to undertake share buy-back activities. With effect from 7 October, a listed company would be allowed to appoint up to two stockbroking companies for the purpose of purchasing its own shares or reselling treasury shares on the exchange.

Strengthening the Role of Intermediaries

- Effective 9 June, the SC implemented the **minimum stockbroking commission rates structure.** The minimum commission rates would only apply to retail trades, while the rates applicable to institutional and inter-broker trades would remain fully negotiable. The minimum commission rates announced were as follows:

Category of trade	Minimum rate per contract
Inter-broker and Institutional trades	Fully negotiable
Retail trades valued above RM100,000	0.30%
Retail trades valued up to RM100,000	0.60%
E-broking transactions	Up to 30% discount

- On 20 November, the SC refined the **Capital Adequacy Requirement (CAR) framework for stockbroking companies**. The enhancement was aimed at facilitating the re-engineering of business models in the stockbroking industry and would enable stockbroking companies to utilise their capital more efficiently.

- On 10 December, the SC introduced the **Guidelines on the Offering of Structured Products**. The aim was to facilitate universal brokers, merchant banks, commercial banks, including Islamic banks, and performance-guaranteed Special Purpose Vehicles to issue "structured products" to meet the needs of an increasingly sophisticated Malaysian capital market.

Further Relaxation on the Uses of PDS Proceeds

- On 1 August, the SC liberalised **rules on use of proceeds from private debt securities (PDS)** to allow such funds to be used to finance the development of hypermarkets. Prior to this, the "construction of hypermarkets" fell under the definition of the "construction of shopping complexes" which was previously not allowed to be funded through PDS proceeds.

Enhancing Skills and Professionalism

- On 1 April, the SC launched the **Capital Market Graduate Training Scheme** which was aimed at increasing the pool of graduates with skills and knowledge on the capital market.