

Security commision malaysia

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INTRODUCTION SECURITIES COMMISSION Securities Commission is a general term used for a government department or agency responsible for financial regulation of securities products within a particular country. Its powers and responsibilities vary greatly from country to country, but generally cover the setting of rules as well as enforcing them for financial intermediaries and stock exchanges. The Securities Commission Malaysia (SC), is responsible for the regulation and development of capital markets in Malaysia.

Established on 1 March 1993 under the Securities Commission Act 1993, it is a self-funding statutory body with investigative and enforcement powers. It reports to the Minister of Finance and its accounts are tabled in Parliament annually. The SC's many regulatory functions include: * Supervising exchanges, clearing houses and central depositories; * Registering authority for prospectuses of corporations other than unlisted recreational clubs; * Approving authority for corporate bond issues; Regulating all matters relating to securities and futures contracts; * Regulating the take-over and mergers of companies * Regulating all matters relating to unit trust schemes; * Licensing and supervising all licensed persons; * Encouraging self-regulation; and * Ensuring proper conduct of market institutions and licensed persons. The SC's objective, as stated in its mission statement, is to promote and maintain fair, efficient, secure and transparent securities and futures markets and to facilitate the overall development of an innovative and competitive capital market.

MALAYSIA CAPITAL MARKET A capital market is a market for securities (debt or equity), where business enterprises (companies) and governments can

raise long-term funds. It is defined as a market in which money is provided for periods longer than a year, as the raising of short-term funds takes place on other markets such as the money market). The capital market includes the stock market (equity securities) and the bond market (debt). Financial regulators, such as Securities Commission Malaysia (SC) oversee the capital markets in their esignated jurisdictions to ensure that investors are protected against fraud, among other duties Capital markets may be classified as primary markets and secondary markets. In primary markets, new stock or bond issues are sold to investors via a mechanism known as underwriting. In the secondary markets, existing securities are sold and bought among investors or traders, usually on a securities exchange, over-the-counter, or elsewhere. Role of Securities Commission in Malaysian Capital Market The main role of securities commission is to regulate the Malaysian capital market by implementing Capital Markets and Services Act 2007(CMSA).

This Act repeals the Securities Industry Act 1983 (SIA) and Futures Industry Act 1993(FIA). The CMSA which takes effect on 28 September 2007 introduces a single licensing regime for capital market intermediaries. Under this new regime, a capital market intermediary will only need one license to carry on business in any one or more of the following regulated activities such as dealing in securities, trading in futures contracts, fund management, advising on corporate finance, investment advice and financial planning.

Licensing ensures an adequate level of investor protection, including the provision of sufficient safeguards to protect investors from default by market intermediaries or problems arising from the insolvency of such

intermediaries. More importantly, it instills confidence among investors that the organizations and people they deal with will treat them fairly and are efficient, honest and financially sound. Through its authority to issue licenses, the SC regulates the market by ascertaining the fitness and propriety of companies and individuals applying for licenses.

In considering whether an applicant is fit and proper to hold a license, the SC takes into account the following factors: * Probity – adherence to the highest principles and ideals; * Ability to perform such functions efficiently, honestly and fairly; * Financial status; * Reputation, character, financial integrity and reliability; Under this measure, intermediaries hold a Capital Markets and Services License as opposed to multiple separate licenses, which effectively reduces administrative and compliance costs, and ultimately saves time.

In addition, SC also advised the public not to make any investment with companies that are not licensed or approved by them. SC provide a list of known companies and websites which are not authorized nor approved under the securities laws to deal in securities, trade in futures contracts, advise on corporate finance, provide investment advice, financial planning and/or fund management services related to securities and futures for the public to take note. Last but not least, SC will also continue to monitor those intermediaries that hold the Capital Markets and Services License from time to time, to ensure the albeit to their laws.

The Malaysian Capital Market Compliance with International Standards and Transparency Although Malaysia has not undertaken the IMF/World Bank Financial Sector Assessment Program (FSAP), the Securities Commission (SC), as the competent regulatory authority for oversight of the capital

market, has voluntarily undertaken independent assessments under the various standards set by the IMF/World Bank, and the International Organization of Securities Commissions (IOSCO).

The SC has also supported the move to comply with international best practices on accounting-related matters. A. Code on Corporate Governance for Listed Companies Malaysia embarked on extensive corporate governance reforms since 1998, included introduction of a code of corporate governance and immediate steps to implement changes in the composition and role of board of directors. Out of 10 recommendations to strengthen corporate governance stated in the Capital Market Masterplan by Securities Commission, nine of it has been carried out since 2004.

These included strengthening of revelation rules, corporate whistleblower protection and major reforms to patch up government-linked corporations (GLCs). Malaysia voluntarily agreed to be assessed under the Corporate Governance Reports on the Observance of Standards and Codes (CG ROSC) by the World Bank in 2005, based on a methodology that is benchmarked against the internationally accepted OECD Principles of Corporate Governance.

Malaysia has published the CG ROSC that was completed in 2005. B. IOSCO (International Organization of Securities Commissions) - Assessment on Objectives and Principles of Securities Regulation (IOSCO Principles) In 2008, the Securities Commission undertook an independent assessment by IOSCO to benchmark its compliance against IOSCO's 30 core principles on securities regulation.

The principles covered the responsibilities of the regulator, its enforcement powers, the regulation and supervision of primary and secondary markets, market intermediaries, the management and operation of unit trusts, and clearing and settlement. The Malaysian capital market regulatory framework was assessed as fully compliant with virtually all of the IOSCO Principles. Malaysia was rated fully implemented for 28 out of 29 principles, and also for 18 out of the 19 recommendations for Principle 30 on clearing and settlement.

Furthermore, Securities Commission has continued to enhance its regulatory framework, processes and protocols in identified areas. Steps are also being taken to address the measures required to become fully compliant with the other two remaining Principles. C. Compliance of CRAs with IOSCO Code Following the release of the revised IOSCO Code, the domestic credit rating agencies (CRAs), RAM and MARC, have adopted the revised IOSCO Code in their own code of conduct.

The updated codes, published in early 2009, broadly aimed at enhancing standards and conduct of credit rating agencies in the quality and integrity of the rating process, CRA independence and avoidance of conflicts of interest, CRA responsibilities to the investing public and issuer, and disclosure of the code of conduct and communications with market participants. The adoption of the IOSCO Code by RAM and MARC is an important achievement as only seven CRAs had implemented the code, namely Fitch, Moody's and Standard & Poors, the Japan Credit Rating Agency and the Dominion Bond Rating Service.

D. Assessments on Compliance with the 40+9 Recommendations by the FATF In January 2007, Malaysia was assessed for compliance with the 40+9 recommendations of the Financial Action Task Force on Money Laundering (FATF) an inter-governmental body whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering and terrorist financing. (AML/CFT). The Mutual Evaluation Report is published on the APG website. Measures undertaken by the SC for the capital market sector contributed to a high level of compliance.

Malaysia was rated as fully compliant with nine and largely compliant with 24 recommendations. In 2008, the SC implemented several measures to implement the recommendations in the Mutual Evaluation Report. These included measures on market conduct and business practices for stockbrokers and licensed representatives, amending the provisions in the SC's guidelines relating to customer due diligence requirements and politically exposed persons and setting up a networking group to encourage a more proactive participation by the capital market intermediaries towards ensuring higher standards of AML/CFT compliance.

E. Compliance with International Accounting Standards Furthermore, the SC is also operational directly with the respective Malaysian accounting boards to integrate accounting principles, with a commitment on full convergence with international accounting standards by 2012. RECOMMENDATION We hope that Securities Commission will continue to play their role well in Malaysian capital market to ensure all investors are protected by them.

This will surely benefit all investors who invest in Malaysia capital market as their risks are reduced and accurate information is provided by SC.

CONCLUSION After completing this project, we understand that the Securities Commission (SC) plays a very important role in the Malaysian Capital Market. As SC's mission statement – “to promote and maintain fair, efficient, secure and transparent securities and futures markets and to facilitate the orderly development of an innovative and competitive capital market”.

SC role is to regulate the capital market and protecting the investors is their ultimate responsibility. SC is also obliged by statute to encourage and promote the development of the securities and futures markets in Malaysia. As a Malaysian we should feel proud on this association as SC really put their very great effort on the work toward our country's capital market and result in a very huge improvement in our capital market. As a result, everyone could earn money by investing in a “healthy” capital market.