



**DATUK ZARINAH ANWAR**  
Chairman  
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**THIS year was one of increased awareness of accounting standards and professional integrity for corporate Malaysia. In your view, what will be the trend going forward?**

The events of 2007 have highlighted the risks arising from the lack of corporate integrity to the reputation of the Malaysian capital market.

I think the private sector, and in particular industry professionals, are realising that there are limits to regulatory reach, given that the regulatory framework is already at world-class level.

For there to be truly high levels of ethical and professional conduct, industry professionals and directors of PLCs need to expand their proactive involvement to raise professional standards and ingrain integrity into their corporate cultures and day-to-day operations.

Together, both the SC and the private sector must build on the momentum of awareness and this will be a major part of the SC's work for 2008.

The other important player in building the overall culture of integrity will be the investor.

It is a significant trend in developed markets that investors are very active and vocal in protecting their rights and making sure that the boards of directors of PLCs and the auditing profession understand that investors will not tolerate any misconduct and even performance shortcomings.

Investors must use the various avenues open to them to make sure their voices are heard.

**What are some of the improvements put in place and how would these put the corporate sector in a stronger position?**

The efforts to strengthen the corporate governance framework began with the introduction of the Code of Corporate Governance and the Capital Market Masterplan.

With strong support from the Government, the implementation has been quite effective.

In 2007 alone, there have been further substantial initiatives such as the proposed formation of the Public Companies Oversight Accounting Board (PCOAB).

These efforts have been well recognised internationally, with the World Bank Report, *Doing Business 2007*, ranking Malaysia fourth for investor protection.

In the bank's report on the Observance of Standards and Codes 2005 (ROSC), Malaysia achieved full scores for compliance with International Financial Reporting Standards.

In 2007, our enforcement actions have been swift and have focused on civil action, particularly to freeze assets and to file for restitution for investors.

Overall, we have seen improvements in corporate governance practices and some CEOs and chairmen have been impressive in terms of providing leadership in driving corporate governance throughout their entire companies.

These companies have attracted a lot of attention from international

# PLCs need to raise professional standards

A major part of the Securities Commission's (SC) work in 2008 will be to build on the momentum of awareness in relation to professional integrity in the corporate circle, says SC chairman Datuk Zarinah Anwar.

In the increasingly vibrant Islamic finance market, the HSBC group is consolidating its business across the Asia Pacific region, using Malaysia as a regional centre of excellence, according to HSBC Bank Malaysia deputy chairman and CEO, Irene M. Dorner.

Perisai Petroleum Teknologi managing director Nagendran Nadarajah believes that higher oil prices and increasing demand for energy will drive further mergers and acquisitions in the oil and gas industry.



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investors and are trading at substantial premiums in the stock market.

Their CEOs and management are held in high regard and their companies have developed brands that have helped them attract talent.

We need more PLCs to come on board in this regard so as to help grow the reputation and the brand of the Malaysian capital market.

**What should companies do to further enhance corporate responsibility and transparency?**

At the directors and management level, they need to provide the vision and leadership.

Then they need to "walk the talk" to ensure there is buy-in across the whole company.

Corporate responsibility is about integrating responsible and ethical practices in all aspects of a compa-

ny's operations.

Most companies would shape their approach to corporate responsibility appropriate to their philosophy and business but ultimately corporate responsibility would aim to

promote the long-term sustainability of the business.

Overall, a lot more thought needs to go into creating an environment of greater transparency and communication between PLCs and their investor base.

The days when management could operate without accountability and not answer to their minority shareholders and the public have long passed.

The boards now operate with increased fiduciary duties and, in keeping with increased public expectations, should seek to expand their role and contributions.

Another aspect of meeting the challenges of the new environment is the need to put greater resources into maintaining a fruitful relationship with investors through developing an effective investor relation

function.

It is not only about seeing investors when there is good news and the share price is going up. It is, in fact more important to communicate with investors when the share price is going down and investors are wondering what is happening.

Good investor relations would ensure that the PLC is able to provide the necessary transparency on developments so as to build a long-term relationship of trust and confidence.

In addition, PLCs should also seek to tap the feedback of investors, particularly shrewd and experienced institutional investors, in terms of their views on the PLCs' strategies as well as for their ideas on how to strengthen shareholder value.

**Is your organisation planning any additional measures to boost the monitoring of companies?**

Over the past few years, we have invested substantial resources and beefed up capacity to strengthen our surveillance of corporate practices.

As is clearly evident, we have increased our effectiveness in detecting and prosecuting corporate misconduct, irregularities and fraud.

The SC now implements a comprehensive risk assessment methodology that places greater focus on the substance of transactions.

We have strengthened our capabilities to analyse trends not only for financial data but also for non-financial information.

We are currently in the midst of strengthening our information gathering and database capabilities and also planning to expand the scope of our corporate surveillance through enhancing our risk surveillance parameters.

More broadly, we see that the Malaysian market has grown to a reasonable level of sophistication that allows the SC to adopt a less prescriptive approach and move to a principles-based approach that emphasises more on self- and market discipline.

We believe in ensuring that there is clear accountability and greater capacity for self-policing. This should be the first line of defence.

There is a need also to expand the role of the market, particularly that of investors, in providing the necessary discipline through their vigilance.

The SC's role should be one of intervention when these self- and market disciplinary mechanisms do not function effectively.