

DEVELOPMENT OF THE CAPITAL MARKET IN MALAYSIA

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INTRODUCTION

The effective mobilisation of financial resources is a critical prerequisite for economic growth and an efficient and competitive capital market is an important pre-condition for the mobilisation of financial resources. Financial resources can be tapped from domestic as well as international sources. Emerging markets in Asia have been attracting foreign capital flows for quite some time. The growth and development of capital markets in emerging countries, therefore, have been proceeding to a large extent under the influence of foreign capital flows. At the same time, national authorities in emerging markets have made efforts to strengthen and develop their indigenous capital markets. The Asian financial crisis was a major setback for these efforts, however.

Malaysia's capital market is more highly developed than many other emerging markets, but it has much to do to develop to the next phase. Growth, structural change, and the pressure of competition have made it imperative to further accelerate the development of the capital market. The implementation of the government's Capital Market Master Plan covering the period 2000-2010 will be a major factor in shaping the future development of Malaysia's capital market.

1. The authors are grateful for the substantial research input provided by Ms Tang Kar Mei from the Securities Commission. The views expressed in this paper are entirely the writers' own and should not be

This paper addresses the development of the capital market in Malaysia with a focus on consolidation, restructuring, and governance. The first section deals with the links between economic growth, development, and structural change in the capital market. This is followed by a description of the institutional regime for the capital market, including the modernisation of exchanges, regulation, and intermediation services. A separate section takes up the international dimensions of the capital market. A final section looks into the future changes to the capital market as the Capital Market Master Plan is implemented.

ECONOMIC GROWTH AND DEVELOPMENTS IN THE CAPITAL MARKET

Financing Past Economic Growth

The World Bank classified Malaysia, which had a per capita income of US\$3,516 (RM13,361) in 2000, as a middle-income country. Malaysia's economy has a more than satisfactory growth record, growing at 6.7 percent per annum from 1971 to 1990 and at 7 percent per annum from 1991 to 2000. The economy contracted by 7.4 percent in 1998 following the financial crisis, but it commenced recovery in 1999 and grew by 8.5 percent in 2000. The current global economic slowdown has adversely affected the economy, with marginal growth of 0.4 percent recorded in 2001 and growth of 3.5 percent anticipated for 2002.

The structure of the economy has changed as it has grown. Agriculture's contribution to GDP, export earnings, and employment has declined while manufacturing has risen in importance. The manufacturing sector accounted for about a third of GDP in 2000 compared to about 27 percent in 1995. Non-resource based industries, such as electronics and electrical machinery, account for more than half (55 percent) of the value-added in manufacturing. Manufactured export's share of total exports reached about 85 percent in 2000. The service sector accounted for 52.4 percent of GDP in 2000. Malaysia has a high savings rate. Savings grew at a rate of 10.2 percent per annum

taken as bearing institutional support.

over the period 1996-2000. Investment declined from 45.8 percent of GNP in 1995 to 29 percent in 2000.

Capital market financing has grown along with Malaysia's economy. Reflecting rising income, savings, and public and private sector demand, the amount of funds raised in the capital market over the thirty years 1962-92 increased RM7.5 billion per annum. This 16 percent annual rate of growth was roughly double the growth rate for the economy as a whole. Nevertheless, the banking system was still the main provider of funds, extending RM10.2 billion per year over the same period. Net new funds raised in the capital market in 1961 amounted to just RM140 million, but increased to RM405 million in 1970, and multiplied to RM2.5 billion in 1980. In 1992, for the first time, funds raised in the capital market (RM13.8 billion) slightly exceeded the amount of financing provided by the banking system (RM13.7 billion net new lending). In 2000, total net funds raised in the capital market reached RM40.4 billion, up from RM26.2 billion in 1999 (Table 1).

The private sector has increased fund-raising through the capital market at a faster rate than the public sector. In 2000, the private sector raised about RM26.8 billion, which was about double the RM13.6 billion raised by the public sector. Public sector borrowings from the capital market have been declining since 1990, because of the strategy to downsize the operations of the public sector and the increasing emphasis on the role of the private sector in the economy.

TABLE 1
Funds Raised in Malaysia's Capital Market
(RM million)

	1991	1992	1993	1994	1998	1999	2000
Public Sector							
Government Securities, gross	3,500	3,800	1,600	2,500	14,950	10,000	16,413
<i>Less</i> Redemptions	343	2,420	2,225	3,549	6,200	6,676	5,286
<i>Less</i> Government holdings	0	0	50	-97	0	0	0
<i>Equals</i> Net Federal receipts	3,157	1,380	-675	-952	8,750	3,324	11,128
Khazanah Bonds (net)					2,732	2,598	551
Govt. Investments Issues (net)		100	1,000	2,800	-750	0	2,000
Malaysia Savings Bond (net)			855	-70	-928	375	-19
Net funds raised by public sector	3,157	1,480	1,180	1,778	9,804	6,297	13,659
Private Sector							
Shares	4,392	9,181	3,245	8,159	1,788	6,096	6,004
Debt securities	1,966	4,123	4,934	10,294	14,152	26,558	31,097
<i>Less</i> Redemptions	125	991	1,369	1,297	7,977	12,750	10,331
<i>Equals</i> Net issues	1,841	3,132	3,565	8,997	6,175	13,808	20,766
Net funds raised by private sector	6,233	12,313	6,810	17,156	7,963	19,804	26,770
Total Net Funds Raised	9,390	13,973	7,990	18,934	17,767	26,202	40,429
Short-term papers and Notes (net)			4,400	19,092	185	-720	-1,626
Total	9,390	13,793	9,908	20,943	17,951	25,481	38,803

Notes: Debt securities excludes issues by banking institutions. Short-term papers and notes refers to Commercial Papers and Cagamas Notes only. Data for 2000 are preliminary.

Source: Bank Negara Malaysia Annual Report. Various years.

Capital Market Development

The capital market refers to markets for medium- to long-term financial assets. For our purposes the capital market encompasses corporate stocks, public and private debt securities with maturity exceeding one year, and shares with no fixed maturity period which are traded in the stock market, the government bond market, and the market for private debt securities. Government securities through issues of Malaysian Government Securities (MGS) account for the bulk of the funds raised by the public sector. Private debt securities (PDS) are the main source of capital market funding for the private sector, with the equity market also providing a sizeable portion through rights issues and initial public offerings (IPOs). The domestic currency (ringgit) bond market has expanded since the financial crisis, supplying some RM34.4 billion in 2000, about 85 percent, of the total net funds raised (Table 1). Low interest rates, financing for expansion, and corporate debt restructuring all contributed to the increase in public and private debt securities. The total value of outstanding

bonds reached RM242 billion in 2000 compared to RM202.5 billion in 1999, with PDS comprising 58 percent of outstanding bonds in 2000.

The variety of capital market products and services as well as fund-raising capacity expanded significantly, particularly during the 1990s. Up to the late 1980s the government's funding needs dominated fund-raising in the capital market. As much as three-quarters of funds raised were to finance public sector investments. Privatisation in the late 1980s and 1990s resulted in increased financing needs among private sector firms. The capital market expanded to meet this demand. During the 1980s and 1990s improving trading and clearing and settlement systems strengthened the equity market. At the end of September 2000 stock market capitalisation reached RM489 billion with 788 listed companies. Exchange-traded derivatives were introduced in 1980 with crude palm oil futures and later warrants/transferable subscription rights (TSRs) and call warrants were introduced. Stock index futures were introduced in 1995 and a three-month financial futures contract was launched in 1996. Venture capital financing was encouraged during the 1990s, and by the end of 1999 the government had a stake in nineteen venture capital companies. A new equity exchange (MESDAQ) was established in late 1997 to promote high-growth and technology companies.

The other services and products that support these markets also expanded, including activities of investment management funds, stockbrokerages, and advisory services. By September 2000 Malaysia had 62 licensed stock brokerages, 32 futures broking companies, and 735 licensed futures brokers' representatives. The unit trust industry grew with the addition of various schemes, the entry of new firms, and regulatory reforms in the 1980s and 1990s.

Various Islamic products and services have been developed and promoted since the first Islamic bank, Bank Islam, was established in 1983. Islamic securities have been growing and some of the leading corporations have issued long-term corporate debt utilising Islamic-based instruments. The first Islamic unit trust was set up in 1993, and in 1996 the Securities Commission (SC)

established the Syariah Advisory Council (SAC) to advise it on Islamic capital market operations.

In 2000, the government introduced a number of new measures to further develop the capital market. These measures included: strengthening the stockbrokerage industry through consolidation, promoting the bond market with new guidelines and regulations, relaxing rules on the use of proceeds from issuance of PDS, enhancing the market mechanism and competitiveness, improving corporate governance and the protection of minority shareholders, and promoting the fund management industry.

Capital Market Development and Future Capital Requirements

In the past, banks played the major role in mobilising financial resources for Malaysia, but the financial system must diversify to avoid over-burdening the banking system as the economy grows and changes structure. While the banking system will continue to be an important part of Malaysia's financial system, the insurance industry and other specialised institutions and the capital market must play a more prominent role. With the increased importance of the capital market will come increasing disintermediation, i.e., a shift from bank lending to direct financing through the capital market. Corporations will also consider listing their shares on foreign stock exchanges to gain access to the global equity market. Within the capital market there is a need to develop the bond market. The value of outstanding bonds was only 67 percent of GDP in 1999, compared with 157 percent of GDP for outstanding bank loans.

Moreover, the capital market must expand its financing capacity in order for Malaysia to meet its development goals. Mobilising sufficient financial resources is one of the primary requirements for development. Furthermore, resource mobilisation will be more efficient if markets are more competitive. Thus, required financial investment is a key quantum in the Malaysian government's overall development policy, the Outline Perspective Plan 3 (OPP3), and in its master plans for the capital market and the financial sector.

The OPP3, which lays out the general vision for Malaysia's economic development to 2010, targets a growth rate of 7.5 percent, which is to be accomplished primarily by improving productivity. The plan envisions that, of this growth, total factor productivity (TFP) will contribute 42.4 percent, up from 25.5 percent in the previous plan period, while capital will contribute 36.6 percent (down from 50.2 percent) and labour will contribute 20.9 percent (down from 24.3 percent). These assumptions imply that Malaysia will need total private investment of RM1,052 billion during the plan period (12.7 percent per year real growth). But, if TFP growth falls below the OPP3's optimistic assumption, then capital will need to make a larger contribution, and the amount of investment required will be larger.

The Capital Market Master Plan (CMP) projects the economy will require RM930 billion in new capital expenditures (investment) over the 2001-2010 period to increase output by 7.3 percent. This assumes a relatively efficient incremental capital-output ratio (ICOR) of 2.74. But if capital is less productive, an ICOR of 4.9 for example, Malaysia would require RM1.5 trillion in new investment (30 percent of GDP) to achieve this same rate of growth. Assuming 30 percent of the required funds are sourced from the capital market, then the markets would have to make available some RM500 billion over the next 10 years, or about RM50 billion per year.

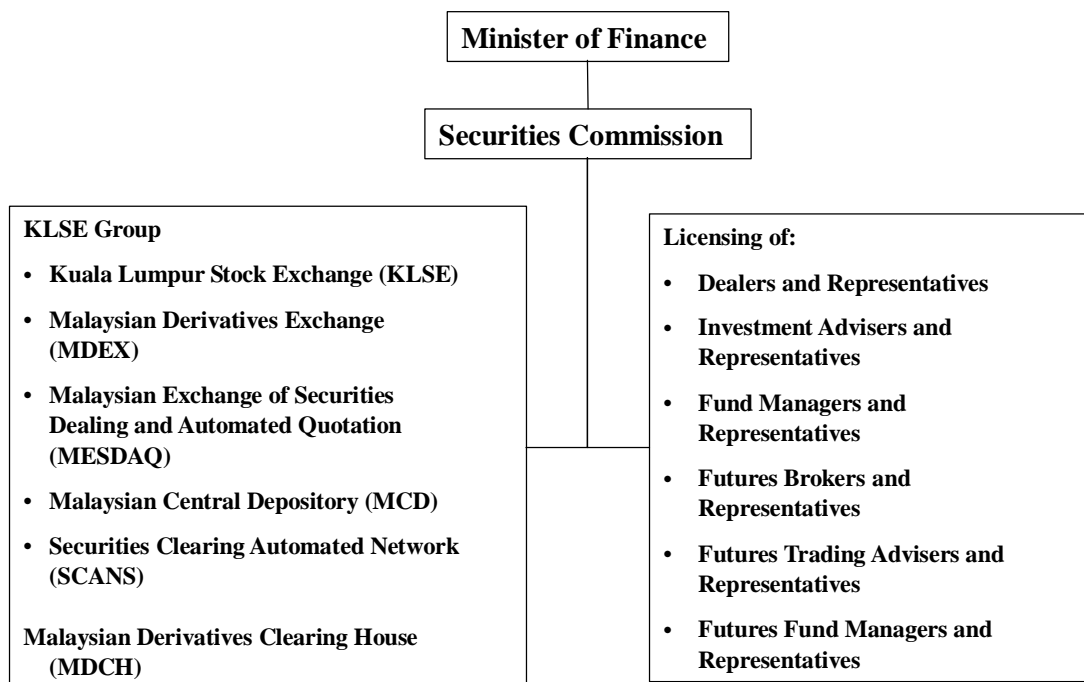
The Financial Sector Master Plan (FSMP) anticipates public investment to grow by 5.4 percent per year and private investment to grow by 17.5 percent per year over decade from 2001 to 2010. At these rates, total investment will amount to RM2,231 billion. This is three times the RM790.9 billion invested during the previous plan, from 1991 to 2000.

INSTITUTIONAL REGIME OF MALAYSIA'S CAPITAL MARKET

The current institutional regime of the capital market in Malaysia is depicted in Figure 1. Under the authority of the Minister of Finance, the Securities Commission licenses capital market players and oversees the activities of the several exchanges and institutions that comprise the Kuala Lumpur

Stock Exchange (KLSE) Group. This institutional organisation is the culmination of a period of new product introduction and subsequent consolidation of exchanges and the concomitant consolidation of regulatory control over the capital market.

**FIGURE 1
Overview of the Institutional Structure of the Malaysian Capital Market**



Modernisation of the Exchanges

Although the KLSE traces its history to the 1930s, the present exchange was formally established in 1973. At that time, many Malaysia-incorporated companies were also listed and traded through the Stock Exchange of Singapore (SES) and vice-versa for Singapore-incorporated companies. A significant milestone for the KLSE occurred in 1990 with the de-listing of Singapore-incorporated companies and the de-listing of Malaysian companies listed on the SES. This move paved the way for the KLSE to carve out a position as a stock exchange with a truly Malaysian identity.

The KLSE is an order-driven market. Trading was completely computerised in 1992 with the

full implementation of the System on Computerised Order Routing and Execution (SCORE) automated trading system, which effectively eliminated the need for a physical trading floor by facilitating trading through member stockbrokerages located all over the country. In 1993, the Central Depository System (CDS), an automated clearing and settlement system replaced the practice of holding and moving physical scrip of quoted shares with a safe and dependable computerised book entry system. Companies are listed either on the Main Board or the Second Board of the KLSE and are classified into sectors based on their core businesses.

The Malaysian Exchange for Securities Dealing and Automated Quotation (MESDAQ) was approved in October 1997 as a separate stock exchange to promote the development of high-growth and technology companies in Malaysia. It was intended to be a mechanism to facilitate capital raising by technology-intensive industries with strong growth prospects which lacked a track record of profits and to develop a strong science and technology base through indigenous research and development efforts, including the development of the Multimedia Super Corridor (MSC). Trading on MESDAQ commenced in April 1999, but by the end of 2000 the exchange had listed only three companies.

The range of capital market products expanded when the Kuala Lumpur Commodity Exchange (KLCE) was established in July 1980 as the first futures exchange in Southeast Asia. The range widened further when the Kuala Lumpur Options and Financial Futures Exchange Bhd (KLOFFE) and the Malaysian Derivatives Clearing House Bhd (MDCH) were established. The introduction of KLOFFE's stock index futures contract in December 1995 was a significant event in the development of the capital market, as it made Malaysia the third Asian economy after Hong Kong and Japan to offer domestic equity derivatives products. The Malaysian Monetary Exchange (MME) was set up in May 1996 to provide fixed income derivatives, namely the three-month KLIBOR (Kuala Lumpur Interbank Offer Rate) futures contract.

The KLCE merged with the MME in December 1998 and became the Commodity and

Monetary Exchange of Malaysia (COMMEX) to reflect the diversity of its products. Then KLOFFE became a subsidiary of the KLSE Group in January 1999. Continuing the earlier wave of consolidation, in June 2001 KLOFFE and COMMEX merged to become Malaysia Derivatives Exchange Berhad (MDEX). In 2002 MESDAQ joined the KLSE Group, ceased business as an exchange, and was re-launched as a new MESDAQ Market on the KLSE. This means that virtually all of Malaysia's capital market institutions have been brought under the umbrella of the KLSE.

Consolidation of Capital Market Regulation

The regulatory infrastructure of Malaysia's capital market has undergone major enhancements in the last decade—including streamlining, deregulation along with appropriate re-regulation, and increased regulatory and enforcement capacity—aimed at developing a fairer and more efficient capital market and facilitating market innovation. Before 1993, responsibility for overseeing the Malaysian securities industry fell variously on the Registrar of Companies (ROC), Capital Issues Committee (CIC), Panel on Take-overs and Mergers (TOP), Foreign Investment Committee (FIC), Bank Negara Malaysia (BNM), Ministry of Trade and Industry (MITI), and Kuala Lumpur Stock Exchange (KLSE). The need for a more streamlined regulatory framework and, in particular, a single regulatory body with a broad overview of capital markets became apparent as the market expanded and matured and it was identified explicitly in the Sixth Malaysia Plan for 1991–1995.

The Securities Commission Act 1993 established the Securities Commission (SC) on 1 March 1993. The new SC's main roles were to act as a single regulatory body to promote the development of the capital market and to take responsibility for streamlining the regulations of the securities market and for speeding up the processing and approval of corporate transactions.² Since its

2. The SC is responsible to the Minister of Finance and tables its annual report and accounts to parliament. It is empowered to investigate breaches of securities regulation, enforce rules and regulation, and prosecute securities offences. The CIC and TOP were dissolved and their functions absorbed by the SC. A number of functions pertaining to the capital markets previously undertaken by other authorities were also transferred to the SC gradually over the ensuing years.

establishment, the SC has undertaken a substantial programme of law reform in recognition of the important influence of the regulatory framework on the growth and development of the capital market. Legislation governing the securities industry consists of the Securities Industry Act 1983 (SIA), the Securities Industry (Central Depository) Act 1993 (SICDA), the Companies Act 1965 (CA), the Securities Commission Act 1993 (SCA) and the Futures Industry Act 1993 (FIA).

With regulatory consolidation, the SC has the primary responsibility for oversight of the securities industry, with BNM, FIC, and the ROC involved to some extent as well. The SC's regulatory and supervisory purview includes the supervision of the exchanges, clearing houses, and central depositories; the issue of securities; takeovers and mergers; unit trust schemes; the designation of futures contracts; and the registration of securities markets participants. Other functions include advising the Minister of Finance on all matters relating to the securities industry; safeguarding the interests of investors; promoting proper market conduct; suppressing illegal market practice; considering and suggesting legal and regulatory reforms in relation to the securities industry; and encouraging the development of the securities industry in Malaysia.

Development of Capital Market Intermediation Services

In tandem with the development of institutions and regulatory infrastructure, capital market services have also developed significantly over the years. Managed investment funds in Malaysia consist broadly of funds managed by provident and pension funds, unit trust management companies, asset management companies, insurance companies, and others. At the end of 1999, these institutions collectively deployed about RM280 billion, just half the amount managed by the banking sector (RM560 billion).

Malaysia introduced unit trusts relatively early on compared with other markets in the region. The first unit trust was established in 1959, but only five new unit trust companies, with a total of 18 funds, were established over the next twenty years. More focused efforts to develop the industry

came in the decade from 1980 to 1990. In 1981 Amanah Saham Nasional Bhd launched Skim Amanah Saham Nasional (ASN) to promote savings in the Bumiputera community and encourage Bumiputera ownership in the corporate sector. Property trusts were added to the list of products available to investors in 1989. In 1990, the Bumiputera Trust Fund (ASB) was launched to replace ASN.

The 1990s was the decade of fastest growth for the Malaysian unit trust industry in terms of the number of new companies established and funds under management. The centralisation of regulation of the industry with the formation of the SC in 1993 and extensive marketing strategies adopted by the ASN and ASB were influential in making unit trusts household products during this period. The total net asset value of unit trusts grew more than four-fold from RM11.7 billion at the end of 1990 to RM60.0 billion at the end of 1996.³ Although growth of these funds has moderated since the financial crisis of 1997–98, the number of units in circulation and the number of unit holders have nevertheless continued to increase. From February 2000 Registered Institutional Unit Trust Agents were allowed to market the unit trust products of third parties, a move that was positively received by market participants. The asset management industry has grown in line with the growth of the unit trust industry as well. In February 2002 there were 76 licensed fund management companies and 229 licensed fund managers' representatives.

As the capital market developed, so too did the scope, quality, and penetration of intermediation services offered by securities brokers. Stockbrokerages, which are members of the KLSE, typically carry out a range of activities. These include trading in KLSE-listed instruments and other securities, offering investment advice, and providing authorised nominee/custodian services. Some qualified stockbrokerages also participate in underwriting new securities issues. Stock broking services are fairly widely dispersed throughout the country, due mainly to government policy during the developmental years of the capital market which limited the

concentration of stockbrokerages by geographic location.

Although the market downturn in 1997–98 had an adverse impact on the industry—particularly on brokerages with lower capitalisation, weak risk management, and poor internal controls—comprehensive measures have been introduced since then to substantially strengthen the industry as a whole. In addition, the SC introduced a number of measures to instil a greater sense of financial discipline in brokers and to enhance the strength of the stock brokering industry as a whole. Prudential measures were implemented based on international best practice, including the introduction of new risk-based capital adequacy requirements and new rules to enhance the protection of client assets.

While the number of market participants in the futures broking industry has fallen somewhat since the onset of the 1997–98 regional financial crisis, the representation of futures intermediaries in the capital market is still relatively strong given the current market size. At the end of January 2002, Malaysia had 25 futures broking companies and 11 futures fund managers.

Corporate finance advisers include merchant banks, approved stock broking companies, public accountancy firms, law firms, and such other parties that advise companies submitting applications to the SC. At present only merchant banks and approved stock broking companies are permitted to submit to the SC proposals on behalf of listed companies for its consideration.⁴

INTERNATIONAL DIMENSIONS OF THE CAPITAL MARKET—CAPITAL FLOWS AND FOREIGN INVESTMENT

As outlined in the previous section, the capital market changed and developed significantly during the 1990s and rapidly assumed a more prominent place in Malaysia's financial sector. The gradual

3. Federation of Malaysian Unit Trust Managers.

4. The current regulation also stipulates that unlisted companies, with the exception of those applying for flotation on the stock exchange, may do so through either a merchant bank, approved stockbroking company or an approved public accounting firm. Companies can also submit a proposal through a discount house or a commercial bank but only for issues involving non-equity-linked debt securities.

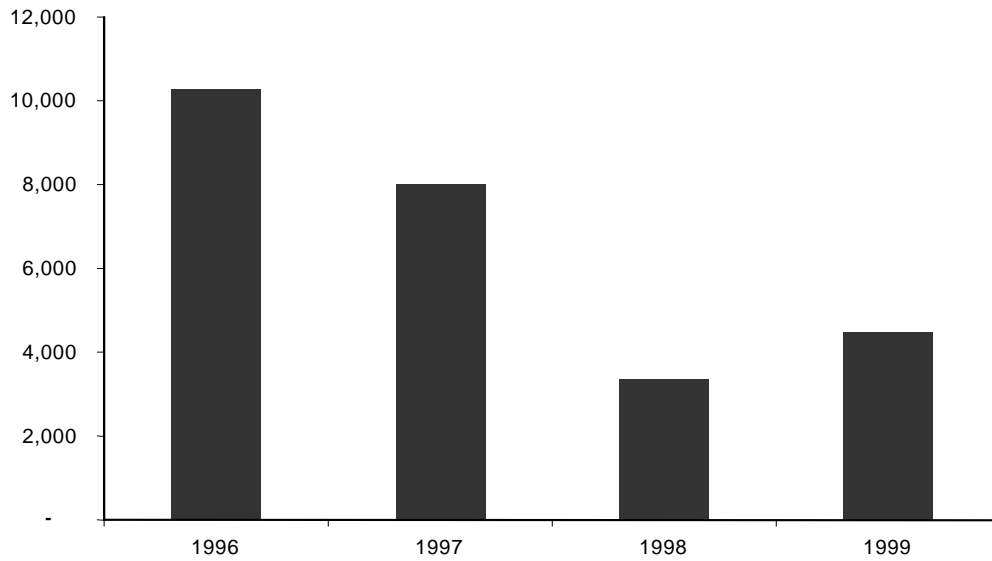
internationalisation of the capital market has played an important role in this development, as well as raising new issues concomitant with increased global integration. The internationalisation of the equity market depended on achieving a combination of sufficient scale and liquidity and attractive valuations, among other conditions. The international bond market has also become an important source of long-term funding for larger Malaysian corporations. In particular, offshore bond issues increased in the mid-1990s reflecting in part the relatively more attractive cost of overseas funds due to the upward shift in the term structure of domestic interest rates during 1995 and increased foreign demand.⁵

The onset of the Asian crisis in 1997–98 adversely affected offshore fund-raising activities by Malaysian corporations, however. With the crisis, a spate of credit-rating downgrades across emerging market issuers and a significant increase in the credit risk premium demanded by global investors led to a significant increase in the international cost of funds for Malaysian companies. As the cost of overseas funds increased the amount of funds raised by Malaysian companies through international bond issues declined (Figure 2).

Similarly, foreign activity in Malaysia's equity and derivatives markets declined following the regional financial crisis. Annual foreign net portfolio investment in Malaysian securities fell sharply from its 1993 peak to negative levels in 1997–98 before recovering gradually (Figure 3). As of mid 2001, foreigners accounted for 10.7 percent of shareholders but held 15.9 percent of the total value of equity on the KLSE.

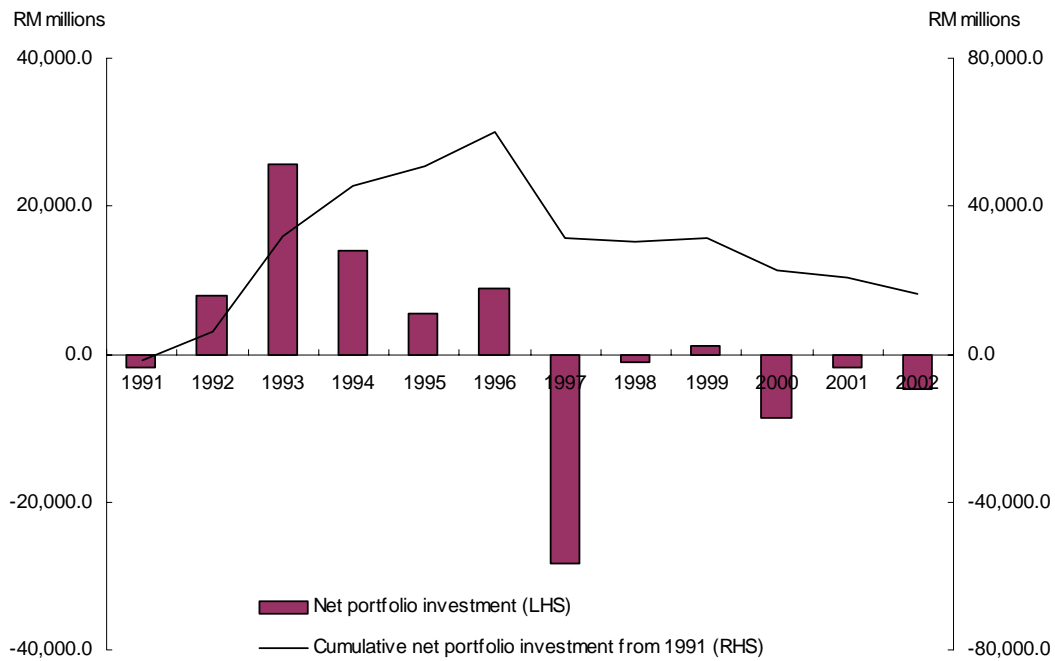
5. In 1995, four companies—Petronas, Telekom Malaysia, Malayan Banking and Tenaga Nasional—raised nearly US\$1.7 billion (RM4.3 billion) in total. In 1996, given the continued availability of cheaper credits, facilitated by their enhanced credit ratings in the international markets, several companies again tapped the offshore market with a total of 15 issues worth almost US\$4.1 billion (RM10.3 billion).

FIGURE 2
International Bonds Raised by Malaysian Companies
 (RM million)



Source: Bank Negara Malaysia.

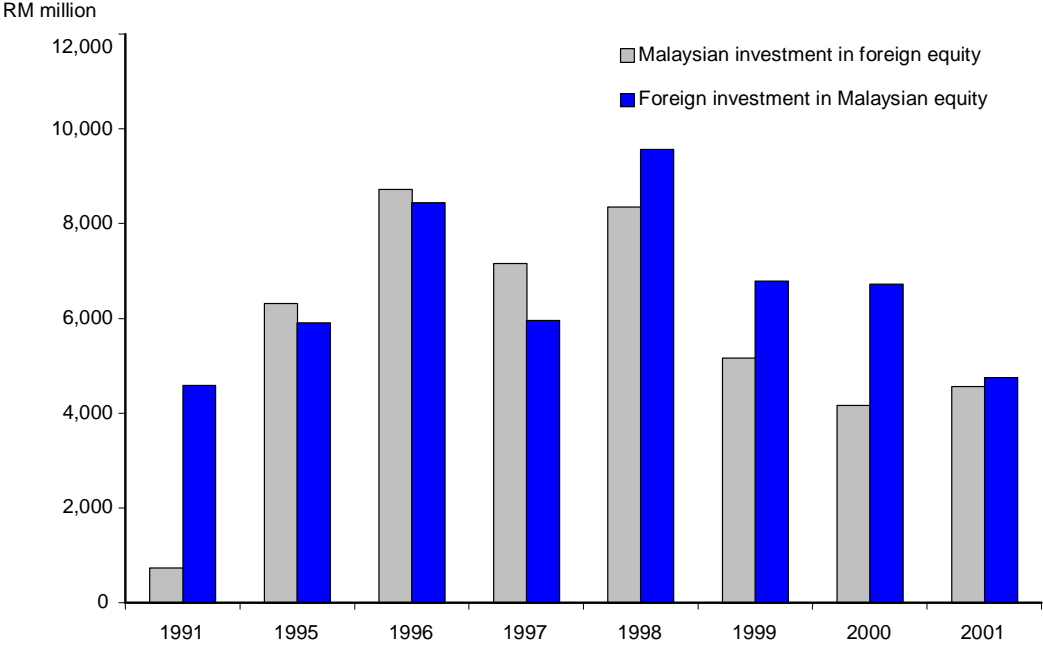
FIGURE 3
Annual and Cumulative Foreign Net Portfolio Investment into Malaysia, 1991-2002



Source: Bank Negara Malaysia.

Malaysian investment in foreign businesses increased sharply over the 1990s. While gross foreign equity investment in Malaysian businesses rose by only 3.7 percent over the period 1991-2001, Malaysian ownership of foreign businesses surged by 519.5 percent (Figure 4). This surge in investment abroad reflects to some extent government policy to encourage reverse investment to create synergistic relationships with foreign markets. Another thrust of this policy was the disaggregation of production processes to retain the high value-added operations in Malaysia and create supporting production ventures offshore appropriate to the local skill and technology levels.⁶

FIGURE 4
Gross Equity Investment in Business Activities to and from Malaysia, 1991-2001



Note: Refers to equity participation through the setting up or expansion of businesses, including joint venture projects, where the investor has an effective voice in the management of the business. This excludes the purchase/sale of listed securities (which are classified as portfolio investment under BNM's Cash Balance of Payments Reporting System) unless such acquisition results in a degree of management control in the company.
 Source: Bank Negara Malaysia.

As Malaysia's economy has become more open and more intertwined with the global environment through international trade, so too has the capital market. Malaysia's involvement in

6. Seventh Malaysia Plan, 1996–2000.

various global multilateral negotiations to liberalise access to the financial services sector reflects the government's recognition of the importance of liberalisation in furthering Malaysian economic interests. In the 1994 Uruguay Round of Multilateral Trade Negotiations of the General Agreement on Trade in Services (GATS), Malaysia's commitments included measures to raise limits on foreign equity ownership in stock broking companies and measures relating to the entry of managers, specialists, experts and professionals, and commercial presence. In December 1995, Malaysia also entered into the ASEAN Framework Agreement on Services, one aspect of which was to develop commitments on financial services liberalisation.

Foreign involvement in Malaysia's capital market services sector is already evident. At the end of February 2002, foreign equity ownership was above 40-percent (but less than 50 percent) at three licensed stock broking companies and it was above 20-percent at six more firms. Also, eleven licensed futures broking companies had some degree of foreign ownership and two were wholly foreign-owned. In August 1995, the SC introduced Guidelines on the Establishment of Foreign Fund Management Companies (FFMCs) as part of its efforts to promote and develop the fund management industry.⁷ As of the end of February 2002, 16 fund management companies had some degree of foreign ownership. Of these, eleven had joint ventures with majority local ownership, two were wholly foreign-owned, and three were joint ventures with majority foreign ownership. Four of these fund management companies also held futures fund manager licenses.

CONSOLIDATION, RESTRUCTURING, AND GOVERNANCE OF THE CAPITAL MARKET

Framework for Consolidation

International financial systems are becoming more and more interdependent and markets for various assets are becoming increasingly integrated. The resulting blurring of the distinction between

7. The Guidelines were revised in July 2000.

institutional arrangements and financial activities in turn challenges the ability and capacity of regulatory authorities to ensure seamless regulation. Changing demands on the regulatory framework and authorities are compelling a shift towards a more market-based regulatory approach that fosters innovation and competition by allowing market participants to react swiftly and respond appropriately to changes in the marketplace.

To claim a position within the rapidly changing domestic and international environment a national capital market must have a clear strategy. In August 1999 the Minister of Finance announced a mandate for the Capital Market Master Plan (CMP) to provide such a comprehensive and cohesive strategy for Malaysia. The CMP, which was completed and released in February 2001, set out the vision and objectives for the capital market for the coming 10-year period. It identified a host of wide-ranging measures to promote the market's growth and to develop an internationally competitive, highly efficient capital market supported by a strong and facilitative regulatory framework. The broad objectives of the CMP are:

- To develop the capital market as the preferred fund raising centre for Malaysian companies.
- To promote an effective investment management industry and a more conducive environment for investors.
- To enhance the competitive position and efficiency of market institutions.
- To develop a strong and competitive environment for intermediation services.
- To ensure a stronger and more facilitating regulatory regime.
- To establish Malaysia as an international Islamic capital market centre.

These objectives are linked to 24 strategic initiatives and 152 recommendations in the areas of market institutions, the stock broking industry, the derivatives market, investment management, the equity and bond markets, the Islamic capital market, technology and e-commerce, training and education, corporate governance, and the regulatory framework. A pragmatic programme for further deregulation and liberalisation was also formulated to facilitate greater competition in

various capital market sectors and industries in an orderly and sequenced manner.

The CMP is being implemented in three phases:

Phase I: 2001-03

- Strengthen domestic capacity and develop strategic and nascent sectors.

Phase II: 2004-05

- Further strengthen key sectors and gradually liberalise market access

Phase III: 2006-10

- Further expand and strengthen market processes and infrastructure to become a fully developed capital market.
- Enhance international positioning in areas of comparative and competitive advantage.

Some of the major initiatives and developments in the consolidating, restructuring, repositioning, and enhancing capital market governance are discussed in detail below.

Demutualisation of the Consolidated Exchange

Globalisation, innovation, and technology have brought profound challenges to the traditional role, influence, and position of market institutions. Malaysian exchanges and clearing houses must strengthen, and where necessary redefine, their value proposition to their users in light of the changing operational environment. To carve out a place in the global market, Malaysia's market institutions must be able to adapt promptly and appropriately to these challenges. Fundamentally they need to offer investors a liquid, efficient, secure, and transparent trading environment at competitive cost. They also need to offer competitive listing and fund raising costs, as well as sufficient international visibility, so that issuers can obtain appropriate value recognition of their securities. The CMP recommended that the exchanges should consolidate, demutualise, and list in order to be able to accomplish these goals.

One key to the future development of the capital market is the creation of a single exchange with the consolidation of all the existing exchanges under the KLSE Group, which is largely accomplished. Consolidation will enhance the collective efficiency of the various market institutions, enabling them to tap into economies of scale and scope by sharing market infrastructure

and integrating common operational functions across the merged institutions. An integrated environment will also give them greater capacity to introduce new products and services and allow them to use their combined financial strength to meet external competition. This is particularly relevant to developing market segments that do not presently have sufficient depth to support separate exchanges. A single combined exchange would be in a stronger competitive position than separate exchanges acting individually to pursue strategic alliances and other international business strategies.

The next step is the demutualisation of the exchange and listing on the stock market, which is planned for 2003. Demutualisation will allow the consolidated exchange to adopt the structures and strategies needed in a competitive and dynamic business environment. With more professional management and streamlined organisational structure, a demutualised exchange will be able to respond to these challenges in a timely and focused way with commercially oriented strategies and practices. Under a demutualised structure, the exchange should be more customer-driven and market-orientated because commercial decisions will take account the collective interests of many stakeholders, including issuers and investors, and not simply reflect the majority vote among different sized broker members.

Listing of the demutualised exchange's shares will encourage wider dispersion of ownership, increase public representation in the governance of the exchange, promote transparency and accountability, and provide incentive structures to align the interests of management with commercial interests of the exchange. Moreover, it would broaden the base of capital on which to expand and further develop the exchange's operations. Finally, as a listed company, the exchange would be held to high standards of transparency and accountability, which would benefit its stakeholders.

The details and procedures for the demutualisation of the exchange by the target date of 2003 are still being worked out. Experience in other countries will need to be considered and adapted to

conditions in Malaysia. Important considerations for policy makers and regulators as they change the governance structure will be to minimise conflicts of interest and to safeguard the public interest. Such conflicts arise with for-profit exchanges because resources also need to be allocated for regulatory activities. Senior executives may face conflicts in allocating their time between profit-making and regulation. There could also be conflicts between the exchange's listing and supervisory functions and its broker and supervisory functions. The extent of ownership by the current members of the exchange will also have to be determined. Demutualisation will probably require a suitable legislative framework. Although the shareholding of the demutualised exchange could be more widely dispersed, institutional shareholders could play a more prominent role. In Singapore, for example, the demutualised Singapore Exchange Limited (SG) had 11,877 shareholders at the end of December 2001, compared to only 33 members at the time the Stock Exchange of Singapore (SES) merged with the Singapore International Monetary Exchange, Limited.

Corporate Restructuring and Fund-raising

In the wake of the 1997 regional financial crisis, Malaysian authorities have been actively involved in facilitating and, where possible, expediting corporate workouts and debt recovery. The Corporate Debt Restructuring Committee (CDRC) was established in August 1998 to facilitate debtor-creditor negotiation in debt settlement.⁸ The SC has also been occupied with debt restructuring and corporate workouts and with facilitating capital raising to spur the revitalisation of economic activity. It has tried to ease the burden of financial obligations on local firms and market participants without compromising investor protection or market integrity.⁹

8. Since its inception until end-2001, 37 cases with debts amounting to RM34.5 billion have already been resolved. As at that date, 12 cases with debts amounting to RM18.0 billion remained outstanding and are targeted for resolution by 31 July 2002.

9. Effective 30 September 1999 the SC allowed greater variations of profit guarantee agreements, subject to strict investor protection conditions, in cases where the guarantors could demonstrate that they did not have the financial capability to fulfil the profit guarantee obligation. Apart from this, new guidelines announced on

Improving the fund-raising environment is a top priority for the future. Malaysia needs an efficient and competitive market to support capital formation for ongoing economic development. A well-functioning capital market is crucial to financing corporate restructuring and economic growth and to further diversifying the sources of funds within the financial system.

The SC's programme to shift from merit-based regulation to disclosure-based regulation (DBR), which was recommended by the CMP, is one key to making fund-raising more efficient. By adopting DBR the SC's aims to reduce its involvement in assessing the merits of investment opportunities and to enhance the role of issuers and their advisers and investors in capital allocation and decision-making. DBR places emphasis on transparency, due diligence, corporate governance, and the promotion of accountability and self-regulation.

The SC is making the change in three phases with full DBR now targeted for 2003. It is gradually shifting the onus for assessing the merits of investment onto investors through due diligence while requiring companies to adopt higher standards of information disclosure and governance. From 1996 to 2000 the SC made significant steps toward a more disclosure-based environment and improved disclosure standards. It introduced major changes to the SCA and adopted new guidelines for public offerings that incorporate elements of DBR. Phase 2 is a partial implementation of DBR. The SC continues to examine corporate proposals relating to the issue or offer of securities, but it does not intervene as long a proposal complies with the "Policies and Guidelines on Issue/Offer of Securities". The SC is evaluating the preparedness of capital market players before moving to full DBR. Phase 3 will emphasise information quality, compliance, and enforcement.

Higher standards of accounting are important for improving governance and transparency.

3 September 2001 included a reduction in the post-restructuring net-tangible-asset position requirement for distressed listed companies, thus allowing a wider pool of viable assets to be injected into distressed companies as part of their restructuring schemes.

(The Enron debacle is a timely reminder of the consequences of lax accounting practices and inadequate governance standards.) The development of financial markets and new products will make stringent demands on the practice and standards of valuing assets. In particular, an historical cost approach to accounting and valuation can have limitations. Where markets are absent or underdeveloped the treatment of “fair value” for new financial instruments, such as derivatives, can be problematic. The prices of derivatives tend to be volatile and unpredictable and can lead to severe losses.

Many actions have been taken to develop the corporate bond market as a competitive source of financing. In 1999 the National Bond Market Committee was formed and the SC became the sole regulator of the corporate bond market. Following the recommendation of the CMP, the SC introduced guidelines to facilitate the offering of asset backed securities (ABS) in April 2000. By the end of February 2002, the SC had approved a total of RM2.14 billion in ABS proposals. Other initiatives include efforts to further streamline the bond issuance process and lower the associated costs and to encourage secondary bond market activity by improving accessibility and efficiency of the bond-trading infrastructure.

Developing a market for risk capital is an important facet of Malaysia’s thrust to become a knowledge economy and build a production base that adds more value. Risk capital encompasses informal investment by business angels, venture capital, and stock markets specialising in SMEs and high-growth companies. The CMP identified a range of capital market-related measures to promote the development of high-growth and technology companies. It focused in particular on ways to enhance MESDAQ’s role as an effective exit mechanism for venture capitalists. Another step in spearheading the development of the risk capital industry was the formation of a central coordinating agency for venture capital development under the Ministry of Finance as announced in the 2001 Federal Budget.

Consolidation of the Stock Broking Industry and Reduction of Transaction Costs

The domestic stock broking industry operated in a relatively sheltered environment. Barriers to entry included stringent licensing and domestic ownership requirements, limitations on geographic concentration, and fixed brokerage commissions. Although these conditions supported the past development of the industry, they might become a drag in the future, particularly because they have potential ramifications for the quality and scope of services for users of the capital market.

The domestic capital market grew and the increasingly competitive global market environment made it necessary for Malaysia to undertake a thorough review of the stock broking industry and develop a cohesive strategy. For one thing, the presence of a large number of small players competing with a few dominant firms pointed to the need for industry consolidation. Consolidation would increase economies of scale and scope, create of larger, better-capitalised and better-managed institutions, and ultimately provide investors with higher quality services at reasonable cost. At the same time, the increasing conglomeration of financial services is blurring traditional boundaries between banks, fund management companies, insurance companies, and securities brokers. Technological applications such as online broking, for example, have also revolutionised intermediation in many jurisdictions, providing end-users with faster, cheaper, and more direct access to the market.

The stock broking industry must develop a stronger and more competitive environment for intermediation services and the CMP identified several measures to increase the industry's financial strength and its capacity to offer a wide range of high-quality, cost-effective, and integrated services and products. These measures include a strategy for progressive domestic deregulation, which entails allowing firms to expand the range of services and products they offer as well as to branch out geographically.

Specifically, the CMP recommended developing a core group of full-service domestic

intermediaries, known as Universal Brokers (UBs), which would form a competitive market for integrated financial services and which could maintain strong market positions under the challenges of liberalisation and globalisation. To become a UB an existing stockbrokerage must merge with three other brokerages.¹⁰ As an added incentive to industry restructuring, in August 2001 the SC issued guidelines to assist UBs in setting up electronic access facilities. UBs are now also allowed to give certain discounts for trades executed through the electronic access facilities.

The fixed-fee structures that have controlled the pricing of intermediation service are also being deregulated. For example, various fees in the derivatives industry—including futures broking and clearing commission rates, the commission-sharing structure between futures brokers and their representatives, and the shared commission rates between trading members and institutions—were made fully negotiable in December 2001. Liberalisation of brokerage commission rates for retail trades was deferred due to difficult economic conditions, but other trading costs have been reduced as planned. For example, in July 2001 KLSE reduced its fees for SCORE and clearing and the SC reduced its levy.

Enhancement of Corporate Governance Standards and Practices

Two issues that gained prominence following the Asian financial crisis—liberalisation and governance and transparency—have special relevance and importance to financial markets. All the Asian economies in one way or another are grappling with these two issues and the underlying theme or issue is the effect of short-term capital flows on emerging markets. Most Asian economies are addressing the need for liberalisation, although they are opening up at different speeds and they made different commitments to the World Trade Organisation (WTO). Malaysia's Financial Sector Master Plan and Capital Market Plan laid out a plan for the nature and speed of banking and capital market opening over the 2001-10 period. Malaysia had been making efforts to enhance corporate

10. Given the need to further rationalise the industry, stock broking companies that do not aspire to become

governance prior to the regional financial crisis of 1997–98, but the aftermath of the crisis sharpened the impetus for comprehensive and co-ordinated reforms. Prodded by the fallout from the crisis, in 1998 the Minister of Finance announced the formation of a high level committee to review the framework for corporate governance in Malaysia. The Finance Committee on Corporate Governance was charged to “undertake a review of the legal and regulatory infrastructure to evaluate its effectiveness in promoting sound corporate governance standards”, to develop a code of best practices in corporate governance, and to identify the training and education needs of directors and other key corporate participants and investors. The committee, with the SC acting as secretariat, released a report in March 1999 setting out over 70 recommendations for improving corporate governance through three specific areas: the Malaysian Code on Corporate Governance; reform of laws, regulations, and rules; and training and education.¹¹

The Report proposed a “prescriptive approach” to the Code of Best Practices with principles and practices for good governance similar to those recommended by the Hampel Committee in the UK. The Code aims at the boards of listed companies to improve their composition and to increase their efficiency and accountability. The Report's recommendations regarding corporate participants recognise that good corporate governance rests firmly with the board of directors. More attention and concern are now paid to the position of minority shareholders and to ensuring that their rights are not ignored or overridden. Laws and regulations will need to be updated.

The Finance Committee on Corporate Governance made several recommendations to improve disclosure and transparency. Disclosure preserves the integrity of the market by giving all investors equal and timely access to information. The Committee's recommendations include a rationalised regime for prospectus regulation, introduction of civil actions for insufficient disclosure, and

UBs are also required to merge with at least one other stockbroking company.

11. An Implementation Project Team leads and oversees the implementation of the broad-ranging recommendations contained in this report.

additional reporting by directors on the state of internal controls and the going-concern status of the company.

Legal changes recommended by the Committee, involving comprehensive streamlining of the regulatory structure to rationalise the regulation of fund-raising and bond market activities, are being put in place. Since the Report Malaysia has amended the securities laws and the Companies Act 1965, requiring auditors to report suspected breaches of securities laws, codified the duties of directors, and introduced curbs on a controlling shareholder's right to vote in related-party transactions.

The Working Group on Best Practices in Corporate Governance, comprised of representatives from the private sector, developed the Malaysian Code on Corporate Governance, which was subsequently approved by the Finance Committee on Corporate Governance. While adoption of these standards is voluntary, amendments to the KLSE's Listing Requirements announced in January 2001 brought the Code into effect by requiring companies to disclose in their annual reports the extent to which they have complied with the principles and best practices set out in the Code.

The Capital Market Master Plan builds upon the foundation laid by the Finance Committee's Report with measures to further enhance the enforcement of minority shareholders' rights, to improve continuous disclosure by listed companies, and to enhance auditors' responsibilities. The formation of the Minority Shareholder Watchdog Group, which appointed its first Chief Executive Officer in July 2001, was also an important step in promoting greater shareholder activism.¹² The Committee will monitor and combat abuses by company insiders against minority shareholders and encourage and support shareholders' interests. At the same time, the SC continues to focus on promoting investors' awareness of their rights and responsibilities.

Importantly, the authorities have made a committed effort at enforcement along with

12. The MSWG is founded by several of Malaysia's major institutional investors: the Employees Provident Fund, Lembaga Tabung Angkatan Tentera, Lembaga Tabung Haji and the Social Security Organisation.

promoting good corporate governance. Actions undertaken between 1999 and 2001 have placed increased emphasis on the need for accountability and transparency by the principal officers and persons controlling listed companies in the discharge of their duties. For example, Malaysia successfully prosecuted its first case of insider trading and the courts imposed substantial fines on the directors of several public listed companies for submitting false or misleading information.

On the international front, the SC has been actively involved in the Asia Pacific Economic Cooperation (APEC) Collaborative Initiative on Corporate Governance. Malaysia is the leader of the Initiative's Core Group, which also includes comprised Australia, the United States, the World Bank Group, and the Asian Development Bank. The APEC Finance Ministers endorsed the Initiative's report, *Strengthening Corporate Governance in the APEC Region*, in May 1999. The report essentially identified leading features or patterns in corporate governance practices in Asian economies, recommended means of addressing the problems and issues identified, and discussed areas in which further co-operative international efforts could accelerate the strengthening of corporate governance in these economies.

At the same time, broad-ranging measures have been undertaken to improve transparency and disclosure standards within the corporate sector. The imposition of quarterly reporting by KLSE-listed companies, enhanced disclosures in prospectuses, and a reduced timeframe for reporting changes in substantial shareholdings have been among the enhancements introduced.

Another key development was the establishment of the Malaysian Accounting Standards Board (MASB) and the Financial Reporting Foundation (FRF) in 1997. The former has statutory responsibility for setting national accounting standard under the Financial Reporting Act 1997, while the latter oversees the operations of MASB. MASB formulates standards with reference to the International Accounting Standards Committee and other national standard setters in order to align them with international best practices.

With the establishment of the FRF and MASB, Malaysia became the first country in Asia to set

up an independent, statutorily incorporated body to set accounting standards. A framework to ensure compliance and enforcement of the standards set by MASB has been introduced under the purview of the SC for public-listed companies, BNM for financial institutions, and the ROC for all other companies.

Moving Forward

A key priority in moving forward is to implement the recommendations in the Capital Market Master Plan effectively according to schedule. In the process, implementation must balance the need to increase competition, innovation, and liquidity in the capital markets with the overarching priorities of maintaining fair, orderly, and efficient markets with high standards of supervision, enforcement, and investor protection. The urgency for change needs to be continuously weighed against the potential implications for market stability and integrity. Thus, the implementation schedule and ongoing periodic assessments take into account the readiness of market participants to respond to market changes as well as the prevailing market conditions and the stage of market development.

Pragmatic sequencing is particularly essential in the deregulation and liberalisation of various segments of the capital market. Appropriate preparatory measures must precede the facilitation of competition within the domestic market in order to enhance the resilience of market participants beforehand and to avoid severe economic displacement from a sharp increase in competition. The implementation schedule for the CMP identifies certain areas of the capital market where action should be taken early on. These include certain strategic and nascent sectors—such as the investment management industry, venture capital industry, the Islamic capital market, and the derivatives market—where the immediate priority is to introduce greater competition and skills transfer to raise the level and quality of services and products offered in Malaysia's capital market. In addition, recommendations that carry broad-based implications affecting other recommendations

or a broad spectrum of market participants will be implemented sooner rather than later.

While pursuing deregulation and liberalisation, the regulatory authorities will maintain an active dialogue with market participants, international counterparts, and international bodies such as the International Organisation of Securities Commissions (IOSCO) to facilitate consistency with appropriate international standards and to closely monitor international developments. This is expected to foster the development of Malaysia's capital market.

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APPENDIX

APPENDIX TABLE A.1
Ranking of Major Bourses by Domestic Market Capitalisation

Rank	Country	End-1999 (US\$ billion)	Country	End-1996 (US\$ billion)
1	United States	16,642	United States	10,215
2	Japan	4,555	Japan	3,106
3	Great Britain	2,855	Great Britain	1,643
4	France	1,503	Canada	890
5	Germany	1,432	Germany	665
6	Canada	801	France	587
7	Italy	728	Hong Kong	449
8	Netherlands	695	Switzerland	400
9	Switzerland	693	Netherlands	375
10	Hong Kong	609	Australia	312
11	Spain	432	Malaysia	306
12	Australia	428	Taiwan	274
13	Taiwan	377	Italy	257
14	Sweden	373	Spain	241
15	Finland	349	Sweden	240
16	Korea	306	South Africa	240
17	Brazil	228	Brazil	217
18	Singapore	198	Singapore	153
19	Greece	197	Korea	139
20	South Africa	193	Belgium	119
21	Belgium	184	Mexico	107
22	Mexico	154	Thailand	96
23	Malaysia	140	Indonesia	91
24	Turkey	113	Philippines	80
25	Denmark	105	Denmark	71
26	Ireland	69	Chile	66
27	Chile	68	Finland	63
28	Portugal	68	Norway	57
29	Indonesia	64	Argentina	45
30	Norway	64	New Zealand	37
31	Israel	63	Ireland	35
32	Thailand	57	Israel	34
33	Argentina	56	Austria	34
34	Philippines	42	Luxembourg	32
35	Luxembourg	36	Turkey	30
36	Austria	33	Portugal	24
37	Poland	30	Greece	24
38	New Zealand	28	Iran	13
39	Iran	17	Peru	13
40	Peru	12	Poland	8

Notes: Based on information on exchanges in 40 countries compiled by Federation Internationale des Bourses de Valeurs. The figure for Germany in 1999 is the market capitalisation of the Deutsche Borse.
Source: Securities Commission *Capital Market Master Plan*

APPENDIX TABLE A.2
Consolidation and Integration of Market Institutions in Malaysia and Selected International Markets

Exchange / clearing house	Date	Form
London International Financial Futures and Options Exchange (LIFFE) and London Clearing House	March 1999 joint venture announced	Vertical integration of trading and settlement functions.
Brussels Stock Exchange, Belgian Futures and Options Exchange (BELFOX) and National Depository	March 1999 merged to form Brussels Exchange.	Consolidation of stock and derivative exchanges. Vertical integration of functional lines.
National Association of Securities Dealers Automated Quotation (Nasdaq), American and Philadelphia Stock Exchanges	June 1998 Nasdaq-AMEX-Philadelphia merger.	Consolidation of stock and derivatives exchanges.
Stockholm Stock Exchange and Swedish Derivatives Exchange	Early 1998 merged to form OM Stockholm Exchange.	
Lisbon Stock Exchange and Oporto Derivatives Exchange	November 1999 Portuguese government approved merger.	
Stock Exchange of Hong Kong (SEHK) and Hong Kong Futures Exchange (HKFE)	December 1999 merged.	
Stock Exchange of Singapore (SES) and Singapore International Monetary Exchange (SIMEX)	December 1999 merged to form Singapore Exchange (SGX).	
KLSE and KLOFFE	January 1999 KLSE acquired KLOFFE.	
KLSE and COMMEX	March 2000 signed Memorandum of Understanding (MOU) allowing COMMEX to join the KLSE Group.	
KLCE and MME	December 1998 merged to form COMMEX.	

Source: Securities Commission *Capital Market Master Plan*.

APPENDIX TABLE A.3
Amount and Share of Malaysian Government Securities Outstanding by
Original Maturity

	2-3 years	4-5 years	6-10 years	11-15 years	More than 15 years	Total
	Amount outstanding (RM billion)					
1990	-	2	11	12	37	62
1991	-	3	12	13	38	65
1992	-	2	14	14	37	67
1993	-	3	13	13	37	66
1994	-	2	12	14	37	65
1995	1	2	11	14	37	65
1996	1	4	14	13	35	67
1997	1	6	12	13	35	66
1998	2	7	15	15	37	75
1999	4	9	16	15	36	78
2000	7	12	24	12	34	89
	Share of total (%)					
1990	-	3.6	17.8	19.6	59.0	100
1991	-	4.2	17.8	20.3	57.7	100
1992	-	2.8	20.9	20.9	55.4	100
1993	-	5.3	20.2	19.1	55.4	100
1994	-	3.2	19.0	21.5	56.3	100
1995	1.5	3.3	17.7	21.0	56.5	100
1996	1.5	5.3	21.1	19.3	52.8	100
1997	1.5	8.5	18.8	19.0	52.2	100
1998	2.7	8.7	20.1	19.7	48.8	100
1999	5.1	10.8	19.9	18.6	45.6	100
2000	8.3	12.9	26.4	13.8	38.6	100

Note: 2000 figures are end-September. Data for 1999 and 2000 are preliminary.

Source: Securities Commission. 2001. *Capital Market Master Plan*.

APPENDIX TABLE A.4
Malaysian Government Securities Issuance Since 1990
(RM million)

Year	Gross Issue	Redemptions	Net Issue
1990	5,140	399	4,741
1991	3,500	343	3,157
1992	3,800	2,421	1,380
1993	1,600	2,225	(625)
1994	2,229	3,549	(1,320)
1995	2,000	2,250	(250)
1996	6,000	3,809	2,191
1997	3,000	3,648	(648)
1998	14,950	6,200	8,750
1999	10,000	6,676	3,324

Note: Data for 1999 are preliminary.

Source: Securities Commission 2001 *Capital Market Master Plan*.