

SECURITIES COMMISSION MALAYSIA PRESS RELEASE ON BUDGET 2010: NEW CAPITAL MARKET INITIATIVES

26 October 2009

Following YAB Prime Minister Dato' Sri Mohd Najib Tun Abdul Razak's Budget speech in Parliament on 23 October, Securities Commission Malaysia (SC) would like to provide additional details on some measures relating to the capital market.

1. Phased liberalization of commission-sharing arrangements

The process is being undertaken in two phases following industry feedback and to provide a transition period for industry participants to adjust to a fully deregulated commission-sharing environment.

The liberalization is to provide greater flexibility to both stockbroking firms and remisiers to explore a broader range of commission-sharing arrangements and provide more incentives to remisiers to expand their range of services to investors, and help attract more retail investors in the stock market. High-performing remisiers also stand to benefit through better performance-based compensation system.

The first stage, which takes effect immediately, allows a flexible brokerage sharing rate with a minimum 40% sharing rate for remisiers. Under the second stage, which takes effect on 1 January 2011, commission-sharing arrangements will be fully liberalized.

The process is being undertaken in two phases following industry feedback and to give time to industry participants to adjust to a fully deregulated commission-sharing environment. In line with this development, the current transfer fee structure will also be reviewed.

2. Promoting electronic payments in the capital market

The e-Dividends and e-Share Payment initiatives are an integral part of the initiative to move towards a paperless environment and promote the usage of electronic payments in the capital market.

The requirement for PLCs to provide e-Dividends is expected to be implemented by the third quarter of 2010. Prior to that, a series of investors' awareness programmes will be undertaken to familiarize investors with the benefits of e-Dividends. Investors will be given a one-year grace period to provide their bank account number to Bursa Malaysia Depository to enable the dividend payments to be credited directly into their bank account.

Stockbroking companies will also be required to provide e-Share Payment as an option for the investing public to receive and make payments on their share transactions. The measure is expected to be implemented by mid-2010. With e-Share Payment, payments will be credited into bank accounts more quickly and efficiently compared to cheques.