



1st international Conference on Corporate Governance

New Experience: **IMPLEMENTATION IN SOUTH EASTERN EUROPE**

ZAGREB

3rd November 2011

**Organised by: Faculty of Economics & Business
University of Zagreb**

THE MALAYSIAN AND ASIAN EXPERIENCE



By

Tan Sri Megat Najmuddin Megat Khas
President
Malaysian Institute of Corporate Governance

INDEX



- 1) Malaysia – Background
- 2) Corporate Governance Milestones and Progress
- 3) The need for proper National (Public) Governance
- 4) Curbing Corruption
- 5) Singapore
- 6) Japan
- 7) Hong Kong
- 8) Indonesia
- 9) Korea
- 10) China
- 11) India
- 12) Moving Forward
- 13) Reminders on Implementation
- 14) Conclusion



MALAYSIA – TRULY ASIA



- Small but diverse tropical country with 28 million people
- Multi Racial, Multi Languages, Multi Religious, Multi Cultural, Multi Race – based Parties, Multi Cuisine, Multi Government, Multi Monarchies, Multi Problems?
- Highly Political Country
- Legal System – Very British
- Economy stable, a good mix between agriculture, industries, tourism, oil and gas, palm oil.
- 17th biggest trading nation in the world – RM1 Trillion in 2010
- BURSA MALAYSIA – 950 plus Companies with market capitalization of approximately RM1 Trillion
- Lots of “baggage!” But we have SURVIVED, nay, THRIVED!



MALAYSIA (continued)

Free Enterprise Economy

Currency - Malaysian Ringgit (RM)
- (US\$1.00 = RM 3.00)

National GDP - 2010, US\$237.8 billion

National Per Capita Income – 2010, US\$8725 Rank 68

(Croatia) National Per Capita Income – 2010, US\$13,754 Rank 47

Source: World Bank

Foreign Reserves - September 2011 :
(US\$ 128 bil)

CORPORATE GOVERNANCE MILESTONES



1998	<ul style="list-style-type: none">• High Level Finance Committee Report on Corporate Governance• Incorporation of MICG
2000	<ul style="list-style-type: none">• Malaysian Code on Corporate Governance (CG Code)• Minority Shareholder Watchdog Group (MSWG)
2001	<ul style="list-style-type: none">• Capital Market Masterplan (CMP)• First Corporate Governance Report on the Observance of Standards and Codes (CG ROSC) by World Bank• Corporate governance requirements incorporated into the Kuala Lumpur Stock Exchange Listing Requirements.
2004	<ul style="list-style-type: none">• Whistleblowing provisions in securities laws
2005	<ul style="list-style-type: none">• Second CG ROSC commenced
2007	<ul style="list-style-type: none">• Qualification criteria for directors introduced, audit committee strengthened and internal audit function mandated• Enforcement powers for civil and administrative actions expanded to allow recovery of up to three times the amount of losses for a wider range of market misconduct offences



CORPORATE GOVERNANCE MILESTONES...(contd)

2009	<ul style="list-style-type: none">• The SC's enforcement power broadened by the introduction of section 317A and 320A of the Capital Markets and Services Act 2001 (CMSA)
2010	<ul style="list-style-type: none">• Audit Oversight Board (AOB)
2011	<ul style="list-style-type: none">• Securities Industry Dispute Resolution Center (SIDREC)• Capital Market Masterplan 2 (CMP2) – 2011-2020• Corporate Governance Blueprint

CAPITAL MARKET MASTERPLAN 2



Development of the Capital Market 2010 – 2020 :

Meeting challenges of the decade

Managing risks

Growth prospects till 2020

Promotion of capital formation

Expand market efficiency & size

CAPITAL MARKET MASTERPLAN 2...(contd)



Facilitate good governance culture

Build and strengthen information infrastructure

Governance for investor protection

Enhance product regulation to manage risks

Robust regulatory framework

CORPORATE GOVERNANCE BLUEPRINT 2011



Another major journey for corporate sector accountability :

Shareholders' rights

Directors' role & responsibilities

Transparency – information for decision- making

Role of corporate advisors ('gatekeepers')

Code of Corporate Governance – being amended

The Companies Act – full revision expected to be released by late 2012



CHANGE, the only constant!

1) Government Transformation Programme (GTP) – Civil servants to be efficient & dynamic, with Integrity

2) Economic Transformation Programme (ETP)
– High Income Nation
– Economic expansion, 5% currently, have to be higher

PEMANDU (an in-house consultancy) to have oversight over the programmes

3) 10th Malaysia Plan (TMP)
- To Achieve VISION 2020 – to be a developed nation in every sense of the word. . . a tough task now.

Implementation



We Need Good National (Public) Governance

Corporate Governance cannot exist in a vacuum,
Good National Governance is a pre-condition.

Judicious Enforcement of Laws needed – to build
confidence and credibility

No room for CORRUPTION in National Governance

Need for Good National (Public) Governance



THE CLAWS OF CORRUPTION

Vigorous anti - corruption actions by the Malaysian Anti -
Corruption Commission (MACC)

Role of the Malaysian Institute of Integrity (IIM)

Corporate Governance in Asia :



SINGAPORE – tropical Switzerland

- The right tone, always
- Firm political & public sector governance
- Strong education policies & system
- Affluent economy & good national financial management
- Steady hand on CG



THE JAPANESE SUMO

- Economy & business is market driven
- In last decade, the corporate world faced investors' demands for –
 - - transparency
 - - accountability
 - - information disclosure
 - - ethics
 - - shareholders' rights
- Premiership change – too often
- Many corporate scandals in recent years
- Still room for improvement on CG
- Political, economic & natural mishaps in recent years – badly handled



Special HONG KONG - SAR

- Has been and remains important gateway to Chinese commerce
- Effective anti – corruption drives through the Independent Commission Against Corruption
- Laws adopted from UK
- A leader in corporate law development in Asia

THE INDONESIAN SPICE ISLANDS



- Largest Muslim nation in the world (210 out of 240 million people), mostly low to medium income
- Militant politics often with religious influences
- Economy rapidly improving in the last 5 years
- Indication of less political clout in commerce
- Improving regard for CG



STEELY SOUTH KOREA

- GDP – US\$ 986 billion (2011)
- Population - 48 million, (2011)
- Percapita Income – US\$ 30,200 (2010)
- Foreign Reserves - US\$ 274 billion (Dec 2010)
- Asian Financial Crisis – 1997/98:
 - Economic policy weaknesses exposed.
 - Economic reforms however raised GDP by 2000.
- World Economic downturn in 2007/08
 - Slower growth in 2009, improved by late 2009, hitting 6%.

STEELY SOUTH KOREA...(contd)



- 2004 – Korea attained Trillion Dollar GDP status
- Now Korea is among 20 largest economies
- CG practise improved significantly
- However, corporate scandals still happened :
 - * HYUNDAI MOTOR – the Chairman, Chung Mong – Koo was charged with embezzlement & misappropriation of corp. funds (2006)
 - * SAMSUNG : Group President, Lee Kun Hee was charged with tax evasion (US\$ 114 million) & breach of trust

Two former Korean Presidents were tried for corruption and were sentenced to death.

Another ex-president committed suicide.



THE CHINA TYPHOON

- Huge economic programme since their government's free enterprise and easier foreign capital inflight policies in mid 1980's
- Improved education system & training overseas
- Large nation – differing laws amongst regions
- Suppression of civil rights persists in some regions



THE CHINA TYPHOON....(contd)

- Population – October 2011 – 1.34 billion
- GDP – US\$5.8 trillion (2010)
- External Foreign Reserves – April 2011 – US\$3 trillion (world's – 2nd biggest)
- By 2010 had become world's 2nd largest economy, after US
- Economic growth @ 10% p.a. over last 30 years
- Quality & extent of CG practices - suspect
- **NEVERTHELESS, it is now perceived to be an economic threat to many advanced economies.**



THE INDIAN elephant

- Population –1.2 billion in 2010,
mostly low – income
- GDP Growth, Dec 2010, US\$1.6 trillion
- Foreign Reserves – US\$318 billion as at Oct 2011
- Renowned for IT expertise
- Corruption issues prevail

MOVING FORWARD – WHAT NEXT for Asia?



Large scale economic problems :

1985 – Widespread slowdown

1997 – Asian financial crisis

2007 – Subprime disease

2011 – Recession pervades

More economic & natural disasters ?

Are emerging nations ready to face the challenges ?



MOVING FORWARD (Continued)

Asia wants to learn from the West but not commit their mistakes eg: Enron, World Com, Societe General.

Business world, politicians & government must be accountable & responsible to uphold trust.

Remember always that
Corporate Governance Is Essentially About
Leadership



- Leadership for efficiency
- Leadership for probity
- Leadership for responsibility; and
- Leadership which is transparent and accountable



and,

Corporate Governance is about focusing on the quality of life, not quality of goods.

- Three requirements for quality of life are:
- Social Cohesion
- Ecological Integrity
- Effective decision making on the long run basis

We need Leadership by example



“If you govern the people legalistically and control them by punishment, they will avoid crime, but have no personal sense of shame. If you govern them by means of virtue and control them with propriety, they will gain their own sense of shame, and thus correct themselves.”

-Confucius

Thus the example must begin FROM THE TOP



ALL IN TANDEM

- Good National Laws and ENFORCEMENT
- Economic Plans
- Financial Management
- Politics and Leadership

HEARTS & MINDS OF THE NATION MUST BE ONE !!

We need a good strong value system
based on:



- 1. HONESTY**
- 2. RESPONSIBILITY**
- 3. HUMILITY, and**
- 4. LOVE**

in Government, Politics and business.



Remember

“The things that will destroy us are:

- ***politics without principle;***
- ***pleasure without conscience;***
- ***wealth without work;***
- ***knowledge without character;***
- ***business without morality;***
- ***science without humanity;***
- ***and worship without sacrifice.”***

- Mahatma Gandhi

ABOVE ALL , YOU (WE) must be



True to:

- *Your self*
- *Your Family*
- *Your Organisation*
- *Your Country*

Signage at New Delhi Airport



Remember...

“Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it is the only thing that ever has.”

Margaret Mead
Anthropologist



The Last Word

“My country is the world and my religion is to do good”

*Thomas Paine, English political theorist,
The Rights of Man (1792)*



THANK YOU