

# Malaysia's Capital Market Masterplan 2



**By Ronald Tan**

The Capital Market Masterplan 2 (CMP2) was launched by the Prime Minister on 12 April 2011. This was a momentous landmark in the growth of the Malaysian capital market and also signifies the successful execution and completion of the first Capital Market Masterplan (CMP1) in the past decade.

CMP1 managed to establish a diversified Malaysian capital market with strong intermediaries operating in a well-regulated environment. With the current capital market valued at RM2 trillion, it is anticipated that under CMP2, the markets will reach RM5.8 trillion within the next 10 years.

With Growth with Governance being the theme of CMP2, it seeks to continue the expansion of the capital market's role in stimulating Malaysia's economic growth. CMP2 recognises the need to tackle challenges facing the efficacy of markets brought about by the global financial crisis of 2008. In addition, it aims at higher transparency amongst market participants and an assurance on the directional purpose of the long-term development of the capital market in a vigorous and varying environment.

## The evolving regulatory landscape

Malaysia has an internationally benchmarked and well-regulated capital markets framework. It has also demonstrated its strength and resilience during the global financial crisis from which it emerged relatively unscathed. The CMP2 will encourage more open capital market intermediaries. This will in turn offer a broader range of business opportunities and a wider variety of domestic and international products and services. To achieve this, intermediaries have to be of global standard, and supervisory oversight and regulatory capacity have to be bolstered to be in control of risks. Furthermore, rules and processes must be more capable of facilitating the materialisation of new business models.

## Growth with governance

The CMP2 identifies and focuses on several major growth strategies. These include ideas to promote capital formation, expand

intermediation efficacy and scope, deepen secondary market liquidity and risk intermediation, facilitate internationalisation, as well as build capacity and strengthen information infrastructure. Its strategies prioritise maintaining investor protection and market stability by enhancing product regulation to manage risks and expanding accountabilities as the intermediation scope widens.

## Criticisms

The main criticism of CMP2 is that it is stated in broad strategic aims and objectives, and is not sufficiently specific, unlike CMP1. Its stated goals include "Establish private retirement scheme industry" and "Expand range of derivative products" which may appear vague.

CMP2 is also brief, at 98 pages, unlike CMP1 which ran to more than 300 pages. CMP2 itself recognised the depth of its predecessor when it noted that CMP1 provided "a comprehensive roadmap for the orderly growth and diversification of Malaysia's capital market". Even other countries have acknowledged the success of CMP1 by adopting it as a model for the development of their capital markets.

Notwithstanding that CMP1 has set a high benchmark for CMP2 to follow, it may be too simplistic to compare the two as they are based on different challenges from different decades. The global financial crisis meant that there is a higher level of insecurity facing CMP2 as the global market and economy has yet to stabilise.

## Vision 2020

It cannot be denied that CMP2 will play an integral part in advancing Malaysia's capital market to progress into a developed economy. It is anticipated that by the year 2020, Malaysia's capital market will be broad and deep, which will in turn provide highly innovative and liquid markets to issuers and investors.

It is of the utmost importance that by the end of CMP2, Malaysia's capital market boasts high standards of governance, and strong and responsible intermediaries.

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