

**MEMO# 13804**

August 3, 2001

## **MALAYSIA ANNOUNCES INTENDED LIBERALIZATION OF ASSET MANAGEMENT INDUSTRY**

[13804] August 3, 2001 TO: INTERNATIONAL COMMITTEE No. 48-01 RE: MALAYSIA ANNOUNCES INTENDED LIBERALIZATION OF ASSET MANAGEMENT INDUSTRY Earlier this year, the Malaysian Securities Commission published its "Capital Markets Masterplan." The CMM sets forth six key objectives and 152 specific recommendations intended to liberalize and improve the Malaysian capital markets. The CMM includes 18 recommendations relating to investment management, three of which may be particularly relevant to Institute members:

- Recommendation 93: The management of investment funds should be further deregulated to allow for greater international portfolio diversification. Malaysian unit trusts (mutual funds) have been permitted since 1997 to invest a portion of their assets in non-Malaysian securities. This recommendation, among other things, would permit funds that invest primarily outside Malaysia to be offered to Malaysian investors.
- Recommendation 100: Restrictions on the management of funds by foreign fund management companies (FFMCs) will be liberalized. In particular, Recommendation 100 would allow all FFMCs, whether joint ventures with Malaysian firms or wholly- foreign owned, to manage Malaysia's Employees Pension Fund assets.<sup>1</sup> This would be a significant change, since under the current regime, only joint venture FFMCs are permitted to manage locally-sourced assets. The liberalization of the restrictions on FFMCs managing assets sourced in Malaysia has been an Institute priority for some time.<sup>2</sup>
- Recommendation 101: Foreign ownership requirements will be liberalized to allow foreign majority ownership of unit trust management companies (UTMCs) from 2003. Currently, foreign ownership of UTMCs cannot exceed 30%. <sup>1</sup> The EPF is Malaysia's state-supported pension scheme. As of the end of 1999, the EPF had assets of approximately 157 billion ringgit (\$41.32 billion). By comparison, the asset management and unit trust companies managed about 49 billion ringgit (\$12.9 billion) as of the end of 1999. <sup>2</sup> See Memorandum to International Committee No. 21-00, dated July 7, 2000. <sup>2</sup>The CMM also includes a number of recommendations relating to the improvement of corporate governance in Malaysia, including measures to bolster minority shareholder rights<sup>3</sup> and the availability and integrity of corporate disclosure.<sup>4</sup> The full text of the CMM is available on the Security Commission's web site, [www.sc.com.my](http://www.sc.com.my). The recommendations can be found in Chapter 4 of the CMM. Robert C. Grohowski Associate Counsel <sup>3</sup> See Recommendations 110 and 111. <sup>4</sup> See Recommendations 111 and 114-117.

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