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Listing Division  
Bursa Malaysia Berhad  
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Bukit Kewangan  
50200 Kuala Lumpur, Malaysia

Via email: [listingdivision@bursamalaysia.com](mailto:listingdivision@bursamalaysia.com)

Dear Sir/Madam,

**Consultation on proposed amendment to the Listing Requirements relating to related-party transactions**

The CFA Institute Centre for Financial Market Integrity (“CFA Institute Centre”)<sup>1</sup> and the Malaysian Association of Asset Managers (“MAAM”) are pleased to comment on the Consultation Paper on *Related-Party Transactions*, put forward by the Bursa Malaysia Securities Berhad (“Bursa Securities”) in January 2009. The CFA Institute Centre represents the views of investment professionals to regulators and standard setters worldwide on issues that affect the practice of financial analysis and investment management, as well as the integrity of global financial markets.

We commend Bursa Securities’ continuing efforts to enhance investor protection in relation to the issue of related party transactions. Investors in Asian companies are prone to the risks of related party transactions because of the concentration of ownership and the lack of separation and control. Therefore, investor protection mechanisms such as timely disclosure, effective internal governance systems and enforceable regulations are essential.

We strongly support Bursa Securities’ proposal to review its Listing Requirements for the Main & Second Board and Mesdaq Market relating to related-party transactions, and in particular the content of immediate announcements and shareholder approval thresholds.

**a) Announcement**

The additional information to be included in the initial announcement of related-party transactions (when required) gives investors detailed information on whether the audit committee, the board and the independent advisor (when enlisted) believe the transaction is fair and reasonable. Timely, transparent disclosure and the requirement to get independent advice are two necessary steps to protect shareholders’ rights.

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<sup>1</sup> The CFA Institute Centre for Financial Market Integrity is a part of CFA Institute. With headquarters in Charlottesville, Virginia, USA, and regional offices in London, Hong Kong, and New York, CFA Institute is a global, non-profit professional association of more than 100,500 financial analysts, portfolio managers, and other investment professionals in 134 countries and territories, of which nearly 87,100 are holders of the Chartered Financial Analyst® (CFA®) designation. CFA Institute membership also includes 136 Member Societies and Chapters in 57 countries and territories.

**b) Shareholder approval**

We strongly support the need for shareholder approval on ‘material’ related-party transactions. Stock exchange listing rules form the bedrock of governance structure to protect minority shareholders against abusive related-party transactions. While all Asian jurisdictions have a regulatory framework on the disclosure of these transactions, they differ on the threshold values upon reaching which disclosure must be made, and whether independent shareholders’ approval is needed. The threshold of 2.5% is in line with best practice in Asia.

**Summary and concluding remarks**

Adequate and timely disclosure to shareholders, board and shareholder approval processes and the ability to seek independent advice are essential investor-protection mechanisms. We commend Bursa Securities for their efforts in developing relevant policies and procedures that facilitate the approval and transparency of these transactions. We believe the proposals recommended by Bursa Securities are effective and essential methods to monitor related-party transactions and safeguard minority shareholders’ interests. Bursa Securities Listing Requirements relating to related-party transactions are comprehensive and in line with best practice in Asia.

The CFA Institute Centre in Asia Pacific recently released, "*Related-Party Transactions: Cautionary Tales for Investors in Asia*," a study which introduces readers to the prevalence of related-party transactions in the region and shows how they can affect the interests of minority shareholders. Focusing on Hong Kong, China and South Korea, the study highlights and discusses the nature and motivation of these transactions. It explores the effectiveness of current regulations aimed at protecting shareholders’ interests and proposes ways to better protect shareholders from abusive related-party transactions. We have enclosed a copy of this report for your reference.

CFA Institute Centre for Financial Market Integrity and the Malaysian Association of Asset Managers appreciate the opportunity to comment on Bursa Securities’ Consultation Paper on *Related Party Transactions*. If you have questions in regards to this letter or the CFA Institute Centre’s recent report, please feel free to contact Lee Kha Loon, CFA, by telephone at +852-3103-9303 or by email at [khaloon.lee@cfainstitute.org](mailto:khaloon.lee@cfainstitute.org).

Sincerely,

A handwritten signature in black ink, appearing to read 'Kha Loon Lee'.

Kha Loon Lee, CFA  
Head, Asia Pacific  
CFA Institute Centre for Financial Market Integrity

A handwritten signature in black ink, appearing to read 'Teck Chye See'.

Teck Chye See, CFA  
Executive Director  
Malaysian Association of Asset Managers

Enc: *Related-Party Transactions: Cautionary Tales for Investors in Asia*, CFA Institute Centre, 2009

cc: Jason Wei Chung Lee, CFA, President, CFA Malaysia