

## **MINORITY SHAREHOLDER WATCHDOG GROUP**

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia – Company No. 524989-M)

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# Bigger IPO pool for retail investors

**They are an important component in any capital market, says MSWG**

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KUALA LUMPUR: Regulators should consider putting in place a mechanism that would help put more IPO shares in the hands of retail investors when demand proves overwhelming, the Minority Shareholder Watchdog Group (MSWG) says.

“Investment bankers (IBs) ought to have a claw-back provision, which should apply when there is a case of over-subscription on the public portion,” MSWG CEO Rita Benoy Bushon told *The Edge Financial Daily*, IBs should voluntarily assist in boosting retail participation “to a more reasonable amount”.

“We would like to see over-subscription rates reduced in a way that is fair to the retail public,” Bushon said. Issuers should be open to measures that would help them

demonstrate their willingness to boost retail participation in the marketplace.

While mindful that over-regulation could impede time-to-market for IPOs as well as the attractiveness of the local market as an IPO destination, the MSWG believes allocation of IPO shares to retail investors “should go in tandem with demand and supply”.

“Ideally, the oversubscription rate [on the public ballot] should not be more than two times, subject to other prevailing regulations,” she said.

To illustrate, if the oversubscription rate on a public pool of one million shares (2% of a 50 million share base) is five times, raising the public pool to 2.5 million shares would effectively reduce oversubscription rates to MSWG’s ideal oversubscription rate of two times. The increase in allocation for public ballot to 2.5 million shares automatically shores up allocation for retail investors to 5% of the share base, while leaving some pent-up demand in the secondary market.

As it is, companies with an en-

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**Bushon: We would like to see oversubscription rates reduced in a way that is fair to the retail public.**

larged paid-up capital of more than RM200 million must offer a minimum of 2% of its enlarged share base to the general public if

it goes for IPO in Malaysia, according to the Securities Commissions’ guidelines for equity offerings. The threshold is 5% for companies whose enlarged paid-up capital is smaller than RM200 million.

The minimum threshold is to “uphold public interest and to promote wealth sharing by providing an opportunity for the general public to participate in a new IPO scheme”, the SC’s explanatory notes read.

High oversubscription rates, resulting from token share allocations for public retail ballot, have given rise to considerable dissatisfaction by retail investors — so much so that the MSWG described retail investors as being “systematically discriminated against” in the IPO share allocation process.

Separately, Bushon applauded the commitment by Bursa Malaysia Bhd CEO Datuk Tajuddin Atan to look into retail investors’ plight. The watchdog group hopes studies to rectify the issue will “be done promptly” as retail investors are “an important component in any capital market”, it said.