MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
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Major markets moving away from quarterly reporting

- The UK and the European Union removed quarterly reporting requirements in 2013
- In Hong Kong, only companies listed on secondary GEM market are required to issue quarterly reports
- The requirement for quarterly results is currently under review in the US
- Singapore announced last week that it is dropping QR and moving to half-year and full-year reporting

Malaysia

- QR framework first introduced in 1999, following the Asian financial crisis
- Framework was reviewed in 2013, and found that QR was still relevant and required
- Bursa Malaysia conducted public consultation on QR in September 2018 following recent global developments

Experts: Scrap quarterly reporting

Adopt risk-based approach instead, they say

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PETALING JAYA: Malaysia should do away with the requirement for all listed companies to issue quarterly financial reports and adopt a risk-based approach instead, experts said.

The country, they said, should follow the lead of developed markets in doing this, to ensure Malaysia remains an attractive option for future IPOs, apart from reducing compliance costs for companies.

In response to a statement by the local stock exchange yesterday, which stated that it had kicked off another round of public consultation on the quarterly reporting (QR) framework, experts said it is high time for Malaysia to move in this direction.

Minority Shareholders Watch Group CEO Devanesan Evanson said the current "one-size-fits-all" approach, which requires all listed companies to issue QR, was unfair to the low-risk and better-managed companies.

Malaysia, he said, should adopt the principle of proportionality, whereby the frequency of reporting is proportional to the risks that the companies present.

Higher risk companies such as PN17 firms, or those which have its external auditors raising doubts about its going concern, could still be required to post QR.

"Bursa Malaysia can set its own parameters to determine which companies pose a risk and are required to announce quarterly results," he said.

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Devanesan: Move will not shortchange shareholders

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The removal of the blanket requirement for QR, he said, would not only help companies save on compliance costs, but also benefit shareholders.

"Shareholders will not be shortchanged by the scrapping of QR as companies will be able to channel the resources previously spent on compliance into their business performance.

"This can lead to better profits, better share prices and possibly better dividends," he told StarBiz.

He noted that companies were currently forced to allocate resources each quarter to prepare financial reports, as well to pay its external auditors to ensure all the financial information is accurate or face being penalised by the stock exchange.

Another risk posed of continuing with mandatory QR, he said, was the possibility of losing potential IPOs to Singapore, given the lower regulatory costs there.

"The QR ruling also creates a short-term focus among investors, who tend make decisions based on quarterly results, instead of on the long term. "This may not be the best way, given that many businesses are cyclical," he said.

Globally, major markets have been doing away with quarterly reporting, and moving towards half and full-year reporting, to cut compliance costs and save time for companies.

Hong Kong and London and the UK are among markets that have already implemented this, while the US is currently reviewing the requirement.

Last week, Singapore followed suit, saying that companies listed on Singapore Exchange (SGX) will no longer be required to file quarterly reports, in line with practices in global markets, under the new changes that come into effect from Feb 7.

The quarterly reporting requirements, its said, would only be applied for companies associated with higher risks, while continuous disclosure requirements would be strengthened for all listed companies.

SGX had begun reviewing mandatory quarterly reporting for companies back 2017.

In Malaysia, the quarterly reporting framework was first introduced by the stock exchange in 1999, aimed at providing more regular updates on the financial condition of listed issuers and restoring investors' confidence in the aftermath of the Asian financial crisis.

The QR framework was subsequently reviewed in 2013, and it was decided that QRs were still relevant and required by investors, and that frequent periodic financial reporting would promote better corporate governance and transparency in the market place.

Bursa Malaysia said that given recent global developments, it had issued a public consultation paper to gauge its stakeholders' preferences on the interim financial reporting framework in September 2018.

Among others, stock exchange had sought feedback on whether QR was still relevant in the Malaysian context; and whether the market was ready to move towards a less frequent reporting regime.

"The exchange received many written responses from the industry, including the listed issuers. Presently, we are analysing the industry feedback before finalising our proposals," it said in a statement.

It added that it would be engaging with the industry once again on the proposed interim reporting framework via an upcoming public consultation.

For TA Securities head of research Kaladher Govindan, if companies are to be exempted from QR, it should be limited to those with good corporate governance, clean external audit track record and good investor relations.

"As it is, some listed companies are so reluctant to provide corporate information and most do not have a proper investor relations functions.

"Doing away with quarterly reporting for these type of companies will make it difficult for investors and analyst to analyse or gauge such companies," he said.

Areca Capital CEO Danny Wong, however, is of the opinion that Malaysia is not ready for the long reporting period.

As an emerging market, he said, Malaysia requires more updated news and data for investment decisions due to the nature of volatility and size of the market.