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MSWG: S'pore proposals relevant to Malaysia

By RISEN JAYASEELAN
risen@thestar.com.my

PETALING JAYA: Partly driven by financial scandals among some of its own listed companies, Singapore yesterday proposed a shake-up of its corporate governance code, a move that was welcomed by Malaysia's Minority Shareholder Watchdog Group (MSWG) chief executive officer Rita Benoy Bushon who said Malaysia should also consider similar moves.

Among the proposals by the Singapore authorities are that company boards must comment on whether they have received assurances from a company's CEO and chief financial officer on the accuracy of financial statements. Boards are also to ensure that the management has put in place effective risk management and internal control systems.

"While there are some levels of protection afforded by listing rules and the Companies Act here in Malaysia, rules as specific as what Singapore is proposing are good for governance purposes. The proposals are in accordance with the best practices worldwide," said Bushon.

Reuters reported that the move came as accounting standards of some foreign-listed Chinese firms in Singapore were under close scrutiny after a series of scandals involving financial irregularities. The US securities regulator recently blocked the

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Proposals open for comment until July 31

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stock offering of two Chinese companies after the independent auditors of both companies resigned.

It was also reported that investors' confidence in China-based firms in Singapore was hit when steelmaker FerroChina defaulted on loans just weeks after it announced strong quarterly earnings in 2008. That and a series of other scandals had led to some Chinese firms in Singapore seeking dual listings, believing investor suspicion is weighing on their valuations, the report said.

Other changes being proposed in Singapore include:

● If the chairman and CEO roles are filled by the same person, if they are immediate family members or if they are both part of the management team, then at least half of the directors should be independent;

● Preventing people serving as independent directors if they have significant links to one of the company's major shareholders;.

● The pay of all directors and the chief executive should be disclosed on a named basis; and

● The aggregate pay handed out to the top five management staff aside from the CEO should be disclosed.

Said MSWG's Bushon: "On disclosures of remuneration, this is something we have been fighting for. If director salaries are not disclosed based on individual names, we pose this question to the company's at their AGMs."

She said that in the 2009/2010 periods only 50 Malaysian listed companies (or 5.7%) reported the remuneration paid to individual directors and that a mere 9 listed companies reported remuneration paid to directors by both the company and its subsidiaries.

The Singapore Corporate Governance Council, who are proposing the rule changes, said in a statement: "This effort is critical to maintaining investor confidence and to enhance Singapore's reputation as a leading and trusted international financial centre."

The proposed new code in Singapore is open for comment until July 31, when it will then be sent to the Monetary Authority of Singapore which will decide on how to implement it.