

MINORITY SHAREHOLDER WATCH GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia – Registration No: 200001022382 (524989-M))

The Business Times – Wednesday, December 29, 2021 (A)

Malaysia's Minority Shareholders Watch Group to raise coverage to 450 listcos by mid-2022: CEO

Protecting minority interests in the Malaysian stock market has become more difficult over the years, he says

By Uma Devi
umadevi@sph.com.sg
@UmaDeviBT

Singapore

MALAYSIA'S minority investor watchdog, the Minority Shareholders Watch Group (MSWG), has plans to raise its coverage to 450 public limited companies (PLCs) listed on Bursa Malaysia by the middle of next year from 330 companies currently, chief executive Devanesan Evanson told *The Business Times* in a recent interview.

The move will see the MSWG covering more than half of the listed companies on Bursa at a time when the corporate sector is still grappling with the fallout of Covid-19.

"That is when a handful of PLCs may resort to unhealthy practices," Evanson said, citing lopsided related-party transactions and takeovers at unfair prices as examples.

The MSWG was formed in 2000, in the wake of the Asian Financial Crisis. It typically buys one board lot, or 100 shares, in each company it monitors. This gives MSWG the right to attend shareholder meetings and submit questions prior to the annual general meetings (AGMs) held by companies.

Evanson said MSWG acts as a "deterrent" to miscreants in the stock market as listed companies may "think twice" about doing something unethical or unfavourable from the perspective of minority investors.

One challenge MSWG faces now is the growing expectations of the market's stakeholders.

"The demands on MSWG to be an agent of shareholder activism has become tougher due to the higher level of knowledge among minority shareholders, which has resulted in these minority shareholders becoming more demanding," Evanson said.

On top of that, Malaysia's market regulators, namely the Securities Commission and Bursa Malaysia, want to see MSWG do more, Evanson said.

MSWG receives "substantial" funding from the Capital Market Development Fund (CMDf), which comes under Malaysia's Securities Commission.

Evanson said this provides MSWG with "independence and credibility" in its role of monitoring and questioning the behaviour of Malaysia's listed companies.

MSWG avoids accepting funding from any listed company as this could result in a potential conflict, he added.

"Ideally, the watchdog should be funded by an independent body or a regulator related body. With

these attributes, the watchdog will be able to carry out its functions without fear or favour."

There are, however, limitations to the role of a watchdog such as the MSWG, acknowledged Evanson. The MSWG is not a regulator, and as such only has tools of "persuasion and influence" in its arsenal.

"There are also a whole host of acts, rules, codes, guidelines and practice notes to regulate the stock market to ensure orderly and fair trading," he said.

"There will always be a handful of miscreants but regulators cannot be ahead of them ... maybe a half-step behind them."

In the end, neither regulators nor a watchdog like MSWG can protect investors "wanting to live dangerously" by speculating wildly in the market.

"Stock markets become dangerous when minority shareholders succumb to emotions of fear and greed – two primary emotions which add fuel to the stock market," Evanson said.

"Stock markets become dangerous when minority shareholders invest based on rumours instead of fundamental or technical analyses."

He warned that although attractive returns might beckon shareholders to pile into equities, minority shareholders should have "self discipline" and do proper research on companies before investing in their shares.



"Stock markets become dangerous when minority shareholders invest based on rumours instead of fundamental or technical analyses," says MSWG chief executive Devanesan Evanson.

PHOTO: MSWG