

**A study on the Malaysian Legislations
on the Corporate Governance practices
and the extent of compliance by the
KLSE listed companies**

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Abstract

Financial markets around the world are increasingly focused on the issue of Corporate Governance ("CG"). After a slew of scandals, most of them centred in the United Kingdom ("UK"), United States of America ("US"), politicians and regulators, executives and shareholders are all preaching in the governance gospel.

The development of CG in Malaysia is mirroring international developments, where CG has been the focus of regulators, shareholders and stakeholders. In the context of increasing necessity to attract foreign shareholders and increasing the robustness of Malaysian companies due to globalisation, it is necessary for Malaysian directors to apply good CG practices.

Important measures (namely establishment of Malaysian Code on Corporate Governance "MCCG" and KLSE Revamped Listing Requirements "RLR") have been taken by the government of Malaysia to improve the corporate governance practises among practitioners of business corporation specifically KLSE listed companies.

However, there are also talks among executive that hasty regulation and overly strict internal procedures may impair the ability to run businesses effectively. One of the most common thought that most executives have is that "working on the something-must-be-done principle, the temptation for regulators is to come up with a new, stricter set of rules that won't be understood and indeed may even obfuscate things and fail to win respect.

The study covers an extensive review of Malaysian legislation on CG specifically on the MCCG and RLR and exclusive interviews with randomly selected eleven top management of listed companies on the compliance and acceptance to the requirements. The study seeks to review the Malaysian legislations on the Corporate Governance practices and analyse to level or extent of compliance by practitioners especially the KLSE listed companies.

Based on the survey it is apparent that greater emphasis and attention will have to be given to improve the extent of compliance on the Code as the percentages of compliance of the Principles Statement and Best Practices are 46% and 55% respectively.

Statutory regulation alone cannot bring about the good management of an effective company board. Ultimately, it requires a combination of regulation by authorities and self-regulation by industry participants. The directors, auditors and company secretaries being external and independent expert in these areas, have an increasingly important role to assist in the management of an effective Board

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