

1.0 Introduction

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.

US lawmakers have reacted most vigorously, passing a tough new corporate reform bill that establishes an oversight board for auditors of public companies. Many non-US firms find themselves bound by the new law, and jitters about corporate fraud have affected financial market world-wide. Government reviews into governance are under way in the UK, Germany, the European Commission and elsewhere.

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. There is also mounting local and international pressure from shareholder lobby groups and other interested parties, for more accountability by the Boards of listed companies in fulfilling their stewardship role.

Against this background, Malaysian Code on Corporate Governance ("MCCG") was released in its final form in March 2000. In January 2001, the Kuala Lumpur Stock Exchange ("KLSE") published its Revamped Listing Requirements ("RLR"), which made it mandatory for Public Listed Companies ("PLC") to adopt numerous CG initiatives and disclosures. The RLR is also the medium by which the Code is given its practical efficacy.

1.1 Statement of Research Problem

As highlighted in the above section, important measures 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.

1.2 Research Objectives

In previous sections some summaries and conclusion about the subject of the research were given i.e. the spirit towards CG by regulators and practitioners. This exploration now can be used to formulate the research aim and objectives.

The title of the research is "**A study on the Malaysian Legislations on the Corporate Governance practices and the extent of compliance by the KLSE listed companies**". The proposed research objectives, derived from the area of study, are:

- A clear understanding of Malaysian legalisation on CG; and
- Ascertain level of compliance and acceptance to the legal requirements by the directors of listed companies.

1.2.1 Proposition

Other than the two research objectives, a proposition that has been developed for the research is: "**There exist compliance and acceptance to the MCCG by the management of KLSE listed companies**".

1.3 Scope of Study

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.

As mentioned earlier, the main focus of the research is on the review of the Malaysian legislation on CG and the extent of compliance by KLSE listed companies. It explains the ways in which listed companies adopt and implement the requirements. As the study is under constrain of time, only 11 top managements have been interviewed. However, if such interview be expended to a more significant number of listed companies, it will be impossible to detect any significant difference as the compliance is mandatory to all KLSE listed companies.

1.4 Limitations of Study

The study is hampered by the availability of data particularly on the extent of compliance and acceptance of MCCG. There appears to be doubts as to the integrity of interviewees on the information provided as to the extent of CG practises in their companies.

1.5 Organisation of the Study

The introductory chapter as the first chapter provides a background to the purpose of the study. The following chapter, Chapter Two, reviews the existing literature on the subject. Chapter three will touch on the research methodology used for the study, that is interviews and sample survey. Chapter Four discusses legislation requirements, which helped in structuring the design of the questionnaires for interview. Chapter Five discusses the results of the research interviews carried out in 11 KLSE listed companies. Chapter Six presents the summary of the research findings and conclusions to the study.