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Changing the Corporate Landscape: Enhancement of Corporate Governance in Malaysia

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Abstract

Questions about corporate governance emerged following the financial failures in Asia, Europe, and the United States. In Asia, the sharp depreciation of some of the countries’ currencies and fall in the stock market during the 1997-98 period has been attributed to four reasons - failed corporate governance; inappropriate and weak economic policies; the International Monetary Fund’s mistake in forcing an increase in interest rates resulting in the closure of some banks; and the “Pangloss equilibrium” that created a bubble in asset prices. Additionally, rampant cases of corporate greed and widespread abuse in the financial sectors further aggravated the crisis. Following the breakdown in the corporate governance regimes and market discipline, a number of countries embarked on reforming their corporate governance legislations. This article examines the three phases of corporate governance reforms in Malaysia which have significantly altered the corporate governance landscape.

I. INTRODUCTION

This article examines corporate governance reforms in Malaysia. First, it discusses corporate governance reforms in Asian countries and the first phase of the reforms in Malaysia vis-à-vis, the Code on Corporate Governance 2000. Secondly, it discusses the second phase of the corporate governance reforms that aimed to further strengthen the corporate governance regulatory framework through the Malaysian Code on Corporate Governance 2007 and the subsequent Malaysian Code on Corporate Governance 2012. Finally, it examines some of the challenges that regulators faced while implementing these reforms.

II. CORPORATE GOVERNANCE REFORMS IN ASIA

Most researchers attributed the Asian financial crisis to four reasons, namely: failed corporate governance; inappropriate macroeconomic policy during the 1990s that was

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