Guidelines on equity policy in Malaysia

Malaysian Investment Development Authority (MIDA), Malaysia
http://www.mida.gov.my

Equity policy in the manufacturing sector

Malaysia has always welcomed investments in its manufacturing sector. Desirous of increasing local participation in this activity, the government encourages joint-ventures between Malaysian and foreign investors.

Equity policy for new, expansion, or diversification projects

Since June 2003, foreign investors could hold 100% of the equity in all investments in new projects, as well as investments in expansion/diversification projects by existing companies, irrespective of the level of exports and without excluding any product or activity.

The equity policy also applies to:

- Companies previously exempted from obtaining a manufacturing licence but whose shareholders' funds have now reached RM2.5 million or have now engaged 75 or more full-time employees and are thus required to be licensed.
- Existing licensed companies previously exempted from complying with equity conditions, but are now required to comply due to their shareholders' funds having reached RM2.5 million.

Equity policy applicable for existing companies

Equity and export conditions imposed on companies prior to 17 June 2003 will be maintained. However, companies can request for these conditions to be removed and approval will be given based on the merits of each case.

Protection of foreign direct investment

Malaysia's commitment in creating a safe investment environment has attracted more than 8,000 international companies from over 40 countries to make Malaysia their offshore base.

Equity ownership

A company whose equity participation has been approved will not be required to restructure its equity at any time as long as the company continues to comply with the original conditions of approval and retain the original features of the project.

Investment guarantee agreements

Malaysia's readiness to conclude Investment Guarantee Agreements (IGAs) is a testimony of the government's desire to increase foreign investor confidence in Malaysia. IGAs will:

- Protect against nationalisation and expropriation
- Ensure prompt and adequate compensation in the event of nationalisation or expropriation
- Provide free transfer of profits, capital and other fees
- Ensure settlement of investment disputes under the Convention on the Settlement of Investment Disputes of which Malaysia has been a member since 1966.

Malaysia has concluded IGAs with the following groupings and countries (in alphabetical order):

Groupings

- Association of South-East Asian Nations (ASEAN)
- Organisation of Islamic Countries (OIC)

Convention on the Settlement of Investment Disputes

In the interest of promoting and protecting foreign investment, the Malaysian government ratified the provisions of the Convention on the Settlement of Investment Disputes in 1966.

The Convention, established under the auspices of the International Bank for Reconstruction and Development (IBRD), provides international conciliation or arbitration through the International Centre for Settlement of Investment Disputes located at IBRD's principal office in Washington.

Kuala Lumpur Regional Centre of Arbitration

The Kuala Lumpur Regional Centre for Arbitration was established in 1978 under the auspices of the Asian-African Legal Consultative Organisation (AALCO) - an inter-governmental organisation cooperating with and assisted by the Malaysian government.

A non-profit organisation, the Centre serves the Asia Pacific region. It aims to provide a system to settle disputes for the benefit of parties engaged in trade, commerce and investments with and within the region.

Any dispute, controversy or claim arising out of or relating to a contract, or the breach, termination or invalidity shall be decided by arbitration in accordance with the Rules for Arbitration of the Kuala Lumpur Regional Centre for Arbitration.

Methods of raising capital in India

Business Portal of India

http://www.archive.india.gov.in

A company may raise funds for different purposes depending on the time periods ranging from very short to fairly long duration. The total amount of financial needs of a company depends on the nature and size of the business. The scope of raising funds depends on the sources from which funds may be available. The business forms of sole proprietor and partnership have limited opportunities for raising funds. They can finance their business by the following means:

- Investment of own savings
- Raising loans from friends and relatives
- Arranging advances from commercial banks
- Borrowing from finance companies

Companies can Raise Finance by a Number of Methods. To Raise Long-Term and Medium-Term Capital, they have the following options:

Issue of shares

It is the most important method. The liability of shareholders is limited to the face value of shares, and they are also easily transferable. A private company cannot invite the general public to subscribe for its share capital and its shares are also not freely transferable. But for public limited companies there are no such restrictions. There are two types of shares:

- **Equity shares:** the rate of dividend on these shares depends on the profits available and the discretion of directors. Hence, there is no fixed burden on the company. Each share carries one vote.
- **Preference shares:** dividend is payable on these shares at a fixed rate and is payable only if there are profits. Hence, there is no compulsory burden on the company's finances. Such shares do not give voting rights.

Issue of debentures

Companies generally have powers to borrow and raise loans by issuing debentures. The rate of interest payable on debentures is fixed at the time of issue and are recovered by a charge on the property or assets of the company, which provide the necessary security for payment. The company is liable to pay interest even if there are no profits. Debentures are mostly issued to finance the long-term requirements of business and do not carry any voting rights.

Loans from Financial Institutions

Long-term and medium-term loans can be secured by companies from financial institutions like the Industrial Finance Corporation of India, **Industrial Credit and Investment Corporation of India (ICICI)** , State level Industrial Development Corporations, etc. These financial institutions grant loans for a maximum period of 25 years against approved schemes or projects. Loans agreed to be sanctioned must be covered by securities by way of mortgage of the company's property or assignment of stocks, shares, gold, etc.

Loans from Commercial Banks

Medium-term loans can be raised by companies from commercial banks against the security of properties and assets. Funds required for modernisation and renovation of assets can be borrowed from banks. This method of financing does not require any legal formality except that of creating a mortgage on the assets.

Public deposits

Companies often raise funds by inviting their shareholders, employees and the general public to deposit their savings with the company. The Companies Act permits such deposits to be received for a period up to 3 years at a time. Public deposits can be raised by companies to meet their medium-term as well as short-term financial needs. The increasing popularity of public deposits is due to:

- The rate of interest the companies have to pay on them is lower than the interest on bank loans.
- These are easier methods of mobilising funds than banks, especially during periods of credit squeeze.
- They are unsecured.
- Unlike commercial banks, the company does not need to satisfy credit-worthiness for securing loans.

Reinvestment of profits

Profitable companies do not generally distribute the whole amount of profits as dividend but, transfer certain proportion to reserves. This may be regarded as reinvestment of profits or ploughing back of profits. As these retained profits actually belong to the shareholders of the company, these are treated as a part of ownership capital. Retention of profits is a sort of self financing of business. The reserves built up over the years by ploughing back of profits may be utilised by the company for the following purposes:

- Expansion of the undertaking
- Replacement of obsolete assets and modernisation.
- Meeting permanent or special working capital requirement.
- Redemption of old debts.

The benefits of this source of finance to the company are:

- It reduces the dependence on external sources of finance.
- It increases the credit worthiness of the company.
- It enables the company to withstand difficult situations.
- It enables the company to adopt a stable dividend policy.

To Finance Short-Term Capital, Companies can use the following Methods:

Trade credit

Companies buy raw materials, components, stores and spare parts on credit from different suppliers. Generally suppliers grant credit for a period of 3 to 6 months, and thus provide short-term finance to the company. Availability of this type of finance is connected with the volume of business. When the production and sale of goods increase, there is automatic increase in the volume of purchases, and more of trade credit is available.

Factoring

The amounts due to a company from customers, on account of credit sale generally remains outstanding during the period of credit allowed i.e. till the dues are collected from the debtors. The book debts may be assigned to a bank and cash realised in advance from the bank. Thus, the responsibility of collecting the debtors' balance is taken over by the bank on payment of specified charges by the company. This method of raising short-term capital is known as factoring. The bank charges payable for the purpose is treated as the cost of raising funds.

Discounting bills of exchange

This method is widely used by companies for raising short-term finance. When the goods are sold on credit, bills of exchange are generally drawn for acceptance by the buyers of goods. Instead of holding the bills till the date of maturity, companies can discount them with commercial banks on payment of a charge known as bank discount. The rate of discount to be charged by banks is prescribed by the Reserve Bank of India from time to time. The amount of discount is deducted from the value of bills at the time of discounting. The cost of raising finance by this method is the discount charged by the bank.

Bank overdraft and cash credit

It is a common method adopted by companies for meeting short-term financial requirements. Cash credit refers to an arrangement whereby the commercial bank allows money to be drawn as advances from time to time within a specified limit. This facility is granted against the security of goods in stock, or promissory notes bearing a second signature, or other marketable instruments like Government bonds. Overdraft is a temporary arrangement with the bank which permits the company to overdraw from its current deposit account with the bank up to a certain limit. The overdraft facility is also granted against securities. The rate of interest charged on cash credit and overdraft is relatively much higher than the rate of interest on bank deposits.

Translation tool for patent documents

The World Intellectual Property Organization (WIPO) has developed a ground-breaking new "artificial intelligence"-based translation tool for patent documents, handing innovators around the world the highest-quality service yet available for accessing information on new technologies. WIPO Translate now incorporates cutting-edge neural machine translation technology to render highly technical patent documents into a second language in a style and syntax that more closely mirrors common usage, out-performing other translation tools built on previous technologies. WIPO has initially "trained" the new technology to translate Chinese, Japanese and Korean patent documents into English. Patent applications in those languages accounted for some 55% of worldwide filings in 2014.

The high level of accuracy of the Chinese-English translation is the result of the training of the neural machine translation tool, which compared 60 million sentences from Chinese patent documents provided to WIPO's PATENTSCOPE database by the State Intellectual Property Office of the People's Republic of China with their translations as filed at the United States Patent and Trademark Office. WIPO plans to extend the neural machine translation service to French-language patent applications, with other languages to follow. The PATENTSCOPE database integrates with other translation engines freely available on the internet and continues to use existing statistical-based translation technology for languages where it performs well. WIPO has shared its translation software with other international organizations, including the United Nations conference management service, Food and Agriculture Organization, International Telecommunication Union, International Maritime Organization, World Trade Organization, and The Global Fund to Fight AIDS, Tuberculosis and Malaria.

Neural machine translation is an emerging technology. It is based on huge neural network models that "learn" from previously translated sentences. The specificity of neural machine translation (compared to previous "phrase based" statistical methods) is that it produces more natural word order, with particular improvements seen in so-called distant language pairs, like Japanese-English or Chinese-English.

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