The critical CMP4 execution test

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THE launch of the Capital Market Masterplan 4 (CMP4) by the Securities Commission on March 9, 2026 marks a pivotal moment in shaping the trajectory of Malaysia's capital markets.

CMP4 is ambitious, aiming to position Malaysia as a competitive, dynamic, and resilient market within the region.

Yet, as with any masterplan, its ultimate success will hinge on execution. For CMP4 to generate meaningful results, it must go beyond high-level intentions.

The framework should encompass a comprehensive set of reforms targeting both initial public offerings (IPOs) and mergers and acquisitions (M&As), including reverse takeovers (RTOs) and backdoor listings (BDLs).

These two engines are critical drivers of market activity.

IPOs inject fresh capital and bring new industries into the exchange, while M&As and restructuring activities allow existing listed platforms to evolve, scale, and reposition themselves.

For the capital market to thrive, both mechanisms must work in tandem to ensure undervalued or underutilised companies are revitalised.

A core limitation in Malaysia's equity market has long been the scarcity of high-growth, investable companies.

Merely improving disclosure practices will not suffice.

What the market requires are businesses with credible models, scalable operations, and strong growth potential.

Only with such companies can Malaysia attract sustained interest from domestic and international investors, creating the conditions for higher liquidity, stronger valuations, and vibrant trading activity.

CMP4 acknowledges these structural issues, introducing initiatives designed to strengthen both market depth and company performance.

Longstanding challenge

The My Value Up programme directly addresses a longstanding challenge: the persistent valuation gap between Malaysian equities and regional peers.

Over the years, numerous fundamentally sound Malaysian companies have traded at lower multiples than their counterparts in Singapore, South Korea, or Japan. Whether measured by price-to-earnings ratios, price-to-book ratios, or other financial metrics, this valuation discount is widely recognised.

My Value Up aims to encourage companies to clearly communicate their value propositions to investors, reducing information asymmetry and enhancing market confidence.

While promising, the details of My Value Up remain limited.

Participating companies are expected to voluntarily disclose why their shares may be undervalued, covering metrics such as return on equity, earnings growth potential, and order book visibility.

Yet, much of this information is already available through annual reports, analyst briefings, and corporate disclosures.

The programme's real potential lies in presenting this information in a structured and accessible way, similar to the formats used in investor roadshows and institutional engagements.

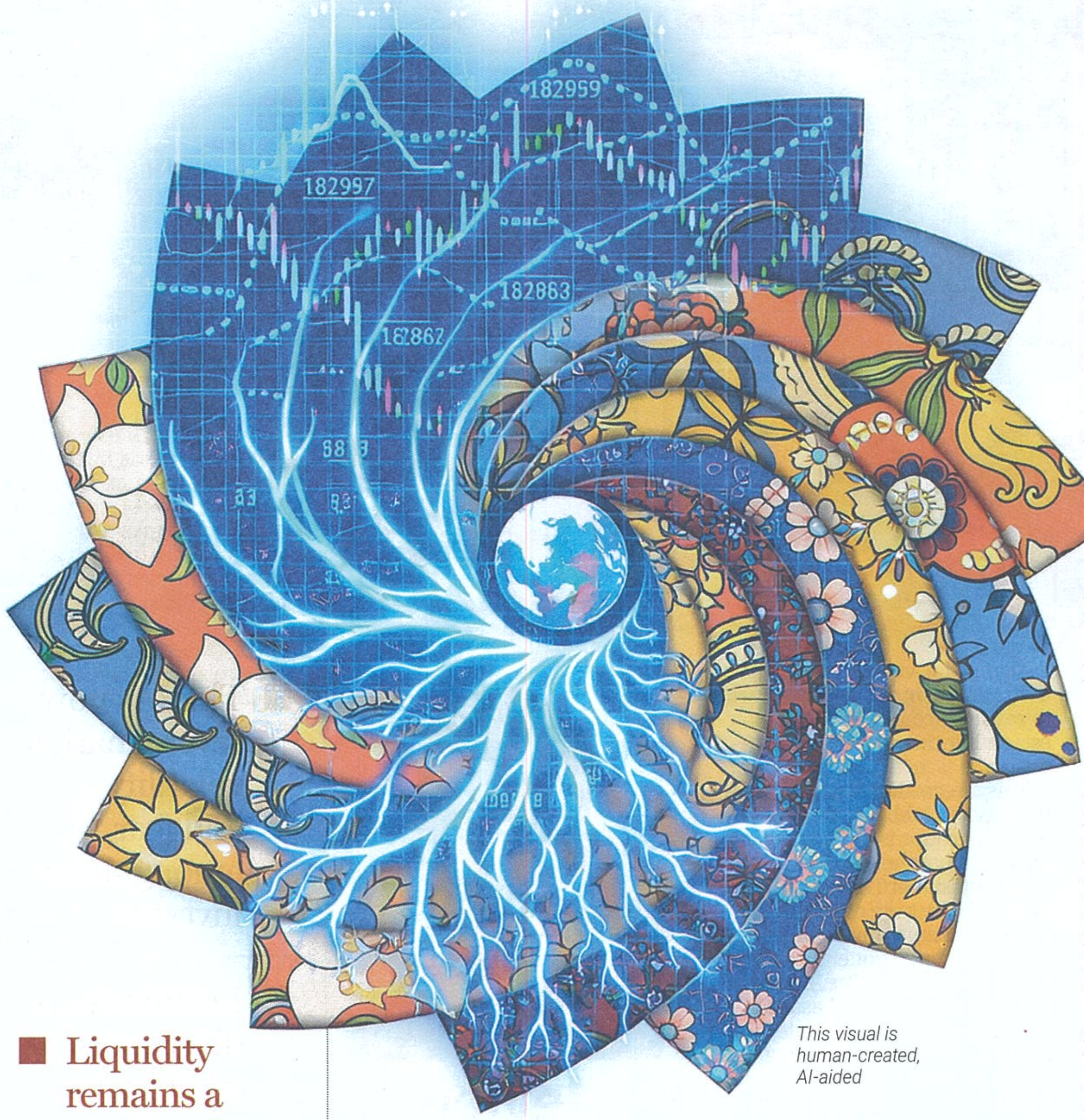
Improved disclosure can help investors understand a company's fundamentals, but it cannot substitute for actual investor demand.

Highlighting valuation metrics alone risks reducing My Value Up to an expanded investor-relations exercise. For meaningful market impact, the programme must be paired with initiatives that actively mobilise capital into undervalued equities.

■ Liquidity remains a structural challenge for Malaysia's market

■ Many listed firms operate with limited growth or modest scale

■ Improved disclosure cannot substitute for actual investor demand



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Address liquidity first

Liquidity remains a structural challenge for Malaysia's market.

Compared with larger regional exchanges, the limited pool of active investors makes it difficult to sustain trading momentum, even for fundamentally strong companies.

To address this, CMP4 could explore liquidity pump-priming mechanisms involving major domestic institutional investors such as the Employees Provident Fund, Retirement Fund Inc, and Khazanah Nasional Bhd.

These institutions manage substantial pools of capital and can play a catalytic role in improving market liquidity.

If they were to co-invest alongside international funds in undervalued Malaysian equities, potentially through a structured matching programme, the impact could be transformative.

An allocation of, say, RM10bil could mobilise up to RM20bil in investment, strengthening price discovery, enhancing valuations, and boosting investor confidence.

Unlocking value

Beyond liquidity initiatives, strategic M&As and corporate restructuring are vital pathways to unlocking value.

Many listed companies operate businesses with limited growth or modest scale.

Injecting viable private businesses into these listed entities can enhance earnings visibility, create growth trajectories, and increase investor appeal.

However, the current regulatory framework for RTOs and BDLs can sometimes limit these transformative transactions.

While the rules are intended to protect investors, they may inadvertently restrict the ability of companies to revitalise their business models.

One potential reform is introducing greater flexibility through market capitalisation thresholds.

For instance, allowing RTOs and BDLs for companies with a minimum market capitalisation of RM200mil – below the conventional IPO benchmark of RM500mil – which could create opportunities for listed companies with available cash, typically RM10mil to RM30mil, to deploy capital strategically.

This could facilitate expansion into emerging sectors such as technology, digital services, or artificial intelligence, thereby enhancing the growth profile of listed entities.

Essential balance

Maintaining a balance between regulatory oversight and corporate autonomy is essential.

A voluntary framework allows companies to tailor disclosures while still promoting transparency and investor understanding.

The long-term success of a capital market depends fundamentally on the quality and scalability of the companies listed.

Without strong, investable companies, even well-structured policies and liquidity initiatives will have limited impact.

Ultimately, the success of My Value Up and CMP4 should be measured by tangible outcomes: improved liquidity, higher market capitalisation, and greater investor participation.

CMP4 offers a roadmap, but the critical test lies in execution.

Combining better disclosures, targeted liquidity initiatives, and regulatory flexibility for corporate restructuring can create the conditions for Malaysia's equity market to thrive.