

# Shearn Delamore & CO.

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Dear valued clients and business partners,

We are pleased to highlight the following legal news and updates for February 2020.

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## Corporate/M&A

### [Securities Commission Malaysia \(“SC”\) releases Annual General Meeting Corporate Governance Checklist for Shareholders \(“Checklist”\)](#)

On 5 February 2020, the SC announced the release of the Checklist which was developed as part of a collaborative effort between the SC, the Institutional Investors Council Malaysia and the Minority Shareholders Watch Group. The Checklist is intended to promote meaningful dialogue between shareholders and the board of directors at annual general meetings (“AGMs”).

The Checklist highlights questions for shareholders to consider in preparation for an AGM. Shareholders play an important role in driving responsible corporate behaviour and the

AGM is one of the platforms where they can raise material issues for discussion or seek explanation from the board and management.

The Checklist covers primarily issues related to resolutions commonly tabled at AGMs such as the appointment or reappointment of directors, approval of directors' fees and the appointment of auditors.

General meetings are important platforms for directors and senior management to engage shareholders to facilitate greater understanding of the company's business, governance and performance. Thus, the Intended Outcome of Practice 12 of the Malaysian Code on Corporate Governance is that shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at general meetings.

While the Checklist was developed for shareholders, other stakeholders such as consumers and potential investors are encouraged to use the Checklist to understand and evaluate the performance, policies and practices of companies.

The Checklist can be downloaded here:

<https://www.sc.com.my/api/documentms/download.ashx?id=b59a0f5d-c414-4c27-b1c2-37ad15072d47>.

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For further information regarding corporate/M&A matters, please contact our [Corporate/M&A Practice Group](#).

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## **Financial Services**

### **[Update to Capital Adequacy Framework \(Capital Components\) Documents](#)**

Bank Negara Malaysia issued the Capital Adequacy Framework (Capital Components) ("CAF") and the Capital Adequacy Framework for Islamic Banks (Capital Components) ("CAF-IB"). The CAF and CAF-IB came into effect on 5 February 2020 subject to the transitional arrangements set out in the respective policy documents.

The objective of the policy documents is to set out the approach for computing regulatory capital adequacy ratios, as well as the levels of those ratios at which financial institutions and Islamic financial institutions are required to operate. The framework was developed based on internationally-agreed standards on capital adequacy promoted by the Basel Committee on Banking Supervision.

The CAF supersedes the Capital Adequacy Framework (Capital Components) issued on 2 February 2018. The CAF-IB supersedes the Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 2 February 2018 and the Guidelines on the Recognition and Measurement of Profit Sharing Investment Account as Risk Absorbent issued on 22 July 2011.

## [Bank Negara Issues Framework on Domestic Systemically Important Banks](#)

Bank Negara Malaysia (“BNM”) issued the Domestic Systemically Important Banks (“D-SIB”) Framework policy document and a set of related Frequently Asked Questions on 5 February 2020. A D-SIB is a bank whose distress or failure has the potential to cause considerable disruption to the domestic financial system and the wider economy.

The D-SIB Framework, developed in line with the principles outlined by the Basel Committee on Banking Supervision, aims to strengthen the resilience of the Malaysian banking system and address the following elements

- a) regulatory requirements and policy measures that may be applicable to D-SIBs, such as the higher loss absorbency requirement;
- b) intensity of supervisory oversight by BNM; and
- c) macroprudential surveillance activities of BNM.

The requirements include higher loss absorbency and reporting requirements applicable to financial institutions along with the assessment methodology employed to identify D-SIBs in Malaysia. The policy document supersedes the Domestic Systemically Important Banks Framework Survey issued on 10 October 2016.

Also on 5 February, BNM designated Maybank, CIMB, and Public Bank as D-SIBs. They will be required to maintain higher loss absorbency requirements of 0.5% to 1.0% of risk-weighted assets at consolidated level from 31 January 2021. BNM will update the list of D-SIBs annually and publish it together with the Financial Stability Review in the second-half of each year.

## [Securities Commission Malaysia liberalises regulation on Private Retirement Schemes to enhance competitiveness of the industry](#)

The Securities Commission Malaysia (“SC”) announced on 21 February 2020 liberalisation measures of the Private Retirement Schemes (“PRS”) with the aim of enhancing the competitiveness of the industry.

The SC indicated that the measures will provide more flexibility in asset allocation for PRS funds to enhance long-term growth for PRS members. The changes include, among others:

- PRS conservative funds are allowed to invest in foreign markets;
- PRS funds are allowed to invest in exchange-traded-funds based on physical gold to increase asset diversification into alternative investments.
- PRS providers are also now required to gradually move their members to a less risky fund in accordance with their age and to commensurate with members’ risk tolerance to reflect the longer life expectancy of the Malaysian population.

Following Budget 2020, PRS members are permitted to make pre-retirement withdrawals, without incurring tax penalty, for the purposes of:

- payment of medical equipment or medication for approved illnesses, whether for self or immediate family members
- financing building or purchase of a residential property or reducing a housing loan

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For further information regarding financial services matters, please contact our [Financial Services Practice Group](#).

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## **Intellectual Property**

### **Telekom Malaysia Berhad v CA Multimedia Sdn Bhd<sup>1</sup>**

The first plaintiff, Telekom Malaysia Berhad (“Telekom”) is the registered proprietor of the TMPOINT trade mark, as well as the beneficial owner of the goodwill identified therein. On the other hand, the second plaintiff is a subsidiary of Telekom (collectively, “the Plaintiffs”).

In 2014, the second plaintiff entered into separate dealership agreements with the first and second defendants (collectively, “the Defendants”). Among the material terms of the agreements were that the Defendants can only use the TMPOINT trade mark in a limited manner with prior consent from the Plaintiffs.

Subsequently in 2015, the Plaintiffs discovered that the Defendants had used the TMPOINT trade on the website of the first defendant and/or second Defendant (“the offending website”) which employed the domain name [www.tmpoint.com](http://www.tmpoint.com), (“the offending domain name”).

Following this, the parties had exchanges which resulted in additional conditions being imposed on the Defendants’ use of the TMPOINT trade mark (“Additional Terms”).

However, around July 2018, the plaintiffs discovered that the Defendants had not used the offending website according to the Additional Terms. As a result, the Plaintiffs terminated the dealership agreements with the Defendants. Despite the termination, the second defendant continued to operate its e-commerce business via the offending website, thus leading to the present suit.

## **Trade Mark Infringement**

The plaintiffs asserted trade mark infringement by relying on Telekom’s registration in class 35 for TMPOINT in Malaysia.

The main point of contention was whether the second defendant had used the TMPOINT trade mark via the offending website in relation to the services covered under the registration. The TMPOINT trade mark was registered in respect of

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<sup>1</sup> [2019] MLJU 1664

*“advertising; business management; business administration; office functions; all included in class 35”.*

The parties submitted different approaches in interpreting “*advertising*”, which is one of the services covered under the registration of the TMPOINT trade mark. The Defendants relied on a combined reading of the *Cambridge English Dictionary* and an article published by the World Intellectual Property Organisation to contend that “*advertising*” means the activity and business of persuading people to buy products or services and is a direct part of the creative industries.

Since the TMPOINT website merely served as a platform for the second defendant’s e-commerce business, the Defendants claimed that the elements of persuading customers and creative input were absent and thus the second defendant’s use of the TMPOINT trade mark via the offending website would not constitute as “*advertising*”.

However, the Judge preferred the Plaintiffs’ approach in interpreting “*advertising*” with the aid of the Explanatory Note of the Nice Classification. The Explanatory Note explains “*advertising*” in relation to services which enables customers to conveniently view and purchase those goods, through various means for example: web sites, online advertising or an online marketplace.

In rejecting the Defendants’ interpretation, the Judge observed that

*“the law on intellectual property rights protection must necessarily grow and rise to meet dynamic challenges including in innovative arguments made in defence against trade mark infringement and passing off.”*

The Defendants also claimed that they had created and used the offending website before Telekom registered the TMPOINT trade mark. However, the Judge held it to be immaterial because the Defendants had neither invalidated the registration of the TMPOINT trade mark nor applied to have the TMPOINT trade mark registered as a trade mark in their name based on concurrent use.

Consequently, the Judge found that the second defendant had infringed the Plaintiffs’ trademark.

### **Passing-Off of Mark**

In its suit, the Plaintiffs also relied upon the common law action of passing off in respect of the TMPOINT trade mark. The Judge found that the Plaintiffs had enjoyed goodwill and reputation in respect of the TMPOINT trade mark in Malaysia.

In determining the issue of misrepresentation, the Judge held that there was a real likelihood that the Malaysian public would be deceived into thinking that the offending website was associated or connected with the plaintiffs. Further, the Judge cited the Australian case of **The Architects (Australia) Pty Ltd t/as Architects Australia v Witty Consultants Pty Ltd**<sup>2</sup> to hold that there is no requirement for similarity in business for there to be misrepresentation.

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<sup>2</sup>[2002] QSC 139

On the issue of damages, the Judge reaffirmed that actual damages need not be proven.

The Judge went on to find that the second defendant had committed passing off by operating its e-commerce business via the offending website.

### **Passing-Off of Domain Name**

Another cause of action relied upon by the Plaintiffs was passing off of domain name. The offending domain name was registered by the fourth defendant, who was the director of the Defendants.

The fourth defendant claimed that the offending domain name had been registered in its name. Notwithstanding this, the Judge found that the Plaintiffs had been using the TMPOINT trade mark since 2005 and had since acquired goodwill and reputation in the TMPOINT trade mark. Citing the decision in **Education Testing Service v TOEFL**<sup>3</sup>, the Judge agreed that mere registration of the domain name would not be sufficient to establish rights or legitimate interests. In addition, the Judge held that while the fourth defendant had limited rights to use the offending domain name during the currency of the dealership agreement as varied by the Additional Terms, such rights and interest ceased upon termination of the agreement.

Further, the Judge found that the second and fourth defendants had used the offending domain name after the termination of the Agreement in bad faith. Among the facts supporting this finding was that the fourth defendant had offered to sell the offending website to the plaintiffs at a price of RM5,000,000 prior to the commencement of this suit.

Thus, the Judge held that passing off in respect of the domain name had been committed. The Judge then ordered for the transfer of the domain name to the Plaintiffs.

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For further information regarding intellectual property matters, please contact our [Intellectual Property Practice Group](#).

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<sup>3</sup>(WIPO Arbitration and Mediation Centre Case no. D2000-0044)

## **Tax and Revenue**

### **Income tax**

The Inland Revenue Board of Malaysia has recently issued the **Guideline For Approval Of Director General Of Inland Revenue Under Subsection 44(6) Of The Income Tax Act 1967** on 30 January 2020.

### **Sales tax**

The following Specific Guides which are only available in the Malay language have been published on the Royal Malaysian Customs Department's MySST website:

- i. **Panduan Penentuan Jualan Nilai Barang Bercukai di bawah Seksyen 9(3) Akta Cukai Jualan 2018** (as at 30 January 2020);
- ii. **Panduan Pembayaran Balik (*Refund*), Pulang Balik (*Drawback*) dan Rayuan Cukai Jualan** (as at 13 February 2020)

### **Service tax**

The following Industry Guide which is only available in the Malay language has also been published on the Royal Malaysian Customs Department's MySST website:

- **Panduan Perkhidmatan Penghantaran Dan Pengagihan Elektrik** (as at 22 January 2020)

### **Labuan tax**

The **Labuan Business Activity Tax (Amendment) Act 2020** has been gazetted on 10 February 2020. Please refer to Section 1 as to when the provisions come into operation.

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For further information regarding tax and revenue matters, please contact our [Tax and Revenue Practice Group](#).

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