

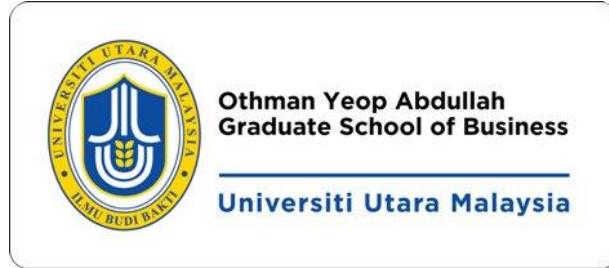
**MARKET REACTION TO INCLUSION AND EXCLUSION OF REGULATED
SHORT SELLING (RSS) STOCK IN REGULATED SHORT SELLING LIST IN
BURSA MALAYSIA : EVIDENCE FROM MALAYSIA 2010 – 2012**

by

LIM CHU LUAN

**Thesis Submitted to
Othman Yeop Abdullah Graduate School of Business,
Universiti Utara Malaysia,
in Fulfillment of the Requirement for the Degree of
Master of Science in (Finance)**

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ABSTRAK

Tujuan kajian ini adalah untuk menyelidik reaksi harga pasaran saham terhadap saham yang dimasukkan ke dalam senarai jualan singkat yang dikawal selia dan saham yang dikeluarkan daripada senarai jualan singkat yang dikawal selia di pasaran ekuiti Malaysia atau diketahui sebagai Bursa Malaysia dalam tempoh tahun 2010 hingga 2012. Sebanyak 71 saham yang dimasukkan ke dalam senarai jualan singkat yang dikawal selia and 76 saham yang dikeluarkan daripada senarai jualan singkat yang dikawal selia telah dipilih sebagai sampel untuk pengajian ini. Abnormal return (AR), Average Abnormal Return (AAR) dan Cumulative Abnormal Return (CAR) dengan cara *t*-statistic telah digunakan untuk mengenalpasti tujuan kajian ini. Hasil kajian ini bertentangan dengan jangkaan bahawa harga saham tiada perubahan sebelum dimasukkan ke dalam senarai jualan singkat yang dikawal selia dan harga pasaran akan naik berturutan setelah dimasukkan ke dalam senarai jualan singkat yang dikawal selia di Bursa Malaysia. Keputusan kajian yang bertentangan dengan jangkaan telah disiasat melalui jurnal daripada ulama dahulu dan didapati keputusan demikian berkemungkinan dipengaruhi oleh maklumat peribadi yang telah diberitahu kepada pelabur sebelum pengumuman rasmi atas kemasukkan saham ke senarai jualan singkat yang dikawal selia. Jangkaan untuk reaksi harga pasaran saham sebelum and setelah dikeluarkan daripada senarai jualan singkat yang dikawal selia disokong oleh keputusan kajian ini dimana tiada perubahan atas harga saham sebelum saham dikeluarkan daripada senarai jualan singkat yang dikawal selia and harga saham akan turun selepas dikeluarkan daripada senarainya.

Katakunci: pelaburan, jualan singkat yang dikawal selia, kajian acara, maklumat peribadi, Bursa Malaysia

ABSTRACT

The objective of this study is to examine the market reaction towards the listing and delisting of stocks from regulated short selling (RSS) list in Bursa Malaysia (BM) from the research period of 2010 to 2012. A total of 71 stocks have been chosen to list in RSS list in BM and a total of 76 stocks were being removed from RSS list in BM during the research period. Abnormal return (AR), Average Abnormal Return (AAR) and Cumulative Abnormal Return (CAR) were used to examine the market reaction with *t*-statistic was taken to test the significance of the results. The finding and analysis do not support our prediction of stock prices were stagnant prior to list in RSS list and stock prices would move in an upward trend after it is listed in RSS list in BM. Few journal in regards to the findings that do not support the prediction were studied and were found that opposite outcome from our prediction could be due to private information of stocks to be listed in RSS list prior to the official announcement could possibly leaks to investor that induce speculation on stock investment. Prediction on price movement on stocks to be delisted from RSS list before and after were supported where stock prices were stagnant prior to removal from RSS list and stock price move downward after it is being removed from RSS list.

Keywords: investment, regulated short selling, event study, private information, Bursa Malaysia

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LIST OF ABBREVIATION

AR	Abnormal Returns
AAR	Average Abnormal Return
Amex	American Stock Exchange
BM	Bursa Malaysia
CAR	Cumulative Abnormal Returns
HKEEx	Hong Kong Stock Exchange
KLCI	Kuala Lumpur Composite Index
NASDAQ	National Association of Securities Dealers Automated Quotations
NYSE	New York Stock Exchange
NYSE ACRA	Archipelago Exchange
PIPE	Private Investment in Public Equity
PLCs	Public Listed Companies
RSS	Regulated Short Selling
SEC	Securities and Exchange Commission
US	United State
USA	United State of America
UUM	Universiti Utara Malaysia

CHAPTER 1

INTRODUCTION

1.0 Chapter Overview

Investment defines that asset of companies into which fund can be placed with the expectation that it will generate positive income and / or preserve or increase its value. (Gitman, Joehnk, & Smart, 2011). According to Gitman et al. (2011), investment is an activity that could be conducted by investors in the economy for their mission or vision to increase capital or wealth. Formal definition of investment by Brown & Reilly (2002) refer to future payment to investor, for a period of time that will compensate the investor for the i) the time of the fund invested, ii) inflation rate during the investment period and iii) The unforeseen investment value changes in the future payment.

Typically, there are two types of investors, i. individual investor and ii. institutional investor (Gitman et al., 2011). Individual investor refers to individual or household who invests for personal financial goal. Institutional investor is comprised of government, corporate, bank, pension fund, fund manager, insurance company & etc. whom are paid to manage money of people for capital gain or for the purpose to increase the shareholders' wealth (Gitman et al., 2011).

According to Gitman et al., (2011), major types of investments available are short term investments, common stocks, fixed income securities, mutual funds, derivatives and miscellaneous which include various types of other investment vehicles that are widely used by investors.

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