CONSULTATION PAPER NO. 1/2014

PROPOSED REVIEW OF LISTING REQUIREMENTS IN VARIOUS AREAS

Date of Issue: 10 January 2014

Bursa Securities invites your written comments on the issues set out in this Consultation Paper by 10 March 2014 (Monday) via:

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Respondents to this Consultation Paper are requested to use the reply format as stipulated in the *Attachment*.

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Please see our Personal Data Notice as set out in the Appendix to this Consultation Paper.

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A. INTRODUCTION

This Consultation Paper is to seek public feedback on various proposed amendments to Bursa Malaysia Securities Berhad ("**the Exchange**") Main Market and ACE Market Listing Requirements (collectively the "**LR**").

The last major review of the LR was undertaken in 2010-2011, where the review was mainly focused on providing greater guidance and clarity to the market in the key areas of disclosure and corporate governance. As part of the Exchange's continuous efforts to ensure that the LR remains balanced, efficient and relevant, we have undertaken a review in several key areas.

Given the effluxion of time, there is a need to review and assess the effectiveness and appropriateness of the regulatory framework governing listed issuers. Hence, the review this time is aimed at ensuring the continued effectiveness and efficacy of the framework under the LR. In this respect, investor protection and high standards of conduct of listed issuers remains the Exchange's key focus. At the same time, the Exchange also sought to simplify the rules and ease compliance by listed issuers without compromising on investor protection. The Exchange strives to strike a careful balance between enhancing market regulation and promoting business efficacy and growth. In coming up with our proposals, we have taken into account industry feedback[1], our findings and observations arising from our supervision and monitoring activities, and international standards.

B. KEY AREAS OF REVIEW

The following are the key areas of review in this Consultation Paper:

(a) related party transaction requirements;

(b) regularisation plans for financially distressed listed issuers;

(c) framework for listed issuers with inadequate level of operations;

(d) foreign listing requirements;

(e) disclosure obligations particularly on material information such as default in payments by listed issuers; and

(f) improving market efficiency and providing greater clarity and certainty

(collectively referred to as the "**Proposed Amendments**").

C. STRUCTURE OF THE CONSULTATION PAPER

The detailed rationale and proposals are provided in the "**Details of Proposals**" in Part 1 to Part 5 of this Consultation Paper.

The Proposed Amendments are provided in **Annexures A to E**.

[1] *The Exchange undertook informal consultation with selected industry associations, listed issuers and advisers at various focus group sessions held in November 2013 on certain key proposals in respect of the Proposed Amendments.*

The relevant Details of Proposals and Proposed Amendments are as set out in the Table below.

Part No.	Details of Proposal	Proposed Amendments (Annexure)
1.	Proposed Enhancements to the Related Party Transaction Requirements	A
2.	Proposed Enhancements to the Regularisation Plans for Financially Distressed Listed Issuers	B
	Proposed Framework for Listed Issuers with Inadequate Level of Operations	
3.	Proposed Enhancements in relation to Foreign Listing Requirements	C
4.	Proposed Enhancements to Disclosure Obligations	D
5.	Other Proposed Amendments	E

The Proposed Amendments are reflected in the following manner:

- portions underlined are text newly inserted/added/replaced onto the existing rules; and
- portions struck through are text deleted.

Comments on the Proposed Amendments to the LR can be given by filling up the template as attached in the ***Attachment***.

Note: As the proposals are open to comments and feedback from the public, the final amendments may be different from those stated in this Consultation Paper. Further, the Proposed Amendments have NOT been approved by the SC and as such are not the final amendments. The Exchange will submit the Proposed Amendments to the SC for approval after receipt of comments pursuant to this Consultation Paper and making the relevant changes, where appropriate, to the Proposed Amendments.

D. DETAILS OF PROPOSALS

DEFINITIONS AND INTERPRETATIONS

For the purpose of the "Details of Proposals", unless the context otherwise requires, the following abbreviations/words have the meanings or definitions given below:

ACE LR	:	Bursa Malaysia Securities Berhad ACE Market Listing Requirements.
Adviser	:	means a person registered on the Register of Sponsors who has been appointed by a listed corporation to undertake a corporate proposal prescribed by the Exchange to require the services of an Adviser.
CA	:	Companies Act 1965.
CMSA	:	Capital Markets and Services Act 2007.
Exchange	:	Bursa Malaysia Securities Berhad.

LR	:	Collectively "**Main LR**" and "**ACE LR**".
Main LR	:	Bursa Malaysia Securities Berhad Main Market Listing Requirements.
major shareholder	:	means a person who has an interest or interests in one or more voting shares in a corporation and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is – (a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or (b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation. For the purpose of this definition, "**interest in shares**" has the meaning given in section 6A of the Companies Act 1965.
PN17 Issuer/GN3 Company	:	means a financially distressed listed issuer classified under Practice Note 17 of the Main LR or Guidance Note 3 of the ACE LR, as the case may be.
Prescribed Criteria	:	means any of the criteria in relation to the financial condition of a listed issuer as set out in paragraph 2.0 of Practice Note 17 of the Main LR or Guidance Note 3 of the ACE LR, as the case may be.
Principal Adviser	:	has the same meaning given in the SC's Principal Adviser Guidelines.
RPT	:	related party transaction(s) (as defined in the LR).
RRPT	:	Recurrent Related Party Transaction(s) (as defined in the LR).
related party	:	means a director, a major shareholder or persons connected to a director or a major shareholder of the listed issuer.
SC	:	Securities Commission.
Sponsor	:	means such persons who are registered on the Register of Sponsors.

Note:

(1) Unless otherwise defined in this "Details of Proposals", or unless the context otherwise requires, words or expressions defined in the LR, when used in this "Details of Proposals", have the same meanings as in the LR.

(2) Apart from the above, certain other terms and expressions have also been defined in the respective Parts. Such definitions only apply with respect to the respective Parts in which they are contained.

(3) A reference to a certain paragraph/Rule of the LR means the respective paragraph of the Main LR and Rule of the ACE LR.

PART 1 PROPOSED ENHANCEMENTS TO THE RELATED PARTY TRANSACTION REQUIREMENTS

The Exchange reviews the LR from time to time to ensure that the LR is balanced, practical and benchmarked. In this regard, we last amended the LR in relation to the framework for RPTs in 2009 in conjunction with the introduction of the Main Market and ACE Market on 3 August 2009. The amendments that were made include introducing additional transactions which are not required to comply with the RPT requirements and enhancing the disclosures in announcements and circulars.

The key objective of the RPT requirements in the LR is to ensure that a related party does not abuse its position and enter into transactions to benefit itself to the detriment of the listed issuer or its shareholders. In this respect, we currently have a comprehensive framework for RPTs to provide adequate level of investor protection. However, the Exchange recognizes that the current definition of RPT under the LR is broad, and this may sometimes inadvertently apply to transactions where the "conflicts of interests" are theoretical and may not pose any real risks or harm to the shareholders.

In view of the above, the Exchange has reviewed the current framework for RPTs particularly to address issues of compliance burden where the risk of abuse by a related party is low. In this Consultation Paper, the Exchange proposes, among others, to –

(a) revise the monetary limit that exempts small or immaterial transactions from the RPT requirements;

(b) clarify the role of the Principal Adviser (for the Main Market) and Sponsor/Adviser (for the ACE Market) in relation to RPTs and RRPTs; and

(c) refine existing exemptions and introduce new exemptions for RPTs.

In addition to the above, the Exchange proposes to clarify that the RPT requirements apply to a closed-end fund as well.

PROPOSAL 1.1

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Revising the monetary limit to exempt small or immaterial transactions from the RPT and non-RPT requirements set out in the LR	▪ Para. 10.08(1)(a) ▪ Para. 10.08(10) ▪ Para. 10.06(3) ▪ Para. 10.07(3)	▪ Rule 10.08(1)(a) ▪ Rule 10.08(10) ▪ Rule 10.06(3) ▪ Rule 10.07(3)

1. The LR currently provides both percentage and monetary thresholds to exempt immaterial or small transactions from the RPT requirements ("**de minimis requirements**"). The de minimis requirements are prescribed to exempt transactions which pose insignificant risk to listed issuers from the RPT framework.

2. The existing de minimis requirements under the LR are set out in the table below:

OBLIGATIONS	MAIN LR		ACE LR	
	Percentage Ratio[2]	**Monetary Consideration**	**Percentage Ratio**	**Monetary Consideration**
Announcement is required	0.25% or more	**RM250,000** or more	0.25% or more	**RM100,000** or more
Shareholders' approval is required	5% or more		5% or more	
Appointment of advisers is required	Percentage ratio is 5% or more – independent adviser is required		Percentage ratio is 5% or more – independent adviser; and Sponsor or Adviser are required	
	Percentage ratio of 25% or more – independent adviser and Principal Adviser are required			

3. The Exchange proposes to increase the monetary limit in the de minimis requirements as follows bearing in mind the effects of inflation on the value of transactions over the years:

   (a) in relation to the Main LR, to increase from RM250,000 to **RM500,000**; and

   (b) in relation to the ACE LR, to increase from RM100,000 to **RM200,000**.

   We do not propose to review the percentage ratio thresholds as we believe that the current thresholds are still relevant and practical.

4. Based on the industry feedback received by the Exchange, the respondents were generally supportive of the proposed increase while some commented that the monetary limit for the ACE Market should be reflective of the size and nature of the listed corporations.

5. In coming up with the proposal above, we analysed some RPTs entered into by Main Market listed issuers for the past 1 year, based on a sampling of 92 RPTs. Based on the statistics, we noted that only a small percentage (about 10% of the RPTs transacted) had a monetary value which is less than RM500,000. A majority of the listed issuers (about 90%) entered into RPTs which had a monetary value of RM500,000 or more. In view of this, we believe that it is appropriate to increase the monetary threshold under the de minimis requirements for a Main Market listed issuer to RM500,000 as proposed in paragraph 3(a) above.

6. With regards to the de minimis requirements for an ACE Market listed corporation, the Exchange proposes to increase the monetary threshold to RM200,000 as set out in paragraph 3(b) above. We believe that an increase of 2 times the existing value is appropriate taking into account the inflation rate. This is also in line with the approach for the Main Market listed issuer where the increase proposed is also 2 times the existing value prescribed.

[2] *The percentage ratios are the figures expressed in percentage that denote the materiality of a transaction. Paragraph/Rule 10.02(g) of the LR prescribes 8 methods of calculating the percentage ratios.*

7. In addition to the above, we also considered the de minimis requirements in Hong Kong and Singapore. A summary of the current requirements in these 2 jurisdictions are as follows:

	Announcement is required	Shareholders' approval is required
Singapore *(Main Board and Catalist)*	Value of the transaction is – • 3% or more of the group's latest audited net tangible assets; and • **S$100,000** or more	Value of the transaction is – • 5% or more of the group's latest audited net tangible assets; or • **S$100,000** or more
Hong Kong *(Main Board and GEM)*	• percentage ratio is 0.1% or more for a RPT involving a related party at the listed issuer level; or • percentage ratio is 1% or more for a RPT involving a related party at the subsidiary level; or • percentage ratio is 5% or more and the total consideration is **HK$1 million** or more	• percentage ratio is 5% or more; or • percentage ratio is 25% or more and the total consideration is **HK$10 million** or more

We note that Hong Kong Exchanges and Clearing Limited ("**HKEx**") recently consulted the market (in April 2013) on whether to increase its monetary threshold of HK$1 million for exemption from disclosure requirements to **HK$2 million**, **HK$3 million**, **HK$4 million** or **HK$5 million**.

8. As the non-RPT framework for acquisitions and disposals of assets under Part D in Chapter 10 of the LR is also subject to a similar monetary limit exemption, the Exchange proposes to adopt the proposals set out in paragraph 3 above to the non-RPT framework as well.

Proposal 1.1 - Issue(s) for Consultation:

1. Do you agree with our proposal to increase the monetary limit under the de minimis requirements for both a RPT as well as non-RPT as follows:

   (a) in relation to the Main LR, to increase from RM250,000 to **RM500,000**; and

   (b) in relation to the ACE LR, to increase from RM100,000 to **RM200,000**?

   Please state your views and the reasons for such views.

2. Alternatively, if you have other suggestions for the appropriate monetary limit, please provide your suggestions together with your reasons.

3. Do you agree that we should **maintain the threshold for the percentage ratio** under the de minimis requirements? If not, please provide your suggestions together with your reasons.

PROPOSAL 1.2

Description	Affected Provision(s)	
	Main LR	ACE LR
Clarifying the role of the Principal Adviser (for the Main Market) and Sponsor/Adviser (for the ACE Market) in relation to RPTs and RRPTs	▪ Para. 10.08(4)	▪ Rule 10.08(4)

Role of Principal Adviser and Sponsor or Adviser vis-à-vis independent adviser

9. Currently, a listed issuer entering into a RPT must appoint the following advisers in the event the relevant percentage ratio as set out in the table in paragraph 2 above is triggered -

   (a) an independent adviser; and

   (b) a Principal Adviser (for the Main Market) or Sponsor or Adviser, as the case may be (for the ACE Market).

10. Once appointed, the Principal Adviser or the Sponsor or Adviser, as the case may be, must do the following:

<table>
<tr><th></th><th>Independent Adviser</th><th>Principal Adviser / Sponsor or Adviser</th></tr>
<tr><td>Main Market</td><td rowspan="2">The independent adviser must -
• comment whether the transaction is fair and reasonable;
• comment whether the transaction is to the detriment to minority shareholders; and
• advise minority shareholders on whether they should vote in favour of the transaction</td><td rowspan="2">The Principal Adviser must –
• ensure that the transaction is carried out on fair and reasonable terms and condition, and not to the detriment of the minority shareholders;
• ensure that the transaction complies with relevant laws, regulations or guidelines, where applicable;
• ensure full disclosure of all material information required to be disclosed in announcement and circulars; and
• confirm to the Exchange after the transaction has been completed and all the necessary approvals have been obtained, that it has discharged its responsibility with due care in regard to the transaction.</td></tr>
<tr><td>ACE Market</td></tr>
</table>

11. The Exchange has reviewed the respective roles and responsibilities of the Principal Adviser and Sponsor or Adviser, as the case may be, and those performed by an independent adviser, to ensure that there are no overlapping functions.

12. Based on our review, the Exchange proposes that instead of ensuring the transaction is carried out on fair and reasonable terms and conditions, and not to the detriment of the minority shareholders, the Principal Adviser and Sponsor or Adviser, as the case may be, must ensure that the **transaction is carried out on arms length basis and on normal commercial terms**.

Appointment of Principal Adviser for a RRPT

13. Currently, under the RRPT framework in the LR, a listed issuer is not required to comply with the RPT requirements set out in paragraph/Rule 10.08 of the LR if it seeks a mandate from its shareholders for the RRPT subject to the specific requirements as prescribed[3].

14. However, where specific shareholders' approval is sought for the RRPT (for example, a long term contract which is in the ordinary course of business, recurrent and of a revenue nature necessary for day-to-day operations), the listed issuer must comply with the relevant requirements set out in paragraph/Rule 10.08 of the LR. This includes the appointment of a Principal Adviser and Sponsor or Adviser, as the case may be.

15. Based on our engagements with listed issuers, we have received comments that in the situation above, the requirement to appoint a Principal Adviser for the RRPT may not be necessary in view that the RRPT is typically a straight forward transaction for day-to-day operations.

16. As such, the Exchange proposes to expressly provide that a Main Market listed issuer is no longer required to appoint a Principal Adviser for a RRPT if they wish to seek specific shareholders' approval for the RRPT. We believe that this will reduce cost of compliance for listed issuers.

17. As regards the ACE Market, the Exchange proposes to maintain the requirement for the appointment of a Sponsor or Adviser for a RRPT if an ACE Market listed corporation wishes to obtain specific shareholders' approval for that RRPT. This is in view of the fact that unlike the Main Market, the ACE Market is a sponsor-driven market where an ACE Market listed corporation is required to engage a Sponsor or Adviser when it undertakes the corporate proposals that require the services of an Adviser as set out in Guidance Note 19 of the ACE LR.

Proposal 1.2 - Issue(s) for Consultation:

Role of Principal Adviser and Sponsor or Adviser vis-à-vis independent adviser

4. Do you agree with our proposal to require a Principal Adviser and Sponsor or Adviser, as the case may be, to ensure that the **transaction is carried out on arms length basis and on normal commercial terms** (instead of ensuring that the transaction is carried out on fair and reasonable terms and conditions, and not to the detriment of the minority shareholders)? Please state your views and the reasons for such views.

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[3] *See paragraph 10.09(2) and Practice Note 12 of the Main LR and Rule 10.09(2) and Guidance Note 8 of the ACE LR.*

Appointment of Principal Adviser for a RRPT

5. Do you agree with our proposal to expressly provide that a Main Market listed issuer is no longer required to appoint a Principal Adviser for a RRPT if it wishes to seek specific shareholders' approval for the RRPT? Please state your views and reasons for such views.

6. Do you agree with our proposal to maintain the requirement for an ACE Market listed corporation to appoint a Sponsor or Adviser for a RRPT if it wishes to seek specific shareholders' approval for the RRPT? Please state your views and reasons for such views.

PROPOSAL 1.3

Description	Affected Provision(s)	
	Main LR	ACE LR
Refining the existing exemptions and introducing additional transactions which are not required to comply with the RPT requirements	▪ Para. 10.08(11)(a) ▪ Para. 10.08(11)(c) ▪ Para. 10.08(11)(d) ▪ Para. 10.08(11)(g) ▪ Para. 10.08(11)(j) ▪ Para. 10.08(11)(l) ▪ Para. 10.08(11)(q) ▪ New para. 10.08(11)(r)	▪ Rule 10.08(11)(a) ▪ Rule 10.08(11)(c) ▪ Rule 10.08(11)(d) ▪ Rule 10.08(11)(g) ▪ Rule 10.08(11)(j) ▪ Rule 10.08(11)(l) ▪ Rule 10.08(11)(q) ▪ New Rule 10.08(11)(r)

18. As highlighted in the preamble to Part 1 above, the rationale behind the RPT requirements in the LR is to safeguard against a related party taking advantage of its position to the detriment of the listed issuer's minority shareholders. In view of this and in the interest of minority shareholders, the Exchange has defined a related party and a RPT broadly in the LR to apply to relevant persons who can exert influence over the listed issuer's actions, and transactions that present a risk of potential abuse respectively.

19. However, to ensure that transactions where the conflicts of interests are theoretical, remote or pose insignificant risks are not caught under the broad definitions, the Exchange has also provided a list of transactions that are exempted from the RPT requirements.

20. In the current review, the Exchange proposes to refine the scope of RPT further by enhancing the exemptions to the RPT requirements as set out below, so that the RPT requirements do not extend to transactions where the related parties are unlikely to control or exert significant influence over the listed issuers, or where the conflicts of interests are theoretical, remote or pose insignificant risks to the listed issuers.

Common directorship exemption

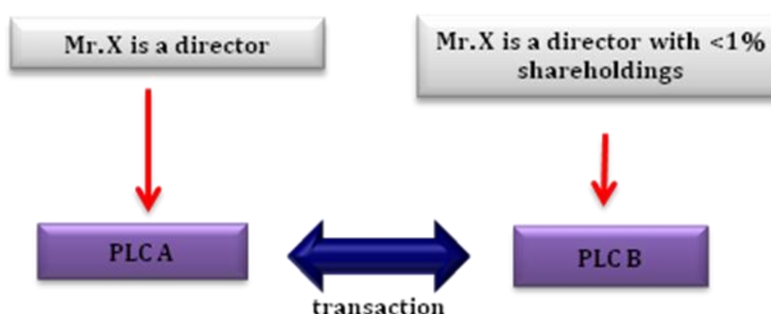
21. Paragraph/Rule 10.08(11)(c) of the LR currently exempts a transaction between a listed issuer or its subsidiaries and another person ("**counterparty**"), where there are no interested relationships except for common directorships subject to –

    (a) the transaction involving the common director whose shareholding in the counterparty **is less than 1%** other than via the listed issuer; and

    (b) the director has no other interest such as commission or other benefits received from the listed issuer or its subsidiaries, or the other person in relation to the transaction.

    For easy reference, see Illustration (i) below.

Illustration (i)



22. The Exchange proposes to increase the shareholding threshold of less than 1% held by the common director in the counterparty to less than **5%**. Hence, in the circumstances set out in Illustration (i) above, the transaction between PLC A and PLC B will be exempted from the RPT requirements even if Mr. X, who is a director in both PLC A and PLC B, holds 4% in PLC B.

23. Based on the industry feedback we received, generally, the respondents were supportive of the proposed increase. However, an industry association commented that the increase to 5% in the shareholding of the counterparty held by a single individual (i.e. the common director) may seem a little bit on the high side due to the typical shareholding spread in Malaysia which is sporadic and not usually concentrated in a single party.

24. We note that in Singapore and Hong Kong, this particular circumstance is not caught within the ambit of their respective definition of related party transaction. In view of this and the fact that the board of directors of a listed issuer should act in the best interest of the listed issuer, the assumption is that it is unlikely that the listed issuer would allow a related party holding below 5% shareholding interest in the counterparty to have influence over the transaction. Hence, we believe that it is appropriate to increase the percentage threshold to 5%.

Proposal 1.3 - Issue(s) for Consultation:

Common directorship exemption

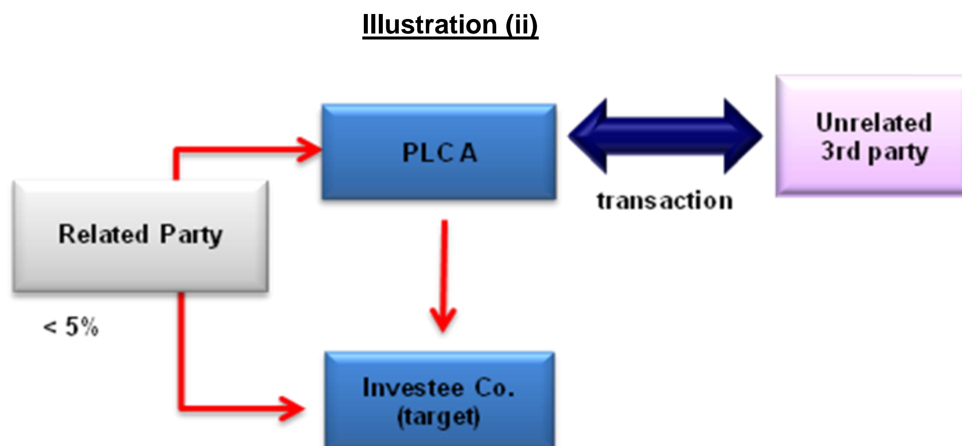
7. Do you agree with our proposal to increase the shareholding threshold of less than 1% held by the common director in the counterparty to less than **5%**? Please state your views and the reasons for such views.

   Alternatively, if you have other suggestions for the appropriate shareholding threshold, please provide your suggestions together with your reasons.

Target company exemption

25. Paragraph/Rule 10.08(11)(d) of the LR currently exempts an acquisition or disposal by a listed issuer or its subsidiaries from or to a third party, of an interest in another company ("**target company**") where the related party holds less than 5% in the target company. See Illustration (ii) below.

Illustration (ii)



26. During the informal consultation undertaken by the Exchange, the respondents pointed out that the various percentage thresholds under the RPT framework in the LR should be streamlined, where possible, to facilitate compliance by listed issuers.

27. Bearing that in mind, the Exchange proposes to increase the percentage shareholding of a related party in the target company from less than 5% to less than **10%**. This means that in the scenario in Illustration (ii) above, an acquisition or disposal of the Investee Co. between PLC A and the Unrelated 3rd party will be exempted if the Related Party holds less than 10% in the Investee Co.

28. This proposal ties in with the definition of "**major shareholder**" under the LR which has been defined, among others, as a person who has an interest or interests in one or more voting shares in a corporation and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is 10% or more of the aggregate of the nominal amounts of all the voting shares in the corporation. In addition to providing a streamlined and consistent threshold, this proposal is also in line with the requirement in Hong Kong which stipulates, among others, that a purchase or sale of an interest in a target company from or to a third party is a connected transaction if a director, chief executive, controlling shareholder or its associates, is the target company's substantial shareholder (i.e. holding 10% or more in the target company). Hence, any such purchase or sale where the director, chief executive, controlling shareholder or its associates holds less than 10% in the target company, is not a connected transaction.

Proposal 1.3 - Issue(s) for Consultation:

Target company exemption

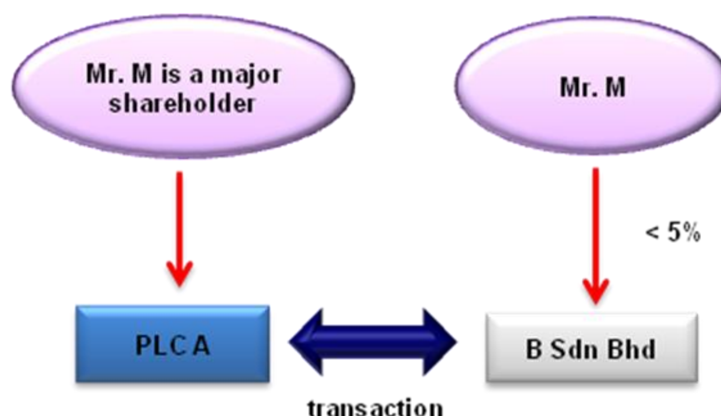
8. Do you agree with our proposal to increase the shareholding threshold of less than 5% held by the related party in the target company to less than **10%**? Please state your views and the reasons for such views.

   Alternatively, if you have other suggestions for the appropriate shareholding threshold, please provide your suggestions together with your reasons.

Less than 5% in counterparty exemption

29. A transaction between a listed issuer or its subsidiary and another person ("**counterparty**") where there are no other interested relationships except for the related party having shareholding in the counterparty which is less than 5%, is currently exempted from the RPT requirements pursuant to paragraph/Rule 10.08(11)(l). See Illustration (iii) below.

Illustration (iii)



30. In line with the definition of "**major shareholder**" in the LR, the Exchange proposes to increase the shareholding threshold of the related party in the counterparty from less than 5% to less than **10%**. Hence, based on Illustration (iii) above, a transaction between PLC A and B Sdn Bhd will now be exempted even if Mr. M holds less than 10% in B Sdn Bhd.

31. Based on industry feedback, generally, the respondents consulted were supportive of the proposed increase. We also believe that it is remote for a person holding less than 10% in the counterparty (and who is not a common director in the both the listed issuer or its subsidiaries and the counterparty) to influence the decision of the counterparty.

Proposal 1.3 - Issue(s) for Consultation:

Less than 5% in counterparty exemption

9. Do you agree with our proposal to increase the shareholding threshold of less than 5% held by the related party in the counterparty to less than **10%**? Please state your views and the reasons for such views.

   Alternatively, if you have other suggestions for the appropriate shareholding threshold, please provide your suggestions together with your reasons.

Disposal of an interest in an investee company

32. Currently, under paragraph/Rule 10.08(11)(q) of the LR, a disposal of an interest in an investee company where a related party is also a major shareholder or person connected with a major shareholder of the investee company (other than via the listed issuer), is exempted from compliance with the RPT requirements in the LR provided that –

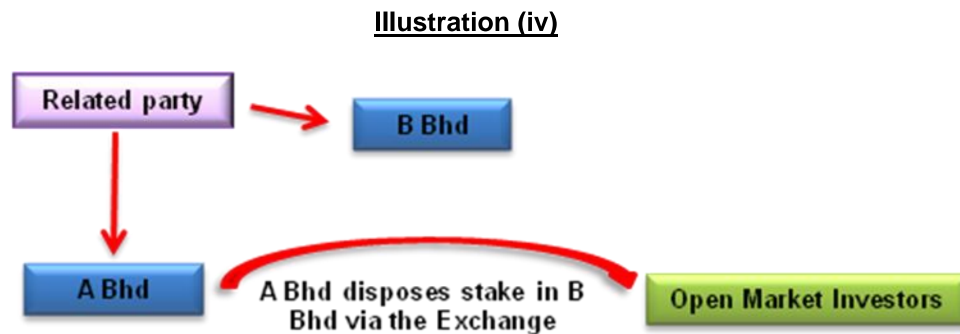
(a) the related party, person connected with the related party or both, are not a party, initiator or agent to the said disposal; and

(b) the disposal is effected on the Exchange where the counterparty's identity is unknown to the listed issuer or its subsidiaries at the time of disposal.

For this purpose, "**disposal**" includes disposal of an investee company on a pro-rata basis or arising from an acceptance of a take-over offer, except that such disposal need not be effected on the Exchange.

For easy reference, see Illustration (iv) below.

Illustration (iv)



33. The Exchange proposes to expand the exemption to include cases where the **disposal** of listed securities in the investee company **is not effected on the Exchange but the counterparty is unknown** to the listed issuer **and is not a related party**. An example of such disposal is a private placement whereby the placement is done by a placement agent via a book-building exercise.

34. Whilst this is a form of liberalisation, the Exchange believes that investor protection is not compromised as there are adequate safeguards in place i.e. the counterparty is not a related party and its identity remains unknown to the listed issuer.

Proposal 1.3 - Issue(s) for Consultation:

Disposal of an interest in an investee company

10. Do you agree with our proposal to expand the exemption to include cases where the **disposal** of listed securities in the investee company **is not effected on the Exchange but the counterparty is unknown** to the listed issuer **and is not a related party**? Please state your views and the reasons for such views.

11. Are there any other instances (besides the example given in paragraph 33 above) which the Exchange should consider including in this exemption? Please provide your suggestions together with your reasons.

Other proposed exemptions

35. In addition to the proposed exemptions above, the Exchange proposes the following:

(a) to expand the Exempted Transactions referred to under paragraph/Rule 10.08(11)(g) of the LR, to provision or usage of satellite television or broadcasting services;

(b) in relation to a contract awarded by way of public tender –

(i) to clarify that a public tender refers to a situation where the **offer is made available to the public and not on a selective basis**. This is to provide clarity as to the meaning of a "public tender"; and

(ii) to require the listed awarder or its subsidiaries to provide an **explanation of the basis for selecting the winning bid** in the immediate announcement (in addition to the existing disclosure on the terms of the awarded contract and value of at least the 3 closest bids). The additional disclosure provides greater transparency to the market. It is also in line with the requirement in Singapore; and

(c) to introduce the following additional transactions which are exempted from the RPT requirements as the risk of potential abuse in these transactions is remote and shareholders' interests are not prejudiced:

(i) the **grant of options and the issue of securities** arising from the exercise of options, **under a Share Issuance Scheme** (subject to compliance with Chapter 6 of the LR);

(ii) **subscription of securities on a pro rata basis**; and

(iii) in relation to a joint venture established by the listed issuer or its subsidiaries, any **subsequent equity participation or provision of shareholders' loans or guarantees to the joint venture** provided that -

(aa) the **subsequent equity participation or provision of shareholders' loans or guarantees** to the joint venture are **in proportion to the equity holdings** provided by each joint venture partner; and

(bb) the listed issuer immediately announces to the Exchange a statement by its audit committee confirming that the –

- subsequent equity participation or provision of shareholders' loans or guarantees to the joint venture is in the best interest of the listed issuer, is fair and reasonable and not detrimental to the interest of the minority shareholders; and

- risk and rewards of the joint venture are in proportion to the equity holdings of each joint venture partner,

together with the basis for its views.

Proposal 1.3 - Issue(s) for Consultation:

Other proposed exemptions

12. Do you agree with our following proposals:

(a) to expand the Exempted Transactions referred to under paragraph/Rule 10.08(11)(g) of the LR, to provision or usage of satellite television or broadcasting services;

(b) in relation to a contract awarded by way of public tender –

(i) to clarify that a public tender refers to a situation where the offer is made available to the public and not on a selective basis; and

(ii) to require the listed awarder or its subsidiaries to provide an explanation of the basis for selecting the winning bid in the immediate announcement (in addition to the existing disclosures required?)

Please state your views and the reasons for such views.

13. Do you agree that the following transactions as set out in paragraph 35(c) above are not required to comply with the RPT requirements -

(a) the **grant of options and the issue of securities** arising from the exercise of options, **under a Share Issuance Scheme**;

(b) **subscription of securities on a pro rata basis**; and

(c) in relation to a joint venture established by the listed issuer or its subsidiaries, any **subsequent equity participation or provision of shareholders' loans or guarantees to the joint venture** provided that -

(i) the **subsequent equity participation or provision of shareholders' loans or guarantees** to the joint venture are **in proportion to the equity holdings** provided by each joint venture partner; and

(ii) the listed issuer immediately announces to the Exchange a statement by its audit committee confirming that the –

- subsequent equity participation or provision of shareholders' loans or guarantees to the joint venture is in the best interest of the listed issuer, is fair and reasonable, and not detrimental to the interest of the minority shareholders; and
- risk and rewards of the joint venture are in proportion to the equity holdings of each joint venture partner,

together with the basis for its views.

Please state your views and the reasons for such views.

PROPOSAL 1.4

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Clarifying that the RPT requirements apply to a closed-end fund	▪ Para. 1.01 ▪ Para. 10.02(c)(v) ▪ Para. 10.02(f)(iii) ▪ Para. 10.08(7)(c) ▪ Para. 10.09(2)(dB)	Not Applicable

36. At present, the RPT requirements as set out in Chapter 10 of the Main LR are also applicable to a listed closed-end fund.

37. Closed-end fund as defined in the SC's Guidelines for Public Offerings of Securities of Closed-End Funds means a public limited company incorporated in Malaysia and engaged wholly in the business of investing its funds in securities for the purposes of spreading investment risks and managing a portfolio of investments, to gain revenue and profit for the benefit and on behalf of its shareholders.

38. Hence, whilst a listed closed-end fund is set up as a company, it functions more like a collective investment scheme. It has a Manager[4] who is responsible for managing its investments, and a custodian (which is a public limited company incorporated in Malaysia) to hold and ensure the safe-keeping of its investments. Therefore, the Exchange proposes to modify the RPT requirements in the Main LR specifically for a closed end fund, by clarifying the following requirements -

    (a) in addition to a director, chief executive, major shareholder of a listed issuer (i.e. the closed-end fund), or persons connected to such director, chief executive or major shareholder, to extend the definition of "related party" to the following persons:

        (i) a Manager or person connected with the Manager;

        (ii) a custodian appointed by the closed-end fund pursuant to the SC's Guidelines for Public Offerings of Securities of Closed-End Funds or person connected with the custodian; or

        (iii) a director, chief executive, major shareholder of the Manager, or person connected with such director, chief executive or major shareholder; and

    (b) to require the Manager, the custodian, or persons connected with the Manager or the custodian, or interested person connected with the Manager or the custodian ("**interested Manager**" or "**interested custodian**", or "**interested person connected with the Manager or custodian**"), having an interest, direct or indirect, to abstain from voting on the resolution approving the RPT or RRPT, as the case may be.

[4] *A "**Manager**" is defined in paragraph 1.01 of the Main LR to mean collectively a company incorporated in Malaysia and individuals responsible for managing the investments of the closed-end fund as approved by the SC under the SC's Guidelines for Public Offerings of Securities of Closed-End Funds.*

39. The proposals above are to provide clarity as to the application of the RPT requirements in the context of a closed-end fund.

Proposal 1.4 - Issue(s) for Consultation:

14. Do you agree with the proposal to extend the definition of "related party" in the context of a closed-end fund to the following parties (in addition to a director, chief executive, major shareholder of the closed-end fund, or persons connected to such director, chief executive or major shareholder):

    (a) a Manager or person connected with the Manager;

    (b) a custodian appointed by the closed-end fund pursuant to SC's Guidelines for Public Offerings of Securities of Closed-End Funds or person connected with the custodian; or

    (c) a director, chief executive major shareholder of the Manager or person connected with such director, chief executive or major shareholder?

    Please state your views and reasons for such views.

15. Do you agree with the proposal to exclude the following parties from voting on a resolution approving a RPT or RRPT (in addition to the interested director, interested major shareholder or interested person connected with a director or major shareholder, of the closed-end fund) -

    (a) interested Manager or interested custodian; or

    (b) interested person connected with the Manager or custodian?

    Please state your views and the reasons for such views.

[End of Part 1]

PART 2 PROPOSED ENHANCEMENTS TO THE REGULARISATION PLANS FOR FINANCIALLY DISTRESSED LISTED ISSUERS, AND PROPOSED FRAMEWORK FOR LISTED ISSUERS WITH INADEQUATE LEVEL OF OPERATIONS

As part of our efforts to enhance the quality and investability of our listed issuers, we propose to enhance the requirements for the regularisation plans submitted by a PN17 Issuer/GN3 Company.

The enhancements proposed encompass the following key areas:

(a) enhancing the conditions for regularisation plans to improve quality of such plans; and

(b) prescribing the contents of circular to enhance disclosures to shareholders and promote greater transparency to the market.

In addition to the above, the Exchange is also proposing a separate framework for listed issuers with inadequate level of operations. This is to address the issue raised by the market that listed issuers with inadequate level of operations should not be viewed in the same light as PN17 Issuers/GN3 Companies, as they are not necessarily financially distressed, as PN17 Issuers/GN3 Companies are. We believe that the proposal will facilitate such listed issuers' efforts to regularise their condition, without compromising on quality and investor protection.

PROPOSAL 2.1

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Enhancing the conditions of regularisation plans to improve the quality of such plans	Practice Note 17 ▪ Para. 3.0 [Deleted] ▪ New para. 5.4 ▪ New para. 5.5 ▪ New para. 5.6	Guidance Note 3 ▪ Para. 3.0 [Deleted] ▪ New para. 5.1 ▪ New para. 5.2 ▪ New para. 5.3 ▪ New para. 5.4

40. In line with the Exchange's aim of enhancing the quality of listed issuers in the market, the Exchange has reviewed the criteria for a regularisation plan approved by the Exchange under the PN17/GN3 framework[5].

41. Currently, a PN17 Issuer/GN3 Company which undertakes a regularisation plan must ensure that its regularisation plan fulfils the following requirements:

    (a) it is sufficiently comprehensive and capable of resolving all problems, financial or otherwise;

    (b) it enables the PN17 Issuer/GN3 Company to regularise its financial condition; and

    (c) it is fair and reasonable to the PN17 Issuer/GN3 Company and its securities holders and will increase value for its securities holders.

[5] *For the Main Market, the Exchange only approves regularisation plans which will not result in a significant change in the business direction or policy of the PN 17 Issuers. In respect of the ACE Market, the Exchange is the sole approving authority for all regularisation plans undertaken by GN3 Companies.*

42. To ensure that a listed issuer is of quality, its business must be viable, substantive and sustainable. In view of this, the Exchange proposes to further enhance the criteria for regularisation plans which will be considered by the Exchange. The PN17 Issuer/GN3 Company must demonstrate to the satisfaction of the Exchange the following:

    (a) the regularisation plan is able to strengthen the financial position of the PN17 Issuer/GN3 Company including its securities holders' equity, gearing, net asset position, cash flow position and address the accumulated losses position of the PN17 Issuer/GN3 Company; and

    (b) the steps taken or proposed to be taken to address the issues which caused the PN17 Issuer/GN3 Company to trigger the Prescribed Criteria, such that the PN17 Issuer/GN3 Company shall no longer trigger any of the Prescribed Criteria upon implementation of the regularisation plan, and will not trigger any of the Prescribed Criteria in the near future.

43. Additionally, the Exchange proposes a further requirement for the PN17 Issuer and GN3 Company respectively as follows:

    (a) For a PN17 Issuer, its core business activities post-implementation of the regularisation plan must be **viable, sustainable and have growth prospects** such as to warrant continued listing on the Exchange. In this respect, the PN17 Issuer must provide sufficient information in support of its regularisation plan, including, but not limited to the following -

        (i) a detailed business plan of its core business activities;

        (ii) profitability of the core business. Generally, low profit margin or loss making business will raise concerns on the viability of the core business;

        (iii) sufficiency of resources to achieve its business plan and expected level of operations;

        (iv) industry prospects;

        (v) competitive advantage; and

        (vi) market position.

    (b) For a GN3 Company, its core business activities post-implementation of the regularisation plan must also be **sustainable and have prospects** such as to warrant continued listing on the Exchange. In this respect, a GN3 Company must take into consideration the requirements set out in paragraph 3.1 of Guidance Note 18[6] with the necessary modifications and provide sufficient information in support of its regularisation plan.

44. The PN17 Issuer would also be required to immediately generate net profits in its 2 consecutive quarterly results immediately after the completion of its regularisation plan. This requirement is inapplicable to a GN3 Company.

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[6] ***Paragraph 3.1 of Guidance Note 18** of the ACE LR sets out the areas for consideration which include, among others, whether –*

(a) the business is likely to succeed;

(b) the business has potential for profitable operations and wealth creation;

(c) the GN3 Company has adequate resources to realise its potential; and

(d) the GN3 Company has a sustainable position in the industry having regard to its competitiveness, availability of alternative products or services, government policies and incentives, and the economy.

45. Additionally, the Exchange also proposes an additional requirement for a PN17 Issuer/GN3 Company to review its risk management and internal control system and submit to the Exchange the results of the risk management and internal control review together with its action plans to address the weaknesses identified. This new requirement seeks to ensure that the restructured PN17 Issuer/GN3 Company has adequate risk management and internal control system.

Proposal 2.1 - Issue(s) for Consultation:

16. Do you agree with the proposed enhancements to the regularisation plan to be undertaken by a PN17 Issuer/GN3 Company i.e. the requirement by the PN17 Issuer/GN3 Company to provide salient and complete information in support of its regularisation plan as set out in paragraphs 42 and 43, as well as the review of its risk management and internal control system as set out in paragraph 45 above? Please state your views and the reasons for your views.

17. Alternatively, if you have other suggested enhancements to the regularisation plan by a PN17 Issuer/GN3 Company, please provide your suggestions together with your reasons.

PROPOSAL 2.2

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Prescribing the contents of circular to enhance disclosures to shareholders and promote greater transparency to the market	Practice Note 17 ▪ New para. 5.7 ▪ New Annexure PN17-A	Guidance Note 3 ▪ New para. 5.5 ▪ New Annexure GN3-A

46. Currently, a listed issuer that wishes to regularise its condition pursuant to the PN17/GN3 framework, would need to seek shareholder approval for its regularisation plan. This is usually done after the Exchange has approved the regularisation plan.

47. In order to ensure that the circular to shareholders contains salient and complete information relating to the regularisation plan, we propose to prescribe the minimum contents of the circular in the LR. This is to assist listed issuers in meeting their regulatory requirements. Additionally, the proposal would also aid shareholders in making an informed decision before approving any regularisation plan proposed by a PN17 Issuer/GN3 Company. The Exchange will also continue to peruse the draft circular prepared by a PN17 Issuer/GN3 company before it is issued to the shareholders.

48. To this end, we propose that the PN17 Issuer/GN3 Company include in its circular, the following information:

(a) The historical financial information of the PN17 Issuer/GN3 Company for the last 5 years or since listing, whichever is later, based on the audited or unaudited financial statements including -

(i) the turnover;

(ii) the gross profit/loss;

(iii) the net profit/loss;

(iv) the shareholders' funds;

(v) the borrowings; and

(vi) the key ratios such as gross profit margin and gearing.

(b) A commentary on the performance of the PN17 Issuer/GN3 Company for the past 5 years or since listing, whichever is later.

(c) A description of the business plan. Where it relates to a PN17 Issuer, the PN17 Issuer must include information on the viability and profitability of the business and sufficiency of resources to achieve the plan and expected level of operations. As for a GN3 Company, the GN3 Company must include information on the prospects of the GN3 Company having regards to the requirements set out in paragraph 3.1 of Guidance Note 18 of the ACE LR, with the necessary modifications.

(d) An analysis of the business post implementation of the regularisation plan including -

(i) the nature and operational environment of the PN17 Issuer's/GN3 Company's business such as the introduction of new asset/business, new products, new markets or new contracts, to address the operational issues faced by the PN17 Issuer/GN3 Company;

(ii) industry overview and growth prospects of the business; and

(iii) the risk factors affecting the PN17 Issuer/GN3 Company and its business.

(e) The reasons or issues which caused the PN17 Issuer/GN3 Company to trigger any of the Prescribed Criteria, the steps taken or to be taken (whether short term or long term) to address such reasons or issues.

(f) Where the proposal includes an injection of new asset or business, the following information where applicable:

(i) in relation to the new asset or business -

- name, qualification and experience of the directors, chief executive and key management; and
- details of the substantial securities holders; and

(ii) in relation to the PN17 Issuer/GN3 Company -

- name, qualification and experience of the proposed new directors to the board; and
- details of the proposed new substantial securities holders.

(g) A commentary by the PN17 Issuer's board of directors on whether the PN17 Issuer is able to record a net profit in 2 consecutive quarterly results immediately after the completion of the implementation of the plan. This requirement is inapplicable to a GN3 Company.

(h) The profit and cash flow estimate, forecast or projection, and the assumptions together with a copy of the reporting accountant's letter, if such information is provided to the Exchange in the submission.

(i) The results of the risk management and internal control review together with the action plans to address the weaknesses identified.

49. To complement the circular disclosure enhancements above, we also propose to stipulate the documents required for the submission of regularisation plans by listed issuers. In this regard, we propose to require a PN17 Issuer/GN3 Company to ensure that the submission of the regularisation plan to the Exchange is accompanied by a cover letter and the draft circular to securities holders, both containing relevant information as prescribed by the Exchange, the listing application(s) together with the relevant submission documents as required under Chapter 6 of the LR, and any other supporting documents such as experts' reports, where relevant.

50. The above proposals are aimed at enhancing investor protection, providing greater transparency and clarity as well as facilitating listed issuers' compliance with the LR.

Proposal 2.2 – Issue(s) for Consultation:

18. Do you agree with the proposed information to be included in the circular to shareholders as set out in paragraph 48 above? Please state your views and the reasons for such views.

19. Is the information required above appropriate and adequate? Is there any other information that should be included?

PROPOSAL 2.3

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Requirements relating to companies with inadequate level of operations	▪ New para. 8.03A ▪ Practice Note 17, paras. 2.1(g) and (h), 2.1A(f) and (g), 2.2(c) and (d) and para.2.3 [Deleted]	▪ New Rule 8.03A ▪ Guidance Note 3, paras. 2.1(i) and (j), 2.2(b) and (c) [Deleted]

51. Under the present framework, paragraph/Rule 8.04(1) of the LR states that the **financial condition** and **level of operations** of a listed issuer on a consolidated basis must, in the opinion of the Exchange, warrant continued trading or listing on the Official List.

52. As such, pursuant to paragraph 2.1(g) and (h) of Practice Note 17, and paragraph 2.1(i) and (j) of Guidance Note 3, a listed issuer which has -

(a) suspended or ceased all of its business or its major business; or its entire or major operations; or

(b) an insignificant business or operations,

(collectively referred to as "**listed issuer with inadequate level of operations**"),

would be required to regularise its condition by undertaking a regularisation plan. The failure to do so will result in its suspension and subsequent de-listing by the Exchange.

53. One of the issues raised by the market is that a listed issuer with inadequate level of operations should not be classified or co-mingled with the other PN17 Issuers/GN3 Companies, which are commonly known as financially distressed companies. The PN17/GN3 classification may give rise to the perception that the listed issuer with inadequate level of operations is also financially distressed when this may not be the case.

54. In view of the above, the Exchange proposes to introduce a separate framework for listed issuers with inadequate level of operations. The Exchange takes cognisance of the fact that listed issuers with inadequate level of operations may still possess sizeable cash or assets. There may be instances where companies trigger these 2 criteria because of commercial decisions made to cease or dispose of their operations and not due to poor financial condition.

55. In view of the above, the Exchange proposes the introduction of a new paragraph/Rule 8.03A to govern listed issuers with inadequate level of operations. The relevant requirements governing the disclosure and regularisation obligations of such listed issuers will be set out in this new paragraph/Rule 8.03A of the LR.

56. Under the new framework, once a listed issuer triggers the criteria of inadequate level of operations as set out in paragraph 52 above, the listed issuer would be required to comply with the similar disclosure requirements and regularise its conditions as in the case of a PN17 Issuer/GN3 Company. These requirements include the following:

   (a) make an immediate announcement that it has triggered the criteria of inadequate level of operations, and announce the status and details of its regularisation plan from time to time; and

   (b) submit a regularisation plan for the Exchange's or the SC's approval, as the case may be and implement the regularisation plan within the prescribed timeframe.

57. Similar to a PN17 Issuer/GN3 Company, a listed issuer with inadequate level of operations may undertake a regularisation plan which may or may not result in a significant change in its business direction or policy[7]. For the Main Market, the SC will approve the regularisation plans which will result in a significant change in the business direction or policy of the PN17 Issuers, whilst the Exchange will approve the other regularisation plans which will not result in a significant change in the business direction or policy of the PN17 Issuers. In respect of the ACE Market, the Exchange will be the sole approving authority for all regularisation plans undertaken by GN3 Companies.

58. The Exchange proposes that the timeframes for submission and implementation of a regularisation plan applicable to a listed issuer with inadequate level of operations should be the same as those applicable to a PN17 Issuer/GN3 Company, i.e. 12 months for submission of regularisation plan to the Exchange or SC, as the case may be, and completion of the implementation of the regularisation plan within the timeframe prescribed by the SC or the Exchange. In the case where the regularisation plan is approved by the Exchange, a listed issuer must complete the implementation of the regularisation plan within 6 months from the date the plan is approved by the Exchange. However, for cases which involve court proceedings, the listed issuer has up to 12 months to complete its implementation instead.

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[7] *Please refer to paragraph/Rule 1.01 of the LR for the definition of "**significant change in the business direction or policy**", common examples of which are reverse take-overs or back-door listings.*

59. The Exchange **may** suspend and de-list a listed issuer's listed securities if it fails to comply with the requirements set out in paragraph 56 above. This approach, which is similar to that of a Cash Company under paragraph/Rule 8.03 of the LR, is proposed for a listed issuer with inadequate level of operations.

60. The Exchange further proposes that a listed issuer which triggers the requirements relating to inadequate level of operations as set out in paragraph 52 above does not need to comply with paragraph 56 above or undertake a regularisation plan if it is able to demonstrate to the Exchange's satisfaction that its remaining business is **viable, sustainable and has growth prospects** with appropriate justifications and it remains **suitable for continued listing**. In such instance, the listed issuer is required to make an immediate announcement that –

    (a) it triggers the criteria in paragraph/Rule 8.03A; and

    (b) it is making an application to the Exchange that it need not undertake a regularisation plan.

    Subsequently, the listed issuer must also announce the Exchange's decision. If the Exchange approves the listed issuer's application, the listed issuer is considered to have adequate level of operations and therefore has no other obligations under paragraph/Rule 8.03A.

61. The Exchange believes that the new approach as proposed above for listed issuers with inadequate level of operations will facilitate such listed issuers' efforts to regularise their condition, without compromising on quality and investor protection.

Proposal 2.3 – Issue(s) for Consultation:

20. Do you agree with the introduction of a separate framework for listed issuers with inadequate level of operations? Please state your views and the reasons for your views.

21. Do you agree that listed issuers with inadequate level of operations should be subjected to the same disclosure and regularisation obligations of a PN17 Issuer/GN3 Company? Please state your views and reasons for your views?

22. Alternatively, if you have other suggested enhancements for listed issuers with inadequate level of operations, please provide your suggestions together with your reasons.

[End of Part 2]

PART 3 PROPOSED ENHANCEMENTS IN RELATION TO FOREIGN LISTING REQUIREMENTS

As part of the Exchange's efforts to enhance the investability of foreign corporations or foreign collective investment schemes listed on the Exchange ("**Foreign Issuers**") and in a move to facilitate easier access to information relating to Foreign Issuers by investors, the Exchange is proposing various enhancements to the foreign listing requirements under the LR. The proposed enhancements are also aimed at strengthening investor protection and promoting greater transparency.

The proposed enhancements are as set out below.

PROPOSAL 3.1

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Appointment of independent directors for foreign corporations, foreign closed-end funds and foreign business trusts	▪ Para. 4A.04	▪ Rule 5.07

62. Currently, foreign corporations or foreign collective investment schemes (namely closed-end funds or business trusts only) seeking a primary listing on the Exchange under the LR whose operations are entirely or predominantly foreign-based must have at least 1 director whose principal or only place of residence is within Malaysia.

63. We propose that a foreign corporation, foreign closed-end fund or foreign business trust whose operations are entirely or predominantly foreign-based must have **at least 2 independent directors** whose principal or only place of residence is within Malaysia.

64. The proposed increase in the number of independent resident directors in the foreign corporations, foreign closed-end funds or foreign business trusts is aimed at enhancing the board of directors' overall effectiveness in safeguarding investors' interests through strengthening the independent element of the board. This proposal is comparable with the requirement in Singapore where at least 2 independent directors must be resident in Singapore[8].

Proposal 3.1 - Issue(s) for Consultation:

23. Do you agree with the Exchange's proposal to require foreign corporations, foreign closed-end funds or foreign business trusts whose operations are entirely or predominantly foreign-based, to have at least 2 independent resident directors? If not, why and what is your proposal?

24. Do you have any suggestion which will enhance the effectiveness of independent directors and the audit committee of a foreign corporation, foreign closed-end fund or foreign business trust?

[8] *See Rule 221 the Mainboard Rules of Singapore Exchange Securities Trading Limited ("**SGX Listing Rules**").*

PROPOSAL 3.2

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Auditors of Foreign Issuers to be from an internationally affiliated accounting firm	▪ Para. 4A.09	▪ Rule 5.11

65. In 2011, the SC and the Audit Oversight Board ("**AOB**") introduced amendments to the Securities Commission Act 1993 which included the requirement where foreign audit firms and foreign individual auditors who audit the financial statements of Foreign Issuers must be recognized by the AOB.

66. The recognition by the AOB reassures investors that the foreign audit firms or individual auditors who audit the financial statements of Foreign Issuers have been reviewed by the AOB.

67. Currently, the LR requires all listed issuers to take into consideration the adequacy of the experience and resources of the accounting firm, persons assigned to the audit, the accounting firm's audit engagements, size and complexity of the listed issuer's group as well as the number and experience of supervisory and professional staff assigned to the audit in assessing the suitability of the auditing firm[9].

68. In order to further strengthen the financial reporting framework under the LR, the Exchange proposes that in addition to the current existing requirements mentioned above, a Foreign Issuer must only appoint an internationally affiliated accounting firm as its external auditors. We hope the proposal will enhance the credibility of financial statements issued by a Foreign Issuer as well as to safeguard investors' interests.

Proposal 3.2 - Issue(s) for Consultation:

25. Do you agree that the external auditor of a Foreign Issuer must be an internationally affiliated accounting firm? If no, please elaborate.

PROPOSAL 3.3

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Appointment and removal of external auditors of Foreign Issuers	▪ New para. 4A.09A	▪ New Rule 5.15A

69. Currently, depending on the laws of incorporation of a Foreign Issuer, a Foreign Issuer may or may not be required to obtain prior shareholder approval before it appoints or removes its external auditor.

70. Auditors play a critical role in ensuring the financial statements of a listed issuer present a true and fair view of the state of affairs of the listed issuer. Under the CMSA, auditors are under a statutory duty to whistle-blow breaches of securities laws and rules of the Exchange to the relevant authorities, including the SC and the Exchange.

[9] *See Paragraph/Rule 15.21 of the LR.*

71. Given the important role of the auditor, we propose to stipulate under the LR that a Foreign Issuer must obtain prior shareholder approval in a general meeting to appoint or remove its external auditor.

72. This proposal is to ensure that shareholders are apprised of the issues and reasons concerning the appointment and removal of external auditors. This proposal also reflects the requirement in the CA[10] which is applicable to locally incorporated companies currently.

Proposal 3.3 - Issue(s) for Consultation:

26. Do you agree that the LR should require a Foreign Issuer to obtain prior shareholder approval in a general meeting to appoint or remove its external auditor? Please state your views and the reasons for your views.

PROPOSAL 3.4

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Announcement of change of law in country of incorporation of Foreign Issuers	▪ New para. 4A.18A	▪ New Rule 5.25

73. Generally, a foreign corporation or foreign collective investment scheme seeking a listing on the Exchange will set out the relevant laws that its group of companies are subjected to in its listing prospectus, so that investors in Malaysia are fully aware of the legal rights and liabilities applicable to both it and its shareholders.

74. As such laws may change from time to time, we propose to require a Foreign Issuer to immediately announce to the Exchange, any change in the laws of its country of incorporation or the laws in the country of incorporation of its foreign significant subsidiary which may affect the rights of its shareholders. This includes the -

(a) right to attend, speak, vote at shareholders' meetings and the right to appoint proxies;

(b) right to receive rights offering and any other entitlements;

(c) withholding taxes on its securities;

(d) foreign shareholding limits on the securities;

(e) capital controls over cash dividends or other cash distributions payable in respect of its securities;

(f) right to transfer shares;

(g) right to appoint and remove directors and auditors;

(h) right to requisition a general meeting;

[10] ***Section 172(4) of the CA*** *– An auditor of the company may be removed from office by resolution of the company at a general meeting of which special notice has been given, but not otherwise.*

(i) right to notice of meetings;

(j) right to inspect any register, minute book or document of the Foreign Issuer and its foreign significant subsidiary; and

(k) right of minority shareholders in relation to –

(aa) take-overs and mergers;

(bb) suits or enforcement actions against the Foreign Issuer and its foreign significant subsidiary, their directors and senior management; and

(cc) distribution of assets arising from a winding-up or liquidation of the Foreign Issuer and its foreign significant subsidiary.

For this purpose, the Exchange also proposes to define a "**foreign significant subsidiary**" as a foreign subsidiary of the Foreign Issuer which contributes 50% or more of the profit before tax or total assets employed of the Foreign Issuer on a consolidated basis.

75. The proposed disclosure requirement is to ensure that investors are informed of any change of laws in the country of incorporation of a Foreign Issuer and its foreign significant subsidiary, which may affect the shareholder's rights subsequent to listing. Given that the Foreign Issuer and its foreign significant subsidiary operate under foreign laws, shareholders may require an update from time to time to be apprised of the recent changes that may affect their rights. Such information is important as it may also affect investors' investment decisions.

Proposal 3.4 - Issue(s) for Consultation:

27. Do you agree with the proposal to require a Foreign Issuer to immediately announce any change in the laws of –

(a) its country of incorporation; and

(b) the country of incorporation of its foreign significant subsidiary?

Please state your views and the reasons for your views.

28. For purposes of the announcement on any change in the laws above, do you agree with the proposed definition of a foreign significant subsidiary i.e. a foreign subsidiary which contributes 50% or more of the profit before tax or total assets employed of the Foreign Issuer on a consolidated basis? Please state your views and reasons for such views.

Alternatively, if you have other suggestions for the appropriate threshold in relation to the foreign significant subsidiary, please provide your suggestions together with your reasons.

29. Are the areas for announcement set out in paragraphs 74(a) to (k) above adequate and appropriate? Is there any other area which in your view, should also be covered?

PROPOSAL 3.5

Description	Affected Provision(s)	
	Main LR	**ACE LR**
System of Internal Control of the Foreign Issuer	▪ New para. 4A.18B	▪ New Rule 5.26

76. Currently, a listed issuer or its subsidiary must have in place a proper system of internal control to manage the risks arising from its business operations. This is by virtue of the fact that under the LR[11], a listed issuer is required to include in its annual report, a statement on the state of internal control of the group. In establishing the system of internal control, the listed issuer should be guided by the **Statement on Internal Control: Guidance for Directors of Public Listed Companies**.

77. In addition to the above, the CA[12] also stipulates that a locally incorporated public company or its subsidiary must have in place a system of internal control that will provide reasonable assurance that the assets of the company are safeguarded against loss from unauthorized use or disposition and all transactions are properly authorized and recorded as necessary to enable the preparation of true and fair profit and loss accounts and balance sheets and to give a proper account of the assets.

78. Arising from the above, the Exchange proposes to clarify that a Foreign Issuer and its subsidiaries must also have a system of internal control similar to that required of a public company under the CA. This means that the Foreign Issuer and its subsidiaries must have a system of internal control that will provide reasonable assurance that -

    (a) the assets of the Foreign Issuer and its subsidiaries are safeguarded against loss from unauthorized use or disposition; and

    (b) all transactions are properly authorized and they are recorded as necessary to enable the preparation of true and fair statement of profit and loss and other comprehensive income as well as statement of financial position (or their equivalent), and to give a proper account of the assets.

Proposal 3.5 – Issue(s) for Consultation:

30. Do you agree that Foreign Issuers and their subsidiaries should have in place a system of internal control similar to that required of a public company under the CA as set out in paragraph 78 above? Please provide your views and reasons for your views.

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[11] *See paragraph/Rule 15.26 of the LR and Practice Note 9 of the Main LR and Guidance Note 11 of the ACE LR.*

[12] *See section 167A of the CA.*

PROPOSAL 3.6

Description	Affected Provision(s)	
	Main LR	ACE LR
Inspection of agreements at registered office in Malaysia	▪ Para. 8.31	▪ Rule 8.33

79. Currently, where any agreement has been entered into by a listed issuer or its subsidiaries in connection with any acquisition or disposal of assets, or any transaction outside the ordinary course of business of a listed issuer or its subsidiaries, the LR requires the listed issuer to make available for inspection a copy each of the relevant agreements at the listed issuer's **registered office** for a period of 3 months from the date of announcement[13].

80. Section 333 of the CA requires a foreign corporation to have a registered office within Malaysia.

81. In order to ensure that the agreements of such transactions referred to in paragraph 79 above are available for inspection by investors at a Foreign Issuer's registered office **in Malaysia**, we propose to clarify in the LR that the listed issuer must make available for inspection the relevant agreements at its registered office **in Malaysia**.

Proposal 3.6 - Issue(s) for Consultation:

31. Do you agree with the proposal to clarify that a Foreign Issuer must make available for inspection a copy of the relevant agreements at the listed issuer's registered office in Malaysia? Please state your views and the reasons for your views.

[End of Part 3]

[13] *See paragraph 8.31 of the Main LR and Rule 8.33 of the ACE LR.*

PART 4 PROPOSED ENHANCEMENTS TO THE DISCLOSURE OBLIGATIONS

A strong disclosure regime promotes transparency in the market and this is central to the shareholder's ability to exercise their ownership rights on an informed basis. Timely disclosure of material information is critical towards building and maintaining corporate credibility and investor confidence.

In view of the above, listed issuers are required to comply with various disclosure requirements as prescribed under the LR. This includes immediate public disclosure of information of the listed issuer where the information is deemed material[14].

In the current review, the Exchange proposes various enhancements to the disclosure obligations, with the aim of promoting balanced regulation and transparency in the market place.

PROPOSAL 4.1

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Extending the requirement to immediately announce the change in legal representatives, to a listed issuer with foreign significant subsidiaries	▪ New para. 9.19(14B) ▪ Appendix 9A, Part B(B)	▪ Rule 9.19(14B) ▪ Appendix 9A, Part B(B)

82. In view of globalisation and the increasing trend for listed issuers to establish or expand their businesses overseas, there is a need to recognize different legal corporate structures of listed issuers with operations in foreign countries, and to ensure disclosure of all material information, including their key decision makers, to allow informed decision making by investors. Besides being managed and directed by a board of directors, in some jurisdictions, the law permits the appointment of a legal person or legal representative ("**legal representative**"), who has the sole power to manage and direct the corporation. In those jurisdictions, the legal representative holds the corporations' common seal and is authorized to perform all acts regarding the general administration of the corporation. This includes executing powers of attorney and any legal transaction on the corporation's behalf.

83. In light of the above, we propose that a listed issuer with a foreign significant subsidiary be required to <u>immediately announce</u> the appointment of, or change in a legal representative (or a person of equivalent authority), with sole powers to represent, exercise rights or enter into binding obligations, on behalf of the listed issuer or its foreign significant subsidiary pursuant to any relevant law applicable to the listed issuer or its foreign significant subsidiary. The announcement should include key information on the legal representative such as –

    (a) the identity, powers and responsibilities;

    (b) risks in relation to the appointment, including concentration of authority and impediments;

    (c) description of the processes and procedures put in place to mitigate the risks in relation to the appointment and an opinion by the board on the adequacy of the processes; and

    (d) reasons for the change, where applicable.

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[14] ***Paragraph 9.03(2) -*** *Information is considered material if it is reasonably expected to have a material effect on (a) the price value or market activity of any of the listed issuer's securities; or (b) the decision of a holder of securities of the listed issuer or an investor in determining his choice of action.*

84. The proposed disclosure requirements in paragraph 83 above apply to all listed issuers, i.e. both Malaysian incorporated companies and foreign corporations. In this connection, the Exchange proposes to apply a similar definition of "**foreign significant subsidiary**" as referred to in paragraph 74 above i.e. a foreign subsidiary which contributes 50% or more of the profit before tax or total assets employed of the listed issuer on a consolidated basis.

Proposal 4.1- Issue(s) for Consultation:

32. Do you agree that a listed issuer be required to immediately announce the appointment of, or any change in a legal representative (or a person of equivalent authority) in the listed issuer or its foreign significant subsidiary as proposed in paragraph 83 above? Please state your views and reasons for such views.

33. Is the information required to be disclosed as set out in paragraph 83 above appropriate and adequate? Is there any other information that should be included?

34. For purposes of the announcement on legal representative, do you agree with the proposed definition of a foreign significant subsidiary i.e. a foreign subsidiary which contributes 50% or more of the profit before tax or total assets employed of the listed issuer on a consolidated basis? Please state your views and reasons for such views.

35. Alternatively, if you have other suggestions for the appropriate threshold in relation to the foreign significant subsidiary, please provide your suggestions together with your reasons.

PROPOSAL 4.2

Description	Affected Provision(s)	
	Main LR	**ACE LR**
To incorporate the requirement for immediate announcement of default in payment as a specific requirement under a new paragraph/Rule 9.19A of the LR and to prescribe the contents of announcement under Appendix 9A.	▪ New para. 9.19A ▪ Appendix 9A, Part H(A)	▪ New Rule 9.19A ▪ Appendix 9A, Part B(C)

85. Whilst the Exchange believes that timely and good disclosure practices by a listed issuer will encourage investor confidence, the Exchange is also mindful of the challenges faced by a listed issuer when announcing news which may have an adverse impact on the listed issuer.

86. As such, the Exchange is proposing to review the current immediate disclosure requirement relating to the occurrence of an event of default on interest or principal payments, or both, in respect of loans ("**default in payment**"), pursuant to paragraph/Rule 9.04(k) of the LR and Practice Note 1 of the Main LR and Guidance Note 5 of the ACE LR **("PN1/GN5")**.

87. Currently, PN1/GN5 enumerates some of the common circumstances upon which a listed issuer must announce an event of default in payment.

88. Listed issuers have expressed their concerns on the effects of making immediate disclosures pursuant to PN1/GN5. Some of the challenges faced by listed issuers include -

(a) decreased opportunity to rectify the default in payment as the disclosure under PN1/GN5 may trigger cross default provisions in other loan or credit facilities. As a result, the listed issuer may also trigger the criteria set out under Practice Note 17 of the Main LR and Guidance Note 3 of the ACE LR;

(b) investors avoiding trading in the listed issuer's securities as there is commonly an adverse perception that the listed issuer is facing financial difficulties and will eventually become a PN17 Issuer/GN3 Company. This in turn, affects the market prices of the listed issuer's securities and its business; and

(c) once an announcement relating to default in payment is made, a listed issuer will be known or unofficially classified as a "PN1" issuer or "GN5" company, even though there is no such classification made by the Exchange. The "labelling" as a "PN1" issuer or "GN5" company may give rise to adverse perception, which in turn makes it difficult for such listed issuer to rectify its default in payment.

89. The Exchange is mindful of the above concerns raised by the listed issuers. However, since default in payment is material information which may affect an investor's investment decision, we maintain our position that immediate announcement of the event of default in payment is necessary, and this is despite the listed issuer being in negotiations with the lender or financier to resolve the default in question.

90. In order to address the concerns of such listed issuer being labelled as a "PN" issuer of "GN" company, such as a PN17 Issuer, which is commonly pegged as a poor quality company, the Exchange proposes to move the requirements set out in PN1/GN5 to a new paragraph/ Rule 9.19A. The new paragraph/Rule will contain the simplified events of default as set out under paragraph 2.0 of PN1/GN5, which, if triggered will require the listed issuer to make an immediate announcement to the Exchange. The details of the announcement will be prescribed under Appendix 9A of the LR instead.

91. The Exchange believes that the proposed approach may alleviate a listed issuer's concerns of being labelled adversely, whilst ensuring that investors continue to be provided with material information in a timely manner.

PROPOSAL 4.3

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Requiring additional disclosures in an announcement relating to the appointment of a receiver, manager, or receiver and manager, or person of similar capacity	▪ Appendix 9A, Part D, Paragraphs (dA) and (dB)	▪ Appendix 9A, Part D, Paragraphs (dA) and (dB)

92. Under paragraph 9.19(20) of the Main LR and Rule 9.19(21) of the ACE LR, a listed issuer must immediately announce the appointment of a receiver, manager, or receiver and manager, liquidator (which includes a provisional liquidator) or special administrator or such other person of a similar capacity over the listed issuer, any of its subsidiaries or major associated companies or any part of the properties of the listed issuer, its subsidiaries or major associated companies. The announcement must contain the prescribed information as set out in Part D of Appendix 9A in the LR.

93. As a matter of practice, the Exchange always requires such listed issuer to include the following additional information in the announcement:

    (a) the percentage of the net book value of the affected assets over the total assets of the listed issuer, on a consolidated basis based on its latest audited or latest unaudited financial statements; and

    (b) where the percentage of the net book value of the affected assets over the total assets of the listed issuer is 50% or more, a statement that the trading of the listed issuer's securities will be suspended upon the expiry of 5 market days from the date of the announcement, and that the suspension will only be uplifted upon the termination or expiry of the receivership.

94. In view of the above, the Exchange proposes to codify the existing practice of requiring the additional disclosures as set out in paragraph 93 above in the LR. This is to provide transparency to the practices of the Exchange and facilitate compliance by listed issuers.

Proposal 4.3 - Issue(s) for Consultation:

36. Is the information required in paragraph 93 adequate? Is there any other information that should be included?

[End of Part 4]

PART 5 OTHER PROPOSED AMENDMENTS

The Exchange also proposes to enhance the LR in the following areas to improve market efficiency, provide greater clarity and certainty based on market feedback received as well as our findings and observations arising from our supervision and monitoring activities:

(a) the structured warrants framework;

(b) the requirements for new issue of securities;

(c) post listing obligations;

(d) requirements for transactions;

(e) the Exchange's powers to suspend and de-list listed securities; and

(f) other miscellaneous amendments.

The other proposed amendments are as set out below.

Enhancements to the structured warrants framework

PROPOSAL 5.1

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Allowing issuance of structured warrants where the underlying shares or exchange traded fund is seeking listing on the Exchange or a securities exchange outside Malaysia, subject to certain conditions.	▪ New para. 5.03(1A) ▪ New para. 5.04(1) ▪ New para. 5.04(2)	Not Applicable

95. Currently, the Main LR provides for the issuance and listing of structured warrants where the underlying corporation or exchange-traded fund is listed (either on the Exchange or on a securities exchange which is a member of the World Federation of Exchange, or is approved by the Exchange) and fulfills the following criteria:

    (a) where the underlying corporation or exchange-traded fund is listed on the Exchange, has an average daily market capitalisation (excluding treasury shares) of at least[15] –

        (i) RM1 billion in the past 3 months ending on the last market day of the calendar month immediately preceding the date of issue; or

        (ii) RM3 billion for newly listed corporations or exchange-traded funds that do not meet the 3 month market capitalisation track record; or

[15] *See paragraph 5.03(1) of the Main LR.*

(b) where the underlying corporation or exchange-traded fund is listed on a securities exchange which is a member of the World Federation of Exchanges or is approved by the Exchange, has an average daily market capitalisation equivalent to at least[16] –

(i) RM3 billion in the past 3 months ending on the last market day of the calendar month immediately preceding the date of issue; or

(ii) RM5 billion for newly listed corporations or exchange-traded fund that does not meet the 3 months market capitalisation track record.

96. The current framework does not provide for the issuance and listing of structured warrants where the underlying corporation or exchange-traded fund has <u>not been listed but is seeking listing</u> (either on the Exchange or on a securities exchange which is a member of the World Federation of Exchanges or is approved by the Exchange).

97. To promote market efficiency and improve the time-to-market for issuance and listing of structured warrants, the Exchange proposes to allow an issuer to submit a listing application to the Exchange for the issuance and listing of structured warrants where the underlying corporation or exchange-traded fund is <u>seeking listing</u> (either on the Exchange or on a securities exchange which is a member of the World Federation of Exchanges or is approved by the Exchange) subject to the following conditions:

(a) where the underlying corporation or exchange-traded fund is seeking listing on the Exchange –

(i) it must have an expected or pro forma market capitalisation (excluding treasury shares) of at least RM3 billion based on the issue price of the shares or the exchange-traded fund as set out in the prospectus; and

(ii) the listing of the structured warrants shall only take place 5 market days after the date of the listing of the shares or the exchange-traded fund on the Exchange; or

(b) where the underlying corporation or exchange-traded fund is seeking listing on a securities exchange which is a member of the World Federation of Exchanges or is approved by the Exchange, the underlying corporation or exchange-traded fund must have an expected or pro forma market capitalisation equivalent to at least RM5 billion based on the issue price of the shares or exchange-traded fund as set out in the prospectus, and upon listing, the underlying corporation or exchange-traded fund must comply with the other requirements set out in paragraph 5.04 of the Main LR.

Proposal 5.1 - Issue(s) for Consultation:

37. Do you agree with the proposal to allow issuance and listing of structured warrants where the underlying corporation or exchange-traded fund is seeking listing provided that the following criteria is fulfilled:

(a) where the underlying corporation or exchange-traded fund is seeking listing on the Exchange –

(i) it must have an expected or pro forma market capitalisation (excluding treasury shares) of at least RM3 billion based on the issue price of the shares or the exchange-traded fund as set out in the prospectus; and

[16] *See paragraph 5.04(b) of the Main LR.*

(ii) the listing of the structured warrants shall only take place 5 market days after the date of the listing of the shares or the exchange-traded fund on the Exchange; or

(b) where the underlying corporation or exchange-traded fund is seeking listing on a securities exchange which is a member of the World Federation of Exchanges or is approved by the Exchange, the underlying corporation or exchange-traded fund must have an expected or pro forma market capitalisation equivalent to at least RM5 billion based on the issue price of the shares or exchange-traded fund as set out in the prospectus, and upon listing, the underlying corporation or exchange-traded fund must comply with the other requirements set out in paragraph 5.04 of the Main LR?

Please state your views and the reasons for such views.

38. In addition to the criteria as proposed above, should the Exchange impose any other condition or obligation?

PROPOSAL 5.2

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Requiring an announcement of the number of structured warrants not held by the issuer or its Market Maker and the percentage of the same, on a monthly basis	▪ Para. 5.35(5)	Not applicable

98. Currently, paragraph 5.35(5) of the Main LR requires an issuer to announce the number of structured warrants outstanding not held by the issuer or its Market Maker and the percentage of the same, on a quarterly basis.

99. Whilst the key determinants for the investment in structured warrants are the outlook of the underlying securities, the exercise price and exercise ratio of the structured warrants as compared to the spot price of the underlying securities, and the remaining tenure of the structured warrants, the Exchange notes that information on the number of structured warrant units which are available in the market is also a consideration for investors, in order to gauge the popularity or demand of a particular structured warrants.

100. In view of this, the Exchange proposes to require an issuer to announce the information in paragraph 5.35(5) of the Main LR as discussed in paragraph 98 above on a **monthly** (instead of quarterly) basis as this would provide the market with ready information earlier and on a more frequent basis.

101. We believe that the proposed amendments would not be burdensome to the issuer as the information on the number of structured warrants outstanding not held by the issuer or its Market Maker and the percentage can be derived or computed from the information already required to be announced on a monthly basis, namely the number of structured warrants bought and sold, and the volume weighted average price of structured warrants bought and sold in the preceding month, as well as the number and percentage of outstanding structured warrants in the market[17]. In fact, in practice, some issuers are already making this disclosure on a monthly basis.

[17] *See paragraph 5.35(4) of the Main LR.*

Proposal 5.2 - Issue(s) for Consultation:

39. Do you agree with the proposal for the announcement of the number of structured warrants not held by the issuer or its Market Maker and the percentage of the same to be made on a **monthly** basis? Please state your views and the reasons for such views.

Enhancements to the requirements for new issue of securities

PROPOSAL 5.3

Description	Affected Provision(s)	
	Main LR	ACE LR
Clarifying that a Share Issuance Scheme by a subsidiary to its employees no longer requires the approval of the listed issuer's shareholders	▪ Para. 6.44	▪ Rule 6.45

102. Currently, a listed issuer must ensure that all schemes involving the issue of shares to employees ("**Share Issuance Scheme**"), whether implemented by the listed issuer or its subsidiaries, are approved by the listed issuer's shareholders in a general meeting[18]. However, such shareholders' approval is not required for Share Issuance Scheme implemented by subsidiaries which are listed either in Malaysia or on a stock exchange deemed comparable by the Exchange[19].

103. To achieve a more balanced framework for a Share Issuance Scheme, the Exchange proposes that a Share Issuance Scheme involving the issue of securities by a subsidiary (including a subsidiary listed on a stock exchange outside Malaysia) to its employees no longer requires the approval of the listed issuer's shareholders. The Share Issuance Scheme implemented by the subsidiary will only require the approval of the listed issuer's shareholders if such Share Issuance Scheme results in a material dilution of the listed issuer's equity interest under paragraph 8.21 of the Main LR or Rule 8.23 of the ACE LR. This means that the approval of listed issuer's shareholders is only required -

    (a) where the Share Issuance Scheme is undertaken by a principal subsidiary (i.e. a subsidiary which accounts for 25% or more of the latest audited consolidated profit after tax of the group or total assets employed of the group); and

    (b) such Share Issuance Scheme results in or could potentially result in a percentage dilution amounting to 25% or more of the listed issuer's equity interest in the principal subsidiary.

104. The Exchange believes that the requirements on material dilution provide adequate safeguards for purposes of investor protection. At the same time, the proposal reduces cost of compliance for listed issuers. In addition to this, where a listed issuer's subsidiary is listed on a securities exchange outside Malaysia, such subsidiary is already subject to and must comply with the post listing obligations applicable in the jurisdiction where the subsidiary is listed. We believe this promotes balanced regulation.

[18] *See paragraph 6.44(1) of the Main LR and Rule 6.45(1) of the ACE LR.*

[19] *See paragraph 6.44(2)(b) of the Main LR and Rule 6.45(2)(b) of the ACE LR.*

Proposal 5.3 - Issue(s) for Consultation:

40. Do you agree with the proposal that the approval from the listed issuer's shareholders is **no longer required** for a Share Issuance Scheme involving the issue of shares by a subsidiary (including a subsidiary listed in Malaysia or on a stock exchange deemed comparable by the Exchange) to its employees **unless such Share Issuance Scheme results in a material dilution** of the listed issuer's equity interest? Please state your views and reasons for such views.

PROPOSAL 5.4

Description	Affected Provision(s)	
	Main LR	ACE LR
Clarifying the minimum number of holders of convertible securities	▪ Para. 6.51	▪ Rule 6.52

105. At present, a listed issuer issuing debt securities or convertible securities is no longer required to comply with the public spread requirement of 100 holders, holding not less than 1 board lot each. Instead, the listed issuer is expected to ensure a sufficient spread to maintain an orderly market at all times during the listing of the listed issuer's convertible securities.

106. The Exchange notes however that this has given rise to confusion among some of the listed issuers on the sufficient number of holders of convertible securities upon listing. Hence, for clarity, the Exchange proposes to reinstate the provision that a listed issuer seeking a listing of its convertible securities must have at least 100 holders of convertible securities holding not less than 1 board lot of the convertible securities each. This is not applicable to issuers of Exchange Traded Bonds[20].

PROPOSAL 5.5

Description	Affected Provision(s)	
	Main LR	ACE LR
Requiring specific documents to be filed with a listing application for bonus issue	▪ Practice Note 28, Annexure PN28-B, paragraph (1), Part B	▪ Guidance Note 17, Annexure GN17-B, paragraph (1), Part B

107. Currently a listed issuer intending to make a bonus issue of securities must ensure that the available reserves required for capitalisation are adequate to cover the entire bonus issue of securities based on its annual audited financial statements. If the reserves are not based on the annual audited financial statements, such reserves must be verified and confirmed by the external auditors or reporting accountants[21].

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[20] ***Exchange Traded Bonds****" means the sukuk or debt securities which are listed and quoted for trading on the Exchange, as defined in paragraph 4B.02 of the Main LR.*

[21] *See paragraph 6.30(3) of the Main LR and Rule 6.31(3) of the ACE LR.*

108. In this regard, the Exchange proposes to clarify that a listed issuer is required to file the following documents in support of the listing application for a bonus issue -

   (a) confirmation from the listed issuer on the adequacy of the reserves for capitalisation; and

   (b) where the confirmation from the external auditors or reporting accountants is required, the report from the external auditors or reporting accountants, as the case may be.

109. The Exchange believes the proposal will provide clarity as to the obligations of the listed issuer and external auditors or reporting accountants, which in turn will facilitate compliance by the listed issuer.

Proposal 5.5 - Issue(s) for Consultation:

41. Do you agree with the proposal to clarify that a listed issuer is required to file the following documents in support of the listing application for the bonus issue:

   (a) confirmation from the listed issuer on the adequacy of the reserves for capitalisation; and

   (b) where the confirmation from the external auditors or reporting accountants is required, the report from the external auditors or reporting accountants, as the case may be?

   Please state your views and the reasons for such views.

PROPOSAL 5.6

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Clarifying that the relevant confirmations may be provided by a listed issuer instead of the Principal Adviser (or Sponsors and Advisers, as the case may be), for an application for quotation of new securities arising from an exercise or conversion of convertible securities or Share Issuance Scheme	▪ Practice Note 28, Annexure PN28-B, paragraphs (e),(f) and (g), Part C	▪ Guidance Note 17, Annexure PN17-B, paragraphs (e), (f) and (g), Part C,

110. Currently, a listed issuer which intends to issue new securities and list such securities on the Exchange is required to submit a listing application together with the necessary documents as stipulated in Practice Note 28 of the Main LR or Guidance Note 17 of the ACE LR, as the case may be.

111. The listed issuer must, among others, file the following specific confirmations from its Principal Adviser (in relation to Main Market listed issuers), or Sponsors or Advisers (in relation to ACE Market listed corporations) as required under Practice Note 28 of the Main LR and Guidance Note 17 of the ACE LR[22], together with a quotation application for <u>a new issue of securities</u>:

[22] *See paragraphs (e), (f) and (g) in Part C of Annexure PN28-B, Practice Note 28 of the Main LR, and paragraphs (e), (f) and (g) in Part C of Annexure GN17-B, Guidance Note 17 of the ACE LR.*

(a) whether the new issue of securities will be listed and quoted as the existing securities of the same class or will be separately quoted on the listing date. If the securities are quoted separately, the entitlement that the holders of the new issue of securities will not be entitled to must be specified;

(b) all conditions including conditions imposed by the relevant authorities, if any, which are required to be met before the listing and quotation, have been met; and

(c) there are no circumstances or facts which have the effect of preventing or prohibiting the issuance, listing and/or quotation of the securities including any order, injunction or any other directive issued by any court of law.

112. This has resulted in the listed issuer having to procure the confirmations above from the Principal Adviser, or Sponsor or Adviser, as the case may be, again when the quotation application is submitted for quotation of new securities issued pursuant to an exercise or conversion of convertible securities or an exercise of options under a Share Issuance Scheme.

113. Given that listed issuers are now familiar with the requirements and are able to provide the above confirmations, the Exchange proposes to allow a listed issuer to provide the confirmations referred to in paragraph 111 above to the Exchange directly (instead of engaging a Principal Adviser, or Sponsor or Adviser) in respect of an application of quotation of new issue of securities arising from –

(a) an exercise or conversion of convertible securities; or

(b) an exercise of options under a Share Issuance Scheme.

114. The Exchange believes that this proposal will reduce the cost of compliance of listed issuer as well as improve market efficiency by allowing listed issuers to provide the confirmation to the Exchange directly.

Proposal 5.6 - Issue(s) for Consultation:

42. Do you agree with the proposal to allow a listed issuer to provide the confirmations referred to in paragraph 111 above to the Exchange directly (instead of engaging a Principal Adviser, or Sponsor or Adviser) in respect of an application of quotation of new issue of securities arising from –

(a) an exercise or conversion of convertible securities; or

(b) an exercise of options under a Share Issuance Scheme?

Please state your views and reasons for such views.

Enhancements to post listing obligations

PROPOSAL 5.7

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Allowing a Cash Company which does not intend to maintain its listing status to distribute the monies placed in the custodian account to its shareholders on pro rata basis before the expiry of the 12 months period	▪ Para. 8.03	▪ Rule 8.03

115. Currently, under the LR, a listed issuer which has been notified by the Exchange to be a Cash Company (i.e. a listed issuer whose assets on a consolidated basis, consists of 70% or more of cash or short-term investments, or a combination of both) must, among others –

    (a) submit a proposal to acquire a new core business, to the SC for its approval within 12 months from the date it receives the notice from the Exchange ("**the 12 months period**");

    (b) implement its proposal within the timeframe prescribed by the SC;

    (c) place at least 90% of its cash and short-dated securities (including existing cash balance and the consideration arising from the disposal undertaken by the Cash Company) in an account opened with a financial institution licensed by Bank Negara Malaysia and operated by a custodian[23] ("**custodian account**"); and

    (d) ensure that the amount placed in the custodian account is not withdrawn except for the following purposes:

        (i) implementing a proposal to acquire a new core business approved by the SC; or

        (ii) pro rata distributions to shareholders at the expiry of the 12 months period.

116. The Exchange notes that there have been instances where the Cash Company may not wish to maintain its listing status (even before the expiry of the 12 months period). In these circumstances, the Cash Company will typically apply to the Exchange for a waiver to withdraw the amount placed in the custodian account earlier than the expiry of the 12 months period so that it can make the pro rata distributions to its shareholders.

117. In view of the above, the Exchange proposes to allow a Cash Company which does not intend to maintain its listing status at any time after it receives the notice from the Exchange referred to in paragraph 115 above, to distribute the monies placed in the custodian account to its shareholders on a pro rata basis. This means that the Cash Company may distribute the monies to its shareholders before the expiry of the 12 months period.

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[23] *"**Custodian**" is defined in paragraph/Rule 8.03(4) of the LR to mean any of the following independent of the Cash Company:*

(a) a trust company registered under the Trust Companies Act 1949 or incorporated pursuant to the Public Trust Corporation Act 1995 and is in the List of Registered Trustees in relation to Unit Trust Funds issued by the SC; or

(b) a licensed bank or merchant bank as defined in the Banking and Financial Institutions Act 1989.

118. The Exchange believes that this proposal will safeguard shareholders' interest by ensuring a more expeditious distribution of capital by a Cash Company, where the Cash Company does not intend to maintain its listing status.

Proposal 5.7 - Issue(s) for Consultation:

43. Do you agree with the proposal to allow a Cash Company which does not intend to maintain its listing status at any time after it receives the notice from the Exchange referred to in paragraph 115 above, to distribute the monies placed in the custodian account to its shareholders on a pro rata basis (i.e. before the expiry of the 12 months period)? Please state your views and reasons for such views.

44. Do you have any concern with the Exchange's proposal in allowing the Cash Company which does not intend to maintain its listing status, to distribute the monies placed in the custodian account to its shareholders on a pro rata basis before the expiry of the 12 months period?

PROPOSAL 5.8

Description	Affected Provision(s)	
	Main LR	ACE LR
Clarifying the requirements in relation to a provision of financial assistance	▪ Para. 8.23	▪ Rule 8.25

Clarifying the term "unlisted subsidiary"

119. Currently, paragraph 8.23 of the Main LR and Rule 8.25 of the ACE LR provides that a listed issuer or its unlisted subsidiaries may, unless prohibited under the law, lend or advance any money, or guarantee or indemnify or provide collateral for a debt ("**provision of financial assistance**") in the following circumstances subject to compliance with the prescribed requirements:

(a) to or in favour of the directors or employees of the listed issuer or its subsidiaries;

(b) to or in favour of a person to whom the provision of financial assistance –

(i) is necessary to facilitate the ordinary course of business of the listed issuer or its subsidiaries; or

(ii) pursuant to the ordinary course of business of the listed issuer or its subsidiaries; or

(c) to or in favour of the subsidiaries or associated companies of the listed issuer, the listed issuer (in the case of the subsidiaries providing the financial assistance) or its immediate holding company which is listed,

(collectively referred to as the "**permitted circumstances**").

120. In the course of the Exchange's engagement with listed issuers, the Exchange notes that the term "**unlisted**" subsidiary has given rise to confusion to the market, particularly on whether a subsidiary listed on a stock exchange outside Malaysia is still considered "unlisted" because it is not listed on the Exchange. Whilst "**unlisted**" is not specifically defined under the LR, paragraph/Rule 1.01 of the LR defines "**listed**" to mean securities admitted to the Official List and not removed. Therefore, "**listed**" as used under the LR means either a listing on the Main or ACE Market, as the case may be.

121. In view of the above, the Exchange proposes to clarify that a subsidiary listed on a stock exchange outside Malaysia is not subjected to the requirements under paragraph 8.23 of the Main LR and Rule 8.25 of the ACE LR. Such subsidiary, in giving financial assistance, will be subjected to its home exchange rules on the subject matter.

Allowing provision of financial assistance to joint arrangements

122. As highlighted in paragraph 119(c) above, at present, a listed issuer or its subsidiaries may provide financial assistance to –

(a) subsidiaries or associated companies of the listed issuer;

(b) the listed issuer (in the case of the subsidiaries providing financial assistance); or

(c) its immediate holding company which is listed.

123. The Exchange proposes to enhance the existing requirements to specifically allow the listed issuer or its subsidiaries which are not listed on any stock exchange, to provide financial assistance to joint arrangements, and treat them as though they are associated companies. For this purpose, "**joint arrangements**" will be given the meaning under the accounting standards issued and approved by the Malaysian Accounting Standards Board[24].

124. As the accounting treatment and the management influence in a joint arrangement is similar to that of an associated company of a listed issuer, the Exchange believes that it is appropriate to extend the ambit of the requirement on provision of financial assistance to joint arrangements.

125. In addition, similar shareholder approval requirement for a provision of financial assistance to an associated company under paragraph 8.23(2)(c) of the Main LR and Rule 8.25(2)(c) of the ACE LR is also applicable to a provision of financial assistance to a joint arrangement where the aggregate amount of the financial assistance compared to the net tangible assets of the group is 5% or more.

[24] *Under MFRS 11, a "**joint arrangement**" refers to an arrangement of which two or more parties have joint control (i.e. contractually agree to share control of an arrangement which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control). Joint arrangement can be classified as either a joint operation or a joint venture. A <u>joint operation</u> is a joint arrangement where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. A <u>joint venture</u> is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.*

Clarifying the circumstances when shareholder approval is not required for financial assistance given to associated companies or joint arrangements

126. Further to the above, the Exchange also proposes to clarify in paragraph 8.23(2)(c) of the Main LR and Rule 8.25(2)(c) of the ACE LR that where financial assistance is given to its associated companies (or joint arrangements), and the aggregate amount provided or to be provided at any time to each associated company (or joint arrangement) compared to the net tangible assets of the group is 5% or more, a listed issuer need not issue a circular to seek its shareholder approval if the provision of financial assistance is necessary to facilitate the ordinary course of business of the listed issuer or its subsidiaries, or pursuant to the ordinary course of business of the listed issuer or its subsidiaries. This is because such provision of financial assistance falls within the ambit of a permitted circumstance under the LR.

Proposal 5.8 – Issue(s) for Consultation:

45. Do you agree with the proposal to specifically allow a listed issuer or its subsidiaries not listed on any stock exchange, to provide financial assistance to joint arrangements (as defined under "**joint arrangements**" in the approved accounting standards)? Please state your views and the reasons for such views.

PROPOSAL 5.9

Description	Affected Provision(s)	
	Main LR	ACE LR
Clarifying that "**on the market**" transaction for a share buy-back excludes "**On-Market Married Transactions**"	▪ Para. 12.02	▪ Rule 12.02

127. Currently, a listed corporation must ensure that any purchase of its own shares (other than a purchase of its odd lot shares[25]), or resale of its treasury shares is effected only "**on the market**" of the Exchange[26]. "**On the market**" is defined as transactions made through the automated trading system of the Exchange ("**ATS**") and excludes Direct Business Transactions ("**DBT**")[27] under the LR.

128. The underlying principle of allowing a listed corporation to purchase its own shares ("**share buy-back**") is to enable the listed corporation to maintain and support its share price, especially if the market price of the shares reflects poorly the underlying value of the listed shares, and it is in the best interest of a listed corporation to do so in order to maintain or restore investor confidence in the listed corporation. In meeting this objective, the share buy-back is effected on the market where the identities of the transacting parties are not known and no negotiations have taken place.

[25] *Under paragraph 12.26 of the Main LR and Rule 12.25 of the ACE LR, a listed issuer may purchase its own shares in odd lots ("**odd lot shares**") through a Direct Business Transaction or in any other manner as may be approved by the Exchange, in accordance with such requirements as may be prescribed or imposed by the Exchange.*

[26] *See paragraph/Rule 12.04 of the LR.*

[27] *See paragraph/Rule 12.02(c) of the LR.*

129. In the course of the Exchange's engagement with listed issuers, an issue came to the Exchange's attention namely whether share buy-back can be done via an On-Market Married Transaction which technically falls within the ambit of "**on the market**". The Rules of Bursa Malaysia Securities Berhad defines an On-Market Married Transaction to mean a match of a buy order to a sell order for the same price and quantity made by the same broker simultaneously entering and executing the buy and sell orders into the ATS between 2 clients of the same broker or a broker and its client.

130. The issue that arises here is that in an On-Market Married Transaction, the transacting parties may negotiate on the quantity and pricing of the sale and purchase of shares before executing the trades in the ATS.

131. In view of this and with the underlying principle of a share buy-back in mind, the Exchange proposes to clarify that "**on the market**" excludes a share buy-back executed via an On-Market Married Transaction as defined under the Rules of Bursa Malaysia Securities Berhad.

Proposal 5.9 - Issue(s) for Consultation:

46. Do you agree with the proposal that a listed corporation is not allowed to purchase its own shares or resell its treasury shares via an On-Market Married Transaction? Please state your views and reasons for such views.

Enhancements to the requirements for transactions

PROPOSAL 5.10

Description	Affected Provision(s)	
	Main LR	ACE LR
Clarifying that a listed issuer which intends to undertake a Major Disposal must ensure that a valuation is conducted on all its material real estate if the total net book value of all the listed issuer's real estate contributes 50% or more to the total assets of the listed issuer on a consolidated basis.	▪ New para. 10.11A(1)(bA) ▪ New para. 10.11A(5)	▪ New Rule 10.11A(1)(bA) ▪ New Rule 10.11A(5)

132. Under paragraph/Rule 10.04(1) of the LR, a listed issuer is currently required to conduct a valuation where -

(a) a transaction involves an acquisition or disposal of any real estate or any corporation which owns real estate; and

(b) any one of the percentage ratios of the transaction is 25% or more for a non-RPT, or 5% or more for a RPT.

133. Where the valuation requirement is triggered under paragraph/Rule 10.04(1) of the LR, the listed issuer must conduct the valuation in the following manner[28]:

(a) if the corporation is a property development or property investment corporation[29], the valuation must be conducted on all material real estate; and

(b) if the corporation is not a property development or property investment corporation, a valuation is only required if the real estate is revalued or has been revalued and the revalued amount is used, whether wholly or partly, as the basis in determining the purchase or disposal consideration.

The Exchange proposes that similar valuation requirements should also be applicable to a listed issuer undertaking a Major Disposal[30] under paragraph/Rule 10.11A of the LR, if its total assets comprise substantial real estate.

134. Hence, the Exchange proposes to require that a listed issuer which intends to undertake a Major Disposal must ensure that a **valuation is conducted on all its material real estate, if the total net book value of all the listed issuer's real estate contributes 50% or more to the total assets of the listed issuer on a consolidated basis**. If a valuation is required to be conducted on all its material real estate, the listed issuer or its valuer, or both, must comply with the requirements set out in paragraph/Rule 10.04, where applicable.

135. The Exchange believes that the proposal will provide greater transparency to shareholders with regards to the basis for the disposal consideration, and that shareholders will be able to assess the fairness and reasonableness of the disposal consideration based on the valuation report, which will in turn safeguard investors' interest. Further, in the event the listed issuer does not intend to maintain its listing status after the Major Disposal, the distribution made to the shareholders on a pro rata basis will better reflect the underlying value of the listed issuer or its net assets. This will also aid the shareholders in deciding whether to approve the Major Disposal or otherwise.

Proposal 5.10 - Issue(s) for Consultation:

47. Do you agree with the proposal to require a listed issuer which intends to undertake a Major Disposal to ensure that a **valuation is conducted on all its material real estate**, **if the total net book value of all the listed issuer's real estate contributes 50% or more to the total assets of the listed issuer on a consolidated basis**? Please state your views and reasons for such views.

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[28] *See paragraph/Rule 10.04(2) of the LR.*

[29] *Under paragraph/Rule 10.02(h) of the LR, a **property development corporation** is defined to mean a corporation whose core business is in development or redevelopment of real estate, or real estate with development potential, and includes those rights to develop pursuant to joint venture agreement, privatization agreement or some other forms of joint arrangement, whilst a **property investment corporation** is defined in paragraph/Rule 10.02(i) of the LR to mean a corporation whose core business is in the holding of landed or strata properties in commercial, residential, industrial or agricultural sector (collectively referred to as "**investment properties**") for letting and retention as investments, or the purchase of investment properties for subsequent sale.*

[30] *A Major Disposal under paragraph/Rule 10.02(eA) of the LR refers to a disposal of all or substantially all of a listed issuer's assets which may result in the listed issuer being no longer suitable for continued listing on the Exchange.*

PROPOSAL 5.11

Description	Affected Provision(s)	
	Main LR	ACE LR
Updating the definition of percentage ratio for the net profit test to be consistent with the terminologies used in the approved accounting standards	▪ Para. 10.02(g)(ii) ▪ Para. 10.03(2)	▪ Rule 10.02(g)(ii) ▪ Rule 10.03(2)

136. Paragraph/Rule 10.02(g)(ii) of the LR currently defines the percentage ratio for the net profit test to mean the net profits (after deducting all charges and taxation and excluding extraordinary items) attributable to the assets which are the subject matter of the transaction, compared with the net profits of the listed issuer.

137. The Exchange notes that the current definition above is no longer reflective of the terminologies used in the presentation of profit or loss as set out in the approved accounting standards. In view of this, the Exchange proposes to update the definition of the percentage ratio for the net profits test to mean the net profits attributable to owners of a corporation (before other comprehensive income or loss) ("**Net Profits**") which are the subject matter of the transaction, compared with the Net Profits of the listed issuer. This is to ensure consistency with the presentation and terminologies used in the approved accounting standards.

Proposal 5.11 - Issue(s) for Consultation:

48. Do you agree with the proposal to define the percentage ratio for the net profits test to mean the net profits attributable to owners of a corporation (before other comprehensive income or loss) ("**Net Profits**") which are the subject matter of the transaction, compared with the Net Profits of the listed issuer? Please state your views and the reasons for such views.

49. Do you think the proposed revised definition of percentage ratio for the net profits test is clear? If not, please provide your suggestions or alternatives.

Enhancements/clarifications to the Exchange's powers to suspend and de-list listed securities

PROPOSAL 5.12

Description	Affected Provision(s)	
	Main LR	ACE LR
Clarifying that in relation to a take-over offer for the acquisition of listed shares or listed units of a listed issuer pursuant to the Take-Overs and Mergers Code, the Exchange shall only suspend trading of the securities of the listed issuer upon the expiry of 5 market days after the close of the offer period	▪ Para. 16.02(3) ▪ Appendix 9A, Part J	▪ Rule 16.02(3) ▪ Appendix 9A, Part J

138. Currently, paragraph/Rule 16.02(3) of the LR states that the Exchange shall suspend trading of the securities of a listed issuer upon the expiry of 5 market days from the date of immediate announcement by the listed issuer that the offeror does not intend to maintain the listed issuer's listing status pursuant to –

(a) a take-over offer for the acquisition of the listed shares or listed units of a listed issuer under the Malaysian Code on Take-Overs and Mergers 2010 ("**Take-Overs and Mergers Code**"); or

(b) a corporate proposal undertaken by or in relation to a listed issuer,

upon 90% of more of the listed shares (excluding treasury shares) or listed units of the said listed issuer being held by a shareholder either individually or jointly with associates of the said shareholder ("**90% Threshold**").

139. The Exchange notes that the requirements set out in paragraph 138 above may sometimes result in trading of a listed issuer's securities being suspended even before the expiry of the offer period pursuant to a take-over offer under the Take-Overs and Mergers Code.

140. In order to address this and to further safeguard minority shareholders interest, the Exchange proposes that in the event an offeror in a take-over offer achieves the 90% Threshold and it does not intend to maintain the listing status of the listed issuer, the Exchange shall only suspend trading of the listed issuer's securities upon expiry of 5 market days from the close of the offer period (instead of from the date of the announcement by the listed issuer that the offeror does not intend to maintain the issuer's listing status, which could be still within the offer period). The Exchange believes that this would ensure that the remaining minority shareholders have sufficient time to decide whether to accept the take-over offer, without undue influence or pressure arising from the suspension of trading of such listed shares or units by the Exchange.

141. Further to the above, the Exchange proposes to remove the requirement to suspend the securities of a listed issuer upon the expiry of 5 market days from the date of immediate announcement by the listed issuer that the offeror does not intend to maintain the listed issuer's listing status pursuant to a corporate proposal undertaken by or in relation to a listed issuer. The removal is proposed as a similar requirement is already provided under paragraph/Rule 16.02(1)(a) of the LR where the Exchange may suspend the trading of listed securities in the event of any substantial corporate exercise or capital restructuring of a listed issuer.

Proposal 5.12 - Issue(s) for Consultation:

50. Do you agree with the proposal that in the event an offeror in a take-over offer has achieved the 90% Threshold and it does not intend to maintain the listing status of the listed issuer, the Exchange shall only suspend trading of the securities of a listed issuer upon the expiry of 5 market days after the close of the offer period in relation to a take-over offer? Please state your views and reasons for such views.

51. Alternatively, if you have other suggestions as to when the Exchange should effect the suspension, please provide your suggestions together with the reasons.

PROPOSAL 5.13

Description	Affected Provision(s)	
	Main LR	ACE LR
Clarifying the circumstance in which the Exchange may suspend the trading of listed securities in the case where a manager or receiver and manager, etc or person of similar capacity is appointed	▪ New para. 16.02(1)(hA)	▪ New Rule 16.02(1)(gA)

142. As discussed in paragraphs 92 and 93 above, the Exchange proposes to codify its existing practice of requiring the additional information to be disclosed in the case where a receiver, manager, or receiver and manager, liquidator (which includes a provisional liquidator) or special administrator or such other person of a similar capacity is appointed. The proposed additional information includes a statement that the trading of the listed issuer's securities will be suspended upon the expiry of 5 market days from the date of the announcement, and that the suspension will only be uplifted upon the termination or expiry of the receivership, if the percentage of the net book value of the affected assets over the total assets of the listed issuer is 50% or more.

143. In line with the Exchange's proposal above, the Exchange also proposes to clarify that where a receiver, manager, or receiver and manager, or person of similar capacity is appointed, the Exchange may suspend trading of the securities of the listed issuer if the percentage of the net book value of the affected assets over the total assets of the listed issuer, is 50% or more.

Proposal 5.13 - Issue(s) for Consultation:

52. Do you agree with the Exchange's proposal to clarify that where a receiver, manager, or receiver and manager, or person of similar capacity is appointed, the Exchange may suspend the trading of listed securities if the percentage of the net book value of the affected assets over the total assets of the listed issuer, is 50% or more? Please state your views and the reasons for such views.

Other enhancements

PROPOSAL 5.14

Description	Affected Provision(s)	
	Main LR	ACE LR
Other miscellaneous enhancements	Please refer to the table below.	

144. The Exchange proposes the following miscellaneous enhancements:

No.	Paragraph/ Rule	Proposal	Rationale
Main LR and ACE LR			
(a)	Paragraph/Rule 1.01 of the LR	Clarifying that a partnership in the definition of "**partner**" includes a limited liability partnership as defined in the Limited Liability Partnerships Act 2012 (in addition to a partnership as defined in the Partnership Act 1961).	This is consequential to the issuance of the Limited Liability Partnerships Act 2012.
(b)	Paragraph/Rule 2.28A of the LR.	Clarifying that any amendment to the LR will not affect any action proposed to be taken, or is in the process of being taken, or has been taken by the Exchange, in relation to the provision which is effective prior to the amendments.	This is to provide clarity as to the status of any provisions of the LR which have been amended or repealed, and it is also in line with the provision of the Rules of the Exchange.
(c)	Paragraph 6.56 of the Main LR and Rule 6.57 of the ACE LR.	Clarifying that a listed issuer must submit an **additional listing application** for any issue of convertible securities arising from adjustments due to an issue of securities or a subdivision or consolidation of shares.	This is to provide clarity to the existing practice.
(d)	Paragraph 8.26(1) of the Main LR and Rule 8.28(1) of the ACE LR	Clarifying that once dividend has been declared (e.g. interim dividend) or proposed to the shareholders (e.g. final dividend), the listed issuer must not make any subsequent alteration to the dividend entitlement.	This is to provide clarity.
(e)	Paragraph 2 in Appendix 8A of the LR.	Cross referring the existing requirement for a listed issuer to include the specific information in relation to a mandate obtained under paragraph 6.03(3) of the Main LR and Rule 6.04(3) of the ACE LR respectively, for a new issue of securities, in its statement accompanying notice of annual general meeting.	This is to facilitate compliance by listed issuers in relation to disclosure of general mandate.

No.	Paragraph/ Rule	Proposal	Rationale
(f)	Paragraphs 8.23(4)(b); 9.20(2)(b); 10.08(11)(e); 10.08(11)(m)(dd)(C); 10.08(11)(p); and paragraph 2.2 of Practice Note 11 of the Main LR; and Rules 8.25(4)(b); 9.20(2)(b); 10.08(11)(e); 10.08(11)(m)(dd)(C); 10.08(11)(p); and paragraph 2.2 of Guidance Note 4 of the ACE LR.	Clarifying in the LR, where appropriate, that the reference to Bank Negara Malaysia, refers to the equivalent foreign authority as the Exchange deems appropriate.	This is to promote balanced regulation.
(g)	Paragraph 9.33(1)(b) of the Main LR and Rule 9.32(b) of the ACE LR.	Clarifying that where a corporate proposal is also subject to the approval from other relevant authorities, a listed issuer must issue the circular or document within 14 market days after receipt of the Exchange's approval or the relevant authorities' approval, whichever is the later.	This is to facilitate compliance by listed issuers and to address the numerous waiver applications received for extension of time to issue the circular or documents.
(h)	Appendix 10B, paragraph 3, Part G of the LR	Clarifying that an accountant's report is not required for a very substantial transaction[31] involving the acquisition of an unlisted corporation, if the percentage ratio for the very substantial transaction is triggered solely as a result of aggregating the separate transactions of the unlisted corporations and treating them as 1 transaction but where individually, each transaction is less than 100%.	This is to promote balanced regulation and provide clarity to the market.

[31] A very substantial transaction refers to a disposal or acquisition of an asset where any of the percentage ratios is 100% or more, except an acquisition which will result in a significant change in the business direction or policy of a listed corporation.

No.	Paragraph/ Rule	Proposal	Rationale
(i)	Paragraph/Rule 15.05 of the LR.	In relation to a foreign listed issuer, clarifying that any person appointed as its director has not been convicted by a court of law of an offence under the equivalent securities and corporation legislation of the foreign listed issuer's place of incorporation.	This is for greater clarity.
(j)	Paragraph/Rule 15.17(f) of the LR.	Replacing "internal auditors" with "**persons carrying out the internal audit function or activity**, or both".	The term "**internal auditors**" is not defined and is only used once in the LR. As such, it is proposed to remove "internal auditors" and to streamline the wordings with the provision in subparagraph/sub-Rule (d), i.e. "*person(s) carrying out the internal audit function or activity*".
(k)	Paragraph/Rule 16.11(1)(e) of the LR.	Clarifying that the Exchange's de-listing power under *paragraph/Rule 16.11(1)(e) of Listing Requirements* extends to the de-listing of any listed securities like structured warrants etc.	This is to provide clarity to the market on the Exchange's de-listing powers.
(l)	Paragraph 16.11(2)(g) of the Main LR and Rule 16.11(2)(e) of the ACE LR.	Clarifying that the Exchange shall de-list a listed issuer in the following circumstances: In relation to a corporate proposal undertaken by or in relation to the listed issuer, – (i) upon 100% of the listed shares of the listed issuer being held by a shareholder either individually or jointly with the associates of the said shareholder; and (ii) the corporate proposal does not include any plans duly approved by the shareholders of the listed issuer before the proposal was undertaken, the complete implementation of which would result in full compliance by the listed issuer with the provisions of the Listing Requirements.	This is to provide clarity to the market on the Exchange's de-listing powers.

No.	Paragraph/ Rule	Proposal	Rationale
(m)	Practice Note 28, Annexure PN 28-B, Paragraph 12, Part A of the Main LR and Guidance Note 17, Annexure GN17-B, Paragraph 12, Part A of the ACE LR	Clarifying that a controlling shareholder of a listed issuer which is a statutory institution managing funds belonging to the general public (such as the Employees Provident Fund ("**EPF**"), Lembaga Tabung Angkatan Tentera ("**LTAT**"), Kumpulan Wang Persaraan (Diperbadankan) ("**KWAP**") and Lembaga Tabung Haji), is no longer required to list down its directorships or substantial shareholdings in all other listed issuers in Malaysia for the past 3 years, in a listing application for new issue of securities.	This is to improve market efficiency by removing requirements which may not be critical in evaluating an additional listing application for issuance of securities.
(n)	Practice Note 28, Annexure PN 28-B, Paragraph 19, Part A of the Main LR and Guidance Note 17, Paragraph 19, Annexure GN17-B, Part A of the ACE LR	Specifying that the prescribed undertakings required in the listing application for new issue of securities are only required for corporate proposals which apply the procedures set out under paragraphs 4.1 and 4.2 (instead of stating generally paragraph 4.0) of Practice Note 28 which relates to the listing of additional securities where the additional securities will be listed and quoted as the existing listed securities of the same type and class.	This is to provide clarity to the existing practice.
Main LR Only			
(o)	Practice Note 23 of the Main LR.	Making editorial amendments to the requirements for undertakings or confirmations submitted to the Exchange in relation to a listing of a real estate investment trust and exchange traded fund.	This is for greater clarity.
(p)	Practice Note 27, Annexure PN27-B, Paragraph 7, Part A of the Main LR.	Replacing the reference to SC's Structured Warrants Guidelines to **SC's Issuer Eligibility Guidelines-Structured Warrants**.	This is to provide clarity.
ACE LR Only			
(q)	Rule 10.11(4) of the ACE LR.	Deleting Rule 10.11(4) of the ACE LR which requires a listed corporation to issue a circular or any documents only after the Exchange has confirmed in writing that it has no further comments, no later than 7 market days after receipt of such confirmation.	The deletion is proposed as the same requirement has been imposed under Rule 9.32 where a listed corporation is required to issue such circular or documents within 14 market days after it receives the

No.	Paragraph/ Rule	Proposal	Rationale
			Exchange's confirmation that it has no further comments, or 14 market days after it receives the approvals from the relevant authorities, whichever is the later.

[End of Part 5]

ANNEXURES A-E PROPOSED AMENDMENTS

[Please see Annexures A – E enclosed with this Consultation Paper]

ATTACHMENT TABLE OF COMMENTS

[Please see the Attachment setting out the Table of Comments enclosed with this Consultation Paper]

APPENDIX BURSA MALAYSIA SECURITIES BERHAD'S PERSONAL DATA NOTICE

In relation to the Personal Data Protection Act 2010 and in connection with your personal data provided to us in the course of this consultation, please be informed that the Exchange's personal data notice ("**Notice**") is available at www.bursamalaysia.com. Kindly ensure that you read and are aware of the Notice.

If you are submitting personal data of an individual other than yourself ("**data subject**"), please ensure that prior to such submission, you have provided the data subject with written notice of the Notice unless section 41 of the Personal Data Protection Act 2010 ("**PDPA**") applies or the Exchange otherwise specifies in connection with the PDPA.

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Berhubung Akta Perlindungan Data Peribadi 2010 dan berkenaan semua data peribadi anda yang diberikan di dalam proses konsultasi ini, sila ambil maklum bahawa notis Bursa Malaysia Securities Berhad mengenai data peribadi ("**Notis tersebut**") boleh didapati di www.bursamalaysia.com. Sila pastikan yang anda membaca dan memahami Notis tersebut.

Jika anda mengemukakan data peribadi individu pihak ketiga ("**Subjek Data**"), anda mesti memastikan bahawa Subjek Data telah diberi notis bertulis mengenai Notis tersebut terlebih dahulu kecuali seksyen 41 Akta Perlindungan Data Peribadi 2010 ("**APDP**") terpakai atau Bursa Malaysia Securities Berhad sebaliknya menyatakan berkenaan dengan APDP

[End of the Appendix]
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