



CONSULTATION PAPER NO. 3/2022

PROPOSED AMENDMENTS TO THE MAIN MARKET LISTING REQUIREMENTS IN RELATION TO LISTED REAL ESTATE INVESTMENT TRUSTS AND EXCHANGE-TRADED FUNDS WITH WAQF FEATURE

Date of Issue: 19 October 2022

Bursa Malaysia Berhad (“Bursa Malaysia”) invites your written comments on the issues set out in this Consultation Paper by 30 November 2022 via:

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

If you have any queries in relation to this Consultation Paper, kindly contact us at the e-mail address above.

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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

1. This Consultation Paper seeks views and comments from the public on the proposed amendments to the Bursa Malaysia Securities Berhad (“**the Exchange**”) Main Market Listing Requirements (“**Main LR**”) in relation to listed real estate investment trusts and exchange-traded funds with *waqf* feature (“**Proposed Waqf Amendments**”).

## B. BACKGROUND

2. In 2017, the Securities Commission Malaysia (“**SC**”) launched the Islamic Fund and Wealth Management Blueprint<sup>1</sup> (“**Blueprint**”) which set out the strategic direction for Malaysia’s Islamic fund and wealth management industry.
3. In the Blueprint, the development of sustainable *waqf* assets through fund management or capital raising has been identified as one of the areas of significant potential for social development, greater public good and wealth distribution. *Waqf* is an Islamic endowment typically linked with social development and public good objectives.
4. Accordingly in 2020, the SC introduced the *waqf*-featured fund framework for unit trust and wholesale funds in the SC Guidelines on Unit Trust Funds and SC Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework<sup>2</sup>.
5. The key elements of the *waqf*-featured fund framework, among others, include the following:
  - (a) the primary investment objective of the fund is to provide income and allow unit holders to channel all or part of the distribution of the income for *waqf* purposes;
  - (b) the distribution policy must include the percentage of the distributions to be channelled for *waqf* purposes;
  - (c) only state Islamic religious council (“**SIRC**”) or any institutions or organisation authorised by the SIRC to act as a *waqf* administrator or collection agent for *waqf* purposes, are eligible as the *waqf* recipients; and
  - (d) there is transparency to investors and unit holders on, among others -
    - (i) the *waqf* arrangements including the name of the *waqf* recipient, *waqf* initiatives and how investors can obtain more information on the *waqf* recipient and progress of the *waqf* initiatives, which are disclosed in the product highlights sheet or prospectus;
    - (ii) policies and processes relating to the selection of the *waqf* recipient and *waqf* initiatives as well as the removal, replacement or addition of the *waqf* recipient, which are disclosed in the product highlights sheet or prospectus; and

<sup>1</sup> For more information, please see <https://www.sc.com.my/api/documentms/download.ashx?id=ae2432a7-a0c7-4221-b262-b170827ae703>.

<sup>2</sup> For more information, please see <https://www.sc.com.my/resources/media/media-release/sc-introduces-new-framework-to-facilitate-offering-of-islamic-funds-with-waqf-features>.

- (iii) breakdown of the total amount distributed to the *waqf* recipients(s) and unit holders, if any, in the fund report.
- 6. Following the introduction of the *waqf* framework for unit trust and wholesale funds, the Exchange and the SC are proposing to extend the *waqf* framework to include other capital market instruments, namely listed REITs and ETFs.  
  
An illustration of a REIT or ETF with *waqf* feature is set out in **Annexure A**.
- 7. For this purpose, the SC will be issuing a guideline setting out the requirements of the *waqf*-featured fund framework for Islamic collective investment schemes such as REITs and ETFs (“said SC Guidelines”).
- 8. On the part of the Exchange, we are proposing the Proposed *Waqf* Amendments which entail enhancements to the post listing disclosure framework for listed REITs and ETFs under the Main LR to facilitate the offering of such funds with *waqf* feature.
- 9. The Exchange believes that the Proposed *Waqf* Amendments would, among others -
  - (a) promote transparency through enhanced disclosures in immediate announcements and periodic reports; and
  - (b) broaden the range of Islamic capital market products which support socio-economic development, greater public good and wealth distribution, in the Malaysian capital market.

## C. KEY PROPOSED WAQF AMENDMENTS

- 10. The key Proposed *Waqf* Amendments are as follows:
  - (a) enhancing the immediate announcement requirement by requiring disclosure of changes to the *waqf* arrangements to promote greater transparency on specific key matters in a timely manner;
  - (b) enhancing contents of periodic reports to facilitate access to meaningful and value-add information by unit holders such as requiring disclosure of -
    - (i) the breakdown of the distribution to *waqf* recipients and unit holders on an interim basis; and
    - (ii) the name of the *waqf* recipient and how investors can obtain more information on the *waqf* recipient and progress of the *waqf* initiatives on an annual basis;
  - (c) enhancing the contents of the distribution statement of a REIT to provide unit holders comprehensive insight into their distribution entitlement by including the net amount per unit recommended to be distributed to unit holders and *waqf* recipient respectively; and
  - (d) making other consequential changes for clarity, consistency and certainty.

11. The Proposed *Waqf* Amendments are discussed in greater detail in Part D of this Consultation Paper.
12. The full text of the Proposed *Waqf* Amendments is provided in **Annexure B** and the amendments are reflected in the following manner:
  - (a) portions underlined are text newly inserted/added/replaced onto the existing rules; and
  - (b) portions struck through are text to be deleted.
13. The Exchange invites comments on the Proposed *Waqf* Amendments as discussed below. Comments can be given by filling up the template as attached in the **Attachment**.

**Note:**

*As the Proposed Waqf Amendments 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 Waqf Amendments HAVE NOT been approved by the SC and as such are not the final amendments. The Exchange will submit the Proposed Waqf 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 Waqf Amendments.*

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## D. DETAILS OF THE PROPOSED WAQF AMENDMENTS

### I. Enhancing The Immediate Announcement Requirement To Promote Greater Transparency On Specific Key Matters In A Timely Manner

14. An Islamic REIT or ETF with *waqf* feature is required to disclose in its prospectus or product highlights sheet, the detailed description of the information relating to the *waqf* arrangement including the name of the *waqf* recipient, the *waqf* initiatives, and how the investors can obtain more information on the *waqf* recipient and the progress of the *waqf* initiatives.
15. In this regard, the Exchange is proposing to require an immediate announcement of changes in the *waqf* arrangement including the *waqf* initiatives and *waqf* recipients<sup>3</sup>, by a listed Islamic REIT or ETF with *waqf* feature.
16. The timely disclosure as proposed ensures that unit holders and investors are kept updated on the salient provisions of the *waqf* arrangement in a prompt manner. This will also ensure that they are given value add information for informed investment decision-making.

### II. Enhancing Contents Of Periodic Reports To Facilitate Access To Meaningful And Value-add Information By Unit Holders

17. The Exchange is proposing to enhance the contents of the quarterly and annual reports of REITs, as well as semi-annual and annual reports of ETFs, to provide unit holders with key information specific and relevant to Islamic REITs or ETFs with *waqf* feature.

#### *Contents of interim reports of REIT and ETF*

18. As highlighted in paragraph 5 above, the key investment objective of a *waqf* fund is to provide income and allow its unit holders to channel all or part of the distribution of the income for *waqf* purposes. Such fund is also required to disclose the breakdown of the distribution channelled for *waqf* purposes and to unit holders in the fund report.
19. In this regard, the Exchange proposes to enhance the contents of the REIT's quarterly report and ETF's semi-annual report by requiring disclosure of the breakdown of the total amount of the distribution (together with the percentage) which are distributed to -
  - (a) the *waqf* recipient(s) and where applicable, further breakdown of payment to each *waqf* recipient; and
  - (b) unit holders (if any)<sup>4</sup>.

<sup>3</sup> Paragraph 9.43(1)(q)(ii) of the Main LR for REIT and Paragraph 9.47(1)(n)(ii) of the Main LR for ETF.

<sup>4</sup> Paragraph 9A of Part D, Appendix 9B of the Main LR for REIT and paragraph 4(h) of Part E, Appendix 9B of the Main LR for ETF.

***Contents of annual reports of REIT and ETF***

20. In addition to the above, the Exchange also proposes to require disclosure of the following information in the annual report of the Islamic REIT and ETF:
  - (a) the name of the *waqf* recipient<sup>5</sup>; and
  - (b) how investors can obtain more information on the *waqf* recipient and progress of the *waqf* initiatives<sup>6</sup>.
21. The proposed enhancements above seek to promote greater transparency on the breakdown of the distributions, and to provide ease to unitholders to obtain periodic update on the *waqf* recipient and progress of the *waqf* initiatives. This will ensure continuity in disclosures made and allow unit holders to keep track of the development of the *waqf* initiatives on a regular basis.

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**III. Enhancing The Contents Of The Distribution Statement Of A REIT To Provide Unit Holders Comprehensive Insight Into Their Distribution Entitlement**

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22. Currently, a REIT is required to forward a distribution statement to its unit holders (“**REIT distribution statement**”) which contains information on, among others, the net amount per unit (after allowing for charges and adjustments) recommended to be distributed to unit holders out of profits or reserves, together with the gross equivalent attributable to the distribution period<sup>7</sup>.
23. The Exchange proposes to enhance the contents of the REIT distribution statement of an Islamic REIT with *waqf* feature to include specific disclosure of the total income distribution for the financial period, net amount per unit (after allowing for charges and adjustments) recommended to be distributed to unit holders and *waqf* recipient(s) respectively, together with the gross equivalent attributable to the distribution period<sup>8</sup>.
24. The proposal above will provide unit holders with a clearer and more comprehensive picture of the income they will receive on a per unit basis after taking into account the distributions which have been allocated for *waqf* purposes.

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<sup>5</sup> Paragraph 17(a) of Part E, Appendix 9C of the Main LR for REIT and paragraph 14(a) of Part F, Appendix 9C of the Main LR for ETF.

<sup>6</sup> Paragraph 17(b) of Part E, Appendix 9C of the Main LR for REIT and paragraph 14(b) of Part F, Appendix 9C of the Main LR for ETF.

<sup>7</sup> Paragraph 9.45(3) of the Main LR read together with paragraph 2 of Appendix 9D of the Main LR.

<sup>8</sup> Paragraph 9.45(3) of the Main LR read together with paragraph 2A of Appendix 9D of the Main LR.

#### IV. Making Other Consequential Changes For Clarity, Consistency And Certainty

25. The Exchange proposes to make other miscellaneous amendments to the Main LR as set out below, for consistency, clarity and certainty.
26. In this regard, the Exchange proposes to require immediate announcement of any change of the Shariah adviser<sup>9</sup>. Similar to the management company and trustee, the Shariah adviser is a key party for an Islamic REIT and ETF as it advises the Islamic REIT and ETF on all Shariah matters of the funds. Hence, unit holders should be kept apprised of any changes to the Shariah adviser. This also provides continuity in disclosures as the details of the Shariah adviser are also disclosed in the annual report<sup>10</sup>.
27. In addition to the above, the Exchange is also proposing the following amendments to streamline with, and reflect corresponding changes made to, requirements or terminologies used, in the relevant SC guidelines:
- (a) clarifying the term “Islamic REIT or ETF with *waqf* feature” to refer to an Islamic REIT or ETF approved by the SC and which complies with the said SC Guidelines<sup>11</sup>; and
  - (b) replacing the term “designated person” with “Shariah officer”<sup>12</sup> in the disclosure of the Shariah adviser’s details in the annual report.

##### Issue(s) for Consultation

##### *Proposal 1 - Enhancing the immediate announcement requirement to promote greater transparency on specific key matters in a timely manner*

1. Do you agree with the proposal in paragraph 15 of the Consultation Paper to require immediate announcement of changes in the *waqf* arrangement including the *waqf* initiatives and *waqf* recipients, by a listed Islamic REIT or ETF with *waqf* feature?

Please state the reasons for your views.

<sup>9</sup> Paragraph 9.43(1)(q)(i) of the Main LR for REIT and Paragraph 9.47(1)(n)(i) of the Main LR for ETF.

<sup>10</sup> Paragraph 16 of Part E, Appendix 9C of the Main LR for REIT and paragraph 13 of Part F, Appendix 9C of the Main LR for ETF.

<sup>11</sup> Paragraph 9.01(A)(2) of Part A(A), Chapter 9 of the Main LR.

<sup>12</sup> Paragraph 16(d)(ii) of Part E, Appendix 9C of the Main LR for REIT and paragraph 13(d)(ii) of Part F, Appendix 9C of the Main LR for ETF. This is aligned with the term used in the Guidelines for Shariah Advisers issued by the SC on 20 December 2021.



2. Is there any other information which should be immediately announced by an Islamic REIT or ETF with *waqf* feature?

If yes, please provide your suggestions and state the reasons for your suggestions.

***Proposal II - Enhancing contents of periodic reports to facilitate access to meaningful and value-add information by unit holders***

***Additional contents of interim report***

3. Do you agree with the proposal in paragraph 19 of the Consultation Paper to require, in the quarterly report or semi-annual report, disclosure of the breakdown of the total amount of the distribution (together with the percentage) which are distributed to -

- (a) the *waqf* recipient(s) and where applicable, further breakdown of payment to each *waqf* recipient; and
- (b) unit holders (if any)?

Please state the reasons for your views.

***Additional contents of annual report***

4. Do you agree with the proposal in paragraph 20 of the Consultation Paper to require, in the annual report, disclosure of the following information:

- (a) the name of the *waqf* recipient; and
- (b) how investors can obtain more information on the *waqf* recipient and progress of the *waqf* initiatives?

Please state the reasons for your views.

5. Is there any other information which should be disclosed in the -

- (a) quarterly report or annual report of an Islamic REIT with *waqf* feature; or
- (b) semi-annual report or annual report of an Islamic ETF with *waqf* feature?

If yes, please provide your suggestions and state the reasons for your suggestions.

***Proposal III - Enhancing the contents of a REIT distribution statement to provide unit holders comprehensive insight into their distribution entitlement***

6. Do you agree with the proposal in paragraph 23 of the Consultation Paper to require, in the REIT distribution statement, disclosure of the total income distribution for the financial period, net amount per unit (after allowing for charges and adjustments) recommended to be distributed to unit holders and *waqf* recipient(s) respectively, together with the gross equivalent attributable to the distribution period?

Please state the reasons for your views.

7. Is there any information which should be included or removed from the REIT distribution statement?

If yes, please provide your suggestions and state the reasons for your suggestions.

***Proposal IV - Making other consequential changes for clarity, consistency and certainty***

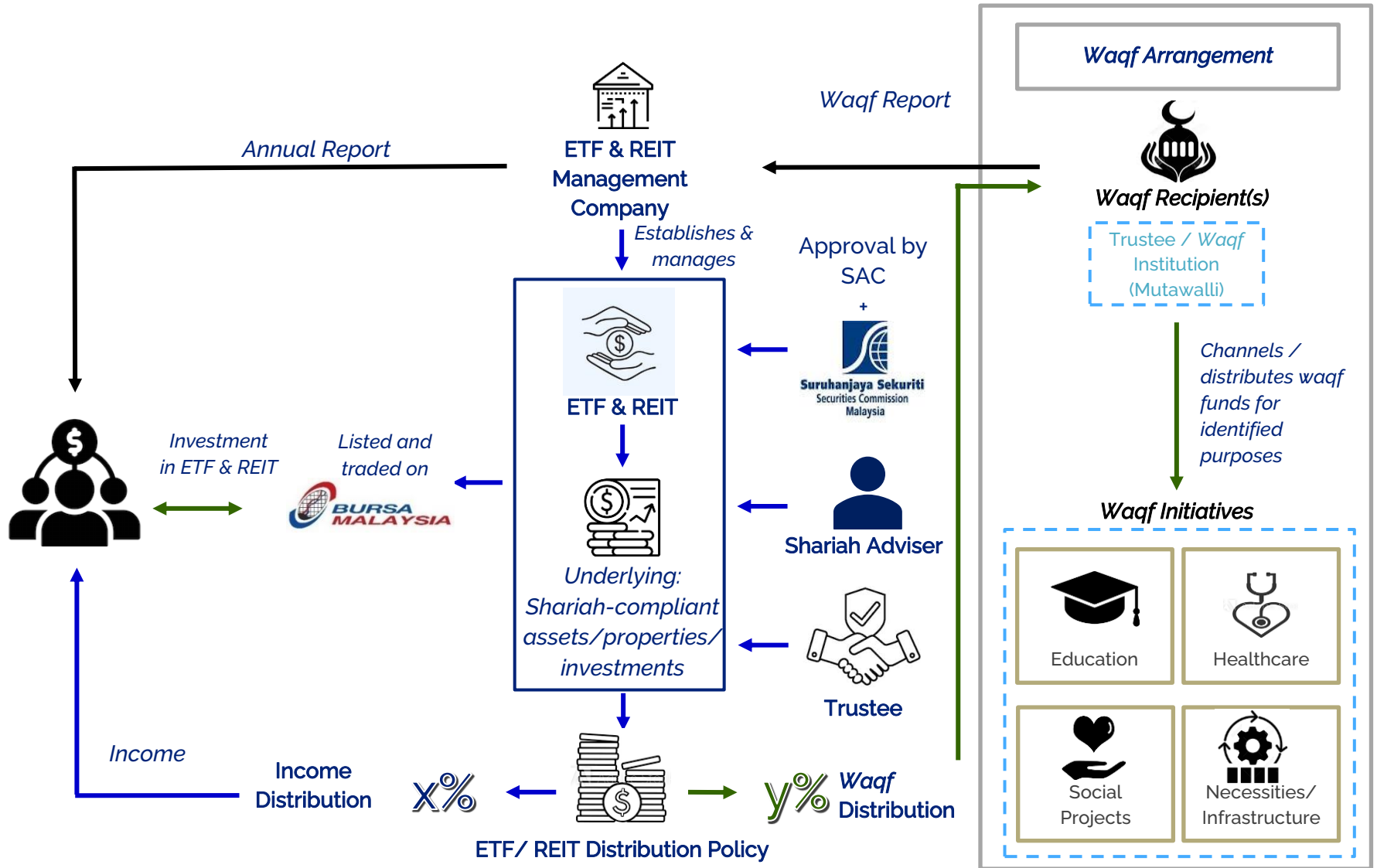
**Immediate announcement of any change of the Shariah adviser**

8. Do you agree with the proposal in paragraph 26 of the Consultation Paper to require an Islamic REIT or ETF to immediately announce any change of the Shariah adviser?

Please state the reasons for your views.

[End]

ANNEXURE A ILLUSTRATION OF THE WAQF FRAMEWORK



## **ANNEXURE B    PROPOSED *WAQF* AMENDMENTS**

*[Please see Annexure B enclosed with the Consultation Paper]*

## ATTACHMENT

## TABLE OF COMMENTS

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

## APPENDIX      BURSA MALAYSIA'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 Bursa Malaysia's personal data notice ("**Notice**") is available at [www.bursamalaysia.com](http://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 Bursa Malaysia otherwise specifies in connection with the PDPA.

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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 sebaliknya menyatakan berkenaan dengan APDP.

[End of the Appendix]