



CONSULTATION PAPER NO. 1/2023

PROPOSED AMENDMENTS TO THE MAIN MARKET LISTING REQUIREMENTS AND ACE
MARKET LISTING REQUIREMENTS IN RELATION TO NEW ISSUE OF SECURITIES AND OTHER
AREAS

Date of Issue: 30 November 2023

Bursa Malaysia Berhad (“Bursa Malaysia”) invites your written comments on the issues set out in this Consultation Paper by 26 January 2024 via:

- E-mail : rpa@bursamalaysia.com
- Facsimile : 603 - 2732 0065
- Mail :
Regulatory Policy & Advisory
Bursa Malaysia Securities Berhad
12th Floor Exchange Square
Bukit Kewangan
50200 Kuala Lumpur

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.

No permission is required from Bursa Malaysia for additional copies of this document which may be made or downloaded from our website at https://www.bursamalaysia.com/regulation/public_consultation.

Confidentiality: Your responses may be made public by Bursa Malaysia. If you do not want all or any part of your response or name made public, please state this clearly in the response. Any confidentiality disclaimer that may be generated by your organisation’s IT system or included as a general statement in your fax cover sheet will be taken to apply only if you request that the information remain confidential.

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

TABLE OF CONTENTS

| | | |
|------------|---|----|
| A. | INTRODUCTION | 1 |
| B. | BACKGROUND | 1 |
| C. | KEY PROPOSED AMENDMENTS | 1 |
| D. | DETAILS OF THE PROPOSED AMENDMENTS | 4 |
| ANNEXURE A | - PROPOSED AMENDMENTS TO THE MAIN MARKET LISTING REQUIREMENTS | 23 |
| ANNEXURE B | - PROPOSED AMENDMENTS TO THE ACE MARKET LISTING REQUIREMENTS | 24 |
| ATTACHMENT | - TABLE OF COMMENTS | 25 |
| APPENDIX | - BURSA MALAYSIA’S PERSONAL DATA NOTICE | 26 |

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**”) and ACE Market Listing Requirements (“**ACE LR**”) (collectively, the “**LR**”) in relation to new issue of securities and other areas (“**Proposed Amendments**”).

B. BACKGROUND

2. The Exchange reviews the LR from time to time to ensure that the LR remain fit for purpose in line with the rapidly evolving capital market, as well as to promote greater transparency in the marketplace.
3. In this review, we focus on two primary areas. Firstly, enhancing transparency to address issues we observed in relation to fund-raising activities as well as the Employee Share Scheme¹ framework and secondly enhancing remuneration disclosures of chief executives. We are also refining the LR to codify current practices as well as to improve clarity, where appropriate.
4. As part of our review, we considered the practices and findings from benchmarking studies conducted, as well as issues and observations noted from our supervision and monitoring activities.

C. KEY PROPOSED AMENDMENTS

5. The key Proposed Amendments and the objectives that we seek to achieve are as follows:
 - 5.1 enhancing transparency on fund-raising exercises involving new issue of securities as follows:
 - (a) in the case of placement exercises -
 - (i) requiring quarterly announcements on details of placement exercises which are implemented on a staggered basis;
 - (ii) requiring submission of additional information to the Exchange to demonstrate the placees’ financial capability in subscribing for the placement securities; and
 - (b) in the case of new issue of securities for fund-raising purposes -
 - (i) requiring quarterly announcements on the details and status of the projects, initiatives, and purposes funded by the proceeds raised as well as the place and name of the entity where the unutilised proceeds are kept; and

¹ Currently, this refers collectively to a scheme involving a new issuance of shares to the employees (“**Share Issuance Scheme**”) and a scheme involving the grant of a listed issuer’s existing shares to employees (“**Share Grant Scheme**”) under paragraph/Rule 1.01 of the LR.

- (ii) requiring disclosures of the details and status of any equity fund-raising exercises undertaken where the proceeds raised have yet to be fully utilised in immediate announcement and circular to shareholders;

5.2 enhancing the framework for Employee Share Scheme by —

- (a) subjecting the total number of shares granted under a Share Grant Scheme to the threshold of not more than 15% (or 30% in the case of the ACE LR) of the listed issuer’s total number of issued shares at any one time, collectively with the Share Issuance Scheme; and
- (b) enhancing disclosure of Employee Share Scheme in annual report in relation to aggregate options or shares granted, exercised, vested or remained outstanding, based on categories of participants;

5.3 requiring the remuneration disclosures in annual reports for chief executives of listed corporations, closed-end funds and trustee-managers of business trusts, on a named basis; and

5.4 enhancing the LR in other areas to address issues or gaps in the market and ensure the LR remains balanced, clear, relevant and updated such as —

- (a) extending the limit to an exercise or conversion of convertible equity securities (i.e. not exceeding 50% of the total number of a listed issuer’s issued shares) to convertible debt securities;
- (b) allowing an affected listed issuer² and a PN17 Issuer/GN3 Company³ to undertake interim corporate proposals pending regularisation of its condition only in exceptional circumstances;
- (c) requiring adherence to chain listing requirements if a listed issuer wishes to list its subsidiaries on any stock exchange;
- (d) requiring comparative disclosure of production figures for plantation and timber corporations on quarterly basis, in addition to monthly basis; and
- (e) clarifying the requirements on the appointment of special auditor.

6. The Proposed Amendments are discussed in greater detail in Part D of this Consultation Paper.

7. The full text of the Proposed Amendments to the Main LR and ACE LR are provided in **Annexures A** and **B** respectively and the amendments are reflected in the following manner:

- (a) portions underlined are text newly inserted/added/replaced onto the existing rules; and

² This refers to a listed issuer which do not have a level of operations that is adequate to warrant continued trading or listing on the Exchange or which has an insignificant business or operations under paragraph/Rule 8.03A of the LR.

³ This refers to a listed issuer which has triggered any of the prescribed criteria in relation to its financial condition under paragraph/Rule 8.04 of the LR.

(b) portions struck through are text to be deleted.

8. The Exchange invites comments on the Proposed Amendments as discussed below. Comments can be given by filling up the template as attached in the **Attachment**.

Note:

As the Proposed 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 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.

[The rest of this page is intentionally left blank]

D. DETAILS OF THE PROPOSED AMENDMENTS

I. ENHANCING TRANSPARENCY ON FUND-RAISING EXERCISES INVOLVING NEW ISSUE OF SECURITIES

9. Placement of securities allows a listed issuer to raise capital from the equity market expeditiously and in a cost-effective manner, to fund their corporate objectives.
10. As such fund-raising activity involves issuance of new securities which may result in potential dilution of shareholders' interests, the LR require, among others, appropriate prescribed disclosures and shareholder approval in a placement exercise.
11. With the aim at improving quality of disclosure and transparency on utilisation of proceeds in respect of a placement of securities, the Exchange is proposing various enhancements as set out below.
12. **Quarterly announcements on details of placement exercises undertaken on a staggered basis**
 - 12.1 Currently, if a listed issuer undertakes an issuance and placement of securities in stages over a period of time, the listed issuer must, upon placement of the securities, immediately announce to the Exchange, the number and issue price of the securities⁴.
 - 12.2 We noted that the monitoring of such information by shareholders may not be as easy since the placement of securities is undertaken in stages over a period of time and there could be several announcements made on various occasions on the same exercise. As such, we propose to require a listed issuer to consolidate and immediately announce the following information pertaining to each staggered issuance, on a quarterly basis, simultaneously with the announcement of the quarterly report⁵:
 - (a) the price-fixing date and issuance date of each staggered issuance;
 - (b) the number of securities issued and allotted for each staggered issuance;
 - (c) the issue price and basis of determining the issue price for each staggered issuance; and
 - (d) the aggregate number of securities issued and allotted pursuant to the placement at the end of each quarter.
 - 12.3 The proposal above seeks to provide ease to shareholders and investors on all relevant information pertaining to the placement exercise, on a regular basis.

⁴ Paragraph 6.07(2) of the Main LR / Rule 6.08(2) of the ACE LR.

⁵ New paragraph 6.07(2)(b) of the Main LR / Rule 6.08(2)(b) of the ACE LR.

13. Disclosure of placees' financial capability in subscribing for the placement securities

- 13.1 Apart from the above, in any placement exercise, a Recognised Principal Adviser (“RPA”)⁶ must also submit the details of the placees⁷ and the amount and price of securities placed to each placee to the Exchange. The RPA must also confirm that to the best of its knowledge after having taken all reasonable steps and made all reasonable inquiries, the details submitted to the Exchange are accurate and the issue or placement exercise complies with the LR⁸.
- 13.2 In order to demonstrate that the placement of securities would be subscribed by genuine investors, it is imperative for a listed issuer and its RPA to demonstrate the placees' financial capability in subscribing for such securities.
- 13.3 In view of this, we propose to require details on the financial standing and source of funds of the placees as additional particulars to be provided to the Exchange. Accordingly, the RPA shall confirm that such information is accurate.
- 13.4 For this purpose, financial standing refers to the financial strength, financial condition, status or net worth as evidenced through, among others, the placee's assets and liabilities, savings in bank accounts or record of salary payments. Source of funds refers to where the funds used as payment for the placement securities are transferred from, including the placee's own bank account, or any loan, credit or margin financing account (if it is an external fund account).

14. Quarterly announcements on status and details of utilisation of proceeds raised from a fund-raising exercise

- 14.1 As highlighted in paragraph 10 above, when new securities of a listed issuer are issued for fund-raising purposes, this may result in potential dilution of shareholders' interests in the listed issuer. Therefore, the listed issuer must obtain its shareholder approval (either via a general mandate or specific shareholder approval) for the fundraising exercise and continue to update its shareholders on the status of utilisation of the proceeds raised⁹.
- 14.2 Currently, a listed issuer must, among others, disclose the details and status of equity fund raising exercises undertaken in the past 12 months before the announcement of new issue of securities, including the total proceeds raised, details and status of the utilisation of the proceeds, in the immediate announcement¹⁰ and

⁶ Paragraph 6.15(1)(a) of the Main LR / Rule 6.16(1)(a) of the ACE LR. In the case of ACE Market, it would be the Sponsor, Adviser or Recognised Approved Adviser, as the case may be. The submission of the details to the Exchange must be done, as soon as practicable after the placement of the securities and before the listing of such securities.

⁷ This refers to their names, home or business addresses, identity card/passport/company registration numbers, occupations/principal activities, and securities account numbers.

⁸ Paragraph 6.15(1)(b) of the Main LR / Rule 6.16(1)(b) of the ACE LR.

⁹ In Hong Kong and Singapore, similar requirements are imposed on the listed issuers for issuance of securities for cash.

¹⁰ Paragraphs 14 to 17 in Part A of Appendix 6A of the LR.

circular to shareholders¹¹. Regular updates on the status of utilisation of proceeds must also be provided in the quarterly¹² and annual reports¹³.

- 14.3 While the current disclosure requirements relating to the status of utilisation of proceeds are rather extensive, particularly with regards to the breakdown of the amounts allocated, there is a lack of transparency on the progress of the projects, initiatives or purposes funded by the proceeds, or where the unutilised amounts (if any) are kept. We believe disclosure of such information is important especially for longer term projects or initiatives as it not only provides shareholders with greater insights on the usage of the funds raised but also ensures listed issuers remain accountable to their shareholders on the uses of the funds.
- 14.4 In view of the above, we propose that, in the case of a new issue of securities for fund-raising purposes, a listed issuer must announce the following information, on a quarterly basis, simultaneously with the announcement of the quarterly report¹⁴:
- (a) the details of the projects, initiatives or purposes funded by the proceeds together with their status and progress; and
 - (b) the unutilised proceeds, if any, including the place and name of the entity where the proceeds are deposited or kept.

The listed issuer may cease making the announcement under this paragraph upon full utilisation of the proceeds raised.

- 14.5 The Exchange expects a listed issuer to disclose the key milestones of the projects, initiatives or purpose pending full utilisation of the proceeds raised. For example, where the proceeds raised are intended for construction of a new factory over a 3-year period, the disclosure may include information relating to the construction location, status of land acquisition for the factory, relevant approvals required and stages of construction (commencement, percentage of completion).

15. **Disclosures relating to equity fund-raising exercises where the proceeds raised have yet to be fully utilised**

- 15.1 As highlighted in paragraph 14.2 above, a listed issuer must disclose details and status of the past 12 months' equity fund-raising exercises, in the immediate announcement and circular to shareholders.

¹¹ Paragraphs 21 to 24 in Part A of Appendix 6B of the Main LR, and paragraphs 22 to 25 in Part A of Appendix 6B of the ACE LR.

¹² Paragraph 9 of Appendix 9B of the LR.

¹³ Paragraph 13 in Part A of Appendix 9C of the Main LR and paragraph 14 in Part A of Appendix 9C of the ACE LR.

¹⁴ New paragraph 6.07A of the Main LR / new Rule 6.08A of the ACE LR.

- 15.2 In order to enable shareholders to make better informed decision if additional or new fund-raising exercises should be undertaken by their investee listed issuer, we propose to extend the current disclosure requirements¹⁵ to all equity fund-raising exercises implemented in the past where the proceeds raised have yet to be fully utilised¹⁶.
- 15.3 The proposed enhanced disclosure will empower the shareholders to question the past fund-raising exercises undertaken by the investee listed issuer and the status of such exercises, before determining whether the proposed new issue of securities is necessary.

Proposal I - Issues for consultation

Quarterly announcements on details of placement exercises undertaken on a staggered basis

1. Do you agree with the proposal in paragraph 12.2 of the Consultation Paper that a listed issuer must immediately announce the following information pertaining to each staggered placement exercise on a quarterly basis, simultaneously with the announcement of the quarterly report:
- (a) the price-fixing date and issuance date of each staggered issuance;
 - (b) the number of securities issued and allotted for each staggered issuance;
 - (c) the issue price and basis of determining the issue price for each staggered issuance; and
 - (d) the aggregate number of securities issued and allotted pursuant to the placement at the end of each quarter?

Please state the reasons for your views.

Disclosure of placees' financial capability in subscribing for the placement securities

2. Do you agree with the proposal in paragraph 13.3 of the Consultation Paper that a Recognised Principal Adviser¹⁷ must submit details on the financial standing and source of funds of the placees as part of the placee details, to the Exchange and confirm that such details are accurate?

Please state the reasons for your views.

¹⁵ This refers to the description of the equity fund-raising exercises, total proceeds raised together with the details and status of utilisation of proceeds, disclosed in the immediate announcement and circular to shareholders.

¹⁶ Paragraph 14 in Part A of Appendix 6A and paragraph 21 in Part A of Appendix 6B of the Main LR, and paragraph 14 in Part A of Appendix 6A and paragraph 22 in Part A of Appendix 6B of the ACE LR.

¹⁷ In the case of ACE Market, it would be the Sponsor, Adviser or Recognised Approved Adviser, as the case may be.

3. Do you have any comments to the ambit of financial standing and source of funds as described in paragraph 13.4 of the Consultation Paper?

Please state your comments and reasons for your comments.

Quarterly announcements on status and details of utilisation of proceeds raised from a fund-raising exercise

4. Do you agree with the proposal in paragraph 14.4 of the Consultation Paper, that in the case of a new issue of securities for fund-raising purposes, a listed issuer must immediately announce the following information on a quarterly basis, simultaneously with the announcement of the quarterly report:

- (a) the details of the progress of the projects, initiatives or purposes funded by the proceeds together with their status and progress; and
- (b) where the unutilised proceeds, if any, including the place and name of the entity where the proceeds are deposited or kept?

Please state the reasons for your views.

Disclosures relating to equity fund-raising exercises where the proceeds raised have yet to be fully utilised

5. Do you agree with the proposal in paragraph 15.2 of the Consultation Paper to extend the current disclosure requirements relating to equity fund-raising exercises (i.e. description of such exercises, total proceeds raised and status of utilisation of such proceeds) in the immediate announcement to the Exchange and circular to shareholders, to equity fund-raising exercises undertaken in the past where the proceeds raised have not been fully utilised?

Please state the reasons for your views.

[End of Proposal I]

II. ENHANCING THE FRAMEWORK FOR EMPLOYEE SHARE SCHEME

16. Generally, Employee Share Schemes are implemented to motivate and promote loyalty of a listed issuer's employees by providing them with the opportunity to directly participate in the equity of the listed issuer. This, in turn, may enhance productivity and create long term value to the listed issuer and shareholders. Such schemes typically form the remuneration package of the employee.
17. Under the LR, Employee Share Schemes may either involve an issuance of new shares ("**Share Issuance Schemes**") or grant of existing shares ("**Share Grant Scheme**").
18. In this regard, a listed issuer which implements a Share Issuance Scheme must comply with the requirements of new issue of securities as set out in Chapter 6 of the LR, such as , requiring shareholders' approval for the Share Issuance Scheme, restricting the number of shares to be issued under the scheme to not more than 15% (or 30% in the case of ACE Market listed corporations) of the total issued shares at any one time ("**prescribed threshold**"), prescribing the pricing conditions for the exercise price, requiring scheme by-laws with prescribed contents and requiring disclosure of relevant information in the announcement as well as circular to shareholders. Further, the listed issuer must also comply with its continuing listing and disclosure obligations relevant to a Share Issuance Scheme as provided in Chapters 8 and 9 of the LR respectively.
19. On the other hand, a listed issuer which implements a Share Grant Scheme is only required to comply with disclosure obligations such as immediately announcing the implementation of a Share Grant Scheme and its termination prior to expiry¹⁸ and disclosing the prescribed information in the annual report. As a Share Grant Scheme does not involve any issuance of new securities, such announcements and disclosures in the annual report would suffice. This approach of regulating a Share Grant Scheme through disclosure obligations is benchmarked with Singapore and Hong Kong.
20. As part of our review this year, we are also proposing some enhancements to the Employee Share Scheme framework as set out below to provide additional safeguards for a Share Grant Scheme and increase transparency pertaining to the options or shares granted to participants pursuant to the scheme who are not directors or senior management.
21. **Application of prescribed threshold to a Share Grant Scheme**
 - 21.1 Currently, only a Share Issuance Scheme is subject to the prescribed threshold at the implementation of the scheme and on a continuing basis. This means that a listed issuer may implement more than 1 Share Issuance Scheme provided that prescribed threshold is not breached.
 - 21.2 Based on the current framework, it is also possible for a listed issuer to implement both the Share Issuance Scheme and Share Grant Scheme which in aggregate, exceed the prescribed threshold.
 - 21.3 Under a Share Grant Scheme, a listed issuer will either purchase its existing shares from the market or use its treasury shares to grant them to eligible employees, usually for free. While we recognise that there are no shareholding dilution issues

¹⁸ Paragraph / Rule 9.19 of the LR.

associated with a Share Grant Scheme, there could be potential depletion of the listed issuer's asset or capital if it is done in an excessive manner over a long period of time.

- 21.4 As such, as an additional safeguard, we propose to extend the prescribed threshold to a Share Grant Scheme. This means that whilst a listed issuer may implement more than 1 Employee Share Scheme comprising either a Share Issuance Scheme, Share Grant Scheme or both, as long as it adheres to the prescribed threshold.
- 21.5 Based on benchmarking, we noted that both Hong Kong and Singapore do not impose any limit on a Share Grant Scheme. Hong Kong imposes a scheme limit of 10% of the total number of issued shares while Singapore prescribes a limit of 15% of the total number of issued shares, both for schemes involving new securities only.
- 21.6 Notwithstanding the benchmarking findings above, we believe it is necessary and appropriate, on a balance, to apply the prescribed threshold to both the Share Issuance Scheme and Share Grant Scheme. We believe that the 15% limit (or 30% limit in the ACE LR) as set out under the prescribed threshold is already adequate to serve the objectives of an Employee Share Scheme, and it should be balanced against safeguarding a listed issuer's asset or capital and shareholders' interest.

22. Enhanced disclosures relating to Employee Share Schemes in annual reports

- 22.1 Currently, a listed issuer is required to disclose information pertaining to each Employee Share Scheme it implements including details of the allocation of options or shares to directors and senior management¹⁹, in the annual report.
- 22.2 As such, there is currently a lack of transparency on the options or shares granted to participants who are not directors or senior management.
- 22.3 In this regard, we undertook a comparison review of the annual report requirements on employee share schemes prescribed in the Listing Rules in Hong Kong and Singapore and we noted the following:
- (a) Hong Kong requires disclosure of information relating to options and awards granted and to be granted under a share scheme to, among others, **each of the directors, chief executive or substantial shareholders of the listed issuer, or their respective associates, on an individual basis, and other employee participants by category**. The information includes particulars of the outstanding options and unvested shares at the beginning and at the end of the financial year²⁰; particulars of the options and shares granted²¹; number

¹⁹ These include details of options or shares granted to, exercised by, or vested to, directors and chief executive together with the total amount outstanding, the allocation to directors and senior management in percentage, as well as the breakdown of options or shares granted to non-executive directors on a named basis.

²⁰ This includes the number of options and unvested awards, date of grant, vesting period, exercise period and exercise/ purchase price.

²¹ This includes (i) the number of options and awards, (ii) the date of grant, (iii) the vesting period, exercise period, exercise/purchase price and performance targets (if any), (iv) (where the shares are listed) the closing price of the shares immediately before the date on which the options or awards were granted, and (v) the fair value of options and awards at the date of grant and the accounting standard and policy adopted.

of options exercised and shares vested together with the exercise or purchase price; number of options or shares cancelled; and number of options or shares which lapsed, during the financial year.

- (b) Singapore requires disclosure of information relating to the options granted or exercised under a scheme for **key participants on name basis i.e. directors, controlling shareholders and their associates as well as other participants who receive 5% or more of the total number of available options**. The information includes the options granted during the financial year; the aggregate options granted since commencement of the scheme to end of the financial year; the aggregate options exercised since commencement of the scheme to end of the financial year and the aggregate options outstanding as at end of the financial year.

22.4 Having considered the above, we propose to enhance the disclosures in annual report relating to options and shares granted under each Employee Share Scheme by requiring the following information based on categories of participants:

- (a) date of offer or grant;
- (b) aggregate options or shares granted (in number and percentage) together with the number of participants during the financial year;
- (c) aggregate options exercised or shares vested (in number and percentage) together with the number of participants during the financial year;
- (d) aggregate options or shares outstanding at the beginning and at the end of the financial year; and
- (e) exercise price or purchase price.

22.5 The listed issuer must clearly identify and describe the categories of participants when making the above disclosure. The categories should not be broadly stated, for e.g. “other employees” that offers no clarity on the eligible participants. A better categorisation may include directors, senior management, middle management, junior management, executive and non-executive etc.

22.6 We believe the proposal above will provide more visibility on the number of options or shares granted to, exercised by, or vested to, all eligible participants of each Employee Share Scheme. The disclosures also allow shareholders to scrutinise the spread of the allocation in each scheme and afford them the opportunity to question the listed issuer on the allocation, where necessary.

23. Apart from the above, we also propose to make other housekeeping amendments relating to Employee Share Scheme as set out below for clarity:

- (a) clarifying the definition of “**Employee Share Scheme**” to mean either a Share Issuance Scheme, Share Grant Scheme or both. This is to enhance clarity of the applicability of the relevant requirements whenever the term is used in the LR; and

- (b) moving the requirement to immediately announce a termination of a Share Issuance Scheme in paragraph 8.18(5)/Rule 8.20(5) to paragraph 9.19(50)/Rule 9.19(50) since obligations to make immediate announcement are set out in Chapter 9 of the LR.

Proposal II - Issues for consultation

Application of prescribed threshold to a Share Grant Scheme

6. Do you agree with the proposal in paragraph 21.4 of the Consultation Paper, that the total number of shares granted under a Share Grant Scheme must be subjected to the threshold of not more than 15% (or 30% in the case of the ACE LR) of the listed issuer's total number of issued shares at any one time, collectively with the Share Issuance Scheme?

Please state the reasons for your views.

Enhanced disclosures relating to Employee Share Schemes in annual reports

7. Do you agree with the proposal in paragraph 22.4 of the Consultation Paper, that a listed issuer must disclose in the annual report, the following information relating to options and shares granted under each Employee Share Scheme based on categories of participants:

- (a) date of offer or grant;
- (b) aggregate options or shares granted (in number and percentage) together with the number of participants during the financial year;
- (c) aggregate options exercised or shares vested (in number and percentage) together with the number of participants during the financial year;
- (d) aggregate options or shares outstanding at the beginning and at the end of the financial year; and
- (e) exercise price or purchase price?

Please state the reasons for your views.

[End of Proposal II]

III. ENHANCING REMUNERATION DISCLOSURES FOR CHIEF EXECUTIVE ON A NAMED BASIS

24. Currently, the LR require the remuneration of directors of a listed corporation²² and closed-end fund (“CEF”)²³, as well as directors of trustee-manager of a business trust (“BT”)²⁴ to be disclosed on a named basis in the annual report. The disclosure must include the amount in each remuneration component.

Remuneration of chief executive of a listed corporation

- 24.1 In this review, we propose to enhance the remuneration disclosure of a chief executive. A chief executive plays a key role in a listed corporation as he or she typically drives the management and business of the listed corporation. The chief executive also ensures that the listed corporation’s strategies, business and operations align with established plans, policies and direction of the board of directors.
- 24.2 Given the important roles of the chief executive, there is now more emphasis on greater transparency of the chief executive’s remuneration, to aid shareholders in making informed assessments on the appropriateness of the remuneration.
- 24.3 As such, we propose to require disclosure of chief executive’s remuneration on a named basis as well, in the annual report.
- 24.4 Apart from enhancing transparency of remuneration of directors and key officer, this proposal will also bring us in line with requirements in benchmarked jurisdictions such as Singapore²⁵ and Hong Kong²⁶ where such disclosures are mandated via the listing rules, and Australia²⁷ and the United Kingdom²⁸ which mandate the disclosures via the law.

Remuneration of chief executive of a closed-end fund and trustee-manager of a business trust

- 24.5 Apart from the above, we propose to require disclosure of a chief executive’s remuneration on a named basis for a CEF and BT as well, in line with the approach taken for listed corporations.

²² Para. 11, Part A, Appendix 9C of the Main LR and para. 12, Part A, Appendix 9C of the ACE LR.

²³ Para. 16, Part B, Appendix 9C of the Main LR.

²⁴ Para. 6, Part C, Appendix 9C of the Main LR.

²⁵ Rule 1207(10D) of the SGX Mainboard Rules, Rule 1204(10D) of the SGX Catalist Rules.

²⁶ Rules 13.47 read together with paragraph 24, Appendix 16 of HKEX Main Board Listing Rules.

²⁷ Section 300A(1) of the Australian Corporations Act 2001.

²⁸ Section 420 of the UK Companies Act 2006.

- 24.6 In proposing the above, we took into consideration the fact that a CEF is structured as a company, and a BT is a business enterprise set up as a unit trust scheme, which is essentially a hybrid structure with elements of both corporations and trust. Hence, we propose to adopt similar requirements applicable to chief executive of a listed corporation, to the chief executive of a CEF and trustee-manager of a BT.

REITs and ETFs

- 24.7 With regards to a listed real estate investment trust (“REIT”) and exchange-traded fund (“ETFs”), they are currently only required to disclose the fees and charges payable to the listed REIT management company (“REIT MC”) or ETF management company (“ETF MC”), as the case may be. In doing so, the listed REIT or ETF must ensure that each type of fee and charge are shown separately in the financial statements of the listed REIT or ETF, respectively²⁹.
- 24.8 Upon our review of the requirements, we do not propose to require disclosures of remuneration of directors and chief executives of the REIT MC for the reasons set out below:
- (a) Since a REIT MC may only be remunerated by way of an annual fee charged to the listed REIT³⁰, there may not be much value add to the unitholders of the listed REIT for the disclosure of a REIT MC director’s and chief executive’s remuneration on a named basis. Such information does not have a direct impact on the operations of the listed REIT as the remuneration is borne by the REIT MC out of the management fee received. Hence, transparency on the fees paid to the REIT MC (at the entity level) would suffice for unitholders to make an assessment of whether the fees to the REIT MC are commensurate with the performance of the REIT.
 - (b) This disclosure approach is in line with the requirements in Hong Kong and Australia, where only disclosure of the REIT MC fees is mandated in the Hong Kong REIT Code³¹ and under the law in Australia³² even though some REITs in those jurisdictions do provide voluntary disclosure of the REIT MC directors’ remuneration.

²⁹ Item 11(c), Schedule B of the SC’s Guidelines on Listed Real Estate Investment Trusts (“SC Listed REIT GL”) and item 10(c), Schedule C of the SC’s Guidelines on Exchange-traded Funds.

³⁰ Paragraph 11.01 of the SC’s Guidelines on SC Listed REIT GL.

³¹ To be disclosed in the offer document (GP9), income statement (item 6(a) of Appendix C) and trust deed (item 11(a) of Appendix D) under the HK Code on Real Estate Investment Trusts.

³² In the directors’ report, a registered scheme (i.e. the REIT) must include details of the fees paid to the responsible entity (i.e. the REIT MC) and its associates out of scheme property during the financial year and the number of interests in the scheme held by the responsible entity or its associates as at the end of the financial year (Section 300(13) of the Corporations Act). A listed registered scheme must also include, for each director of the company that is the responsible entity for the scheme, their relevant interests, rights or options, in relation to the interests in the scheme year (Section 300(12) of the Corporations Act).

- (c) While we note that the approach in Singapore is different whereby listed REITs will be mandated via the Listing Rules to disclose directors and CEO remuneration on a named basis starting from 1 January 2025, we are cognisant that Singapore had already required such disclosure, albeit on a comply-or-explain basis, since 2016. Hence, the recent enhancement in Singapore (which will only take effect on 1 January 2025) is more of a step up/elevation of the disclosure requirements in place.

24.9 Similarly for ETFs, we do not propose to require ETFs to disclose the remuneration of the ETF MC directors and chief executive. An ETF is typically a passive investment fund which primary purpose is to generate profit or return for its investor by tracking the performance of an index or benchmark. Hence, the existing disclosure of the ETF MC fees is sufficient and more value add.

Proposal III - Issues for consultation

Enhancing remuneration disclosures for chief executive on a named basis

8. Do you agree with the proposal in paragraphs 24.3 and 24.5 of the Consultation Paper that the remuneration of a chief executive of a listed corporation, closed-end fund and trustee-manager of a business trust, must be disclosed on a named basis in the annual report and include the amount in each component of the remuneration?

Please state the reason(s) for your view.

9. Do you have any other suggestions in relation to this proposal?

Please state your suggestions and reasons for your suggestions.

[End of Proposal III]

IV. ENHANCING THE LR IN OTHER AREAS TO ADDRESS ISSUES OR GAPS AND ENSURE THE LR REMAINS BALANCED, CLEAR, RELEVANT AND UPDATED

25. In addition to the proposals above, we have also taken this opportunity to update the LR and clarify the requirements, where appropriate. In this regard, we propose the enhancements as set out below.
26. **Application of 50% limit to convertible debt securities**
- 26.1 Currently, a listed issuer must ensure that the maximum number of new shares which will arise from the exercise or conversion of all outstanding convertible equity securities does not exceed 50% of the total number of issued shares of the listed issuer at all times ("50% limit"). This is intended to safeguard shareholders against dilution on their shareholdings upon the exercise of the convertible equity securities.
- 26.2 In addition to convertible equity securities, we propose to extend the 50% limit to convertible debt securities as well. Convertible debt securities typically combine the features of both debt and equity instruments. Hence, similar issue of dilution would be applicable to a convertible debt security as new shares will be issued to the holders upon conversion of the debt securities. The proposal to extend the 50% limit to convertible debt securities seek to address this issue and provide parity for all convertible securities.
27. **Interim corporate proposals by an affected listed issuer or PN17 Issuer/GN3 Company pending regularisation only in exceptional circumstances.**
- 27.1 Currently, an affected listed issuer or a PN17 Issuer/GN3 Company is required to regularise its level of operations or financial condition in accordance with paragraph/Rule 8.03A or 8.04 respectively.
- 27.2 Accordingly, the affected listed issuer or PN17 Issuer/GN3 Company must prioritise its efforts and resources to formulate and complete implementing its regularisation plan. It should not be undertaking any interim corporate proposal that does not address the issues that gave rise to it being classified as an affected listed issuer or PN17 Issuer/GN3 Company.
- 27.3 In view of the above, in practice, an affected listed issuer or PN17 Issuer/GN3 Company is not permitted to undertake any interim corporate proposal prior to the complete implementation of its regularisation plan, unless allowed by the Exchange under exceptional circumstances.
- 27.4 In considering whether there are any exceptional circumstances, the Exchange would take into account, among others, if there are any extraneous factors which warrant the interim corporate proposal; without such interim corporate proposal, it would adversely affect the affected listed issuer's or PN17 Issuer/GN3 Company's ability to regularise its condition. For example, the Exchange may consider allowing a placement exercise by a PN17 Issuer/GN3 Company as an interim measure to raise funds expeditiously and pay its creditors to prevent a winding-up.
- 27.5 In this regard, we propose to codify our current practice above in the LR to provide greater clarity and transparency to the market.

28. Adherence to chain listing requirements for listing of subsidiaries on a stock exchange

28.1 Currently, an applicant seeking listing on the Main Market or ACE Market must comply with the chain listing requirements prescribed in the SC’s Equity Guidelines and Rule 3.03 of the ACE LR respectively.

28.2 A chain listing is a term used to describe a situation where a listed issuer’s subsidiary seeks to list on its own accord³³. A chain listing may occur for various reasons, including, efficient allocation of capital and resources, streamlining business operation and independent access to capital markets.

28.3 Hence, if an applicant seeking listing on the Main Market is a subsidiary or holding company of an already listed issuer, the applicant and the already listed issuer must observe the chain listing requirements as set out in paragraph 5.09 of the SC’s Equity Guidelines, as follows:

| | REQUIREMENTS |
|---------------------------|--|
| (a) Applicant | <ul style="list-style-type: none"> (i) Must have a distinct and viable business of its own. (ii) The relationship between the applicant and all other corporations within the listed issuer group must not give rise to intra-group competition or conflict-of-interest situations. (iii) The applicant is independent from the already-listed corporation group in terms of its operations, including purchases and sales of goods, management, management policies and finance. (iv) If the applicant is a holding company of an already-listed corporation, it must meet the requirements of listing without taking into account the contributions (i.e. revenue or profit) from the already-listed issuer. |
| (b) Already-listed issuer | <ul style="list-style-type: none"> (i) Must have a separate autonomous and sustainable business of its own. (ii) After excluding its interest in the applicant, it must meet the profit test³⁴ or the market capitalisation test³⁵ as set out in the SC’s Equity Guidelines. |

³³ Paragraph 5.09 of the Securities Commission Malaysia’s Equity Guidelines (“Equity Guidelines”).

³⁴ Must have an uninterrupted profit of 3 to 5 full financial years based on audited financial statements prior to submission to the SC, with an aggregate after-tax profit of at least RM20 million and an after-tax profit for the most recent financial year of at least RM6 million.

³⁵ Must have a total market capitalisation of at least RM500 million based on the issue or offer price as stated in the prospectus and the enlarged issued share capital upon listing. Where the already-listed issuer has to satisfy the market capitalisation test, it must cease its control over the applicant.

| | REQUIREMENTS |
|--|--|
| | <p>(iii) After excluding its interest in the applicant, must have a healthy financial position with sufficient level of working capital and positive cash flow.</p> <p>(iv) Have continuity of substantially the same management.</p> <p>(v) Must ensure that the chain listing does not detrimentally affect the interest of its shareholders.</p> <p>(vi) Must ensure its board of directors make a statement on the rationale for the chain listing exercise.</p> <p>(vii) Must give an assured entitlement to its shareholders of any offering of existing or new shares in the applicant.</p> |

- 28.4 In the case of an applicant seeking listing on the ACE Market which is a subsidiary or holding company of an already listed corporation, the applicant cannot seek admission to the ACE Market unless the Sponsor is satisfied that similar requirements as set out in paragraphs 28.3(a)(i), (ii), (iii) and (b)(i) above are met³⁶.
- 28.5 The Exchange notes that the current chain listing requirements above are applicable at admission to the Main or ACE Market, and post listing where a listed issuer intends to list its subsidiary on the Main or ACE Market. However, these chain listing requirements are inapplicable where a listed issuer wishes to list its subsidiary on a stock exchange outside Malaysia. Under the LR, the listed issuer is only required to obtain its shareholder approval for the listing of the subsidiary.
- 28.6 Based on benchmarking of the requirements in Hong Kong and Singapore, we found that if a listed issuer wishes to effect a separate listing of assets or business wholly or partly within its existing group (“spin-off”) on its local exchange or elsewhere, requirements akin to chain listing requirements must be complied with³⁷. Among others -
- (a) the listed issuer must have sufficient level of operations and sufficient assets to support its own listing status and continue to meet the admission requirements;
 - (b) the businesses of the listed issuer and the spun-off entity must be clearly delineated and managed independently; and
 - (c) there are clear commercial benefits in the spin-off for both the listed issuer and the spun-off entity.
- 28.7 In view of the gap observed in paragraph 28.5 above as well as the requirements in Hong Kong and Singapore, the Exchange proposes as follows:

³⁶ Rule 3.03 of the ACE LR.

³⁷ See Practice Note 15 of HKEX Main Board Listing Rules and guidance in the SGX Regulator’s Column dated 3 Feb 2010 and 24 Feb 2011.

- (a) requiring a listed issuer to ensure compliance with the chain listing requirements as stipulated in the SC's Equity Guidelines (for the Main Market) or Rule 3.03 of the ACE LR (for the ACE Market) if the listed issuer wishes to list its subsidiary on the Exchange or any other stock exchange³⁸;
- (b) requiring an ACE Market listed corporation which wishes to list its subsidiary to also comply with the following, in addition to the chain listing requirements in Rule 3.03:
 - (i) procure a confirmation from its Sponsor or an Adviser that after the listing of the subsidiary, it remains suitable for listing on the ACE Market;
 - (ii) after excluding the interest of the said subsidiary, have sufficient level of working capital to fund its continuing operations for at least 12 months from the date of the shareholder approval;
 - (iii) ensure that the listing of the subsidiary does not detrimentally affect the interest of its shareholders; and
 - (iv) provide its shareholders an assured entitlement to any offering of existing or new shares in the subsidiary; and
- (c) requiring disclosure of the following information in the circular to shareholders:
 - (i) confirmation that the requirements in subparagraphs (a) and (b) above are met; and
 - (ii) statement from the listed issuer's board of directors on the rationale for the listing of the subsidiary.

28.8 The proposals above seek to ensure parity of regulation in the case of a subsidiary seeking listing on the Main or ACE Market, or on any stock exchange outside Malaysia. Further, the proposals also seek to safeguard shareholder interests by ensuring that the listed issuer remains suitable for listing with its own distinct business, independent of its subsidiary.

29. Comparative disclosures of production figures on quarterly basis

29.1 Currently, a listed issuer in the plantation and timber sectors must announce its production figures for each month, not later than the end of the subsequent month³⁹.

29.2 In addition to the above, we propose to require announcement of the production figures for each calendar quarter in a prescribed format⁴⁰, comprising figures for -

³⁸ Paragraph 8.24 of the Main LR / Rule 8.26 of the ACE LR.

³⁹ Paragraph 9.36 of the Main LR.

⁴⁰ New subparagraph 9.36(2) of the Main LR.

- (a) the current quarter and year-to-date compared with the corresponding period in the preceding year together with the changes; and
- (b) the current quarter compared with the immediate preceding quarter together with the changes.

29.3 The proposed quarterly announcement must be made simultaneously with the announcement of the production figures mentioned in subparagraph 29.1 above, for the last month of each quarter.

29.4 This proposal will provide shareholders with more informative and useful comparative disclosures on the production figures of their plantation or timber investee listed issuers.

30. **Clarification on the appointment of special auditor**

30.1 Paragraph/Rule 2.24 of the LR currently empowers the Exchange to direct a listed issuer to appoint a special auditor to investigate the affairs of the listed issuer, its subsidiaries or both, if it suspects that a breach of the LR may have occurred. The special auditor must not be the statutory auditor of the listed issuer.

30.2 In this review, we propose to enhance and clarify the application of the requirements by -

- (a) requiring a listed issuer to ensure that the review or investigation undertaken by the special auditor is sufficiently comprehensive and capable of addressing the issues raised by the Exchange⁴¹; and
- (b) clarifying that any person with the relevant expertise on the subject matter under review or investigation may be appointed as the special auditor (i.e. apart from an auditor recognised or registered with the Audit Oversight Board)⁴².

30.3 The proposals above are aimed at -

- (a) ensuring the scope of review or investigation undertaken is comprehensive so that the findings or outcome are meaningful; and
- (b) enabling experts from various discipline to undertake the multifaceted review or investigation.

⁴¹ New subparagraph / sub-Rule 2.24(1A) of the LR.

⁴² Paragraph / Rule 2.24(2) of the LR.

Proposal IV - Issues for consultation

Application of 50% limit to convertible debt securities

10. Do you agree with the proposal in paragraph 26.2 of the Consultation Paper, to extend the 50% limit to convertible debt securities as well?

Please state the reasons for your views.

Interim corporate proposals by an affected listed issuer or PN17 Issuer/GN3 Company pending regularisation only in exceptional circumstances

11. Do you agree with the proposal in paragraph 27.5 of the Consultation Paper, that an affected listed issuer or a PN17 Issuer/GN3 Company is disallowed from undertaking interim corporate proposals pending regularisation of its level of operations or financial condition respectively, unless allowed by the Exchange in exceptional circumstances?

Please state the reasons for your views.

Adherence to chain listing requirements for listing of subsidiaries on a stock exchange

12. Do you agree with the proposals in paragraph 28.7 of the Consultation Paper, that a listed issuer which wishes to list its subsidiaries on any stock exchange, must adhere with the following requirements:

- (a) requiring a listed issuer to ensure compliance with the chain listing requirements as stipulated in the SC's Equity Guidelines (for the Main Market) or Rule 3.03 of the ACE LR (for the ACE Market) if the listed issuer wishes to list its subsidiary on the Exchange or any other stock exchange;
- (b) requiring an ACE Market listed corporation which wishes to list its subsidiary to also comply with the following, in addition to the chain listing requirements in Rule 3.03 of the ACE LR:
 - (i) procure a confirmation from its Sponsor or an Adviser that after the listing of the subsidiary, it remains suitable for listing on the ACE Market;
 - (ii) after excluding the interest of the said subsidiary, have sufficient level of working capital to fund its continuing operations for at least 12 months from the date of the shareholder approval;
 - (iii) ensure that the listing of the subsidiary does not detrimentally affect the interest of its shareholders; and
 - (iv) provide its shareholders an assured entitlement to any offering of existing or new shares in the subsidiary; and
- (c) requiring disclosure of the following information in the circular to shareholders:

- (i) confirmation that the requirements in subparagraphs (a) and (b) above are met; and
- (ii) statement from the listed issuer's board of directors on the rationale for the listing of the subsidiary?

Please state the reasons for your views.

Comparative disclosures of production figures on quarterly basis

13. Do you have any comment on the proposal in paragraph 29.2 of the Consultation Paper to require comparative disclosure of production figures by plantation and timber corporations on a quarterly basis, in addition to monthly basis?

Please state the reasons for your views.

Clarification on the appointment of special auditor

14. Do you have any comment on the proposal in paragraph 30.2(a) of the Consultation Paper that a listed issuer must ensure that the review or investigation undertaken by the special auditor is sufficiently comprehensive and capable of addressing the issues raised by the Exchange?

Please state the reasons for your views.

[End]

ANNEXURE A PROPOSED MAIN LR AMENDMENTS

[Please see Annexure A enclosed with the Consultation Paper]

ANNEXURE B PROPOSED ACE LR 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. 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.

~~~~~  
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 mengenai data peribadi ("**Notis tersebut**") boleh didapati di [www.bursamalaysia.com](http://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 sebaliknya menyatakan berkenaan dengan APDP.

[End of the Appendix]