

Our Ref: YYT/TAC(cl)/LD04/18 [CIS]

2 April 2018

**The Company Secretary**  
(Listed Issuers)

**Via email**

Dear Sir/Madam,

**AMENDMENTS TO BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS (“MAIN LR”) IN RELATION TO COLLECTIVE INVESTMENT SCHEME (“CIS”) AND BUSINESS TRUST**

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**(A) INTRODUCTION**

1. Pursuant to section 9 of the Capital Markets and Services Act 2007 (“**CMSA**”), Bursa Malaysia Securities Berhad (“**the Exchange**”) has amended the Main LR to enhance the regulatory framework governing CIS and business trusts (collectively “**CIS Amendments**”).

**(B) BACKGROUND**

2. In line with the aim to improve market efficiency and efficacy, the Securities Commission Malaysia (“**SC**”) and the Exchange had embarked on a review of the existing CIS and business trust framework regulated under the CMSA, relevant SC’s guidelines and the Main Market Listing Requirements (“**Main LR**”). The review is also aimed at enhancing the attractiveness and competitiveness of listed CIS such as the real estate investment trusts (“**REITs**”), exchange-traded funds (“**ETFs**”) and closed-end funds (“**CEFs**”), as well as business trusts, in Malaysia.
3. Arising from this review, the SC has amended the CMSA to, among others, transfer the function to approve new issue of securities by a listed CIS and business trust (other than debt securities or pursuant to a significant change in the business direction or policy of a business trust), to the Exchange. The SC has also issued its revamped Guidelines on Listed REITs (“**Revamped REIT Guidelines**”) on 15 March 2018, to facilitate the growth of the maturing REITs market in a manner that promotes strong corporate governance practices and instils greater market confidence. The Revamped REIT Guidelines will be effective from 9 April 2018 onwards.
4. On the part of the Exchange, we had, on 19 July 2016, issued a public consultation paper (“**Consultation Paper**”) to seek views from stakeholders and the public on the CIS Amendments.

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5. In finalising the CIS Amendments, the Exchange has considered various feedback and comments received including that received in response to the Consultation Paper. In addition, we have also taken into consideration the Revamped REIT Guidelines.

### **(C) OBJECTIVES OF CIS AMENDMENTS**

6. The CIS Amendments, among others, seek to achieve the following:
- (a) streamline the regulatory roles of SC and the Exchange where the Exchange will be the approving authority for new issue of securities for listed CIS and business trusts (other than debt securities or pursuant to a significant change in the business direction or policy of a business trust);
  - (b) improve market efficiency and efficacy in the secondary fund-raising exercises by listed CIS and business trusts, among others, by improving time-to-market for new issuance of securities;
  - (c) strengthen key aspects of investor protection in relation to transactions and governance practices, as well as facilitate growth through expanded scope of permitted activities, of REITs;
  - (d) ease regulatory burden through liberalisations, where appropriate to ensure a more balanced regulatory framework; and
  - (e) facilitate access to quality and value add information by investors which are specific and relevant to each CIS or business trust in their respective periodic reports.

### **(D) KEY CIS AMENDMENTS**

The key CIS Amendments are as follows:

#### **7. Enhanced Framework for New Issue of Securities by Listed CIS and Business Trusts to Improve Efficiency and Time-to-Market**

- 7.1 Arising from the transfer of function to the Exchange to approve new issue of securities by a listed CIS and business trust, the Exchange will be the approving authority for secondary fund raisings by all listed issuers, i.e. for listed corporations, listed CIS and business trusts (other than debt securities or pursuant to a significant change in the business direction or policy of a business trust). This means for corporate proposals such as placements, rights issues and issuance of new securities as purchase consideration, these will be approved by the Exchange.
- 7.2 In view of the above, the requirements on new issue of securities in Chapter 6 of the Main LR will apply to REITs and ETFs with the necessary adaptations and subject to the modifications as set out in paragraph 7.3 below.

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7.3 The modifications are as follows:

- (a) a REIT may continue to seek a general mandate from its unit holders for the issuance of new units up to 20% of its total number of units issued, aggregated with the number of units issued during the preceding 12 months. However, the placement to any single placee for the number of units issued is limited to 10% of the total number of units issued; and
- (b) requirements relating to Share Issuance Scheme<sup>1</sup> do not apply to REITs and ETFs.

### 8. **Enhanced Transaction Framework for REITs to Strengthen Unit Holder Protection and Facilitate Greater Operational Efficiency**

Where appropriate, the transaction framework of a REIT and a listed corporation is streamlined to ensure parity of regulation. This would also ensure that unit holders of a REIT are accorded with similar rights and protection as the other securities holders of listed issuers, whilst allowing the REIT to enjoy similar flexibilities granted to other corporations listed on the Exchange, such as those under the recurrent related party transaction framework. The key requirements are as follows:

#### 8.1 Non-related party transaction framework

A REIT undertaking an acquisition or disposal of real estate from non-related parties (“non-RPTs”) must do the following:

Materiality of non-RPT	Requirements
(a) If the percentage ratio is 5% or more and the value of the consideration of the transaction is RM500,000 or more.	<ul style="list-style-type: none"> <li>• Announce the non-RPT with prescribed information.</li> </ul>
(b) If the percentage ratio is 25% or more and the value of the consideration of the transaction is RM500,000 or more.	<p>In addition to making an announcement to the Exchange -</p> <ul style="list-style-type: none"> <li>• obtain unit holders’ approval via poll voting, which circular must include the prescribed information; and</li> <li>• ensure that the valuation conducted on the real estate complies with the Main LR and the SC’s Asset Valuation Guidelines.</li> </ul>

<sup>1</sup> Paragraph 1.01 of the Main LR defines “Share Issuance Scheme” as a scheme involving a new issuance of shares to the employees.

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### 8.2 Related party transaction framework

A REIT entering into a related party transaction (“RPT”) must comply with the following:

Materiality of RPT	Requirements
(a) If the percentage ratio is 0.25% or more and the value of the consideration of the transaction is RM500,000 or more.	<ul style="list-style-type: none"> <li>Announce the RPT with prescribed information.</li> </ul>
(b) If the percentage ratio is 5% or more and the value of the consideration of the transaction is RM500,000 or more.	<p>In addition to making an announcement to the Exchange -</p> <ul style="list-style-type: none"> <li>obtain unit holders’ approval via poll voting, which circular must include the prescribed information;</li> <li>appoint an independent adviser to, among others, comment on the fairness and reasonableness of the RPT and advise the minority unit holders; and</li> <li>ensure that the valuation conducted on the real estate complies with the Main LR and the SC’s Asset Valuation Guidelines.</li> </ul>
(c) If the percentage ratio is 25% or more and the value of the consideration of the transaction is RM500,000 or more.	<p>In addition to subparagraph (b) above, appoint a main adviser to, among others advise the listed REIT and ensure that the RPT is in compliance with applicable laws, regulations, guidelines and the Main LR.</p>
(d) All RPTs which require board and unit holders’ approval.	<p>Ensure that the interested related parties and their persons connected abstain from voting on the transaction.</p>

### 8.3 RRPT framework

A REIT entering into a RPT which is recurrent, of a revenue or trading nature and is necessary for the day-to-day operations (“RRPT”) need not comply with the RPT requirements set out in paragraph 8.2 above. Instead, such REIT enjoys the flexibilities under the same RRPT framework applicable to a listed corporation including the following:

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- (a) a higher materiality threshold for announcement – an announcement is required only if the RRPT triggers the percentage ratio of 1% or more or where the value of the transaction is RM1 million or more, as the case may be;
- (b) procurement of unit holder approval through a mandate – unit holders' approval for the RRPT may be obtained via a mandate on an annual basis (instead of specific shareholders' approval) for the RRPT which triggers the percentage ratio of 5% or more, subject to specific disclosure requirements; and
- (c) appointment of advisers is not required for purposes of procuring the unit holders' mandate.

### 8.4 Very substantial transactions

A REIT which enters into a transaction which triggers the percentage ratio of 100% (“**very substantial transaction**”), must disclose additional prescribed financial information in its announcement and circular to unit holders respectively.

## 9. Other REIT Enhancements to Promote Growth

In view of the various liberalisations relating to permitted investments by REITs under the Revamped REIT Guidelines, the post-listing obligations of REITs, in particular the disclosure requirements, are also enhanced under the Main LR accordingly. The key amendments are as follows:

### 9.1 Post-listing obligations of a REIT undertaking property development activities

- (a) prescribing the requirements governing the REITs when undertaking property development activities (including acquisition of vacant land for such purpose), including the continuing disclosure requirements via immediate announcement, quarterly report and annual report; and
- (b) imposing additional requirements if a REIT disposes the developed real estate within 2 years from the date of completion of property development activities. Such obligations include obtaining the trustee's consent, unit holders' approval via a special resolution and if the disposal involves the interest of a related party, complying with additional RPT requirements.

### 9.2 Post-listing obligations of a REIT entering into a lease arrangement

Requiring a REIT undertaking investment in real estate through a lease arrangement to comply with the requirements as set out in paragraph 8 above, as if it is a transaction and include additional information pertaining to the lease arrangement in the announcement, circular and annual report to unit holders.

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### 9.3 Post-listing obligations of a REIT acquiring real estate with income support arrangement

Prescribing additional disclosure requirements relating to the details and impact of an income support arrangement, if a REIT undertakes an acquisition of real estate with income support arrangement, in announcement, circular and annual report to unit holders.

### 9.4 Post-listing obligations of a REIT acquiring a real estate under construction

Enhancing disclosure of a REIT undertaking real estate under construction in the announcement and circular to unit holders.

### 9.5 Allowing REITs to undertake unit buy-back

Permitting a REIT to undertake unit buy-back subject to the restrictions and notification requirements under the Main LR such as obtaining unit holders approval for the buy-back, cancelling the units bought back and making the necessary announcements after the buy-back or cancellation of units.

## 10. Enhanced Corporate Governance Framework for REITs to Instil Greater Investor Confidence and Sustain Trust and Growth

A REIT and its management company must comply with the following:

- (a) establish an audit committee and internal audit function in the management company of a REIT;
- (b) disclose the CG Overview Statement<sup>2</sup>, Risk Management and Internal Control Statement<sup>3</sup>, audit committee report and statement relating to the internal audit function, in the REIT annual report; and
- (c) adhere to certain auditor requirements under the Main LR.

## 11. Enhanced Periodic Reporting Framework for CIS and Business Trust to Promote Value Add Information to Unit Holders

The periodic reporting framework for CIS and business trust has been enhanced with the aim of equipping investors with meaningful and value add information to make informed investment decisions.

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<sup>2</sup> CG Overview Statement refers to the disclosure required under paragraph 15.25(1) of the Main LR on an overview of the application of the Principles set out in the new Malaysian Code on Corporate Governance issued by the SC in April 2017.

<sup>3</sup> Risk Management and Internal Control Statement refers to a statement required under paragraph 15.26(b) of the Main LR on the state of risk management and internal control of the listed issuer as a group.

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### 11.1 Minimum contents of quarterly reports for REIT and business trust

The enhanced contents of quarterly report for REIT and business trust comprise of the same information applicable to a listed corporation (with the necessary modifications), together with additional information specific to the REIT and business trust respectively.

### 11.2 Minimum contents of quarterly reports for ETF and CEF

The enhanced contents of quarterly reports for ETF and CEF include the following information:

- (a) their investment portfolio based on country, industry and asset class classification;
- (b) review on how the ETF and CEF performs against benchmark indicators and future prospects; and
- (c) key financial information.

### 11.3 Minimum contents of annual reports for REIT and business trust

The annual reports for REIT and business trust are also enhanced respectively to ensure more value add information to investors by requiring information such as the risk profile, performance, operations and prospects of the REIT or business trust through the management discussion and analysis statement, and key governance practices during the financial year through the CG Overview Statement.

### 11.4 Minimum contents of annual reports for ETF and CEF

Similarly, the annual reports for ETF and CEF are enhanced to include a discussion on the fund performance as well as the investment portfolio, and other non-financial disclosures.

### 11.5 Further to the above, in line with the objective of keeping the annual reports concise, a CIS or business trust may publish static information on its website instead of in the annual reports, if the following conditions are satisfied:

- (a) the information has been previously announced or disclosed to unit holders or shareholders pursuant to the Main LR, or remains substantially unchanged from year to year;
- (b) the CIS or business trust publishes such information on its website; and
- (c) the CIS or business trust discloses in the annual report, the address of its website and the place on its website where the information can be accessed.

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12. **Other Amendments for Greater Clarity and Certainty**

In addition to the above, the following miscellaneous amendments are made to provide clarity and certainty:

- (a) streamlining the contents of deed of a REIT pertaining to notices of unit holders' meeting and the relevant advertisement requirements with the Revamped REIT Guidelines;
- (b) making consequential amendments in line with the policy that any increase in fund size will no longer be subjected to SC's approval and the concept of "approved fund size" is redundant, such as by –
  - (i) replacing the term "approved fund size" with "total number of units issued" for purposes of computing the general mandate threshold of REITs and breakdown of unit holdings of REITs, ETFs and business trusts; and
  - (ii) deleting the requirement for an ETF to make immediate announcement of any intention to apply to the SC to increase in the fund size;
- (c) clarifying that the provisions relating to the public spread requirements, provisions on Cash Company, financial condition and level of operations, sponsorship of depository receipts and requirements on offer for sale, do not apply to an ETF;
- (d) removing the specific requirements relating to unit spread of REITs and business trusts as the unit spread requirements in paragraph 8.02 of the Main LR already applies to them;
- (e) clarifying that immediate announcement is required for –
  - (i) a termination of a CIS or business trust (in addition to winding up) pursuant to the deed, relevant guidelines or CMSA; and
  - (ii) change in control of the management company only (and not that of the trustee);
  - (iii) any intention to vary the duration of the REIT or ETF;
- (f) streamlining the definition of "**change in control**" for the purpose of immediate announcement by the management company with the definition of "**controller**" under section 60(7) of the CMSA;
- (g) requiring immediate announcement of any breach of the limits and restrictions imposed on a REIT under the Revamped REIT Guidelines and quarterly updates on the progress of the rectification of such breach;



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- (h) extending the criteria of a signatory in a statutory declaration of financial statements under the Main LR to a person who signs the statutory declaration pursuant to any guidelines issued by the SC under section 377 of the CMSA;
- (i) clarifying that requirements on transactions as set out in Chapter 10 of the Main LR do not apply to an ETF given the passive nature of the ETF;
- (j) prescribing that a circular to unit holders for a disposal of real estate developed by a REIT within the holding period of 2 years from the completion date of the development, is subject to full review by the Exchange; and
- (k) clarifying through the definitions of “**principal officer**” and “**affected person**” that a director, chief executive, chief financial officer or any other employee, of the Managers<sup>4</sup> who has access or is privy to price-sensitive information of the CEF, must comply with the requirements relating to dealing in securities as set out in Chapter 14 of the Main LR, when they deal in securities of the CEF during and outside the closed period.

### (E) FULL TEXT OF THE MAIN LR

13. The full text of the Main LR (with the CIS Amendments duly tracked) is attached as **Appendix 1**. The Amendments are reflected in the following manner:
- portions underlined are text newly inserted / added onto the existing rules; and
  - portions struck through are text deleted.

### (F) IMPLEMENTATION

14. All CIS Amendments are effective from **9 April 2018** onwards except for the amendments set out in the table below. The Exchange is mindful that listed CIS should be given sufficient grace period to comply with the CIS Amendments. In this regard, the Exchange has provided a longer grace period to implement the relevant CIS Amendments in the areas of disclosure and corporate governance where listed CIS may require more time to comply.

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<sup>4</sup> Paragraph 1.01 of the Main LR defines “Managers” in relation to a CEF, means collectively –  
(a) such company incorporated in Malaysia; and  
(b) individual(s),  
responsible for managing the investments of closed-end fund as approved by the SC under the SC’s Guidelines for Public Offerings of Securities of Closed-end Funds.

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No.	Amendments	Implementation Date(s)
(a)	Enhancements to the contents of CIS and business trust quarterly reports <i>[paragraphs 9.40, 9.44, 9.48, 9.54 and Parts B to E of Appendix 9B]</i> .	Applicable for quarterly reports issued for the quarter ending on or after <b>30 June 2018</b> ; and
(b)	<ul style="list-style-type: none"> <li>• Enhancements to the contents of CIS and business trust annual reports (except for the audit committee report and internal audit function statement) <i>[paragraphs 9.41, 9.45, 9.49, 9.55 and Parts B, C, E and F of Appendix 9C]</i>.</li> <li>• Enhancements to the criteria of a signatory of statutory declarations in relation to annual audited financial statements issued by CIS and business trust <i>[paragraph 9.27]</i>.</li> </ul>	Applicable for annual reports or annual audited financial statements, as the case may be, issued for financial year ending (“FYE”) on or after <b>31 December 2018</b> .
(c)	<p>New governance requirements for REITs to –</p> <ul style="list-style-type: none"> <li>• establish an audit committee and internal audit function in the management company <i>[paragraph 8.36 read together with paragraph 15.27 and Part C (except paragraph 15.15) of Chapter 15]</i>; and</li> <li>• comply with the relevant auditor requirements in Part D of Chapter 15 <i>[paragraph 8.36(b)]</i>.</li> </ul>	The management company of a REIT must ensure compliance by <b>31 December 2018</b> .
(d)	Disclosure of the audit committee report and internal audit function statement in the REIT annual report <i>[paragraph 15.15 and paragraphs 13(a) and (e), Part E of Appendix 9C]</i> .	Applicable for annual reports issued for FYE on or after <b>31 December 2019</b> .

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No.	Amendments	Implementation Date(s)
(e)	Amendments to the content of deed of a REIT pertaining to notices of unit holders' meeting and the relevant advertisement requirements [Appendix 4A].	REITs to amend the deed by <b>31 December 2019</b> .

**(G) ADDITIONAL INFORMATION**

15. In addition, we have also provided "Questions and Answers" as set out in **Appendix 2** to facilitate a listed issuer's better understanding of, and compliance with the CIS Amendments.
16. This letter and all the above documents are also available at Bursa Malaysia Berhad's website at [www.bursamalaysia.com](http://www.bursamalaysia.com).
17. If you have any queries on the above, please do not hesitate to contact the following persons from Listing Advisory & Development, Listing Division at 03-2034 7766:
  - (a) Ms. Tiffany Yan Wei Mee;
  - (b) Pn. Razalina Suriati Abdullah; or
  - (c) Ms. Sim Wai Ling.

Thank you.

Yours faithfully,



**YEW YEE TEE**  
Chief Regulatory Officer

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