

Our Ref: SR/TAC(ro)/LD05/15 [Issuance-LR Review Various Areas 2015]

26 January 2015

The Company Secretary
(Listed Corporations)

Via email

Dear Sir/Madam,

AMENDMENTS TO BURSA MALAYSIA SECURITIES BERHAD ACE MARKET LISTING REQUIREMENTS IN VARIOUS AREAS

1. INTRODUCTION

1.1 Pursuant to section 9 of the Capital Markets and Services Act 2007 (“**CMSA**”), Bursa Malaysia Securities Berhad (“**the Exchange**”) has amended the ACE Market Listing Requirements (“**ACE LR**”) in various key areas.

2. BACKGROUND

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

2.2 The review this time is aimed at ensuring the continued effectiveness and efficacy of the framework under the ACE LR, given the effluxion of time since the last major review. In this respect, investor protection and high standards of conduct of listed corporations remain the Exchange’s key focus. At the same time, the Exchange also sought to simplify the rules and ease compliance by listed corporations without compromising on investor protection. In this respect, the Exchange strives to strike a careful balance between enhancing market regulation and promoting business efficacy and growth.

2.3 The Exchange had, on 10 January 2014, published a consultation paper seeking public feedback on the various proposed amendments to the ACE LR (“**Consultation Paper**”). The public consultation closed on 10 March 2014. Generally, the market welcomes the proposed amendments.

2.4 In finalising the proposed amendments, we have considered the feedback or comments received on the consultation papers, and reviewed our proposals accordingly.

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3. AMENDMENTS TO THE ACE LR

3.1 The amendments to the ACE LR are in the following key areas ("**Amendments**"):

- (a) related party transaction ("**RPT**") requirements;
- (b) regularisation plans for financially distressed listed corporations;
- (c) framework for listed corporations with inadequate level of operations;
- (d) foreign listing requirements;
- (e) disclosure obligations particularly on material information; and
- (f) other amendments to improve market efficiency and providing greater clarity and certainty.

3.2 The Exchange believes that the Amendments will have the effect of -

- (a) promoting a balanced regulatory framework governing related party transactions ("**RPT**"), by dispensing with the compliance requirements in instances where the risk of abuse by a related party is low or theoretical in nature;
- (b) enhancing the quality and investibility of listed corporations through the enhanced regularisation plans for listed corporations with distressed financial condition and the introduction of a separate framework for listed corporations with inadequate level of operations;
- (c) strengthening investor protection and promoting greater transparency through various enhancements to the foreign listing requirements under the ACE LR;
- (d) promoting balanced regulation and transparency in the market place through enhanced disclosure obligations of listed corporations by requiring immediate announcement of material events such as a change in legal representative by a listed corporation with foreign principal subsidiary;
- (e) addressing some of the concerns raised by listed corporations and industry participants, for example, by removing Guidance Note 5 of the ACE LR relating to announcement of default in payment and incorporating such obligation as a specific requirement under a new Rule 9.19A instead; and

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- (f) improving market efficiency and providing greater clarity such as dispensing with the listed corporation's shareholders approval in an employee share scheme implemented by its subsidiary and allowing provision of financial assistance to joint arrangements.

3.3 The Amendments are summarised in Appendix 1 for ease of reference while the full text of the ACE LR (with the Amendments duly tracked) is attached as Appendices 2 to 6 as follows:

No.	Amendments	Appendix
(i)	Related Party Transaction Requirements	2
(ii)	Regularisation Plans for Financially Distressed Listed Corporations	3
	Framework for Listed Corporations with Inadequate Level of Operations	
(iii)	Foreign Listing Requirements	4
(iv)	Disclosure Obligations	5
(v)	Other Amendments	6

3.4 The Amendments in Appendices 2 to 6 are reflected in the following manner:

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

4. IMPLEMENTATION

4.1 Apart from the Amendments as set out in the table in paragraph 4.2 below, the Amendments shall take effect from **27 January 2015**.

4.2 Listed corporations are given up to the various dates set out in the table below to comply with the specified requirements:

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No.	Amendments	Effective Date / Period of Compliance
FOREIGN LISTING REQUIREMENTS (APPENDIX 4)		
(a)	A foreign corporation whose operations are entirely or predominantly foreign-based must have at least 2 independent resident directors	1 July 2015
(b)	An audit committee of a foreign corporation must have at least 1 independent resident director	
(c)	A foreign corporation and its subsidiary must have in place a system of internal control	
(d)	A foreign corporation must appoint an internationally affiliated accounting firm	Listed corporations must comply with the enhanced requirements latest by their annual general meeting held in 2016.
(e)	A foreign corporation must obtain prior shareholder approval for the appointment or removal of external auditor	

4.3 A GN3 Company which triggered the criteria for inadequate level of operations in Guidance Note 3¹ prior to 27 January 2015 will continue to comply with the requirements under Guidance Note 3.

4.4 In addition, we have provided some “Questions and Answers” to facilitate listed corporations’ better understanding of, and compliance with, the Amendments. The “Questions and Answers” is attached as Appendix 7.

¹ See paragraphs 2.1(i) and 2.1(j) of Guidance Note 3, ACE LR.

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5. ADDITIONAL INFORMATION

- 5.1 This letter and all the above documents are also available at Bursa Malaysia's website at <http://www.bursamalaysia.com>.
- 5.2 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) Mr. Chee Kai Mun;
 - (b) Ms. Tiffany Yan Wei Mee; or
 - (c) Pn. Razalina Suriati Abdullah.

Thank you.

Yours faithfully,



SELVARANY RASIAH
Chief Regulatory Officer

TAC/ro

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