

Ref. No.: RPA/JH/TAC/RO(cxy)/LD18/23 [Commodity SW Amendments]

12 December 2023

Main Market Listed Issuers

Via Email

Dear Sir/ Madam,

AMENDMENTS TO THE MAIN MARKET LISTING REQUIREMENTS IN RELATION TO COMMODITY FUTURES STRUCTURED WARRANTS

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 Market Listing Requirements (“**Main LR**”) to facilitate the listing and offering of commodity futures structured warrants (“**commodity SW**”).

B. BACKGROUND

2. As part of the Exchange continuous pursuit to promote vibrancy and competitiveness in the capital market, the Exchange has reviewed the structured warrant (“**SW**”) framework with the aim to attract greater investor participation and incentivise issuances by SW issuers. The review was undertaken in phases.
3. On 19 January 2023, the Exchange issued the first phase of the amendments to the Main LR where we had, among others, liberalised the market capitalisation requirements of the underlying corporations and exchange-traded funds (“**ETF**”), as well as shortened the minimum tenure of index-based SW¹.

¹ The amendments are available at the Exchange’s website at https://www.bursamalaysia.com/regulation/listing_requirements/main_market/amendments_to_listing_requirements.

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4. The second phase of the amendments entails an expansion of the underlying financial instrument of SW to include commodity futures contract², which has been prescribed as “securities” for the purposes of securities laws pursuant to the Capital Markets and Services (Prescription of Securities) (Commodity Warrants) Order 2023 (“**Prescription Order**”)³.
5. A commodity SW refers to a SW that is traded on the Exchange which entitles the holder to a right to receive a cash amount, depending on the fluctuations in the value or price of an underlying commodity futures contract which is traded either on Bursa Malaysia Derivatives Berhad (“**Derivatives Exchange**”) or a Specified Exchange⁴.
6. Accordingly, the Exchange has reviewed and enhanced the SW framework under the Main LR to facilitate the listing and offering of such commodity SW (“**Amendments**”).
7. The Exchange believes the Amendments would, among others -
 - (a) facilitate SW issuers to tap into a wider pool of underlying financial instruments which offers diverse and attractive SW offerings to investors;
 - (b) provide more investment choices and opportunities for investors;
 - (c) ensure requirements remain fit for purpose and safeguard investor interest; and
 - (d) improve clarity and ensure certainty of the requirements.

² A futures contracts is defined under the Rules of Bursa Malaysia Derivatives Berhad (“**Derivatives Rules**”) to mean a derivative that is traded on Bursa Malaysia Derivatives Berhad (“**Derivatives Exchange**”) or a Specified Exchange (please see footnote 4 below) which creates an obligation for physical delivery or acceptance of physical delivery of the underlying instrument of such derivative, the quantity and quality of which is determined by the Derivatives Exchange or that Specified Exchange, at a fixed date in the future at a fixed price, and which may be cash settled in lieu of physical delivery.

³ The Prescription Order took effect on 18 March 2023 and is available at the Securities Commission Malaysia’s website at <https://www.sc.com.my/api/documentms/download.ashx?id=52a0e88f-86e8-407b-bccc-d31d4d094d73>.

⁴ A Specified Exchange is defined under the CMSA to mean a person or body that operates a derivatives market outside Malaysia and is specified as a Specified Exchange by the Derivatives Exchange. Directive No. 6.25(1)-001 of the Derivatives Exchange sets out the prescription of a Specified Exchange. The Directive is available at: https://www.bursamalaysia.com/sites/5d809dcf39fba22790cad230/assets/614c0ee939fba253cbba5944/Dir.6.25_1_-001_List_of_Specified_Exchanges_updated_with_admission_criteria_-_finalver.pdf

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C. KEY AMENDMENTS

8. The key Amendments are as follows:

- (a) expanding the underlying financial instruments of SW to include commodity futures which meet the following criteria :
 - (i) the underlying instrument of the commodity futures must be a commodity prescribed by the Exchange (“**prescribed commodities**”). Currently, the prescribed commodities are **crude palm oil, crude oil and gold only⁵**; and
 - (ii) the commodity futures must be traded on the Derivatives Exchange or a Specified Exchange;
- (b) requiring the commodity SW issuer to make available information on the price, volume and contract specifications pertaining to the commodity futures that is traded on the Specified Exchange, to investors in Malaysia;
- (c) requiring a SW issuer to make an immediate announcement if -
 - (i) the securities exchange outside Malaysia where the underlying corporation or ETF is listed, ceases to be a member of World Federation of Exchanges; or
 - (ii) the derivatives exchange where the underlying commodity futures is traded, ceases to be a Specified Exchange;
- (d) prescribing that the expiry date of the commodity SW must not be earlier than 6 months and not later than 5 years;
- (e) stipulating that the rights of commodity SW must be exercisable either in the American style or European style;
- (f) specifying the settlement mode and calculation method of the commodity SW i.e. it must be cash settled and the settlement price must be calculated using the closing price or final settlement price of the corresponding commodity futures;
- (g) requiring the terms and conditions of the commodity SW to include the rights of the SW holders in the event trading of the commodity futures is withdrawn;

⁵ The Exchange may review and expand the list of prescribed commodities, from time to time. The updated list of the prescribed commodities will be published on the Exchange’s website at https://www.bursamalaysia.com/trade/our_products_services/equities/structured_warrants

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- (h) requiring the commodity SW issuer to request for suspension, resumption of trading and withdrawal of listing of the SW, if trading of the commodity futures is suspended, resumed or withdrawn;
- (i) making other miscellaneous and consequential changes as follows:
 - (i) clarifying that the underlying securities (instead of shares) listed on the Exchange for any put warrants or callable bear certificates must comprise the Approved Securities⁶;
 - (ii) specifying the events where the Exchange may halt the trading of the commodity SW or shall delist it; and
 - (iii) updating the definition section in Chapter 5 of the Main LR to include, among others, “commodity futures”, “Derivatives Exchange”, “Specified Exchange”, and “underlying commodity futures”; and
 - (iv) making other housekeeping and editorial amendments for accuracy and clarity.

D. FULL TEXT OF THE AMENDMENTS

9. The full text of the Amendments is attached as **Appendix 1**. For ease of reference, the amendments are reflected in the following manner:
- portions underlined are text newly inserted/added into the existing rules; and
 - portions struck through are text deleted.

E. IMPLEMENTATION

10. The Amendments are effective from **2 January 2024** onwards.

⁶ Approved Securities are securities prescribed by the Exchange under Rule 8.22(5) of the Rules of Bursa Malaysia Securities Berhad for purposes of Regulated Short Selling and Permitted Short Selling.

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F. ADDITIONAL INFORMATION

11. In addition, we have also provided “Questions and Answers” as set out in Appendix 2 to facilitate better understanding of the Amendments. We have also taken this opportunity to update some of the existing Questions and Answers as well.
12. This letter as well as the respective Appendices are also available at Bursa Malaysia Berhad’s website at https://www.bursamalaysia.com/regulation/listing_requirements/main_market/amendments_to_listing_requirements .
13. If you have any queries on the above, please do not hesitate to contact Listing Advisory & Development, Listing Division at 03-2034 7766 or submit your enquiry via <https://asklisting.bursamalaysia.com>.

Thank you.

Yours sincerely,



REGULATION

Encl. (2)