



CONSULTATION PAPER NO. 2/2020  
PROPOSED AMENDMENTS TO THE MAIN MARKET AND ACE MARKET LISTING REQUIREMENTS  
IN RELATION TO PUBLIC SECURITY HOLDING SPREAD

Date of Issue: 23 July 2020

Bursa Malaysia Berhad (“Bursa Malaysia”) invites your written comments on the issues set out in this Consultation Paper by 21 August 2020 (Friday) via:

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

If you have any queries in relation to this Consultation Paper, kindly contact us at the e-mail address above or any of the following numbers i.e. 603-2034 7569 or 603-2034 7515.

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

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## A. INTRODUCTION

1. This Consultation Paper seeks views and comments from the public on the proposed amendments to Bursa Malaysia Securities Berhad (“the Exchange”) Main Market Listing Requirements (“Main LR”) and ACE Market Listing Requirements (“ACE LR”) (collectively, “LR”) in relation to public security holding spread (“public spread”) requirements.

## B. BACKGROUND

### *Review of the public spread requirements in the LR*

2. Maintaining an appropriate level of public spread is essential to provide an open, fair and orderly market for the securities traded on the Exchange. This will ensure the availability of an adequate number of securities for trading and provide sufficient liquidity in the market.
3. In this regard, the LR currently prescribes, among others, the following requirements on public spread:
  - (a) at admission, at least 25% of the total number of shares/units for which listing is sought are in the hands of 1,000 public security holders holding not less than 100 shares/units each for the Main Market<sup>1</sup> and 200 public shareholders holding not less than 100 shares each for the ACE Market<sup>2</sup>;
  - (b) on a continuing basis, at least 25% of the total listed shares/units are held in the hands of the public (“25% public spread”)<sup>3</sup>.

A listed issuer’s failure to meet the prescribed public spread may result in suspension of trading of its securities on the Exchange<sup>4</sup>.

4. However, the Exchange also recognises that there are circumstances which may warrant a lower public spread (whether at admission or on a continuing basis), without compromising the maintenance of an orderly and fair market. In view of this, the Exchange may accept a lower public spread under the LR, provided that such lower percentage is sufficient for a liquid market in line with the key objective of the public spread requirements.

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<sup>1</sup> Paragraph 3.06(1) of the Main LR.

<sup>2</sup> Rule 3.10(1) of the ACE LR.

<sup>3</sup> Paragraph/Rule 8.02(1) of the LR.

<sup>4</sup> Under paragraph/Rule 16.02(2) of the LR, suspension will be imposed by the Exchange where the public spread is 10% or less of the total number of listed shares (excluding treasury shares) or listed units of the listed issuer. The suspension will only be uplifted upon full compliance with the 25% public spread or as may be determined by the Exchange.

5. In exercising the discretion to grant a lower public spread, the Exchange is consistently guided by its internal policies. Presently, the Exchange may accept a lower public spread ranging from 15% to 25%, taking into account, among others, the size or market capitalisation of an applicant/listed issuer.
6. In addition to the above, the Exchange will also take into consideration the sufficiency of liquidity, orderliness of trading of the securities, corporate governance conduct and compliance records of the applicant/listed issuer, as well as the justification necessitating the lower public spread for the applicant/listed issuer.
7. The Exchange regularly reviews the LR to ensure that our rules are relevant, able to address developments in the market and in line with international best practices. Premised on this, the Exchange has undertaken a review of the public spread provisions and proposes to codify the lower public spread policy into the LR.

#### *Jurisdictional comparisons*

8. As part of our review, we undertook benchmarking studies on the public spread requirements in Hong Kong, Singapore, Australia and United Kingdom (“UK”), and we noted the following:
  - (a) Our framework is the most similar to that in Hong Kong and UK as we prescribe a public security holding percentage of 25% but may accept a lower public spread if such lower public spread would still enable the market to operate in an orderly manner.
    - Hong Kong allows lower public spread only at admission, with the lower public shareholding percentage ranging between 15% to 25% in the case of a listed issuer with an expected market capitalisation at the time of listing of over HK\$10,000,000,000.
    - UK may accept a lower public shareholding percentage provided that it is satisfied that the market will operate properly with such lower percentage in view of the large number of shares of the same class and the extent of their distribution to the public.
  - (b) Singapore and Australia have more flexible requirements compared to us as follows:
    - Singapore has a lower public shareholding percentage at 10% on a continuing basis. On admission, its public spread requirements range from 12% to 25% depending on the market capitalisation of the companies at admission.
    - With regards to Australia, it requires 20% public spread at admission and requirement to maintain a public spread that is sufficient for an orderly and liquid market on a continuing basis.
9. The Exchange imposes a relatively higher public spread threshold under the LR, to promote better free float and liquidity in our market. This is pertinent, given that liquidity is a key driver to attract investors and to promote a vibrant and attractive investment venue.

## C. PROPOSED CODIFICATION OF LOWER PUBLIC SPREAD POLICY

10. Through this review and the benchmarking findings, we noted that there are opportunities to enhance and update the public spread provisions under the LR. In particular, we recognise that there is a need to be more transparent and specific on the criteria for acceptance of lower public spread. In view of this, we are proposing to incorporate the lower public spread policy into the LR, by codifying the following (“Proposed Codification of Lower Public Spread Policy”):

### 10.1 Objective criteria for acceptance of lower public spread - market capitalisation threshold<sup>5</sup>

- (a) As highlighted in paragraph 6 above, depending on the size (i.e. the market capitalisation) of the applicant or listed issuer, the Exchange may grant a lower public spread of between 15% - 20%. For enhanced regulatory clarity and certainty, the Exchange proposes to make clear in the LR, the relevant market capitalisation threshold that an applicant or listed issuer must meet for the specified lower public spread as follows:

Market Capitalisation	Acceptable Minimum Lower Public Spread
RM1 billion or more but less than RM3 billion	20%
RM3 billion or more	15%

- (b) In this regard, the Exchange proposes that the market capitalisation above refers to the following:
- (i) if the application for lower public spread is made prior to admission, the market capitalisation is to be based on the expected market capitalisation of the applicant as at the date of the listing application; and
  - (ii) if the application is made post-listing, the market capitalisation is the average market capitalisation calculated based on the daily closing price of the listed issuer’s securities during the 12-month period preceding the application to the Exchange.
- (c) In making this proposal, the Exchange is mindful not to compromise on liquidity and free float by providing opportunity for more public and retail participation through sufficient allocation and requirements for public spread. The key principle underpinning our proposal is to ensure that the flexibility for lower public spread is allocated to deserving large listed issuers with adequate liquidity and ample public securities holders’ participation in the marketplace.

<sup>5</sup> New paragraph 2.2(a) of Practice Note 19 of the Main LR (“PN19”) / Guidance Note 13 of the ACE LR (“GN13”).

- (d) Having considered the growth of our market and size of our listed issuers, the Exchange believes that the proposed market capitalisation starting at RM1 billion and above is appropriate and effective in addressing the objective of the public spread requirements. Given the size of such listed issuers, there will still be adequate liquidity and ample public securities holders' participation to maintain an orderly and fair market, notwithstanding the lower public spread.

## 10.2 Subjective criteria for acceptance of lower public spread<sup>6</sup>

- (a) In addition to the objective criteria above, the Exchange will also take into account the following subjective criteria in assessing whether to grant the lower public spread:
- (i) there is sufficient liquid market in the securities;
  - (ii) there is orderly and fair trading in the securities;
  - (iii) there are no circumstances which makes it undesirable for the Exchange to exercise its discretion, having regard to the corporate governance conduct and compliance record with the LR or securities laws, of the applicant/listed issuer and its directors; and
  - (iv) there is reasonable justification necessitating the lower public spread for the applicant or listed issuer.
- (b) While it is important to have clear quantitative requirements via the objective criteria, we believe it is equally important to complement such requirements with the subjective criteria. By having the objective criteria alone may not be adequate as they could result in a rather mechanical application of the requirements. Hence, the subjective criteria are necessary in areas which are not quantifiable and which are specific to the circumstances of the individual listed issuers. This will ensure a more holistic assessment by the Exchange when granting a lower public spread in line with the objective of the public spread requirements.

## 10.3 Requirements for notification to the Exchange of specific decrease<sup>7</sup>

- (a) A listed issuer which has been granted approval for lower public spread will be required to notify the Exchange of the following:
- (i) any decrease in its issued share capital;
  - (ii) any decrease in the percentage of the public spread below the percentage approved by the Exchange; and
  - (iii) any decrease of the listed issuer's average market capitalisation for the preceding 12 months to below the prescribed threshold as set out in paragraph 10.1(a) above.

<sup>6</sup> New paragraph 2.2(b) of PN19/GN13.

<sup>7</sup> New paragraph 2A.0 of PN19/GN13.

- (b) In this regard, the Exchange proposes to require a listed issuer to make the notification as soon as it becomes aware of them, either in conjunction with the preparation of its semi-annual returns (for a Main Market listed issuer) or annual returns (for an ACE Market listed corporation), or otherwise.
- (c) This would keep the Exchange apprised of any change of information that may warrant a further review of the lower public spread granted.

#### **10.4 Exchange's right to review the lower public spread granted<sup>8</sup>**

- (a) The Exchange proposes to reserve its right to review the approval or decision for lower public spread granted earlier to a listed issuer, at any time, if -
  - (i) the average market capitalisation of the listed issuer falls below the prescribed threshold as set out in paragraph 10.1(a) above;
  - (ii) there are issues relating to the orderliness and fairness of trading in the securities of the listed issuer; or
  - (iii) there are issues with the listed issuer's and its directors' corporate governance conduct and compliance with the LR or securities laws.
- (b) This will ensure that the Exchange is empowered to re-assess the earlier lower public spread granted to listed issuers in order to ensure the flexibility and indulgence granted have not compromised the maintenance of an orderly and fair market.

#### **10.5 Other miscellaneous changes**

- (a) We are also proposing miscellaneous amendments to the LR consequential to the various proposals above for clarity and consistency. In this regard, we propose to require the following information to be included in the application for lower public spread:
  - (i) information on enforcement action, investigation or enforcement proceedings taken against a listed issuer or its directors pertaining to corporate governance conduct and compliance records<sup>9</sup>; and
  - (ii) reason for not being able to comply with the 25% public spread and justification necessitating the lower public spread<sup>10</sup>.
- (b) Additionally, we will also be making other consequential terminology changes.

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<sup>8</sup> New paragraph 2B.0 of PN19/GN13.

<sup>9</sup> New subparagraph 2.3(h) of the PN19/GN13.

<sup>10</sup> New paragraph 2.2A(b) and new subparagraph 2.3(i) of PN19/GN13.

11. The Exchange believes that the Proposed Codification of Lower Public Spread Policy above will enhance transparency and provide regulatory clarity and certainty on the policy and requirements pertaining to lower public spread. In addition, the objective criteria will ensure that large listed issuers are still given the opportunity to apply for a lower public spread while at the same time, provide sufficient liquidity in the marketplace so as not to compromise on investors' investment opportunities.

**Issue(s) for consultation**

1. Do you agree with the proposal to codify the lower public spread policy into the LR as set out in paragraph 10 of this Consultation Paper?

Please state the reasons for your views.

2. Do you agree with the proposed market capitalisation criteria of RM1 billion or more but less than RM3 billion, for an acceptable lower public spread of at least 20%? If not, what is your recommended market capitalisation criteria?

Please state the reasons for your views.

3. Do you agree with the proposed market capitalisation criteria of RM3 billion or more, for an acceptable lower public spread of at least 15%? If not, what is your recommended market capitalisation criteria?

Please state the reasons for your views.

4. In relation to the objective criteria for a lower public spread application at admission, is it appropriate to compute the market capitalisation of the applicant based on its expected market capitalisation as at the date of its listing application?

(a) If your answer is yes, should the same market capitalisation threshold of RM1 billion and RM3 billion or a higher threshold, be applicable given that there is no track record on the applicant's average market capitalisation for the last 12 months?

(b) If your answer is no, what is your recommendation for an alternative objective criteria?

Please state the reasons for your views.



5. In relation to the objective criteria for a lower public spread application on a continuing basis, is it appropriate to compute the 12-month average market capitalisation based on the daily closing price of the listed issuer's securities during the 12-month period preceding the application to the Exchange? If not, what is your recommendation?

Please state the reasons for your views.

6. Do you agree with the following subjective criteria which the Exchange should consider for acceptance of lower public spread as set out in paragraph 10.2 of this Consultation Paper i.e. whether:

- (a) there is sufficient liquid market in the securities;
- (b) there is orderly and fair trading in the securities;
- (c) there are no circumstances which makes it undesirable for the Exchange to exercise its discretion, having regard to the corporate governance conduct and compliance record with the LR or securities laws, of the applicant/listed issuer and its directors; and
- (d) there is reasonable justification necessitating the lower public spread for the applicant or listed issuer?

Please state the reasons for your views.

7. In addition to the objective and subjective criteria as set out in paragraphs 10.1 and 10.2 of this Consultation Paper, are there any other criteria or factors which the Exchange should consider when assessing whether to grant a lower public spread?

Please state your suggestions, and the reasons for your suggestions.

8. Do you agree with the proposed timing for the notification of events set out in paragraph 10.3 of this Consultation Paper i.e. as soon as the listed issuer becomes aware of them, either in conjunction with the preparation of its semi-annual returns (for a Main Market listed issuer) or annual returns (for an ACE Market listed corporation), or otherwise?

Please state the reasons for your views.

9. Do you agree with the proposed codification of the Exchange's right to review the approval or decision for lower public spread granted earlier to a listed issuer as set out in paragraph 10.4 of this Consultation Paper i.e. upon the occurrence of the following:

- (a) the average market capitalisation of the listed issuer falls below the prescribed threshold as set out in paragraph 10.1(a) of this Consultation Paper;
- (b) there are issues relating to the orderliness and fairness of trading in the securities of the listed issuer; or
- (c) there are issues on the listed issuer's and its directors' corporate governance conduct and compliance with the LR or securities laws?

Please state the reasons for your views.

10. Are there any other events that should be included (in addition to the ones stipulated in paragraph 10.4 of this Consultation Paper) which may prompt a review by the Exchange of the approval for lower public spread granted earlier to a listed issuer?

Please state your suggestions, and the reasons for your suggestions.

11. Do you have any other suggestion to enhance the existing public spread requirements?

Please state your suggestions, and the reasons for your suggestions.

## D. TRANSITIONAL ARRANGEMENTS

12. The Exchange proposes that after the Proposed Codification of Lower Public Spread Policy is adopted and implemented, listed issuers which have been granted a lower public spread prior to the implementation of the Proposed Codification of Lower Public Spread Policy (“**these approved listed issuers**”) will continue to comply with the earlier approved lower public spread granted by the Exchange. However, these approved listed issuers will be strongly encouraged to use their best endeavours to comply with the 25% public spread and their level of public spread will be subject to continuous review and monitoring by the Exchange.

## E. TEXT OF THE PROPOSED AMENDMENTS

13. The full text of the proposed amendments to the LR relating to the Proposed Codification of Lower Public Spread Policy are attached as follows for reference:
- (a) **Annexure A** in relation to the Proposed Codification of Lower Public Spread Policy under the Main LR; and
  - (b) **Annexure B** in relation to the Proposed Codification of Lower Public Spread Policy under the ACE LR.

14. The amendments in relation to the Proposed Codification of Lower Public Spread Policy under the LR are reflected in the following manner:
- (a) portions underlined are text newly inserted, added or replaced onto the existing rules; and
  - (b) portions struck through are text deleted.

## F. FEEDBACK SOUGHT

15. The Exchange invites and welcomes the views and feedback from the public on the Proposed Codification of Lower Public Spread Policy above. Comments can be given by filling up the template as attached in the **Attachment**.

**Note:**

*As the Proposed Codification of Lower Public Spread Policy is open to comments and feedback from the public, the final amendments may be different from those stated in this Consultation Paper. Further, the Proposed Codification of Lower Public Spread Policy has NOT been approved by the Securities Commission Malaysia (“SC”) and as such are not the final amendments. The Exchange will submit the Proposed Codification of Lower Public Spread Policy to the SC for approval after receipt of comments pursuant to this Consultation Paper and making the relevant changes, where appropriate, to the Proposed Codification of Lower Public Spread Policy.*

[End]

## ANNEXURE A

## PROPOSED MAIN LR AMENDMENTS

*[Please see Annexure A enclosed with this Consultation Paper]*

## **ANNEXURE B**

## **PROPOSED ACE LR AMENDMENTS**

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

## ATTACHMENT

## TABLE OF COMMENTS

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

## APPENDIX                      BURSA MALAYSIA'S PERSONAL DATA NOTICE

In relation to the Personal Data Protection Act 2010 and in connection with your personal data provided to us in the course of this consultation, please be informed that Bursa Malaysia's personal data notice ("**Notice**") is available at [www.bursamalaysia.com](http://www.bursamalaysia.com). Kindly ensure that you read and are aware of the Notice.

If you are submitting personal data of an individual other than yourself ("**data subject**"), please ensure that prior to such submission, you have provided the data subject with written notice of the Notice unless section 41 of the Personal Data Protection Act 2010 ("**PDPA**") applies or Bursa Malaysia otherwise specifies in connection with the PDPA.

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Jika anda mengemukakan data peribadi individu pihak ketiga ("**Subjek Data**"), anda mesti memastikan bahawa Subjek Data telah diberi notis bertulis mengenai Notis tersebut terlebih dahulu kecuali seksyen 41 Akta Perlindungan Data Peribadi 2010 ("**APDP**") terpakai atau Bursa Malaysia sebaliknya menyatakan berkenaan dengan APDP.

[End of the Appendix]