



**CONSULTATION PAPER NO. 2/2021
PROPOSED AMENDMENTS TO THE ACE MARKET LISTING REQUIREMENTS
IN RELATION TO ACE MARKET ONE-STOP CENTRE**

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Bursa Malaysia Berhad (“Bursa Malaysia”) invites your written comments on the issues set out in this Consultation Paper by 14 September 2021 (Tuesday) 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.

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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**”) ACE Market Listing Requirements (“**ACE LR**”) in relation to ACE Market One-Stop Centre.

B. BACKGROUND

2. Since 2009, the Exchange has been the approving authority for initial listings on the ACE Market, as well as for all corporate proposals post listing, including secondary fund raising and issuance of new securities by ACE Market listed corporations (except for debt securities). The SC is responsible to review and register prospectuses of applicants and ACE Market listed corporations.
3. Subsequently in 2014, the Exchange undertook a review of the ACE Market admission requirements, which provided greater clarity to the admission criteria and suitability assessment undertaken by a Sponsor. It was aimed at promoting greater transparency on the expectation of the Exchange and facilitating more suitably qualified applicants to seek initial public offering (“**IPO**”) on the ACE Market.
4. Cognisant of the importance to continue enhancing the attractiveness and competitiveness of the Malaysian capital market as a listing and investment venue, the SC and the Exchange have embarked on a holistic review of the existing regulatory framework governing IPOs in Malaysia.
5. In this connection, the SC had, on 21 July 2020, announced the enhancements to the Main Market IPO framework which are also applicable for submissions of proposals resulting in a significant change in the business direction or policy of a corporation (“**RTO**”), and the liberalisation of the adviser requirements for submission of IPO and RTO applications.
6. Further, the SC had also on the same day, announced the migration of the entire ACE Market framework, including the prospectus review and registration functions to the Exchange (“**Proposed Migration**”).
7. On 1 July 2021, the SC announced that the Capital Markets and Services Act 2007 (“**CMSA**”) has been amended, through changes made under Part III of Schedules 6 and 7 of the CMSA, to enable the Exchange to assume the ACE Market prospectus review and registration functions from the SC, effective from 1 January 2022.
8. Accordingly, the Exchange has worked closely with the SC to review the ACE LR to facilitate the Proposed Migration, particularly in respect of the IPO processes and procedures, the sponsorship framework and the prospectus requirements.
9. In undertaking the review of the ACE LR, the Exchange is guided by the following underlying principles:
 - (a) parity and consistency in the regulatory approach between the Main Market and ACE Market, through streamlined IPO/RTO processes, prospectus disclosure requirements, conduct of advisers and enforcement framework, where appropriate, to avoid any regulatory arbitrage;

- (b) effective and efficient regulatory framework governing the admission to and sponsorship framework of the ACE Market; and
- (c) value-added sponsorship regime on the ACE Market with quality and responsible sponsors.

C. KEY PROPOSALS

10. Pursuant to the review, the Exchange is now proposing the following key proposals to the ACE LR ("**Proposed Amendments**"):
 - (a) enhancing the ACE Market IPO framework by, among others, introducing a mandatory consultation process prior to a submission of the IPO application, incorporating interest of investors as one of the considerations for an ACE Market IPO, and other related amendments;
 - (b) prescribing the requirements in relation to a prospectus, including the obligations and processes to register the prospectus, circumstances where the Exchange may refuse to register the prospectus, contents and standards of disclosure expected in a prospectus, advertising restrictions, requirements relating to electronic prospectus and application and requirements on supplementary or replacement prospectus;
 - (c) enhancing the Sponsorship framework predicated on a market and outcome-based approach in ensuring quality submissions and disclosures as follows:
 - (i) liberalising the eligibility requirements of a Sponsor, to be in line with the recognised principal adviser framework for the Main Market;
 - (ii) strengthening the role and duty of care of a Sponsor in the discharge of its duties under the ACE LR;
 - (iii) enhancing the accountability of a Sponsor by extending the regulatory and enforcement ambit to its key officers involved in submitting certain significant corporate proposals to the Exchange; and
 - (iv) removing the prescription on how a Sponsor and other relevant parties must conduct due diligence; and
 - (d) making other consequential changes arising from, the proposed amendments above and the alignment with SC's Licensing Handbook, Guidelines on Submission of Corporate and Capital Market Product Proposals ("**Submission Guidelines**"), Equity Guidelines and Prospectus Guidelines.
11. Through the Proposed Amendments, the Exchange seeks to achieve the following objectives:
 - (a) Greater market efficiency and efficacy through the enhanced regulatory framework, with the Exchange as the single approving authority for admission to the ACE Market;

- (b) More effective and value added sponsorship regime on the ACE Market, with quality and responsible Sponsors and officers; and
- (c) Uphold investor protection through adequate and quality disclosures in an ACE Market IPO application and prospectus, as well as enhanced enforcement regime under the ACE LR.

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D. STRUCTURE OF THE CONSULTATION PAPER

12. Details of the Proposed Amendments, where relevant, and their rationale are provided in in **Part E** of this Consultation Paper.
13. A diagram, which sets out a comparison of the key processes and timelines between the existing and proposed enhanced ACE Market IPO and prospectus registration framework, is provided in **Annexure A**.
14. The Proposed Amendments to the ACE LR are provided in **Annexure B** and are reflected in the following manner:
 - (a) portions underlined are text newly inserted/added/replaced onto the existing rules; and
 - (b) portions struck through are text to be deleted.
15. 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.

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E. DETAILS OF THE PROPOSED AMENDMENTS

PROPOSAL I ENHANCING THE ACE MARKET IPO FRAMEWORK AND PRESCRIBING PROSPECTUS REQUIREMENTS

16. Currently, the Exchange approves an application for admission to, as well as the listing and quotation of securities on, the ACE Market. For this purpose, an applicant seeking admission to the ACE Market (“**applicant**”) must apply for admission and listing through a Sponsor and comply with the relevant procedures and requirements as prescribed by the Exchange in the ACE LR¹. This entails, among others, a submission of the initial listing application together with supporting documents to the Exchange.
17. Concurrently with the above, an applicant must also submit and register its prospectus with the SC². In doing so, it must comply with the requirements relating to the registration of prospectus as set out in the CMSA and the SC’s Prospectus Guidelines.
18. On 1 July 2021, the SC has amended Part III of Schedules 6 and 7 of the CMSA to expand the ambit of excluded offers or excluded invitations and excluded issues respectively to cover -
- (a) an offer, invitation or issue in respect of shares of a corporation that are listed or approved for listing and quotation on the ACE Market; or
 - (b) an initial listing of shares of a corporation on the ACE Market,
- provided that the offer, invitation or issue, or initial listing is accompanied with a prospectus which is registered by the Exchange and the offer, invitation or issue, or initial listing complies with the requirements specified in the ACE LR.
19. Essentially, the amendments to Schedules 6 and 7 of the CMSA above disapply the requirements to register an ACE Market prospectus (including an abridged prospectus for a rights issue) with the SC, and such prospectus must be registered with the Exchange instead. The corporate proposal or ACE Market IPO must also comply with the ACE LR.
- Efficient Access to ACE Market***
20. Arising from this, the Exchange will be the sole authority approving the admission to the ACE Market and registering the prospectus for such admission from 1 January 2022 onwards. In view of this, the Exchange proposes to enhance the ACE Market IPO/RTO framework and processes, as well as prescribe the requirements relating to an ACE Market prospectus, and streamline them with that of the Main Market, where appropriate. Further, we also propose to also enhance accountability of key parties involved in an ACE Market IPO. The proposals are aimed at improving the overall IPO

¹ Rule 3.02(3) and Guidance Note 15 of the ACE LR. Among others, an applicant and its Sponsor must submit an initial listing application together with the relevant supporting documents and undertakings to the Exchange.

² Section 232 of the CMSA.

processes for greater efficiency and efficacy as well as ensuring quality submissions to the Exchange and disclosures to investors.

21. A snapshot of the comparison of the key processes and timeline between the current and enhanced ACE Market IPO framework is reflected in the diagram under **Annexure A**.

22. Premised on this, we are proposing the following requirements for the ACE LR:

22.1 **Pre-admission consultation**

(a) Currently, the ACE LR provides for a pre-admission consultation procedure where a potential applicant is strongly encouraged to consult the Exchange prior to submitting its IPO application. This pre-consultation is not mandatory and can be undertaken with or without its Sponsor.

Mandatory pre-admission consultation³

(b) Moving forward, we propose to require a pre-admission consultation⁴ by -

(i) mandating a Sponsor to consult the Exchange before submitting an ACE Market IPO application and requiring submission of prescribed documents or information (“**pre-admission consultation pack**”) prior to the consultation; and

(ii) requiring such consultation to be done with the applicant together with other key advisers, after the due diligence on the applicant has been substantially completed by the Sponsor.

Contents of pre-admission consultation pack⁵

(c) To facilitate a meaningful consultation, the Exchange proposes to specify the contents of the pre-admission consultation pack and make them available on the Exchange’s website. In this regard, the contents of the pre-admission consultation pack are expected to include, among others, the following:

(i) general information about the applicant, such as its business overview, historical financial information or operating history, shareholding and governance structure;

(ii) details and particulars of the proposals, including details of previous proposals by the applicant, if any;

(iii) compliance with key focus areas i.e. requirements on listing eligibility, related party transactions, conflicts of interest, corporate governance, public interest and interest of investors;

³ New Rule 4.06A and new paragraph 2A.0 of Guidance Note 15 of the ACE LR.

⁴ This is in line with SC’s approach under paragraph 1.10 of Chapter 1 of Part I of SC’s Equity Guidelines.

⁵ New paragraph 2A.0 of Guidance Note 15 of the ACE LR.

- (iv) matters to highlight in relation to the applicant's business model, financial position and liquidity, compliance history, allegations/complaints and other key matters; and
- (v) waivers or modifications sought or to be sought from the Exchange, if any.

Key milestones for submission of pre-admission consultation pack⁶

- (d) For clarity, the Exchange also proposes the timeline for the submission of the pre-admission consultation pack and IPO application to the Exchange as follows⁷:
 - (i) the pre-admission consultation pack must be submitted at least 1 month prior to the IPO application; and
 - (ii) if the IPO application has not been filed with the Exchange within 3 months from the date of submission of the pre-admission consultation pack, a new pre-admission consultation pack must be submitted.
- (e) The proposal above seeks to provide an avenue for Sponsors, applicants and advisers to discuss any material issues and concerns with the Exchange at an earlier stage prior to submission of the IPO application. The involvement of all the key stakeholders at this stage seeks to achieve a holistic and meaningful consultation on the key material issues and concerns.

22.2 Fresh submission of listing application⁸

The Exchange proposes to require a new IPO application to be resubmitted to the Exchange in respect of any IPO application which has not been approved within 6 months.⁹ This is aimed at ensuring that issues or queries raised by the Exchange are addressed in a timely manner, and in turn enhancing the overall listing efficiency and certainty on the ACE Market.

⁶ New paragraph 2A.1 and 2A.3 of Guidance Note 15 of the ACE LR.

⁷ This is in line with SC's approach for the Main Market under paragraph 9.02C and 9.02D of Chapter 9 of Part III of the SC's Equity Guidelines.

⁸ New paragraph 3.2 of Guidance Note 15 of the ACE LR.

⁹ This is in line with SC's approach for the Main Market under paragraph 9.17A of Chapter 9 of Part III of the SC's Equity Guidelines.

22.3 Investor interest as one of the key focus areas for admission¹⁰

In addition to the existing key factors¹¹ that a Sponsor must consider in assessing whether an applicant is suitable for listing, we propose to also require the Sponsor to consider whether the admission of the applicant to the ACE Market is detrimental to the interest of investors¹².

22.4 Optional independent market research report

- (a) Currently, we require an independent market research report (“**IMR Report**”) prepared by an independent expert to be submitted to the Exchange together with the listing application.¹³
- (b) We propose to liberalise this requirement by allowing an applicant to decide if it should include an IMR Report in its IPO application and prospectus, in order to demonstrate the strength of the applicant’s business in similar industry or its prospect, based on the industry outlook. Hence, preparation of the IMR Report will be made voluntary instead.
- (c) However, if an IMR Report is prepared to support the ACE Market IPO application or the preparation of the prospectus, the applicant must submit the IMR Report containing the prescribed information¹⁴ to the Exchange and disclosed in the prospectus.

22.5 Registration of prospectus for ACE Market IPOs

The Exchange will be prescribing the requirements relating to an ACE Market prospectus in the ACE LR, which are similar to those applicable for the Main Market under the CMSA and SC’s Prospectus Guidelines for parity, with the necessary modifications. The key prospectus requirements proposed to be incorporated into the ACE LR are as follows:

¹⁰ Rule 4.07(2)(g) and paragraph 9.0 of Guidance Note 18 of the ACE LR.

¹¹ The existing key factors are set out in Rule 4.07(2) and Guidance Note 18 and include the prospect of the applicant, its corporate governance record, any conflict of interest issue, as well that the admission of the applicant does not undermine public interest.

¹² This is in line with SC’s approach for the Main Market under paragraph 1.06(f) of Chapter 1 of Part I of the SC’s Equity Guidelines.

¹³ Renumbered paragraph (1)(m) of Part B of Annexure GN15-A.

¹⁴ Renumbered paragraph (1)(m) of Part B of Annexure GN15-A stipulates that the IMR Report must contain information about the industry and market in which the applicant operates that will aid investors’ understanding about the applicant’s business. The report must also cover, amongst others, the background of the independent expert, an overview of the industry, commentary on the industry’s size, outlook, prospects and competitive landscape, as well as an overview and appraisal of the applicant’s business vis-à-vis the industry.

Registration of prospectus¹⁵

- (a) An applicant must register a prospectus¹⁶ with the Exchange if it intends to undertake an IPO on the ACE Market.
- (b) The registration of the prospectus must be done through a Sponsor at the same time the listing application is submitted to the Exchange, in accordance with the processes, procedures and requirements under the ACE LR.

Circumstances where the Exchange may refuse to register a prospectus¹⁷

- (c) The Exchange may refuse to register a prospectus if -
 - (i) the prospectus does not comply with the ACE LR or the CMSA;
 - (ii) the prospectus contains any statement or information that is false or misleading, or from which there is a material omission;
 - (iii) the ACE Market IPO to which the prospectus relates does not comply with the ACE LR or the CMSA;
 - (iv) the ACE Market IPO has not been approved by the Exchange or does not comply with any term or condition imposed by the Exchange; or
 - (v) the applicant has contravened any securities laws or the Companies Act 2016 which would cast a doubt as to the applicant's suitability on the ACE market.

Contents of prospectus¹⁸

- (d) The proposed contents of the prospectus for the ACE Market IPO will be similar to the contents of the prospectus for a Main Market IPO as set out in Chapters 1 to 14, Division 1 of Part II of the SC's Prospectus Guidelines (Equity).
- (e) The key information includes particulars of the IPO and the applicant, information on key parties of the applicant (i.e. promoters, substantial shareholders, directors, key senior management and key technical personnel), related party transactions and conflicts of interests, risk factors and financial information.

¹⁵ New Rule 3.12A, new Part II of Guidance Note 15, new Part C of Annexure GN15-A, new Annexure GN15-E, new paragraph 5.0 of Guidance Note 16 and new Guidance Note 23, of the ACE LR.

¹⁶ A prospectus will be defined under Rule 1.01 of the ACE LR to have the same meaning given in section 226 of the CMSA (i.e. a notice, circular, advertisement or document inviting applications or offers to subscribe for or purchase securities, or offering any securities for subscription or purchase and, unless expressly specified, includes a supplementary prospectus, replacement prospectus, shelf prospectus, short form prospectus, profile statement, supplementary shelf prospectus and abridged prospectus).

¹⁷ Paragraph 2.0 of Part I of new Guidance Note 23 of the ACE LR.

¹⁸ New Rule 3.12B and Part A of the new Appendix 3B, and new Rule 5.02A of the ACE LR.

- (f) All information disclosed in the prospectus must be as at the latest practicable date available prior to the issue of the prospectus.

Advertising restrictions¹⁹

- (g) Similar to the advertising requirements for a Main Market IPO, an applicant must not advertise the ACE Market IPO or issue a notice making reference to the ACE Market IPO or prospectus unless the requirements prescribed by the Exchange are complied with e.g. obtaining the consent of the Exchange for such advertisement before the registration of the prospectus.

Electronic prospectus and application²⁰

- (h) An applicant which intends to issue a prospectus or facilitate subscription of its IPO shares, electronically must comply, and ensure that any person appointed to do so on its behalf, complies with the requirements as set out under Division 2 of Part IV of the SC's Prospectus Guidelines (Electronic Prospectus and Electronic Application).

Circumstances for issuance of supplementary or replacement²¹

- (i) An applicant must issue a supplementary or replacement prospectus in the following circumstances:
 - (i) a new matter has arisen and disclosure of such matter would have been made in the prospectus if it had arisen at the time the prospectus was issued;
 - (ii) there has been a significant change affecting a matter disclosed in the prospectus;
 - (iii) a material statement or information in the prospectus is false or misleading; or
 - (iv) there is a material omission from the prospectus.

Notification, registration & lodgement of supplementary or replacement prospectus²²

- (j) An applicant must, as soon as practicable after becoming aware of the circumstances in subparagraph (a) above, immediately notify the Exchange of the same and submit a supplementary or replacement prospectus (containing the prescribed information as set out in Appendix 3B of the ACE LR) for registration.

¹⁹ New Rule 3.12H and paragraph 4.0 of Part I of the new Guidance Note 23 of the ACE LR.

²⁰ New Rule 3.12I of the ACE LR.

²¹ New Rule 3.12D(1) of the ACE LR.

²² New Rules 3.12D and 3.12E, Parts B and C of new Appendix 3B, and Paragraph 14.0 in new Part II of Guidance Note 15, of the ACE LR.

Effect of registration of supplementary or replacement prospectus to a person subscribing for securities²³

- (k) An applicant must, after registration of the supplementary or replacement prospectus -
 - (i) give a written notice to a person who has applied for subscription of the applicant's shares pursuant to a prospectus ("**subscription application**") informing that the supplementary or replacement prospectus has been registered and that the person has 14 days to withdraw the subscription application; and
 - (ii) immediately refund all monies received from such person pertaining to the subscription application, if the application is withdrawn.

Registration of abridged prospectus for rights issue

- (l) The Exchange will also be prescribing the requirements relating to registration of an abridged prospectus²⁴ for a rights issues and its required contents²⁵ in the ACE LR. Similar requirements for registration of prospectus above will apply to the registration of an abridged prospectus, with the necessary modifications²⁶.

22.6 Parties accountable for disclosures in an IPO application and prospectus

- (a) Currently, an applicant, its directors and advisers (including the Sponsor) must ensure that any application, proposal, statement, information or document presented, submitted or disclosed pursuant to the ACE LR is clear, unambiguous and accurate, does not contain any material omission, and is not false or misleading²⁷.
- (b) Complete and accurate disclosure underpinned sound and informed decision making, and this is particularly crucial in the context of an IPO and prospectus, where investors will invest premised solely on the disclosures made by the applicant. Therefore, all parties responsible in a submission of pre-admission consultation pack, IPO application, as well as the preparation of an applicant's prospectus must be imposed with the same duty of care and standard of disclosure under the ACE LR.

²³ New Rule 3.12F of the ACE LR, and Parts B and C of new Appendix 3B, and Paragraph 14.0 in new Part II of Guidance Note 15, of the ACE LR.

²⁴ New Rule 6.18B, new Part I(A) of Guidance Note 17, new Parts G, G(A), and G(B) in Annexure GN-17B, and Part II of new Guidance Note 23, of the ACE LR.

²⁵ It is proposed that similar contents of an abridged prospectus for a Main Market rights issue as set out under Chapters 1 to 9, Division 5 of Part II of the SC's Prospectus Guidelines will be required for the ACE market abridged prospectus. See Part II of new Guidance Note 23 of the ACE LR.

²⁶ New Part I(A) of Guidance Note 17 of the ACE LR.

²⁷ Rule 2.18(1) of the ACE LR.

- (c) In this connection, we propose to -
- (i) extend the duty of care and standard of disclosure as discussed in subparagraph (a) above to an applicant’s promoters and chief executive officer, requiring them to be responsible for the submission of any pre-admission consultation pack and the ACE Market IPO application to the Exchange, along with the applicant, its directors and Sponsor; and
 - (ii) in addition, require an applicant, its directors, promoters, chief executive officer, Sponsors and advisers to ensure that the prospectus prepared, submitted or issued pursuant to the ACE LR, among others, is accurate, factual and contains sufficient information to enable informed investment decisions, is not false or misleading and does not contain any material omission²⁸.

Definition of promoter

- (d) For this purpose, we propose to refine the definition of “promoter” under the ACE LR.
- (e) Currently, a promoter is defined in Rule 1.01 of the ACE LR to include a controlling shareholder, a person connected to a controlling shareholder and an executive director who is a substantial shareholder of the listed corporation. This is primarily used in the context of the moratorium requirements under Rule 3.19 of the ACE LR.
- (f) Under the CMSA²⁹, a “promoter” for purposes of prospectus liability is defined to mean in relation to a prospectus issued by or in connection with a corporation, a promoter of the corporation who is a party to the preparation of the prospectus or any relevant portion thereof, but does not include any person by reason only of his acting in a professional capacity.
- (g) In view of the above and for parity in terms of the party liable for a prospectus, we propose to adopt the definition of promoter under the CMSA for the ACE LR³⁰. This definition will also apply for purposes of a pre-admission consultation pack and IPO application. For this, the Sponsor and applicant would need to determine who are the promoters.
- (h) Consequential to the revised definition of a promoter, we also propose to introduce a new term for purposes of the moratorium requirements i.e. “**specified shareholder**” and this will refer to the controlling shareholder, a person connected to a controlling shareholder and an executive director who is a substantial shareholder of the applicant or listed corporation, or any other person as may be specified by the Exchange³¹.

²⁸ New Rule 3.12C, and paragraph 3.0 of Part I of new Guidance Note 23, of the ACE LR.

²⁹ Definition of promoter under section 226 of the CMSA.

³⁰ The proposed revised definition of “promoter” in Rule 1.01 of the ACE LR stipulates that a promoter has the meaning given in section 226 of the CMSA.

³¹ New term “specified shareholder” in Rule 1.01 of the ACE LR.

Extension of enforcement framework

- (i) With the proposed duty of care and standard or disclosure imposed on a promoter and chief executive officer, we also propose to extend our enforcement framework to these parties. For this purpose, we propose as follows:
 - (i) requiring the promoter and chief executive officer of an applicant to execute an undertaking addressed to the Exchange to comply with the ACE LR which are applicable to them³²; and
 - (ii) extending the relevant enforcement provisions in the ACE LR³³ including the right of the Exchange to take enforcement action and impose sanction under the ACE LR against them.

Liability for prospectus³⁴

- (j) Further to the above, we also propose to clarify that a prospectus issued by an applicant under the ACE LR is deemed to be a prospectus under the CMSA in so far as it relates to the liability of the applicant or his agent for any statement or information that is false or misleading, or from which there is a material omission.
- (k) This is to provide clarity and certainty that the criminal liability attached to a breach of prospectus disclosure under the CMSA is also applicable to a prospectus issued pursuant to the ACE LR.

23. Apart from the above, the Exchange is also proposing to clarify our expectations and requirements in relation to moratorium on pre-IPO investors' shareholdings, as well as completion of Mandatory Accreditation Programme ("MAP") by an applicant's directors, for greater clarity and transparency as follows:

23.1 Moratorium on listed shares held by pre-IPO investors³⁵

- (a) The ACE LR currently imposes a moratorium on the sale, transfer or assignment of the listed shares held by specified shareholders³⁶ for the prescribed period³⁷. Similar moratorium requirements are also applied to the vendor of the asset in an RTO and all the direct and indirect shareholders of

³² Paragraph 4.2 of Guidance Note 15 of the ACE LR.

³³ Existing Rules 16.16, 16.18, 16.19, 16.20, 16.21 and 16.23 of the ACE LR. With regards to the applicant, director, Sponsor and advisers, the said Rules are already applicable to them.

³⁴ New Rule 3.12G of the ACE LR.

³⁵ New Rule 3.19A of the ACE LR.

³⁶ As discussed in paragraph 22.5(h) of this Consultation Paper above, "specified shareholder" is defined in Rule 1.01 of the ACE LR to mean a controlling shareholder, a person connected to a controlling shareholder, and an executive director who is a substantial shareholder, of the applicant or listed corporation, or any other person as specified by the Exchange.

³⁷ Rule 3.19 of the ACE LR.

the vendor up to the ultimate individual shareholders, if the vendor is an unlisted corporation³⁸.

- (b) We propose to also impose a moratorium on the entire shareholdings of a pre-IPO investor who is not a specified shareholder, for a period of 6 months from the date of admission to the Official List if such investor has acquired the shares of the applicant -
 - (i) within 12 months from the date of submission of the listing application to the Exchange; and
 - (ii) at a price lower than the issue price offered to the general public in conjunction with the IPO.
- (c) The proposed moratorium requirement seeks to safeguard the interest of an IPO applicant and its IPO investors post listing. Pre-IPO investors who had acquired the shares on more favourable terms should not be allowed to compromise the other IPO investors' interest by selling their shares with a gain, at or even below the IPO price soon after listing, which may adversely affect the share price and erode investor confidence of a newly listed corporation. This also seeks to ensure fair and orderly trading of the shares in the applicant post listing.

23.2 Completion of the MAP by applicant's directors prior to listing³⁹

- (a) Currently, a director of an applicant must attend and complete the Mandatory Accreditation Programme ("MAP") within 4 months from the date of listing of the applicant⁴⁰.
- (b) However, in order to ensure that directors of an applicant are familiar with, and understand the requirements under the ACE LR as well as their obligations under the securities laws, the directors of an applicant are presently required to complete the MAP prior to the applicant's listing on the ACE Market. This is to ensure that the directors are better prepared to assume their duty, and to promote a more effective and efficient board, given that there are many regulatory obligations and compliance requirements expected of a listed corporation and its directors upon listing.
- (c) As such, we will reflect the existing practice in the ACE LR accordingly.

³⁸ Rule 3.19 of the ACE LR.

³⁹ Paragraph 2.2(b)(ii) of Guidance Note 10 of the ACE LR.

⁴⁰ Rule 15.08 read together with paragraph 2.2(b)(ii) of Guidance Note 10 of the ACE LR.

Proposal I - Issues for Consultation

1. Do you agree with the regulatory approach to streamline -
 - (a) the IPO processes of the ACE Market, where appropriate, with that of the Main Market; and
 - (b) prospectus registration processes and requirements for the ACE Market, with that of the Main Market?

Please state the reasons for your view.

2. Do you agree with the proposed requirement to make the inclusion of the IMR Report optional in an ACE Market IPO application and prospectus?

Please state the reasons for your view.

3. In respect of an ACE Market IPO and rights issue, do you agree that there should be similar disclosure requirements with that of the Main Market, and therefore the same contents of a prospectus and an abridged prospectus applicable to the Main Market shall apply for the ACE Market?

Please state the reasons for your view.

4. Do you have any issue to cross-refer to the SC's Prospectus Guidelines in preparing an ACE Market prospectus?

Please state the reasons for your view.

5. Do you have any other suggestions to improve the readability of, and ease compliance with, the ACE LR?

Please state your suggestions, if any.

6. Do you agree that a promoter and chief executive of an ACE Market applicant should be held responsible for disclosures made in a pre-admission consultation pack, IPO application and prospectus, along with the applicant, its directors and Sponsor?

Please state your reasons and alternative suggestions, if any.

7. Do you agree with the proposed moratorium requirements imposed on listed shares held by pre-IPO investors?

Please state the reasons for your view.

8. Do you agree that an applicant's directors must complete the MAP prior to listing?

Please state the reasons for your view.

[End of Proposal 1]

PROPOSAL II ENHANCING THE SPONSORSHIP FRAMEWORK PREDICATED ON A MARKET AND OUTCOME-BASED APPROACH IN ENSURING QUALITY SUBMISSIONS AND DISCLOSURES

Sponsorship regime

24. The ACE Market is a sponsor-driven market. The ACE LR currently prescribes certain eligibility requirements that a person must satisfy before it can act as a Sponsor. Among others, such person must be an approved principal adviser as set out in the SC's Approved List of Principal Advisers with 2 Qualified Senior Personnel. Such Qualified Personnel must satisfy the required competency and experience to be designated as Qualified Senior Personnel under the SC's Principal Adviser Guidelines⁴¹.
25. The Sponsor plays the central role in assessing the quality and suitability of applicants seeking listing on the ACE Market⁴². It also advises and guides the applicant and its directors throughout the IPO process. Post listing, the Sponsor provides continuous guidance⁴³ to a listed corporation and its directors in complying with the ACE LR and laws, as well as advising on secondary fund-raising exercises and material transactions. Given the significant role of a Sponsor, it is required to exercise due care and diligence and discharge its role and responsibilities with utmost professionalism, in full compliance with the ACE LR and securities laws.

Shift to market and outcome-based approach

26. As part of the review arising from the Proposed Migration, the Exchange proposes to adopt a more market and outcome-based approach in regulating the Sponsors. In this regard, the Exchange proposes to liberalise the eligibility criteria for a Sponsor, by making available a wider pool of qualified corporate finance advisers to act as Sponsors for the ACE Market.
27. Additionally, greater focus will be placed on the duty of a Sponsors to ensure the validity, accuracy, and completeness of submissions to the Exchange, as well as disclosures to the market. A Sponsor is expected to ensure that an applicant meets the suitability requirements for listing, and the prospectus provides adequate, accurate and complete information for investors to make informed investment decisions as before, but the ACE LR will cease to be overly prescriptive on how a

⁴¹ The Qualified Senior Personnel must have, among others:

- 7 years relevant corporate finance experience i.e. must have advised on either an IPO, merger and acquisition involving listed issuers, fund raising through capital market or restructuring exercises; and
- In the preceding 5 years before the designation as a Qualified Senior Personnel, played substantial role (i.e. in a supervisory or managerial capacity) in at least 3 proposals i.e. IPOs, significant acquisitions or regularisation plans undertaken by PN17 and GN3 issuers.

⁴² Rule 4.07 of the ACE LR.

⁴³ Under Rule 3.21 of the ACE LR, an applicant must secure and maintain the services of a Sponsor for at least 3 full financial years after listing.

Sponsor should be doing that, nor what is the applicable standard in a due diligence exercise.

28. In view of the above, the Exchange proposes the following:

- (a) liberalising a Sponsor’s eligibility requirements in line with the recognised principal adviser (“RPA”) framework for the Main Market;
- (b) strengthening the role and duty of care of a Sponsor servicing an applicant and listed corporation, and emphasising that it is the party primarily responsible for Specific Proposals⁴⁴ and listing applications for new issue of securities submitted to the Exchange;
- (c) enhancing the accountability of a Sponsor, by extending the regulatory and enforcement ambit to its key officers involved in submitting Specific Proposals to the Exchange, known as the qualified person and senior officer; and
- (d) removing the prescription on how a Sponsor and other relevant parties must conduct due diligence, empowering the Sponsor and such parties to assess the suitability of an applicant using the duty of care and professional standards commensurate with industry best practices instead.

29. The proposed enhancements are discussed in greater detail as follows:

29.1 **Liberalising a Sponsor’s eligibility requirements**⁴⁵

- (a) We propose to liberalise the existing eligibility requirements of a Sponsor outlined in paragraph 24 above by requiring that any person wishing to act as a Sponsor must be an RPA⁴⁶ which has at least 1 employee who fulfils the requirement of a qualified person (“QP”) under the SC’s Licensing Handbook⁴⁷. Among others, the QP must have⁴⁸ -
 - (i) 7 years of direct corporate finance experience in the 9 years before his appointment i.e. must have advised on either an IPO, merger & acquisition involving listed company, fund-raising exercise through the capital market by listed company, or restructuring exercise involving listed company, in Malaysia, Australia, Hong Kong, Singapore or United Kingdom;

⁴⁴ The proposed ambit of Specific Proposals is as set out under paragraph 29.3(b) of this Consultation Paper.

⁴⁵ Existing Rule 4.03 of the ACE LR.

⁴⁶ A new definition of “**recognised principal adviser**” is inserted under Rule 4.02(d) of the ACE LR to have the same meaning assigned to it in the SC’s Licensing Handbook i.e. an entity that fulfils the requirements set out in Chapter 7A of the SC’s Licensing Handbook.

⁴⁷ “**Qualified Person**” will be defined under Rule 1.01 of the ACE LR to mean an employee of the Sponsor who fulfils the requirements of a qualified person under the SC’s Licensing Handbook.

⁴⁸ See paragraph 7A.04(3) of the SC’s Licensing Handbook.

- (ii) in the 5 years immediately before his appointment, has completed either an IPO on the Main or ACE Market, RTO involving a Main Market listed issuer, or RTO involving an ACE Market listed corporation in conjunction with a transfer of listing to the Main Market.
- (b) This is aligned with the RPA framework for the Main Market and is aimed at enhancing capacity building as well as making available a wider pool of qualified corporate finance advisers to act as Sponsors for the ACE Market.

29.2 Strengthening the role and duty of care of a Sponsor⁴⁹

- (a) Given the significant role of a Sponsor, the Exchange proposes to set out in the ACE LR, the following duty of care that must be observed by the Sponsor:
 - (i) act honestly, fairly and efficiently;
 - (ii) maintain the integrity of the market; and
 - (iii) maintain and safeguard the confidentiality of records and information.
- (b) Additionally, we also propose to expressly set out in the ACE LR that a Sponsor is primarily responsible for the Specific Proposal and any listing application for new issue of securities submitted to the Exchange. If there are more than 1 Sponsor appointed for such proposal, we propose to clarify that all Sponsors will be jointly and severally liable for the proposal. This will enhance the accountability of a Sponsor over the submission made to the Exchange.
- (c) Given that an Adviser (who is not a listed corporation's Sponsor) may be appointed by the listed corporation from the Register of Sponsor to undertake a corporate proposal requiring the services of an Adviser under Guidance Note 19 of the ACE LR, we propose to impose similar requirements in subparagraphs 29.2(a) and (b) above on such Adviser.

29.3 Enhancing accountability of a Sponsor and its key officers involved in submitting Specific Proposals to the Exchange, known as the qualified person and senior officer⁵⁰

Ambit of Specific Proposals

- (a) The Exchange proposes that significant proposals which entail material impact or pose higher risk to the market must be subject to greater supervision and oversight by a Sponsor and its key officers (namely its QP and senior officer ("SO")⁵¹). This is to ensure that shareholder and investor interests are safeguarded.

⁴⁹ Rule 4.05(b), new Rule 4.05A(1)(a), new Rule 4.16(2)(aA) and Rule 6.02(4) of the ACE LR.

⁵⁰ New definition of "Specific Proposals" under Rule 1.01, new Rules 4.05A and 4.16(2A), and new paragraph 12 of Guidance Note 18, of the ACE LR.

⁵¹ "Senior Officer" is defined under Rule 1.01 of the ACE LR to mean an individual of higher authority or ranking than the qualified person or a committee duly constituted for the purpose of the requirements under paragraph 29.3(c)(ii) of this Consultation Paper.

- (b) In this regard, the Exchange proposes to classify the following as proposals requiring greater supervision and oversight of the Sponsor and its QP and SO (“**Specific Proposals**”):
- (i) an ACE Market IPO application;
 - (ii) registration of prospectus with the Exchange in relation to an ACE Market IPO;
 - (iii) an ACE Market RTO; and
 - (iv) a Major Disposal under Rule 10.02(eA) of the ACE LR⁵².

Additional obligations in relation to Specific Proposals

- (c) In respect of Specific Proposals, the Exchange proposes the following:
- (i) requiring the Sponsor to -
 - (aa) assign and identify at least a QP and SO for each Specific Proposal;
 - (bb) have clear and effective reporting lines so that decisions on critical matters are made by the SO, its management committee or board of directors in accordance with its policies and procedures; and
 - (cc) notify the Exchange of any change(s) to the QP or SO before completion of the Specific Proposal;
 - (ii) stipulating that the SO is responsible for the supervision and management of a Specific Proposal which includes -
 - (aa) allocating sufficient persons with appropriate levels of knowledge, skill and experience to each Specific Proposal taking into account the volume, size, complexity and nature of the Specific Proposal;
 - (bb) reviewing the performance of the QP and the team; and
 - (cc) deciding on or escalating critical matters in accordance with the policies and procedures of the Sponsor as set out under paragraph 29.3(c)(i)(bb) above;
 - (iii) requiring a QP to -
 - (aa) be in charge of supervision of the team until implementation of the Specific Proposal or cessation of engagement;

⁵² Major Disposal is a disposal of all or substantially all of a listed corporation’s assets which may result in the listed corporation being no longer suitable for continued listing on the Official List.

- (bb) determine the scope and extent of due diligence required for such Specific Proposal in its entirety including enlarging or varying the scope of due diligence exercise should the QP becomes aware of any new information or development;
 - (cc) critically assess the results of the due diligence and overall assessment of the adequacy of the due diligence review;
 - (dd) identify key risks related to the Specific Proposal and undertake adequate measures to address the risks;
 - (ee) ensure that the application meets the relevant provisions of the ACE LR and securities laws, where applicable;
 - (ff) be fully familiar and knowledgeable with key issues, deal promptly with all queries and concerns raised by the Exchange in relation to the Specific Proposal, and ensure responses to queries are complete and concerns raised are resolved in an effective manner; and
 - (gg) be responsible for the requirements in subparagraphs (aa) to (ff) above continuously until completion of implementation of the Specific Proposal; and
- (iv) specifying that where there is more than one SO or QP assigned to a Specific Proposal, all the SOs or QPs will be jointly and severally responsible for the Specific Proposal.
- (d) These proposed additional obligations seek to ensure that submissions of Specific Proposals to the Exchange are of quality and are also in line with the SC's approach for submission of specific proposals under the Submission Guidelines.

29.4 Removing the prescription on how a Sponsor or a relevant party must conduct due diligence and requiring compliance with Submission Guidelines⁵³

- (a) Currently, the ACE LR imposes an obligation on an applicant or listed corporation, Sponsor, adviser or person responsible for any information or document to be submitted to the Exchange ("**relevant parties**"), as the case may be, to conduct due diligence in accordance with the SC's Guidelines on Due Diligence Conduct for Corporate Proposals ("**Due Diligence Guidelines**")⁵⁴ in the following circumstances:
 - (i) a Sponsor when assessing suitability of an applicant for listing;

⁵³ Rules 3.02(5), 4.07(2) and (3), 4.14(1)(a), 4.16(1), 6.02(6), 10.11A(6), paragraphs 2.2(b) and 10.0 of Guidance Note 18, of the ACE LR

⁵⁴ The Due Diligence Guidelines has since been disapplied from 1 January 2021 onwards.

- (ii) an applicant/listed corporation, Sponsor, adviser or person responsible for any information or document to be submitted to the Exchange when submitting IPO applications, additional listing applications for new issue of securities and prospectus registration;
 - (iii) a Sponsor/Adviser when preparing Public Documents⁵⁵; and
 - (iv) a Sponsor/Adviser appointed for a corporate proposal requiring the services of an Adviser under Guidance Note 19 of the ACE LR.
- (b) As discussed in paragraphs 27 and 28 above, we propose to remove the prescription on how due diligence should be conducted and the applicable standards for such due diligence exercise, and instead leave it to the Sponsor and other relevant parties to undertake the due diligence exercise in accordance with industry best practices⁵⁶. However, we will still require the relevant parties to make due and careful enquiries and comply with the equivalent obligations and standards imposed under the Submission Guidelines.
- (c) Consequently, we also propose to remove the specific requirement imposed on a Sponsor under Rule 4.14(1)(a) of the ACE LR to maintain records of the due diligence enquiries on an applicant or listed corporation. Instead, the Sponsor will be required to comply with the record-keeping requirements applicable to a submitting party under the Submission Guidelines.

29.5 Expanded enforcement framework over the QP and SO

In light of the proposed obligations applicable to a QP and SO in relation to a Specific Proposal as set out in paragraphs 29.3(c)(ii) and (iii) above, it is necessary for the Exchange to extend our regulatory ambit and enforcement regime under the ACE LR to them. In this regard, we propose to -

- (a) require the QP and SO to execute an undertaking addressed to the Exchange to comply with the ACE LR which are applicable to them⁵⁷; and
- (b) expand the definition of “adviser”⁵⁸ to include the QP and SO assigned to undertake a Specific Proposal, so that the relevant provisions relating to enforcement of the ACE LR that are applicable to an adviser will also apply to the QP and SO.

⁵⁵ “Public Document” in Rule 4.02(b) of the ACE LR refers to any document issued by an applicant/listed corporation to the public or to the holders of any class of securities in a listed corporation pursuant to the ACE LR.

⁵⁶ For example, the Malaysian Investment Banking Association (“MIBA”) has issued the Malaysia Equity Capital Markets and Debt Capital Markets Due Diligence Guides (“Industry Guides”) which are available at <https://www.miba.com.my/info-nuggets/resources/>. The Industry Guides seek to enhance and clarify the standards of due diligence and disclosure in the preparation and submission of corporate proposals and offering documents to the SC.

⁵⁷ New Rules 2.21(1A), 4.05A(2), new Appendix 4B and paragraph 4.2 of Guidance Note 15 of the ACE LR.

⁵⁸ Existing Rule 1.01 of the ACE LR.

Proposal II - Issues for consultation

9. Do you agree with the proposal to align the eligibility requirements of a Sponsor with the RPA framework for the Main Market, under paragraph 29.1 above?

Please state the reasons for your views.

10. Do you have any comment or further suggestion on the proposed enhanced roles and responsibilities of -

- (a) a Sponsor as set out in paragraph 29.2 and 29.3(c)(i) above;
- (b) its SO and QP as set out in paragraphs 29.3(c)(ii) to (iv)?

Please state your comments or suggestions (if any).

11. Do you agree that the ambit of Specific Proposals under the ACE LR as set out in paragraph 29.3(b) should also include a Major Disposal?

Please state the reasons for your views.

12. Apart from the proposals as set out in paragraph 29.3(b) above, are there any other proposals which should be classified as a Specific Proposal under the ACE LR?

Please provide your suggestions and the reasons for your suggestions.

13. Do you agree with the proposal in paragraph 29.4(b) as follows:

- (a) proposal to remove the prescription on how due diligence is to be conducted; and
- (b) proposal for the relevant party to make due and careful enquiries and comply with the equivalent obligations and standards imposed under the Submission Guidelines instead?

Please state the reasons for your views.

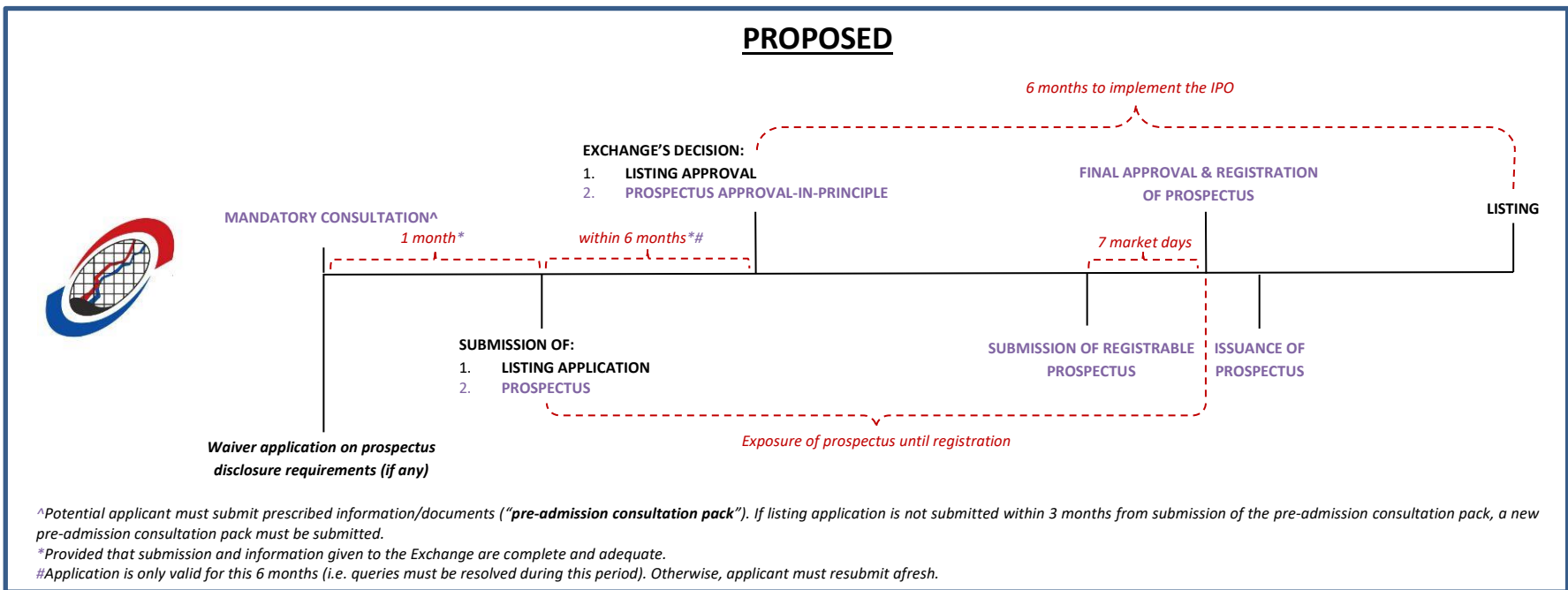
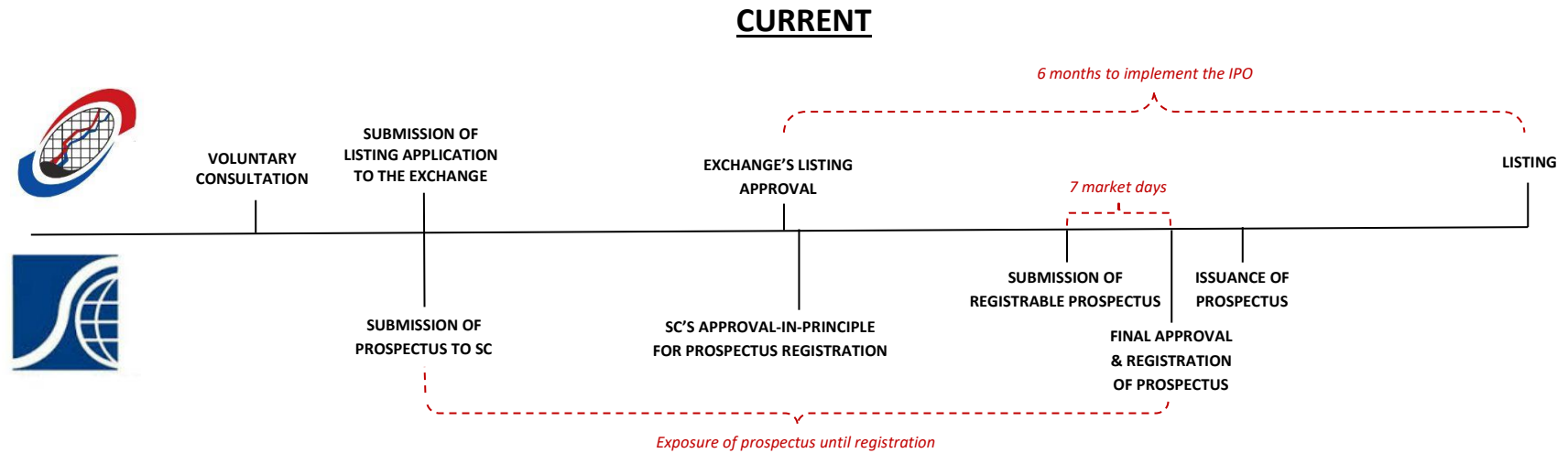
[End of Proposal II]

PROPOSAL III OTHER CONSEQUENTIAL AMENDMENTS

30. Apart from the proposed amendments discussed above, we will also be making various ancillary amendments to the ACE LR arising from the proposed amendments above as well as the SC's Licensing Handbook, Submission Guidelines, Equity Guidelines and Prospectus Guidelines. These proposed amendments are intended to improve clarity of the requirements, streamline the relevant requirements for consistency and parity in approach, or reflect corresponding changes made to, or terminologies used, in other requirements or guidelines.

[End]

ANNEXURE A - DIAGRAM ON THE ACE MARKET IPO PROCESSES



ANNEXURE B

PROPOSED 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. 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. 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]