



New Framework For Listings And Equity Fund-Raisings

ACE Market Technical Briefing

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Securities Commission Malaysia

10 July 2009

- **New Board Structure and New Regulatory Approaches**
- **New Guidelines and Submission Arrangements**

How it started...

*"... will combine the Main and Second Boards to establish a **Unified Board** for more established companies with strong track records..."*

*"... The Unified Board will have uniform listing requirements, and comprehensive **disclosure-based** regulation with easy entry and fast removal..."*

"...the MESDAQ Market will be revamped to allow relatively smaller companies to access equity market at an earlier stage of their lifecycle..."

*"... For the revamped MESDAQ, the listing of emerging companies will be **sponsor driven**..."*

Prime Minister of Malaysia
Invest Malaysia 2008 Conference
25 March 2008

Key Points

- Main and Second Boards to merge into a **Unified Board**
- MESDAQ Market to be transformed into an alternative market
- New approaches to regulating listings and fundraisings

Robust engagement process...

Establishment of Industry Working Group

- 11 practitioners and experts from a broad segment of the capital market

Continuous engagement from the commencement of project

Undertook extensive research, study visits and benchmarking exercises;

Focus group discussions and brainstorming

- Parties include MIBA, MVCA, FPLC, MIA

Over 300 meetings undertaken

Public and industry consultation

- Extended public consultation
- Face-to-face consultation with various industry groups

Numerous feedback received

Launched on 8 May 2009...

- New board structure
- New regulatory approaches
- New guidelines and listing rules

Effective: 3 August 2009

Rationale and benefits...

Staying competitive in a progressive market

- Enhanced competitive positioning – preferred listing and fund-raising destination
- Comparable requirements that allows access to capital and protects investors

Streamlined structure for established and emerging companies to raise capital

- Clear demarcation of what issuers and investors want
 - Main Market for established companies, with clear listing requirements
 - ACE Market to facilitate early access for capital raising for emerging companies
 - Different markets catering to different investors' risk appetites

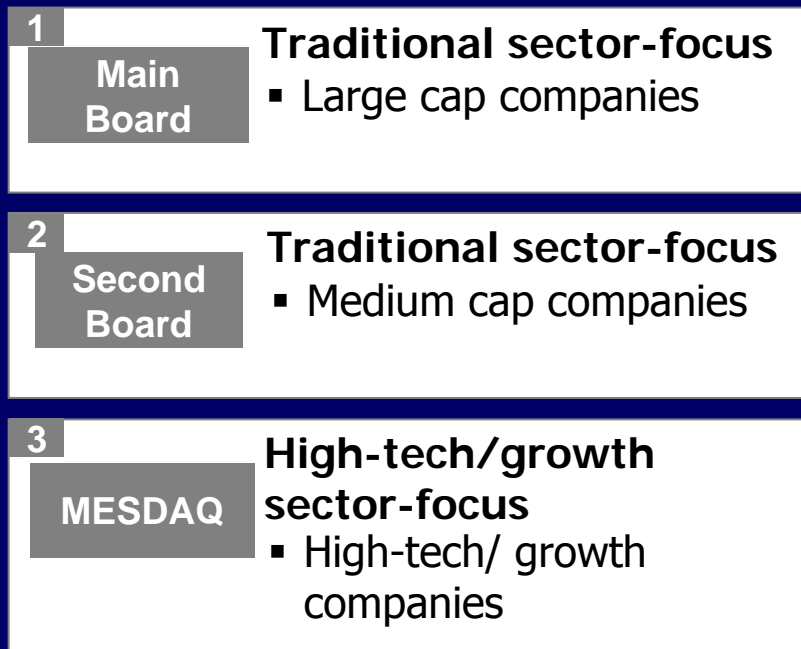
Fundamental shift to a market-based regulatory approach

- Greater empowerment to the market with emphasis on market and self discipline
- Streamlined regulatory process for better efficiency – reduced regulatory cost & faster time to market
- Issuers have clearer expectations of the application for fund raising

Allowing efficient access to capital and investments,
for both issuers & investors

New Board Structure for Bursa

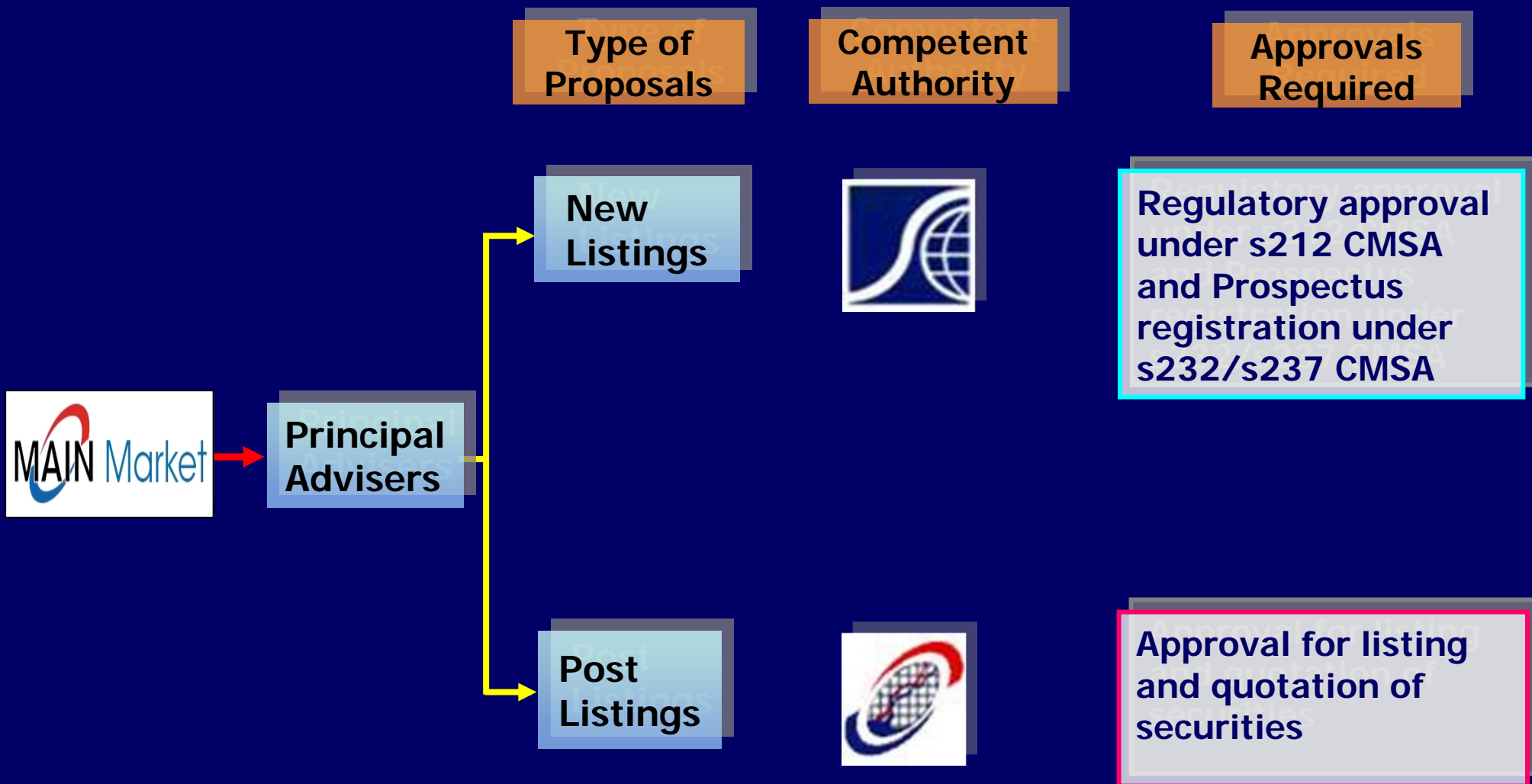
Current Structure



New Structure



New Regulatory Approaches – Main Market





New Framework for Main Market – SC

Current Framework

s212 CMSA (Regulatory Approval)

- IPOs
- Acquisitions & **disposals** resulting in significant change in business direction or policy of a listed corporation
- **Secondary fund raisings**
- Cross & secondary listings
- Transfer of listings to Main Market
- **Unlisted companies**

s232 & s237 CMSA (Prospectus registration)

- IPOs and public offerings
- Rights Issues

Focus Areas

- Compliance with minimum requirements
- **Viability assessment**
- Public Interest
- Corporate Governance
- Conflict of Interest
- Valuation of assets
- Adequacy of disclosures

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New Framework for Main Market – Bursa

Current Framework

- Bonus Issue, ESOS, share buybacks
- RPTs
- Approval of Circulars
- Approval of listing and quotation for securities
- Continuing listing obligations of PLC
- Independent directors
- Audit Committee

Focus Areas

- Procedural compliance
- Public spread
- Adequacy of disclosures

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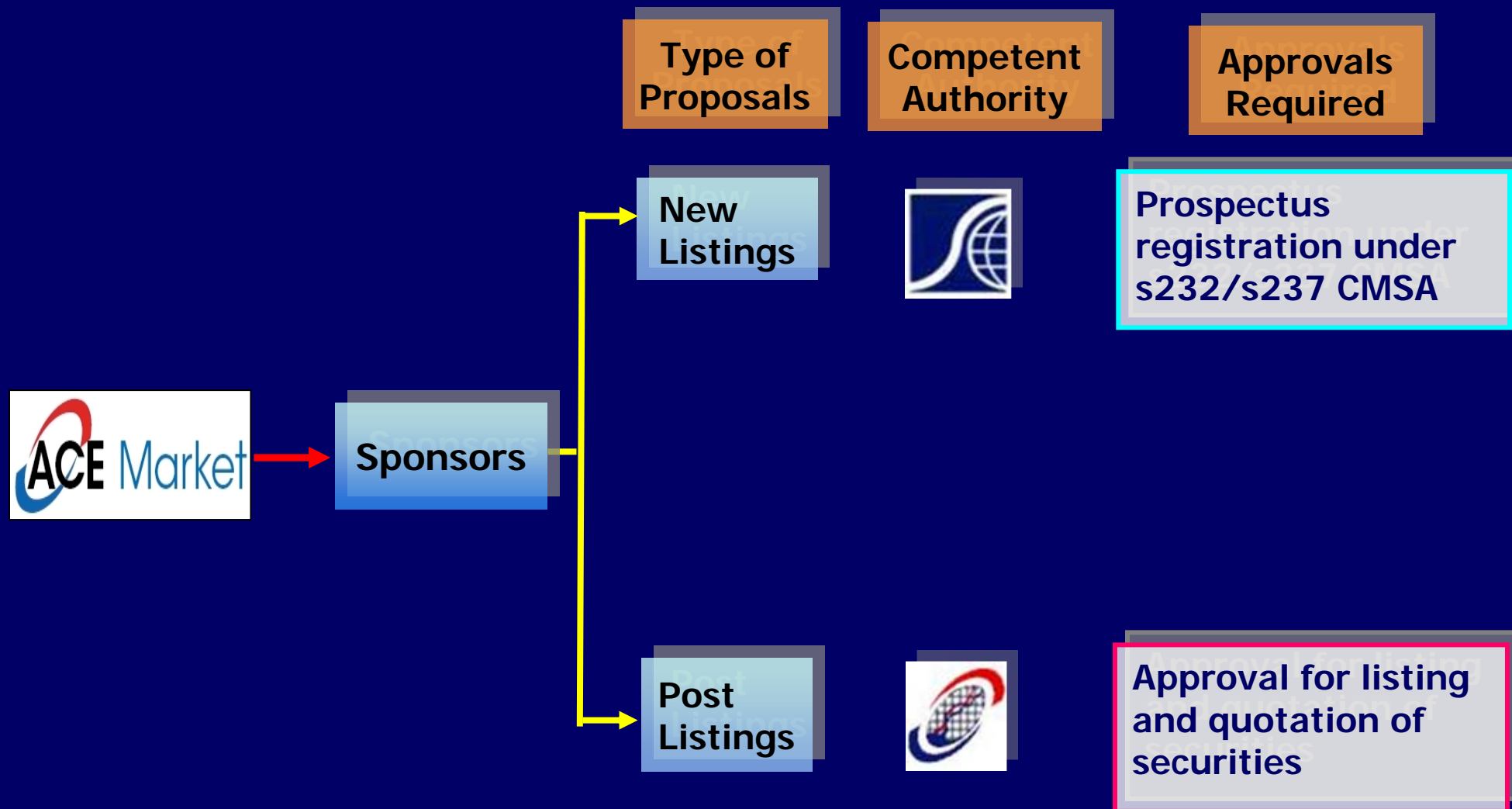
NEW

- Acquisitions and disposals
- Secondary fund raising e.g. rights and bonus issues which are not part of an IPO proposal, private placements and restricted issue

Focus Areas

- Procedural compliance
- Public spread
- Adequacy of disclosures

New Regulatory Approaches – ACE Market





New Framework for ACE Market – SC

Current Framework

s212 CMSA (Regulatory Approval)

- IPOs
- Acquisitions and disposals resulting in significant change in business direction or policy of a listed corporation
- Secondary fund raisings

s232 and s237 CMSA (Prospectus registration)

- IPOs and public offerings
- Rights Issues

Focus Areas

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- **Viability assessment**
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- Adequacy of disclosures

New Framework

No s212 CMSA approval with Sponsors complementing gate keeping role

s232 and s237 CMSA (Prospectus registration)

- IPOs and public offerings
- Rights Issues

Focus Areas

- Public Interest
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- Adequacy of disclosures



New Framework for ACE Market – Bursa

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- Compliance with minimum requirements
- Procedural compliance
- Public spread
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- New Board Structure and New Regulatory Approaches

- **New Guidelines and Submission Arrangements**

5 new/revamped SC guidelines...

New Guidelines

Equity Guidelines [Slide 24](#)

- Stipulates listing requirements on the Main Market and issuance of equity in a fund-raising exercise

Prospectus Guidelines [Slide 25](#)

- Stipulates disclosure requirements for the prospectus

Principal Adviser Guidelines [Slide 26](#)

- Stipulates advisers who can advise and submit corporate proposals

Asset Valuation Guidelines [Slide 27](#)

- Stipulates standards of asset valuation in corporate proposals

Structured Warrants Guidelines [Slide 28](#)

- Stipulates requirements for issuance of structured warrants



Equity Guidelines – Major criteria adopted for new listing (Main Market)

Quantitative Requirements

Profit Track Record Test

- Aggregate PAT over 3-5 FYs **Min RM20 mil**
- Most recent PAT **Min RM6 mil**
- Profit must be uninterrupted

Market Capitalisation Test

- Market capitalisation of min RM500 mil (no profit requirement)
- At least 1 full year operating revenue

Infrastructure Project Company (IPC) Test

- Remaining concession or license \geq 15 yrs
- Project costs \geq RM500 mil
- Shorter remaining concession period allowed if the IPC has a profit track record

Other Requirements

- Minimum offer to the general public
- Minimum issue price of RM0.50
- Moratorium on promoters shareholdings for 6 months

Flexibilities:

- No minimum paid-up capital
- No mandatory underwriting
- No additional requirements for specific companies
- IPCs with 2 full FY of revenue can do offer for sale

Equity Guidelines – Major criteria adopted for other proposals requiring SC's approval (Main Market)

Quantitative and Other Requirements

Reverse Take-Over/Back-Door Listing

- Aggregate PAT over 3-5 FYs **Min RM20 mil**
- Most recent PAT **Min RM6 mil**
- Allows profit to be met by enlarged group
- Profits need not be uninterrupted

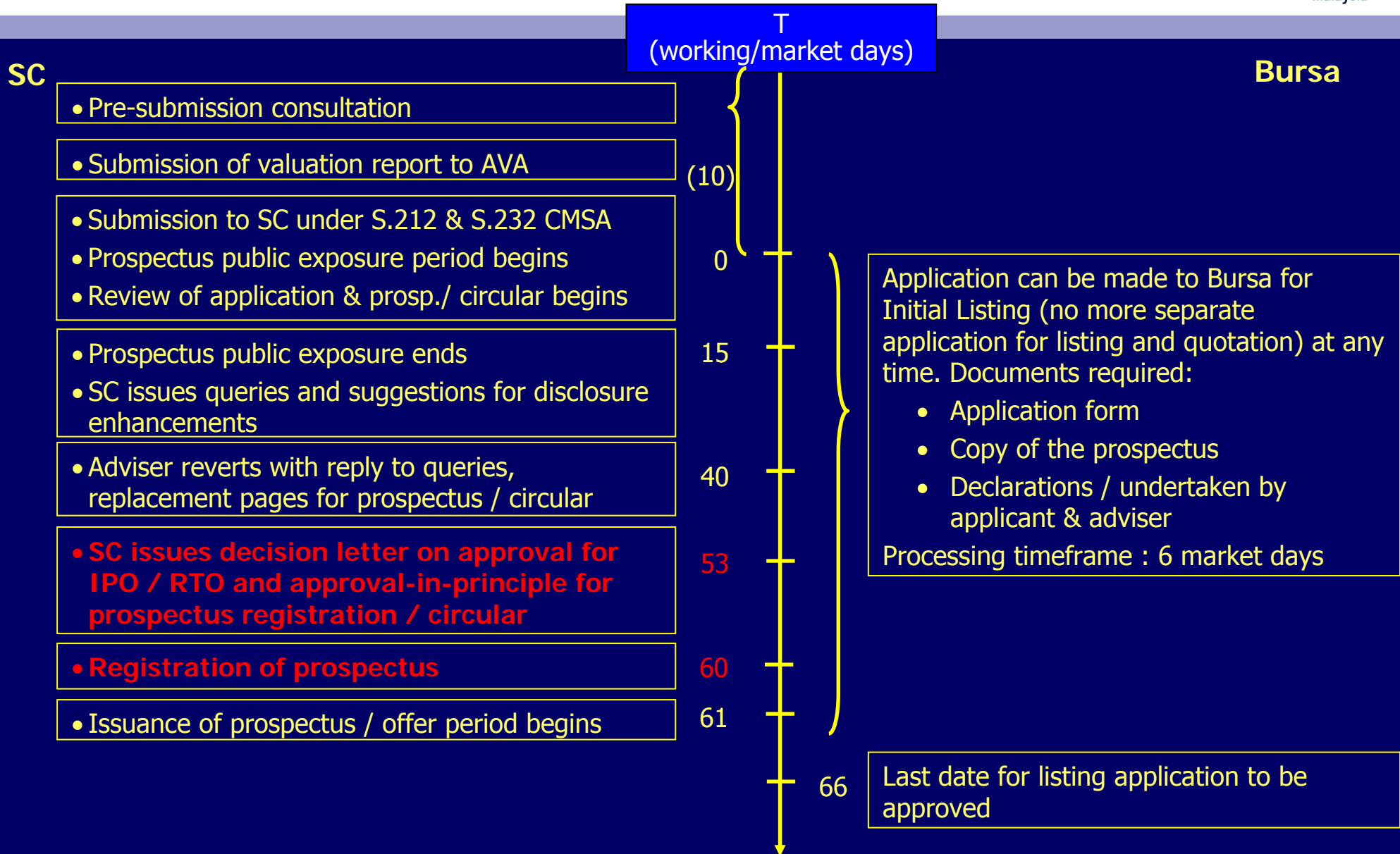
Secondary and Cross Listings

- No quantitative requirement
- Only allowed for corporations with primary listings on the Main Board of the foreign stock exchange

Transfer from ACE Market

- Compliance with either Profit Track Record test, Market Capitalisation test or IPC test

Main Market Submission Process (IPOs/RTOs)



Requirements

- All business sectors, no longer confined to technology and high growth sectors
- No requirement on revenue, operating record and profit
- Must apply for admission through a Sponsor
- Moratorium on promoters shareholdings:
 - 1st 6 months entire shareholdings, subsequently 45% of nominal paid-up capital, selling max 1/3 p.a. straight line basis
 - If yet to generate revenue, maintain 45% of nominal paid-up capital under moratorium until 1 FY of audited operating revenue
- Removal of minimum issue price of RM0.50 requirement
- Allow offer for sale if company has operating profit
- Offer of securities to general public made optional
- No mandatory underwriting arrangements

ACE Market Submission Process (IPOs)

SC

T
(working/market days)

Bursa

- Submission to SC under S.232 CMSA
 - Prospectus public exposure period begins
 - Review of prospectus begins
-
- SC issues queries and suggestions for disclosure enhancements
-
- Prospectus public exposure ends
-
- Adviser reverts with reply to queries, replacement pages for prospectus
-
- SC issues approval-in-principle for prospectus registration
-
- Registration of prospectus
-
- Issuance of prospectus / offer period begins

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• Pre-submission consultation

Application can be made to Bursa for Initial Listing (no more separate application for listing and quotation) at any time. Documents required:

- Application form
- Copy of the prospectus
- Declarations / undertaken by applicant & adviser

Processing timeframe : 6 market days

Last date for listing application to be approved

ACE Market Submission Process (Transfers to Main Market)

SC

T
(working/market days)

Bursa

- Pre-submission consultation
- Submission to SC under S.212 & S.232 CMSA
- Prospectus public exposure period begins
- Review of application & prospectus/ introductory document begins
- Prospectus public exposure ends
- SC issues queries and suggestions for disclosure enhancements
- Adviser reverts with reply to queries, replacement pages for prospectus / introductory document
- **SC issues decision letter on approval for transfer and approval-in-principle for prospectus registration / intro document**
- **Registration of prospectus**
- Issuance of prospectus / introductory document

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Application can be made to Bursa for Initial Listing (no more separate application for listing and quotation) at any time.
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- Copy of the prospectus/ intro document
- Declarations / undertaken by applicant & adviser

Processing timeframe : 6 market days

Last date for listing application to be approved

Transitional Arrangements

	Prior to 3 August 2009	3 August 2009 onwards
IPO	<ul style="list-style-type: none"> • SC approval required for all IPOs under S.212 CMSA • May apply for the new flexibilities • Draft prospectus may comply with content requirement of new guidelines • ACE Market – For cases submitted, must issue prospectus by end 2009 	<ul style="list-style-type: none"> • SC approval under S.212 CMSA required for Main Market IPOs only • If company has received SC approval but yet to issue prospectus, prospectus must comply with new guidelines (registration – still 14 working days)
Secondary fund-raising	<ul style="list-style-type: none"> • SC approval required as normal 	<ul style="list-style-type: none"> • If approval lapses, implement under new framework after 3 August 2009 • Any variation to terms of SC approved cases to be submitted to the SC
Structured Warrants	<ul style="list-style-type: none"> • 21 working days for SC to approve initial issuance, 14 days registration for base prospectus • 4 working days to approve and register term sheet • Proposals to comply with new Structured Warrants Guidelines • Base prospectus must comply with SC's Structured Warrants Guidelines 	<ul style="list-style-type: none"> • New instruments may be introduced after 3 August 2009 (i.e. put warrants) • SC would only register the base prospectus and term sheets • If in full compliance with Prospectus Guidelines – Structured Warrants, waiver fees of RM3,500 do not apply for registration of base prospectus and term sheets



Thank You

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Equity Guidelines - Listing of SPACs

Key Requirements

- Raise minimum RM150 million at IPO
- Minimum 90% of IPO proceeds to be deposited in a trust account
- At least 80% of amount in trust account to be used for qualifying acquisition
- At least 10% in the SPAC held by management team upon IPO with embedded restriction on voting and participation in liquidation distribution
- SPAC to complete qualifying acquisition within 36 months from the close of IPO
- Moratorium on entire shareholdings of management team where shares are to be released in stages within 2 years after completion of a qualifying acquisition
- SPAC be required to abort the proposed qualifying acquisition if more than 25% of its public shareholders vote against the qualifying acquisition

Key Changes

- Refinement of related-party transactions/ conflict of interest disclosure requirement
- Utilisation of proceeds – more detailed disclosures
- New section on specific requirements for structured warrants
- New chapter on specific requirements for SPACs
- Detailed description on history of business with examples
- History on share capital for the last 3 years only
- Table of income statement for the past 3 to 5 financial years, depending on the length of the profit track record used by the corporation to qualify for listing

Key Changes

Principal Advisers seeking to undertake specific corporate proposals must satisfy the following requirements:

- Fall within the category of eligible principal advisers of the guidelines; and
- Have at least 2 senior personnel (Qualified Senior Personnel) with the following competency and experience:
 - 7 years of relevant corporate finance experience; and
 - In the 5 years immediately preceding the senior personnel being designated as a Qualified Senior Personnel, he must have played a substantial role in the engagement team responsible for advising in at least 3 of the following proposals:
 - IPOs;
 - Significant acquisitions; or
 - Regularisation plans undertaken by PN17 and GN3 companies

Key Changes

•Enhanced requirements on valuation firm making submissions

–Property assets must be valued by a firm registered with the Board of Valuers with the following requirements:

- Has at least one equity owner at head office with minimum of 7 years' post registration experience;
- Has not been issued with more than two sanctions by the SC and/or Bursa in the past three years; and
- Has sufficient internal controls and procedures i.e. firm conducts necessary due diligence on all valuation reports prepared, has an established peer review process and head office has an oversight over all its branches

•Bar raised for valuers carrying out valuations

- Independent valuer must, among others, possess a minimum of 5 years' post-registration experience

•Higher disclosure requirements in valuation certificates and reports

- Valuation parameters and their justification to be disclosed in valuation certificates

New Flexibilities

- **Issuers of structured warrants allowed to undertake market-making for their structured warrants issues**
 - Facilitate the movement of prices from one level to another
 - Promotes investor confidence as there is immediacy
 - Providing liquidity : buying when there are sellers and selling when there are buyers
- **Issuance of warrants of local and foreign Exchange Traded Funds**
 - Provide investors with efficient access to alternative asset classes
 - Broaden the spectrum of investment opportunities