



BURSA MALAYSIA

CONSULTATION PAPER

eCASH PAYMENTS

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Bursa Malaysia Securities Berhad and Bursa Malaysia Depository Sdn Bhd invite your written comments on the issues set out in this Consultation Paper by 18 April 2012 via:

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

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I. INTRODUCTION

A. Purpose of the Consultation Paper

This Consultation Paper seeks to inform the public of our proposed rule amendments to extend the existing framework used by listed issuers for direct crediting of dividends into the bank accounts of their securities holders (“**eDividend facility**”) to cash distributions and other forms of cash payments made by issuers to their securities holders.

The proposed amendments for consultation relate to the Main Market Listing Requirements (“**Main LR**”) and ACE Market Listing Requirements (“**ACE LR**”) of Bursa Malaysia Securities Berhad (“**Exchange**”), and the Rules of Bursa Malaysia Depository Sdn Bhd (“**Bursa Depository**”) as summarised below.

The proposed rule amendments attached to this Consultation Paper **HAVE NOT** been approved by the Securities Commission (“**SC**”) and as such are not the final rule amendments. The Exchange and Bursa Depository will submit the finalised rule amendments to SC for approval after receipt of comments on the rule amendments pursuant to this Consultation Paper and making the relevant changes where appropriate, to the rule amendments.

B. Summary of Proposals

The Exchange and Bursa Depository invite comments and feedback on the proposed amendments as stated below:

- (a) Under the Main LR and ACE LR (collectively referred to as “**the Listing Requirements**”), to mandate listed issuers to pay specified types of cash distributions to their securities holders via the eDividend facility. Depositors who have not registered their bank account details with Bursa Depository will continue to receive payments by cheque from the listed issuers or share registrar; and
- (b) Under the Rules of Bursa Depository, to enable Bursa Depository to provide the bank account details and other related information as provided by the securities holders to Bursa Depository for the purposes of the eDividend initiative (“**bank account details**”) to the issuers and offerors in a take-over situation, in order to facilitate the electronic payment of other cash payments.

All of the proposed amendments shall collectively be referred to in this Consultation Paper as the “**Proposed Amendments**”.

II. DETAILS OF PROPOSALS

A. Background

1. Currently, listed issuers are mandated under the Listing Requirements to pay cash dividends to their shareholders who have provided their bank account details to Bursa Depository by directly crediting such payments into their shareholders' bank accounts. Listed issuers are also required to provide electronic notification to these shareholders once the listed issuers have paid the cash dividends out of their accounts.
2. The Rules of Bursa Depository currently provide for depositors to lodge their bank account details with Bursa Depository, so that Bursa Depository can then provide the bank account details to issuers to facilitate the payment of cash dividends. Therefore, since the launch of eDividend in April 2010, Bursa Depository has been the central repository of depositors/securities account holders' bank account details.
3. It is to be noted, however, that in addition to cash dividends, issuers also make various other types of cash distributions or payments to their securities holders in relation to the securities holders' securities. These distributions or payments include for example, interest or coupon payments or income distributions arising from real estate investment trust ("REITs") or exchange traded fund ("ETFs") held by the securities holder. For these types of payments, there is no obligation for the issuers to use the eDividend facility. Therefore, generally the issuers continue to make payment to their securities holders by way of cheques.
4. The Exchange and Bursa Depository now propose to extend the eDividend facility to these other types of payments which are typically made by issuers to their securities holders in the manner set out below.

B. Objectives

5. The main objective of extending the eDividend facility to other forms of cash payments in addition to dividends is to promote greater efficiency for cash payments made by issuers to their securities holders. In considering this, the Exchange and Bursa Depository have taken cognisance of the various comments raised by stakeholders, in particular the inherent problems arising from payments being made via cheque to securities holders. Some examples are delays in receiving the cheque via the postal system, lost cheques and the additional costs associated with the issuing of cheques.
6. The extension of the eDividend facility to other forms of cash payments is intended to address the problems arising from cheque payments for these types of payments, with the net result that securities holders will receive their payments within a shorter timeframe, in a secure environment and without the need for further action on their part. Issuers also benefit by being able to streamline their payment processing for most if not all, forms of cash payments made to their securities holders, utilising an already familiar framework. At the same time, this initiative is a further step towards the national agenda of migrating to electronic payments as well as adherence to G-30's recommendation on best practices of a paperless environment and zero-intervention process.

7. The Exchange and Bursa Depository have also taken into account the positive feedback received on the eDividend facility, and the requests from issuers to extend the eDividend facility to other forms of cash payments. In fact, several listed issuers have voluntarily used the eDividend facility in 2011 to make cash payments other than dividends to their securities holders¹.
8. With the above in mind, the Exchange and Bursa Depository now propose a framework for other forms of cash payments (collectively “**eCash Payments**”) that will provide the following benefits:
 - (a) Faster access to the payments which are paid directly into the securities holders’ bank account;
 - (b) The convenience of not having to deposit the payment cheques into the securities holders’ bank accounts;
 - (c) The convenience of lodging bank account details only once with Bursa Depository to get electronic payments from all issuers, as compared to having to register for electronic payment with each issuer;
 - (d) Minimising existing problems such as lost or expired cheques, delays in receiving the payments and unauthorised deposit of the cheques;
 - (e) Greater efficiency arising from a reduction in the administrative work for the issuer such as reconciliation of unclaimed cheques and the processing of requests for issuance of replacement cheques; and
 - (f) Greater consistency in the processing of cash payments in connection with securities listed on Bursa Securities as currently there is a different treatment for cash dividends which is mandated to be paid via eDividend facility, as compared to other payments which may not necessarily be paid via eDividend.
9. In devising the rule framework for the eCash Payments, the Exchange and Bursa Depository were guided by the following considerations:
 - (a) that the depositors’ consent must be obtained to enable the disclosure of their bank account details by Bursa Depository, the issuers or offerors and their agents, as required under the law;
 - (b) that such disclosure should be for the purpose of facilitating payments by the issuers or offerors to the securities holders in connection with the deposited securities;
 - (c) that to facilitate electronic payments as much as possible, issuers be mandated to make cash payments via the eDividend facility to depositors who have provided their consent as referred to above; and
 - (d) that the framework should facilitate issuers or offerors who wish to also use the eDividend facility on a voluntary basis, to make payments of other forms of cash payments to their securities holders.

The details of the framework and issues are discussed below.

¹ Out of a total of 108 cash payments other than dividends made by listed issuers in 2011, 23 of these payments were made voluntarily by them using the eDividend facility.

C. Framework for eCash Payments

10. Based on the principles and considerations as highlighted in paragraph 9 above, the Exchange and Bursa Depository propose to adopt a hybrid approach in relation to eCash Payments as follows:
 - (a) to mandate listed issuers to pay the various common types of cash distributions where depositors' consent has been obtained via the eDividend form², electronically to their securities holders ("**Cash Distributions**"); and
 - (b) to allow issuers to pay other cash payments not falling within paragraph 10(a) electronically, on a voluntary basis.
11. The fundamental principles underpinning the hybrid approach are to ensure that the proposed framework is -
 - (a) balanced in that the regulatory costs and burden of compliance is proportionate to the benefits;
 - (b) practical and effective; and
 - (c) facilitative of innovation and business efficacy.

Cash distributions

12. Accordingly, under the Listing Requirements, the Exchange proposes to extend the eDividend framework³ to the following cash distributions or payments made by listed issuers (also called **Cash Distributions** for the purposes of this Consultation Paper as stated in a paragraph 10(a) above):
 - (a) interest payments on loan or debenture stocks;
 - (b) coupon payments on bonds;

² Under the eDividend form, the depositor has consented to the disclosure of his bank account details to any person as may be necessary to facilitate the payment of all cash dividends as well as other **cash distributions** to the depositors' bank account. A copy of the eDividend form for reference is available on the Exchange's website at www.bursamalaysia.com.

³ The eDividend framework means the framework for eDividend described in Bursa Malaysia's Consultation Paper on eDividend No. 1/2010 dated 19 February 2010, the key features of which include:

- (a) listed issuers being mandated to pay cash dividends to their securities holders who have provided their bank account details to Bursa Depository by directly crediting such payments into their securities holders' bank accounts;
- (b) listed issuers being mandated to provide electronic notification to these securities holders once the listed issuers have paid the cash dividends out their accounts; and
- (c) Bursa Depository acting as the central repository for the bank account details and providing the bank account details to the listed issuers.

- (c) income distributions made by collective investment schemes such as REITs and ETFs;
 - (d) capital repayment;
 - (e) cash payments in lieu of odd lots from distributions in specie; and
 - (f) such other cash payments as may be specified by the Exchange from time to time.
13. Hence, when listed issuers pay Cash Distributions, they are mandated to -
- (a) pay the Cash Distributions to their securities holders via direct crediting into the bank accounts of the securities holders who have provided their bank account details to Bursa Depository⁴; and
 - (b) provide electronic notification to the securities holders who have furnished Bursa Depository with the relevant contact details for purposes of electronic notification, once the listed issuers have paid the Cash Distributions out of their accounts⁵.
14. In proposing to mandate electronic payment for Cash Distributions, the Exchange is mindful not to impose additional regulatory burden upon listed issuers. With this in mind, the types of cash payments set out in paragraph 12 above have been included as Cash Distributions and mandated for electronic payment by direct crediting into the bank accounts, on the basis that they are various common types of cash distributions made by listed issuers presently and these types of payments come within the ambit of “cash distributions” in the eDividend Form. Therefore, by paying Cash Distributions electronically via direct crediting into the bank account of the securities holders, listed issuers are not required to obtain the securities holders’ consent for disclosure of bank account details as such consent is already given via the eDividend form previously executed by the securities holders.
15. The operational details for payment of Cash Distributions by listed issuers and receipt of the Cash Distributions by the securities holders are as follows:
- (a) the bank account details provided by a securities holder to Bursa Depository to receive direct crediting of dividends under the eDividend framework will be the same account used for crediting of the Cash Distributions;
 - (b) the consent given through the eDividend form previously submitted by the securities holder for eDividend purposes, will be relied on to enable the disclosure of the bank account details to facilitate the electronic payment of Cash Distributions;
 - (c) where the securities holder has provided his bank account details to Bursa Depository, he will receive all Cash Distributions via direct credit into his bank account;

⁴ See proposed amended paragraph 8.26A(1) of the Main LR in Annexure B and Rule 8.28A(1) of the ACE LR in Annexure C.

⁵ See proposed amended paragraph 8.26A(2) of the Main LR in Annexure B and Rule 8.28A(2) of the ACE LR in Annexure C.

- (d) if a securities holder has not provided his bank account details to Bursa Depository, the issuer may then continue to pay the Cash Distributions to that securities holder using an existing manner;
- (e) a listed issuer who is mandated under the Listing Requirements to pay Cash Distributions to its securities holders by directly crediting payments into their bank accounts must request for the bank account details from Bursa Depository⁶ and a prescribed fee will be charged for the provision of such bank account details which will be in addition to the charge for issuance of the Record of Depositors;
- (f) the listed issuer will be required to provide electronic notification to its securities holders once the listed issuers have paid the Cash Distributions out of their accounts; and
- (g) a listed issuer may appoint any service provider (including Bursa Depository) for the crediting of the Cash Distributions directly into its securities holders' bank accounts.

Cash distributions involving unlisted or delisted securities

16. In relation to cash distributions involving unlisted or delisted securities, issuers of such securities can choose, but will not be mandated, to pay such payments via electronic payment. If they choose to do so, they will be required to obtain the securities holders' bank account details from Bursa Depository in the manner specified by Bursa Depository⁷. The same approach is currently in place in relation to cash dividends involving unlisted or delisted securities. For clarity, the current Rule 21.10(4) of the Rules of Bursa Depository will be amended to also cover delisted (and not just unlisted) securities.

Other Cash Payments

17. This category is intended to cover all forms of cash payments to the securities holders other than Cash Distributions (which includes cash dividends). Examples of cash payments intended to fall within this category include:
- (a) cash settlements of structured warrants;
 - (b) cash redemption of ICULS or bonds upon maturity;
 - (c) refunds in connection with an initial public offering ("IPO"); and
 - (d) cash consideration for offer shares in respect of take-over offers.

⁶ See proposed amended Rule 21.10 of the Rules of Bursa Depository in Annexure D.

⁷ See current Rule 21.10(4) of the Rules of Bursa Depository which is proposed to be renumbered as the new Rule 21.10B(5) of the Rules of Bursa Depository in Annexure D.

18. As mentioned, these are payments which will not be mandated by the Exchange to be paid electronically to the securities holders as the consent of the depositors to the disclosure of their bank account details would need to be obtained for such payments. The Exchange and Bursa Depository are taking steps to address this issue of consent. In the meantime, if the other cash payments are to be paid electronically, issuers must take the necessary steps to obtain the consent of their securities holders' to disclose the bank account details for each type of these other cash payments, separately. This is to fulfill the legal requirement under the Securities Industry (Central Depositories) Act 1991 that the depositors' consent must be obtained to enable the disclosure of their bank account details by Bursa Depository, the issuers or offerors and their agents.
19. In addition, in relation to IPO refunds and cash consideration to be paid by an offeror in respect of take-over offers, it may be impractical for the Exchange to mandate such payments as these parties (an IPO applicant and offeror) do not fall within the purview of the Exchange.
20. In view of the above, the Exchange and Bursa Depository propose that the framework for payment of these other cash payments be left as a voluntary practice. Nonetheless, we hope that electronic of other cash payments will eventually evolve and become a common industry practice.
21. As such, the framework for other cash payments will be similar to that for Cash Distributions as discussed above, with the following exceptions:
- (a) issuers are not mandated to pay these other cash payments to their securities holders via direct crediting into the relevant bank account but may do so if they wish⁸;
 - (b) unlike Cash Distributions where the depositors' consent has already been procured through the eDividend form, the issuer or offeror in a take-over situation will be required to obtain the securities holders' irrevocable consent⁹ for each type of these other cash payments proposed to be made to its securities holders. The securities holders' consent will need to be obtained in relation to:
 - (i) receiving the relevant cash payments via direct credit into the securities holders' bank account; and
 - (ii) unless there is a change in the relevant law, consent to the disclosure by Bursa Depository, the issuer or offeror or their respective agents to any person, of the depositor's bank account details as may be necessary or expedient to facilitate the direct credit of the cash payment into the securities holder's bank account or for any other purpose in connection with the payment.
 - (c) the consent referred to in paragraph (b) above would need to be obtained through the relevant documents, for example, the initial public offering application form or the acceptance of the take-over offer.

⁸ See proposed new Rule 21.10A(1) of the Rules of Bursa Depository in Annexure D.

⁹ See proposed new Rule 21.10A(2) of the Rules of Bursa Depository in Annexure D.

Summary

22. For ease of reference, the key features of the framework in relation to eCash Payments is summarised below:

Type of cash payment	Issuers mandated to pay electronically if the depositor has provided bank account details?	Method of obtaining depositor's consent to disclose the bank account details
(i) Cash Distributions (including cash dividends)	Yes [Please refer to paragraphs 13 and 14 above]	Via the eDividend form previously submitted by the securities holder to Bursa Depository [Note: The consent in the existing eDividend form covers cash dividends and other cash distributions.]
(ii) Other cash payments	No [Please refer to paragraphs 18 to 20 above]	Via the relevant documents e.g. the initial public offering application form.

D. Text of Proposed Amendments

23. The full text of the Proposed Amendments is attached as follows for your reference:

- (a) Annexure B in relation to the proposed amendments to the Main LR;
- (b) Annexure C in relation to the proposed amendments to the ACE LR; and
- (c) Annexure D in relation to the proposed amendments to the Rules of Bursa Depository.

24. The Proposed Amendments 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 deleted.

25. This Consultation Paper which includes the Proposed Amendments can be downloaded from the Exchange's website at www.bursamalaysia.com.

E. Issues for Consultation

26. With regards to the above, we invite your comments on the Proposed Amendments. For your ease of reference, we enclose here Annexure A setting out the issues for consultation, for your comments.

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Annexure A Comments to proposals in relation to eCash Payments

[Please see the table of comments enclosed with this Consultation Paper]

Annexure B – D Proposed amendments to the Listing Requirements and Rules of Bursa Depository

[Please see the proposed rule amendments enclosed with this Consultation Paper]