



**KEY MARKET FEEDBACK AND RESPONSES  
FROM BURSA MALAYSIA SECURITIES BERHAD**

**CONSULTATION PAPER NO. 4/2014 ON  
PROPOSED REVIEW OF THE ACE MARKET LISTING REQUIREMENTS**

**1. BACKGROUND**

- 1.1 On 18 November 2014, Bursa Malaysia Securities Berhad (“**the Exchange**”) published a consultation paper seeking public feedback on the proposed amendments to the ACE Market Listing Requirements (“**ACE LR**”) in relation to the ACE Market review (“**Consultation Paper**”).
- 1.2 The ACE Market review was undertaken by the Exchange with the aim to promote ACE Market as an attractive and competitive listing and investment platform. Through this review, the Exchange hopes that it can play a more effective role as a facilitator of capital raising and investment in the current dynamic and competitive capital market environment. Further, the Exchange also looks forward to facilitating more small and medium enterprises (“**SMEs**”) and companies with growth potential or good prospects to raise funds through initial public offerings (“**IPOs**”) on the ACE Market to fully realise their potential.
- 1.3 With the above objectives in mind, the Exchange issued the Consultation Paper and proposed the following amendments to the ACE LR:

**Enhancements to promote a more transparent framework, with greater clarity of the admission criteria**

- (a) clarifying the admission criteria and suitability assessment to be undertaken by a sponsor with additional guidance;
- (b) introducing a new pre-Initial Public Offering (“**pre-IPO**”) consultation procedure for an ACE Market applicant, allowing the applicant to seek guidance as to the admission requirements of the Exchange at an early stage;
- (c) requiring an independent market research report in support of an ACE Market applicant’s listing application to enhance disclosures about the applicant; and
- (d) clarifying the requirements applicable to an applicant seeking listing on the ACE Market via a corporate proposal which will result in a significant change in business direction or policy of a listed corporation to promote parity of regulation.

**Measures to ensure the continued attractiveness and competitiveness of the ACE Market as a listing and investment platform**

- (a) liberalising the moratorium requirements for eligible promoters;
- (b) shortening the moratorium period applicable to promoters of listed corporations which are eligible for listing on the Main Market;
- (c) exempting listed corporations which have met the Main Market admission criteria from the sponsorship requirement post-listing;
- (d) pre-vetting selected circulars by the Exchange prior to their issuance to shareholders to ensure quality and parity in the standards of disclosure in the marketplace;

**KEY MARKET FEEDBACK & BURSA'S RESPONSE**  
**Consultation Paper 4/2014**  
**Proposed Review Of The ACE Market Listing Requirements**

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- (e) liberalising the sponsorship framework by removing the requirement for sponsors to approve public documents and allowing a change of sponsors without the Exchange's prior approval; and
- (f) broadening the pool of eligible advisers to provide wider choice to a listed corporation in the appointment of an independent adviser for prescribed corporate proposals.

1.4 At the end of the consultation period which closed on 9 January 2015, we received a total of 17 written responses. The responses can be broadly grouped as follows:

CATEGORY	NUMBER	%
Listed issuers	4	23.5
Corporate finance advisers	4	23.5
Industry associations	8	47.0
Others	1	6.0
<b>TOTAL</b>	<b>17</b>	<b>100</b>

- 1.5 The Exchange would like to take this opportunity to thank all industry participants and stakeholders for their valuable feedback and comments on the Consultation Paper.
- 1.6 A summary of the respondents' key feedback and comments with regard to the proposals made in the Consultation Paper, as well as our responses and conclusions are set out in the following sections.
- 1.7 The Exchange has amended the ACE LR accordingly after taking into account the market feedback. The amended ACE LR came into effect on 13 July 2015 and is available on Bursa Malaysia Berhad's website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

## 2. KEY MARKET FEEDBACK AND THE EXCHANGE'S RESPONSE

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### PART 1 ENHANCEMENTS TO PROMOTE A MORE TRANSPARENT FRAMEWORK, WITH GREATER CLARITY OF THE ADMISSION CRITERIA

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#### Proposal 1.1 Clarifying the admission criteria and suitability assessment undertaken by the Sponsor of an ACE Market Applicant with additional guidance

- 2.1. In the Consultation Paper, the Exchange proposed to enhance the assessment undertaken by a Sponsor<sup>1</sup> on the prospects of a listing applicant by clarifying that such assessment must include an evaluation of the growth potential of the applicant. In evaluating the prospects of a listing applicant, a Sponsor must be satisfied that the listing applicant's business has growth potential, having regard to its business plan, which may cover, amongst others, the product development plan, research and development initiatives, intellectual property rights (where applicable) and its competitive advantage over its peers.
- 2.2. The Exchange further proposed to set out some of the characteristics of applicants that a Sponsor should not generally regard as being suitable for listing on the ACE Market ("**Negative List**"), such as the following:
- (a) the applicant's business is loss making;
  - (b) the applicant's business shows declining profits; or
  - (c) the applicant suffers from low profitability and without any growth in financial results.

An applicant demonstrating any of the characteristics set out in the Negative List may still seek listing on the ACE Market if it has taken steps to improve its financial performance or it has a strategy to revive its business in the future, or it is able to provide to the Exchange acceptable justifications on the prospects of the applicant's business.

- 2.3. Respondents were asked to give their comments on the following questions:-

Proposal 1.1 – Issue(s) for Consultation:

1. Do you agree with the proposed clarification of the suitability assessment to be undertaken by a Sponsor as set out in paragraph 4 of the Consultation Paper which should include an assessment on the "growth potential" of an applicant seeking listing on the ACE Market?

Please also give us your views on how the Exchange may promote greater clarity on the suitability assessment of an applicant to be undertaken by a Sponsor.

2. Do you agree with the Exchange's proposal to prescribe the Negative List? If so, do you agree with the components of the Negative List?

Please state your views and reasons for your views.

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<sup>1</sup> Means such persons who are registered on the Register of Sponsors.

### **Summary Of Key Feedback By Respondents**

- 2.4. There were mixed views on the proposal to evaluate the growth potential of the applicant. Some respondents objected to this proposal and were of the view that the criterion of "growth potential" should only be limited to growth industries.
- 2.5. A respondent opined that if a Sponsor were expected to undertake the evaluation and justify to the Exchange the growth potential of an applicant and disclose its evaluation process in the prospectus accordingly, it would place undue burden on the Sponsor and defeat the underlying philosophy of the ACE Market as a sponsor-driven framework, i.e. empowering the Sponsors to undertake the necessary due diligence and satisfy themselves of the suitability for listing of the applicant.
- 2.6. Another respondent commented that the term "growth potential" was vague and subjective. It also highlighted that the objective of the ACE Market was to allow access to equity funding by companies of all sizes, as reflected in the regulatory framework governing the ACE Market where there is no quantitative admission criteria nor minimum size prescribed for IPOs in the ACE LR.
- 2.7. On the other hand, a majority of the respondents agreed with the proposal on the Negative List. They believed the criteria in the Negative List were fair, and would provide greater clarity on the types of applicants which are unsuitable for listing, thus maintaining the quality of companies listed on the ACE Market.
- 2.8. A few respondents however, suggested that the Exchange should clarify the criterion on "business showing declining profits" as it lacked clarity in terms of the duration, quantum and impact to the applicant's business as a result of such decline.
- 2.9. We also received suggestions to clarify the application of the Negative List in relation to companies which are involved in technology-based business activities (IT) or research and development (R&D) as such companies may have growth potential but trigger the criteria in the Negative List.
- 2.10. There was also a respondent which expressed its comments that the proposed Negative List might become an obstacle for emerging companies seeking to access equity funding, therefore affecting the attractiveness of ACE Market as a listing venue.

### **Bursa's Responses And Conclusion**

- 2.11. After taking into consideration the comments from the respondents with regard to the proposal on evaluating the "growth potential" of a listing applicant, the Exchange has decided not to adopt this proposal. Presently, the Sponsors are guided by the qualitative requirements set out in the ACE LR when evaluating the suitability of an applicant, in the absence of any quantitative admission criteria. Such qualitative requirements have already included an assessment of the prospects of an applicant's business, which encompass an evaluation of the potential of the applicant as well. For instance, paragraph 3.1, Guidance Note 18 of the ACE LR states that in evaluating the prospects of an applicant, a Sponsor must consider, amongst others, whether –

**KEY MARKET FEEDBACK & BURSA'S RESPONSE**  
**Consultation Paper 4/2014**  
**Proposed Review Of The ACE Market Listing Requirements**

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- (a) The business is likely to succeed;
- (b) The business has potential for profitable operations and wealth creation;
- (c) The applicant has adequate resources to realise its potential; and
- (d) The applicant has a sustainable position in the industry.

Accordingly, a Sponsor will have to provide justifications to the Exchange on the prospects of an applicant (which includes its potential), and demonstrate to the Exchange on why an applicant is considered suitable for listing in an IPO application.

- 2.12. In addition, since the Exchange has put in place a new pre-IPO consultation procedure to assist a potential applicant or its Sponsor to have a preliminary assessment on the suitability of the applicant for listing, the potential applicant or its Sponsor will be able to seek clarification from the Exchange on the suitability of the applicant for listing. We believe this will promote greater efficiency to the listing process without the need for an additional admission criterion relating to "growth prospect" of an applicant.
- 2.13. On the other hand, as a majority of the respondents agreed with the proposal on the Negative List, the Exchange has proceeded with this proposal with some modifications for greater clarity. The Negative List sets out the characteristics of companies which are generally not considered as suitable for listing by the Exchange.
- 2.14. Arising from the feedback received via the Consultation Paper, the Exchange has taken note of the suggestion for greater clarity on the criterion of "business showing declining profit", and amended the ACE LR accordingly to clarify that such criterion would only apply if the trend of declining profit raises doubt on the potential of the listing applicant.
- 2.15. Additionally, the Exchange has further clarified in the ACE LR that innovative companies involved either in technology-based business activities (IT) or research and development (R&D) would not be subject to the Negative List and would be able to seek listing on the ACE Market. This is provided that there are acceptable justifications on the prospects of the applicants' business. We wish to ensure that the financial requirements as proposed in the Negative List will not limit the opportunity for an IT or R&D corporation with good business prospects from seeking listing on the ACE Market as the business of such companies may have long gestation periods, and require time to obtain the relevant regulatory approvals before its products can be launched.
- 2.16. With the revision to the ACE LR as stated above, the Exchange believes that we have arrived at a balanced framework for initial listing criteria on the ACE Market, which addresses the industry's comments and suggestions.
- 2.17. Maintenance of market quality is of paramount importance to the Exchange. For loss making companies, generally they are not eligible for listing. For such companies to be considered as suitable for listing, the Sponsors must be able to demonstrate that there are acceptable justifications on the prospects of an applicant's business as set out in paragraph 3.2 of Guidance Note 18 of the ACE LR.

**Proposal 1.2 Introducing a new pre-IPO consultation procedure for ACE Market applicants**

- 2.18. The Exchange proposed to set out the procedure for pre-IPO consultation in the ACE LR to promote transparency to the market of such practice, particularly to potential issuers which might want to consult the Exchange on their suitability to list on the ACE Market.
- 2.19. The Exchange further proposed to prescribe a list of documents which an applicant is required to furnish to the Exchange 1 week before the pre-IPO consultation meeting takes place. Generally, the information required relates to the corporate and shareholding structure of a listing applicant, its business, financial information and future plans, as well as the rationale for listing and proposed utilisation of IPO proceeds.
- 2.20. Respondents were asked to give their comments on the following questions:

Proposal 1.2 – Issue(s) for Consultation

3. Do you agree with the Exchange's proposal to set out the voluntary pre-IPO consultation with the Exchange in the ACE LR? Please state your views and reasons for your views.
4. Do you agree with the proposed contents of the documents and information required for pre-IPO consultation as set out in the new Appendix 3A of the ACE LR, and as briefly described in paragraph 11 of the Consultation Paper?

Please state your views and reasons for your views.

**Summary Of Key Feedback By Respondents**

- 2.21. A majority of the respondents agreed with this proposal.
- 2.22. Some respondents commented that the term 'financial statements' which was not completely consistent with the definition used in MFRS 101 *Presentation of Financial Statements*. Another respondent highlighted that there might be circumstances where a group may not be in existence, and as such, the audited consolidated financial statements might not be available.
- 2.23. Other respondents were of the view that the items for pre-IPO consultation should be generalised e.g. providing a general description for the total funds intended to be raised, without a breakdown.
- 2.24. Three respondents suggested that the potential applicant should be accompanied by a Sponsor/corporate finance adviser in the pre-IPO consultation.

### **Bursa's Responses And Conclusion**

- 2.25. As a majority of the respondents agreed with this proposal, the Exchange has proceeded with this proposal with some modifications.
- 2.26. The term 'financial statement' has been amended to 'audited financial information' as the information required from the potential applicant is only limited to income statement, statement of financial position and cashflow statement. The Exchange has also clarified that the financial information should 'be prepared on a consolidated basis (if applicable). In relation to the requirement on disclosure of amount of funds to be raised and proposed utilisation of IPO proceeds, the potential applicant is only required to provide 'a general description of proposed utilisation funds', not the detailed breakdown.
- 2.27. In response to the suggestion to require an applicant to be accompanied by a Sponsor/corporate finance adviser at the pre-IPO consultation, the Exchange is of the view that this proposal may result in higher initial costs for the applicant, which would defeat the purpose of the pre-IPO consultation process. In addition, requiring the attendance of a Sponsor/corporate finance adviser may deny some potential issuers which have not appointed a Sponsor a chance of having direct engagement with the Exchange. As such, the Exchange has decided not to adopt this suggestion.
- 2.28. With the codification of the pre-IPO consultation in the ACE LR, the Exchange has instituted a structured and in-depth approach for such consultation, by setting out a list of information to be submitted to the Exchange at least a week before the meeting. Therefore, there is greater transparency that a prospective applicant may approach the Exchange directly for a pre-IPO consultation even though a Sponsor may not have been appointed yet. The Exchange does not impose any fees for pre-IPO consultation. We strongly encourage prospective applicants to engage the Exchange for a pre-IPO consultation.

### **Proposal 1.3**

#### **Requiring an independent market research report in support of a listing application by an Applicant**

- 2.29. The Exchange proposed that the applicant should submit an independent market research report ("IMR") to the Exchange in support of its IPO application to the ACE Market. Such report will also be disclosed in the prospectus of the listing applicant.
- 2.30. Respondents were asked to give their comments on the following questions:-

Proposal 1.3 – Issue(s) for Consultation:

5. Do you agree with the Exchange's proposal to require the inclusion of an independent market research report in an IPO application to the ACE Market?

Please state your views and reasons for your views.

6. What other documents or information do you think a Sponsor should include to demonstrate the suitability of a listing applicant to the ACE Market, if any, and why?

### **Summary Of Key Feedback By Respondents**

- 2.31. A majority of the respondents agreed with this proposal, with suggestions for greater clarity on the contents of the IMR.

### **Bursa's Responses And Conclusion**

- 2.32. As a majority of the respondents agreed with this proposal, the Exchange has proceeded with this proposal with some modifications based on the industry feedback received.
- 2.33. The Exchange has clarified that the IMR must contain information about the industry and market in which the applicant operates that will aid investors' understanding about the applicant's business, the background of the independent expert, overview of the industry and commentary on the industry's size, outlook, prospects and competitive landscape.
- 2.34. The Exchange believes that the IMR which provides enhanced information pertaining to the business and industry of an applicant will aid the suitability assessment of the applicant by its Sponsor.

### **Proposal 1.4**

#### **Clarifying the moratorium requirements applicable to an Applicant seeking listing on the ACE Market via a corporate proposal which will result in a significant change in business direction or policy of a listed corporation**

- 2.35. The Exchange proposed to clarify that where a listed corporation acquires an asset which results in a significant change in the business direction or policy -
- (a) the relevant moratorium requirements as set out in Rule 3.19 of the ACE LR will apply on the listed corporation's shares received by the vendor of the assets ("**consideration shares**"); and

**KEY MARKET FEEDBACK & BURSA'S RESPONSE**  
**Consultation Paper 4/2014**  
**Proposed Review Of The ACE Market Listing Requirements**

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- (b) where the vendor is an unlisted corporation, all the direct and indirect shareholders of the vendor (whether individuals or other unlisted corporations) up to the ultimate individual shareholders must not sell, sell, transfer, or assign any of their securities in the vendor during the moratorium period.

2.36. Respondents were asked to give their comments on the following questions:-

Proposal 1.4 – Issue(s) for Consultation:

7. Do you agree with the Exchange's proposal to apply the moratorium requirements to a vendor which acquires an asset which results in a significant change in the business direction or policy of the listed corporation?

Please state your views and reasons for your views.

#### **Summary Of Key Feedback By Respondents**

- 2.37. There were mixed views about this proposal. Those respondents which supported this proposal believed that the vendors should be subject to the same moratorium requirement as is applied for IPOs to ensure parity of regulation, instill investor confidence and safeguard shareholder interest.
- 2.38. On the other hand, some respondents were of the view that in a case where the vendor of the asset is an unlisted corporation, the moratorium requirement should only be applicable to shareholders of the vendor who have controlling interests in the vendor, and not the small or minority shareholders in the vendor as they are unable to exert any influence in decisions making by the vendor.

#### **Bursa's Responses And Conclusion**

- 2.39. The Exchange has proceeded with this proposal with some modifications.
- 2.40. The Exchange agrees that the moratorium requirement should only apply to vendors who are considered as promoters in a listed corporation. This is because the asset which is the subject of a reverse take-over/back-door listing may have many vendors holding different stakes (including minority stakes). Such vendors who are not regarded as promoters in the listed corporation need not be subject to the same moratorium requirements as those vendors who are considered as promoters. This is in view of the underlying principle that the moratorium requirement will only be imposed on promoters, to ensure that there is continued commitment and dedication to the ACE listed corporation after the corporate proposal which will result in a significant change in business direction and policy in the listed corporation is implemented.

- 2.41. Accordingly, the Exchange has amended the ACE LR to clarify that a moratorium will be imposed on the consideration shares as follows:
- (a) a vendor who is within the definition of “promoter” in the ACE LR must comply with the moratorium requirements in respect of the consideration shares; and
  - (b) a vendor who is not within the definition of “promoter” under the ACE LR will not be allowed to sell, transfer or assign the entire consideration shares only for 6 months from the date such shares are listed on the ACE Market.

### **Proposal 1.5**

#### **Clarifying the sponsorship requirements applicable to an Applicant seeking listing on the ACE Market via a corporate proposal which will result in a significant change in business direction or policy of a listed corporation**

- 2.42. The Exchange proposed to clarify that the requirement for a listed corporation which has yet to generate operating revenue within 3 full financial years after its listing on the ACE Market to extend the services of the Sponsor to at least 1 full financial year after it has generated operating revenue shall also extend to a listed corporation which undertakes a corporate proposal which will result in a significant change in the business direction or policy.
- 2.43. Respondents were asked to give their comments on the following questions:-

Proposal 1.5 – Issue(s) for Consultation:

8. Do you agree with the Exchange’s proposal for the extension of services of a Sponsor for at least 1 full financial year after the applicant has generated operating revenue, to apply to a listed corporation which undertakes a corporate proposal which will result in a significant change in the business direction or policy?

Please state your views and reasons for your views.

### **Summary Of Key Feedback By Respondents**

- 2.44. A majority of respondents agreed with this proposal. They were of the view that it would enhance investor protection as the presence of a Sponsor would make such listed corporations attractive to investors. Additionally, the proposed extension of services of the Sponsor ensures that the listed corporation, under the management of a new controlling shareholder, is guided and familiar with the relevant regulatory standards expected of a listed corporation.

- 2.45. A dissenting respondent suggested that the services of the Sponsor should be extended for at least 1 full financial year after the Applicant has generated operating profits instead of operating revenue, on the grounds that the Sponsor should ensure that the profitability of the corporate proposal has turned to fruition. Although the Sponsor cannot warrant profitability, they should at least be accountable to the investing public that all efforts have been undertaken to protect their interests.

#### **Bursa's Responses And Conclusion**

- 2.46. As a majority of the respondents agreed with this proposal, the Exchange has proceeded with this proposal.
- 2.47. In response to the suggestion to revise the criterion to "operating profits" instead of "operating revenue", the Exchange believes that since the ACE Market is open to applicants without any profit track record, it may not be reasonable to expect the Sponsor to stay on until the listed corporation has generated operating profit. Where possible, the IPO and reverse take-over criteria should be aligned to ensure parity of admission requirements to the ACE Market.

#### **Proposal 1.6**

##### **Further amendments to Guidance Note 15 arising from proposed amendments in relation to a listed corporation which undertakes a corporate proposal which will result in a significant change in the business direction or policy**

- 2.48. Arising from the proposal to clarify the requirements for a corporate proposal which will result in a significant change in business direction or policy of a listed corporation, the Exchange made some consequential amendments to Guidance Note 15 to clarify the contents and documents required in making an application to the Exchange and to ensure there is parity in the criteria for an IPO and reverse take-over/back-door listing. Among others, the changes we proposed were as follows:

- requiring a letter of undertaking from the vendor of the assets that they will comply with the relevant applicable moratorium requirements; and
- requiring a declaration/confirmation by the vendor of the assets and their directors of the past corporate conduct.

- 2.49. Respondents were asked to give their comments on the following questions:-

Proposal 1.6 - Issue(s) for Consultation:

9. Do you agree with the Exchange's proposed amendments to Guidance Note 15 in relation to a listed corporation which undertakes a corporate proposal which will result in a significant change in the business direction or policy?

Please state your views and reasons for your views.

**Summary Of Key Feedback By Respondents**

2.50. A majority of respondents were in favour of this proposal.

**Bursa's Responses And Conclusion**

2.51. As a majority of the respondents agreed with this proposal, the Exchange has proceeded with the proposal without any modifications.

[End of Part 1]

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**PART 2      MEASURES TO ENSURE THE CONTINUED ATTRACTIVENESS AND  
COMPETITIVENESS OF ACE MARKET AS A LISTING AND INVESTMENT  
PLATFORM**

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**Proposal 2.1**

**Liberalising the moratorium requirements for eligible promoters**

2.52. The Exchange proposed to shorten the current moratorium period for promoters who provide pre-IPO financing to the applicant, such as a corporation undertaking venture capital or private equity activity which is registered with the SC pursuant to the SC's Guidelines on the Registration of Venture Capital and Private Equity Corporations and Management Corporations as well as an angel investor accredited by the Malaysian Business Angel Network ("**Eligible Promoters**"). In such instance, the moratorium imposed is proposed to be shortened to 1 year from the date of listing.

2.53. Respondents were asked to give their comments on the following questions:-

Proposal 2.1 – Issue(s) for Consultation:

10. Do you agree with the Exchange's proposal to shorten the moratorium period to 1 year for Eligible Promoters such as a venture capital management corporation, private equity firm or angel investor?

Please state your views and reasons for your views.

11. Are there other categories of promoters whose shares should be placed under a similarly shortened moratorium period?

Please state your views and reasons for your views.

**Summary Of Key Feedback By Respondents**

2.54. There were mixed views on this proposal.

2.55. We received suggestions to shorten the moratorium period further to 6 months from the date of listing, as Eligible Promoters are not the drivers of the listed corporation's business but merely providers of capital. This is also in line with the moratorium requirement applicable to the promoters of the Main Market.

- 2.56. On the other hand, a respondent who disagreed was of the view that the current requirement should be preserved to maintain investor's confidence. Another respondent commented that where pre-IPO investors are present, the participation of these investors is important for the long term success of the listed issuer as they provide essential support in the form of access to funding or management expertise. As such, the reduction of the moratorium period for such investors may accelerate their exit post listing. In doing so, the listed corporation may lose the support that it requires and its long term success may be hampered.

### **Bursa's Responses And Conclusion**

- 2.57. Having considered the feedback received, the Exchange has proceeded with this proposal with certain modifications. We have shortened the moratorium period to 6 months from the date of listing for Eligible Promoters. Since the Eligible Promoters' role is to provide pre-IPO financing to a company and they are not the key drivers of the business direction, we are of the view that the imposition of a 6-month moratorium period would be adequate and appropriate for purposes of price discovery and to maintain a fair and orderly market. This is also in line with the moratorium requirement imposed on Main Market applicants/listed issuers under the SC's Equity Guidelines.
- 2.58. The Exchange notes the comments raised by the dissenting respondents. We wish to highlight that in respect of promoters who drive the listed corporation's business ("**Promoters**"), the current moratorium requirements remain unchanged. The Exchange continues to impose a moratorium on the entire shareholding held by such Promoters for the first 6 months from the date of listing. Upon the expiry of the first 6 months, the listed corporation must ensure that the Promoters' aggregate shareholdings amounting to at least 45% of the nominal issued and paid-up ordinary share capital of the listed corporation remain under moratorium, for another period of 6 months. Thereafter, the Promoters may sell, transfer or assign up to a maximum of 1/3rd per annum (on a straight-line basis) of the shares held under moratorium. Therefore, there will still be adequate commitment and support present in the listed corporation notwithstanding the liberalisation of the moratorium requirement for the Eligible Promoters. This is in line with the global practices that a moratorium is imposed on controlling shareholders or persons who take part in the management of the applicant, to maintain the promoters' commitment to the issuer and align their interests with that of public shareholders.

### **Proposal 2.2**

#### **Shortening the moratorium period applicable to listed corporations which are eligible for listing on the Main Market**

- 2.59. The Exchange proposed to shorten the moratorium period to 6 months only if the ACE Market applicant has met the Main Market admission criteria at the point of submission of its IPO application to the Exchange.
- 2.60. Further, if a listed corporation meets the admission criteria for listing on the Main Market of the Exchange during the moratorium period, its promoters may apply to the Exchange to be exempted from continued compliance with the moratorium requirements.

2.61. Respondents were asked to give their comments on the following questions:-

Proposal 2.2 – Issue(s) for Consultation:

12. Do you agree with the Exchange's proposal to prescribe a shortened moratorium period of 6 months where the ACE applicant has met the Main Market admission criteria at the point of submission of its application to the Exchange?

Please state your views and reasons for your views.

13. Do you agree with the Exchange's proposal to allow promoters of a listed corporation which meets the admission criteria for listing on the Main Market of the Exchange during the moratorium period, to apply to the Exchange for an exemption from continued compliance with the moratorium requirements?

Please state your views and reasons for your views.

#### **Summary Of Key Feedback By Respondents**

2.62. The Exchange received mixed views on this proposal. Those respondents who supported the proposal were of the view that it would incentivise SMEs to seek listing on the ACE Market, as well as promote parity of regulation between the Main Market and ACE Market.

2.63. However, a dissenting respondent was of the view that the shortened moratorium period should only be for passive promoters. Another respondent was of the view that there should not be different rules for ACE Market applicants which have met the Main Market admission criteria, if these applicants intend to list on the ACE Market.

2.64. We also received suggestion to prescribe that an application for exemption from the moratorium requirement should only be approved where the Exchange is satisfied with the corporate governance and compliance record of the listed corporation pursuant to the ACE LR. This acts as an additional safeguard to ensure that only promoters of listed corporations which comply with the ACE LR and have no adverse corporate governance record will enjoy the exemption.

#### **Bursa's Responses And Conclusion**

2.65. Having considered the respondents' feedback, the Exchange has proceeded with this proposal with some modifications.

2.66. The Exchange has clarified in the ACE LR that the Exchange will not approve an application for exemption from the moratorium requirement for the remaining period, after the initial 6 month period unless it is satisfied with the corporate governance and compliance record of the listed corporation pursuant to the ACE LR.

- 2.67. While the Exchange is aware that the requirement will lead to a different moratorium requirement applicable for listed corporations on the ACE Market, i.e. those which qualify for the Main Market from those which do not, we believe that this differentiation is necessary to ensure parity of regulation of corporations which qualify for listing on the Main Market.

### **Proposal 2.3**

#### **Exempting listed corporations which have met the Main Market admission criteria from the sponsorship requirement post-listing**

- 2.68. The Exchange proposed that a listed corporation which has met the Main Market admission criteria at the point of submission of its IPO application to the Exchange be exempted from the sponsorship requirement post listing. Similarly, listed corporations that meet the admission criteria for listing on the Main Market of the Exchange during the sponsorship period may also apply to the Exchange to be exempted from complying with the sponsorship requirement.
- 2.69. Respondents were asked to give their comments on the following questions:-

Proposal 2.3 - Issue(s) for Consultation:

14. Do you agree with the Exchange's proposal to exempt companies that have met the Main Market admission criteria from the sponsorship requirement post listing?
- Please state your views and reasons for your views.
15. Do you agree with the Exchange's proposal that listed corporations that meet the admission criteria for listing on the Main Market of the Exchange during the sponsorship period may apply to the Exchange for a waiver from complying with the sponsorship requirement?
- Please state your views and reasons for your views.

#### **Summary Of Key Feedback By Respondents**

- 2.70. There were mixed views on this proposal.
- 2.71. Some of the respondents commented that this proposal might not be consistent with the ACE Market's identity as a sponsor-driven market. A respondent was of the view that there is value in having Sponsors even where an applicant has met the Main Market admission criteria. Additionally, there was also proposal that the sponsorship period for applicants that have met the Main Market admission criteria be reduced to 1 full financial year instead of a full exemption as was originally proposed.

- 2.72. There was also a suggestion that the Exchange should only approve such application by a listed corporation where it is satisfied with the corporate governance and compliance record of the listed corporation pursuant to the ACE LR to ensure that only listed corporations which comply with the ACE LR and have no adverse corporate governance record would enjoy this exemption. Additionally, there should be greater clarification as to whether the admission criteria refer to the quantitative or qualitative admission criteria of the Main Market, or both in the ACE LR.

#### **Bursa's Responses And Conclusion**

- 2.73. The Exchange notes the dissenting views raised by the respondents. Hence, the Exchange has adopted this proposal but with the necessary modifications.
- 2.74. The Exchange has revised the requirement to state that a listed corporation which has met the quantitative criteria for admission to the Main Market (as confirmed by its Sponsor) can apply to the Exchange to be exempted from continued compliance with the sponsorship requirement only after 1 full financial year from the date of its listing on the ACE Market.
- 2.75. The Exchange has also adopted the suggestion that the Exchange will not approve an application made by the listed corporation unless it is satisfied with the corporate governance and compliance record of the listed corporation pursuant to the ACE LR.
- 2.76. The Exchange believes the revised requirement relating to sponsorship addresses the industry comments and ensures adequate investor protection.

#### **Proposal 2.4**

##### **Enhancing the quality of disclosures by the Exchange pre-vetting selected circulars prior to their issuance to shareholders**

- 2.77. The Exchange proposed to adopt a similar approach to the Main Market with regard to the vetting of circulars as follows:
- (a) The listed corporation must submit one draft copy of all circulars and other documents proposed to be sent to the holders of listed securities;
  - (b) The Exchange will pre-vet all circulars except exempt circulars before the issuance of the same to shareholders; and
  - (c) The listed corporation is not allowed to issue any circulars until the Exchange has confirmed in writing that it has no further comments.

2.78. Respondents were asked to give their comments on the following questions:-

Proposal 2.4 - Issue(s) for Consultation:

16. Do you agree with the Exchange's proposal that all circulars issued by a listed corporation in relation to corporate proposals, except the exempt circulars, be pre-vetted by the Exchange?

Please state your views and reasons for your views.

### **Summary Of Key Feedback By Respondents**

2.79. A majority of the respondents were in favour of this proposal.

### **Bursa's Responses And Conclusion**

2.80. As a majority of the respondents agreed with this proposal, the Exchange has proceeded with this proposal with no modifications.

2.81. The Exchange believes that the amendments to the ACE LR will improve the quality of disclosures in the market place so that investors and shareholders are able to make better informed investment decisions.

### **Proposal 2.5**

#### **Removing the requirement for Sponsors to approve Public Documents**

2.82. The Exchange proposed to remove the requirement for Sponsors to co-sign correspondences between the listed corporation and the Exchange and approve Public Documents to be submitted or disclosed by a listed corporation to the Exchange. The Sponsor's current role in reviewing the adequacy of disclosure in the Public Document and satisfying itself that the Public Document complies with the provisions of the ACE LR, guidelines issued by the relevant regulatory authorities and other applicable laws will be maintained.

2.83. Respondents were asked to give their comments on the following questions:-

Proposal 2.5 - Issue(s) for Consultation:

17. Do you agree with the Exchange's proposal to remove the requirement for Sponsors to co-sign correspondences, approve Public Documents and documents relating to corporate proposals?

Please state your views and reasons for your views.

### **Summary Of Key Feedback By Respondents**

- 2.84. A majority of the respondents were supportive of this proposal. This is in view of the fact that Sponsor merely plays an advisory role to the listed corporation.

### **Bursa's Responses And Conclusion**

- 2.85. As a majority of the respondents agreed with this proposal, the Exchange has proceeded with this proposal.

### **Proposal 2.6**

#### **Easing the process of changing a Sponsor**

- 2.86. The Exchange proposed to allow a listed corporation to change its Sponsor, or a Sponsor to resign as a Sponsor after 1 full financial year from the date of listing without requiring the Exchange's approval. However, the resigning/terminating party must notify the Exchange of the resignation/termination together with reasons, and announce the resignation/termination together with reasons accordingly.

- 2.87. Respondents were asked to give their comments on the following questions:-

Proposal 2.6 - Issue(s) for Consultation:

18. Do you agree with the Exchange's proposal to allow a listed corporation to change its Sponsor, or a Sponsor to resign after 1 full financial year from the date of listing without the Exchange's approval?

Please state your views and reasons for your views.

19. Do you agree with the Exchange's proposal to require a Sponsor or a listed corporation to provide reasons for its resignation or termination, as the case may be, when it notifies the Exchange about the proposed resignation or termination of a Sponsor?

Please state your views and reasons for your views.

### **Summary Of Key Feedback By Respondents**

- 2.88. A majority of the respondents were supportive of this proposal.
- 2.89. However, there was a comment raised in relation to the situation if a listed corporation were unable to find a replacement Sponsor after the resignation of its IPO Sponsor, as it might face the risk of delisting by the Exchange for failing to retain a Sponsor during the sponsorship period. Therefore, it was suggested to the Exchange that a listed corporation should be allowed to change its Sponsor, or a Sponsor should be allowed to resign as a Sponsor after 1 full financial year from the date of listing without requiring the Exchange's prior approval, only if a replacement Sponsor has been found.

### **Bursa's Responses And Conclusion**

- 2.90. As a majority of the respondents agreed with this proposal, the Exchange has proceeded with this proposal with certain modifications.
- 2.91. The Exchange has amended the ACE LR to state that a listed corporation is allowed to change its Sponsor, or a Sponsor is allowed to resign as a Sponsor after 1 full financial year from the date of listing without requiring the Exchange's prior approval, only if a replacement Sponsor has been found. Additionally, the Sponsor or the listed corporation, as the case may be, must notify the Exchange of its proposed resignation or termination together with detailed reasons for the resignation or termination.
- 2.92. In view of the changes to the ACE LR above, there will no longer be any requirement on the notice period for the proposed resignation by the Sponsor or termination of Sponsor by the Sponsored Corporation, as previously required, i.e. the period of 3 months. In a case where a replacement has been found, the notice period should be mutually agreed upon between the Sponsor and the Sponsored Corporation.

### **Proposal 2.7**

#### **Broadening the pool of advisers available to a listed corporation by allowing licensed corporate finance advisers to act as independent advisers**

- 2.93. The Exchange proposed to allow the appointment of any corporate finance adviser licensed by the SC to act as an independent adviser in corporate proposals which require the appointment of an independent adviser, such as related party transactions, Major Disposal and voluntary withdrawal of listing. Such independent adviser need not come from the Register of Sponsors.
- 2.94. Respondents were asked to give their comments on the following questions:-

Proposal 2.7 - Issue(s) for Consultation:

20. Do you agree with the Exchange's proposal to allow the appointment of a corporate finance adviser, who is not registered under the Register of Sponsors to act as an independent adviser in corporate proposals which require the appointment of an independent adviser, such as related party transactions, Major Disposal and voluntary withdrawal of listing? Please state your views and reasons for your views.

### **Summary Of Key Feedback By Respondents**

- 2.95. We received mixed views on this proposal.
- 2.96. A few respondents highlighted their comments on whether there would be any abuse or negative perception by the market on this proposal. Some felt that the obligations and accountability between a registered Sponsor and a corporate finance adviser in corporate proposals were different. They were of the view that there should be sufficient safeguards in place before the Exchange expanded the pool of independent advisers.

### **Bursa's Responses And Conclusion**

- 2.97. The Exchange takes cognizance of the comments from the respondents, but has proceeded with this proposal as we believe that the comments raised by them can be addressed.
- 2.98. The Exchange will not compromise on the quality of independent advice letters issued to shareholders. We wish to clarify that the new pool of advisers are in fact, the same corporate finance advisers which are eligible to act as independent advisers for the prescribed corporate proposals under the Main Market Listing Requirements. In addition, the Exchange will undertake pre-vetting of circulars for all transactions which require the appointment of an independent adviser under the ACE LR to ensure adequate disclosures to shareholders for informed investment decisions.

~~~~~The End ~~~~~