



CONSULTATION PAPER NO. 3/2016

PROPOSED RULES GOVERNING THE LISTING, TRADING AND DEPOSITORY FRAMEWORK
OF BURSA MALAYSIA SECURITIES BERHAD'S (NEW) MARKET

Date of Issue: 8 November 2016

Bursa Malaysia Berhad ("Bursa Malaysia") invites your written comments on the issues set out in this Consultation Paper by **30 November 2016 (Wednesday)** via:

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

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

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A. INTRODUCTION

Bursa Malaysia Securities Berhad (“**the Exchange**”) issued a concept consultation paper¹ (“**Concept Consultation Paper**”) on 2 September 2016 to seek feedback on the proposed (New) Market. The primary objective of the proposed (New) Market is to facilitate access for small and medium enterprises (“**SMEs**”) to the capital market. The proposed (New) Market will be a qualified market, i.e. only sophisticated investors² will be allowed to invest in the proposed (New) Market. Please refer to the Concept Consultation Paper for further details of the proposed concept or business model of the (New) Market.

This consultation paper is issued to seek public feedback on the rule framework governing the proposed (New) Market. In formulating the rule framework governing the proposed (New) Market, the Exchange has taken into consideration the key principles which the proposed (New) Market is premised on, i.e.:

(a) Cost efficiency

SMEs being able to raise capital in a cost effective and efficient manner.

(b) Appropriate regulation

A proportionate regulatory framework which promotes business efficacy and safeguards investor protection.

(c) Qualified market for sophisticated investors

A qualified market which is meant for sophisticated investors only, who are able to evaluate their investment risks and make informed investment decisions based on the available information in the market.

In this connection, the key proposals made by the Exchange in our rule framework are as set out below:

(a) An admission framework appropriate for a qualified market

The Exchange proposes an initial listing framework that is premised on a disclosure-based regime appropriate for a market that is targeted only at sophisticated investors and underpinned by market discipline. At the same time, the Exchange will provide adequate investor protection such as how investors’ monies are safeguarded in a listing exercise.

¹ Please refer to the Concept Consultation Paper at [http://www.bursamalaysia.com/misc/system/assets/18973/BURSA%20MALAYSIA%20SECURITIES%20BE RHAD%20CONSULTATION%20PAPER%20NO.%201-%202016%20FOR%20\(NEW\)%20MARKET.pdf](http://www.bursamalaysia.com/misc/system/assets/18973/BURSA%20MALAYSIA%20SECURITIES%20BE RHAD%20CONSULTATION%20PAPER%20NO.%201-%202016%20FOR%20(NEW)%20MARKET.pdf)

² Sophisticated investors as specified in Part 1 of Schedules 6 and 7 of the Capital Market Services Act 2007.

(b) An Adviser Driven SME Market

All SMEs seeking listing on the (New) Market must be properly assessed and evaluated by a qualified adviser prior to listing, and continually guided for a limited time period post listing. The Exchange proposes a wider pool of qualified advisers, so there will be more corporate finance advisers who are suitably qualified to act as listing advisers or continuing advisers in the (New) Market.

(c) A balanced and proportionate post listing framework

The Exchange proposes post listing obligations that are appropriate for a qualified market intended for sophisticated investors only. This means that the requirements may be less prescriptive and in some cases more liberal compared to those required for the Main or ACE Market. The key requirements will include, for example, the obligation to announce material information (including periodic financial information) in a timely manner, the obligation to obtain shareholder approval for certain types of transactions entered into by the listed corporation and obligations to obtain the Exchange's approval for new issuances of shares.

(d) A trading framework meant for sophisticated investors only

Generally, the Exchange proposes to supervise Participating Organisations ("POs") and Registered Persons³ trading on the (New) Market in the same way that it supervises trading by POs and Registered Persons on the Main and ACE Markets. In this regard, the current regulatory framework as set out in the Rules of Bursa Malaysia Securities Berhad ("**BMS Rules**") will generally also apply to POs and Registered Persons trading on the (New) Market. This includes for example, the financial and general conduct requirements, particularly in relation to important investor protection provisions such as client asset protection requirements and the correct and accurate entry of client orders. Certain requirements, however, will be disapplied or modified for application to trading on the (New) Market such as short selling and market making.

POs trading on the (New) Market may only open trading accounts to trade in the (New) Market for Clients who qualify as sophisticated investors, as defined by the Exchange ("**(New) Market Investor**"). In respect of an existing Client of a PO who already qualifies as a (New) Market Investor, the PO is not expected to open a new trading account for such Client to trade in the (New) Market, but may instead allow such Client to use its existing trading accounts to trade in the (New) Market, ACE Market and Main Market.

³ "Registered Person" means a person stipulated under Rule 3.10 of the BMS Rules who are registered with the Exchange, and includes a Chief Executive Officer, Director, Head of Dealing, Head of Operations, Head of Compliance and Dealer's Representative (as defined in the BMS Rules) of a PO.

(e) A facilitative depository, clearing and settlement framework

The existing depository framework for securities of issuers listed on the Main and ACE Markets would largely apply to the shares of corporations listed on the (New) Market. There will be minor amendments to the Rules of Bursa Malaysia Depository Sdn Bhd (“**BMDepo Rules**”) in relation to cash distributions.

Generally, the current framework for the clearing and settlement of trades executed on the Main and ACE markets will apply for the clearing and settlement of on-market transactions and direct business transactions executed on the (New) Market. However, there is a difference as to when buying-in will be done for a default in the delivery of the shares sold in board lots on the (New) Market compared to the buying-in for Main and ACE markets but this will not affect the rules. The changes will instead be reflected in Bursa Malaysia Securities Clearing Sdn Bhd’s procedures manual.

A majority of the respondents to the Concept Consultation paper agreed with the existing clearing, settlement and depository framework applying to the (New) Market as set out in the Concept Consultation paper.

This Consultation Paper is to seek public feedback on the regulatory framework governing the proposed (New) Market, including the following:

- (a) the proposed (New) Market Listing Requirements (“**Proposed New LR**”);
- (b) the proposed amendments to the Rules of Bursa Malaysia Securities Berhad (“**Proposed BMS Amendments**”); and
- (c) the proposed amendments to the Rules of Bursa Malaysia Depository Sdn Bhd (“**Proposed BMDepo Amendments**”),

(the Proposed New LR, Proposed BMS Amendments and Proposed BMDepo Amendments are collectively referred to as the “**Proposals**”).

B. STRUCTURE OF THE CONSULTATION PAPER

Details of the Proposals, where relevant, and their rationale are provided in the “**Details of Proposals**” in **Parts 1 to 3** of this Consultation Paper.

The Proposed New LR, Proposed BMS Amendments and Proposed BMDepo Amendments are provided in **Annexures A to C** and are reflected in the following manner:

- portions underlined are text newly inserted/added/replaced onto the existing rules; and
- portions struck through are text to be deleted.

The table below provides a snapshot of the relevant details of the Proposals as well as the related Parts and Annexures for ease of reference:

Part No.	Details of Proposals	Proposed Amendments (Annexure)
1.	Proposed New LR	Annexure A
2.	Proposed BMS Amendments	Annexure B
3.	Proposed BMDepo Amendments	Annexure C

Issues for Consultation

We invite your comments on the Proposals and the comments can be given by filling up the template as attached in the **Attachment**.

Note:

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

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C. DETAILS OF PROPOSALS

PART 1 PROPOSED NEW LR

The Proposed New LR adopts a more principle-based approach that emphasises on an appropriate and proportionate regulatory framework commensurate with a qualified market meant for sophisticated investors. The Proposed New LR will govern the admission requirements as well as the post listing obligations of a company listed on the (New) Market. The key chapters set out in the Proposed New LR are as follows:

- (a) Admission;
- (b) Advisers;
- (c) New issues of shares;
- (d) Continuing listing obligations;
- (e) Transactions; and
- (f) Suspension, de-listing and enforcement.

The details of our proposals are discussed in greater detail below.

PROPOSAL 1.1: AN ADMISSION FRAMEWORK APPROPRIATE FOR A QUALIFIED MARKET

Description	Affected Provision(s) of the Proposed New LR
Admission requirements	<ul style="list-style-type: none"> ▪ Rules 3.01, 3.02, 3.03 and 3.04

1. An applicant seeking listing on the (New) Market will not be required to obtain prior approval from the SC since the (New) Market will be considered an alternative market and the issuance of shares for the listing and quotation of shares on the (New) Market falls within paragraph 7⁴ and 8(h)⁵ of Schedule 5 of the Capital Markets and Services Act 2007 (“**CMSA**”).

⁴ Any proposal, scheme, transaction, arrangement or activity, or issuance of shares, or offer for subscription or purchase of shares, or issuance of an invitation to subscribe for or purchase, shares, in relation to the listing or quotation of shares of a corporation on an alternative market of the stock exchange.

⁵ Shares of a corporation whose shares are listed on the alternative market of the stock exchange other than a proposal falling under paragraph 212(2)(b).

2. As stated in the Concept Consultation Paper, there will not be any minimum quantitative admission requirement i.e. no profit or operating track record requirement for an applicant seeking admission to the (New) Market. However, the listing adviser of the applicant must undertake a suitability assessment of an applicant to list on the (New) Market.

3. After taking into consideration of the comments received from the respondents to the Concept Consultation Paper, the Exchange proposes that an applicant must comply with the following basic admission requirements:
 - (a) it must be a **public company incorporated in Malaysia**;
 - (b) it must have a **clearly identifiable core business**;
 - (c) only its **ordinary shares** will be listed on the (New) Market;
 - (d) it meets the prescribed **public shareholding spread** requirements of at least 10% of its total issued and paid up capital being held by public shareholders at the point of admission; and
 - (e) it is considered as suitable for listing by a listing adviser.

(collectively referred to as “**Proposed Admission Criteria**”).

4. In relation to sub-paragraph 3(c) above, we take note of the comments raised by some respondents to the Concept Consultation Paper to allow the listing of convertible securities (e.g. preference shares) to provide more flexibility to SMEs. We may consider allowing the same if there is sufficient demand and buy-in from both the SMEs and investors.

5. With regard to sub-paragraph 3(d) above, some respondents to the Concept Consultation Paper have suggested that we should require a higher percentage for the public spread requirement to ensure better liquidity for trading of shares in the secondary market. Since the (New) Market is a qualified market limited for sophisticated investors only, imposing a higher threshold for the public spread requirement may give rise to compliance issues on the part of the applicant. The proposed 10% public shareholding spread is just a minimum requirement, an applicant may opt for a higher threshold on a voluntary basis in order to promote liquidity of its shares.

6. The Exchange proposes that the following applicant must not be considered as suitable for listing if it is -
 - (a) a subsidiary or holding company of a corporation currently listed on the Main Market or ACE Market and the listing of such applicant will result in the existing listed corporation within the group ceasing to have a separate autonomous business of its own and not being capable of sustaining its listing in the future; or
 - (b) an investment holding corporation with no immediate or prospective business operations within its group.

7. The Exchange also proposes that an incubator (including a technology incubator) can only be listed on the Main Market.
8. The above Proposed Admission Criteria are aimed at promoting the (New) Market as a viable capital raising platform for SMEs.

Proposal 1.1 – Issue(s) for Consultation

1. Do you think the Proposed Admission Criteria are clear and adequate for the (New) Market [paragraph 3 above]?

Please state the reasons for your views.
2. Do you have any other suggestion for the Proposed Admission Criteria for the (New) Market?

Please state the reasons for your suggestions, if any.

PROPOSAL 1.2: SIMPLE INITIAL LISTING PROCESS - BURSA WILL BE THE SINGLE APPROVING AUTHORITY FOR THE (NEW) MARKET

Description	Affected Provision(s) of the Proposed New LR
Simple and efficient initial listing process	<ul style="list-style-type: none"> ▪ Rules 3.08 and 3.09

9. As stated in the Concept Consultation Paper, in line with the (New) Market being a market for sophisticated investors only, an applicant seeking listing on the (New) Market will be required to prepare a document describing the business and affairs of the applicant for purposes of listing instead of a prospectus (“**information memorandum** or **IM**”).
10. We propose that the applicant must submit a final copy of the IM together with the initial listing application (“**ILA**”) to the Exchange along with other supporting documents⁶. The submission of the IM to the Exchange should be done concurrently with the deposit of the IM with the SC⁷.

⁶ Some of the required supporting documents includes a final copy of the IM, letter of undertaking from the applicant, letter of undertaking from each director of the applicant and letter of undertaking from each promoter of the applicant.

⁷ Pursuant to Sections 229(4) and Section 230(4) of the CMSA, a copy of the IM must be deposited with the SC within 7 days after it is first issued.

11. It is the responsibility of the listing adviser to ensure accuracy, adequacy and completeness of information disclosed in the IM. Neither the SC nor Bursa will pre-vet the IM prior to the deposit of the IM with the SC.
12. An applicant will not be allowed to collect any money from investors for subscription to its shares or allot new shares to any investor until the Exchange has granted its approval-in-principle for its admission to the (New) Market.
13. After the Exchange receives the ILA, we will process the ILA and inform the applicant of our decision on the ILA. Given that the applicant would have undergone the assessment by the listing adviser and been considered suitable as part of the admission requirements, the Exchange's focus in considering the ILA will be limited to issues relating to corporate governance, conflicts of interests and public interest.
14. We believe the single approving authority for an ILA on the (New) Market will promote greater efficiency and faster time-to-market.

Proposal 1.2 – Issue(s) for Consultation

3. Do you have any comments on the proposed initial listing process?

Please state the reasons for your views.

PROPOSAL 1.3: METHOD OF OFFERING OF SHARES ON THE (NEW) MARKET & MORATORIUM

Description	Affected Provision(s) of the Proposed New LR
Method of offering of shares & Moratorium	<ul style="list-style-type: none"> ▪ Rules 3.05, 3.06 and 3.07

15. There are 2 methods of listing which an applicant can opt for:
 - (a) Issuance of new shares by way of an excluded issue⁸; or
 - (b) Listing of its existing shares by way of introduction.

⁸ An “excluded issue” means an issue which is specified in Schedule 7 of the CMSA or which is prescribed by the Minister to be an excluded issue under Section 230(1)(b) of the CMSA. These issues are made to the accredited investors or high-net worth entities or individuals as listed in the Schedule.

16. Whilst a majority of the respondents to the Concept Consultation Paper were in favour of our proposal to allow companies to list on the (New) Market through listing by introduction, a few disagreed and thought that listing by introduction should not be allowed on the basis that it contradicts one of the objectives of the (New) Market i.e. to be a platform for fund raising. Having considered the views expressed, we propose to maintain this proposal as it provides more options to the SMEs. An applicant that chooses to list on the (New) Market without raising funds at the initial listing stage, may do so subsequent to listing through secondary fund raising exercises such as placements or rights issues. The choice of choosing the most appropriate method of listing should be left to the SMEs. In Korea, most of the initial listings on its SME Board, known as KONEX were done by way of introduction.
17. If an applicant chooses to make an excluded issue, it may distribute its shares either through a public offer, placement or book building, or a combination of these methods.
18. We propose not to allow any offer of sale by the promoters of an applicant unless –
 - (a) the applicant has generated 1 full financial year of operating profit based on its latest audited financial statements; or
 - (b) the promoters are corporations undertaking venture capital or private equity activity and registered with SC pursuant to the SC's Guidelines on the Registration of Venture Capital and Private Equity Corporations and Management Corporations,

and the applicant is able to comply with the moratorium requirements applicable to promoters as set out below.
19. In order to maintain the promoters' commitment to the applicant after listing, the Exchange proposes to impose a moratorium on the sale, transfer or assignment of shares held by the promoters. The proposal is to impose moratorium on the **entire shareholdings** of the promoters of an applicant for the **first year** from the date of admission to the (New) Market.
20. Upon the expiry of the 1 year period, 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 as at the date of listing remain under moratorium.
21. In addition, in the event the promoter or vendor is an unlisted corporation, the Exchange will require undertakings to be given by all direct and indirect shareholders of the unlisted corporation (whether individuals or other unlisted corporations) up to the ultimate individual shareholders to ensure compliance with the above stated moratorium requirements.

Proposal 1.3 – Issue(s) for Consultation

4. Do you think the proposed moratorium requirement of 45% on the promoters' aggregate shareholdings based on the nominal issued and paid-up ordinary share capital of the listed corporation as at the date of listing for the entire duration of the listing of a listed corporation is reasonable and appropriate? [paragraph 20 above]

Please state the reasons for your views.

PROPOSAL 1.4: MINIMUM CONTENTS OF IM

Description	Affected Provision(s) of the Proposed New LR
Prescribing the minimum contents of an IM	<ul style="list-style-type: none"> ▪ Appendix 3A

22. The Exchange proposes to require an applicant to include among others, the following information in the IM:
- (a) Information on the applicant's principal activities, business model and future plans, including steps taken and to be taken to realise the plan.
 - (b) Date of incorporation, registration number and date of commencement of business.
 - (c) History of business from the inception date.
 - (d) Group structure, where applicable.
 - (e) The listing scheme and shareholding structure of the applicant, including the method of offering, the number and price of shares being issued/offered.
 - (f) The risk factors in relation to the applicant's business including any dependencies on customers or suppliers and internal control weaknesses, if any.
 - (g) Competitive analysis and prospects of the applicant's business.
 - (h) The licences and permits held by the applicant.
 - (i) The consolidated historical audited financial information of the applicant for the last 2 financial years (or from date of incorporation if incorporated less than 2 financial years) together with management discussion and analysis. The latest consolidated audited financial statement must be audited by an auditor who is registered with the Audit Oversight Board.
 - (j) Any related party transaction entered into by the applicant.

- (k) The details of promoters, substantial shareholders, directors and key management of the applicant;
 - (l) A description of the proposed utilisation of the total amount of funds to be raised including the proposed timeframe for such proposed utilisation upon listing.
 - (m) Any material agreement including shareholder agreements entered into between the applicant and shareholders.
 - (n) The details of moratorium on promoters and other shareholders, where applicable.
 - (o) Approvals required for listing.
 - (r) A statement that the Securities Commission of Malaysia and Bursa Malaysia Securities Berhad take no responsibility for the contents of the information memorandum, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the information memorandum. Bursa Malaysia Securities Berhad does not make any assessment on the suitability, viability or prospects of the applicant. All investors are expected to make their own assessment on the applicant or seek appropriate advice before making their investment decisions.
 - (s) Any other material information.
23. We also noted the suggestions made by some respondents to the Concept Consultation Paper for additional information to be included in the IM such as material litigation, material contract (e.g. joint venture agreement) and intellectual property rights owned by the applicant. We believe such information would be considered as material information which should be disclosed pursuant to paragraph 22(s) above. The prescribed contents of IM are meant to be more principle-based, thereby allowing an adviser and applicant greater flexibility to ascertain the materiality of the information to be disclosed. Given that the IM is a marketing tool for the applicant to solicit funds from sophisticated investors and it carries the same liability of a prospectus under the CMSA, we believe that an applicant and its adviser will ensure the adequacy and completeness of the information disclosed.
24. Whilst the prescribed information may not be as extensive as a prospectus issued in connection with an initial public offering as in the case of Main Market or ACE Market, we believe the proposed minimum contents of the IM contain salient information which is necessary and important for sophisticated investors to make an informed investment decision.

Proposal 1.4 – Issue(s) for Consultation

5. Is there any other information which should be disclosed in the IM? If yes, please provide your suggestions and the reasons for such suggestions.

PROPOSAL 1.5: SAFEGUARDING INVESTORS’ MONIES IN A TRUST ACCOUNT

Description	Affected Provision(s) of the Proposed New LR
Safeguarding investors’ monies in a trust account	<ul style="list-style-type: none"> ▪ Rule 3.10

25. Section 243(7) of the CMSA requires that all monies received from subscribers in pursuance of a prospectus must be kept in trust by a listing applicant in a separate bank account.
26. Similar to the requirements under the CMSA, the Exchange proposes to require an applicant to place all monies received from investors pursuant to subscription of shares in a trust account opened with a financial institution licensed by Bank Negara Malaysia and jointly operated by both the applicant and a custodian (“**Trust Account**”). The “custodian” can either be the applicant’s listing adviser, a placement agent or an issuing house appointed by the applicant.
27. It is the responsibility of both the applicant and the custodian to ensure that the monies in the Trust Account are not withdrawn until the listing date or in accordance with paragraph 28 below.
28. All monies received from the investors must be forthwith refunded to the investors, without interest within 14 days, if –
- (a) the listing of the applicant does not take place within 6 months from the date of the Exchange approves listing on the (New) Market or such further extension of time as the Exchange may allow; or
 - (b) the applicant aborts its proposed listing on the (New) Market.
29. In the event the applicant fails to refund the monies within the said period, in addition to the liability of the applicant, the directors of the applicant shall be jointly and severally liable to repay such money with interest at the rate of 10% per annum from the end of that period or such other rate as the Exchange may prescribe.
30. The Exchange is of the view that the safeguard proposed above is necessary to assure sophisticated investors that their investment in any proposed listing on the (New) Market will be adequately protected and there is recourse of refund if the proposed listing does not take place as intended for any reason whatsoever.

Proposal 1.5 – Issue(s) for Consultation

6. Do you agree that the Trust Account should be jointly operated by both the applicant and a custodian (i.e. either be the Approved Adviser, a placement agent or an issuing house appointed by the applicant)? [paragraph 26 above]
- Please state the reasons for your views.
7. Do you agree with the events which require the applicant and the custodian to refund the monies to the investors? [paragraph 28 above]
- Please state the reasons for your views.
8. Do you have any other suggestion to strengthen investor protection in a listing exercise on the (New) Market that is appropriate for a qualified market?

PROPOSAL 1.6: ELIGIBILITY REQUIREMENTS FOR ADVISERS

Description	Affected Provision(s) of the Proposed New LR
Eligibility requirements for Approved Advisers and Continuing Advisers	<ul style="list-style-type: none"> ▪ Rule 4.02

31. The Exchange proposes that the (New) Market will be primarily an adviser-driven market. In this regard, the Exchange proposes to classify the advisers for the (New) Market into the following 2 categories:
- (a) an **Approved Adviser** who is authorised to undertake both initial listing activities⁹ and post-listing activities¹⁰; and
 - (b) a **Continuing Adviser** who is only allowed to undertake post-listing activities only.

⁹ “**Initial listing activities**” mean the listing activities undertaken by an Approved Adviser in preparing an applicant for listing and making an initial listing application for admission to the (New) Market to the Exchange pursuant to Chapter 3 of the Proposed New LR.

¹⁰ “**Post listing activities**” mean the activities carried out by a Continuing Adviser in advising or guiding the listed corporation on its continuing listing obligations and responsibilities, including but not limited to the post-listing activities set out in Chapter 4 of the Proposed New LR.

32. The Exchange proposes that the Approved Advisers or the Continuing Advisers must meet certain minimum eligibility requirements before they can act as Approved Advisers or the Continuing Advisers, as the case may be. The eligibility requirements are aimed at ensuring the advisers are suitably qualified, have the necessary competency, expertise and experience to perform their roles and responsibilities under the Proposed New LR. Besides, this is also important given that the Approved Advisers will be the primary party responsible to assess the suitability of an applicant for listing on the (New) Market.
33. We propose the following eligibility requirements for any person wishing to act as an Approved Adviser:
- (a) must be a corporate finance adviser licensed by the SC;
 - (b) has in its full-time employment at all times, at least 1 personnel (“**Eligible Person**”) with the following competency and experience as a supervisor or manager, who has:
 - (i) been involved in at least 1 initial public offering or a transaction which will result in a significant change in the business direction or policy of a listed issuer of the Main Market or ACE Market in the 7 years immediately preceding the date of application for admission to the Register of Advisers¹¹;
 - (ii) been involved in at least 3 initial public offerings for the (New) Market;
 - (iii) involved in at least 3 corporate proposals of the Main Market or ACE Market relating to a rights issue, major disposal, withdrawal of listing, a scheme of compromise, arrangement, amalgamation or reconstruction which require shareholders’ approval in the 5 years immediately preceding the date of application for admission to the Register of Advisers;
 - (iv) acted as an independent adviser for at least 3 corporate proposals pursuant to the requirements of the Malaysian Code on Take-Overs and Mergers 2016 and Rules on Take-Overs, Mergers and Compulsory Acquisitions in the 5 years immediately preceding the date of application for admission to the Register of Advisers; or
 - (v) involved and acted for a combination of at least 3 activities referred in paragraph (ii), (iii) or (iv) above;
 - (c) maintains sufficient professional indemnity insurance for the purposes of listing activities and post-listing activities, where applicable; and

¹¹ “Register of Advisers” means a register maintained by the Exchange for the (New) Market specifying all persons which have been approved to act either as an Approved Adviser or a Continuing Adviser by the Exchange pursuant to Chapter 4 of the Proposed New LR and such approval has not been revoked or suspended.

- (d) has a satisfactory reputation and work record.
34. On the other hand, the proposed eligibility requirements for any person wishing to act as Continuing Adviser are as follows:
- (a) must be a corporate finance adviser licensed by the SC; and
- (b) has a satisfactory reputation and work record.
35. Both the Approved Adviser and the Continuing Adviser will be required to provide an undertaking to comply with the (New) Market rules. Advisers approved to act as Approved Adviser or Continuing Adviser will be admitted into the Register of Advisers.

<u>Proposal 1.6 – Issue(s) for Consultation</u>	
9.	Do you think the minimum eligibility requirements proposed in relation to the Approved Adviser and Continuing Adviser are clear and appropriate? [paragraphs 33 and 34 above] Please state the reasons for your views.
10.	Is there any other requirement which should be included before a person can be eligible to act as an Approved Adviser or the Continuing Adviser? If yes, please provide your suggestions and the reasons for such suggestions.
11.	Do you think an AOB registered audit firm should be allowed to act as a Continuing Adviser? Please state the reasons for your views.

PROPOSAL 1.7: SUITABILITY ASSESSMENT BY APPROVED ADVISERS

Description	Affected Provision(s) of the Proposed New LR
Approved Advisers to determine the suitability for admission of an applicant	<ul style="list-style-type: none"> ▪ Rules 4.09 and 4.10

36. Under the (New) Market, an Approved Adviser is responsible to assess and determine whether an applicant is suitable for listing on the (New) Market. Neither the SC nor the Exchange will assess the suitability of an applicant’s business, as such will be left to the Approved Advisers.

37. Therefore, an Approved Adviser must have a sound understanding and updated knowledge of the applicant, its business, operation, the industry it operates in and any other issue that might affect the business and industry of the applicant.
38. As guidance to the Approved Adviser, when making the assessment on the suitability of an applicant to be listed on the (New) Market, the Exchange proposes that the Approved Adviser must take into consideration the following:
- (a) the applicant's business and operation, the industry it operates in, its future plans, historical financial information and other corporate information, as well as any issue relating to the applicant's operations;
 - (b) whether the corporate governance record of the applicant's substantial shareholders, directors and key management personnel is satisfactory;
 - (c) whether all conflicts of interest or potential conflicts of interest within the applicant have been sufficiently resolved, eliminated or mitigated;
 - (d) whether the admission of the applicant to the (New) Market will be contrary to public interest;
 - (e) whether the applicant has put in place sufficient systems, policies, controls and resources to comply with Proposed New LR;
 - (f) whether the applicant has adequate internal controls and risk management systems; and
 - (g) the adequacy of the disclosures by the applicant.
39. An Approved Adviser must have controls, procedures and other safeguards to maintain its independence and avoid conflict of interests to ensure its impartiality and objectivity when discharging its role.
40. The Exchange expects an Approved Adviser to exercise due care and diligence in undertaking the suitability assessment of an applicant and comply with the SC's Guidelines on Due Diligence Conduct for Corporate Proposals, where applicable, and ensure only suitably qualified SMEs will be listed on the (New) Market.

Proposal 1.7 – Issue(s) for Consultation

12. Are the proposed factors for consideration set out in paragraphs 37 and 38 above sufficient and appropriate for the purpose of guiding an Approved Adviser in making its suitability assessment on an applicant?
- Please state the reasons for your views.
13. In your opinion, what other requirements should be imposed on an Approved Adviser, if any, for it to carry out its suitability assessments more effectively?

PROPOSAL 1.8: ADVISORY PERIOD, RESIGNATION OR TERMINATION OF CONTINUING ADVISERS

Description	Affected Provision(s) of the Proposed New LR
Advisory period, resignation or termination of Continuing Adviser and consequences for failing to retain a Continuing Adviser during the required period	<ul style="list-style-type: none"> ▪ Rules 3.12, 4.14 and 6.02

41. Under the (New) Market, the Exchange proposes that an applicant must maintain the services of a Continuing Adviser for at least 3 full financial years after its admission to the (New) Market or at least 1 full financial year after the applicant has generated operating revenue, whichever is the later (“**Advisory Period**”).
42. Given that the Approved Adviser is the party responsible for assessing the suitability of an applicant for listing, and who is also the main gatekeeper for the (New) Market, we propose that an applicant must maintain the Approved Adviser, who has advised and brought the applicant for listing on the (New) Market, to act as its Continuing Adviser for at least 1 full financial year after listing.
43. After 1 full financial year from the date of admission to the (New) Market, a listed corporation is allowed to change its Continuing Adviser. Similarly, the applicant’s Approved Adviser may resign after 1 full financial year acting as its Continuing Adviser.
44. During the Advisory Period, if a listed corporation chooses to terminate its Continuing Adviser or if the Continuing Adviser resigns, the listed corporation must find a replacement Continuing Adviser within 3 months from the date of the announcement of the termination or resignation of its Continuing Adviser, failing which the Exchange shall suspend the trading in the shares of such listed corporation. The Exchange may de-list the listed corporation from the (New) Market if it still has not found a replacement Continuing Adviser at the end of 3 months after the suspension.

Proposal 1.8 – Issue(s) for Consultation

14. Do you agree that an Approved Adviser who has advised and brought the applicant for listing on the (New) Market must remain as the applicant’s Continuing Adviser for at least 1 full financial year after listing or the entire advisory period of 3 full financial year after listing?

Please state the reasons for your views.
15. Do you agree with the duration of the Advisory Period which is limited to only 3 full financial years post listing, or do you think it is more appropriate to require the presence of a Continuing Adviser throughout the listing of a SME on the (New) Market?

Please state the reasons for your views.

16. Do you agree that a listed corporation which is unable to comply with the requirements on Continuing Adviser should face the risk of suspension and delisting? [paragraph 44 above]

Please state the reasons for your views.

PROPOSAL 1.9: THE ROLES AND RESPONSIBILITIES OF AN ADVISER POST-LISTING

Description	Affected Provision(s) of the Proposed New LR
The roles and responsibilities of an Adviser post-listing	<ul style="list-style-type: none"> ▪ Rules 4.11, 4.12 and 4.13

45. The role of a Continuing Adviser is mainly to advise the listed corporation on compliance with the Proposed New LR and laws. In this regard, the Exchange proposes that a Continuing Adviser must –
- (a) maintain regular contact with the listed corporation; and
 - (b) advise the listed corporation if the trading of the listed corporation’s listed shares will or should be halted or suspended.
46. The Exchange also proposes that a Continuing Adviser must review any document to be submitted or disclosed by the listed corporation to the Exchange and circulars to shareholders prior to their release to ensure compliance by the listed corporation with the Proposed New LR.
47. Post listing, if a listed corporation were to undertake a corporate proposal which will result in a significant change in the business direction or policy of a listed corporation, it must appoint an Approved Adviser to advise on such corporate proposal. Further, a listed corporation is required to appoint an Adviser¹² to make a submission to the Exchange in respect of a new issue of shares and application for withdrawal of listing.
48. When a listed corporation appoints its existing Continuing Adviser to act on its behalf in a corporate proposal which requires the appointment of an Adviser under the Proposed New LR, we propose that the Continuing Adviser must, having made reasonable due diligence enquiries (including complying with the SC’s Guidelines on Due Diligence Conduct for Corporate Proposals, where applicable) and having considered all relevant matters, do the following:
- (a) assess and be satisfied with the suitability and competency of other professionals and consultants involved in the corporate proposal;

¹² Advisers comprise of both Approved Advisers and Continuing Advisers.

- (b) review the documents relating to the corporate proposal to ensure compliance with the Proposed New LR;
- (c) ensure that the execution of the corporate proposal is in compliance with the Proposed New LR, guidelines issued by the relevant regulatory authorities and other applicable laws; and
- (d) ensure that any difference in the effect of the corporate proposal on minority shareholders compared to the other shareholders, is clearly disclosed in the public documents.

Proposal 1.9 – Issue(s) for Consultation

17. Do you think the proposed roles and responsibilities of the Continuing Advisers as stated in paragraphs 45 and 46 above are adequate in terms of advising a listed corporation post listing?

Please state the reasons for your views.

18. Where an existing Continuing Adviser is appointed to undertake a corporate proposal which requires the appointment of an Adviser, do you agree that the Continuing Adviser must perform the roles as stated in paragraph 48 above?

Please state the reasons for your views.

19. In your opinion, is there any other role and responsibility which should be imposed on a Continuing Adviser? If yes, please provide your suggestions and the reasons for such suggestions.

20. Do you agree with the prescribed corporate proposals where an Approved Adviser or Adviser (as the case may be) must be appointed as stated in paragraph 47 above?

PROPOSAL 1.10: HIGHER GENERAL MANDATE FOR NEW ISSUE OF SHARES OR CONVERTIBLE SECURITIES

Description	Affected Provision(s) of the Proposed New LR
Allowing higher general mandate to be given to directors to issue new shares or convertible securities	<ul style="list-style-type: none"> ▪ Rule 5.03

49. Currently, a Main Market or ACE Market listed corporation must procure shareholder approval for any proposed new issue of securities unless it has been granted a general mandate by its shareholders to issue new securities. For the Main Market and ACE Market listed corporations, shareholders can give a general mandate to their directors to issue shares or convertible securities provided that the nominal value of those shares or

convertible securities, when aggregated with the nominal value of any such shares or convertible securities issued during the preceding 12 months, does not exceed 10% of the nominal value of the issued and paid-up capital of the listed corporation.

50. Given that the (New) Market is a qualified market meant for SMEs to raise funds in a timely and cost effective manner, we propose to increase the threshold of general mandate that may be granted by the shareholders.
51. The maximum threshold allowed under a general mandate is proposed as follows:
 - (a) 100% of the nominal value of the issued and paid-up capital of the listed corporation in the case of an issuance on a pro rata basis to shareholders; or
 - (b) 50% of the nominal value of the issued and paid-up capital of the listed corporation in the case of an issuance on a non pro rata basis to shareholders,

(collectively "**Proposed General Mandate**").
52. The threshold will be applied for aggregate of issuances of shares over a period of 12 months similar to that applied for the Main Market and ACE Market.
53. It is further proposed that a listed corporation may issue shares or convertible securities to its director, major shareholder or chief executive or person connected to them ("**interested parties**") under a general mandate on a non-pro rata basis, subject to the following safeguards:
 - (a) The general mandate expressly authorises the issuance of shares or convertible securities to interested parties;
 - (b) the aggregate number of shares or convertible securities issued to the interested parties must be **not more than 10% of the total issued and paid up capital**; and
 - (c) such issuance of shares or convertible securities is **approved by the board of directors** and **done in the best interests of the company**.
54. In addition, the listed corporation will need to seek an annual renewal of the general mandate. The Exchange proposes that a general mandate shall remain in force until the earlier of the following:
 - (a) the conclusion of the first annual general meeting of the listed corporation following the passing of the resolution where the mandate may be renewed, either unconditionally or subject to conditions; or
 - (b) it is revoked or varied by ordinary resolution of the shareholders in general meeting.

55. When seeking the general mandate from the shareholders, we propose that the statement accompanying the proposed resolution must, at least, contain information relating to the amount of proceeds raised from the previous mandate, the details on the use of such proceeds, the intended purpose and utilisation of proceeds from the general mandate sought.

<u>Proposal 1.10 – Issue(s) for Consultation</u>	
21.	Do you agree with the threshold for the Proposed General Mandate [paragraph 51 above]? Please state the reasons for your views.
22.	Do you think the safeguards on issuance of shares or convertible securities to interested parties on a non-pro rata basis in paragraph 53 above are adequate for investor protection? Do you have any other proposal? Please state the reasons for your views.
23.	Do you agree that the Proposed General Mandate should be subject to annual renewal and the proposed disclosure required for the statement accompanying the proposed resolution as set out in paragraph 55 above?

PROPOSAL 1.11: MINIMUM CONTENTS OF ANNOUNCEMENT AND CIRCULAR RELATING TO A NEW ISSUE OF SHARES

Description	Affected Provision(s) of the Proposed New LR
Prescribing the contents of an announcement to the Exchange and circular to shareholders on the new issue of shares by requiring information which is meaningful and useful to shareholders	<ul style="list-style-type: none"> ▪ Rules 5.04 and 5.05 ▪ Appendix 5A

56. The Exchange proposes to require a listed corporation to include, among others, the following information in its announcement to the Exchange relating to a proposed new issue of shares as well as the circular to shareholders in respect of a new issue of shares:
- (a) The number, type and par value (where applicable) of shares to be issued;
 - (b) The ranking of the new issue of shares and whether listing will be sought;
 - (c) The issue price of the new issue of shares, the basis of determining the issue price and justification for the pricing.
 - (d) The persons to whom the new issue of shares will be allotted or issued.

- (e) A description of the proposed utilisation for the total amount of funds to be raised from the issuance of shares;
- (f) The effect of the new issue of shares on the issued and paid-up capital (to show effect for each proposal), the net assets per share based on the latest audited consolidated financial statements (to show effect for each proposal) and the earnings per share of the group;
- (g) The approvals required for the new issue;
- (h) Whether the directors, major shareholders or persons connected with them have any interest, direct or indirect, in the issue; and
- (i) In the case of a bonus issue, the details of the reserves to be capitalised for the bonus issue.

Proposal 1.11 – Issue(s) for Consultation

24. Do you agree with the proposed minimum contents of the announcement and the circular to shareholders in respect of a new issue of shares? [paragraph 56 above]?
- Please state the reasons for your views.
25. Is there any other information which should be disclosed in the announcement or circular to shareholders in relation to a new issue of shares? If yes, please provide your suggestions and the reasons for such suggestions.

PROPOSAL 1.12: ALLOWING RENOUNCEABLE AND NON-RENOUNCEABLE RIGHTS ISSUE

Description	Affected Provision(s) of the Proposed New LR
Allowing a listed corporation to undertake both renounceable and non-renounceable rights issue	<ul style="list-style-type: none"> ▪ Rules 5.08, 5.09, 5.10 and 5.11

57. Unlike the Main Market and ACE Market which allow a listed issuer to undertake only a renounceable rights issue, for the (New) Market the Exchange proposes that a listed corporation be allowed to undertake both renounceable and non-renounceable rights issues.
58. In the event a listed corporation undertakes a non-renounceable rights issue, the aggregate number of shares issued must be not more than 100% of its total issued and paid up capital.

59. The Exchange proposes a listed corporation to make announcements of the important relevant dates of a rights issue i.e. a listed corporation must, on the same day of announcing its books closing date for a rights issue, announce all the other important relevant dates relating to such rights issue as may be prescribed by the Exchange from time to time.
60. The Exchange expects a listed corporation to undertake due care and diligence when announcing the relevant dates relating to a rights issue. A listed corporation must immediately announce to the Exchange any change to the important relevant dates previously announced by the listed corporation or any event that may result in the listed corporation being unable to comply with the important relevant dates as previously announced to the Exchange as well as stating the reasons for such change.
61. If a listed corporation proposes to undertake a rights issue on (New) Market, the requirements to issue an abridged prospectus and IM under the CMSA will not apply. In a case where a rights issue is proposed using the Proposed General Mandate, shareholders will have to rely solely on information disclosed in the announcement in respect of the rights issue when making their investment decision. This is because there will be no abridged prospectus, IM or circular issued by the listed corporation specifically for the rights issue.
62. In this connection, the Exchange proposes that an announcement of a new issue of shares (including a rights issue), must contain among others, the following information:
- (a) The number, type and par value (where applicable) of shares to be issued.
 - (b) The ranking of the new issue of shares and whether listing will be sought.
 - (c) The issue price of the new issue of shares, the basis of determining the issue price and justification for the pricing.
 - (d) The persons to whom the new issue of shares will be allotted or issued.
 - (e) A description of the proposed utilisation for the total amount of funds to be raised from the issuance of shares including the proposed timeframe for such proposed utilisation, where applicable.
 - (f) The effect of the new issue of shares on –
 - (i) the issued and paid-up capital (to show effect for each proposal);
 - (ii) the net assets per share based on the latest audited consolidated financial statements (to show effect for each proposal); and
 - (iii) the earnings per share of the group.
 - (g) The approvals required for the new issue.

- (h) Where the issuance of shares or proceeds are utilized for acquisition of assets or interests and such acquisition warrants an announcement to be made to the Exchange, the relevant information on the transaction must also be disclosed.
 - (i) Any other information which is necessary for investors for the purpose of making an informed decision.
63. The Exchange also proposes a listed corporation to comply with the following in relation to the rights issue:
- (a) A listed corporation must issue to the persons entitled within 2 market days, or such other period as the Exchange may approve after the books closing date –
 - (i) the notices of provisional allotment; and
 - (ii) the rights subscription forms.
 - (b) Within 8 market days after the final applications closing date for a rights issue or such other period as may be prescribed or allowed by the Exchange, a listed corporation must –
 - (i) issue and allot the rights shares;
 - (ii) despatch notices of allotment to the allottees; and
 - (iii) file the documents required as set out in the form prescribed by the Exchange for such rights shares.
64. With the above proposed disclosures and safeguards in place for both a renounceable and non-renounceable rights issue, the Exchange believes there is adequate information for investors to make informed investment decision. The Exchange is mindful that whilst the ability to raise funds in a timely and cost effective manner is imperative for the proposed (New) Market to succeed, transparency and adequacy of disclosures are also key to promote the attractiveness of this market to investors.

Proposal 1.12 – Issue(s) for Consultation

26. Do you agree with the condition specified in paragraph 58 above to be applied to a listed corporation undertaking a non-renounceable rights issue?

Please state the reasons for your views.

27. If a listed corporation uses the Proposed General Mandate to undertake a right issue, in the absence of the prospectus and IM issued to shareholders, do you agree that the announcement on the rights issue is an adequate source of information for the shareholders to rely on to decide whether to subscribe to the rights issue? If not, how else should the shareholders be notified about the rights issue?

Please state the reasons for your views.

28. Do you think the information proposed to be disclosed in the announcement is adequate and sufficient for the shareholders to make informed investment decision in relation to the proposed rights issue? Is there any other information which should be disclosed in the announcement in relation to rights issue? If yes, please provide your suggestions and the reasons for such suggestions.

PROPOSAL 1.13: CRITERION FOR BONUS ISSUES

Description	Affected Provision(s) of the Proposed New LR
Ensuring available reserves for capitalisation in respect of a bonus issue	<ul style="list-style-type: none"> ▪ Rule 5.12

65. The Exchange proposes to allow a listed corporation to undertake a bonus issue of shares as long as there are available reserves for capitalisation on a consolidated basis that are adequate to cover the entire bonus issue of shares, based on the listed corporation’s latest audited financial statements as well as its latest semi-annual unaudited financial statements.
66. The above requirement is to ensure a listed corporation is prudent in managing its capital and the long term interests of its shareholders are safeguarded.

Proposal 1.13 – Issue(s) for Consultation

29. Do you agree with the criterion proposed by the Exchange for a bonus issue i.e. there must be available reserves for capitalisation on a consolidated basis that are adequate to cover the entire bonus issue of shares, based on the listed corporation’s latest audited financial statements as well as its latest semi-annual unaudited financial statements? [paragraph 65 above]

Please state the reasons for your views.

30. Is there any other criterion which the Exchange should consider in respect of a bonus issue? If yes, please provide your suggestions and the reasons for such suggestions.

PROPOSAL 1.14: FACILITATING A BONUS ISSUE VIA SPEEDS

Description	Affected Provision(s) of the Proposed New LR
Processing and crediting of bonus issue via SPEEDS	<ul style="list-style-type: none"> ▪ Rule 5.06(5)

67. Currently, the Exchange facilitates the completion of various simple and straight forward corporate exercises smoothly without any disruption to the trading activities of a listed issuer's securities on the Main Market and ACE Market via SPEEDS. The SPEEDS process entails Bursa Depository assuming the share registrar's duties in computing the entitlements of the shareholders based on the record of depositors. This enables a faster listing and quotation of shares on the Exchange, in the interest of both the listed corporation and its shareholders.
68. In the case of a bonus issue of shares by a listed corporation on the proposed (new) Market which is not conditional upon any other corporate proposal or if it is conditional upon another corporate proposal but that other corporate proposal has been completed or becomes unconditional, the Exchange similarly proposes that the SPEEDS process should be utilised for such corporate exercise. In such a case, a listed corporation, in announcing the books closing date of its bonus issue, must also announce that the bonus shares will be admitted to the Official List and quoted on the Exchange on the next market day after the books closing date.

Proposal 1.14 – Issue(s) for Consultation

31. Do you agree that the SPEEDS process should be utilised for a bonus issue of shares by a listed corporation which is not conditional upon any other corporate proposal or if it is conditional upon another corporate proposal but that other corporate proposal has been completed or becomes unconditional? [paragraph 68 above]

Please state the reasons for your views.

PROPOSAL 1.15: ALLOWING ISSUANCE OF CONVERTIBLE SECURITIES

Description	Affected Provision(s) of the Proposed New LR
Allowing issuance of convertible securities	<ul style="list-style-type: none"> ▪ Rules 5.13 and 5.14

69. The Exchange proposes to allow issuance of convertible securities by the listed corporation, i.e. securities that are convertible into ordinary shares of the listed corporation. While these convertible securities may not be listed, the ordinary shares issued pursuant to the conversion will need to be listed on the (New) Market.
70. We propose to require a listed corporation to make an announcement to the Exchange regarding a proposed new issue of convertible securities and include the information set out in Appendix 5A of the Proposed New LR in its announcement.
71. Further, prior to an issue of convertible securities, we propose to require the listed corporation to file the required documents with the Exchange for the listing and quotation of shares which will be issued pursuant to conversion of the convertible securities.

72. An announcement must be made to the Exchange upon conversion of convertible securities that the listed corporation has issued the shares. The shares which are issued pursuant to conversion of the convertible securities will be admitted to the (New) Market and quoted on the Exchange on the next market day following such announcement.

Proposal 1.15 – Issue(s) for Consultation

32. Do you agree with our proposal to allow issuance of non-listed convertible securities by a listed corporation subject to complying with the requirements set out in paragraphs 70 to 72 above?

Please state the reasons for your views.

PROPOSAL 1.16: MAINTAINING A CLEARLY IDENTIFIABLE CORE BUSINESS

Description	Affected Provision(s) of the Proposed New LR
Requiring a listed corporation to maintain a clearly identifiable core business at all times	<ul style="list-style-type: none"> ▪ Rule 6.06

73. As stated above, an applicant seeking listing on the (New) Market must have a clearly identifiable core business. After listing, the listed corporation is expected to comply with this requirement on a continuous basis.
74. In the event a listed corporation does not have a clearly identifiable core business, the Exchange proposes that it must, after consultation with the Exchange, make an announcement to the Exchange and either-
- (a) acquire a new core business and comply with all the requirements relating to a significant change in business direction or policy¹³ prescribed in the Proposed New LR within 6 months from the date of the announcement; or
 - (b) apply to the Exchange for a withdrawal of listing within 6 months from the date of the announcement.
75. If the listed corporation fails to comply with the obligations stated in paragraph 74 above or the Exchange rejects its acquisition of a new core business, the Exchange may require a reasonable exit-offer be made to its shareholders before de-listing such listed corporation.

¹³ Means either a reverse take-over or back-door listing.

Proposal 1.16 – Issue(s) for Consultation

33. Do you agree on the proposed steps to be taken and time given to a listed corporation which is unable to comply with the requirement of a clearly identifiable core business? [paragraph 74 above]

Please state the reasons for your views.

34. Do you agree that the Exchange should compel the promoters or controlling shareholders of a listed corporation which fails to maintain a clearly identifiable core business to make an exit offer to all the other shareholders before de-listing by the Exchange? Do you foresee any practical issues with such proposal?

Please state the reasons for your views.

PROPOSAL 1.17: CORPORATE DISCLOSURE POLICY

Description	Affected Provision(s) of the Proposed New LR
Requiring listed corporation to adhere to the corporate disclosure policy when making disclosures to investors and public	<ul style="list-style-type: none"> ▪ Rules 6.07, 6.08 and 6.09

76. In order to maintain a fair and orderly market, it is important to ensure timely, complete and accurate disclosure to the investors and public. Hence, the Exchange expects a listed corporation on (New) Market to provide investors with disclosure of accurate and complete material information on a timely basis.

77. In this regard, the Exchange proposes that a listed corporation must adhere to the following principle-based corporate disclosure policies:

- (a) Immediate disclosure of material information;
- (b) Thorough and non-selective disclosure of material information to the public;
- (c) Immediate clarification, confirmation or denial of any rumour or report, true or false that contains material information, after making due enquiry;
- (d) Investigation into the cause of any unusual price movement, trading activity or both of the listed corporation’s shares and immediate disclosure to the Exchange on its findings accordingly; and
- (e) Refraining from any promotional disclosure activity in any form which may mislead investors or cause unwarranted price movement and trading activity in the listed corporation’s shares.

78. An information is considered material if it is reasonably expected to have a material effect on -
- (a) the price, value or market activity of any of the listed corporation's shares; or
 - (b) the decision of a shareholder or investor in determining his choice of action.
79. The Exchange also proposes that material information may include information which -
- (a) concerns the listed corporation's assets and liabilities, business, financial condition or prospects;
 - (b) relates to dealings with employees, suppliers, customers and others;
 - (c) relates to any event affecting the present or potential dilution of the rights or interests of the listed corporation's shares; or
 - (d) relates to any event materially affecting the size of the public holding of its shares.
80. A listed corporation may, in exceptional circumstances, temporarily refrain from publicly disclosing material information, provided that complete confidentiality is maintained. Where material information is withheld, the listed issuer must refrain from delaying disclosure for an unreasonable period of time since it is unlikely that confidentiality can be maintained beyond a short period of time. The exceptional circumstances where disclosures can be withheld includes when the facts are in a state of flux or where the laws prohibit the disclosure of such information.
81. During a period where material information is withheld pursuant to paragraph 80 above, a listed corporation must ensure it closely monitors the market activity of its listed shares. A listed corporation must immediately announce the information withheld to the Exchange, in the following circumstances:
- (a) there is unusual market activity of the listed corporation's shares;
 - (b) rumours or reports concerning the information have appeared; or
 - (c) there are signs that insider trading may be taking place.
82. The disclosure requirements proposed under the Proposed New LR are more principle-based but cover all salient information and areas which promote a transparent market. A listed corporation and its Continuing Adviser are expected to adhere to a disclosure regime that promotes the level of transparency that is required to enable shareholders to exercise their ownership rights in an informed way.

<u>Proposal 1.17 – Issue(s) for Consultation</u>	
35.	<p>Do you think the corporate disclosure policies are clear and adequate to ensure timely, complete and accurate disclosure of material information to the investors and public? [paragraph 77 above]</p> <p>Please state the reasons for your views.</p>
36.	<p>Do you agree with the circumstances proposed by the Exchange in which an information is considered material in paragraph 78 above as well as the examples of material information in paragraph 79 above?</p> <p>Please state the reasons for your views.</p>
37.	<p>Do you agree with the circumstances where a listed corporation must make an immediate announcement of information withheld to the Exchange? [paragraph 81 above]</p> <p>Please state the reasons for your views.</p>

PROPOSAL 1.18: IMMEDIATE ANNOUNCEMENT TO THE EXCHANGE

Description	Affected Provision(s) of the Proposed New LR
Requiring immediate announcement on the occurrence of events prescribed under the Proposed New LR	<ul style="list-style-type: none"> ▪ Rule 6.11

83. Besides requiring a listed corporation to undertake a materiality assessment of the information before making an announcement of a material information, the Exchange also proposes to require a listed corporation to announce any information which has been prescribed under the Proposed New LR.
84. Some of the events prescribed by the Exchange which require immediate announcement by a listed corporation are as follows:
- (a) any recommendation, or declaration of a dividend or distribution;
 - (b) any decision to call for a general meeting;
 - (c) any change in the financial year end of the listed corporation;
 - (d) any change in the chief executive or the composition of the board of directors, company secretary or external auditors of the listed corporation;
 - (e) any proposed material diversification in the operations carried on by a listed corporation;

- (f) any change of control in the listed corporation;
- (g) any change to the utilisation of proceeds raised by the listed corporation from the issuance of shares that deviates by 25% or more from the original utilisation of proceeds;
- (h) any deviation of 25% or more between the profit or loss after tax and minority interest stated in the announced unaudited financial statements and the audited financial statements, giving an explanation of the deviation and the reconciliation of the deviation; and
- (i) any modified opinion or material uncertainty related to going concern in an external auditors' report.

85. The above mandatory disclosure requirements are proposed to ensure shareholders are kept apprised of material developments in the listed corporation, thus ensuring consistency of practice by all listed corporations without any subjective assessment on the materiality of such information.

Proposal 1.18 – Issue(s) for Consultation

38. Do you agree with the events prescribed by the Exchange which require immediate announcement by the listed corporation? [paragraph 84 above]

Please state the reasons for your views.

39. In your opinion, is there any other event which would require the immediate announcement by the listed corporation? If yes, please provide your suggestions and the reasons for such suggestions.

PROPOSAL 1.19: FACILITATING ISSUANCE OF DOCUMENTS TO SHAREHOLDERS BY ELECTRONIC MEANS

Description	Affected Provision(s) of the Proposed New LR
Issuance of documents by electronic means to shareholders	<ul style="list-style-type: none"> ▪ Rules 2.13

86. The Companies Act 2016 which is expected to come into effect soon prescribes that communication between a company and its members may be done in electronic form or by other methods agreed between the company and the members.

87. In tandem with this development and in light of the proliferation in the utilisation of electronic means for communication by the public, the Exchange proposes that if the Proposed New LR requires a listed corporation to issue documents (including notices, circulars and financial statements) to its shareholders, the listed corporation may send such documents to the shareholders by electronic means. However, the listed corporation will need to comply with certain conditions as set out below.
88. The electronic means contemplated by the Exchange include using email and the listed corporation's website, or other electronic platforms whether maintained by the listed corporation or a third party that can host the information in a secure manner for access by the shareholders.
89. A listed corporation wishing to issue such documents electronically to its shareholders must be authorised in its constitution to do so in the manner set out in the Proposed New LR. On the basis that any shareholder will be bound by the constitution, no individual consent of the shareholders will need to be sought. This approach will make it easier and more practical for a listed corporation to adopt electronic means to communicate with their shareholders. The shareholders must, however, always be given a right to request for a hard copy of such document.
90. In the event a shareholder of a listed corporation requests for a hard copy of such documents, the listed corporation must forward a hard copy of the documents to the shareholder within 4 market days from the date of receipt of the request.
91. If a listed corporation publishes such documents on its website, the listed corporation must notify the shareholders in writing of such publication. This may be in the form of a notification letter, email or short messaging service or any other form of electronic communication as may be appropriate.
92. The Exchange proposes that documents relating to take-over offers and rights issues must be sent in hard copy unless the shareholder has expressly consented to receive such documents by electronic means. The main reason for this is because these events will involve important procedural instructions and forms or acceptance letters that shareholders may be required to complete and submit to the listed corporation.
93. The above proposal is aimed at facilitating a more efficient and cost effective way of communication between the listed corporation and its shareholders.

Proposal 1.19 – Issue(s) for Consultation

40. Do you agree that a listed corporation should be allowed to issue documents to its shareholders by electronic means?

Please state the reasons for your views.

41. Do you think the electronic means mentioned in paragraph 88 are suitable for sending documents to shareholders? Are there other electronic means that should be included for sending documents to shareholders?

Please state the reasons for your views.

42. Do you agree that a listed corporation should be permitted to issue documents to its shareholders electronically so long as it is so authorised in its constitution without having to obtain individual consent? Do you agree that the shareholders must always be given a right to request for a hard copy of such document?

Please state the reasons for your views and suggestions, if any.

43. Do you agree that the listed corporation must forward a hard copy of the documents to the shareholder within 4 market days from the date of receipt of the request for a hard copy of the document? Is the time given appropriate both from the listed corporation's and shareholder's perspective? [paragraph 90 above]

Please state the reasons for your views and suggestions on a reasonable timeframe, if any.

44. Is the proposed safeguard for the publication of documents on a listed corporation's website sufficient? [paragraph 91 above]

Please state the reasons for your views and suggestions, if any.

45. Do you agree that documents relating to take-over offers and rights issues must be sent in hard copy unless a shareholder has expressly consented to receive such documents by electronic means?

Please state the reasons for your views.

46. Is there any other document that should not be sent by electronic means? If so, what are they? [paragraph 92 above]

Please state the reasons for your suggestions, if any.

PROPOSAL 1.20: FINANCIAL REPORTING

Description	Affected Provision(s) of the Proposed New LR
Prescribing timeframes for issuance of periodic financial statements	<ul style="list-style-type: none"> ▪ Rules 6.12 and 6.13 ▪ Appendix 6A

94. Currently, the Main Market and ACE Market LR requires a listed issuer to issue its quarterly reports and annual audited financial statements within 2 months after the end of each quarter of a financial year and 4 months from the close of the financial year respectively.

95. Given that the SMEs seeking listing on the (New) Market are generally smaller in size as compared to the Main Market and ACE Market listed issuers, we propose that, instead of quarterly reports, a listed corporation be required to issue its semi-annual unaudited financial statements in respect of each 6 months of its financial year, within 2 months after the end of that 6 months period.
96. In addition, the Exchange proposes to require a listed corporation to include the following information in its semi-annual financial statements, which is aimed at enhancing transparency and investor protection:
- (a) A balance sheet, an income statement, a cash flow statement, statement of changes in equity and explanatory notes as well as the comparative figures for the corresponding period in the preceding financial year (apart from the balance sheet which may contain comparative figures from the preceding financial year balance sheet);
 - (b) A review of the performance of the listed corporation's group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:
 - (i) any significant factor that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - (ii) any material factor that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on; and
 - (c) The prospects, including the factors that are likely to influence the listed corporation's prospects.
97. Subsequent to the issuance of the semi-annual financial statement in respect of the last 6 months of a listed corporation's financial year, a listed corporation is required to issue its annual audited financial statements within 4 months from the close of the financial year. No annual report will be required to be issued by a listed corporation of the (New) Market.
98. A majority of the respondents to the Concept Consultation Paper were supportive of the proposal that a listed corporation is not required to issue annual report to the Exchange and its shareholders. Some respondents, however, were of the view that annual report should be issued as it is –
- (a) vital in providing visibility and heightening a listed corporation's public profile; and
 - (b) necessary for investors to have sufficient information on the status, plans and progress of the listed corporation.

It was suggested that only some form of reporting that meets the needs of investors should be required in the annual report.

99. Having considered the comments and suggestions, the Exchange proposes to maintain the position not to require the issuance of annual reports. However, we propose that the issuance of the annual audited financial statements by a listed corporation must also be accompanied by a statement which includes the following information:
- (a) A review of the performance of the listed corporation's group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:
 - (i) any significant factor that affected the turnover, costs, and earnings of the group for the current financial year, including (where applicable) seasonal or cyclical factors; and
 - (ii) any material factor that affected the cash flow, working capital, assets or liabilities of the group during the current financial year;
 - (b) The prospects, including the factors that are likely to influence the listed corporation's prospects; and
 - (c) Where the company has yet to commence operation, a brief description on the status of its product/service's commercialisation plan.

The Exchange believes the above proposal will address the investors' need for adequate information to make informed investment decision, without unduly burdening a listed corporation with excessive regulatory requirements and high cost of compliance.

100. Under the Proposed New LR, a listed corporation must also appoint an external auditor which is registered with the SC's Audit Oversight Board ("**AOB**") to promote quality and reliability of financial reporting on the (New) Market.

Proposal 1.20 – Issue(s) for Consultation

47. Do you agree with the proposed financial reporting timeframe, which is 2-months for each of the semi-annual unaudited financial statements, followed by annual audited financial statements within 4 months from the close of the financial year end (Option 1)?

The other option which the Exchange may consider is to require a listed corporation to announce its first half unaudited financial statements within 2 months from the first half of its financial year, followed by its annual audited financial statements within 3 months from the close of the financial year end. (Option 2).

Please state your preferred option for financial reporting and reasons for your choice.

48. Do you think the information required in the notes to the financial statements as well as the information accompanying the announcement of the annual audited financial statements is appropriate and adequate? Is there any other information that should be included? If yes, please provide your suggestions and the reasons for such suggestions.

PROPOSAL 1.21: SUSPENSION OF TRADING FOR FAILING TO ISSUE FINANCIAL STATEMENTS WITHIN THE RELEVANT TIMEFRAME

Description	Affected Provision(s) of the Proposed New LR
Suspending the trading of the listed corporation’s shares for failure to issue the financial statements within the relevant timeframe	<ul style="list-style-type: none"> ▪ Rule 6.14

101. A listed corporation must issue its semi-annual financial statements and annual audited financial statements (collectively referred to as “**Financial Statements**”) within the relevant timeframe as stated in paragraphs 95 and 97 above.
102. Timely disclosure of Financial Statements is key to an orderly and fair market for the trading of shares and for investors to make informed investment decisions.
103. In this regard, the Exchange proposes a strict regulatory regime in the event a listed corporation fails to issue its Financial Statements within the relevant timeframes or such extension of time granted by the Exchange (“**Relevant Timeframes**”). The proposals are as follows:
- (a) If a listed corporation becomes aware or has any reason to believe that it will not be able to announce the Financial Statements within the Relevant Timeframes, it must immediately make an announcement to the Exchange and in any event, before the end of the Relevant Timeframes. The announcement must include the following information:
 - (i) The reasons for failing to announce the Financial Statements within the Relevant Timeframes;
 - (ii) A statement that the suspension of trading will be effected on the 6th market day after the end of the Relevant Timeframes, specifying the date of suspension; and
 - (iii) The steps to be taken and the expected date of announcement of the Financial Statements.
 - (b) The listed corporation must announce the status of steps taken and the expected date of announcement of the Financial Statements on or before the last market day of each month following the end of the Relevant Timeframes until the announcement of the Financial Statements.

- (c) The Exchange shall suspend trading in the shares of the listed corporation on the 6th market day after the Relevant Timeframes if it fails to announce the Financial Statements within 5 market days after the end of the Relevant Timeframes. The suspension will be uplifted on the market day following the announcement of the Financial Statements unless otherwise determined by the Exchange.
- (d) The Exchange shall commence de-listing procedures against the listed corporation if it fails to issue the Financial Statements within 6 months after the end of the Relevant Timeframes.

Proposal 1.21 – Issue(s) for Consultation

49. Do you agree with the Exchange’s proposals in relation to the suspension of trading of the listed corporation’s shares if the listed corporation fails to issue its Financial Statements within the Relevant Timeframes? [paragraph 103 above]

Please state the reasons for your views.

PROPOSAL 1.22: NON-RELATED PARTY TRANSACTIONS

Description	Affected Provision(s) of the Proposed New LR
Prescribing the thresholds and obligations for a non-related party transaction	<ul style="list-style-type: none"> ▪ Rules 7.04 and 7.05

- 104. One of the key objectives of the (New) Market is to serve as a capital raising platform for the SMEs. Therefore, listed corporations on the (New) Market should be allowed to raise funds from the capital market efficiently and in a timely manner for the purpose of their business development and to realise their business plans.
- 105. In view of the above, the Exchange proposes more liberal requirements when a listed corporation undertakes a non-related party transaction (“**non-RPT**”), in terms of the threshold for announcement and shareholder approval. The obligations proposed to be imposed on a listed corporation are as follows based on the percentage ratios¹⁴ of a non-RPT :

¹⁴ “Percentage ratio” is a test to evaluate the materiality of a transaction which represents the figure, expressed as a percentage, resulting from the following calculations:

- (i) the **value** of the assets which are the subject matter of the transaction, compared with the **net assets** of the listed corporation;
- (ii) **net profits** of the assets which are the subject matter of the transaction, compared with the **net profits** attributable to the owners of the listed corporation (before other comprehensive income or loss);
- (iii) the **aggregate value of the consideration** given or received in relation to the transaction, compared with the **net assets** of the listed corporation; or
- (iv) the **total assets** which are the subject matter of the transaction compared with the **total assets** of the listed corporation.

- (a) 10% and above – make an immediate announcement and include the information set out in Part A of Appendix 7A¹⁵ of the Proposed New LR in the announcement; and
- (b) 25% or more – make an immediate announcement, obtain shareholder approval and include the information set out in Part A of Appendix 7A of the Proposed New LR in the circular to shareholders.

106. A large majority of the respondents to the Concept Consultation Paper were agreeable to the proposed requirements on transaction. On the other hand, we also received some comments that for non-RPT, the threshold for shareholders’ approval can be raised to 50% instead, in order to provide greater flexibility to a listed corporation to transact and expand without being unduly burdened with cost and time of compliance. Having considered the comments, we propose to maintain the threshold of 25% for shareholders’ approval to be consistent with the requirements under company law and to strike a balance between business efficacy and investors protection.

<u>Proposal 1.22 – Issue(s) for Consultation</u>	
50.	Do you agree with the Exchange’s proposals in relation to the thresholds and obligations of a non-RPT? [paragraph 105 above] Please state the reasons for your views.
51.	Do you agree with the proposed contents of an announcement and circular of a non-RPT? Is there any other additional information which you would like to propose?

PROPOSAL 1.23: RELATED PARTY TRANSACTIONS

Description	Affected Provision(s) of the Proposed New LR
Prescribing the thresholds and obligations for a related party transaction	<ul style="list-style-type: none"> ▪ Rule 7.06

107. For the (New) Market, we propose to define the term “related party transaction” (“RPT”) to mean a transaction entered into between the listed corporation or its subsidiaries and a related party, other than a transaction of a revenue nature in the ordinary course of business. In this regard, “related party” shall mean a director (including chief executive) or major shareholder of the listed corporation or a person connected with such a director or major shareholder.

¹⁵ Please refer to Proposal 1.26 below on the minimum contents of the announcement and circular for transactions.

108. We propose that the ambit of the “related party” be limited to the listed corporation level only. As such, any transaction entered into by a listed corporation with a listed corporation’s subsidiaries’ or holding company’s directors or major shareholders will not fall within the proposed RPT framework, unless they are considered as persons connected with a listed corporation’s director or major shareholder.
109. The proposal is premised on the fact that the board of directors of a listed corporation should have in place appropriate procedures, policies and controls to perform its oversight function over its subsidiaries. In that respect, we propose to prescribe some basic functions of the board of directors of a listed corporation in the Proposed New LR such as the following:
- (a) ensure that the listed corporation has in place sufficient procedures, policies and controls to ensure compliance with the Proposed New LR; and
 - (b) ensure that there is in place adequate internal controls and risk management systems, including sufficient controls to monitor transactions or conduct that may raise questions of management’s integrity or give rise to conflict of interests situation within the listed corporation or group, such as related party transaction.
110. In relation to the obligations imposed on the listed corporation when it undertakes a RPT, we propose the following, based on the percentage ratios that may be triggered by the RPT -
- (a) 5% or more - make an immediate announcement and include the information set out in Part A of Appendix 7A of the Proposed New LR in the announcement; and
 - (b) 10% and above – make an immediate announcement (include the information set out in Part A of Appendix 7A of the Proposed New LR in the announcement) and obtain shareholder approval (include the information set out in Appendix 7A of the Proposed New LR in the circular to shareholders).
111. Further, a director with any interest, direct or indirect (“**interested director**”) must abstain from board deliberation and voting on the relevant resolution in respect of the RPT. An interested director must inform the board of directors of the listed corporation or its subsidiary, as the case may be, the details of the nature and extent of his interest, including all matters in relation to the proposed transaction that he is aware or should reasonably be aware of, which is not in the best interest of the listed corporation or its subsidiary, as the case may be.
112. The board of directors of the listed corporation, excluding interested directors, must ensure that a RPT is in the best interests of the listed corporation, fair, reasonable, on normal commercial terms and not detrimental to the interest of the minority shareholders.
113. When obtaining shareholder approval for a RPT, the Exchange proposes that an interested related party and any other interested shareholder must not vote on the resolution in respect of the RPT.

114. In addition, we propose that certain transactions be excluded as RPT¹⁶. For example the issue of shares by the listed corporation for cash, bonus issue, the grant of options and the issue of shares to a related party pursuant to a share issuance scheme (subject to compliance with Chapter 5), subscription of shares on a pro rata basis, subdivision of shares, consolidation of shares or payment of dividend as well as directors’ fees and remuneration, and employment remuneration.

<u>Proposal 1.23 – Issue(s) for Consultation</u>	
52.	Do you agree with our proposed ambit of RPT, as set out in the definitions on RPT and “related party”? [paragraphs 107 and 108 above] Please state the reasons for your views.
53.	Do you agree with our proposal to prescribe the functions of the board of directors of a listed corporation as a safeguard for the proposed RPT framework? [paragraph 109 above] Please state the reasons for your views.
54.	Do you agree with the Exchange’s proposals in relation to the thresholds and obligations for a RPT? [paragraph 110 above] Please state the reasons for your views.
55.	Do you agree with the proposed requirements on interested directors, related party and any other interested shareholder as set out in paragraphs 111 and 113 above? Please state the reasons for your views.

PROPOSAL 1.24: DE MINIMIS REQUIREMENTS

Description	Affected Provision(s) of the Proposed New LR
Prescribing the monetary limit to exempt small or immaterial transactions from the RPT and non-RPT requirements	<ul style="list-style-type: none"> ▪ Rules 7.04 and 7.06

115. The Exchange proposes to exempt immaterial or small transactions from the RPT and non-RPT requirements (“**de minimis requirements**”). The de minimis requirements are prescribed to exempt transactions which pose insignificant risk to listed corporations from the RPT and non-RPT framework.

¹⁶ Please refer to Rule 7.06(7) of the Proposed New LR on the full list of exempted RPT.

116. The Exchange proposes RM250,000 as the monetary limit in the de minimis requirement for the (New) Market, which is relatively higher than the amount of RM 200,000 prescribed for the ACE Market. This is in view that (New) Market is a qualified market and should be subject to a more liberal regulatory framework.

<u>Proposal 1.24 – Issue(s) for Consultation</u>	
56.	Do you think RM250,000 is the appropriate monetary limit under the de minimis requirements for both a RPT and non-RPT? [paragraph 116 above]
	Please state the reasons for your views.

PROPOSAL 1.25: SIGNIFICANT CHANGE IN THE BUSINESS DIRECTION OR POLICY AND MAJOR DISPOSAL

Description	Affected Provision(s) of the Proposed New LR
Prescribing other transactions requiring shareholder approval	▪ Rules 7.07 and 7.08

117. In addition to a RPT and non-RPT requiring shareholder approval when such transaction exceeds the prescribed threshold, we propose that the following transactions must also be subjected to shareholder approval:
- (a) A transaction which will result in a significant change in the business direction or policy of the listed corporation; and
 - (b) 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 (New) Market (“**Major Disposal**”).
118. In relation to a transaction which will result in a significant change in the business direction or policy of the listed corporation, the listed corporation must:
- (a) appoint an Approved Adviser before the terms of the transaction are agreed upon;
 - (b) announce to the Exchange the information set out in both Parts A and B of Appendix 7A of the Proposed New LR;
 - (c) issue a circular to its shareholders containing the information set out in both Parts A and B of Appendix 7A of the Proposed New LR; and
 - (d) convene a general meeting and obtain shareholder approval for the transaction.

119. If a listed corporation intends to undertake a Major Disposal, it must -
- (a) announce to the Exchange the information set out in Part A of Appendix 7A of the Proposed New LR;
 - (b) issue a circular to its shareholders containing the information set out in Part A of Appendix 7A of the Proposed New LR; and
 - (c) convene a general meeting and obtain shareholder approval of at least 75% in value of the shareholders present and voting either in person or by proxy at the meeting for such Major Disposal.

Proposal 1.25 – Issue(s) for Consultation

57. Do you agree with our proposal to require shareholder approval for the following transactions:

- (a) A transaction which will result in a significant change in the business direction or policy of the listed corporation; and
- (b) A Major Disposal.

Please state the reasons for your views.

58. Do you agree with the proposed requirements relating to the transaction which will result in a significant change in the business direction or policy of the listed corporation as set out in paragraph 118 above?

Please state the reasons for your views.

59. Do you agree with the proposed requirements relating to the Major Disposal as set out in paragraph 119 above?

Please state the reasons for your views.

PROPOSAL 1.26: MINIMUM CONTENTS OF ANNOUNCEMENT AND CIRCULAR RELATING TO TRANSACTIONS

Description	Affected Provision(s) of the Proposed New LR
Prescribing the contents of an announcement to the Exchange and circular to shareholders on transactions, which is meaningful and useful to shareholders	<ul style="list-style-type: none"> ▪ Rules 7.04, 7.05, 7.06, 7.07 and 7.08 ▪ Appendix 7A

120. The Exchange proposes to require a listed corporation to include, among others, the following information in its announcement to the Exchange as well as the circular to shareholders relating to a transaction:
- (a) The details of the transaction including particulars of the assets being acquired or disposed of;
 - (b) The total consideration;
 - (c) The historical financial information pertaining to the assets;
 - (d) The financial effects and the business impact of the transaction;
 - (e) Whether the directors and/or major shareholders and/or persons connected with a director or major shareholder have any interest, direct or indirect, in the transaction and the nature and extent of their interests;
 - (f) The rationale for the transaction including the prospects of assets to be acquired; and
 - (g) A statement by the board of directors, excluding interested directors stating whether the transaction is in the best interests of the listed corporation, fair, reasonable, on normal commercial terms and not detrimental to the interest of the minority shareholders, and recommendation including the basis of the recommendation.
121. We also propose that the announcement to the Exchange and circular to shareholders in relation to the significant change in business direction or policy of a listed corporation, to include details in respect of the new controlling shareholder(s), and new board of directors including the new controlling shareholder(s)' interest and new directors' interest in all other corporations or businesses, principal activities of such corporations or nature of such businesses.

Proposal 1.26 – Issue(s) for Consultation

60. Do you agree with the proposed minimum contents of the announcement and the circular to shareholders in respect of a transaction? [paragraph 120 above]?

Please state the reasons for your views.

61. Is there any other information which you would like a listed corporation to disclose in the announcement or circular in relation to a transaction? If yes, please provide your suggestions and the reasons for such suggestions.

PROPOSAL 1.27: WITHDRAWAL AND DE-LISTING FRAMEWORK

Description	Affected Provision(s) of the Proposed New LR
Withdrawal and de-listing framework of the (New) Market	<ul style="list-style-type: none"> ▪ Rules 8.05, 8.06, 8.07, 8.08 and 8.09 ▪ Appendix 8B

122. Upon listing, a listed corporation will remain on the (New) Market unless it applies for withdrawal of listing or is de-listed by the Exchange in the circumstances specified under the Proposed New LR.
123. Besides voluntarily applying for withdrawal of listing, a listed corporation may also withdraw its listing on the (New) Market in the following circumstances after it has announced the offeror’s intention not to maintain its listing status:
- (a) in relation to a take-over offer¹⁷ resulting in 90% or more of its listed shares being held by a shareholder either individually or jointly with associates of the said shareholder; or
 - (b) in relation to a corporate proposal resulting in 100% of its listed shares being held by a shareholder either individually or jointly with associates of the said shareholder.
124. The requirements proposed by the Exchange in relation to a request to withdraw its listing from the (New) Market include the following:
- (a) shareholder approval must be obtained in a general meeting and the circular sent to the shareholders must include the information set out in Appendix 8B of the Proposed New LR;
 - (b) the resolution for the withdrawal of its listing is approved by a majority in number representing three fourths in value of the shareholders present and voting in either in person or by proxy at the meeting and provided that such shareholders who object to the withdrawal is not more than 10% of the value of the shareholders present and voting either in person or by proxy;
 - (c) the shareholders are offered a reasonable cash alternative or other reasonable alternative (“**exit offer**”); and
 - (d) the listed corporation appoints an Adviser to advise and make recommendations for the consideration of the shareholders in connection with the withdrawal of its listing as well as the fairness and reasonableness of the exit offer.

¹⁷ The take-over offer must be made pursuant to the Malaysian Code on Take-Overs and Mergers 2016 and Rules on Take-Overs, Mergers and Compulsory Acquisitions.

125. The Exchange also proposes that the Adviser who is appointed to act in a request for withdrawal must take all reasonable steps to satisfy itself that it has a reasonable basis to make the following comments and advice –
- (a) its comment on the fairness and reasonableness of the withdrawal of listing and the exit offer. Such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion; and
 - (b) its advice to the shareholders on whether they should vote in favour of the withdrawal of listing and exit offer.
126. In addition, the application for withdrawal of listing by a listed corporation must include the following information:
- (a) the full and detailed reasons for the withdrawal;
 - (b) the board resolution for the withdrawal;
 - (c) the confirmation that the approval of any other relevant authority, if required, has been obtained; and
 - (d) the confirmation that the listed corporation has obtained approval of its shareholders.
127. The Exchange does not propose any additional requirements to apply specifically to financially distressed companies. The Exchange proposes that a listed corporation shall be automatically de-listed in the following circumstances:
- (a) upon the commencement of a voluntary winding-up of a listed corporation or its major subsidiary in accordance with the Companies Act;
 - (b) upon a winding-up order being made against a listed corporation or its major subsidiary;
 - (c) upon appointment of a receiver or manager over the assets of the listed corporation or its major subsidiary; or
 - (d) where the listed corporation's audited financial statements contain an adverse opinion by its auditors.

Proposal 1.27 – Issue(s) for Consultation

62. Do you agree with our proposed requirements relating to the withdrawal for listing on the (New) Market? [paragraphs 124 to 126 above]?

Please state the reasons for your views.

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| <p>63. Do you think the proposed contents of the circular to shareholders as set out in Appendix 8B of the Proposed New LR are sufficient for the consideration of the shareholders regarding the withdrawal of listing and exit offer?</p> <p>64. Do you agree with the proposed events for de-listing? Are there any other circumstances which the Exchange should have the power to de-list a listed corporation on the (New) Market e.g. due to poor financial condition or inadequate level of operations? If yes, please provide your suggestions and the reasons for such suggestions.</p> |
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PROPOSAL 1.28: ENFORCEMENT FRAMEWORK

Description	Affected Provision(s) of the Proposed New LR
Enforcement framework of the (New) Market	<ul style="list-style-type: none"> ▪ Rules 8.10 to 8.21 ▪ Appendix 8C

128. In relation to the enforcement framework for the (New) Market, it is proposed that the Exchange has the same enforcement powers as provided under the Main LR and ACE LR to take enforcement action for any breach of the Proposed New LR by any applicant, listed corporation or its directors and advisers. In this regard, it is proposed that the Exchange may take or impose such actions or penalties as it considers appropriate and this includes, for example issuance of a private and public reprimand, imposition of a fine not exceeding RM1 million and issuance of a letter directing the person in default to rectify the non-compliance, which direction will remain in force until it is revoked.
129. Similar to the Main Market and ACE Market, the expedited enforcement proceeding regime is proposed to be applied also to the (New) Market. We have set out the procedures relating to an expedited enforcement proceeding in Appendix 8C of the Proposed New LR.

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| <p><u>Proposal 1.28 – Issue(s) for Consultation</u></p> <p>65. Do you agree with our proposed enforcement framework for the (New) Market? [paragraphs 128 to 129 above]?</p> <p>Please state the reasons for your views.</p> |
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[End of Part 1]

PART 2 PROPOSED BMS AMENDMENTS

The Exchange proposes to insert a new Chapter 16 into the BMS Rules to set out the specific requirements that must be complied with by a PO and Registered Person, in addition to the existing BMS Rules, for purposes of trading in securities on the (New) Market. These requirements serve to impose additional requirements, and modify or disapply certain existing requirements in relation to participating in the (New) Market, due to the nature of the (New) Market being a SME market meant for sophisticated investors only.

The details of our proposals are discussed in greater detail below.

PROPOSAL 2.1: TRADING BY (NEW) MARKET INVESTORS ONLY

Description	Affected Provision(s) of the BMS Rules
Trading only by investors who meet the criteria of (New) Market Investor, unless they are existing shareholders.	<ul style="list-style-type: none"> ▪ New Rule 16.01(1)(b) ▪ New Rule 16.02 ▪ Para 8.1, Directive No. 5-001 (Directives on Conduct of Business)

130. The Exchange proposes that only a (New) Market Investor may trade or carry out transactions on the (New) Market. A (New) Market Investor is proposed to be defined as an investor which falls under Part I of Schedule 6 or Part I of Schedule 7 of the CMSA.
131. The Exchange also proposes that a PO must not allow a Client to trade or undertake transactions on the (New) Market unless it is qualified as a (New) Market Investor. In this regard, a PO would be subject to the general obligation in Rule 5.15(1) to obtain all essential information about a Client prior to allowing such Client to trade or undertake transactions on the (New) Market, and this would include obtaining information which demonstrates that the Client is qualified as a (New) Market Investor.
132. Where an existing member of a company listed on the (New) Market is concerned (including a promoter of the company and other existing shareholders), an exception is made to the requirements above in that such persons may be allowed to sell their shares, subject to any moratorium requirements imposed on promoters under the (New) Market Listing Requirements, even though they may not qualify as (New) Market Investors. They, however, will not be allowed to purchase more shares on the (New) Market.

133. The majority of the respondents to the Concept Consultation paper agreed with the proposals above in relation to (New) Market Investors. Nevertheless we take note that some of the respondents felt that the qualifying criteria proposed for (New) Market Investors is too high and that we should widen the criteria for a (New) Market Investor to include more categories of investors. It was suggested that by doing so, a larger number of investors will be able to participate and, among other things, create more liquidity in the (New) Market. In light of the nature of the market being a qualified one targeted at sophisticated investors, we are unable at this time to accede to such suggestions. This is because the criteria for sophisticated investors as we had stated above is related to the framework for excluded offers, invitations and issues which is prescribed under the CMSA.

PROPOSAL 2.2: RISK DISCLOSURE STATEMENT

Description	Affected Provision(s) of the BMS Rules
Requirement for PO to provide a risk disclosure statement	<ul style="list-style-type: none"> ▪ New Rule 16.03

134. The Exchange proposes that a PO may only execute a (New) Market Investor's first instruction to trade on the (New) Market or carry out a transaction on the (New) Market after receipt of a duly executed risk disclosure statement in the form provided by the PO. This is in view of the fact that this (New) Market carries a high risk and investors should be made aware of the risks.

PROPOSAL 2.3: COMPLIANCE REPORT

Description	Affected Provision(s) of the BMS Rules
Reducing the frequency of reporting on compliance matters in relation to (New) Market trades	<ul style="list-style-type: none"> ▪ Directive 3.39(5)-001 (Directive on Monthly Compliance Report)

135. The Exchange proposes that a PO's Head of Compliance must submit to the PO's board of Directors and to the Exchange a written report on (New) Market compliance matters in accordance with Rule 3.39, except that the reports must be submitted every quarter of a calendar year instead of on a monthly basis as required under Rules 3.39(2)(b) and 3.39(5). The difference in treatment for the (New) Market is proposed because the (New) Market is generally not expected to experience a high volume of trading, hence it is sufficient for POs to submit the compliance report every quarter of a calendar year instead of on a monthly basis.
136. As per the current requirements, a PO's Head of Compliance is expected to report any incidences of non-compliance of the BMS Rules in relation to trading on the (New) Market, including incidences of non-compliance of the (New) Market investor requirements, and the course of action taken.

PROPOSAL 2.4: MARGIN FINANCING

Description	Affected Provision(s) of the BMS Rules
Margin financing is not permitted for the purpose of the subscription or purchase of (New) Market securities	<ul style="list-style-type: none"> ▪ New Rule 16.05

137. The Exchange does not propose to allow a PO to provide margin financing pursuant to Rule 7.30 for the purpose of the subscription or purchase of (New) Market securities. This is in order to avoid a situation in which a PO needs to liquidate a Client's Margin Account and the PO is not be able to sell the (New) Market securities for whatever reason, thereby exposing it to unnecessary risks. Other forms of financing such as discretionary financing under Rule 7.31 and other types of financing under Rule 7.32 will be allowed for the subscription or purchase of (New) market securities.

PROPOSAL 2.5: DIRECT BUSINESS TRANSACTIONS

Description	Affected Provision(s) of the BMS Rules
A PO is not required to apply for prior approval in respect of Direct Business Transactions ("DBT") undertaken on the (New) Market.	<ul style="list-style-type: none"> ▪ New Rule 16.06

138. The Exchange proposes not to require a PO to apply to the Exchange for prior approval of a DBT undertaken on the (New) Market, even though it meets the criteria prescribed in Rule 10.01(1)(d). This is because the size of a DBT in the (New) Market is unlikely to be large.

PROPOSAL 2.6: COMMISSION RATE

Description	Affected Provision(s) of the BMS Rules
The commission rate for trades in securities on the (New) Market is fully negotiable	<ul style="list-style-type: none"> ▪ Schedule 6

139. The Exchange proposes that the commission rate for trades on the (New) Market be fully negotiable.

PROPOSAL 2.7: DAY TRADING

Description	Affected Provision(s) of the BMS Rules
Day Trading is not permitted for (New) Market securities.	<ul style="list-style-type: none"> ▪ Directive No. 7.05(1)-001 (Directives on the use of Day Trading Activities Account)

140. The Exchange proposes to prohibit Day Trading to be undertaken for the (New) Market, similar to how Day Trading is prohibited for the ACE Market. The Exchange also proposes that POs be required to submit a report in respect of all Day Trading which are carried out on (New) Market securities in breach of the said requirement.

Proposals 2.1 to 2.7 – Issue(s) for Consultation

66. Do you agree with proposals 2.1 to 2.7, as set out above?

Please state the reasons for your views.

67. Is there any other requirement which, in your view, should be put in place in relation to trading on the (New) Market? If yes, please provide your suggestions and the reasons for such suggestions.

[End of Part 2]

PART 3 PROPOSED BMDEPO AMENDMENTS

The current depository framework will be applicable to facilitate scripless or electronic handling/trading of securities listed on the (New) Market. In this regard, the only change to the BMDepo Rules that is proposed is in relation to the framework for cash distribution to make the framework flexible vis-à-vis the (New) Market.

The details of our proposal are discussed in greater detail below.

PROPOSAL 3.1: FACILITATING CASH PAYMENTS BEING MADE DIRECTLY INTO THE LISTED CORPORATION'S SHAREHOLDERS' BANK ACCOUNTS

Description	Affected Provision(s) in the BMDepo Rules
To provide flexibility to a listed corporation on the (New) Market to make cash payments directly into its shareholders' bank accounts	<ul style="list-style-type: none"> ▪ Definition of 'bank account information' ▪ Definition of 'cash distributions' ▪ Rule 21.10 ▪ Rule 21.10B ▪ Rule 25.05

141. At present, the Listing Requirements of the Main and ACE Markets require corporations listed on these markets to make all payments of cash distributions to the shareholders directly into their respective securities ("**CDS**") accounts.
142. The shareholders (depositors) vis-à-vis their CDS accounts have agreed to receive cash distributions into their bank accounts and have consented to Bursa Malaysia Depository Sdn. Bhd. ("**BMDepo**") disclosing their bank account information to the relevant parties for this purpose. Cash distributions include cash dividends and capital repayment. Cash payments (such as refunds for initial public offering shares), however, are not covered under this consent.
143. The Proposed New LR will not require a listed corporation on the (New) Market to make payments of cash distributions directly into the bank account of its shareholders.
144. The BMDepo Rules, however, will be facilitative in that such listed corporations may request for the relevant bank account information to make payment of the cash distributions via direct credit into the bank accounts should they wish to do so.
145. In relation to other forms of cash payments (such as refunds in connection to an initial public offering or cash consideration paid for offer shares in a take-over offer), the (New) Market listed corporation may request for the relevant bank account information if the shareholders' consent referred to above is obtained by such listed corporation. This is similar to the position for the listed corporations on the Main and ACE Markets currently.

146. Such consent may be obtained through the relevant documents, for example, the initial public offering application form or the acceptance of the take-over form.

Proposal 3.1 – Issue(s) for Consultation

68. Do you agree with the framework for the treatment of cash distributions and other cash payments under the BMDepo Rules as explained in this Part 3?

Please state the reasons for your views.

[End of Part 3]

ANNEXURE A - C PROPOSED AMENDMENTS

*[Please see **Annexure A –C** 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.

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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](http://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]**