



# New Framework For Listings And Equity Fund-Raisings

## Main Market Technical Briefing

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

# How it started...

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

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

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

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

Prime Minister of Malaysia  
Invest Malaysia 2008 Conference  
25 March 2008

## Key Points

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

# Robust engagement process...

## Establishment of Industry Working Group

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

Continuous engagement from the commencement of project

## Undertook extensive research, study visits and benchmarking exercises;

### Focus group discussions and brainstorming

- Parties include MIBA, MAVCAP, FPLC, MIA

Over 300 meetings undertaken

## Public and industry consultation

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

Numerous feedback received

Launched on 8 May 2009...

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

Effective: 3 August 2009

# Rationale and benefits...

## Staying competitive in a progressive market

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

## Streamlined structure for established and emerging companies to raise capital

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

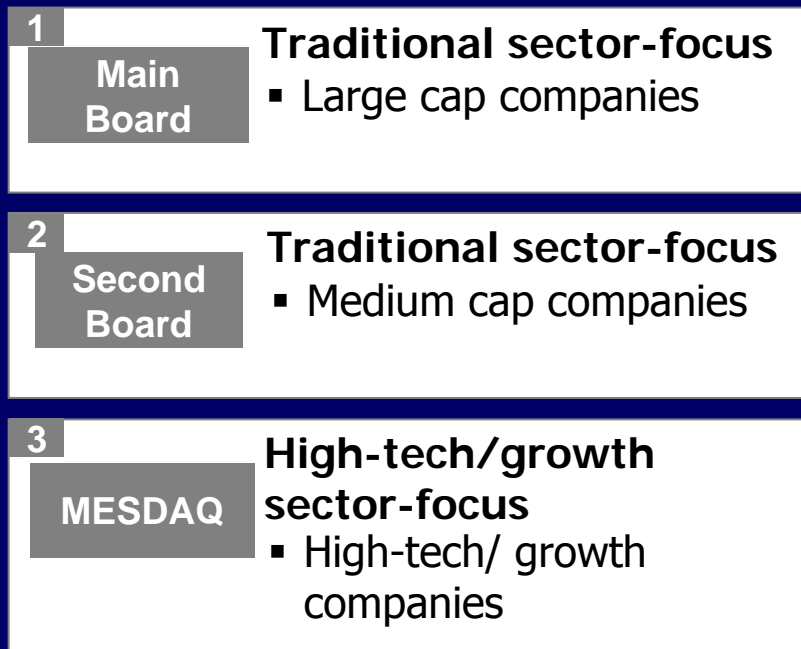
## Fundamental shift to a market-based regulatory approach

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

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

# New Board Structure for Bursa

## Current Structure

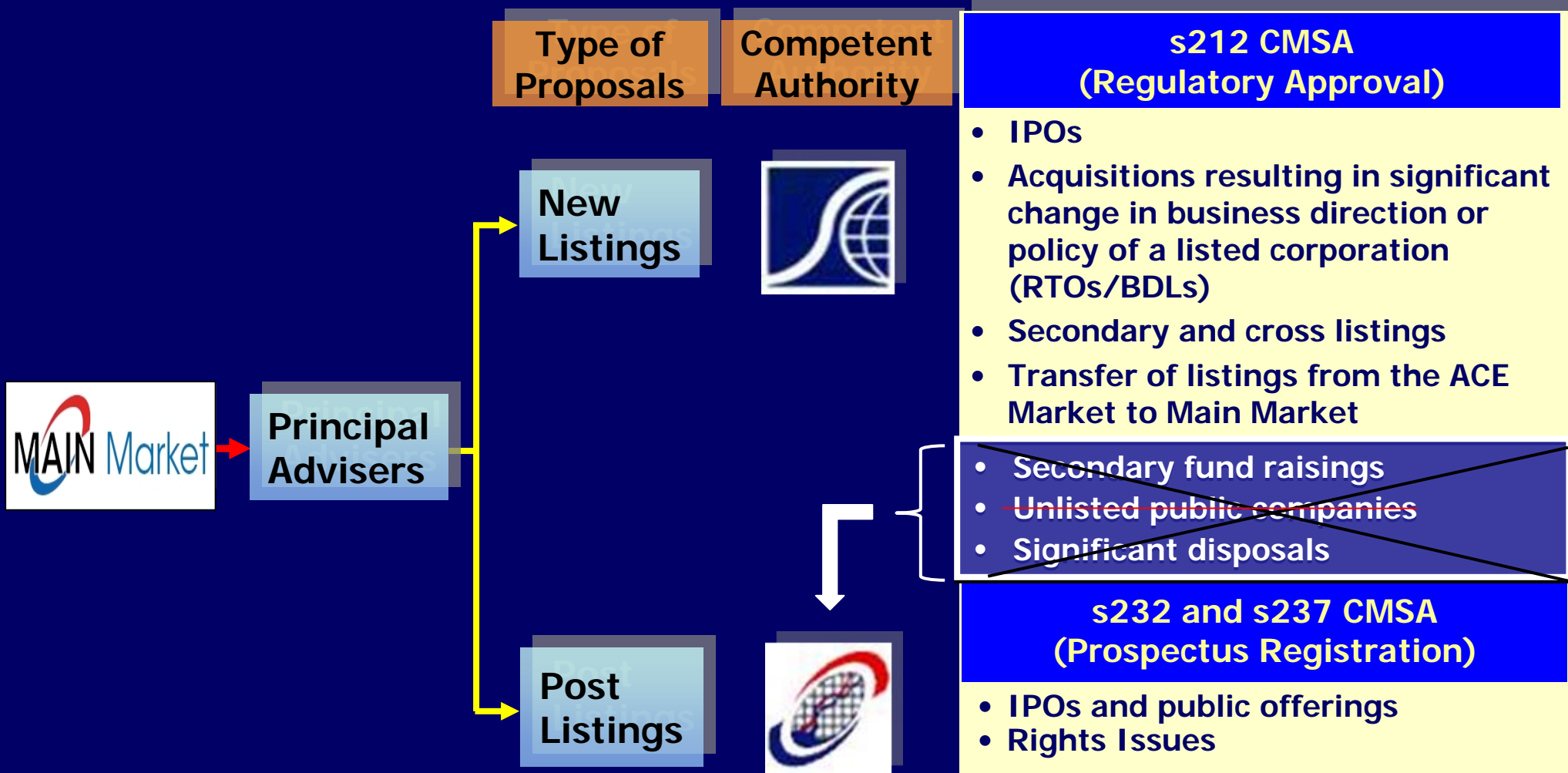


## New Structure



# New Regulatory Approaches

## Main Market





# Refined regulatory focus areas for New and Post Listings...



Regulatory approval under s212 and Prospectus registration under s232/s237 CMSA

## New Listings

### Focus Areas (s212 and s232):

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

- ~~Viability assessment~~

## Post Listings

### Focus Areas:

- ~~Compliance with minimum requirements~~
- ~~Adequacy of disclosures~~

**No s212 CMSA approval required**



Approval for listing and quotation of securities

### Focus Areas:

- Procedural compliance
- Public spread
- Adequacy of disclosures

### Focus Areas:

- Procedural compliance
- Adequacy of disclosures

- **Compliance with minimum requirements**

- New Board Structure and New Regulatory Approaches

- **New Guidelines and Submission Arrangements**

# 5 new/revamped SC guidelines...

## New Guidelines

### Equity Guidelines

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

### Prospectus Guidelines

- Stipulates disclosure requirements for the prospectus

### Principal Adviser Guidelines

- Stipulates advisers who can advise and submit corporate proposals

### Asset Valuation Guidelines

- Stipulates standards of asset valuation in corporate proposals

### Structured Warrants Guidelines

- Stipulates requirements for issuance of structured warrants



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

## Quantitative Requirements

### Profit Track Record Test

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

### Market Capitalisation Test

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

### Infrastructure Project Company (IPC) Test

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

## Other Requirements

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

### Flexibilities:

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

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

## Quantitative and Other Requirements

### Reverse Take-Over/Back-Door Listing

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

### Secondary and Cross Listings

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

### Transfer from ACE Market

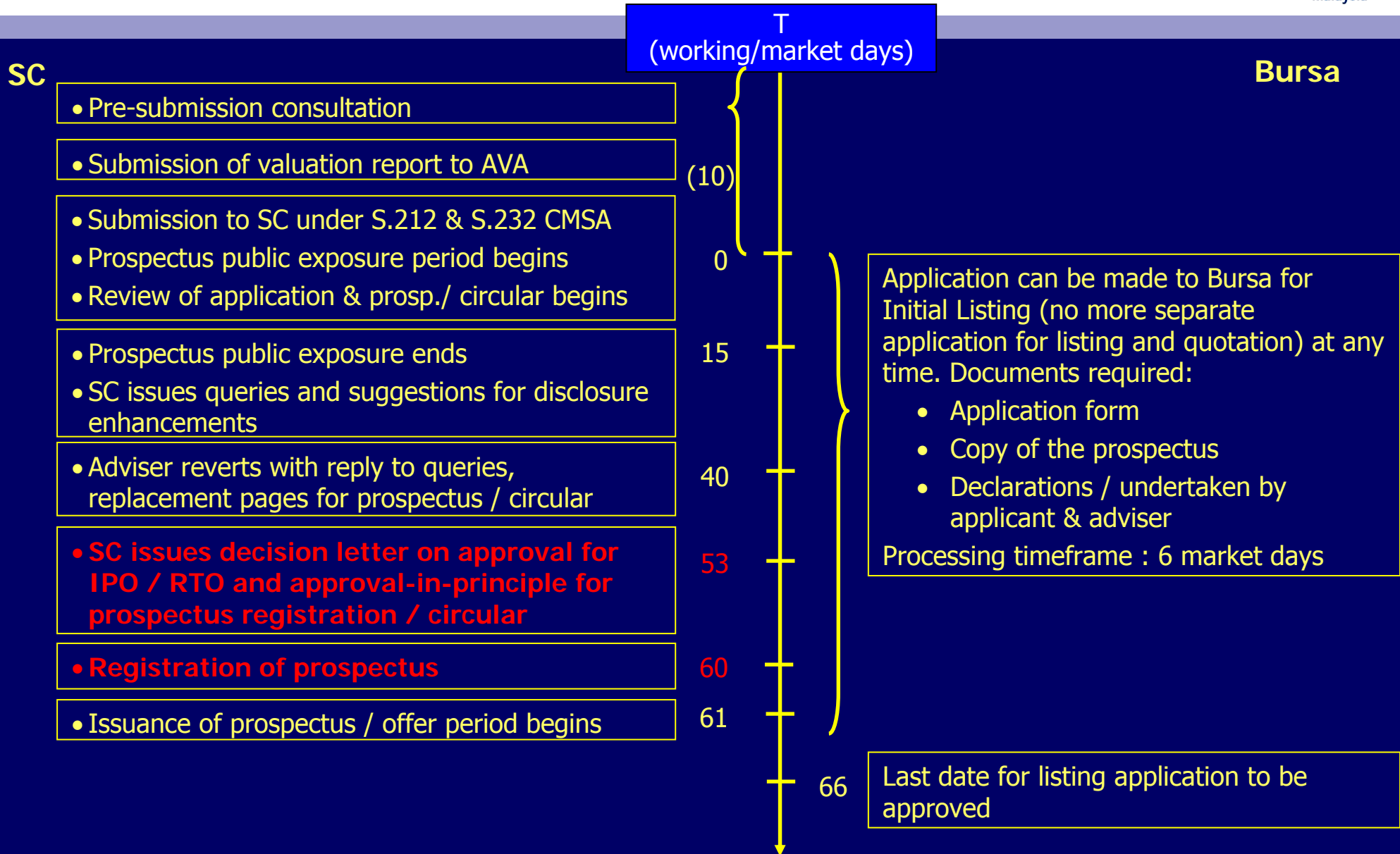
- Compliance with either Profit Track Record test, Market Capitalisation test or IPC test

# Equity Guidelines - Listing of SPACs

## Key Requirements

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

# Main Market Submission Process (IPOs/RTOs)



# Transitional Arrangements

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





# *Thank You*

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## Key Changes

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

## Key Changes

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

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

## Key Changes

### •Enhanced requirements on valuation firm making submissions

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

### •Bar raised for valuers carrying out valuations

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

### •Higher disclosure requirements in valuation certificates and reports

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

## New Flexibilities

- **Issuers of structured warrants allowed to undertake market-making for their structured warrants issues**

- Facilitate the movement of prices from one level to another
- Promotes investor confidence as there is immediacy
- Providing liquidity : buying when there are sellers and selling when there are buyers

- **Issuance of warrants of local and foreign Exchange Traded Funds**

- Provide investors with efficient access to alternative asset classes
- Broaden the spectrum of investment opportunities