



CONSULTATION PAPER NO. 1 FOR (NEW) MARKET

PROPOSED BURSA MALAYSIA'S (NEW) MARKET
Date of Issue: 2 September 2016

PLEASE NOTE

The purpose of this Consultation Paper is to seek feedback on the proposed (New) Market. Areas of this paper represents proposals for the concept of the proposed (New) Market. The proposals contained in this Consultation Paper may or may not be implemented as the proposed (New) Market is still subject to Securities Commission Malaysia's assessment and approval.

Bursa Malaysia ("Bursa Malaysia") invites your written comments on the issues set out in this Consultation Paper by 2 October 2016 via:

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

Kindly contact the following persons if you have any queries in relation to this Consultation Paper:

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

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1. Purpose

1.1. The purpose of this paper is to obtain views and feedback from interested parties on the proposed Bursa Malaysia’s (New) Market.

2. Overview

2.1. Background

2.1.1. Under the current equity fund raising landscape in the Malaysian Capital Market, Bursa Malaysia operates two markets as follows:

- (a) Main Market - for established companies with profit track record and/or have sizeable operations; and
- (b) ACE Market - enable smaller companies with growth potential to tap equity funding.

2.1.2. Applications for listing on Main Market are approved by the Securities Commission (SC) while applications for listing on ACE Market are approved by Bursa Malaysia. Since 2010, the two markets have enabled companies to raise a total amount of RM67.73 billion via initial public offering (“IPO”). Collectively, these IPOs recorded a total market capitalisation of RM228.71 billion. The median of Bursa Malaysia’s IPO market capitalisation is as shown in the chart below.

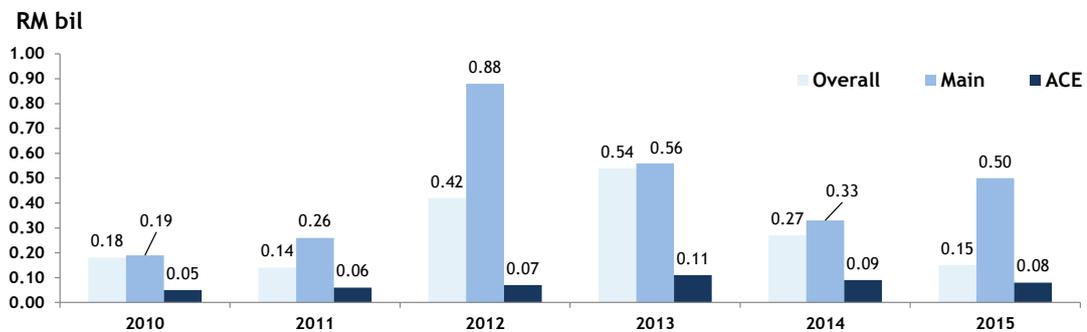


Figure 1: The Median of IPO Market Capitalisation

2.1.3. Despite not having any minimum size requirement, from the chart above, the median IPO market cap for ACE Market ranged from RM 50 million to RM 110 million, with higher amount recorded in the recent years. This indicates that the size of companies seeking to list on the ACE Market has become bigger over time.

2.1.4. Based on the average 3 years data (2012 - 2015), the average cost of raising capital is RM2.5 million for the ACE Market. As such, it may not be cost effective for smaller SMEs to raise funds through the ACE Market, posing a challenge for these SMEs.

- 2.1.5. Generally the smaller SMEs that have not opted for the ACE Market have often exhausted their traditional funding avenues namely bank borrowings, government facilitation and grants.
- 2.1.6. Recognising the challenges faced by SMEs, Bursa Malaysia proposes to establish a new market (“(New) Market”) to -
- (a) Support the growth of Malaysian SMEs by providing greater access to the capital markets; and
 - (b) Provide an efficient and transparent venue to spur investment activities by venture capital and private equity firms as well as other sophisticated investors.
- 2.1.7. The (New) Market aims to facilitate small and medium sized SMEs of which there are approximately ~19,000 medium-sized¹ SMEs.

2.2. Benefits of the New Market

The (New) Market will not only facilitate the capacity building of the SMEs (via access to the capital markets) but also the capital market intermediaries and players in supporting the SMEs. This market aims to bring together SMEs, intermediaries and qualified Sophisticated Investors onto a single platform to create a conducive marketplace to raise funds for SMEs, a marketplace that is efficient and transparent. In summary, the benefits to the various parties are as follows:

2.2.1. SME

- (a) Provide access to wider investor base for fund raising;
- (b) Provide cost efficient access to equity financing;
- (c) Increase the public profile and visibility of companies;
- (d) Intermediate step in corporate governance and disclosure requirements;
- (e) Ease of future secondary fund raising;
- (f) Facilitation to graduate to ACE Market.

2.2.2. Sophisticated Investors

- (a) Access to new potential investments;
- (b) Easy access to standard information and disclosure in respect of the investments;
- (c) Investments in the (New) Market would be more marketable;
- (d) Comfort of a more transparent and orderly market.

¹ Source: SME Corp Annual Report 2014/2015. Medium sized companies are a) manufacturing company with 75 to <200 employees and RM15 million - <RM50 million in total annual sales; b) services company with 30 to <75 employees and RM3 million - <RM20 million in total annual sales

2.2.3. POs

- (a) Provide a new investment opportunity for their high net worth clients;
- (b) Provide a new business opportunity and source of revenue.

2.2.4. Bursa Malaysia

- (a) Unlock the value and potential of SMEs.

2.3. Proposed Framework

2.3.1. Guiding Principles

In facilitating the ease of fund raising for SMEs via the capital market, the aim is to allow for SMEs to raise funds via a cost efficient manner. The key guiding principles for the (New) Market is illustrated below:

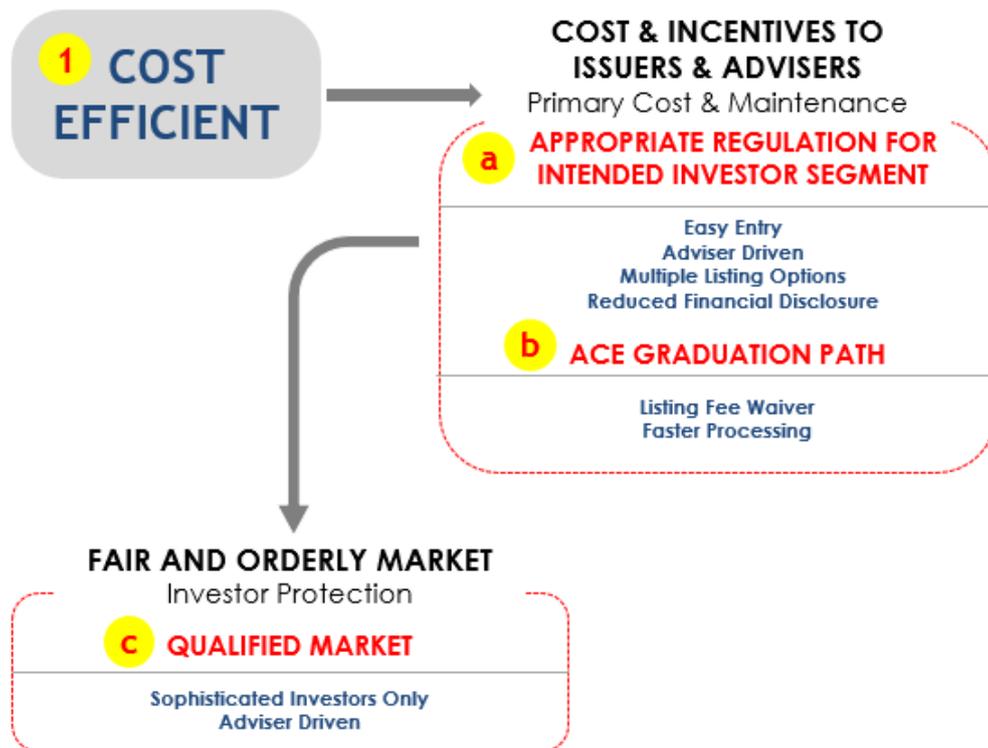


Figure 2: Key Guiding Principles

2.3.2. Salient Features of the (New) Market

Area	Salient Features
Type of companies	Open to all Malaysian SMEs which are public companies.
Type of Investors	Sophisticated investors only as per Part 1 of Schedules 6 and 7 of CMSA and includes a Venture Capital corporation, Venture Capital

Area	Salient Features
	Management Corporation, Private Equity corporation and Private Equity Management Corporation registered with the Securities Commission of Malaysia (“SC”).
Advisers	Proposed expansion of the existing pool of advisers to include qualified Corporate Finance Advisors (“CFAs”) licensed by the SC (subject to requirements of Approved Adviser and Continuing Adviser as stipulated in Section 5 below).
Listing Criteria Guidelines	<p>(a) No profit track record and operating history requirements.</p> <p>(b) Admission via</p> <ul style="list-style-type: none"> i. With fundraising (placement or excluded issues); or ii. Without fund raising (introduction). <p>(c) Listing of ordinary shares only.</p> <p>(d) Submission of a document containing information as detailed out in Section 4.1 below</p>
Governance Matters	<p>(a) Some flexibility to be accorded to:</p> <ul style="list-style-type: none"> i. Requirement for independent directors; ii. Requirement for audit committee, nomination and remuneration committee. <p>(b) Auditors for companies listed on (New) Market has to be registered with the Audit Oversight Board.</p>
Amount Raised	Unlimited.
“Public” Spread	≥ 10% at listing.
Moratorium	<p>(a) First 1 year: Entire shareholdings of the promoters;</p> <p>(b) Start Year 2 and thereafter, must maintain at least 45%.</p>
Financial Disclosures	<p>(a) Annual audited financial statements;</p> <p>(b) Periodic disclosure of financial results (semi-annual unaudited);</p> <p>(c) No requirement for annual report.</p>
Trading, Clearing, Settlement & Depository	Generally as per Main and ACE Market except for buying-in in the event of a default in delivery of shares. Buying-in will be carried out on T +3 only and if the buying-in is not successful, the transaction will be cash settled on T+4 onwards after identifying there is no further onward selling.
Market Making	Nil.
Graduation Criteria Facilitation	<p>(a) Processing period of less than 3 months;</p> <p>(b) Waiver of fees (ACE Market initial listing and ACE Market processing) for companies that can graduate within 3 years;</p>

Area	Salient Features
	(c) Waiver of ACE Market annual listing fees for first 2 years.
Exiting the (New) Market	(a) No time limit; (b) Mandatory (eg. winding up, receivership, auditors' adverse opinion); (c) Voluntary (eg. graduation to Main Market/ACE Market, M&A, voluntary delisting).

Table 1: Key Salient Features

The (New) Market will ultimately link SMEs who require funding to grow their business with a diverse set of qualified Sophisticated Investors who are comfortable with the equity market risk associated with these companies. Bursa Malaysia will provide a platform to bring together the issuers and investors and creation of a regulatory framework to address the key risks of issuers and investors, subject to the SC's approval.

3. Proposed Listing Framework

- 3.1. The (New) Market will be opened to all SMEs which are public companies incorporated in Malaysia.
- 3.2. There will be no minimum quantitative requirements in relation to profit or operating track record for corporations seeking listing on the (New) Market.
- 3.3. Issuers can opt for two methods of listing as follows -
 - (a) listing with fund raising, via placement or excluded issue², or
 - (b) listing without fund raising, via listing by introduction
- 3.4. An issuer must have an identified core business. The core business must not be the holding of investment in other listed corporations.
- 3.5. At the point of listing on the (New) Market, an issuer must have at least 10% of the total number of shares in the hands of public shareholders. This is to ensure there will be a minimum amount of liquidity upon quotation of shares on the (New) Market.
- 3.6. Only ordinary shares are allowed to be listed on the (New) Market. Convertible preference shares will not be listed on the (New) Market but they may be issued by the listed

² Please refer to section 226 of the Capital Market Services Act 2007 for the definition of an "excluded issue".

corporation. Once a preference share is converted into ordinary share, it has to be listed on the (New) Market.

- 3.7. Offer for sale is not allowed for promoters of (New) Market. However, offer for sale is allowed for registered venture capital corporation (“RVCC”), registered venture capital management corporation (“RVCMC”), private equity firms and qualified angel investors accredited by the Malaysian Business Angels Network as an exit strategy, as long as the minimum moratorium requirements applicable to promoters are being complied with at all times.
- 3.8. A moratorium will be imposed on the sale, transfer or assignment of shares by promoters of an applicant of (New) Market as described below -
- (a) The moratorium applies to the entire shareholdings of the promoters of an applicant for the first year from the date of listing on the (New) Market.
 - (b) Upon the expiry of the one year period, the listed corporation must ensure that the promoters’ aggregate shareholding amounting to at least 45% of the nominal issued and paid-up ordinary capital of the listed corporation remain under the moratorium.
 - (c) Where the promoter is an unlisted corporation, all direct and indirect shareholders of the unlisted corporation (whether individuals or other unlisted corporations) up to the ultimate individual shareholders must comply with the moratorium requirements above.

Issues for consultation:

1. Do you agree with the proposal to allow companies to list on the (New) Market without raising fund, i.e. listing by introduction?
2. Do you agree with the proposal to impose a public spread requirement? If yes, do you agree with the following:
 - (a) The proposed minimum threshold of 10%; and
 - (b) The proposal to impose the public spread requirement only at the admission stage?
3. Do you agree that only ordinary shares can be listed on (New) Market?
4. Do you agree with the proposal to impose a moratorium requirement for the (New) Market? If yes, do you agree with the proposed moratorium requirement set out in under paragraph 3.8 above?
5. Do you agree that offer for sale is allowed for RVCC, RVCMC, private equity firms and qualified angel investors accredited by the Malaysian Business Angels Network?

4. Proposed Listing Process

- 4.1. The applicant is to submit its application for listing on the (New) Market to Bursa Malaysia Securities Berhad (“Bursa Malaysia Securities”) and to submit with it, a document describing the business and affairs of the applicant. Such document must contain, among others, the following information:
- 4.1.1. Information on the applicant’s principal activities, business model and future plans, including steps taken and to be taken to realise the plan;
 - 4.1.2. Date of incorporation, registration number and date of commencement of business;
 - 4.1.3. History of business from the inception date;
 - 4.1.4. Group structure, where applicable;
 - 4.1.5. The listing scheme and shareholding structure of the applicant, including the method of offering, the number and price of shares being issued/offered;
 - 4.1.6. Risk factors in relation to the applicant’s business, including any dependencies on customers or suppliers and internal control weaknesses, if any;
 - 4.1.7. Competitive analysis and prospects of the applicant’s business;
 - 4.1.8. Licenses and permits held by the applicant;
 - 4.1.9. 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;
 - 4.1.10. Information on related party transactions entered into by the applicant;
 - 4.1.11. Profile of promoters, substantial shareholders, directors and key management of the applicant;
 - 4.1.12. Proposed utilisation of the listing proceeds including the proposed timeframe for such proposed utilisation upon listing;
 - 4.1.13. Any material agreements including shareholder agreements entered into between the applicant and shareholders;
 - 4.1.14. The details of moratorium on promoters and other shareholders, where applicable;
 - 4.1.15. Approvals required for listing; and
 - 4.1.16. Any other material information.
- 4.2. In order to ensure the integrity of the financial statements of the applicant which form an integral part of the information relied upon by investors in making their investment decisions, we propose to state that the financial statements must be audited by an auditor which is registered with the Audit Oversight Board. This is to ensure the credibility of information provided.
- 4.3. Bursa Malaysia Securities will process and provide its decision, having considered the issues relating to corporate governance, conflicts of interests and public interest as stated in the submission documents.

- 4.4. Bursa Malaysia Securities retains the right to refuse listing of an applicant to the (New) Market if it may be detrimental to the orderly operation or integrity of Bursa Malaysia.

Issues for consultation:

6. Do you agree with the proposed contents of the document referred to in 4.1?

5. Proposed Adviser Framework

- 5.1. The (New) Market will operate under a full disclosure based regime and an adviser -driven framework. Bursa Malaysia Securities will review the admission documents in focused areas, such as corporate governance, conflicts of interests and public interest but will not assess the suitability of an applicant for listing on the (New) Market.
- 5.2. Bursa Malaysia proposes to classify a licensed CFA who may act for (New) Market applicants/listed corporations into 2 main categories, i.e. Approved Adviser or Continuing Adviser. An Approved Adviser is authorised to undertake both initial listing activities and post-listing activities, whilst a Continuing Adviser may undertake post-listing advisory activities only, i.e. advising companies on compliance with the listing requirements, such as announcements of financial results, immediate announcement of material events, etc. In addition, if a listed corporation undertakes any corporate exercise that requires submission to be made to Bursa Malaysia Securities (e.g. for new issue of shares and RTO), the listed corporation is required to appoint an Approved Adviser. Bursa Malaysia Securities will maintain a (New) Market Register of Advisers for this purpose.
- 5.3. Any person wishing to act as an Approved Adviser must -
- (a) be a corporate finance adviser licensed by the SC;
 - (b) have in its full-time employment at all times, at least 1 personnel (“Qualified Personnel”) with the following competency and experience as a supervisor or manager, who has:
 - (i) advised on 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 or ACE Market in the 7 years immediately preceding the admission to the Register of Advisers;
 - (ii) been involved in at least 3 initial public offerings for the (New) Market;
 - (iii) advised on at least 3 corporate proposals of the Main Market or ACE Market which require shareholders’ approval in the 5 years immediately preceding the admission to the Register of Advisers;

- (iv) acted as an independent adviser for at least 3 corporate proposals pursuant to the requirements of the Take-Overs and Mergers Code in the 5 years immediately preceding the admission to the Register of Advisers; or
 - (v) advised and acted in a combination of at least 3 activities referred in sub-Rules (ii), (iii) or (iv) above;
- (c) maintain sufficient professional indemnity insurance for the purposes of listing activities and post-listing activities, where applicable; and
 - (d) a satisfactory reputation and work record.
- 5.4. A Continuing Adviser must be a CFA licensed by the SC and must have a satisfactory reputation and work record.
- 5.5. At the admission stage, an Approved Adviser will be required to have a sound understanding of the applicant and updated knowledge of the applicant, its business, operation and industry it operates in, as well as any other issues that might affect the business and industry of the applicant.
- 5.6. An Approved Adviser must also assess the suitability of an applicant seeking listing in (New) Market, by making reasonable due diligence enquiries and considering all relevant matters, including the following qualitative criteria -
- (a) whether the corporate governance record of the applicant's substantial shareholders, directors and key management personnel is satisfactory;
 - (b) whether all conflicts of interests or potential conflicts of interests within the applicant have been sufficiently resolved, eliminated or mitigated;
 - (c) whether the listing of the applicant will undermine public interest;
 - (d) whether the applicant has put in place sufficient systems, policies, controls and resources to comply with the listing requirements, and whether the applicant has adequate internal controls and risk management systems; and
 - (e) the adequacy of disclosures made by the applicant.
- 5.7. The Approved Adviser will also assist in profiling the applicant to (New) Market investors and will guide the applicant throughout the listing process.
- 5.8. In line with it being an adviser-driven market, a listed corporation has to retain an adviser at all times during the mandatory advisory period i.e. for at least three (3) full financial years from the date of its listing on the (New) Market, or at least 1 full financial year after the applicant has generated operating revenue, whichever is the later.

- 5.9. The applicant's Approved Adviser who submitted its application for listing on the (New) Market shall act as its adviser for at least 1 full financial year following the applicant's admission to the (New) Market.
- 5.10. Notwithstanding the above, a listed corporation is allowed to change its adviser after one (1) full financial year from the date of its listing on the (New) Market. Similarly, an adviser is allowed to resign after one (1) full financial year of acting as the adviser for a listed corporation from the date of its listing on the (New) Market.
- 5.11. Where a listed corporation seeks to terminate its Continuing Adviser, or where a Continuing Adviser resigns, the listed corporation needs to find a replacement Continuing Adviser within a period of three (3) months from the date of the announcement of the termination or resignation of the current Continuing Adviser, failing which Bursa Malaysia Securities shall suspend trading of its shares on (New) Market. Bursa Malaysia Securities may de-list the listed corporation from the (New) Market if it still has not found a replacement Continuing Adviser at the end of three (3) months after the expiry of the said three (3) months suspension period.
- 5.12. There is no requirement to underwrite shares proposed to be listed on (New) Market or any market making requirements post listing.
- 5.13. After the listing of the applicant on the (New) Market, the adviser shall monitor and guide

Issues for consultation:

7. Do you agree with the admission criteria for the Approved Adviser and Continuing Adviser, respectively?
8. Do you agree with the scope of responsibility of the Approved Adviser and Continuing Adviser?
9. Do you agree with the proposed suitability assessment by an Approved Adviser for admission of companies on the (New) Market?
10. Do you think that the 3-year mandatory advisory period to maintain an Adviser is adequate?
11. Do you think an Approved Adviser should be allowed to be a placement agent?

the listed corporation of its responsibilities e.g. how to comply with post listing requirements and review of announcements prior to their release.

6. Proposed Post Listing Disclosures

6.1. Immediate Announcement

6.1.1. A corporation listed on the (New) Market must immediately announce any information which is reasonably expected to have a material effect on the price, value or market activity of the listed corporation's shares or the decision of a shareholder or investor in determining his choice of action. Announcements will be disseminated via the existing Bursa LINK system. However, the published announcements will be on a separate page, with no commingling with the announcements made by the Main Market and ACE Market listed issuers.

6.2. Financial Reporting

6.2.1. A listed corporation will be required to announce its annual audited financial statements within four (4) months from the end of its financial year.

6.2.2. We propose to prescribe that the auditors of the listed corporation's annual audited financial statements must be registered with the Audit Oversight Board.

6.2.3. A listed corporation will be required to announce its semi-annual unaudited financial statements within two (2) months after the end of half of its financial year.

6.2.4. The requirement of having an annual audited financial statement is already imposed on the listed corporation by way of the Companies Act 1965 and should not pose additional costs to the listed corporation.

6.3. Issuance of Annual Report

6.3.1. A listed corporation will not be required to issue an annual report to Bursa Malaysia Securities and its shareholders.

6.4. Compliance with Shareholding Spread

6.4.1. A listed corporation will not be required to maintain any minimal public spread post listing on the (New) Market.

6.5. Issuance of New Shares

6.5.1. The issuance of new shares by a listed corporation will not require Bursa Malaysia Securities' approval. Consequently, the secondary issuances of shares on the (New) Market are expected to be easier and faster, in comparison with the ACE Market and Main Market.

6.5.2. However, a listed corporation must comply with the Companies Act 1965 for any issuance of new shares, including Section 132D of the Companies Act which requires shareholder approval for issuance of the shares.

6.5.3. We propose to allow a listed corporation to procure a general mandate from its shareholders to issue new shares or convertible securities on a non pro rata basis of up to 50% of its total issued and paid up capital (excluding treasury shares). Specific shareholder approval would be required for an issuance of new shares or convertible securities beyond the 50% threshold, unless it is on a pro-rata basis.

6.5.4. A listed corporation is allowed to undertake both renounceable and non-renounceable rights issue.

6.6. Corporate Proposals Post Listing

6.6.1. Transactions

6.6.1.1. We propose to require a listed corporation to make announcement to Bursa Malaysia Securities on the following transactions -

- (a) For related party transaction, the transaction with percentage ratio³ of 5% or more; and
- (b) For non-related party transaction, the transaction with percentage ratio of 10% or more.

6.6.1.2. A transaction with value of consideration of RM 200,000 or more is subject to shareholder approval as follows -

- (a) For related party transaction, the transaction with percentage ratio of 10% or more; and
- (b) For non-related party transaction, the transaction with percentage ratio of 25% or more.

The above shareholder approval threshold is aligned with the threshold required under the Companies Act 1965. However, Bursa Malaysia Securities will not pre-vet the circular issued in relation to such transactions to shareholders.

6.6.2. Significant Change in the Business Direction or Policy (“RTO”)

6.6.2.1. A listed corporation must appoint an Approved Adviser before the terms of the RTO are agreed upon and seek its shareholders’ approval in general meeting for the transaction.

6.6.2.2. Bursa Malaysia Securities will not pre-vet the circular to shareholders in relation to the RTO.

6.6.2.3. For RTO, the same admission criteria will apply and the vendors for the assets of the listed corporation will subject to the same moratorium requirement as set out under paragraph 3.8 above.

³ “Percentage ratio” is a test to evaluate the materiality of a transaction, based on, for example, the value of consideration, net profits, total assets test etc.

6.6.3. Major Disposal

- 6.6.3.1. A Major Disposal refers to a disposal of all or substantially all of a listed corporations' assets which may result in it being no longer suitable for continued listing.
- 6.6.3.2. A listed corporation must appoint an independent adviser to seek its shareholders' approval in a Major Disposal.
- 6.6.3.3. Bursa Malaysia Securities will not pre-vet the circular to shareholders in relation to a Major Disposal.

6.7. Delisting

- 6.7.1. Once listed, a corporation will remain listed on the (New) Market, until it voluntarily applies to exit or is required to do so under the (New) Market Listing Requirements. Thus, we do not propose to prescribe a specific time limit for listed corporations to stay on the (New) Market.
- 6.7.2. A listed corporation may withdraw its listing from the (New) Market on a voluntary basis, such as where it has transferred to the ACE or Main Market, or where it has been the subject of a takeover offer.
- 6.7.3. A listed corporation wishing to withdraw its listing from the (New) Market voluntarily must appoint an Approved Adviser and seek its shareholders' approval. Bursa Malaysia Securities will not pre-vet the circular to shareholders in relation to a voluntary withdrawal of listing from the (New) Market.
- 6.7.4. It is mandatory for a listed corporation to exit the (New) Market upon the occurrence of the following -
 - (a) Winding up of the listed corporation or its major subsidiary(ies);
 - (b) Appointment of a receiver or manager on the listed corporation or its major subsidiary(ies);
 - (c) Where the listed corporation's financial statements contain an adverse opinion by its auditors on going concern; and
 - (d) Where the listed corporation is unable to find a replacement adviser during the mandatory advisory period (i.e. during the first three (3) full financial years after listing). The listed corporation shall be suspended for the first three (3) months if it is without an adviser, and it shall be delisted after a further three (3) months from the date of its suspension, if it is unable to find a replacement adviser.

Issues for consultation:

12. Do you have any issue with the regularity of the periodic financial reporting which is semi-annually?
13. Do you agree with our proposal that a listed corporation is not required to:
 - (a) issue annual report to Bursa and its shareholder; or
 - (b) maintain any minimal public spread requirement post-listing?
14. In the absence of an annual report, what information would an investor require to make an informed investment decision to purchase shares listed on the (New) Market?
15. Do you agree that a listed corporation should be allowed to undertake non-renounceable rights issue?
16. Do you agree with the proposed requirements on transactions under paragraph 6.6?
17. Do you agree with the delisting framework proposed under paragraph 6.7?

6.8. Supervision of Participants

- 6.8.1. Generally, Bursa Malaysia Securities will supervise POs and Registered Persons trading on the (New) Market in the same way that it supervises trading by POs and Registered Persons on the ACE and Main Market. In this regard, the current regulatory framework of Bursa Malaysia Securities will also apply to POs and Registered Persons trading on the (New) Market, e.g. the financial requirements of POs and general conduct requirements, particularly in relation to important investor protection provisions such as client asset protection requirements and the entry of client orders.
- 6.8.2. Certain types of activities will not be permitted on the (New) Market or would be subject to different requirements, including the following -
 - (a) market making and short selling will not be permitted in respect of securities traded on the (New) Market;
 - (b) margin financing will not be permitted for subscription or purchase of securities traded on the (New) Market. However, other types of financing will be permitted;
 - (c) securities borrowing and lending will not be permitted for securities traded on the (New) Market;
 - (d) Bursa Malaysia Securities' prior approval is not required to carry out Direct Business Transactions for securities traded on the (New) Market (since the (New) Market is likely to be illiquid and the volume may not be high);
 - (e) Proprietary Day Traders are not allowed for the (New) Market unless they qualify for trading in their own individual capacity as a client to POs. Dealer's Representatives who undertake proprietary trading for POs are not allowed to deal for the (New) Market Clients;
 - (f) There will be no prescribed commission for the (new) Market.

- 6.8.3. In addition to the restrictions highlighted above, POs and Registered Persons which trade on the (New) Market are subject to certain additional obligations, including the following-
- (a) POs trading on the (New) Market may only open trading accounts for Clients who meet the criteria for (New) Market investors to trade in the (New) Market. POs must have in place adequate know-your-customer (“KYC”) processes and comply with the Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries (Guidelines on ML/TR) to verify that a Client is a (New) Market investor before the Client can trade on the (New) Market.
 - (b) The (New) Market investor is required to disclose information and documents to the POs in order for them to carry out the proper KYC and to comply with the Guidelines on ML/TR prior to the opening of the trading account. For existing Clients who already meet the criteria for (New) Market investors, POs are required to re-designate the account from a normal account to a (New) Market account (with unique trading code to differentiate the account) if they wish to trade on the (New) Market. A PO must have in place adequate controls to ensure only (New) Market investors trade on the (New) Market.
 - (c) POs trading on the (New) Market must record and maintain up-to-date relevant information on the (New) Market Clients, their trading accounts and trades executed in their (New) Market trading accounts. POs trading on the (New) Market are also required to make adequate disclosure of the risks, benefits and conflicts of interests (if any) to the (New) Market investors in dealing with securities on the (New) Market, prior to the opening of the trading account.
 - (d) Other requirements on account opening and doing business with a Client as provided for under the Rules of Bursa Malaysia Securities will continue to apply to POs trading on the (New) Market.
 - (e) For the reporting requirement on the (New) Market, POs trading on the (new) Market are required to conduct a review on the trading account opening form to ensure the criteria of the (New) Market investors are fulfilled. POs trading on the (New) Market are also required to carry out review on the trading activities of their Clients, in order to ensure general fair and orderly trading.
 - (f) In the event there are any incidences of non-compliance of the rules in relation to trading on the (New) Market, including incidences of non-compliance of the (New) Market investor requirements, POs trading on the (New) Market are required to report to their Board of Director the exceptions noted and the course of action taken. The same should be reported to Bursa Malaysia Securities on a quarterly calendar basis.

Issues for consultation:

18. Are there any other activities which should be prohibited or subject to different requirements in relation to the (New) Market?
19. Are the additional obligations for trading on the (New) Market (e.g. the KYC requirements to verify that a Client is a sophisticated investor) adequate? Are there any other obligations which should be imposed on POs and Registered Persons in relation to trading on the (New) Market?

6.9. Market Surveillance

- 6.9.1. The existing surveillance framework for equity markets will be applicable on the conduct of surveillance monitoring for the (New) Market.

7. Proposed Graduation Criteria

- 7.1. All ACE market entry requirements must be fulfilled for listed corporations to migrate to ACE market.
- 7.2. It is proposed that the processing period for graduation to ACE is less than 3 months. It is also proposed that the (New) Market listed corporation will enjoy the following waivers -
 - (a) ACE Market initial listing and processing fee for companies that can graduate within 3 years;
 - (b) ACE Market annual listing fee for first 2 years.

Issues for consultation:

20. Do you agree with the proposed fee waivers as set out under paragraph 7.2 (a) and (b) above?
21. Are there any graduation incentives/ waivers that you would like to recommend? If yes, please provide your recommendation and relevant details.

8. Proposed (New) Market Investors

8.1. The (New) Market investors are sophisticated investors which falls under the excluded offer/invitation and excluded issue defined under Part I, Schedule 6 and 7 of CMSA and includes a Venture Capital corporation, Venture Capital Management Corporation, Private Equity corporation and Private Equity Management Corporation registered with the SC which can be broadly categorized as -

- (a) Accredited investors
 - i. Unit trust
 - ii. Closed-end fund
 - iii. Private retirement scheme
- (b) High net worth entities
 - i. Has total net assets exceeding RM10 million or equivalent in foreign currencies based on last audited accounts; or
 - ii. A partnership with total net assets exceeding RM10 million or its equivalent in foreign currencies; or
 - iii. A company that is registered as a trust company under the Trust Companies Act 1949 which has assets exceeding RM10 million under management; or
 - iv. A corporation that is a public company under the Companies Act 1965 which is approved by the SC to be a trustee under the CMSA and has assets exceeding RM10 million under management.
- (c) High net worth individual
 - i. Has total net personal assets exceed RM3 million or equivalent in foreign currencies; or
 - ii. Has a gross annual income exceeding RM300,000 or equivalent in foreign currencies in the preceding twelve months; or
 - iii. An individual who, jointly with his or her spouse, has a gross annual income exceeding RM400,000 or equivalent in foreign currencies in the preceding twelve months.

8.2. Promoters who are not defined as sophisticated investor are able to list their shares on (New) Market as part of the listing scheme. These promoters may sell their shares but are prohibited from acquiring new shares through new issuance or secondary market post listing.

Issues for consultation:

22. Do you agree that Venture Capital Corporation, Venture Capital Management Corporation, Private Equity Corporation and Private Equity Management Corporation registered with the SC be allowed to participate in the proposed (New) Market?
23. Do you agree on the proposal stipulated under paragraph 8.2 for promoters who are not defined as sophisticated investors?

9. Proposed Trading, Clearing, Settlement & Depository

9.1. Trading & Clearing

9.1.1. Trading and clearing intermediaries for the (New) Market will come from the existing pool of Bursa Malaysia Securities POs. This is for both the trading and clearing functions of the (New) Market. They will also do the necessary Know Your Customer (“KYC”) checks and to comply with the Guidelines of ML/TR to ensure that the permitted investor base are as specified under the Section 8 in this document. Bursa Malaysia Securities will take the necessary enforcement action against the participants who trade for non-sophisticated investors.

9.1.2. All secondary trades will be intermediated by a participant.

9.1.3. As the activities of the participants under (New) Market fall under dealing in securities regulated by the SC under CMSA, only existing POs and their licensed DRs should be permitted to participate in the (New) Market.

9.2. Clearing, Settlement & Depository

9.2.1. Generally, the same framework for the clearing and settlement of trades executed on the Main and ACE markets, in that, the framework for the clearing and settlement of on-market transactions and direct business transactions will extend to trades executed on the (New) Market. This will entail, among other things, the following -

- (a) the clearing and settlement being performed by Bursa Malaysia Securities Clearing Sdn. Bhd. (“BMSC”) in accordance with the Rules of BMSC;
- (b) the existing Trading Clearing Participants (“TCPs”) being the participants to clear and settle the trades executed on the (New) Market;
- (c) on-market transactions being novated to BMSC resulting in BMSC being responsible for the same while BMSC facilitating the settlement of direct business contracts but not being a party to nor being responsible for such contract;
- (d) similar to a trade executed on either the Main or ACE markets, the selling TCP ensuring that there are sufficient shares in the relevant securities account by T+2 to effect delivery of the shares whilst the buying TCP paying for the shares on T+3;

- (e) the financial settlement for trades on the Main Market, ACE Market and the (New) Market being on a net basis with BSMC informing the TCPs of the net amounts payable or to be received by the TCPs;
- (f) calculating the TCPs' contributions to the Clearing Guarantee Fund and margin requirements proportionate to the outstanding exposures of trades originating from the (New) Market and settled through the clearing house. This is the same treatment currently applied to outstanding trades originating from the Main and ACE Markets and settled through the Clearing House;
- (g) the institutional settlement service currently available in respect of the clearing and settlement of shares traded on the Main and ACE Markets being similarly available in respect of the clearing and settlement of shares traded on the (New) Market;
- (h) in the event of a default in the delivery of the shares sold in a board lot, BSMC among other things, instructing Bursa Malaysia Securities to automatically buy-in against the selling TCP to make good the default; and
- (i) the same fees and charges e.g. clearing fees similarly applying to the services provided by BSMC in connection with the clearing and settlement of trades executed on the (New) Market.

9.2.2. In relation to a default in the delivery of the shares sold in board lots on the (New) Market, the buying-in of such shares would only be carried out on T⁴+3 and if the buying-in is not successful, the transaction will be cash settled on T+4. This is different from a default in the delivery of shares sold in board lots on the Main and ACE Markets where buying-in will be carried out from T+3 and if the shares are not obtained on T+3, buying-in will continue each day until T+8 where the transaction will be cash settled from T+9 onwards after identifying there is no further onward selling. The reason for this difference is because we anticipate that the liquidity for the shares traded on the (New) Market would not be as high as that of the shares traded on the Main and ACE Markets.

9.2.3. It should also be noted that shares traded on the (New) Market will not be eligible securities for the purposes of securities borrowing and lending because we do not anticipate the liquidity of this market to be akin to Main or ACE Market.

9.2.4. The same depository framework for securities of issuers listed on the Main and ACE Markets would largely extend to the shares of issuers listed on the (New) Market (“(N)M Shares”). In this regard, from a depository operational perspective, there will not be much difference in the handling of the shares to be traded on the (New) Market. This will entail, among other things, the following -

⁴ “T” being the day the trade was executed.

- (a) all (N)M Shares must be deposited with the central depository, Bursa Malaysia Depository Sdn. Bhd. (“BMDepo”), unless BMDepo exempts the mandatory deposit after consultation with Securities Commission. This will enable the shares to be traded and settled electronically without the need for delivery of scrips;
- (b) eligible investors will be able to use any of their existing CDS account to trade in the (N)M Shares and during the settlement day, the shares will be either credited into (for a purchase trade) or debited (for a sales trade) from the investor’s CDS account;
- (c) all (N)M Shares which are held by a depositor will be reflected in a CDS statement of account that will be issued to depositors by BMDepo. This statement will also show the depositor’s shareholdings in issuers listed on the Main Market and ACE Market;
- (d) the existing framework in relation to transfers of shares and withdrawal of shares of issuers listed on the Main and ACE Markets by depositors from their CDS accounts will apply similarly to the (N)M Shares;
- (e) BMDepo will also make available the same range of services to the issuer of shares listed on the (New) Market in terms of providing the list of its shareholders in the form of a Record of Depositors as and when requested by such issuer or to perform the crediting of additional shares into the depositors’ CDS accounts upon undertaking of any corporate exercise by such issuer;
- (f) the existing depository related fees will be applicable to depositors and listed issuers as and when they perform any CDS transactions in connection with the (N)M Shares or a request for any services from BMDepo.

9.2.5. BMDepo anticipates making minor amendments to the Rules of BMDepo in view of the fact that issuers of the (New) Market have the option to pay cash distributions via direct credit into the investor’s CDS account instead of being required to do so. There will also be other consequential amendments made to the Rules of BMDepo in line with the same depository framework being applied to the shares of issuers listed on the (New) Market.

Issues for consultation:

24. Do you agree with the proposed clearing, settlement and depository framework as proposed under paragraph 9.2 above?
25. Do you have any concerns or comments in relation to the proposed clearing, settlement and depository framework?
26. Do you have any concerns or comments in relation to the 'buying-in' for a default in the delivery of the securities sold in board lots on the (New) Market, which would only be carried out on T +3 and if the buying-in is not successful, that the transaction will be cash settled from T+4 onwards after identifying there is no further onward selling?

- *END OF CONSULTATION PAPER* -

10. Appendix 1: 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/personal-data-notice. 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.

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/personal-data-notice. 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]