

Recalibrating Malaysia's Listing Framework: Key Proposals Under The Securities Commission Malaysia's Market Segmentation Review

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In November 2025, the Securities Commission Malaysia (SC) issued Public Consultation Paper No. 4/2025 – Market Segmentation Review (the Consultation Paper), proposing targeted refinements to the listing frameworks applicable to the Main Market and ACE Market of Bursa Malaysia. The proposals form part of the SC's broader initiative to strengthen market segmentation, enhance investor protection and ensure that Malaysia's capital markets remain competitive and aligned with evolving market dynamics.

The Consultation Paper follows a comprehensive review of listing trends since the last major reform of the listing regime in 2009. The SC observed that existing eligibility thresholds for the Main Market are frequently exceeded by listing applicants, resulting in a reduced distinction between the Main Market and the ACE Market. The proposed reforms therefore seek to sharpen the respective positioning of each market segment while preserving access to capital for companies at different stages of development.

Enhancing Financial Thresholds And Listing Quality

The Main Market is intended to serve as the primary listing platform for companies with demonstrable operating track record, financial strength and scale. While the existing framework provides multiple entry routes, including the profit test, the market capitalisation test and the infrastructure project corporation (IPC) test, the Consultation Paper focuses primarily on recalibrating the profit test thresholds.

(i) Revised Profit Thresholds

Under the current profit test, an applicant must satisfy minimum after-tax profit thresholds measured both on an aggregate basis and for the most recent financial year. The SC now proposes to increase these thresholds to better align with prevailing market conditions and issuer profiles.

The SC's review indicates that the average market capitalisation at listing for smaller Main Market issuers has increased significantly over the past decade. In addition, IPO submissions reviewed by the SC over recent years show that many Main Market applicants report profits substantially above the present minimum thresholds. In that context, the SC considers that the current profit benchmarks may no longer serve as an effective differentiator of issuer maturity and scale.

The Consultation Paper also notes that a meaningful proportion of ACE Market IPO applicants would have satisfied either the Main Market profit test or the market capitalisation test at the time of application. This overlap, in the SC's view, reduces the clarity of positioning between the two boards. Raising the profit thresholds is therefore intended to reinforce the Main Market's positioning as a platform for more established corporations with stronger financial metrics.

Under the proposals, both the minimum profit requirement for the most recent financial year and the aggregate profit requirement would be increased, while the required profit track record period would be standardised at three full financial years preceding submission. The prior requirement for an uninterrupted profit track record is proposed to be removed, allowing some flexibility where profitability is demonstrated overall across the relevant period.

(ii) Flexibility in Assessing Operating Cash Flow

In addition to the revised profit thresholds, the Consultation Paper proposes a more flexible approach in assessing operating cash flow.

Positive operating cash flow has historically been treated as an indicator of operational sustainability and earnings quality. However, the SC recognises that certain categories of businesses, particularly those operating in technology-enabled, platform-based or innovation-driven sectors may exhibit viable and scalable business models despite not generating positive operating cash flow during early or expansionary phases.

On that basis, the SC proposes that operating cash flow should no longer function as a strict qualifying condition. Instead, it would be assessed as one of several financial indicators considered in evaluating overall business viability and financial soundness. This approach is intended to avoid excluding otherwise suitable high-growth issuers solely due to timing differences in cash flow generation, while maintaining regulatory discretion to assess financial resilience holistically.

(iii) Flexibility under the Infrastructure Project Corporation (IPC) test

The Consultation Paper also addresses the IPC test, which currently provides an alternative Main Market entry route for infrastructure-based issuers meeting prescribed project and concession criteria, including a minimum project cost threshold of RM500 million.

The SC observes that the IPC framework was originally designed with large, single-asset infrastructure projects in mind. In contrast, many contemporary renewable energy and transition-related infrastructure developments are structured as portfolios of smaller but commercially significant projects. Individually, these projects may fall below the RM500 million threshold despite representing meaningful operational scale when considered collectively.

To address this structural shift, the SC proposes to permit the aggregation of qualifying renewable energy projects in determining whether the minimum project cost threshold is met. To preserve quality and substance, each project within the aggregated portfolio would be required to meet a specified minimum individual project size, and the projects must relate to the same category of renewable energy source.

This proposal is intended to modernise the IPC pathway so that it remains commercially relevant while continuing to support substantive infrastructure listings. It also aligns the listing framework with broader policy objectives relating to energy transition and sustainable development financing, by facilitating capital market access for renewable energy platforms of sufficient scale.

For ease of reference, the key proposed changes to the Main Market listing criteria are summarised below.

Proposed Main Market Listing Criteria - Comparison of Key Changes

Eligibility criterion	Current framework	Proposed position under consultation
Profit Requirements – most recent after-tax profit	Minimum after-tax profit of RM6 million	Minimum after-tax profit of RM15 million

Profit Requirements – aggregate after-tax profit	Minimum aggregate after-tax profit of RM20 million	Minimum aggregate after-tax profit of RM30 million
Profit Requirements – profit track record	Profit track record to 3 to 5 full financial years	Profit track record of 3 full financial years preceding submission to the SC
Operating cash flow	Positive operating cash flow generally required	Greater flexibility proposed
Market capitalisation test	Minimum market capitalisation of RM500 million at listing	No change
IPC test	Minimum project cost criteria of RM500 million, subject to concession and operational requirements	Aggregation of qualifying renewable energy projects permitted, subject to conditions

Reinforcing A Sponsor – Driven Growth Platform

In tandem with the proposed recalibration of the Main Market eligibility framework, the SC has also put forward targeted reforms to the ACE Market regime. The proposals set out in the Consultation Paper are intended to reinforce the ACE Market's function as a growth-oriented, sponsor-driven platform for emerging corporations, while reducing regulatory arbitrage between market segments.

(i) Minimum Listing Period before Main Market Transfer

Under the current framework, an ACE Market issuer may apply for a transfer to the Main Market once it satisfies the applicable Main Market admission requirements. There is presently no prescribed minimum listing tenure on the ACE Market prior to such transfer.

The SC proposes to introduce a minimum listing period of two full financial years on the ACE Market before a transfer application may be submitted. This is intended to ensure that issuers admitted under the sponsor-driven regime remain subject to that framework for a meaningful duration, allowing sufficient time to build a public track record, demonstrate operational resilience and strengthen governance practices.

The proposal also addresses the SC's concern that the ACE Market should not function merely as a shorter procedural pathway to Main Market admission.

(ii) Sponsor Obligations and Continued Compliance

The ACE Market admission model is fundamentally sponsor-driven, with approved sponsors playing a central gatekeeping and supervisory role in assessing suitability for listing and supporting issuers after admission.

The Consultation Paper proposes removing certain exemptions from continued sponsor-related compliance requirements that may currently apply where an ACE Market issuer satisfies Main Market quantitative criteria. Under the proposed approach, meeting Main Market financial thresholds would not, in itself, displace or reduce ACE Market sponsor oversight obligations.

This clarification reinforces the structural distinction between the two markets and affirms that ACE Market regulatory expectations are not determined solely by issuer size or profitability metrics.

(iii) Enhancement of Moratorium Requirements for Specified Shareholders

The SC also proposes enhancements to the moratorium framework applicable to specified shareholders of ACE Market IPO issuers.

Under the proposed refinements, moratorium obligations would apply more comprehensively to specified shareholders' shareholdings upon listing, with a structured and phased release mechanism thereafter. The policy objective is to promote shareholder commitment, align long-term incentives and support post-listing market stability.

These proposed refinements are positioned as investor protection measures designed to strengthen confidence in newly listed ACE Market issuers and promote orderly aftermarket behaviour.

For ease of reference, the key proposed changes to the Main Market listing criteria are summarised below.

Proposed ACE Market Framework – Key Features

Eligibility criterion	Current framework	Proposed position under consultation
Financial entry thresholds	No prescribed profit, revenue or operating track record thresholds; admission assessed based on suitability under sponsor-driven model	No change to the sponsor-driven, suitability-based admission approach
Listing model	Sponsor-driven admission and post-listing supervision	Sponsor-driven framework retained and reinforced in positioning

Minimum tenure before transfer to Main Market	No prescribed minimum listing period before transfer application	Minimum listing period of two full financial years proposed before transfer to Main Market may be applied for
Sponsor-related exemptions	Certain exemptions from continued sponsor-related obligations may apply where Main Market criteria are met	Proposed removal of selected exemptions, sponsor-related obligations continue notwithstanding satisfaction of Main Market quantitative thresholds
Moratorium requirements	Existing moratorium structure applies	Proposed enhancement and broader application with phased release structure
Segment discipline	Transfer based primarily on satisfaction of Main Market criteria	Additional structural controls proposed to discourage early transfers and reinforce board differentiation

Commentary

The SC's Market Segmentation Review signals a deliberate policy shift towards sharper differentiation between the Main Market and the ACE Market, with corresponding recalibration of admission thresholds, transfer pathways and sponsor-driven oversight expectations. The proposed reforms reflect the SC's broader objective of preserving board identity, strengthening investor clarity and aligning listing standards with current market scale and issuer profiles.

For the Main Market, the proposed increase in profit thresholds and refinements to eligibility assessments indicate a move towards reinforcing its positioning as the primary board for established corporations with demonstrable financial strength. At the same time, the retention of alternative admission routes, including the market capitalisation test and the infrastructure project corporation framework, suggests continued regulatory flexibility for companies with strong commercial fundamentals but non-traditional financial profiles.

For the ACE Market, the proposed minimum listing tenure, enhanced moratorium structure and continued sponsor oversight underscore the SC's intention to preserve the ACE Market as a genuine growth platform rather than a transitional listing route. The emphasis on sponsor accountability and segment discipline is likely to influence listing strategy and board selection decisions for mid-sized and high-growth issuers.

If implemented, these proposals will have practical implications for IPO planning, eligibility assessments, transaction structuring and listing timelines. Prospective issuers and their advisers should evaluate board selection and readiness considerations at an earlier stage and factor in the proposed tenure and compliance expectations when mapping listing pathways.

Corporations considering listing and their professional advisers should monitor the SC's final policy position following the consultation process and any corresponding amendments to the Listing Requirements and related regulatory instruments.

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