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## Public Feedback Sought: LEAP Transfer Framework

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The anticipated transfer framework from LEAP Market to ACE Market is finally coming together. Bursa Malaysia has issued a consultation paper on 10 August 2022 to seek public feedback on its proposed amendments to the ACE Market Listing Requirements (LR) in relation to the transfer of listing framework from Leading Entrepreneur Accelerator Platform (LEAP) Market and recognised approved adviser framework.

This alert mainly focuses on the transfer framework.

The LEAP Market was launched on 25 July 2017 with the intention to support budding companies by providing them with greater access to fund-raising and visibility via the capital markets. Bursa Malaysia is of the view that over time, most LEAP Market listed corporations have, with the funds raised through their listing, grown in terms of size and profitability. As such, they may now be ready for the transfer to the ACE Market.

In formalising the transfer of listing framework, Bursa Malaysia is guided by the regulatory principles below:

- (a) There is no regulatory arbitrage nor compromise on quality<sup>1</sup>.
- (b) There must be adequate disclosure<sup>2</sup>.

Given that the ACE Market and the LEAP Market have distinct regulatory regime, the principles mentioned are vital for the transfer framework.

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<sup>1</sup> This means that a LEAP Market listed corporation seeking to transfer must be of quality and must be able to meet the suitability assessment of a Sponsor for listing on the ACE Market.

<sup>2</sup> The disclosure will include information on the business, financial condition, management and other matters pertaining to the LEAP Market listed corporation for informed investment decision making by investors

The following amendments were proposed by Bursa Malaysia:

## 1. Prescribing The Eligibility Requirements Of A Transfer Listing Applicant

A LEAP Market listed corporation applying to transfer its listing to the ACE Market (Transfer Applicant) must:

- (a) Meet the requirements for listing on the ACE Market.
- (b) Have been listed for at least 2 years.
- (c) Have completed its business plan and fully utilised the proceeds raised<sup>3</sup>.

## 2. Classifying A LEAP Transfer Application As A Specific Proposal Under The LR

It was proposed for the transfer to be classified as a Specific Proposal as the application is a significant corporate proposal and similar to an initial listing on the ACE Market. Such proposal is also similar with the Securities Commission's (SC) approach for the Main Market, where a transfer listing application from the ACE Market to the Main Market is prescribed as a Specific Proposal.

The transfer application will be subject to greater supervision and oversight by a Sponsor and its key officers, to ensure quality of disclosures and that shareholder and investor interests are sufficiently safeguarded.

Hence, a Sponsor must be appointed by the Transfer Applicant to submit its transfer listing application to Bursa Malaysia. The Sponsor must ensure that the transfer listing application is in compliance with the existing requirements in relation to the Specific Proposal such as the Sponsor being primarily responsible for the transfer listing application, assigning and identifying at least a Qualified Person

<sup>3</sup> The use of proceeds must be in accordance with the purposes disclosed in the information memorandum issued pursuant to its listing on the LEAP Market, or such other purposes as may be varied and approved by its shareholders after its listing on the LEAP Market

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and Senior Officer for the transfer listing application, and having clear and effective reporting lines.

For the purposes of this alert and the consultation paper:

- (a) A “Sponsor” means a recognised principal adviser (i.e. an entity that fulfils the requirements set out in Chapter 7A of the SC’s Licensing Handbook) which has at least 1 employee who fulfils the requirement of a qualified person under the SC’s Licensing Handbook. The Sponsor must be registered on the Register of Sponsor maintained by Bursa Malaysia.
- (b) A “Qualified Person” means the employee of the Sponsor who fulfils the requirements of a qualified person under the SC’s Licensing Handbook.
- (c) A “Senior Officer” means an individual of higher authority or ranking than the Qualified Person, or a committee duly constituted, for the purpose of Rule 4.05A of the LR.

### 3. Prescribing Other Requirements And Procedures For The Transfer Of Listing

It was also proposed that a Transfer Applicant must –

- (a) Request for a withdrawal of listing from the LEAP Market in accordance with Rules 8.06 and 8.08 of the LEAP Market Listing Requirement; and
- (b) Comply with the relevant admission procedures and requirements as may be prescribed by Bursa Malaysia (which include the existing requirements for admission to the ACE Market as well as new requirements specific for the transfer of listing to the ACE Market).

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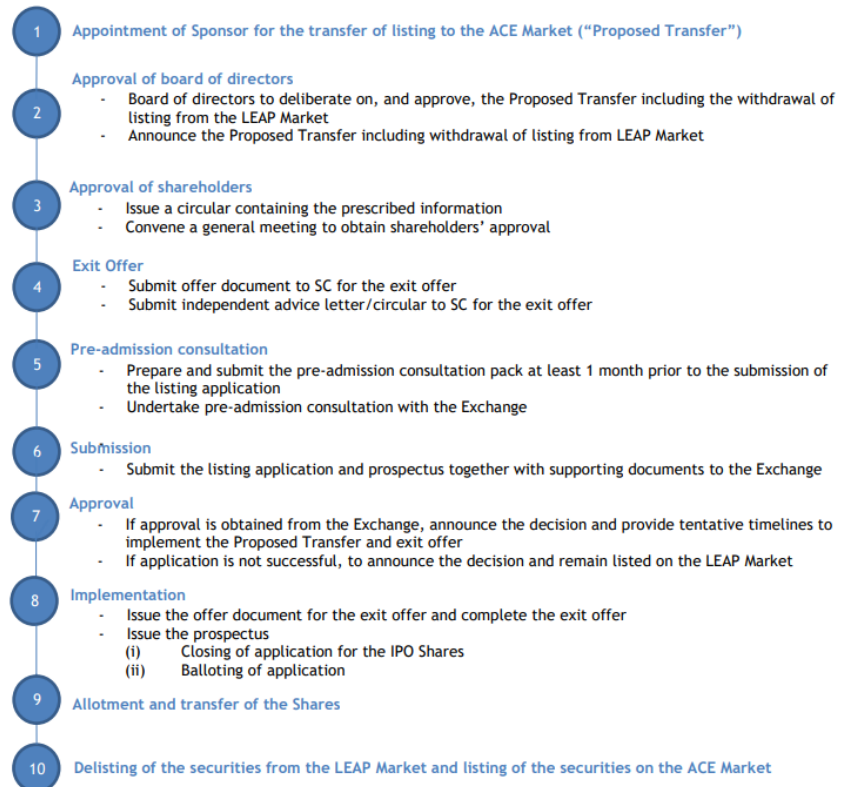
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A summary of the key processes of the proposed LEAP Transfer Framework as extracted from the consultation paper is set out below:



## 4. Prescribing Requirements Relating To Price Discovery Mechanism

In addition, Bursa Malaysia is also proposing for a Transfer Applicant and its Sponsor to ensure that –

- (a) There is a clear price discovery mechanism for the transfer applicant's shares which will be transferred to the ACE Market.
- (b) Such price discovery must –
  - (i) Reflect the current valuation ascribed to similar business or sector as the transfer applicant.
  - (ii) Be supported with sound and verifiable bases and justifications.

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- (c) The price discovery mechanism together with the bases and justifications are –
- (i) Disclosed in the circular to shareholders and prospectus.
  - (ii) Submitted to Bursa Malaysia as part of the transfer listing application.

The consultation paper on the proposed amendments to the LR can be accessed [here](#). Bursa Malaysia welcomes views from the public and interested parties are invited to submit their comments and feedback by 21 September 2022.

Authored by Lily Lee Zai Lii, a Senior Associate in the firm's Capital Markets and M&A practice.

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We are a full-service commercial law firm with a head office in Kuala Lumpur and a branch office in Penang. Our key areas of practice are as follows:-

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