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Public Feedback Sought: Proposed Amendments To The ACE Market Listing Requirements

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Bursa Malaysia Berhad (Bursa Malaysia) issued a consultation paper on 3 August 2021 to seek the public's view on its proposed amendments to the ACE Market Listing Requirements (ACE LR).

This is subsequent to the Securities Commission's (SC) announcement on 21 July 2020 in respect of the migration of the entire ACE Market framework, including the prospectus review and registration functions to Bursa Malaysia¹, and also the amendments to the Capital Markets and Services Act 2007 (CMSA) which will enable Bursa Malaysia to assume such functions from 1 January 2022².

To facilitate the migration of functions to Bursa Malaysia to become the ACE Market one-stop centre, the following 2 key amendments to the ACE LR are being proposed:

1. Enhancing the ACE Market initial public offering (IPO) framework and prescribing prospectus requirements

Bursa Malaysia proposes to streamline the ACE Market IPO framework and processes with that of the Main Market, where appropriate, in addition to enhancing the accountability of key parties involved in it.

(a) Mandatory Pre-Admission Consultation

Presently, it is optional for applicants to consult Bursa Malaysia prior to submission of their IPO applications. It is proposed for such pre-admission consultation to be mandatory and done with the applicant together with other key advisers, after the due diligence on the applicant has been substantially completed by the Sponsor.

¹ The SC announcement can be found [here](#).

² Our previous alert can be found [here](#).

Prior to such consultation, a pre-admission consultation pack is to be submitted to Bursa Malaysia (at least 1 month prior to the IPO application), and the contents are expected to include but are not limited to the following:

- (i) General information about the applicant;
- (ii) Details of the proposal;
- (iii) Compliance with key focus areas;
- (iv) Matters to highlight; and
- (v) Waivers or modifications sought from Bursa Malaysia (if any).

If the IPO application has not been filed with Bursa Malaysia within 3 months from the date of submission of the pre-admission consultation pack, a new pre-admission consultation pack must be submitted.

(b) Fresh submission of listing application

To enhance efficiency of the ACE Market as well as to ensure that issues raised by Bursa Malaysia are promptly addressed, a new IPO application is proposed to be resubmitted to Bursa Malaysia in respect of any IPO application which has not been approved within 6 months.

(c) Key focus on investor interest

It is proposed for a sponsor to consider whether the applicant's admission to the ACE Market is detrimental to the interest of investors. This is in addition to the existing key factors³ that a sponsor must consider in assessing an applicant's suitability for listing.

³ The existing key factors are set out in Rule 4.07(2) and Guidance Note 18 of the ACE LR and include the prospect of the applicant, its corporate governance record, any conflict of interest issue, as well that the admission of the applicant does not undermine public interest.

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(d) Optional independent market research report (IMR Report)

Presently, it is mandatory for an IMR Report prepared by an independent expert to be submitted with the listing application. It is proposed for this requirement to be made discretionary for the applicants.

If an applicant decides to submit an IMR Report, it must contain the prescribed information and be disclosed in the prospectus.

(e) Prospectus registration processes for ACE Market IPO

To streamline the ACE Market prospectus requirements with that of the Main Market, some key prospectus requirements proposed to be incorporated into the ACE LR are as follows:

- (i) The applicant must register a prospectus with Bursa Malaysia through a sponsor together with the submission of the listing application to Bursa Malaysia;
- (ii) Circumstances where Bursa Malaysia may refuse registration of a prospectus;
- (iii) Contents of prospectus for ACE Market IPOs to be similar to the contents of prospectus for Main Market IPOs⁴;
- (iv) Advertising restrictions similar to those of a Main Market IPO;
- (v) Applicants intending to issue a prospectus or facilitate subscription of its IPO shares electronically must comply with the prescribed requirements⁵; and

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⁴ Chapters 1 to 14, Division 1 of Part II of the SC's Prospectus Guidelines (Equity).

⁵ Division 2 of Part IV of the SC's Prospectus Guidelines.

- (vi) Requirement to issue a supplementary/replacement prospectus where a new matter has arisen which requires disclosure or where there has been a material change affecting a matter disclosed in the prospectus.

(f) Additional accountable parties for disclosures in an IPO application and Prospectus

Presently, the applicant and its directors, advisers and sponsors are responsible to ensure accurate and complete disclosure of all information and documents submitted for an IPO.

It is proposed for such duty of care to be extended to an applicant's promoter and chief executive officer. In that regard, they will be required to execute an undertaking addressed to Bursa Malaysia, and enforcement actions can be taken against them.

(g) Proposed moratorium requirements imposed on listed shares held by pre-IPO investors

Presently, the ACE LR only imposes moratorium requirements on specified shareholders. To safeguard the interest of an IPO applicant and its investors post listing, Bursa Malaysia intends to impose a 6 months moratorium on the shares held by pre-IPO investors (who are not specified shareholders) from the date of listing, if such investor acquired the applicant's shares within 12 months from the date of submission of the listing application at a price lower than the issue price offered to the public.

(h) Period to complete the Mandatory Accreditation Programme (MAP)

Presently, the directors of an applicant only have to complete the MAP within 4 months from the date of listing of the applicant. Bursa Malaysia

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proposed for the MAP to be completed by the directors prior to the applicant's listing on the ACE Market.

2. Enhancing the sponsorship framework predicated on a market and outcome-based approach

Presently, the ACE LR prescribes certain eligibility requirements that a person must satisfy before it can act as a sponsor. In view of Bursa Malaysia's intention to adopt a more market and outcome-based approach in regulating the sponsors, the following amendments are proposed:

- (a) Liberalising the existing eligibility requirement to be a sponsor;
- (b) Enhancing the role and duty of care of a sponsor;
- (c) Enhancing the accountability of a sponsor and its key officers, namely its Qualified Personnel (QP) and senior officer (SO) involved in submitting Specific Proposals⁶;
- (d) Removing the prescription on how due diligence is conducted by sponsors and relevant parties; and
- (e) Expanded enforcement framework over the QP and SO.

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Conclusion

To streamline the various requirements, it should be noted that various ancillary amendments to the ACE LR arising from the proposed amendments above will also be made, as well as amendments (where appropriate) to the SC's Licensing Handbook, Submission Guidelines, Equity Guidelines and Prospectus Guidelines.

⁶ Specific Proposals include ACE Market IPO applications, registration of prospectus for ACE Market IPOs, ACE Market reverse takeover (RTO) and major disposals. Sponsors are required to assign at least a QP and SO for each Specific Proposal, and the QPs and SOs will have their respective additional obligations in respect of the same.

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The public and any interested parties are invited to submit their comments and feedback in respect of the proposed amendments to Bursa Malaysia by **14 September 2021**. The full consultation paper can be accessed [here](#).

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