

FREQUENTLY-ASKED QUESTIONS

Guidelines on Registration of Venture Capital and Private Equity Corporations and Management Corporations

(Issued: 9 March 2015)

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GENERAL

1. Whom are the Guidelines applicable to?

The Guidelines are applicable only to corporations who are acting or offering to act as investment managers or co-investment managers of a VC or PE fund. Corporations wishing to carry on a VC or PE activity in Malaysia including Islamic VC or PE activity are required to be registered with the SC under the Guidelines.

2. Can a SC licensed intermediary carry out VC/PE activity and not be registered to do so?

Persons holding a Capital Markets Services Licence for fund management are not required to register under the Guidelines.

3. Would there be exceptions where the SC would not approve a registration application?

An application would be approved if the applicant meets all the requirements outlined in the Guidelines. However, the SC would exercise discretion if it is evident that the applicant is not able to satisfy the "*Best Interest of Malaysia*" criteria as reflected in the Licensing Handbook. The "*Best Interest of Malaysia*" criteria are applicable to all persons wishing to undertake capital market activities in Malaysia.

In determining the *Best Interest of Malaysia*, the SC will give regard to any one or more of the following:

- a) The area of specialisation and level of expertise that can be offered to the capital market including the effect on productivity, transference of skills and efficiency and quality of capital market services;
- b) The risk posed on the systemic stability of the capital market including activities and conduct that will likely impact the orderly functioning of the capital market;
- c) Contribution towards attracting investments, enhancing market linkages and promoting vibrancy in the capital market;
- d) Ability in developing strategic or nascent sectors in the capital market; or
- e) The degree and significance of participation of Malaysians in the capital market.

REGISTRATION

4. Are these registration requirements applicable to the funds or the management corporations?

Registration is applicable to the entity undertaking the management activity of the VC or PE fund. Details of planned future funds must also be disclosed by the relevant VCC, PEC, VCMC or PEMC as part of its business plan, as required under Appendix 1 of the Guidelines.

It should be noted that registration of the fund as a VCC is a prerequisite for VC tax incentives.

5. Are the current registered VCCs and VCMCs allowed to undertake PE activities?

Existing registered VCCs or VCMCs which intend to undertake PE activities must comply with the relevant PE requirements under the Guidelines and must apply to the SC to register as either PEC or PEMC accordingly.

6. Can a PEMC manage a VCC, or a VCMC manage a PEC?

A PEMC may manage a VCC without the SC's prior approval. A VCMC may not manage a PEC unless an application is made to the SC to change its status to PEMC (please refer to Question 8).

7. Can a corporation carry multiple registrations i.e. be registered as a VCMC and as a PEMC at the same time?

No. Only one registration status may be granted to a corporation at any given time.

8. What are the requisite application procedures for an existing VCC or VCMC to change its status to a PEC or PEMC?

The VCC or VCMC must submit an application to change its registration status to PEC or PEMC with documents required under Appendix 1 of the Guidelines. Submission of Form 2 or Form 2a is only required should there be any change of personnel.

RESPONSIBLE PERSONS

9. What relevant industry experience should a responsible person (RP) have?

An RP must demonstrate that he/she has sufficient competency and experience that is expected of his/her role in managing investments of a VC or PE fund.

If an RP does not have prior professional experience in a VC or PE fund, relevant experience may include professional experience in fund management, investment banking, corporate finance, business strategy, management consulting and corporate law. In the

case of a VCMC or VCC, consideration may be given to past experience as a start-up founder.

An RP must also demonstrate managerial experience or experience in supervisory capacity as expected of his/her position. The SC would assess and approve each application on a case by case basis.

10. If both the management company and the fund is registered with the SC, is an RP still needed for the fund?

Yes, an RP must be appointed for both registered entities. Appointment of the same individual as the RP may be considered.

11. Can an individual be appointed as an RP for multiple registered corporations?

No, an individual cannot be appointed as an RP for multiple businesses except for entities within the same group (e.g. a VCC managed by a VCMC).

12. Can an individual fill the role of an RP on a part-time basis?

No, a person to be appointed as an RP must fill the role full time.

13. Do new or changes to an RP's appointment require the SC's approval?

Yes. Notification must be made to SC with regard to the termination of the appointment of an RP. New appointments will require application to be made through submission of Form 2.

ISLAMIC FUNDS

14. Are there specific methodologies for the Shariah adviser to adopt in determining the Shariah-compliant status of a venture corporation?

15. The Shariah adviser may adopt the Shariah screening methodology as prescribed by the Shariah Advisory Council of the SC, or other methodologies as deemed appropriate.

APPLICATION PROCESS

16. How long is the application process for registration?

An application would normally take six weeks upon complete submission. A complete submission includes all items required under Appendix 1, as well as any additional information that may be requested by the SC to assist in evaluating the application.

17. What must I do after my registration application is approved by SC?

A request must be made to obtain access to the ComRep system (please refer to Questions 21 and 22). Once access is provided, the registered corporation's Corporate Profile must be uploaded to the system.

INVESTMENT LIMITS

18. Are investments in listed corporations restricted to corporations trading on Bursa Malaysia?

Investments in listed corporations include corporations listed on Bursa Malaysia as well as corporations listed on any foreign exchange.

19. Are investments restricted to locally incorporated companies?

No. A registered corporation may invest in both local and foreign companies.

CONTINUOUS OBLIGATIONS AND COMPLIANCE

20. What constitutes a material change that requires immediate notification to the SC?

Any variation from the information lodged at the point of registration outlined in Appendix 1 requires the SC to be notified. This would include, but not limited to, the following:

- Changes in the constituent documents of the corporation
- Changes in business activity
- Changes in key personnel
- Establishment of new funds and change of details of existing funds under management
- Changes to paid-up capital
- Changes in shareholding and control.

21. How should SC be notified?

Updates to information in a registered corporation's Corporate Profile can be made electronically via SC Common Reporting System (ComRep), (please refer to Questions 21 and 22).

Please note that changes to key personnel other than an RP will require submission of Form 2a together with supporting documentation as required under Appendix 1. These must be submitted to the address below.

Other notifications must be made in writing. Notifications must include a cover letter addressed to:

Authorisation and Licensing Department
Securities Commission Malaysia
3 Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur

COMMON REPORTING SYSTEM

22. How should periodic reports be submitted to SC?

Submission of periodic reports must be made through the ComRep system.

More information on this system is available in the link here:

<https://www.sc.com.my/analytics/common-reporting-platform-xbrl>

23. How do I gain access to ComRep?

A request must be made via e-mail to vcpecontact@seccom.com.my and a Super Admin account will be provided. This account allows creation of new users for designated roles/access to the system (i.e. makers, approvers, viewers).

More information is available in the ComRep User Manual, available in the link here:

<https://www.sc.com.my/analytics/common-reporting-platform-xbrl>

CUSTODIAN

24. Who is eligible to be appointed as a custodian?

A custodian, in the Guidelines, refers to persons defined under Section 121 of the CMSA, which includes:

- a licensed banking institution in Malaysia or its wholly owned subsidiary that provides nominee services;
- a trust company registered under the *Trust Companies Act 1949*;
- Amanah Raya Bhd;
- a participating organisation as defined in the CMSA; or
- any institution licensed or authorised to provide custodian services outside Malaysia.

VALUATION

25. Does SC prescribe specific standards of valuation to be adopted?

While registered corporations are encouraged to adopt international best practices for purposes of evaluating investments in venture corporations, the SC will not prescribe specific standards on valuation or disclosures to investors as these matters should be dictated by legal arrangement between all parties of the fund.

OTHERS

26. How do I deregister my company?

The SC must be notified with a request to deregister via a notification in writing pursuant to Question 20.