Suruhanjaya Sekuriti
Securities Commission
Malaysia

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PROPOSED REVISIONS TO THE GUIDELINES FOR THE REGISTRATION OF VENTURE CAPITAL CORPORATIONS AND VENTURE CAPITAL MANAGEMENT CORPORATIONS

The Securities Commission Malaysia (SC) invites your written comments on the issues set out in this consultation paper. Comments are due by **13 July 2012** and should be sent to:

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This Public Consultation Paper is dated 25 May 2012

BACKGROUND AND INTRODUCTION

1. Under the *Capital Markets and Services Act 2007* (CMSA), any person carrying on a business in any regulated activity must either be a holder of a Capital Markets Services Licence (CMSL) or be a registered person. Currently, persons carrying on the activities of venture capital (VC) are deemed to be undertaking the activities of dealing in securities and/or managing investments in securities which are regulated activities under the CMSA.

2. As the business philosophy of VC is different from that of a dealer or portfolio manager, VCs are exempted from licensing and were granted "registered person" status under paragraph 76(1)(a) and Item 1 of Part 2 of Schedule 4 of the CMSA. However, to qualify for the "registered person" status, the person must structure itself as a corporation and register with the SC and comply with the provisions stipulated under the *Guidelines for the Registration of Venture Capital Corporations and Venture Capital Management Corporations* (VC Guidelines) which were released in 2002.

3. Upon registration with the SC, the corporations will be designated as a venture capital corporation (VCC) or a venture capital management corporation (VCMC), depending on its structure and activities. The registered VCCs and VCMCs must then comply with the relevant requirements under the VC Guidelines, which amongst others include the minimum financial requirements, appointment of designated person(s) and reporting on investment activities requirements. Any non-compliance with the requirements of the VC Guidelines may result in the corporation being de-registered as a VCC or VCMC.

4. As encapsulated in the *Capital Market Masterplan 2*, the expansion of the role of the private sector in developing the VC industry and the complementary development of the private equity (PE) industry are important strategies to expand the sources of financing available to new ventures. Higher private sector involvement in these industries are critical to providing the technical skill sets and market knowledge to assist new ventures to quickly build their commercial track record to increase deal flows.

5. Towards operationalising these strategies, it is timely for a review of the current framework to be undertaken to support the evolving VC and PE industries. This includes a review of the regulatory framework covered by the VC Guidelines, which is the subject matter of this consultation paper. As the business model of a PE is interconnected with that of a VC, a formal regulatory oversight should also be extended to include PE to ensure an orderly development of the PE and VC industries as a whole. Thus, corporations undertaking PE activities will be required to come under the VC framework and be registered under the VC Guidelines.

6. Hence, this consultation paper is intended to generate discussion and obtain views and feedback from the public on the proposed changes to the VC Guidelines for purposes of providing clarity on the regulatory requirements for VC and PE players as well as to enhance investor confidence in the VC and PE industries.

7. This consultation paper is structured into the following three sections:

   (a) Section A – Proposals to introduce new requirements that are applicable to both VC and PE players.

   (b) Section B – Proposals to review and enhance the requirements that are applicable only to VC players.

   (c) Section C – Proposals to introduce requirements that are applicable only to PE players.

8. In formulating the proposal for consultation, the SC has also taken into account the preliminary views received through informal consultations with smaller groups of industry players to uphold the relevance of the proposals.

9. As part of the review process, the SC has looked into various aspects affecting the industry such as amendments to the securities laws, changes in business practices and other relevant developments taking place in other jurisdictions to identify key areas for enhancement.

10. The responses to the consultation questions posed in this paper will assist the SC in developing a formalised regulatory oversight framework that would promote investor confidence in the VC and PE industries and to enhance the standards of governance of VC and PE players by way of raising their quality and business conduct standards.

SECTION A: COMMON REQUIREMENTS FOR VC AND PE

1. Category of Investors

1.1 Generally, VC investment refers to the provision of high risk equity capital to start-up companies. The nature of this financing entails VC and PE corporations to place their investments directly in venture companies and not through the holder of a CMSL. As such, investors who would invest in VC and PE funds are expected to have the capability to make informed decisions.

1.2 Currently, the VC Guidelines are silent as to the category of investors allowed to invest in VC or PE funds. Moving forward and taking into account the investor protection aspect, the SC is of the view that the investors of VC and PE should comprise only "sophisticated investors" as they have the ability, as well as the resources, to conduct the necessary due diligence prior to investing, and to safeguard their own interests.

1.3 In this regard, there are specific determinants that can be used to differentiate the "sophisticated investors" from "retail investors". Although the term "sophisticated investor" is not explicitly defined in the CMSA, Schedules 6 and 7 of the CMSA are used as means to determine the categories of the "sophisticated investors" for the purpose of offering complex investment products.

1.4 For the purpose of this consultation paper, "sophisticated investors" can be classified into three sub-categories with the following qualifying criteria:

(a) High-net worth individuals, which refers to:
   (i) An individual whose total net personal assets, or total net joint assets with his or her spouse, exceeds RM3 million or its equivalent in foreign currencies, excluding the value of the individual's primary residence;
   (ii) An individual who has a gross annual income exceeding RM300,000 per annum in the preceding 12 months; or
   (iii) An individual who, jointly with his or her spouse, has a gross annual income of RM400,000 per annum in the preceding 12 months;

(b) High-net worth entities, which refers to:
   (i) A corporation with total net assets exceeding RM10 million or its equivalent in foreign currencies based on the last audited accounts;
   (ii) A partnership with total net assets exceeding RM10 million;
   (iii) A company that is registered as a trust company under the *Trust Companies Act 1949* which has assets under management exceeding RM10 million;
   (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 under management exceeding RM10 million;

(v) A pension fund approved by the Director General of Inland Revenue under the *Income Tax Act 1967*; or

(vi) A statutory body which is defined as any authority or body, whether corporate or unincorporate, established, appointed or constituted by any written law, but does not include any local authority; and

(c) Accredited investors, which refers to:

(i) Central Bank of Malaysia established under the *Central Bank of Malaysia Act 2009*;

(ii) A holder of a CMSL;

(iii) An executive director or chief executive officer of a holder of a CMSL;

(iv) A unit trust scheme or a prescribed investment scheme;

(v) A closed-end fund approved by the SC;

(vi) A licensed institution as defined in the *Banking and Financial Institutions Act 1989* (BAFIA) or an Islamic bank as defined in the *Islamic Banking Act 1983*;

(vii) A Labuan bank as defined under the *Labuan Financial Services and Securities Act 2010* (LFSSA);

(viii) An insurance company registered under the *Insurance Act 1996*;

(ix) A insurance licensee licensed under the LFSSA;

(x) A takaful licensee licensed under the LFSSA;

(xi) A takaful operator registered under the *Takaful Act 1984*; or

(xii) A private retirement scheme as defined in the CMSA.

1.5 In addition, members of the management team of a VC or PE corporation would also typically co-invest in the fund partly as a commitment to the fund or corporation. In line with this, the SC is also of the view that the members of the management team should be considered as “sophisticated investors” for this purpose.

1.6 Given the complexity and risks involved in VC and PE investments, the SC is of the view that only “sophisticated investors” should be allowed access to such exposure as “retail investors” may not have the necessary knowledge and risk tolerance to be involved in such investments. The “sophisticated investors” are expected to have the capability to make informed decisions based on disclosures made by the registered VC and PE corporations via an information memorandum.

1.7 Under the current VC Guidelines, there is no restriction as to the number of investors allowed in a VC fund. However, moving forward, the SC is of the view that a restriction may be required on the number of investors that a registered VC or PE corporation is allowed to have. This, amongst others, would allow the registered VC or PE corporation to effectively manage its reporting to the investors.

1.8 Based on the SC’s informal consultations with selected industry players, it was proposed that the number of “sophisticated investors” in a VC or PE fund be capped at **<u>50</u>**. The capping of 50 investors is also viewed to be in line with the structure of a "private company" under the *Companies Act 1965*, which is a typical structure of a VC or PE fund.

1.9 It is to be noted that the proposed requirement of 50 investors is in line with Hong Kong's practice. In Singapore, for example, the offering of a private fund to less than 30 accredited investors for a consideration of more than SGD250 million for each transaction does not require authorisation from the Monetary Authority of Singapore.

(A1) In light of the imposition of the category of investors and given its complexity and the risks involved, the SC seeks views on the cap imposed on the acceptable number of "sophisticated investors" allowed in VC and PE funds.

2. Valuation

2.1 Generally, the objective of every investment is to generate returns from the investment made. Similarly, what matters in a typical VC or PE investment would be the cash returns, which are distributed to investors at the end of the life of the fund, compared with the original investments made. During its tenure, a typical fund would report the progress to its investors at least by way of a quarterly portfolio update and a complete audited financial statement. It usually takes several years to determine if a particular investee company (known as "venture company" in VC parlance) is a likely winner. Therefore, understanding the progress in the venture company requires some estimation on the likelihood of success of the venture company by the VC and PE corporations. This is where the specific valuation rules and processes become important.

2.2 The agreed valuation procedures for individual venture companies become the basis for progress assessment as the fund matures and ultimately distributes cash to the investors. As the industry grows, there is an increasing interest in the appropriate reporting of fund values. Such interest could be due to an investor's desire to measure interim performance, the need to have fair value data to report investments in the financial statements, and the need to determine the allocation of distributions of fund realisations.

2.3 Currently, the VC Guidelines are silent as to the requirement to have a consistent valuation methodology for VC investments. Moving forward and to provide a greater consistency in valuing investments in venture companies, the SC encourages every registered VC and PE corporation to adopt a valuation methodology which is in line with **any** acceptable international guidelines on best practices for the purpose of valuation of venture companies (valuation guidelines). The valuation guidelines are to be used as a guide to assist the VC and PE corporations and their investors in agreeing to a valuation framework; and are not intended to be all encompassing, nor are they intended to eliminate all subjectivity.

2.4 Presently, there are several valuation guidelines being adopted across the globe. In March 2005, the British Venture Capital Association (BVCA), the European Venture Capital Association (EVCA) and France's Association Francaise des Investisseurs en Capital (AFIC) jointly issued a set of valuation standards for the VC and PE industries, known as the *International Private Equity and Venture Capital Valuation Guidelines*. These guidelines have since been adopted by over 25 countries and endorsed by the Institutional Limited Partners Association (ILPA) which has over 250 member organisations spanning all categories of small and large institutions with international representation from North America, UK, Europe, Asia, Australia, South America, New Zealand and the Middle East. Similarly in the US, a set of revised valuation guidelines published in 2007 by the Private Equity Industry Guidelines Group (PEIGG) were later officially endorsed by the ILPA.

2.5 The SC views that it is important for the registered VC and PE corporations to have clear parameters in assessing the value of the venture companies and for the valuation methodology to be transparent. Following this, the SC proposes for such methodology to be disclosed in the information memorandum that is to be deposited with the SC for the purposes of meeting the requirements of section 229(4) or 230(4) of the CMSA.

> (A2) The SC seeks views on any possible operational issues that may arise from the adoption of the valuation guidelines that are in line with international best practices to be applied to investments in venture companies.

3. <u>Information Memorandum</u>

3.1 Where applicable, a registered VC or PE corporation is required to deposit with the SC an information memorandum within seven days after it is first issued for the purposes of meeting the requirements of subsection 229(4) or 230(4) of the CMSA. The information memorandum refers to the document issued by the VC and PE corporations to investors, typically encapsulating the relevant information on investment policy, the type of assets and the use of leverage, redemption policy in normal and exceptional circumstances, valuation, custodian details, administration and risk management procedures, as well as fees, charges and expenses associated with the investment.

> (A3) The SC seeks views on any pertinent matters that would need adequate disclosure in the information memorandum.

4. <u>Reporting Requirement</u>

4.1 Currently, a registered VCC or VCMC is required to submit to the SC its annual periodic report in accordance with Form 3 of the VC Guidelines, entitled "Annual

Activity Report for Venture Capital Corporations and Venture Capital Management Corporations", within 30 days from each calendar year-end. This report requires a VCC or VCMC to submit information such as the size of committed funds, the sources of funds, the amount of funds invested as well as the amount of funds divested.

4.2 Moving forward, all registered corporations under the revised VC Guidelines will be required to submit the annual periodic report to the SC within 14 calendar days from each calendar year-end. This is to allow for a better data capture which is essential in tracking industry growth.

4.3 The SC also proposes to impose an additional semi-annual reporting requirement which needs to be submitted by all registered corporations within 14 calendar days from 30 June of each year. This is to capture a more comprehensive data collation by the SC which will be used as guidance for planning and policy formulation to ensure an orderly development of the industry.

4.4 The existing Annual Activity Report form will be further enhanced in order to create a more comprehensive database and to enable better data tabulation to reflect the state of the VC and PE industries. For this purpose, the registered VC and PE corporations may be required to submit additional information such as the number of deals evaluated or deals approved and some performance data where data provided will be tabulated and summarised as industry statistics.

> (A4) The SC seeks views on the proposed timeline for submission of the annual periodic report as well as the new requirement for the semi-annual report.

5. <u>Custodian</u>

5.1 Under the current VC Guidelines, there is no requirement on the appointment of a custodian. However, some local VCs may have appointed custodians as part of best practice. In recognising the role of custodian in ensuring safekeeping of the assets on behalf of the VCs, the SC proposes to introduce a custodian requirement for all registered corporations. This aims to raise the standards of business conduct as well as to enhance the safeguards against theft or misappropriation of customers' monies and assets.

5.2 With regard to VCs, the SC understands the concerns that the industry might have on this requirement as the cost of appointing a custodian can be significant to some VCCs given their business model which focuses on funding companies in the early stages. As such, the SC proposes an option for registered corporations to obtain written acknowledgment from investors stating awareness that the custody arrangements for VC assets do not meet the regulatory requirements. However, an arrangement must be made for an independent auditor to audit and report to investors on the fund assets on an annual basis. Such option, nevertheless, is extended to the registered corporations provided that the investments are made in unlisted securities only. The requirement for a custodian is to be complied with once the investments include listed shares.

5.3 Given the risks associated with PE investments, all registered corporations undertaking PE activities which typically include listed shares, are required to engage a custodian. This aims to raise the standards of business conduct as well as to enhance the safeguards against theft or misappropriation of customers' monies and assets.

5.4 In Singapore, such flexibility is given to the fund management companies which are unable to fully comply with the requirement to have an independent custodian. The fund management companies nevertheless will continue to be required to fully comply with client segregation requirements for client monies.

5.5 For the purpose of appointment, a custodian must be an institution within the meaning of section 121 of the CMSA or a company registered as a trust company under the *Trust Companies Act 1949* being appointed to hold the underlying shares and act in the interests of the investors. Section 121 of the CMSA states that:

"Custodian", in relation to a client of a holder of a CMSL, means—

(a) licensed bank as defined in the BAFIA appointed by the fund manager with the prior written consent of the client;

(b) a licensed merchant bank as defined in the BAFIA appointed by a fund manager with the prior written consent of the client;

(c) a trust company registered under the *Trust Companies Act 1949* [Act 100];

(d) Amanah Raya Bhd;

(e) a participating organisation;

(f) a wholly owned subsidiary of any institution specified under paragraphs (a), (b) and (e) that provides nominee services;

(fa) any institution licensed or authorised to provide custodian services outside Malaysia; or

(g) any other person as may be specified in writing by the SC.

In addition, the custodian must also be independent from the VC and PE corporations.

(A5) The SC seeks views on the proposed custody arrangement.

SECTION B: REQUIREMENTS FOR VC

The SC is of the view that the VC activities need to be clearly distinguished from those of a PE. This is important to provide clarity on the regulatory requirements with an effective policy formulation which would ensure an orderly development of the industry as well as to have governance improved by way of raising the quality and business conduct standards of the players.

1. Definition of VC

1.1 There is no single definition or clear distinction between the terms "VC" and "PE". Owing to different practices in other jurisdictions, the definition indirectly creates a limitation on the scope of the regulatory oversight and thus, hinders the orderly development of the VC industry.

1.2 In some countries like the US, VC is defined as smaller investments in more risky enterprises, particularly start-ups and young technology companies. The US Securities and Exchange Commission (US SEC) recognises the nature of VC as a form of risk capital and has exempted VC advisers from its registration framework by putting in place a set of criteria defining VC funds which the advisers are managing. As the US SEC ruled, VC funds must invest 80% of their committed capital in qualifying investments, which are defined as equity securities, cannot borrow or provide leverage of more than 15% of its fund size and for not more than 120 days, cannot offer redemption or liquidity rights to investors, must present itself in marketing as a VC fund, and cannot be registered under the *Investment Company Act 1940* or be registered as a business development company.

1.3 On the other hand, in Europe, the terms VC and PE are used interchangeably where VC is considered as a subset of PE while PE refers to all equity investments in private companies.

1.4 After considering the definition used in other jurisdictions and also the domestic context of a VC, the SC proposes to define a VC activity as *"the provision of financing to companies in the form of seed capital[1], start-up[2] or early stage[3] for a variety of purposes, including product development, production, marketing, sales and expansion".*

[1] "Seed-capital financing" means financing or funding provided by a VCC or VCMC to a venture company for the purpose of research, assessment and development of an initial concept or prototype.
[2] "Start-up financing" means financing or funding provided by a VCC or VCMC to a venture company for product development and initial marketing
[3] "early-stage financing" means financing or funding provided by a VCC or VCMC to a venture company as –
(a) capital expenditure or working capital to initiate commercialisation of technology or product; and
(b) additional capital expenditure or working capital to increase production capacity, marketing or product development.

1.5 The proposed definition is chosen to reflect similar definition under the *Venture Capital Tax Incentives Guidelines* where a registered VC would be able to continue enjoying the tax incentives.

(B1) The SC seeks views on the proposed definition of VC.

2. Competency of Designated Person

2.1 Currently, under the VC Guidelines, all registered corporations undertaking VC activities are required to appoint at least **one** designated person who is fit and proper for the position. Furthermore, the designated person refers to a director of the corporation and/or an officer who strategises investment decisions and leads an investment team.

2.2 In addition to the above, the SC proposes for the designated person to have at least five years of industry experience, at a managerial level. This is to ensure that the designated person(s) appointed have the relevant expertise and experience to carry on the VC activities, as well as to provide for necessary checks and balances.

2.3 The SC also proposes for the term "designated person" to be changed to "responsible person", in order to reflect the amount of accountability expected from the appointed person in managing the VC investment in accordance to its mandates.

(B2) The SC seeks views on the proposed competency requirements for designated person.

3. Investment Restrictions

3.1 Under the existing VC Guidelines, registered VCCs are currently restricted to undertake the activities of dealing in unlisted securities only. The registered VCMCs, on the other hand, are allowed to deal in listed securities that are acquired or subscribed for prior to the securities being listed, including any interest in respect of those securities, until its disposal.

3.2 The SC proposes flexibility to these restrictions by allowing the registered VCCs to undertake investments in listed securities of not more than 20% of the fund size. In addition, the registered VCMCs will be allowed to purchase new shares in secondary markets as long as the 20% threshold is maintained.

3.3 In determining the 20% limit on investments in listed securities, the fund may use either historical cost or fair value for the purposes of valuing total investments within the VC portfolio, as long as the same method is applied consistently to all investments within the VC portfolio during the term of the fund.

3.4 The purpose is to provide registered VC corporations with greater flexibility to operate and invest in venture companies and to accommodate existing, and potentially evolving, business practices that may vary from that characterised as a typical VC fund practice. The 20% limit is seen as flexible enough not to severely impair the operations of bona fide VC funds. This approach would give the registered corporations sufficient flexibility to exercise their business judgement on the appropriate time to dispose their investments.

3.5 The same parameter is adopted by the US SEC where a VC fund cannot hold more than 20% of the value of its capital commitments in non-qualifying investments such as acquiring funds on public markets, making debt investments or otherwise. However, India adopts a more flexible approach by allowing VC funds to invest in equity shares of a listed company for not more than 33.33% of the fund subject to a lock-in period of one year.

(B3) The SC seeks views on the proposed limit for investments in listed securities.

SECTION C: REQUIREMENTS FOR PE

Generally, the PE industry comprises a broad range of regulated and unregulated participants investing in a broad spectrum of unlisted and listed assets. The extension of the framework to include the PE players would enable a formal regulatory oversight as well as effective policy formulation to ensure an orderly development of the industry.

1. <u>Definition of PE</u>

1.1 As highlighted under the VC definition section, the reference to PE may differ in relation to the funding provided to venture companies at different business stages. The general categories of PE investments include venture capital, buyouts and restructuring. VC typically provides equity funding to younger, small and relatively high-risk companies with strong potential. Leveraged buyouts and restructuring deals, on the other hand, are usually targeted towards more matured firms where substantial gains in operational efficiency are likely to materialise.

1.2 Essentially, PE and VC investments can be segregated according to the different business stages of investments. However, PE and VC are similar in terms of the activity that they do to their venture companies which include provision of capital and the application of expertise in providing strategic direction and vision to the venture companies. Therefore, a clear definition of PE would allow the SC to respond more efficiently to PE market developments.

1.3 In this regard, the SC proposes for PE to be defined as *"a provision of medium to long-term capital to companies that may or may not be quoted on a public equity market and which need financing to fund growth, development or business improvement".* As PEs may also be undertaking VC type of investments where it invests in seed, start-ups and early stage venture companies, PEs would be able to enjoy tax incentives if they meet the qualifying criteria under the existing *Venture Capital Tax Incentives Guidelines*.

(C1) The SC seeks views on the proposed definition of PE.

2. <u>Leverage/Borrowing</u>

2.1 The majority of PE investments to date have been in the form of growth capital and cash investments. There are, however, occasions where a PE may need to carry out leveraged buyout transaction to complete an acquisition of a target company, a process which would probably expose the PE to various financial risks. Unforeseen circumstances may affect PEs losing their entire investment on a bad deal.

2.2 Some countries may allow leveraging to be undertaken as there are many take-over strategies that a company could use which if not exercised within prudential limits may affect investors and players and poses risks of spreading through the financial system. Generally in Malaysia, PE practitioners rarely have the ability to borrow money, other than short term loans to cover expenses or bridge capital contributions. Nevertheless, the SC needs to have an overall picture of risks posed by such leveraging or borrowing activities. Therefore, it is necessary to establish a parameter capable of addressing those concerns.

2.3 In this regard, the SC proposes for a disclosure to be made in the information memorandum on the leveraging or borrowing activities undertaken by the PE players. The information should include the amount of leverage, duration, and the basis of leverage as well as the risks involved. In addition, the SC is also considering imposing a maximum leverage amount/ratio that should be borrowed by PE players in completing a take-over transaction.

> (C2) The SC seeks views on the proposed disclosure requirement on the leverage activities as well as the maximum amount that should be utilised for leveraging purposes.

3. Competency of Designated Person

3.1 Currently under the VC Guidelines, all registered corporations are required to appoint at least one designated person who is fit and proper for the position. Under the VC Guidelines, the designated person refers to a director of the corporation and/or an officer who strategises investment decisions and leads an investment team.

3.2 Similar to the requirements on the VCs, the SC proposes for the designated person to have at least five years of industry experience, at a managerial level. This is to ensure that the designated person(s) appointed have the relevant expertise and experience to carry on the activities, as well as to provide for necessary checks and balances. Additionally, all registered corporations undertaking PE activities are required to comply with this competence regime by having at least **two** designated persons to commensurate the investments undertaken as well as the risk profile.

3.3 The SC also proposes for the term “designated person” to be changed to “responsible person”, in order to reflect the amount of accountability expected from the appointed person in managing PE investments in accordance to its mandates.

> (C3) The SC seeks views on the proposed competency requirements for designated person.

4. Financial requirement

4.1 At present, all registered corporations undertaking VC activities are subject to a requirement of a minimum shareholders’ funds of RM100,000. The SC views such requirement as important in order to establish appropriate standards for capital, liquidity and risk management for funds above a certain size capable of having a significant potential risk.

4.2 Taking into account the firm's exposure to market, the size and the credit risks involved in PE activities, the SC proposes for a requirement for a minimum shareholders' funds of RM500,000 to be imposed on PEs.

(C4) The SC seeks views on the proposed minimum shareholders' funds for PEs.

SUMMARY OF PROPOSED REQUIREMENTS AND VIEWS SOUGHT

SECTION A:

(A1) In light of the imposition of the category of investors and given its complexity and risks involved, the SC seeks views on the cap imposed on the acceptable number of "sophisticated investors" allowed in VC and PE funds.

(A2) The SC seeks views on any possible operational issues that may arise from the adoption of the valuation guidelines that are in line with international best practices to be applied to investments in venture companies.

(A3) The SC seeks views on any pertinent matters that would need adequate disclosure in the information memorandum.

(A4) The SC seeks views on the proposed timeline for submission of the annual periodic report as well as the new requirement for the semi-annual report.

(A5) The SC seeks views on the proposed custody arrangement.

SECTION B:

(B1) The SC seeks views on the proposed definition of VC.

(B2) The SC seeks views on the proposed competency requirements for designated person.

(B3) The SC seeks views on the proposed limit for investments in listed securities.

SECTION C:

(C1) The SC seeks views on the proposed definition of PE.

(C2) The SC seeks views on the proposed disclosure requirement on the leverage activities as well as the maximum amount that should be utilised for leveraging purposes.

(C3) The SC seeks views on the proposed competency requirements for designated person.

(C4) The SC seeks views on the proposed minimum shareholders' funds for PEs.