

ARTICLE 1

PRIVATE PLACEMENT – STRENGTHENING THE PILLARS OF THE REGULATORY ECOSYSTEM

In light of the significant disruptions to the business environment due to the COVID-19 pandemic, the SC and Bursa Malaysia introduced various relief measures to assist PLCs in navigating through the pandemic. One of the relief measures allowed PLCs to increase the general mandate limit for a new issue of securities from the existing 10% to not more than 20% of the total number of issued shares, subject to certain conditions, initially for a period up to 31 December 2021. In December 2021, the deadline for the relief was extended to 31 December 2022 for PLCs that have yet to raise any funds using the 20% mandate in 2020 or 2021.

In 2021, the SC conducted a Policy Evaluation on this fundraising relief by examining the General Mandate Private Placements (GMPPs) announced in 2020 in line with the SC's adoption of an evidence-based regulatory policy framework. Comprehensive data on GMPPs announced in 2020 was collected and analysed, and the findings were used to provide a greater understanding of the GMPP market as well as to inform deliberations on similar policies.

In 2020, a total of 133 GMPPs were announced by 126 PLCs, with a total value announced standing at RM5 billion¹. As shown in Chart 1, a total of 48 (36%) GMPPs were under the 20% mandate (20% GMPPs), while the remaining 85 (64%) GMPPs were under the usual 10% mandate (10% GMPPs). The total value announced under 20% GMPPs was RM2.1 billion (average of RM44 million per 20% GMPPs), while the total value announced under 10% GMPPs was RM2.9 billion (average of RM34 million per 10% GMPP).

In 2020,
48 PLCs
benefitted from the 20%
General Mandate Private
Placements relief

Main Market PLCs announced 78 GMPPs (27 for 20% GMPPs and 51 for 10% GMPPs) while the ACE Market PLCs announced 55 GMPPs (21 for 20% GMPPs and 34 for 10% GMPPs). As a percentage of the total number of PLCs in each market, it was more common for ACE Market PLCs to announce GMPPs; around 40% of ACE Market PLCs announced GMPPs in 2020 compared to only around 10% of Main Market PLCs. As presented in Chart 2, the most active sectors to announce GMPPs were the Industrial and Technology sectors.

Chart 1

GMPPs in 2020

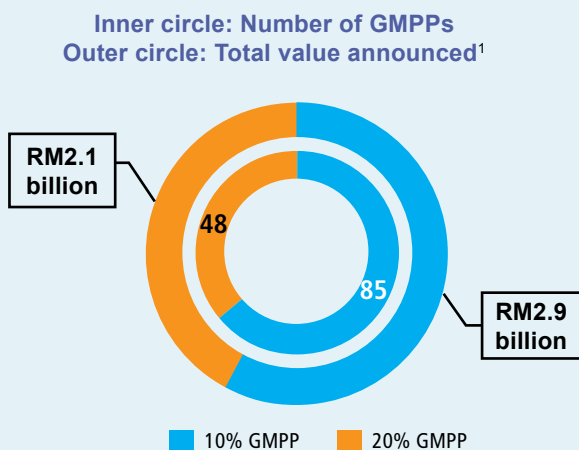
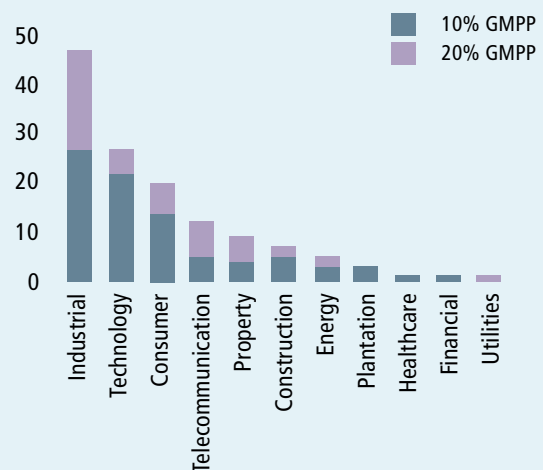


Chart 2

Number of GMPPs announced in 2020 by sector



¹ 'Total value announced' refers to the total amount announced by the PLC when the GMPP was first announced and may differ from the actual amount raised.

The evaluation also revealed that the advisory market for GMPPs was concentrated among four PAs. These four PAs accounted for 71% of all GMPPs announced in 2020 and 52% (RM2.6 billion) of the total value announced.

Four Principal Advisers
accounted for
71%
of all General Mandate
Private Placements in
2020

This evaluation also analysed the shareholder voting outcomes of each of the 20% GMPPs since the 20% GMPPs must be approved by shareholders in a general meeting. Generally, the SC observed that the level of dissent was very low; the proportion of dissenting votes was only 0.4% on average and 17 out of 48 resolutions received no dissent at all. The shareholder bases of these PLCs were also relatively small, with only an average of 33 shareholders needed to pass the resolution. While this could indicate overwhelming support for the 20% GMPP resolutions, it could also imply low levels of investor activism among minority and institutional shareholders. A further review in this area may be carried out to understand the underlying shareholder dynamics and heighten investor activism.

The SC's assessment highlighted that many PLCs had utilised the 20% GMPP relief (and the existing 10% GMPP policy) to help them weather through the pandemic.

In the UK, listed companies were also given the flexibility to raise funds up to 20% of their share capital on a temporary basis instead of the usual 5% for general corporate purposes, with an additional 5% for specified acquisitions or investments. The Pre-Emption Group, an industry body comprising listed companies, investors and intermediaries which exist to promote best practice in the observation of investors' pre-emption rights, recommends that listed companies intending to access this flexibility must fully explain the particular circumstances of the company, including how the companies are supporting their stakeholders. Alongside the issuance information, these companies are also expected to disclose the shareholder consultations undertaken prior to the issuance and efforts made to respect pre-emptive rights.

Both PLCs and investors have specific roles to collectively deliver robust protection for investors. As such, to promote market transparency, the industry and PLCs should take a cue from international best practices to provide adequate and meaningful GMPP disclosures to investors, and ensure proper utilisation of the proceeds raised. Investors should also exercise vigilance when reading the GMPP proposal documents and raise concerns, if any, during general meetings. PAs advising on GMPPs and the intermediaries involved must put in place robust processes, controls, and resources to ensure the highest quality of due diligence and compliance.