- The lower static limit tightened from -30% to -15% for Index Stocks;
- The Circuit Breaker threshold changed to two levels (-10% and -15%) from three levels (-10%, -15% and -20%); and
- The short selling price limit narrowed to -10% from -15% in line with the revised lower static price limit.

The temporary revised limits serve to moderate potentially excessive price movements while allowing investors time to rationalise investment decisions during periods of heightened uncertainty and market volatility.

### Continuous Monitoring of Clearing and Settlement Capacity

CCPs form an integral part of stable and resilient market infrastructure. They ensure that trade settlement and clearing activities are carried out smoothly to safeguard stakeholders' interests in the event of failed trades. In this regard, the SC expects Bursa Malaysia Securities Clearing (BMSC) and Bursa Malaysia Derivatives Clearing (BMDC) to effectively manage settlement and clearing risks for the securities and derivatives markets respectively. Clearing funds, margins and security deposits posted by clearing participants serve as important layers of protection in the event of default.

In light of volatile market conditions, daily stress tests were conducted by BMSC on the clearing fund to ensure the sufficiency of coverage in the event of participants' default. To date, the results of the stress tests have not warranted any increase to the clearing fund. Meanwhile, revisions were made to the derivatives clearing fund and margin rates for futures products, after taking into consideration the fluctuating volatility in financial and commodity futures markets. For example, the derivatives clearing fund as at end December 2020 stood at RM37 million, arising from the recent increased contributions from BMDC and market participants. Margin rates for FTSE Bursa Malaysia KL Composite Index Future (FKLI) were gradually revised from RM2,500 to RM4,200 in Q1 2020. The margin for Crude Palm Oil Futures (FCPO) was also raised from RM4,500 to RM6,200 in the same quarter. However, in April and early May 2020, the margin for FCPO was gradually reduced from RM6,200 to RM5,000 in line with changes in market volatility for CPO.

## REGULATORY RELIEF MEASURES

### The Conduct of Fully Virtual General Meetings

The MCO necessitated limited movement of persons and gatherings for business, cultural, religious, sports, or social purposes. Consequently, this affected the ability of listed issuers to discharge their statutory obligations to conduct general meetings without breaching the MCO conditions.

As part of the relief and support measures for affected listed issuers, the SC and Bursa Malaysia allowed flexibility on the timing of annual general meetings (AGMs) and the issuance of quarterly and annual reports.

Listed issuers could apply to conduct their AGMs beyond the prescribed period as stipulated under the *Companies Act 2016*, through an application to the Companies Commission of Malaysia (SSM).

The SC also granted a–

- two-month extension for REIT managers of listed REITs with a financial year-end of 31 December 2019 to hold AGMs by 30 June 2020; and
- one-month extension for REIT managers of listed REITs with financial year-end of 31 March 2020 to hold AGMs by 31 August 2020.

On 18 April 2020, the SC issued a guidance note titled, *Guidance and FAQs on the Conduct of General Meetings for Listed Issuers* (Guidance Note). The Guidance Note addressed among others common questions on the conduct of fully virtual general meetings and meeting of unitholders. In a fully virtual meeting, a limited number of individuals are allowed to physically gather to conduct the general meeting at a broadcast venue. All other meeting participants, including shareholders may attend and participate in the meeting online.

A total of 888 listed issuers conducted 1,017 general meetings since the issuance of the Guidance Note. Out of which, 824 were AGMs, 192 were Extraordinary General Meetings (EGMs) and one meeting of unitholders. A total of 541 of these meetings were fully virtual while three were hybrid.

## Conduct of general meetings

### Data as at 31 December 2020

**MCO**
**(18 March – 3 May 2020)**

3

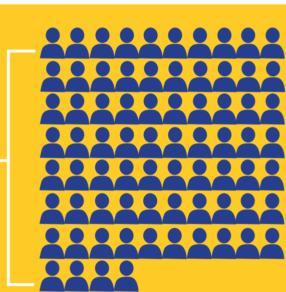
**CMCO**
**(4 May – 9 June 2020)**

29

**RMCO and CMCO**
**(10 June – 31 December 2020)**

509 | 3 | 473

**74%**
**of shareholders would like to continue having the option to participate online**



- Fully virtual – Only essential individuals are present at the broadcast venue with all shareholders participating online.
- Hybrid – Shareholders have the option to be physically present at the meeting venue or to participate online.
- Physical – All participants are physically present at the meeting venue.

## VIRTUAL GENERAL MEETINGS – MALAYSIA'S EXPERIENCE

The health crisis had accelerated the use of digital tools to facilitate the conduct of general meetings, leading to a growing number of fully virtual and hybrid meetings being held. This experience offers a good opportunity to learn and make improvements to this important part of corporate governance.

The SC carried out a survey on the conduct of fully virtual general meetings. Feedback was gathered from 29 listed issuers, which conducted fully virtual general meetings during the first MCO and CMCO period (18 April to June 2020). A total of 309 individual shareholders also responded to the survey.

### KEY FINDINGS

**Out of 29 listed issuers, 17 responded that they will continue to offer the option for remote shareholder participation in future general meetings.**

**While shareholder participation was generally lower in fully virtual general meetings, 31% of listed issuers responded that shareholders posed more questions in a fully virtual general meeting compared to a physical meeting. Using the number of questions posed by shareholders as a gauge, we may conclude that the level of engagement between the board and shareholders at fully virtual general meetings has been encouraging.**

**Several listed issuers highlighted substantial cost-saving from conducting a fully virtual general meeting compared to a physical meeting as large venues are not required to conduct the meeting.**

**Preference for remote participation was higher among shareholders in the younger age group, while majority of those in the senior age group preferred physical participation. Although more than half of the shareholders age 60 years and above preferred physical participation in AGMs, a significant number of them would still like to have the option to participate in the meeting remotely (online), as highlighted in Table 1.**

TABLE 1

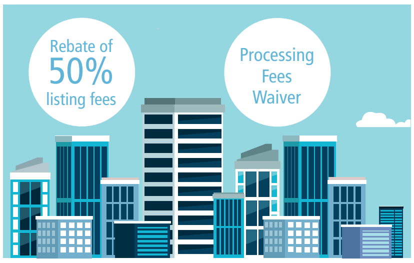
**Preferred mode of participation in a general meeting**

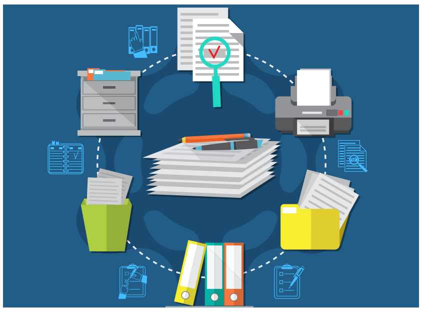
| Participation preference / Age | 30 and below | Between 31 and 40 | Between 41 and 50 | Between 51 and 60 | Between 61 and 70 | 71 and above |
|---|---|---|---|---|---|---|
| Online | 48% | 45% | 38% | 40% | 21% | 30% |
| Physical | 52% | 55% | 62% | 60% | 79% | 70% |
| • Would like to also have the option to participate in the meeting remotely (online) | 82% | 65% | 69% | 71% | 56% | 43% |

# RELIEF MEASURES
# ON FUNDRAISING

The SC had, together with Bursa Malaysia, announced various regulatory relief measures to ease compliance by listed issuers and facilitate fundraising in a timely and cost effective manner. The relief measures include the following:

PLCs are granted a rebate of 50% annual listing fees for year 2020.



Issuers are allowed to issue Prospectus and Abridged Prospectus during MCO period without prior lodgement with Registrar of Companies.

Waiver of listing related fees for 12 months, which is applicable up to 26 February 2021 for companies seeking listing on LEAP or ACE Markets as well as those with market capitalisation of less than RM500 million on Main Market.

PLCs are allowed to seek general mandate from their shareholders in a general meeting to issue new securities up to 20% of total number of issued shares (excluding treasury shares) for issue of new securities. The increased limit from 10% to 20% is allowed until 31 December 2021.

Eligible listed issuers are allowed to seek mandate in a general meeting to issue new securities up to 50% of total number of issued shares (excluding treasury shares) or issued units, as the case may be, to their existing securities holders on a pro-rata basis, up to 31 December 2021. The rights issue exercises under this relief measure are subjected to certain conditions. Such conditions are, among others:

- The rights issue must be a 'plain vanilla' issuance based on ordinary shares or units.
- The eligible listed issuers must have controlling securities holders[1] who will provide an irrevocable undertaking to subscribe for their full entitlements.

A total of **389** companies have benefitted from the various listing fee waivers while **47** companies have announced fundraising exercises under the increased/new general mandates.

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[1] This refers to either the controlling shareholders of the PLCs, or the controlling unitholders of the REITs, which mean any person who is, or a group of persons who together are entitled to exercise or control the exercise of more than 33% (or such other percentage as may be prescribed in the *Malaysian Code on Take-Overs and Mergers 2016* as being the level for triggering a mandatory general offer) of the voting shares in a company and voting units in a unit trust scheme, or who is or are in a position to control the composition of a majority of the board of directors of such company.

## Compliance with Bursa Malaysia's Regulatory Requirements by PLCs

To aid and facilitate listed companies during this challenging period, Bursa Malaysia announced relief measures to allow flexibilities in terms of compliance with *Bursa Malaysia Listing Requirements* (Listing Requirements).

The regulatory relief measures announced by Bursa Malaysia on 26 March 2020 and 16 April 2020 are as follows:

### Time Extension for the Submission of Quarterly and Annual Reports

Bursa Malaysia granted time extensions to listed companies that did not have sufficient time to prepare and issue their financial statements.

- An automatic 1-month extension for issuance of quarterly and annual reports for the Main and ACE Markets, as well as semi-annual and annual audited financial statements for the LEAP Market (collectively known as 'Financial Statements') that were due on 31 March 2020.
- An extension until 30 June 2020 for submission of the Financial Statements of Main, ACE and LEAP Markets, that were due on 30 April 2020 and 31 May 2020.

Notwithstanding the time extensions granted, listed companies were required to comply with their continuing disclosure obligations under the Listing Requirements. The requirements also include the obligation to make immediate announcements of any material information and to ensure prompt communications on latest information to shareholders and investors.

### Listed Companies with Unsatisfactory Financial Conditions

Acknowledging the difficult economic environment businesses are operating in, Bursa Malaysia has provided temporary relief to affected listed issuer from being classified as a Practice Note 17 (PN17) Listed Issuer if any of the following criteria under PN17 of the *Main Market Listing Requirements* is triggered (Suspended Criteria):

- Its shareholders' equity on a consolidated basis is 25% or less of its share capital (excluding treasury shares) and such shareholders' equity is less than RM40 million.
- Auditors have highlighted a material uncertainty related to going concern or expressed a qualification on the listed issuer's ability to continue as a going concern in its latest audited financial statements and its shareholders' equity on a consolidated basis is 50% or less of its share capital (excluding treasury shares).
- Default in payment by the listed issuer, its major subsidiary or major associated company, as the case may be, as announced pursuant to paragraph 9.19A, of the *Main Market Listing Requirements*, which led to the listed issuer being unable to provide a solvency declaration to Bursa Malaysia.

Listed issuers that trigger the Suspended Criteria from 17 April 2020 to 30 June 2021 will not be classified as a PN17 Listed Issuer. They will be accorded relief from complying with the obligations under paragraph 8.04 and PN17 of the *Main Market Listing Requirements* for a period of 12 months from the date of triggering the specified criteria, and are only required to make an immediate announcement when the specified criteria are triggered and the relief provided. Similar temporary relief from *Guidance Note 3* (GN3) classification under the *ACE Market Listing Requirements* was also granted by Bursa Malaysia for companies listed on the ACE Market. As at 31 December 2020, 13 companies have benefitted from the relief measures.

In addition, for listed issuers that triggered PN17/GN3 criteria other than the Suspended Criteria, or did not have an adequate level of operations as set out in paragraph 8.03A (8.03A Listed Issuers) of the *Main Market Listing Requirements* between 2 January 2019 and 31 December 2020, Bursa Malaysia extended the timeframe for submission of the regularisation plan from the existing 12 months to 24 months from the date when they first announced that they are PN17/GN3 Listed Issuers, or 8.03A Listed Issuers. A total of 17 PN17/GN3/8.03A listed issuers have benefitted from the relief measures.

## Take-Overs and Mergers Requirements

As a result of the containment measures under the MCO, the SC had expected that there would be challenges to comply with certain requirements under the take-over provisions.

To ensure that take-over activities are able to continue during a possibly protracted period of business interruptions, the SC introduced flexibilities for those involved in a take-over activity to comply with the relevant regulatory requirements. Such flexibilities included the expanded use of technology, which complements the SC's ongoing efforts to facilitate more offerings of online services by the industry to the market.

Advisers were also encouraged to engage with the SC at the earliest opportunity to consult on any other anticipated difficulty in complying with any of the requirements under the CMSA or the Rules[2].

### Digitisation of requisite take-over processes and documentation

In view of the challenges to bulk print offer documents and delivering the hard copy of such documents to shareholders during the MCO period, the SC had encouraged and facilitated take-over offers to be conducted digitally. In this regard, the SC had allowed for a hybrid method of serving take-over notices and documentations via electronic publication on dedicated pages through either the SC or Bursa Malaysia websites. This was done concurrently with a physical Summary Notification sent to all offeree shareholders to inform them of the offer and the availability of the relevant notices and documents on the relevant websites. Shareholders were also allowed to accept an offer either electronically or by the conventional method of responding via post.

### Propagate use of electronic communication to shareholders and encourage electronic payment of cash consideration

In addition, the SC took the opportunity to encourage shareholders to register their email addresses with Bursa Malaysia Depository Sdn Bhd (Bursa Malaysia Depository) to further facilitate the use of electronic documents as a form of service. The statement to shareholders to register their email addresses was required as part of the Summary Notification to be sent to offeree shareholders.

At the same time, with the support of share registrars, shareholders were also encouraged to register or update their bank account details with Bursa Malaysia Depository for the purpose of cash dividend or distribution. In doing so, shareholders would be able to receive the consideration pursuant to a take-over offer directly into their bank accounts. Shareholders may register or update their bank account details via Bursa Malaysia's website or the Bursa Anywhere application. The advice for shareholders to register their email addresses and bank account details is still included in offer documents, forms of acceptance and transfer, as well as independent advice circulars.

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[2] *Rules on Take-overs, Mergers and Compulsory Acquisitions*, SC, 2017.

**Concession in accepting a declaration by Offerors in compulsory acquisitions due to unavailability of legal services**

In terms of compulsory acquisition, regulatory relief was also granted particularly in relation to the requirement for a statutory declaration to be submitted under section 222(1)(B) of the CMSA. As the SC was cognisant of the uncertainty in terms of the availability of legal services during the early days of the MCO period, offerors instead were allowed to submit a declaration addressed to the SC, to confirm that all required conditions have been fulfilled.

## Regulatory Relief Measures on Products

In 2020, the SC had allowed for flexibilities in complying with timelines of certain regulatory requirements in relation to the issuance of capital market products.

### CORPORATE BONDS AND SUKUK

In relation to the Lodge and Launch (LOLA) Framework, flexibilities included the extension of implementation timeframe for issuance, extension of timeline to submit post-issuance notices, redemption notices and copies of Fully Automated System for Issuing / Tendering (FAST) announcements.

In addition, the SC also granted flexibilities to issuers in complying with the timeline of submission of quarterly reports to the trustee, SSM and the SC.

### STRUCTURED WARRANTS

Under the CMSA, structured warrants issuers are required to lodge with the Registrar of Companies, a copy of the prospectus registered by the SC before the issuance date of the prospectus. The SC granted relief to issuers subject to the following conditions:

- Issuers to notify the SC after the launch of the structured warrants and its listing on Bursa Malaysia Securities.
- Issuers to lodge the registered base prospectus, the supplementary base prospectus and term sheets with the Registrar of Companies within 14 days from the date the MCO is uplifted.

### STRUCTURED PRODUCTS

Additionally, structured product issuers were also granted various extensions of time for the submission of monthly post-issuance reports required under the *Guidelines on Unlisted Capital Market Products Under the LOLA Framework*.

### REAL ESTATE INVESTMENT TRUSTS


On 12 August 2020, the SC announced a temporary increase in the gearing limit for Malaysia's real estate investment trusts (M-REITs) from 50% to 60%. The temporary increase was made available until 31 December 2022.

The temporary increase in gearing limit will provide M-REITs greater cash flow flexibility and allow M-REIT managers to manage their REITs' debt and capital structures more efficiently. Notwithstanding the temporary increase in gearing limit, the SC expects managers of M-REITs to consider sustainability of the REIT in the best interest of unitholders, before taking on any additional debt.

## Easing Cost and Regulatory Burden

The negative impact of the COVID-19 pandemic on businesses also led the SC to introduce measures that would ease the cost burden on market participants. Specifically, the SC granted a waiver of annual licensing fees for 2020 on the core regulated activity of all Capital Markets Services Licence (CMSL) entities with a Profit Before Tax of RM5 million or less during Financial Year 2019.

A qualifying CMSL entity that had already paid for the annual licensing fee of RM2,000 per core activity prior to this relief measure was offered a credit to offset 2021's licensing fees. As at 31 December 2020, a total of 220 CMSL entities were eligible. The SC had already waived the annual licensing fee for 109 CMSLs at their respective anniversary dates.

The SC had also granted a waiver of the annual licensing fees for Capital Markets Services Representative's Licence (CMSRL) holders for the Year 2020. Similarly, qualifying CMSRL holders who had already made the annual payment of RM200 prior to this announcement were offered a credit to offset licensing fees for 2021. As at 31 December 2020, this programme has benefitted at least 9,710 eligible CMSRL holders.

Additionally, other flexibilities were given in terms of adherence to the Continuing Professional Education (CPE) points requirements and deadlines extended for regulatory filings and submissions to the SC.

### Reduction of CPE points requirement for all CMSRL holders and ERPs

The annual minimum CPE points requirement was reduced from the current 20 CPE points to 10 CPE points, effective 1 July 2020 for 12 months for all CMSRL holders and Employees of Registered Persons (ERPs). This would benefit a total of approximately 9,734 CMSRL holders and 5,068 active ERPs in the market.

### Reduced requirement for minimum training days

For the Trading Representatives (TR) and Marketing Representatives (MR), the SC reduced the requirement for minimum training days from the current five to three days, effective 1 July 2020 for 12 months. As at 31 December 2020, this benefitted approximately 107 TRs and 464 MRs.

### Increased offering of online courses or web-based learning as an alternative avenue towards complying with training requirements

In facilitating licensed persons to meet their training needs, the SC had agreed for the Securities Industry Development Corporation (SIDC) to offer more online courses or web-based learning, and the recognition of the Competency Management System by CMSRL holders and ERPs as an alternative avenue towards securing the requisite CPE points. Additionally, recognition was given to CPE approved courses as equivalent to a one-day training for TRs and MRs until 30 June 2021. The SC also facilitated and recognised online Familiarisation Programmes for TRs and MRs (e-FPTR and e-FPMR) as part of the entry requirements to be registered with the SC.

### Deadlines extended to fulfil requirements on regulatory filings

The SC took cognisance of the challenges that industry participants faced to fulfil the requirements on regulatory filings. The SC had granted flexibilities by extending deadlines, including those in relation to regulatory filings and submissions to the SC such as the quarterly, semi-annual and annual reports, auditor reports and activity reports, as well as compliance with training requirements.

To ensure continuity of registration activities in the unit trust industry, the SC had approved Federation of Investment Managers Malaysia's (FIMM) proposal for a temporary waiver to the requirements of FIMM's Registration Manual in May 2020. The waiver allowed for the dispensation of the requisite hard copy documents for registration matters until 14 business days after the MCO was lifted. Meanwhile, registrants were only required to submit duly executed statutory declarations when applying for re-registration as a unit trust scheme and/or private retirement scheme (PRS) consultants. Additional complementary measures included the allowance of online submissions of all registration related matters by Distributors. These flexibilities were extended until 31 December 2020, in response to the necessary containment measures imposed by the Malaysian Government throughout the year.

## Flexibilities On Margin Financing Requirements

The SC continued to engage closely with the industry to better appreciate the challenges and concerns faced by investors and intermediaries during the pandemic. This allowed the SC and Bursa Malaysia to formulate and introduce appropriate regulatory relief measures to help market participants tide over this difficult period. The prevailing uncertainties surrounding the economy had directly affected investor sentiments, leading to selling pressure and in turn, adversely impacting share prices. Investors with margin accounts were at risk of force selling pressures, which would potentially lead to significant financial losses.

On 26 March 2020, the SC approved additional measures by Bursa Malaysia for the temporary easing of margin requirements. These measures were not only aimed to mitigate the force selling pressure on the market but also allowed margin clients to offer other types of collaterals to protect their investments. The above modifications took effect from 27 March to 30 September 2020, and has subsequently been extended to 30 June 2021. The waivers and modifications were subject to the stockbrokers' continuing obligations to comply with the minimum requirements on capital adequacy and shareholders' funds at all times.

### RULE MODIFICATIONS ON MARGIN FINANCING REQUIREMENTS

Modifications were made to the rules, which enabled stockbrokers to apply appropriate discretion in managing their clients' margin positions, subject to stockbrokers' respective credit risk management framework.

3 Discretion to initiate force selling measures on margin account with equity ratio <130%

2 Discretion to extend margin financing to accounts with equity ratio <130% and impose haircuts on collaterals

1 Discretion to accept wider range of collateral assets

### Concession on PRS Withdrawals

In line with the Government's efforts to alleviate Malaysians from facing financial constraints due to the impact of the health crisis, PRS members were permitted to withdraw up to RM1,500 from their sub-account B with each PRS provider without incurring a tax penalty. The withdrawal was permitted from April to end December 2020, to provide short-term financial relief for its members during the challenging economic environment.

## CONTINUITY OF INTERMEDIARIES' OPERATIONS

### Uninterrupted Operations Through Business Continuity Preparedness

To ensure the operational resiliency of market intermediaries, the SC outlined expectations on business continuity through its *Guiding Principles of Business Continuity* issued in 2019. This document outlines six principles including one that requires capital market entities to identify potential risks that may result in major operational disruptions. Any adverse impacts and implications from such disruptions should be thoroughly assessed and analysed. Risk mitigation and management plans should also be embedded within the respective business continuity approaches adopted by capital market entities. In view of the preparedness by market participants, they were able to adapt swiftly and reorganise operations effectively during the pandemic.

The SC also took steps to protect investors by ensuring that market intermediaries continued to operate in an orderly manner. In doing so, the SC proactively reviewed the firms' contingency plans for dealing with such disruptions, including the continuity of the intermediaries' operations and their ability to communicate with and support employees working remotely. The SC expects intermediaries to conduct frequent testing to ensure that essential business activities and resources continue to function effectively without compromising investors' interests. Intermediaries were reminded to promptly notify the SC if business continuity plans were activated.

Affected intermediaries were also required to provide the SC with periodic progress reports until normality returns.

The disruptions from movement restrictions and physical distancing necessitated many businesses to facilitate remote working arrangements for their employees. Intermediaries operating under such conditions were expected to have in place adequate policies and procedures on record keeping as well as controls over the security and confidentiality of clients' data and information.

### Guidance for Market Participants to Operate During MCO

On 8 May 2020, the SC issued the *Guidance for Standard Operating Procedures on Health and Safety Measures Against COVID-19 Pandemic for Capital Market Participants* (Guidance). It outlined the health and safety measures in line with the Government's efforts to curb the spread of the virus, in addition to the steps to be taken in planning and managing the return to operations at full capacity. The Guidance was issued after the Government imposed the CMCO from 4 May 2020, and it was subsequently updated following the RMCO phase on 10 June 2020.

Based on the Guidance provided, market participants are required to develop and communicate clear internal standard operating procedures (SOPs) on health and safety measures at the workplace, particularly with regards to dealing with employees, agents and external parties. The Guidance was in addition to the SOPs and directives issued by the Malaysian National Security Council (MKN).

In adhering to the SOPs issued by the relevant authorities, market participants were advised to apply appropriate health and safety measures commensurate with the complexity and size of their business operations, number of branches and customers, governance structure and workplace setting. The measures were premised on the need to observe physical distancing, good hygiene practices and proper record keeping for contact tracing. Market participants were advised to monitor the developments and guidance issued by the World Health Organisation, MKN, Ministry of Health and other authorities, and where appropriate to reflect these in their SOPs.