

PRINCIPAL ADVISER GUIDELINES

Issued: 8 May 2009
Updated/Effective: 3 August 2009

CONTENTS

	Page
Chapter 1 GENERAL	1-1
Chapter 2 ELIGIBILITY TO ACT AS PRINCIPAL ADVISERS	2-1
Chapter 3 ADDITIONAL ELIGIBILITY CRITERIA FOR PRINCIPAL ADVISERS SUBMITTING SPECIFIC CORPORATE PROPOSALS	3-1
SCHEDULES	
Schedule 1 DECLARATION BY THE PRINCIPAL ADVISER	S1-1
Schedule 2 PARTICULARS OF THE PRINCIPAL ADVISER	S2-1
Schedule 3 BACKGROUND OF THE QUALIFIED SENIOR PERSONNEL	S3-1

Chapter 1

GENERAL

Purpose of guidelines

- 1.01 The *Capital Markets and Services Act 2007* (CMSA) provides that any person carrying on the regulated activity of advising on corporate finance must either be a holder of a Capital Markets Services Licence (CMSL) or a registered person. In addition, the Securities Commission Malaysia (SC) adopts a policy of permitting only certain categories of corporate finance advisers to submit applications to the SC in the capacity of principal advisers for certain types of corporate proposals under Part VI of the CMSA.
- 1.02 The SC's policy of permitting only certain categories of corporate finance advisers to act as principal advisers is premised on the need to ensure that–
 - (a) the integrity and reputation of the capital market is upheld;
 - (b) only qualified and competent persons who possess the requisite expertise and experience are undertaking the role of principal advisers; and
 - (c) the principal advisers continue to operate on high standards of prudential safety and business conduct, and satisfy the qualitative and quantitative criteria imposed by the SC.
- 1.03 In line with the above policy objectives, the *Principal Adviser Guidelines* is issued by the SC under section 377 of the CMSA for the purpose of–
 - (a) providing clarity on the eligibility of corporate finance advisers to act as principal advisers;
 - (b) setting out the types of corporate proposals they are permitted to submit to the SC; and
 - (c) setting out the additional eligibility criteria that they need to fulfil if they wish to submit specific types of corporate proposals.
- 1.04 These guidelines replace and supersede the *Guidelines on Principal Advisers for Corporate Proposals* issued on 1 February 2008.
- 1.05 In its ongoing efforts to enhance market competitiveness and efficiency of the fund-raising process, the SC may from time to time consider further deregulation of the market for the provision of corporate advisory services and reassess the categories of corporate finance advisers who are permitted to act as principal advisers. The deregulation, however, will be undertaken progressively for an orderly shift towards an increasingly competitive environment and to be consistent with national policy objectives.

Definitions

1.06 In these guidelines, unless the context otherwise requires:

1+1 broker	means a stockbroking company that has complied with the <i>Policy Framework for Stockbroking Industry Consolidation</i> and has acquired, taken-over, amalgamated or merged with at least one other stockbroking company.
Approved List	means the Approved List of Principal Advisers Submitting Specific Corporate Proposals. This is a list of principal advisers approved by the SC upon fulfilling the requirements set out in Chapter 3.
approved principal adviser	means a principal adviser on the Approved List.
BAFIA	means <i>Banking and Financial Institutions Act 1989</i> .
Bursa Securities	means Bursa Malaysia Securities Bhd.
CMSA	means <i>Capital Markets and Services Act 2007</i> .
CMSL	means Capital Markets Services Licence.
company	includes a corporation.
corporate finance adviser	means a person who is permitted to carry on the regulated activity of advising on corporate finance under the CMSA.
corporate proposal	means any proposal submitted to the SC and includes any offering document submitted, deposited or registered with the SC under Part VI of the CMSA.
corporation	has the meaning given in section 2 of the CMSA.
GN3	means Guidance Note 3 of the <i>Bursa Securities ACE Market Listing Requirements</i> .
investment bank	means an entity that holds a CMSL under section 58 of the CMSA for the regulated activity of dealing in securities and a merchant banking licence under section 5 of the BAFIA, and duly established under the <i>Guidelines on Investment Banks</i> issued jointly by Bank Negara Malaysia and the SC.
IPO	means initial public offering.

Islamic bank	means a bank licensed under the <i>Islamic Banking Act 1983</i> .
issuer	has the meaning given in section 2 of the CMSA.
licensed bank	means a bank licensed under the BAFIA.
licensed merchant bank	has the meaning assigned to it in the BAFIA.
PN17	means Practice Note 17 of the <i>Bursa Securities Main Market Listing Requirements</i> .
principal adviser	means the corporate finance adviser responsible for making submissions to the SC for corporate proposals.
SC	means the Securities Commission Malaysia.
significant acquisition	means an acquisition of assets which results in a significant change in the business direction or policy of a listed corporation.
significant change in the business direction or policy of a listed corporation	has the meaning assigned to it in the <i>Equity Guidelines</i> .
special scheme broker	means a foreign stockbroking company established under the <i>Application for Establishment of Foreign Stockbroking Companies Under the Special Scheme</i> .
specific corporate proposals	means an IPO on Bursa Securities, transfer of listing to the Main Market of Bursa Securities, secondary listing of foreign corporations on Bursa Securities or a significant acquisition that requires the SC's approval under section 212 of the CMSA.
universal broker	means a stockbroking company that has merged with or acquired at least three other stockbroking companies and has satisfied all the conditions and requirements stipulated by the SC under the <i>Policy Framework for Stockbroking Industry Consolidation</i> .

Chapter 2

ELIGIBILITY TO ACT AS PRINCIPAL ADVISERS

- 2.01 This chapter sets out the categories of corporate finance advisers who are eligible to act as principal advisers and the types of corporate proposals they are permitted to submit to the SC on behalf of their clients. Principal advisers seeking to submit specific corporate proposals must also fulfil the requirements set out in Chapter 3 of these guidelines.
- 2.02 The categories of principal advisers and the types of corporate proposals they are permitted to submit to the SC are as follows:

Items	Categories of principal advisers	Types of corporate proposals
(a)	Investment banks/licensed merchant banks/universal brokers	All types of corporate proposals.
(b)	1+1 brokers	All types of corporate proposals except for those involving private debt securities, Islamic securities and structured products.
(c)	Special scheme brokers	<p><u>Issue of Structured Warrants</u> Proposals for the issue of structured warrants.</p> <p><u>Offering of Foreign Securities</u> Proposals for the offering of equity securities, private debt securities or Islamic securities of listed or unlisted foreign issuers to investors identified under Schedules 6 and 7 of the CMSA.</p>
(d)	Islamic banks	All types of corporate proposals in respect of Islamic products.
(e)	Licensed banks	<p><u>Offering of Private Debt Securities</u> All proposals for the offering of private debt securities, except for any of the following:</p> <ul style="list-style-type: none"> • Private debt securities of Malaysian-incorporated public companies or foreign corporations that are capable of being converted into equity; and • Private debt securities of Malaysian-incorporated public companies or foreign corporations that are issued together with warrants.

Items	Categories of principal advisers	Types of corporate proposals
(f)	Bank Pembangunan Malaysia	<p><u>Offering of Islamic Securities</u> All proposals for the offering of Islamic debt securities, except for any of the following:</p> <ul style="list-style-type: none"> • Islamic securities of Malaysian-incorporated public companies or foreign corporations that are capable of being converted into equity; and • Islamic securities of Malaysian-incorporated public companies or foreign corporations that are issued together with warrants. <p><u>Offering of Structured Products</u> Proposals for the offering of structured products.</p> <p>Proposals on infrastructure project companies for the purposes of listing such companies or otherwise.</p>

Chapter 3

ADDITIONAL ELIGIBILITY CRITERIA FOR PRINCIPAL ADVISERS SUBMITTING SPECIFIC CORPORATE PROPOSALS

- 3.01 This chapter sets out the additional criteria for corporate finance advisers seeking to act as principal advisers for specific corporate proposals. A corporate finance adviser seeking to act as a principal adviser for specific corporate proposals must be on the Approved List of Principal Advisers Submitting Specific Corporate Proposals.
- 3.02 The additional criteria is required as the specific corporate proposals involve the introduction of new companies/businesses into the market.
- 3.03 Given the nature of these specific corporate proposals, a higher standard is expected from the principal advisers.

Eligibility criteria for admission to the Approved List

- 3.04 Any corporate finance adviser seeking to be admitted to the Approved List must satisfy the following requirements:
- (a) Fall within the category of eligible principal advisers under Chapter 2 of these guidelines; and
 - (b) Have at least two senior personnel (Qualified Senior Personnel) with the following competency and experience:
 - (i) Seven years of relevant corporate finance experience; and
 - (ii) In the five years immediately preceding the senior personnel being designated as a Qualified Senior Personnel, he must have played a substantial role in the engagement team responsible for advising in at least three of the following proposals:
 - IPOs;
 - Significant acquisitions; or
 - Regularisation plans undertaken by PN17 and GN3 companies.
- 3.05 A senior personnel designated as a Qualified Senior Personnel is considered to have the relevant corporate finance experience if he has provided advice for any of the following corporate proposals:
- (a) IPOs;
 - (b) Mergers and acquisitions involving listed companies;

- (c) Fund-raising exercises through the capital market by listed companies; and/or
 - (d) Restructuring exercises.
- 3.06 A Qualified Senior Personnel would be deemed to have played a substantial role in advising the proposals listed in paragraph 3.04(b) above if the individual concerned was involved in such proposals in a supervisory or managerial capacity.
- 3.07 A Qualified Senior Personnel is expected to have a good standing with regulatory authorities and a satisfactory work record. The proposed Qualified Senior Personnel must have not breached any relevant laws/rules/regulations in any place where the Qualified Senior Personnel has worked. The SC has the discretion in deciding whether or not to recognise a proposed Qualified Senior Personnel after taking into consideration, among others, the following:
- (a) Reputation and integrity of the Qualified Senior Personnel in the capital market; and
 - (b) Adherence of the Qualified Senior Personnel in carrying out the duties, obligations and standards expected of him.

Admission procedures

- 3.08 A principal adviser must submit to the SC the declaration and information as specified in Schedules 1 and 2, of these guidelines. The proposed Qualified Senior Personnel must also submit to the SC, through the principal adviser, the information as specified in Schedule 3 of these guidelines.
- 3.09 Applications must be submitted and addressed to:
- The Chairman
Securities Commission Malaysia
3 Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur
- (Attention: Issues and Investments Division)
- 3.10 Upon receipt of the declaration and information submitted to the SC in accordance with paragraph 3.08, an acknowledgement letter will be issued to the principal adviser and the principal adviser is deemed to be admitted to the Approved List.
- 3.11 The Approved List is made available on the SC's website.

General and continuing obligations

- 3.12 The above competency requirements are minimum requirements. All principal advisers are expected to have sufficient personnel with relevant competency at all times to

carry out engagements and to undertake engagements in a diligent and professional manner.

- 3.13 The personnel are expected to be given continuous training which covers, among others, knowledge on relevant regulatory rules and are kept abreast on expected professional standards.
- 3.14 An approved principal adviser or a principal adviser seeking to be admitted to the Approved List must have sufficient internal controls and procedures to ensure that–
- (a) the requirement of these guidelines are complied with;
 - (b) all other relevant laws, rules, regulations and guidelines are complied with; and
 - (c) confidentiality of information is maintained and there is no conflict of interest on the part of the principal adviser in accepting engagements and later, discharging its responsibilities as a principal adviser. There should be no material reliance on the client for business, especially if it will give rise to a conflict of interest situation.
- 3.15 An approved principal adviser must maintain an up-to-date record of all engagements undertaken for at least five years. The record must include, among others, the list of personnel involved in the engagement, the role played by the personnel and the designation of the personnel at the material point in time.
- 3.16 An approved principal adviser should carry out an assessment annually in order to ensure that its systems and controls remain effective.
- 3.17 An approved principal adviser must submit to the SC the information as specified in Schedule 3 and declaration as set out in paragraph 3 of Schedule 1 for every addition to the list of Qualified Senior Personnel. Conversely, the SC must be informed in writing of any removal from the list or when the Qualified Senior Personnel has left the employment of the principal adviser.
- 3.18 An approved principal adviser is required to inform the SC as soon as practicable if there has been a material change/development in relation to the information and declaration provided in Schedules 1, 2 and 3.

Review of principal advisers

- 3.19 An approved principal adviser may be subjected to a formal review by the SC (which may include an interview and/or a request for information from the principal adviser and/or Qualified Senior Personnel, such as supporting documents to verify relevant corporate finance transactions undertaken) at any point in time to ensure that it has complied with the requirements of these guidelines and is still eligible.

Removal from the Approved List and disciplinary actions

- 3.20 An approved principal adviser may be removed from the Approved List if it no

longer meets the eligibility criteria owing to a material change in circumstances, such as but not limited to, the Qualified Senior Personnel leaving the full-time employment of the principal adviser, resulting in the principal adviser no longer being able to meet the minimum requirement of having at least two Qualified Senior Personnel in its establishment.

The SC must be notified immediately in writing if the principal adviser is unable to meet the eligibility criteria.

- 3.21 Nevertheless, under such circumstances, where after being admitted to the Approved List the principal adviser is unable to meet the eligibility criteria, the principal adviser will be given a grace period of three months to take the necessary measures to meet the requirements. Upon expiry of the grace period, the principal adviser will not be allowed to make submissions to the SC if it is still unable to meet the eligibility criteria as specified under Chapter 3 of these guidelines.
- 3.22 The SC may also suspend or remove an approved principal adviser from the Approved List if the SC considers the approved principal adviser no longer suitable to be on the Approved List owing to a breach of responsibilities expected of the principal adviser in its capacity as an approved principal adviser. For example, the SC is of the opinion that the integrity of the capital market is compromised by the approved principal adviser or Qualified Senior Personnel who have failed to comply with or observe the requirements of these guidelines (including quality of due diligence and standards applied in carrying out its role as a principal adviser).
- 3.23 The SC may also take any action under Part XI of the CMSA against any approved principal adviser or Qualified Senior Personnel who fail to comply with or observe the requirements of these guidelines.

Schedule 1

DECLARATION BY THE PRINCIPAL ADVISER

The Chairman
Securities Commission Malaysia

PRINCIPAL ADVISER ... (Name of Principal Adviser)...

Declaration Required Under Chapter 3: Additional Eligibility Criteria For Principal Advisers Submitting Specific Corporate Proposals

We, ...(Name of Principal Adviser)..., are applying to be admitted to the Approved List of Principal Advisers Submitting Specific Corporate Proposals (Approved List).

2. We hereby confirm, after having made all reasonable enquiries and to the best of our knowledge and belief, that we meet the requirements as prescribed in Chapter 3: Additional Eligibility Criteria For Principal Advisers Submitting Specific Corporate Proposals.
3. Save as otherwise disclosed in the attachment accompanying this declaration, we declare that our designated Qualified Senior Personnel:
 - (i) Have not been previously charged with, convicted for or compounded for any offence under securities laws, corporation laws or any other laws involving fraud or dishonesty in a court of law during the past seven years;
 - (ii) Have not been subject to disciplinary action by any government or regulatory authority;
 - (iii) Have not been subject to disciplinary action by any body in the area of corporate finance; and
 - (iv) Are employed on a full time basis and that (in relation to the transactions cited in paragraph 6 of Schedule 3 which were carried out while employed by us) the Qualified Senior Personnel have undertaken a corporate finance role in a supervisory or managerial capacity.
4. We undertake to immediately inform the SC if we are unable to comply with any of the requirements set out under Chapter 3: Additional Eligibility Criteria For Principal Advisers Submitting Specific Corporate Proposals.
5. We undertake to provide to the SC all such information as the SC may require in relation to being admitted to the Approved List.
6. We agree to be subjected to a formal review by the SC in relation to meeting the requirements to be admitted to the Approved List.

7. We declare that the information as provided in Schedules 1, 2 and 3 are complete and accurate.

Yours faithfully

.....

Signature

Name: Designation*:

Date:

Note:

* Chief Executive Officer / Managing Director

Schedule 2**PARTICULARS OF THE PRINCIPAL ADVISER****PRINCIPAL ADVISER ... (Name of Principal Adviser)...****Information Required Under Chapter 3: Additional Eligibility Criteria for Principal Advisers Submitting Specific Corporate Proposals**

1. Name of Organisation : _____
2. Address of Head Office : _____

3. Telephone No. : _____
4. Fax No. : _____
5. E-mail Address : _____
6. Particulars of Qualified Senior Personnel :

Name	NRIC*	Age

* National registration identity card number (or passport number if foreign national).

7. Contact Person : _____

Schedule 3

BACKGROUND OF THE QUALIFIED SENIOR PERSONNEL

The Chairman
Securities Commission Malaysia

QUALIFIED SENIOR PERSONNEL

Declaration Required Under Chapter 3: Additional Eligibility Criteria for Principal Adviser Submitting Specific Corporate Proposals

I, ...(Name of Qualified Senior Personnel)..., have been nominated by ..(Name of principal adviser).., to be the designated Qualified Senior Personnel for purposes of meeting the eligibility criteria of Chapter 3 of these guidelines. Details of my background are as follows:

1. Name of principal adviser

--

2. Personal address

Postcode:

3. Qualifications

4. Number of years of corporate finance experience: _____ years

5. Employment history

To provide details of employment history (last seven years, most recent first)*:

Dates from/to (mm/yy)	Name and address of organisation	Position held and description of responsibilities

*Continue answers on a separate sheet where necessary.

6. Transaction history

I declare that I have played a substantial role as defined in paragraph 3.06 of these guidelines in the following corporate proposals (last five years, most recent first).

Issuer/ Company	Type of proposals	Details of work undertaken®	Designation#	Date of mandate (mm/yy)

@ To also provide documentary evidence of the advisory work done under a foreign jurisdiction.

To provide an organisation chart showing your position for each of the work performed including the number of subordinates and their designations.

7. Declaration of qualified senior personnel

I declare that the information supplied in this Schedule is complete, true, accurate and not misleading.

Signature:	Date:
Name of signatory in block capitals:	
Designation:	
NRIC No*:	

* National registration identity card number (or passport number if foreign national).