



PUBLIC CONSULTATION PAPER

No. 4/2025

Market Segmentation Review

The Securities Commission Malaysia invites your written comments in this consultation paper. Comments are due by **31 December 2025** and can be sent to:

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This Public Consultation Paper is dated 12 November 2025

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INTRODUCTION

1. Background

Why we are consulting

- 1.1 The capital market plays an integral role in providing tailored funding options for corporations at different stages of development and market access. It serves as a vital platform for corporations to finance their business expansion and in turn, provides opportunities for investors to participate in the resulting financial returns. As part of the Securities Commission Malaysia's (SC) commitment to foster a competitive and vibrant capital market to drive economic prosperity, the SC is reviewing the effectiveness of the public market segments on the Bursa Malaysia Securities Bhd (Bursa Malaysia). In undertaking this review, the SC has taken into consideration the evolving needs of investors, as well as developments and regulatory requirements in other major Asian jurisdictions, including those within the ASEAN countries. In addition, the SC has had discussions with various stakeholders and where appropriate, the SC had incorporated their views in developing the proposals in this public consultation paper.
- 1.2 In August 2009, the board structure of Bursa Malaysia was streamlined with a new regulatory framework for listing and equity fundraising. This restructuring consolidated the Main Board and Second Board into a unified board for established corporations known as the current MAIN Market. The MESDAQ Market, originally designed for high-growth and technology-based corporations, was transformed into the ACE Market, an alternative market catering to a broader spectrum of business and economic sectors under an enhanced sponsorship regime. Thereafter, the LEAP Market was introduced in July 2017 to provide emerging corporations with an additional avenue to raise funds in a cost-efficient manner under a light-touch regulatory framework, accessible only to sophisticated investors.
- 1.3 Over a decade has passed since these reforms of Bursa Malaysia's market structure. Recent observations underscore the need for a timely reassessment of our current public markets.
- 1.4 The SC proposes targeted changes to the existing listing and regulatory framework of the public market segments with the aim of improving accessibility for issuers and ensuring that each segment serves a clear and distinct purpose. Consequently, investors will be able to distinguish between the types of corporations listed on each market segment.

What we aim to achieve

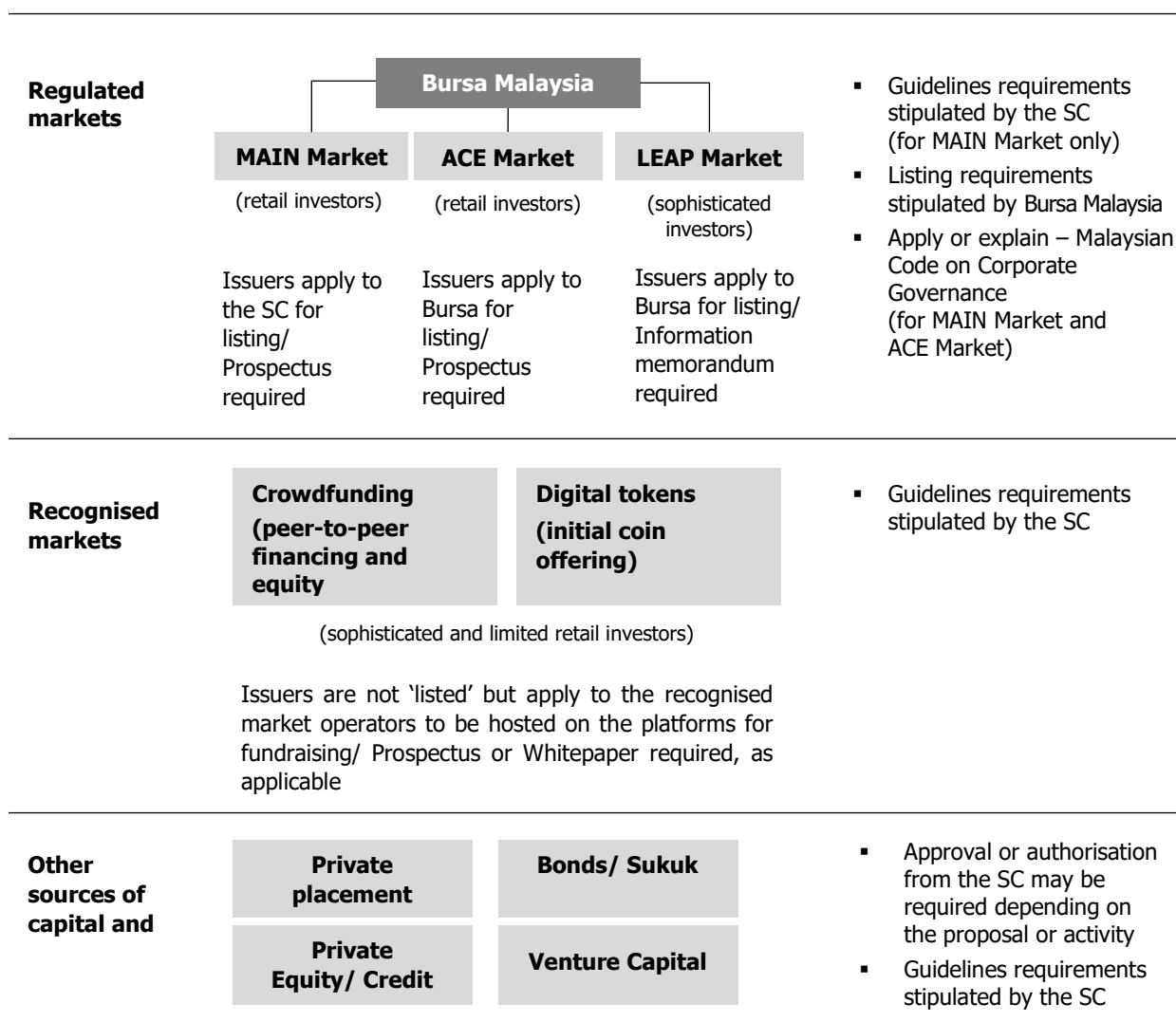
- 1.5 The SC remains committed to a proportionate and facilitative regulatory approach that fosters a dynamic, inclusive and future resilient public market ecosystem.
- 1.6 By refining the market segments as in this consultation paper, the SC aims to ensure the public markets are demarcated with distinct value propositions and with a fit-for-purpose framework, that offers issuers clearer choice and provide investors with greater clarity.
- 1.7 A well-structured public market with clearly defined segments plays a critical role in ensuring that issuers and investors are matched appropriately. Distinct market segments give investors a clear understanding of the type of corporations they are investing in, based on their risk-return profiles. For issuers, differentiated segments create appropriate entry points depending on the size, maturity and growth stage of a corporation.

PUBLIC MARKET SEGMENTS

2. Overview

2.1 Malaysia's primary markets offer various channels to cater for the needs of a wide range of issuers and investors, ranging from crowdfunding platforms to initial public offerings (IPO) on listed markets. This array of avenues ensures that corporations at different stages of growth and with varying capital requirements can access appropriate funding mechanisms.

2.2 The illustration below provides an outline of the relevant markets and their regulatory frameworks:



The listing regime

2.3 The current regulatory framework for the offer or issue of securities in Malaysia mandates that approval or authorisation from the SC is required under Section 212 of the *Capital Markets and Securities Act 2007* (CMSA), unless exempted under Schedule 5 of the CMSA.

- 2.4 Following the consolidation of the Main Board and Second Board into a unified MAIN Market in 2009, the SC retained the primary gatekeeping function under Section 212 of the CMSA for listings and back-door listings/ reverse take-overs on the MAIN Market. The SC assesses proposals with focus on compliance with minimum requirements, public interest, interest of investors, corporate governance and conflicts of interests.
- 2.5 Effective from 1 January 2022, Bursa Malaysia became the sole approving authority for ACE Market IPOs and prospectus registration, to streamline the listing and approval process for greater efficiency.
- 2.6 Both the ACE Market and LEAP Market operate under a sponsor/ adviser-driven framework. The appointed listing sponsors/ advisers are responsible for assessing the quality and suitability of the corporations seeking listing. Similar to the SC, Bursa Malaysia assesses the proposals with focus on public interest, interest of investors, corporate governance and conflicts of interests.

The prospectus regime

- 2.7 A prospectus must be registered in relation to the initial listing of securities on both the MAIN Market and ACE Market. This document provides detailed information on the issuer, its financials, operations and the securities being offered.
- 2.8 The LEAP Market, which caters exclusively to sophisticated investors, does not require a prospectus. Instead, issuers are required to prepare an information memorandum. This document provides key details about the issuer and the securities being offered, tailored to the needs of sophisticated investors.

Listed market segments

- 2.9 Bursa Malaysia operates three markets as follows:
- **MAIN Market** – for established companies that have met the requisite standards in terms of quality, size and operations;
 - **ACE Market** – for companies with growth prospects; and
 - **LEAP Market** – for emerging companies, including small- and medium-sized enterprises (SMEs).
- 2.10 The current public market structure offers opportunities for a diverse range of corporations to list on Bursa Malaysia. These public market segments are designed to create an accessible market for raising capital, tailored to the size and stage of the business lifecycle.

- 2.11 When an issuer conducts an equity offering and seeks listing on the MAIN Market, there are specific quantitative eligibility requirements that must be met. These typically include financial requirements such as minimum profitability, operating track record and market capitalisation thresholds. On the other hand, the ACE Market and LEAP Market do not require an issuer to meet specific quantitative admission requirements. Hence, the listing sponsor/ adviser plays a crucial role in assessing the suitability of the issuer seeking listing on the ACE Market and LEAP Market.
- 2.12 Within the MAIN Market, there are additional specific requirements for certain types of issuers such as real estate investment trust, business trust, mineral, oil and gas corporations and special purpose acquisition companies. Foreign corporations seeking a primary listing on the MAIN Market and ACE Market are also required to meet additional criteria for listing.

Value proposition of the listed market segments

- 2.13 To enhance the effectiveness of the Malaysian listed markets, specifically concerning equity shares in operating companies, understanding the perspectives of both issuers and investors are crucial.
- 2.14 A well-functioning public market strives to achieve an appropriate balance between facilitating access to capital for issuers and ensuring the proportionate level of protection for investors. The SC believes that maintaining the current three (3) market segments for listed corporations, while enhancing their initial value propositions, is the appropriate path forward.
- 2.15 The value propositions for the different market segments on Bursa Malaysia are set out below, highlighting their distinctive features and purposes:

Market segment	Initial value proposition	Enhanced value proposition
MAIN Market	Prime market for established companies that have met the requisite standards in terms of quality, size and operations	Premier market for larger, established corporations
ACE Market	Alternative market for companies with growth prospects	Market for small and mid-sized corporations as a stepping-stone to the MAIN Market
LEAP Market	Qualified market for emerging companies	Feeder market for micro, small and medium enterprises (MSMEs) at mezzanine stage

- 2.16 For the MAIN Market, the SC will maintain its gate-keeping role at entry point to safeguard market interests. The ACE Market will be re-focused as a second board rather than an alternative market. ACE Market will continue to maintain no minimum financial eligibility requirements for admission, relying instead on market discipline through the intermediaries to determine an issuer's suitability for listing, to serve its purpose for small and mid-sized corporations to access the capital market. The existing transfer framework from the ACE Market to the MAIN Market provides the 'stepping-stone' mechanism for eligible corporations to progress to the MAIN Market. The LEAP Market will act as a feeder market for MSMEs at mezzanine stage by providing easier and cost-efficient access to listing with much lesser regulatory burden.
- 2.17 These enhanced value propositions seek to clarify the distinct roles and purposes of each market segment, offering issuers tailored pathways for listing and accessing the capital markets based on their business stage and growth trajectory. They also provide investors with clearer insights into the types of corporations listed on each segment, promoting informed investment decisions and market participation.

Summary of proposals relating to the MAIN Market and ACE Market

- 2.18 The proposals relating to listings on the MAIN Market and ACE Market are broadly summarised as follows:
- (i) Increasing the minimum profit requirements under the profit test route for the MAIN Market;
 - (ii) Relaxing the mandatory requirement on positive cash flow from operating activities for the MAIN Market;
 - (iii) Allowing the aggregation of renewable energy infrastructure projects to meet the project cost criteria under the infrastructure project corporation (IPC) route for the MAIN Market;
 - (iv) Introducing a minimum listing period on the ACE Market prior to a transfer to the MAIN Market and aligning the listing requirements with the ACE Market's sponsor-driven framework; and
 - (v) Streamlining the requirement relating to offerings to the general public in conjunction with a listing on the ACE Market.
- 2.19 In the following parts of the paper, each proposal is elaborated and supported by a clear rationale driving the proposed changes. Collectively, these proposals are designed to address key issues identified in the market and ultimately, to strengthen investor confidence in Malaysian listed markets. Central to the SC's approach is a commitment to strike a balance: facilitating capital raising opportunities for issuers while safeguarding the interests of investors.

Revitalising the LEAP Market

- 2.20 The SC recognises that the LEAP Market continues to play a role in our equity market as a capital-raising platform for MSMEs. However, the SC also acknowledges the importance of introducing additional measures tailored specifically to the characteristics and needs of MSMEs. While acknowledging the benefits of enhanced transparency and corporate governance that come with the listing status, reforms are essential to ensure the costs of listing on the LEAP Market are better aligned with the actual benefits derived.
- 2.21 In this connection as part of the SC's holistic review of the public market segments, a separate consultation paper on proposals relating to the LEAP Market will be issued in due course.
- 2.22 The proposals in this consultation paper and those that will be set out in the forthcoming LEAP Market consultation paper should be considered separately. Nonetheless, the SC does recognise that there are certain interdependencies between the proposals and that the responses to both consultations will be considered holistically in determining the final approach.

PART 1

Proposals relating to the MAIN Market

3. Routes for listing on the MAIN Market

3.1 Under Chapter 5 of the SC's *Equity Guidelines*, corporations seeking a listing on the MAIN Market, other than a SPAC, must satisfy any of the following routes for listing:

- (a) Profit test – Uninterrupted profit of three to five full financial years prior to submission to the SC, with an aggregate after-tax profit¹ of at least RM20 million and an after-tax profit for the most recent financial year of at least RM6 million (Profit Requirements);
- (b) Market capitalisation test – Total market capitalisation of at least RM500 million based on the issue or offer price and enlarged issued share capital upon listing (Market Capitalisation Requirement); or
- (c) IPC test – Infrastructure project with project costs of not less than RM500 million and with a remaining concession or licence period of at least 15 years from date of submission to the SC.

3.2 Additionally, such applicant must have a healthy financial position, with –

- (a) sufficient level of working capital for at least 12 months or 18 months (in the case of mineral, oil and gas corporations) from the date of the prospectus;
- (b) positive cash flow from operating activities over the profit track record period (for listing sought under the profit test route) or most recent financial year (for listing sought under the market capitalisation test route); and
- (c) no accumulated losses based on the latest audited financial statements for listing sought under the profit test route.

3.3 The financial eligibility requirements have remained unchanged since 2009 following the consolidation of the Main Board and Second Board with the adoption of the current Profit Requirements representing the average threshold of both boards. In 2017, the SC had conducted a review of the MAIN Market's eligibility criteria for listing, ultimately concluding that no change was necessary considering, among other things, there was no compelling reason to increase the entry threshold given the subdued activity in the IPO market during that period.

¹ For purposes of satisfying the profit test, the after-tax profit means profit after taxation and after adjusting for profits or losses attributable to minority interests and excluding profits or losses generated from non-recurring items or by activities or events outside the ordinary and usual course of business.

- 3.5 Based on IPO applications submitted for the MAIN Market from 2018 to 2024, 56% were under the profit test route, 42% under the market capitalisation route and 2% under the IPC test route.

4. Increasing the Profit Requirements

- 4.1 The SC proposes to apply a higher profit threshold for the Profit Requirements by increasing the following:
- (i) the aggregate after-tax profit from its current level of RM20 million to RM30 million; and
 - (ii) the most recent after-tax profit from its current level of RM6 million to RM15 million.
- 4.2 The SC also proposes to revise the profit track record from three (3) to five (5) full financial years to just three (3) full financial years preceding submission to the SC under the Profit Requirements.
- 4.3 Furthermore, the SC proposes to remove the 'uninterrupted' profit requirements for the profit track record period. As an additional safeguard, the accountant's report in respect of the audited financial statements for the profit track record period must not contain any modified opinion.

Why we are proposing for change

- 4.4 The Profit Requirements generally serve as a reliable indicator of an issuer's future performance based on its historical profit track record. Raising the minimum threshold aims to uphold market quality and preserve the MAIN Market's status as a premier board for established corporations that demonstrate strong fundamentals.

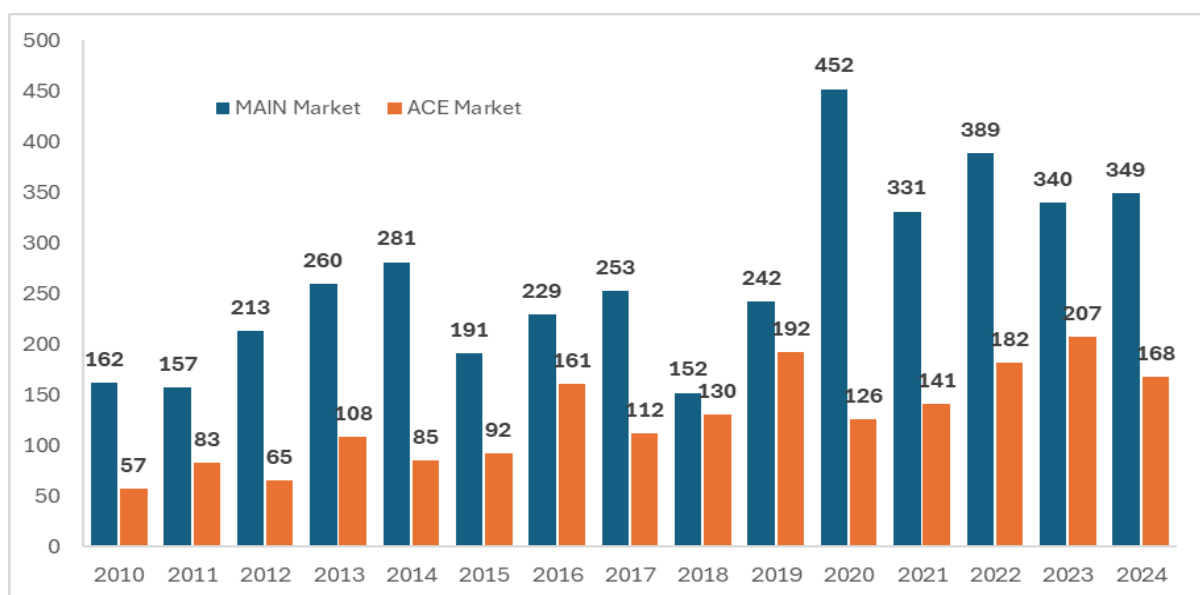


Chart: Average market capitalisation of MAIN Market and ACE Market issuers upon listing (excluding large market capitalisation above RM500 million) from 2010 to 2024.

- 4.5 It is also essential to assess whether the current Profit Requirements thresholds remain aligned with the market capitalisation level of small-cap MAIN Market issuers, to ensure the eligibility criteria appropriately reflect the scale and profile of corporations that should access the MAIN Market.
- 4.6 Analysis revealed that the average market capitalisation upon listing of small-cap MAIN Market issuers has doubled since 2010. Further, IPO applications from 2018 to 2024 indicate that small-cap MAIN Market issuers reported profits well above the current minimum after-tax profit threshold of RM6 million. Therefore, the present thresholds are no longer reflective of prevailing market realities and are outdated given the growth of the Malaysian capital market over the past decade.
- 4.7 A significant portion of ACE Market issuers were observed to meet the MAIN Market eligibility criteria at the time of their initial IPO applications. From 2018 to 2024, 54% (83 out of 153) of ACE Market IPO issuers either satisfy the profit test or market capitalisation test at submission. Notably, six (6) ACE Market issuers recorded market capitalisation above RM500 million, based on the indicative IPO price at submission. This reinforces the need to strengthen differentiation between market segments. Raising the Profit Requirements will enhance this differentiation and preserve the MAIN Market's reputation as a venue for larger, established corporations.
- 4.8 In addition, the proposal to remove the requirement for 'uninterrupted' profits over the track record period provides leeway for industries that experience cyclical performance due to external factors or a temporary dip in profits which may not necessarily indicate weak fundamentals. This further aligns with requirements observed in other main markets of regional exchanges that focus on profitability thresholds rather than strict continuity of profits.

Table: Comparison of profit-related eligibility requirements² across main boards of selected jurisdictions³

HKEX	Profit test: (i) Market capitalisation >HK\$500 million (RM271.6 million); (ii) Profit attributable to shareholders of most recent year >HK\$35 million (RM19.0 million); and (iii) Profit attributable to shareholders of the two (2) preceding years >HK\$45 million (RM24.4 million)
SGX	(a) Minimum consolidated pre-tax profit of at least S\$10 million (RM32.6 million) for the latest financial year; or (b) Profitable (pre-tax profit) in latest financial year and market capitalisation of ≥S\$150 million (RM488.9 million)
SET	≥THB125 million (RM16.2 million) over the past two (2) or three (3) years with the most recent year's net profit of ≥THB75 million (RM9.7 million) and accumulated net profit >0
IDX	(a) Profit before tax in the last one (1) financial year and net tangible asset ≥Rp250 billion (RM63.8 million); or (b) Cumulative profit before tax in the past two (2) financial years ≥Rp100 billion (RM25.5 million) and market capitalisation ≥Rp1 trillion (RM255.0 million)

4.9 At the same time, the proposal to remove the requirement for 'uninterrupted' profits for IPOs will streamline with the eligibility criteria for proposals that result in a significant change in the business direction or policy of a listed corporation, as well as for transfers of listings from the ACE Market to the MAIN Market.

4.10 Typically, the SC expects that the accountant's report on the results of the issuer should contain an unmodified audit opinion. Accordingly, the audited financial statements for the track record period must not be subject to a qualified opinion, an adverse opinion, or a disclaimer of opinion by the reporting accountants. Hence, this clarification ensures that financial disclosures are reliable, free from matters that could significantly affect investors decision-making and that no material financial or going concern issues exist at the point of listing.

Analysis on the potential impact of the proposals

4.11 The SC is mindful to balance the increase in both the minimum aggregate after-tax profit and most recent after-tax profit thresholds at a reasonable and acceptable level. Under the proposal, an issuer with an after-tax profit of RM15 million for the most recent financial year, applying a price-to-earnings ratio of 10 to 15 times, would translate into a market capitalisation range of RM150 million to RM225 million.

² For clarity, there are alternative financial eligibility requirements in addition to the profit-related requirements. The extracted information focuses on comparing the profit-related requirements, whether based on standalone profit or on a combination of profit and market capitalisation.

³ For comparison purposes, the amounts have been converted into Malaysian Ringgit (RM) based on Bank Negara Malaysia's middle exchange rates as of 15 October 2025.

- 4.12 An analysis of MAIN Market applications submitted from 2018 to 2024 indicates that the proposed increase in Profit Requirements would have affected 5% (2 out of 43) MAIN Market IPO applications and 39% (18 out of 46) transfers from the ACE Market to the MAIN Market.
- 4.13 The SC acknowledges that the higher thresholds may pose challenges for corporations at earlier stages of development or mid-sized corporations seeking to list on the MAIN Market. However, such corporations would continue to have access to the public market through ACE Market, which is designed for SMEs and those that have yet to meet the eligibility criteria of the MAIN Market.
- 4.14 The proposed increase in Profit Requirements will further distinguish the MAIN Market as a platform for established and larger corporations, while reinforcing the ACE Market's role as an avenue for growing corporations.
- 4.15 Lastly, it has been observed that none of the applicants had financial statements with a modified audit opinion for MAIN Market IPO applications submitted between 2018 and 2024. This indicates that the proposal for an unmodified audit opinion is not expected to materially impact the pool of prospective issuers but will provide clarity to the market by codifying an existing expectation into the requirements.

Consultation Questions: Increasing the Profit Requirements

- Question 1:** (a) Do you agree that the current level of after-tax profit under the Profit Requirements should increase for applicants seeking to list on the MAIN Market via the profit test? Please provide reasons for your answer.
- (b) If you agree with Question 1(a), do you also agree with our proposal to increase the minimum aggregate after-tax profit to RM30 million based on the past three (3) full financial years only and the minimum after-tax profit of the most recent financial year to RM15 million? If not, please provide your reasons, and indicate what alternative thresholds may be more appropriate for either the aggregate after-tax profit or most recent after-tax profit, along with any supporting evidence.

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- Question 2:** Do you agree with our proposal to reduce the profit track record from three (3) to five (5) full financial years to just three (3) full financial years preceding submission to the SC under the Profit Requirements? Please provide reasons for your answer.
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- Question 3:** Do you agree with our proposal to remove the 'uninterrupted' profit requirement under the increased Profit Requirements over the track record period of three (3) full financial years prior to submission to the SC? Please provide reasons for your answer.
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- Question 4:**
- (a) Do you agree with our proposal that the audited financial statements must not contain any modified opinion for applicants seeking to list on the MAIN Market via the profit test route? Please provide reasons for your answer.
 - (b) If you agree with Question 4(a), do you also agree with our proposal that the audited financial statements must not contain any modified opinion in respect of the profit track record period for three (3) full financial years? If not, please provide your reasons, and indicate what alternative period may be more appropriate.
 - (c) If you agree with Question 4(a), do you also agree that our proposal should extend to an applicant seeking listing via the market capitalisation test route in respect of the most recent financial year and transfer of listing from the ACE Market to the MAIN Market? Please provide reasons for your answer.
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5. Relaxing the positive operating cash flow requirement

- 5.1 The SC proposes to revise the current mandatory requirement for applicants to demonstrate positive cash flow from operating activities. Instead, this will be treated as one of the factors for consideration of an applicant's healthy financial position.

Why we are proposing for change

- 5.2 The requirement for positive operating cash flow has, in practice, posed challenges for certain industries. While the criterion is important to ensure that issuers demonstrate financial sustainability, it does not always reflect the realities of specific businesses or sectors. In the past, the SC has granted reliefs on a case-by-case basis, in recognition of industry-specific characteristics or temporary fluctuations arising from timing differences in collections and payments. This approach, however, places undue reliance on regulatory discretion to grant exemptions, rather than embedding a disclosure-based framework that empowers investors to make informed decisions.
- 5.3 Importantly, issuers would continue to be required to demonstrate a healthy financial position, including having sufficient working capital to cover at least 12 months from the date of the prospectus. While positive operating cash flow would remain a key consideration in assessing the issuer's financial health and adequacy of working capital, it would no longer be a prescribed requirement.
- 5.4 The SC also recognises that a rigid requirement for positive operating cash flow may inadvertently deter listings of corporations with high growth potential, particularly those in the new economy and innovation-driven sectors. By relaxing this requirement, the proposal seeks to provide greater flexibility for high-growth and new economy-type of corporations to access the capital market.
- 5.5 This approach aims to strike the right balance: preserving robust listing standards that protect investors, while ensuring the framework remains inclusive and adaptable to evolving business models. In doing so, the proposal aligns Malaysia's listing framework more closely with requirements observed in other regional exchanges, thereby enhancing the competitiveness and attractiveness of our capital market.

Consultation Question: Relaxing the positive operating cash flow requirement

Question 5: Do you agree with our proposal that positive cash flow from operating activities should be regarded as a factor of consideration for healthy financial position, rather than a mandatory requirement over the profit track record period under the profit test route or most recent financial year under the market capitalisation test route? Please provide reasons for your answer.

6. Flexibility under the IPC test

- 6.1 The SC proposes to allow the aggregation of project costs from multiple renewable energy infrastructure projects in order to satisfy the minimum project cost criteria of not less than RM500 million under the IPC test.
- 6.2 To ensure quality and substance, the aggregation will be subject to each qualifying renewable energy project meeting a minimum individual project cost of RM100 million. In addition, the projects must be contiguous in nature, meaning that they involve the same type of renewable energy source (for example, solar, wind, or hydro).

Why we are proposing for change

- 6.3 The current project cost requirement for IPCs, introduced in 1995, was originally designed with large, single infrastructure projects in mind, such as utilities or highways. In contrast, renewable energy projects tend to be structured as multiple smaller-scale installations. While these projects are individually significant, they may not meet the RM500 million threshold on a standalone basis. Allowing aggregation provides a practical pathway for such projects to access the capital market, while the minimum project size requirement ensures that the MAIN Market continues to attract only substantive and high-quality projects.
- 6.4 This proposal also supports Malaysia's broader national objectives. Renewable energy investment is central to advancing sustainability, achieving greenhouse gas reduction targets and delivering on the commitments of the National Energy Transition Roadmap. Facilitating capital market access for renewable energy projects enables financing at scale, thereby accelerating the energy transition.
- 6.5 In addition, aligning listing eligibility with the evolving characteristics of modern infrastructure projects seek to enhance the relevance of the IPC framework. It strengthens the capital market's role in financing sustainable development and provides investors with access to credible renewable energy opportunities. This reform is consistent with global trends in capital markets, where sustainability and energy transition are increasingly driving investment flows.

Consultation Questions: Flexibility under the IPC test

- Question 6:** (a) Do you agree with our proposal to allow the aggregation of project costs from renewable energy projects to satisfy the project cost criteria of not less than RM500 million under the IPC test? Please provide reasons for your answer.
- (b) If you agree to Question 6(a), do you also agree that each qualifying renewable energy project must have a minimum project cost of RM100 million? If not, please provide your reasons, and suggest an alternative threshold that may be more appropriate.
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- (c) If you agree to Question 6(a), do you also agree that each qualifying renewable energy project must be contiguous in nature? If not, please provide your reasons, and suggest any alternative requirement that may be more appropriate.
 - (d) In your view, should the criteria for the remaining concession or licence period of at least 15 years from the date of submission to the SC be changed? If yes, please provide your recommendations and justifications.
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PART 2

Proposals relating to the ACE Market

7. Role and developments of the ACE Market

- 7.1 The ACE Market was established as an alternative market to the MAIN Market, designed primarily for emerging corporations that may carry higher investment risk compared to larger or more established corporations listed on the MAIN Market.
- 7.2 There are no quantitative financial criteria, such as profitability or size, for listing on the ACE Market. This framework was to enable corporations from all business and economic sectors to access capital under more flexible admission requirements. Notwithstanding, ACE Market issuers are subject to similar due diligence process as MAIN Market issuers and comparable continuing listing obligations and de-listing provisions with the MAIN Market.
- 7.3 Under the current sponsor-driven framework, ACE Market issuers are required to be sponsored for a prescribed minimum period⁴, which was intended to provide newly-listed corporations the ongoing guidance and oversight from a listing sponsor. This sponsorship framework was designed to support emerging corporations in navigating the complexities of being publicly listed and to enhance market confidence.
- 7.4 When the Main Board and Second Board were merged in 2009, the transfer framework was retained to provide a graduation pathway for ACE Market listed corporations to eventually progress to the MAIN Market. To safeguard the MAIN Market's quality standards, a principal adviser is required to conduct due diligence for ACE Market transfer applications. However, no specific disclosure document is required unless the applicant intends to offer or issue additional securities, or the transfer proposal is in conjunction with an acquisition of assets resulting in a significant change in the business direction or policy of the corporation.
- 7.5 An ACE Market transfer applicant must meet similar eligibility criteria for listing as a new MAIN Market IPO applicant. The transfer applicant must satisfy one of the listing routes under Chapter 5 of the SC's *Equity Guidelines*, although there is flexibility accorded on the 'uninterrupted' profit requirements under the profit test.
- 7.6 In 2024, a simplified transfer process to the MAIN Market was introduced to accelerate the promotion of sizeable and qualified ACE Market listed corporations with daily market capitalisation of more than RM1 billion.

⁴ An ACE Market Corporation must be sponsored for at least three (3) full financial years after listing or at least one (1) full financial year after generating operating revenue, whichever is later. However, a listed corporation may apply to Bursa Malaysia to be exempted from continued compliance with the requirement if – (a) a period of one (1) full financial year has lapsed since its admission to the Official List; and (b) it meets the quantitative criteria for admission to the MAIN Market, as confirmed by the listed corporation's sponsor.

- 7.7 The following sets out the number of IPO applications for the ACE Market and transfer of listing applications from the ACE market to the MAIN Market from 2018 to 2024:

Market capitalisation size⁵	ACE Market IPO applications	Transfer applications from the ACE Market to the Main Market
<RM100 million	30	1
RM100 million < RM200 million	70	13
RM200 million < RM300 million	33	6
RM300 million < RM400 million	10	7
RM400 million < RM500 million	2	4
RM500 million < RM1 billion	7	8
≥RM1 billion	1	7
Total	153	46

8. Reinforcing the ACE Market's sponsor-driven framework

- 8.1 The SC proposes to refocus the ACE Market as a second board, that is, board for small and mid-sized corporations, which will require issuers to remain listed on the ACE Market for a minimum period of two (2) full financial years, commencing from the date of listing to the date of submission to the SC for transfer of listing.
- 8.2 The SC also proposes to remove exemptions granted to ACE Market issuers and its specified shareholders⁶, where applicable, from continued compliance with the following requirements if the issuer meets the quantitative criteria for admission to the MAIN Market:
- (i) Sponsorship period of at least three (3) full financial years after its admission to the ACE Market or at least one (1) full financial year after it has generated operating revenue, whichever is later⁷; and

⁵ Market capitalisation size is based as at the time of listing for IPOs and as at submission to the SC for transfer applications.

⁶ Specified shareholder means a controlling shareholder, a person connected to a controlling shareholder and an executive director who is a substantial shareholder, of the applicant or listed corporation, or any other person as specified by Bursa Malaysia.

⁷ Currently, a listed corporation may apply to Bursa Malaysia to be exempted from continued compliance with the sponsorship requirement, if – (a) a period of one (1) full financial year has lapsed since its admission to the Official List; and (b) it meets the quantitative criteria for admission to the MAIN Market, as confirmed by the listed corporation's sponsor.

- (ii) Moratorium shall apply to the entire shareholdings of the specified shareholders for a period of six (6) months from the date of admission to the Official List. Subsequently, the specified shareholders' aggregate shareholdings amounting to at least 45% of the issuer's total number of issued shares (assuming full conversion or exercise of the securities) must remain under moratorium for the next six (6) months, with the remaining shares released gradually thereafter, capped at one-third (1/3) per annum on a straight-line basis⁸.

8.3 In addition, the SC proposes to be vested with the power to direct an ACE Market-listed corporation to seek a transfer to the MAIN Market, where such transfer is deemed appropriate to preserve the distinct roles and purposes of each market segment. This power may be exercised once the listed corporation has remained listed on the ACE Market for a minimum period of three (3) full financial years and has met the eligibility criteria under the accelerated transfer process as prescribed under the SC's *Equity Guidelines*. These criteria include, among others, achieving daily market capitalisation of at least RM1 billion over the past six (6) months and satisfying the Profit Requirements.

Why we are proposing for change

- 8.4 ACE Market was originally established in 2009 as an alternative market for emerging corporations that were less established as compared to MAIN Market listed corporations, with investors explicitly cautioned of its higher risk profile due to the absence of quantitative financial criteria for listing. A prominent risk statement is, therefore, required to be disclosed on the front cover of the prospectus emphasising that "*The ACE Market is an alternative market designed primarily for emerging corporations that may carry higher investment risk when compared with larger or more established corporations listed on the MAIN Market*".
- 8.5 Historically, many corporations have aspired to list on the MAIN Market, with some eventually transitioning from the ACE Market to the MAIN Market upon meeting the requirements for transfer. This hierarchical market structure served to incentivise listed corporations to pursue business growth and enhance value for shareholders.

⁸ The specified shareholder of a listed corporation may apply to Bursa Malaysia to be exempted from continued compliance with the moratorium requirement if the listed corporation meets the quantitative criteria for admission to the MAIN Market after admission to the Official List, as confirmed by the listed corporation's sponsor. Similar exemption is also available to a specified shareholder of an ACE Market IPO applicant that has met the MAIN Market quantitative criteria as at the date of submission of the listing application to Bursa Malaysia, as confirmed by the listing sponsor.

- 8.6 However, recent trends indicate a shift in listing behaviour as the ACE Market has increasingly attracted larger issuers that could otherwise qualify for the MAIN Market. Between 2018 and 2024, approximately 54% (83 out of 153) of ACE Market issuers met either the MAIN Market's current Profit Requirements or market capitalisation requirement, while several issuers listed with market capitalisations exceeding RM500 million, and in one (1) case, surpassing RM1 billion at IPO. This trend blurs the distinction between the two (2) market segments and thus, creates confusion among investors regarding the investment proposition of each market.
- 8.7 Additionally, some ACE Market listed corporations have pursued a transfer to the MAIN Market in less than a year of listing, raising concerns of regulatory arbitrage and undermining the sponsor-driven framework. This further suggests that the sponsor-driven framework may not be effectively fulfilling its role as originally envisioned. It appears that some issuers are taking advantage of the ACE Market as a brief transitional platform for entry to the MAIN Market.
- 8.8 By aligning the Listing Requirements with the sponsor-driven framework and prescribing a minimum period to remain listed on the ACE Market, the proposals aim to refocus the ACE Market's role as a stepping-stone for small and mid-sized corporations. This will ensure that issuers accessing the ACE Market benefit from sponsor oversight and support, while also enabling investors to make clearer, better-informed decisions that match their investment objective and risk appetite.
- 8.9 In comparison, other jurisdictions with multi-tiered market structures impose minimum listing periods on their second-tier boards to ensure issuers spend sufficient time to mature and strengthen their financial track record. For instance, HKEX's GEM Board, SGX's Catalist, IDX's Acceleration Board and India's SME exchanges all impose varying forms of minimum listing periods, ranging from one (1) to three (3) financial or calendar years, before issuers are permitted to transfer to the main boards.
- 8.10 Furthermore, the SC recognises that the choice of listing venue is a commercial decision, with issuers best placed to determine the market segment that aligns with their business profile, stage of maturity and investor base. Notwithstanding, there is a need to ensure that the ACE Market remains aligned with its value proposition as a platform for small and mid-sized corporations, while the MAIN Market continues to serve as the premier venue for larger, more established corporations.

- 8.11 Over time, some ACE Market listed corporations may demonstrate significant growth and maturity, reaching a scale more appropriate for the MAIN Market. In such cases, it is important that the regulatory framework allows flexibility for the SC to exercise discretion to facilitate their transfer, rather than relying solely on voluntary application for transfer. This proposal aims to:
- Preserve the integrity and differentiation between the two market segments; and
 - Ensure that listed corporations of substantial size and financial strength are positioned in the market that best reflects their scale, thereby improving investor understanding and confidence.
- 8.12 Ultimately, this will ensure that the market segmentation remains effective and reflective of its policy objectives, thereby enhancing investor confidence and strengthening Malaysia's overall capital market proposition.

Analysis on the potential impact of the proposals

- 8.13 The proposals are not expected to impose undue burden or disruption. Historical data indicates that ACE Market issuers generally submitted transfer applications within one (1) to three (3) years from their initial listing date, based on applications observed from 2018 to 2024. This suggests that the proposed minimum listing period and discretionary transfer mechanism would be broadly consistent with prevailing market practice.
- 8.14 From an issuer's perspective, the SC recognises that undertaking a transfer to the MAIN Market via the accelerated transfer process requires additional cost and regulatory submission. To mitigate concerns of this being perceived as an added regulatory burden, the SC's discretionary transfer power will be exercised judiciously, and only in circumstances where a listed corporation has clearly outgrown the ACE Market. In such cases, the transfer would be consistent with the listed corporation's natural growth trajectory, ensuring a smooth pathway to the MAIN Market while preserving the integrity and distinct positioning of both market segments.
- 8.15 The push of larger listed corporations towards the MAIN Market supports the broader policy objective of ensuring that the ACE Market remains as a small and mid-tier focused board, while the MAIN Market continues to be the venue for larger and more established corporations. To this end, the SC and Bursa Malaysia will also engage with principal advisers to ensure consistent understanding and alignment of expectation regarding the exercise of such discretion.

- 8.16 For illustration purposes, an analysis of ACE Market listed corporations with market capitalisation of RM1 billion and above over the past six (6) months prior to 30 June 2025 broadly indicates that only a small number currently satisfied the increased Profit Requirements (specifically, three out of 223 ACE Market listed corporations⁹). This observation suggests that immediate impact of the proposal is limited at this juncture.

Consultation Questions: Reinforcing the ACE Market's sponsor-driven framework

- Question 7:**
- (a) Do you agree that an ACE Market listed corporation should be required to remain on the ACE Market for a minimum period before being eligible to seek a transfer to the MAIN Market? Please provide reasons for your answer.
 - (b) If you agree with Question 7(a), do you also agree with our proposal to set the minimum period at two (2) full financial years, measured from the date of listing until the date of submission to the SC for the transfer? If not, please provide your reasons and suggest what minimum period may be more appropriate, along with any supporting evidence.
 - (c) If you disagree with Question 7(a), should new issuers that satisfy either the profit test or the market capitalisation test be required to list on the MAIN Market? Please provide reasons for your answer.

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- Question 8:** Do you agree with our proposal that ACE Market listed corporations that meet the MAIN Market quantitative criteria for admission to the MAIN Market should be subject to continued compliance with the sponsorship requirement, and that no exemption should be granted by Bursa Malaysia? Please provide reasons for your answer.

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- Question 9:** Do you agree with our proposal that ACE Market IPO applicants and listed corporations that meet the MAIN Market quantitative criteria for admission to the MAIN Market should be subject to continued compliance with the moratorium requirement, and that no exemption should be granted by Bursa Malaysia? Please provide reasons for your answer.
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⁹ For clarity, the analysis based on data as at 30 June 2025 is purely for illustration purposes and do not take into consideration qualitative aspects, including corporate governance and compliance record of the ACE Market listed corporation, its directors, key senior management and controlling shareholders, and its financial position.

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- Question 10:**
- (a) Do you agree with our proposal that the SC be vested with the power to transfer an ACE Market listed corporation to the MAIN Market, if such listed corporation meets the quantitative criteria for admission to the MAIN Market? Please provide reasons for your answer.
 - (b) If you agree to Question 10(a), do you agree with our proposal that the SC may exercise this discretionary power to transfer an ACE Market listed corporation that met the eligibility criteria under the accelerated transfer process as prescribed under the SC's *Equity Guidelines*, which include, among others, achieving daily market capitalisation of at least RM1 billion over the past six (6) months and satisfying the Profit Requirements? If not, please provide your reasons and suggest what alternatives may be more appropriate, along with any supporting evidence.
 - (c) If you agree to Question 10(a), do you agree with our proposal that the SC may exercise this discretionary power once the listed corporation has remained on the ACE Market for a minimum period of three (3) full financial years? If not, please provide your reasons and suggest what minimum period may be more appropriate, along with any supporting evidence.
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9. Streamlining the requirement relating to offerings to the general public

- 9.1 The SC proposes to clarify that, where an ACE Market IPO includes an offer to the general public, the issuer must undertake such offering through a balloting process. The minimum balloted portion must be based on the issuer's enlarged issued share capital, as follows:

Enlarged issued share capital	Minimum offering to the general public
Below RM200 million	At least 5% of the enlarged number of shares issued
RM200 million and above	At least 2% of the enlarged number of shares issued

Why we are proposing for change

- 9.2 Currently, ACE Market issuers have flexibility in determining the size of their public offering, provided that the balloting procedures are disclosed in the prospectus. The proposal seeks to align the offering mechanism for ACE Market IPOs with the MAIN Market¹⁰ where a public offering is undertaken as part of the listing scheme.
- 9.3 By clarifying and standardising the minimum allocation to the general public, the proposal enhances certainty for issuers and investors, as well as promotes broader retail investor participation that fosters a more inclusive capital market.

Analysis on the potential impact of the proposals

- 9.4 The proposal does not make public offerings mandatory for ACE Market IPOs. Instead, it codifies existing market practice by clarifying that, where a public offering tranche is undertaken, the minimum allocation to the general public must mirror the requirements applicable to MAIN Market IPOs. The impact is expected to be minimal, as ACE Market IPOs to-date have included a public offering tranche that already complied with the MAIN Market minimum allocation requirement.

Consultation Question: Streamlining the requirement relating to offerings to the general public

- Question 11:** (a) Do you agree with our proposal to impose a minimum balloted portion where an ACE Market IPO includes an offer to the general public? Please provide reasons for your answer.
- (b) If you agree with Question 11(a), do you agree with our proposal to apply similar provisions as the MAIN Market on the minimum public offering thresholds based on the level of enlarged issued share capital? If not, please provide your reasons and indicate what alternative threshold may be more appropriate along with any supporting evidence.
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¹⁰ Refer to paragraph 5.15, Part I of the SC's *Equity Guidelines*.

APPENDIX: GLOSSARY OF TERMS

Bursa Malaysia	Bursa Malaysia Securities Bhd
CMSA	<i>Capital Markets and Securities Act 2007</i>
HKEX	Hong Kong Stock Exchange
IDX	Indonesia Stock Exchange
IPC	infrastructure project corporation
IPO	initial public offering
Listing Requirements	Collectively, MAIN Market Listing Requirements and ACE Market Listing Requirements
MSMEs	micro, small and medium enterprises
SC	Securities Commission Malaysia
SET	Stock Exchange of Thailand
SGX	Singapore Stock Exchange
SMEs	small and medium-sized enterprises