

FREQUENTLY-ASKED-QUESTIONS
GUIDELINES ON SUBMISSION OF CORPORATE AND CAPITAL MARKET
PRODUCT PROPOSALS & CHAPTER 7A OF THE LICENSING HANDBOOK

12 December 2024

Introduction

1. What is the rationale for the issuance of the *Guidelines on Submission of Corporate and Capital Market Product Proposals (Guidelines)*?

The Guidelines were introduced to reinforce shared responsibilities among the key stakeholders involved in the submission of proposals to the SC. The Guidelines also identify the party who is eligible to submit corporate and capital market product proposals to the SC (Submitting Party).

The Guidelines set out the conduct requirements for the Submitting Party and other parties involved in the submission of proposals to the SC, such as the applicant/issuer and its directors and promoters, as well as advisers appointed to provide advice or opinion in connection with a submission of proposal to the SC.

2. What is the rationale for the issuance of Chapter 7A of the *Licensing Handbook (Chapter 7A)*?

Chapter 7A sets out the eligibility requirements to be a principal adviser (PA) and a recognised principal adviser (RPA), for the submission of proposals and specific proposals to the SC, respectively.

This chapter applies to holders of Capital Markets Services Licence (CMSL) and registered persons referred to in the Third Column of Part 1, Item 2 of Schedule 4 of the *Capital Markets and Services Act 2007* (CMSA) for the regulated activity of advising on corporate finance.

3. When did the Guidelines and Chapter 7A take effect?

The Guidelines and Chapter 7A took effect on 1 January 2021 (Effective Date).

From the Effective Date, the term “principal adviser” in other SC’s guidelines shall have the meaning assigned to it in Chapter 7A, and the term “approved principal adviser” appearing in other SC’s guidelines shall be taken to refer to the RPA.

4. What are the key requirements in the Guidelines and Chapter 7A?

The Guidelines and Chapter 7A set out the RPA Framework and Qualified Person (QP) & Senior Officer (SO) regime.

The key requirements for submission of specific proposals are as follows:

	RPA Framework and QP & SO Regime under The Guidelines and Chapter 7A
Submitting Party	RPA must have: <ul style="list-style-type: none">• At least one QP working full time;• Written policies and control procedures relating to submission of specific proposals; and• SC's recognition.
Minimum criteria of qualified individual	QP must have: <ul style="list-style-type: none">• Seven years of corporate finance experience in the nine years preceding appointment; and• Completed one of the following:<ul style="list-style-type: none">(i) Initial public offering (IPO) on the Main Market or ACE Market; or(ii) Reverse takeover offer (RTO) that requires approval from the SC.
SO	<ul style="list-style-type: none">• An individual of higher authority or ranking than the QP or a committee duly constituted.• A Submitting Party must assign and identify at least an SO for each specific proposal.

5. What is the rationale of the RPA Framework?

The RPA Framework and QP & SO regime is to liberalise the industry and to empower the corporate finance adviser to select its QP from a wider talent pool of qualified corporate finance professional.

To ensure standards are maintained, the appointment of QP must be based on a set of minimum eligibility criteria imposed by the SC. Further, obligations have been set out for QP who is assigned to work on the specific proposal.

In addition, an RPA is also required to identify at least an SO for the supervision and management of each specific proposal, including allocation of sufficient persons with appropriate levels of knowledge, skills and experience to each specific proposal, and reviewing of the performance of the QP.

6. Who falls within the scope of Guidelines?

The conduct requirements set out in the Guidelines apply to all parties involved in the preparation of proposals, including the PA, applicant/issuer, directors and promoters of the applicant/issuer, advisers and experts, for the proposals submitted, deposited or registered with the SC under Part VI and Part IIIA (Private Retirement Scheme Industry) of the CMSA, except for the following:

- (a) Proposals set out in Schedule 5 of the CMSA;
- (b) Take-overs, mergers and compulsory acquisitions under Division 2 Part VI of the CMSA;
- (c) Proposals relating to the offering of digital token as set out in the *Guidelines on Digital Assets*;
- (d) Proposals relating to the offering, marketing and distribution of a permitted foreign fund as set out in Appendices 1, 2 and 3 of the *Guidelines for the Offering, Marketing and Distribution of Foreign Funds*; and
- (e) Any documents or information submitted or deposited with the SC for reporting purposes.

Application for Recognition

7. What is the documentation to be submitted to the SC for recognition as an RPA?

PA who wishes to be recognised as an RPA should submit the relevant documents as set out in the Application Kit on the SC's website at <https://www.sc.com.my/regulation/licensing/application-kit>.

8. Can a CMSL holder or Registered Person for advising on corporate finance that is a PA with no track record act as an RPA?

Any PA (other than a licensed bank and a special scheme broker) that satisfies the requirements in Chapter 7A, may submit an application to the SC for recognition as an RPA.

Upon being recognised as an RPA, the name and particulars of the RPA and its QP, including conditions or restrictions imposed (if any), will be admitted into the register of RPA on the SC's website.

9. Can an entity holding a temporary licence for advising on corporate finance act as an RPA?

No. Only a PA (other than a licensed bank and a special scheme broker) that satisfies the requirements in Chapter 7A can submit an application to the SC for recognition as an RPA.

Appointment of additional QP

10. What is the documentation to be submitted to the SC for the appointment of additional QP?

An RPA who wishes to appoint additional QP should submit the relevant documents as set out in the Application Kit on the SC's website at <https://www.sc.com.my/regulation/licensing/application-kit>.

Eligibility criteria as a QP

11. For the purpose of fulfilling the eligibility criteria of a QP, does completion refers to implementation of such proposal?

Yes. Completion of an IPO or RTO proposal on the Main Market of Bursa Malaysia Securities Berhad (Bursa Securities), refers to the successful listing of the IPO or successful implementation of the RTO proposal.

12. Would experience as peer reviewer be considered for the purpose of fulfilling the eligibility criteria under Paragraph 7A.04(3)(c) of Chapter 7A (Paragraph 7A.04(3)(c))?

No. A peer reviewer who is not a member of the due diligence working group is not considered to have fulfilled the eligibility criteria under Paragraph 7A.04(3)(c).

13. Would SO's involvement as a member in the due diligence working group, be considered for the purpose of fulfilling the eligibility criteria under Paragraph 7A.04(3)(c)?

No. The SO's involvement as a member in the due diligence working group is not considered to have fulfilled the eligibility criteria under Paragraph 7A.04(3)(c).

14. Are IPOs of Real Estate Investment Trust (REIT) and Business Trust (BT) be considered for the purpose of fulfilling the eligibility criteria under Paragraph 7A.04(3)(c)?

Yes. IPOs of REIT and BT are considered to have fulfilled the eligibility criteria under Paragraph 7A.04 (3)(c).

15. For the purpose of meeting the minimum eligibility criteria of seven years of direct corporate finance experience of a QP, would corporate finance experience acquired from overseas be recognised?

For the purpose of eligibility criteria of a QP, corporate finance experience takes into account the individual's experience in advising on any of the following corporate proposals in Malaysia, Australia, Hong Kong, Singapore or the United Kingdom:

- (a) IPOs;
- (b) Mergers and acquisitions involving listed companies;
- (c) Fundraising exercises through the capital market by listed companies; and
- (d) Restructuring exercises involving listed companies.

In Malaysia, the types of corporate proposals above exclude those relating to listed companies on the LEAP Market of Bursa Securities.

16. Is an individual employed by a PA but based outside Malaysia (e.g. at the regional office) eligible to be appointed as a QP?

Yes. As long as the individual is able to fulfil the eligibility criteria in Chapter 7A, and is able to discharge his/her duties and functions as set out in the Guidelines.

17. Can the RPA submit the declaration for appointment of new QP prior to the approval obtained from the SC on the individual's change of principal?

No. The RPA should obtain prior approval for the individual's change of principal from the SC, before submitting the declaration for appointment of new QP.

Obligations as a SO

18. Would SO's involvement as a member of the due diligence working group, be considered to have discharged the obligation as required in the Guidelines?

No. The SO is not considered to have discharged his/her obligations effectively by being involved as a member of the due diligence working group.

Continuing Obligations as an RPA

19. What is the purpose of the annual declaration and when is the annual declaration expected to be submitted to the SC?

The purpose of the annual declaration is for the RPA to reaffirm that the QP continues to fulfil the eligibility criteria set out in Chapter 7A, and to enable the SC to update the register of RPA on the SC's website. The responsibility is on the RPA to ensure that the appointed QP fulfils the eligibility criteria prior to submission of the annual declaration. The RPA should submit the relevant documents as set out in the Application Kit on the SC's website at <https://www.sc.com.my/regulation/licensing/application-kit> within seven business days from 1 January of each year.

20. What should an RPA do in the event it is unable to maintain the eligibility criteria, or if there is any change in information in the documents or information submitted to the SC?

The RPA should notify the SC in instances where any of the QP appointed by the RPA ceases or discontinues his/her employment (whether terminated, laid-off or retired), or no longer complies with the eligibility criteria under Paragraph 7A.04(3)(c).

21. What happens if an RPA no longer has any QP under its employment subsequent to the submission of a specific proposal but prior to the SC's decision or implementation of the proposal?

There will not be any grace period granted to the RPA to fulfil the eligibility criteria as set out in Paragraph 7A.04(3)(c). As such, an RPA must ensure that it has at least one QP under its employment, at all times.

In the instance that an RPA no longer has any QP under its employment, the RPA should immediately appoint a new QP to handle the existing engagement.

Submission of Specific Proposals

22. Is an RPA allowed to appoint more than one SO and more than one QP for submission of a specific proposal?

Yes. The SO should be an individual of higher authority or ranking than the QP, or a committee formed by individuals from different core functions of the RPA, as long as the responsibilities of an SO are fulfilled.

An RPA is also allowed to appoint more than one QP for each submission of specific proposal.

23. Can the SO and QP be the same person?

No. The SO should be an individual of higher authority or ranking than the QP, or a committee formed by individuals from different core functions of the RPA, as long as the responsibilities of an SO are fulfilled.

24. If the SO is a committee, can the committee comprise of departments from different expertise within the RPA?

Yes. The RPA has the discretion to decide on the composition of the SO, as long as the responsibilities of the SO in the Guidelines are fulfilled.