

GUIDELINES ON SEASONED CORPORATE BONDS AND SUKUK

SC-GL/4-2018

1st Issued: 19 September 2018



GUIDELINES ON SEASONED CORPORATE BONDS AND SUKUK

Effective Date Upon 1 st Issuance:	11 October 2018
---	-----------------

CONTENTS

Chapter 1	
INTRODUCTION	1
Chapter 2	
DEFINITIONS	2
Chapter 3	
ELIGIBILITY	4
Chapter 4	
REQUIREMENTS FOR PERSONS INVOLVED IN THE DISTRIBUTION OF SEASONED CORPORATE BONDS OR SUKUK	8
Chapter 5	
DISCLOSURE REQUIREMENTS	9
Chapter 6	
NOTIFICATION & REPORTING REQUIREMENTS	10
APPENDIX 1	
INITIAL NOTIFICATION	12
APPENDIX 2	
POST-DISTRIBUTION NOTIFICATION OF ANY ADDITIONAL SEASONED CORPORATE BONDS OR SUKUK	14
APPENDIX 3	
QUARTERLY REPORTING	16
APPENDIX 4	
NOTIFICATION ON NON-ELIGIBILITY OF SEASONED CORPORATE BONDS OR SUKUK	18
APPENDIX 5	
NOTIFICATION TO CEASE DISTRIBUTION OF SEASONED CORPORATE BONDS OR SUKUK	19
APPENDIX 6	
FIT AND PROPER REQUIREMENTS	20

Chapter 1

INTRODUCTION

- 1.01 The *Guidelines on Seasoned Corporate Bonds and Sukuk* are issued by the Securities Commission Malaysia (SC) under section 377 of the *Capital Markets and Services Act 2007* (CMSA).
- 1.02 These Guidelines set out requirements for the making available of, offer for subscription or purchase of, or invitation to subscribe for or purchase seasoned corporate bonds or sukuk to retail investors.
- 1.03 These Guidelines are in addition to and not in derogation of any other guidelines issued by the SC or any requirements provided for under securities laws.
- 1.04 The SC may, on its own initiative or upon application, grant an exemption from or a variation to the requirements of these Guidelines if the SC is satisfied that–
- (a) such variation, if granted, is not contrary to the intended purpose of the relevant provision in these Guidelines; or
 - (b) there are mitigating factors that justify the exemption or variation.

NON-APPLICATION

- 1.05 These Guidelines do not apply to the following:
- (a) Asset-backed securities (ABS) as defined under the *Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework*; or
 - (b) Corporate bonds or sukuk that are structured like an ABS and have the following features but do not fall under the purview of the *Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework*:
 - (i) Where the corporate bonds or sukuk are without recourse to an originator or obligor; or
 - (ii) Where the ability to meet obligations under the senior tranche is enhanced by the less senior tranche.

Chapter 2

DEFINITIONS

2.01 Unless otherwise defined, all words used in these Guidelines shall have the meaning as defined in the CMSA. In these Guidelines, unless the context otherwise requires–

corporate bonds	means debentures as defined in the CMSA, but do not include– (a) structured products; and (b) debentures issued by– (i) the Federal Government; (ii) any State Government; or (iii) Bank Negara;
distribute	refers to the– (a) making available of; (b) offering for subscription or purchase of; or (c) issuing of an invitation to subscribe for or purchase, corporate bonds or sukuk;
licensed bank	has the meaning assigned to it in the <i>Financial Services Act 2013</i> ;
licensed investment bank	has the meaning assigned to it in the <i>Financial Services Act 2013</i> ;
licensed Islamic bank	has the meaning assigned to it in the <i>Islamic Financial Services Act 2013</i> ;
obligor	means an entity that is contractually obliged to honour the financial obligations of an issuer;

retail investors	has the meaning assigned to it in the <i>Guidelines on Sales Practices of Unlisted Capital Market Products</i> ;
seasoned corporate bonds or sukuk	means corporate bonds or sukuk that have been issued to sophisticated investors and are eligible to be distributed to retail investors after the seasoning period in accordance with these Guidelines;
seasoning period	means, <ul style="list-style-type: none"> (a) in the case of a one-off issuance, a period of 12 months from the date the corporate bonds or sukuk were issued to sophisticated investors; or (b) in the case of a tranche under a debt or sukuk programme, a period of 12 months from the issuance of that tranche to sophisticated investors;
sophisticated investors	has the meaning assigned to it in the <i>Guidelines on Sales Practices of Unlisted Capital Market Products</i> ;
sukuk	means certificates of equal value evidencing undivided ownership or investment in the assets using Shariah principles and concepts endorsed by the Shariah Advisory Council, but do not include sukuk issued by– <ul style="list-style-type: none"> (a) the Federal Government; (b) any State Government; or (c) Bank Negara.

Chapter 3

ELIGIBILITY

Eligible Distributors

3.01 Only the following entities are eligible to distribute seasoned corporate bonds or sukuk in accordance with these Guidelines (Eligible Distributor):

- (a) A licensed bank;
- (b) A licensed investment bank;
- (c) A licensed Islamic bank;
- (d) A holder of a Capital Markets and Services Licence for dealing in securities; or
- (e) A holder of a Capital Markets and Services Licence for dealing in securities restricted to over-the-counter bonds.

Eligible corporate bonds or sukuk

3.02 Corporate bonds or sukuk that are intended to be distributed in accordance with these Guidelines must be those issued by any of the following:

- (a) A licensed bank, licensed investment bank or licensed Islamic bank;
- (b) A public company whose shares are listed and quoted on a stock exchange;
- (c) Cagamas Bhd;
- (d) Danajamin Nasional Bhd;
- (e) Khazanah Nasional Bhd; or

(f) A public company whose shares are not listed and quoted on a stock exchange, provided that–

(i) the corporate bonds or sukuk are irrevocably and unconditionally guaranteed in full by any of the entities referred to in the above sub-paragraphs (a), (b), (c), (d), (e) or the Credit Guarantee and Investment Facility; or

(ii) the sukuk are issued by a public company established by any of the entities referred to in the above sub-paragraphs (a), (b), (c), (d) or (e), with full recourse to the establishing entity in its capacity as obligor.

3.03 Corporate bonds or sukuk that are intended to be distributed in accordance with these Guidelines must also have the following characteristics:

(a) Denominated in ringgit Malaysia;

(b) A tenure of more than one year;

(c) Have a minimum rating of A (or its equivalent) rated by a credit rating agency registered with the SC;

(d) Completed the full seasoning period;

(e) The corporate bonds or sukuk were initially issued together with–

(i) an information memorandum;

(ii) a trust deed; and

(iii) in relation to a sustainable and responsible investment (SRI) sukuk, an independent expert report on eligible SRI project issued pursuant to the *Guidelines on Unlisted Capital Market Products Under the Lodge and Launch Framework*;

- (f) Fixed term with principal and any accrued interest/returns/profit payable at expiry;
- (g) Fixed or variable rate of return/profit rate;
- (h) Interests/returns/profits to be paid periodically on certain specified intervals from the issue date, except for zero-coupon corporate bonds or sukuk without periodic distribution;
- (i) Rank at least equally with amounts owing to unsecured and unsubordinated creditors; and
- (j) Does not embed any swaps, options¹ or other derivatives, except in the case of convertible or exchangeable corporate bonds or sukuk where–
 - (i) the option is to convert or exchange the corporate bonds or sukuk into shares;
 - (ii) the option to convert or exchange the corporate bonds or sukuk into shares is at the discretion of the investor; and
 - (iii) the underlying shares are listed and quoted on a stock exchange.

3.04 Notwithstanding paragraphs 3.02 and 3.03 above, an Eligible Distributor may distribute corporate bonds or sukuk that meet the requirements for regulatory capital as set out in the relevant guidelines on capital adequacy issued by Bank Negara. These corporate bonds or sukuk must also have the following characteristics:

- (a) The corporate bonds or sukuk were issued by any of the following entities:
 - (i) A licensed bank, licensed investment bank or licensed Islamic bank;
 - (ii) The holding company of any of the entities referred to in subparagraph (a)(i); or

¹ An option does not include any undertaking under a sukuk structure.

- (iii) A public company established by any of the entities referred to in subparagraph (a)(i) and (ii) for the purpose of issuing corporate bonds or sukuk to meet capital adequacy requirements;
- (b) Denominated in ringgit Malaysia;
- (c) A tenure of more than one year;
- (d) Have a minimum rating of A (or its equivalent) rated by a credit rating agency registered with the SC;
- (e) Completed the full seasoning period;
- (f) Where the terms include a contractual write-off or conversion into equity, such terms may only be exercised to meet the requirements set out in the relevant guidelines on capital adequacy issued by Bank Negara; and
- (g) The corporate bonds or sukuk were initially issued together with –
 - (i) an information memorandum; and
 - (ii) a trust deed.

Chapter 4

REQUIREMENTS FOR PERSONS INVOLVED IN THE DISTRIBUTION OF SEASONED CORPORATE BONDS OR SUKUK

- 4.01 An Eligible Distributor must ensure that its employees or agents who are involved in the distribution of seasoned corporate bonds or sukuk have at least any of the following qualification to perform their assigned functions:
- (a) Passed modules 6 and 7 of the SC Licensing Examinations;
 - (b) An Investor Protection Professional Certification;
 - (c) A Pasaran Kewangan Malaysia Certificate; or
 - (d) Any other qualification that the SC may specify.
- 4.02 An Eligible Distributor must also ensure that the employees or agents referred to in paragraph 4.01 above remain fit and proper based on the standards stipulated in Appendix 6, unless such employees or agents are already required to comply with fit and proper standards as may be required under the CMSA or any guidelines issued by the SC or any other relevant authority.

Chapter 5

DISCLOSURE REQUIREMENTS

5.01 An Eligible Distributor must make available the following information on its website:

- (a) Information that explains key characteristics of the seasoned corporate bonds or sukuk;
- (b) Information that explains the nature of the obligations assumed by the relevant parties dealing in the seasoned corporate bonds or sukuk;
- (c) Information that sets out the risks associated with the seasoned corporate bonds or sukuk;
- (d) Details of the essential terms of the seasoned corporate bonds or sukuk;
- (e) Avenues for advice or enquiries available to prospective investors; and
- (f) Where and how investors can lodge a complaint.

Chapter 6

NOTIFICATION & REPORTING REQUIREMENTS

- 6.01 An Eligible Distributor is responsible for the submission of any notification, report, information or document that may be required under these Guidelines.
- 6.02 Unless otherwise specified in the respective appendices, the Eligible Distributor must submit to the SC any notification, report, information or document that may be required under these Guidelines or securities laws on an online platform as may be specified by the SC.
- 6.03 An Eligible Distributor shall retain copies of any notification, report, information or document (whether a physical or electronic copy) that has been submitted to the SC for a period of not less than seven years and shall produce any such copy to the SC upon request.

Pre-distribution Initial Notification

- 6.04 An Eligible Distributor who intends to distribute seasoned corporate bonds or sukuk for the first time must—
- (a) register its interest at least seven business days prior to the submission of an Initial Notification as required in sub-paragraph (b); and
 - (b) submit an Initial Notification to the SC at least two business days prior to the intended distribution date.
- 6.05 The registration of interest and Initial Notification referred to in paragraph 6.04 must be submitted in the manner, and contain all information and documents, as set out in Appendix 1 of these Guidelines.
- 6.06 The Initial Notification shall be accompanied by the relevant fees prescribed by the SC.

Post-distribution Notification

- 6.07 An Eligible Distributor must notify the SC of any additional seasoned corporate bonds or sukuk that it has distributed, within seven business days following the end of every quarter (Post-Distribution Notification). Where this relates to a distribution of seasoned corporate bonds or sukuk under a debt or sukuk programme, the notification must be made for each additional tranche.
- 6.08 Where a Post-Distribution Notification is made in relation to seasoned corporate bonds or sukuk distributed 12 months after the effective date of the Initial Notification, the Post-Distribution Notification shall be accompanied by the relevant fees prescribed by the SC.
- 6.09 The Post-Distribution Notification must contain all information and documents as set out in Appendix 2 of these Guidelines.

Quarterly Reporting

- 6.10 An Eligible Distributor must submit to the SC a post-distribution quarterly report within seven business days following the end of every quarter in accordance with Appendix 3 of these Guidelines.

Other Notifications

- 6.11 An Eligible Distributor must immediately notify the SC in accordance with Appendix 4 of these Guidelines once the Eligible Distributor becomes aware that the seasoned corporate bonds or sukuk are no longer eligible corporate bonds or sukuk under these Guidelines.
- 6.12 An Eligible Distributor must notify the SC not less than seven business days prior to its intention to cease distribution of seasoned corporate bonds or sukuk, in accordance with Appendix 5 of these Guidelines. Cessation of distribution becomes effective on the date specified in the notification.

INITIAL NOTIFICATION

PART 1: REGISTRATION OF INTEREST TO DISTRIBUTE SEASONED CORPORATE BONDS OR SUKUK

1. An Eligible Distributor must register its interest to distribute seasoned corporate bonds or sukuk via e-mail to seasonedbonds@seccom.com.my at least seven business days prior to submission of a formal Initial Notification (Part 2 of Appendix 1) and Declaration by Eligible Distributor (Part 3 of Appendix 1).

PART 2: INFORMATION AND DOCUMENTS TO BE SUBMITTED TO THE SC FOR INITIAL NOTIFICATION

1. An Eligible Distributor must provide the following information or documents in the Initial Notification:
 - (a) List of seasoned corporate bonds or sukuk for distribution:
 - (i) Stock code;
 - (ii) Stock description;
 - (iii) Credit rating ;
 - (iv) Credit rating agency;
 - (v) Issue date; and
 - (vi) Remaining tenure (months);
 - (b) List of employees and agents distributing seasoned corporate bonds or sukuk:
 - (i) Name of employee;
 - (ii) Designation;
 - (iii) NRIC No.;
 - (iv) Branch; and
 - (v) Date of authorisation or appointment, as the case may be, as an employee or agent who may distribute seasoned corporate bonds or sukuk; and
 - (c) Any other information or documents as the SC may require from time to time.

PART 3: DECLARATION BY ELIGIBLE DISTRIBUTOR (INITIAL NOTIFICATION)

We, [Name of Eligible Distributor] are proposing to undertake the distribution of seasoned corporate bonds or sukuk as submitted on the platform, pursuant to the *Guidelines on Seasoned Corporate Bonds and Sukuk* (Guidelines).

2. We confirm that after having made all reasonable enquiries, and to the best of our knowledge and belief, there is no false or misleading statement contained in, or material omission from, the information that may be provided to investors or to the SC in relation to the above seasoned corporate bonds or sukuk.
3. We declare that we are satisfied, after having made all reasonable enquiries, that the seasoned corporate bonds or sukuk are in full compliance with the relevant requirements of the Guidelines.
4. We confirm that the employees or agents engaged by us to distribute seasoned corporate bonds or sukuk have complied, and will continue to comply, with the relevant fit and proper requirements set out in the *Capital Markets and Services Act 2007*, these Guidelines or any other relevant guidelines issued by the SC.
5. We undertake to ensure continuous compliance with the requirements and the conditions imposed by the SC in relation to the distribution of seasoned corporate bonds or sukuk. In the event of any breach of the same, we undertake to suspend the distribution of such seasoned corporate bonds or sukuk.
6. We undertake to immediately inform the SC if it comes to our knowledge that any of the seasoned corporate bonds or sukuk distributed by us, or if any of our employees or agents, no longer comply with any applicable requirements set out in the Guidelines at any time from the submission of this declaration.
7. We hereby declare that all information provided in this submission is true and accurate.

**POST-DISTRIBUTION NOTIFICATION
OF ANY ADDITIONAL SEASONED CORPORATE BONDS OR SUKUK**

**PART 1: INFORMATION AND DOCUMENTS TO BE SUBMITTED TO THE SC FOR
ANY ADDITIONAL SEASONED CORPORATE BONDS OR SUKUK DISTRIBUTED**

1. An Eligible Distributor must provide the following information or documents in the Post-Distribution Notification:
 - (a) List of additional seasoned corporate bonds or sukuk distributed:
 - (i) Stock code;
 - (ii) Stock description;
 - (iii) Credit rating;
 - (iv) Credit rating agency;
 - (v) Issue date; and
 - (vi) Remaining tenure (months); and
 - (b) Any other information or documents as the SC may require from time to time.

**PART 2: DECLARATION BY ELIGIBLE DISTRIBUTOR (POST-DISTRIBUTION
NOTIFICATION OF ANY ADDITIONAL SEASONED CORPORATE BONDS OR SUKUK)**

We, [Name of Eligible Distributor] have undertaken or will undertake the distribution of seasoned corporate bonds or sukuk as submitted on the platform, pursuant to the *Guidelines on Seasoned Corporate Bonds and Sukuk* (Guidelines).

2. We confirm that after having made all reasonable enquiries, and to the best of our knowledge and belief, there is no false or misleading statement contained in, or material omission from, the information that may be provided to investors or to the SC in relation to the above seasoned corporate bonds or sukuk.

3. We declare that we are satisfied, after having made all reasonable enquiries, that the seasoned corporate bonds or sukuk are in full compliance with the relevant requirements of the Guidelines.
4. We confirm that the employees or agents engaged by us to distribute seasoned corporate bonds or sukuk have complied, and will continue to comply, with the relevant fit and proper requirements set out in the *Capital Markets and Services Act 2007*, these Guidelines or any other relevant guidelines issued by the SC.
5. We undertake to ensure continuous compliance with the requirements and the conditions imposed by the SC in relation to the distribution of seasoned corporate bonds or sukuk. In the event of any breach of the same, we undertake to suspend the distribution of such seasoned corporate bonds or sukuk.
6. We undertake to immediately inform the SC if it comes to our knowledge that any of the seasoned corporate bonds or sukuk distributed by us, or if any of our employees or agents, no longer comply with any applicable requirements set out in the Guidelines at any time from the submission of this declaration.
7. We hereby declare that all information provided in this submission is true and accurate.

QUARTERLY REPORTING

PART 1: INFORMATION AND DOCUMENTS FOR QUARTERLY REPORTING

1. An Eligible Distributor must submit the following information or documents in the Quarterly Report:
 - (a) In relation to the distribution of seasoned corporate bonds or sukuk either from the Eligible Distributor's own inventory or sourced from a third party:
 - (i) Stock code;
 - (ii) Stock description;
 - (iii) Credit rating;
 - (iv) Credit rating agency;
 - (v) Total amount sold by distributor (during the reporting period);
 - (vi) Distribution price - highest price, highest yield, average price, average yield, lowest price and lowest yield;
 - (vii) Last traded price² (as at month end); and
 - (viii) Last traded yield (at month end); and
 - (b) Register of employees of Eligible Distributors distributing seasoned corporate bonds or sukuk:
 - (i) Name of employee;
 - (ii) Designation;
 - (iii) NRIC No.;
 - (iv) Branch; and
 - (v) Date of authorisation or appointment, as the case may be, as an employee or agent who may distribute seasoned corporate bonds or sukuk; and
 - (c) Any other information or documents as the SC may require from time to time.

² Last traded price refers to the latest price traded within the reporting period. E.g. If during Q1, the last date of distribution of Stock A was on 14 March, the last traded price would be the price of Stock A sold on 14 March.

PART 2: DECLARATION BY ELIGIBLE DISTRIBUTOR (QUARTERLY REPORTING)*

Notes:

**** : This declaration is only required to be made in the 4th Quarter Report.***

We, [Name of Eligible Distributor]—

- (a) confirm, after having made all reasonable enquiries, and to the best of our knowledge and belief, that there is no false or misleading statement contained in, or material omission from, the information that may be provided to investors or to the SC in relation to the above seasoned corporate bonds or sukuk;
- (b) declare that we are satisfied, after having made all reasonable enquiries, that the seasoned corporate bonds or sukuk are in full compliance with the relevant requirements of the Guidelines;
- (c) confirm that the employees or agents engaged by us to distribute seasoned corporate bonds or sukuk have complied, and will continue to comply, with the relevant fit and proper requirements set out in the *Capital Markets and Services Act 2007*, these Guidelines or any other relevant guidelines issued by the SC;
- (d) undertake to ensure continuous compliance with the requirements and the conditions imposed by the SC in relation to the distribution of seasoned corporate bonds or sukuk. In the event of any breach of the same, we undertake to suspend the distribution of such seasoned corporate bonds or sukuk;
- (e) undertake to immediately inform the SC if it comes to our knowledge that any of the seasoned corporate bonds or sukuk distributed by us, or if any of our employees or agents, no longer comply with any applicable requirements set out in the Guidelines at any time from the submission of this declaration.

NOTIFICATION ON NON-ELIGIBILITY OF SEASONED CORPORATE BONDS OR SUKUK

1. An Eligible Distributor must provide the following information or documents:

(a) List of seasoned corporate bonds or sukuk that are no longer eligible:

- (i) Stock code;
- (ii) Stock description;
- (iii) Date of non-eligibility;
- (iv) Reason for non-eligibility; and

(b) Any other information or documents as the SC may require from time to time.

NOTIFICATION TO CEASE DISTRIBUTION OF SEASONED CORPORATE BONDS OR SUKUK

We, [Name of Eligible Distributor] intend to cease the distribution of seasoned corporate bonds or sukuk under the *Guidelines on Seasoned Corporate Bonds and Sukuk* (Guidelines) on [Cessation Date³].

2. We confirm that we have taken all reasonable steps to notify our clients of our intention above and have taken adequate arrangements to meet all outstanding liabilities and obligations (if any) in respect of the relevant seasoned corporate bonds or sukuk.
3. We confirm and acknowledge that this cessation shall not operate so as to render void any agreement or arrangement entered into between us and our clients, or affect any right, obligation or liability arising from any such transaction or arrangement entered into as Distributor.
4. We hereby declare that all information provided in this submission is true and accurate.

³ Cessation date should not be less than seven business days from the date of receipt of notice to the SC.

FIT AND PROPER REQUIREMENTS

In meeting the fit and proper standards as required under paragraph 4.02 of these Guidelines, an Eligible Distributor must ensure that the employee or agent involved in the distribution of seasoned corporate bonds or sukuk—

- (a) is not an undischarged bankrupt whether within or outside Malaysia;
- (b) does not have a judgment debt that has been returned unsatisfied in whole or in part;
- (c) has not been convicted, whether within or outside Malaysia, of an offence involving fraud or other dishonest act or violence or the conviction of which involved a finding that he acted fraudulently or dishonestly;
- (d) has not been convicted of an offence under securities laws or any law outside Malaysia relating to capital market;
- (e) has not been subjected to any action taken by the SC under section 354, 355 or 356 of the CMSA;
- (f) has not contravened any provision made by or under any written law whether within or outside Malaysia appearing to the SC to be enacted for protecting members of the public against financial loss due to dishonesty, incompetence or malpractice by persons concerned in the provision of financial services or the management of companies or against financial loss due to the conduct of discharged or undischarged bankrupts;
- (g) has not engaged in any business practices appearing to the SC to be deceitful or oppressive or which otherwise reflect discredit on his method of conducting business; and
- (h) has not been engaged in or associated with any other business practices or otherwise conducted himself in such a way as to cast doubt on his competence and soundness of judgment.