

FREQUENTLY-ASKED QUESTIONS (FAQs)

Guidelines on Due Diligence Conduct for Corporate Proposals (1 February 2008)

1. Are the Guidelines on Due Diligence Conduct for Corporate Proposals new guidelines?

The Guidelines on the Due Diligence Conduct For Corporate Proposals are new. However, many of the obligations and best practices enunciated are currently in the various SC guidelines and in an earlier publication entitled "Due Diligence Practices" issued as a guide by the SC in August 1996.

2. Do these guidelines create new obligations?

No. The obligations for due diligence is well established both in the securities laws and in the various SC guidelines relating to corporate proposals. In addition, due diligence is a well established and necessary practice by industry in undertaking corporate transactions of all kinds. What these guidelines seek to do is to clearly articulate the SC's expectation of the industry players in undertaking their due diligence in relation to disclosures made in corporate proposals and offering documents in the Malaysian capital market.

3. If due diligence is already an established industry practice, what is the need for these guidelines?

It is noted that the industry has its own best practices for due diligence and the SC has deferred to the market to determine the scope and process of due diligence. However, the SC has found differing standards of due diligence in submissions of corporate proposals that give rise to a need for the SC to clearly articulate its expectations to the market. Further, with the increased liberalisation in the regulation of the capital market, the SC must also ensure that investor protection is not compromised. In a disclosure based environment, these guidelines form part of the building blocks to facilitate the higher levels of accountability in relation to disclosures made to the SC and the investing public.

4. Who do these guidelines apply to?

These guidelines apply to all parties involved in the preparation and submission of a corporate proposal to the SC. This would include offering documents submitted, deposited or registered with the SC. Those involved would normally include the issuer, the principal adviser and other advisers and experts such as the reporting accountants, lawyers and valuers.

5. When will these guidelines come into effect? How will these guidelines affect submissions that have already been made or are in the process?

The effective date of these guidelines is 1 February 2008. However a grace period of three months, up to 30 April 2008, will be allowed, to enable a smooth transition. Thereafter, all submissions are required to conform to these guidelines.