

**FREQUENTLY ASKED QUESTIONS
SEASONED CORPORATE BONDS AND SUKUK FRAMEWORK
(ISSUED: 19 SEPTEMBER 2018)**

General

1. What is the seasoning framework?

The seasoning framework is a framework to facilitate the distribution¹ of corporate bonds or sukuk (bonds) that were originally issued to sophisticated investors² in the primary market to retail investors in the secondary market (Seasoning Framework).

Under the Seasoning Framework, bonds that were originally issued to sophisticated investors in reliance on an exemption under section 229(1) or section 230(1) of the CMSA can be re-denominated into smaller lot sizes and distributed to retail investors in the secondary market without a prospectus, provided that the bonds have been issued for a period of at least 12 months in the primary market (seasoning period) and all eligibility criteria stipulated in the *Guidelines on Seasoned Corporate Bonds and Sukuk* (Guidelines) are met.

2. What types of bonds may be made available to retail investors under the Seasoning Framework?

Only the following types of bonds that meet the minimum eligibility criteria set out in the Guidelines may be distributed to retail investors in the secondary market under the Seasoning Framework:

- i. plain vanilla bonds issued by eligible issuers; and
- ii. perpetual and subordinated bonds issued by:
 - a. licensed banks, licensed investment banks and licensed Islamic banks;
 - b. the holding company of any of the entities in (a); or
 - c. a public company established by any of the entities in (a) and (b) for the purpose of issuing bonds to meet capital adequacy requirements.

3. Who may purchase seasoned bonds?

All investors, both sophisticated and retail, may purchase seasoned bonds.

¹ "Distribute" is defined in the Guidelines as referring to the making available of, offering for subscription or purchase of, or issuing of an invitation to subscribe for or purchase, corporate bonds or sukuk.

² "Sophisticated investors" is defined in Schedule 1 of the *Guidelines on Sales Practices of Unlisted Capital Market Products*

Investor

4. How can investors purchase seasoned bonds?

Investors can purchase seasoned bonds through any of the Eligible Distributors permitted to distribute seasoned bonds. Currently, the following entities are Eligible Distributors:

- (a) licensed banks;
- (b) licensed investment banks;
- (c) licensed Islamic banks;
- (d) a holder of a Capital Markets and Services Licence (CMSL) for dealing in securities; and
- (e) a holder of a CMSL for dealing in securities restricted to OTC bonds.

A list of these Eligible Distributors will be published and updated on the [Bonds Information Exchange](#) (BIX) website from time-to-time to help investors identify who they are. Investors may call any of the Eligible Distributors for further information on seasoned bonds available for purchase.

5. What information is available to investors to help them make their investment decision?

Investors may obtain information on seasoned bonds either from the [BIX website](#) or from the Eligible Distributors directly.

6. Where can investors refer their complaints or disputes in relation to seasoned bonds?

In the event of a complaint or dispute, an investor should first contact the Eligible Distributor. If the investor is unable to get a satisfactory resolution to the complaint or dispute with the Eligible Distributor, the investor may refer the matter to the Securities Industry Dispute Resolution Center (SIDREC). For further information on SIDREC, including the process for making a claim, please refer to [SIDREC's website](#).

7. What happens if the Eligible Distributor later no longer wishes to distribute seasoned bonds, for example, three years after the investor first purchased the seasoned bonds?

An Eligible Distributor may decide to cease becoming a distributor of seasoned bonds and can do so by submitting a notification to the SC at any given time. Once SC receives the notice, the list of Eligible Distributors available on the BIX will be updated accordingly. The Eligible Distributor's obligations towards the investor may still continue, subject to any laws or guidelines applicable to the Eligible Distributor, as well as any contractual terms of the seasoned bonds. The Eligible Distributor may continue dealing with the investor on matters related to the seasoned bonds purchased through the Eligible Distributor, including assisting the investor with subsequent transfer or sale of the seasoned bonds.

Investors are advised to be mindful of the contractual terms attached to the seasoned bonds prior to purchasing the bonds as the Eligible Distributors' obligations and investors' rights will depend on such contractual terms. Notwithstanding this, the *Guidelines on Sales Practices of Unlisted Capital Market Products* (Sales Practices Guidelines) would still apply to Eligible Distributors.

Eligible Distributors

8. Is the SC's approval required before seasoned bonds may be distributed to investors? If approval is not required, what should an Eligible Distributor do before they are allowed to distribute seasoned bonds?

Eligible Distributors are not required to seek the SC's approval prior to distributing seasoned bonds. However, Eligible Distributors who intend to distribute seasoned bonds for the first time must notify the SC of such intention, in accordance with the requirements prescribed in the Guidelines.

9. Can a tranche of Ringgit-denominated bond in a multi-currency bond programme also be seasoned?

Yes, a tranche of Ringgit-denominated bond in a multi-currency bond programme that meets the eligibility criteria in the Guidelines may be distributed to investors.

10. What are the disclosure requirements under the seasoning framework?

While the SC does not specify the disclosure documents to be given to investors under the Seasoning Framework, only bonds issued with an information memorandum and a trust deed at the point of primary issuance can be seasoned. Eligible Distributors are expected to have access to these documents prior to their decision to distribute

seasoned bonds to retail investors. Additionally, Eligible Distributors are also required to comply with the *Guidelines on Sales Practices of Unlisted Capital Market Products* and any other requirements set out in the relevant guidelines published by the SC or any other relevant authorities.

11. What are the fees applicable to Eligible Distributors under the Seasoning Framework?

The applicable fees are prescribed in the Capital Markets and Services (Fees) Regulations 2012.

However, the SC will waive the following applicable fees in relation to the Seasoning Framework for a period of two years from the date the Seasoning Framework comes into effect:

- (a) Initial Notification (RM10,000 per notification); and
- (b) Notification of each subsequent offering of seasoned bonds after the Initial Notification (RM1,000 per tranche, subject to a maximum of RM10,000 within any 12 month period).

Imposition of fees will begin from 11 October 2020 onwards.