



**Suruhanjaya Sekuriti**  
Securities Commission  
Malaysia

# GUIDELINES

## ON PRINCIPAL ADVISERS FOR CORPORATE PROPOSALS

# **GUIDELINES ON PRINCIPAL ADVISERS FOR CORPORATE PROPOSALS**

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# CONTENTS

	<b>Page</b>
Chapter 1 <b>GENERAL</b>	1-1
Chapter 2 <b>ELIGIBILITY TO ACT AS PRINCIPAL ADVISERS FOR CORPORATE PROPOSALS</b>	2-1
Chapter 3 <b>ADDITIONAL ELIGIBILITY CRITERIA FOR PRINCIPAL ADVISERS SUBMITTING SPECIFIC CORPORATE PROPOSALS</b>	3-1
<b>SCHEDULES</b>	
Schedule 1 <b>DECLARATION BY THE PRINCIPAL ADVISER</b>	Sch 1-1
Schedule 2 <b>PARTICULARS OF THE PRINCIPAL ADVISER</b>	Sch 2-1
Schedule 3 <b>PARTICULARS OF QUALIFIED SENIOR PERSONNEL</b>	Sch 3-1

## Chapter 1

### GENERAL

#### Purpose

- 1.01 The *Capital Markets and Services Act 2007* (CMSA) provides that any person carrying on the regulated activity of advising on corporate finance must either be a holder of a Capital Markets Services Licence (CMSL) or a registered person. In addition, the Securities Commission (SC) adopts a policy of permitting only certain categories of corporate finance advisers to submit applications to the SC in the capacity of principal advisers for certain types of corporate proposals under Part VI of the CMSA.
- 1.02 The SC's policy of permitting only certain categories of corporate finance advisers to act as principal advisers is premised on the need to ensure that—
- (a) only qualified and competent persons who possess the requisite expertise and experience are undertaking the role of principal advisers; and
  - (b) the principal advisers continue to operate on high standards of prudential safety and business conduct, and satisfy the qualitative and quantitative criteria imposed by the SC.
- 1.03 In line with the above policy objectives, the *Guidelines on Principal Advisers for Corporate Proposals* is issued by the SC under section 377 of the CMSA for the purpose of—
- (a) providing clarity on the eligibility of corporate finance advisers to act as principal advisers;
  - (b) setting out the types of corporate proposals they are permitted to submit to the SC; and
  - (c) setting out the additional eligibility criteria that they need to fulfil if they wish to submit specific types of corporate proposals.
- 1.04 In its ongoing efforts to enhance market competitiveness and efficiency of the fund-raising process, the SC may from time to time consider further deregulation of the market for the provision of corporate advisory services and reassess the categories of corporate finance advisers who are permitted to act as principal advisers. The deregulation, however, will be undertaken progressively for an orderly shift towards an increasingly competitive environment and to be consistent with national policy objectives.

## Definitions

1.05 In these guidelines, unless the context otherwise requires–

1+1 broker	means a stockbroking company that has complied with the <i>Policy Framework for Stockbroking Industry Consolidation</i> and has acquired, taken-over, amalgamated or merged with at least one other stockbroking company.
Approved List	means the Approved List of Principal Advisers Submitting Specific Corporate Proposals. This is a list of principal advisers approved by the SC upon fulfilling the requirements set out in Chapter 3.
approved principal adviser	means a principal adviser on the Approved List.
BAFIA	means <i>Banking and Financial Institutions Act 1989</i> .
Bursa Securities	means Bursa Malaysia Securities Bhd.
CMSA	means <i>Capital Markets and Services Act 2007</i> .
CMSL	means Capital Markets Services Licence.
company	includes a corporation.
corporate finance adviser	means a person who is permitted to carry on the regulated activity of advising on corporate finance under the CMSA.
corporate proposal	means any proposal submitted to the SC and includes any offering document submitted, deposited or registered with the SC under Part VI of the CMSA.
corporation	has the meaning given in section 2 of the CMSA.
distressed listed company or DLC	has the meaning assigned to it in the <i>Guidelines on the Offering of Equity and Equity-linked Securities</i> or the <i>Guidelines on the Offering of Equity and Equity-linked Securities for the MESDAQ Market</i> , as applicable.
FIC	means the Foreign Investment Committee.
FIC Guidelines	means the <i>Guideline on the Acquisition of Interests, Mergers and Take-overs by Local and Foreign Interests</i> and <i>Guideline on the Acquisition of Properties by Local and Foreign Interests</i> .

investment bank	means an entity that holds a CMSL pursuant to section 58 of the CMSA for the regulated activity of dealing in securities and a merchant banking licence pursuant to section 5 of the BAFIA, and duly established pursuant to the <i>Guidelines on Investment Banks</i> issued jointly by Bank Negara Malaysia and the SC.
IPO	means initial public offering.
Islamic bank	means a bank licensed under the <i>Islamic Banking Act 1983</i> .
issuer	has the meaning given in section 2 of the CMSA.
licensed bank	means a bank licensed under the BAFIA.
licensed merchant bank	has the meaning assigned to it in the BAFIA.
listed company	means a company listed on Bursa Securities.
listing applicant	means a company which is seeking the SC's approval to undertake an IPO under the <i>Guidelines on the Offering of Equity and Equity-linked Securities</i> or the <i>Guidelines on the Offering of Equity and Equity-linked Securities for the MESDAQ Market</i> , as applicable.
principal adviser	means the corporate finance adviser responsible for making submissions to the SC for corporate proposals.
SC	means the Securities Commission.
significant acquisition or disposal	means an acquisition or a disposal of assets which results in a significant change in the business direction or policy of a listed company.
significant change in the business direction or policy of a listed company	has the meaning assigned to it in the <i>Guidelines on the Offering of Equity and Equity-linked Securities</i> or the <i>Guidelines on the Offering of Equity and Equity-linked Securities for the MESDAQ Market</i> , as applicable.
special scheme broker	means a foreign stockbroking company established pursuant to the <i>Application for Establishment of Foreign Stockbroking Companies Under the Special Scheme</i> .
specific corporate proposals	means an IPO on Bursa Securities, a proposal to be undertaken by a DLC or a significant acquisition or disposal that requires the SC's approval under section 212 of the CMSA.

universal broker

means a stockbroking company that has merged with or acquired at least three other stockbroking companies and has satisfied all the conditions and requirements stipulated by the SC under the *Policy Framework for Stockbroking Industry Consolidation*.



## Chapter 2

### ELIGIBILITY TO ACT AS PRINCIPAL ADVISERS FOR CORPORATE PROPOSALS

- 2.01 This chapter sets out the categories of corporate finance advisers who are eligible to act as principal advisers and the types of corporate proposals they are permitted to submit to the SC on behalf of their clients. Principal advisers seeking to submit specific corporate proposals must also fulfil the requirements set out in Chapter 3 of these guidelines.
- 2.02 The categories of principal advisers and the types of corporate proposals they are permitted to submit to the SC are as follows:

Items	Categories of principal advisers	Types of corporate proposals
(a)	Investment banks/licensed merchant banks/universal brokers	All types of corporate proposals.
(b)	1+1 brokers	All types of corporate proposals except for those involving private debt securities, Islamic securities and structured products.
(c)	Special scheme brokers	<p><u>Issue of Structured Warrants</u> Proposals for the issue of structured warrants.</p> <p><u>Offering of Foreign Securities</u> Proposals for the offering of equity securities, private debt securities or Islamic securities of listed or unlisted foreign issuers to investors identified under Schedules 6 and 7 of the CMSA.</p>
(d)	Islamic banks	All types of corporate proposals in respect of Islamic products.
(e)	Licensed banks	<p><u>Offering of Private Debt Securities</u> All proposals for the offering of private debt securities, except for any of the following:</p> <ul style="list-style-type: none"> <li>Private debt securities of Malaysian-incorporated public companies or foreign corporations that are capable of being converted into equity; and</li> </ul>

(f)	Bank Pembangunan Malaysia Bhd	<ul style="list-style-type: none"> <li>• Private debt securities of Malaysian-incorporated public companies or foreign corporations that are issued together with warrants.</li> </ul> <p><u>Offering of Islamic Securities</u> All proposals for the offering of Islamic securities, except for any of the following:</p> <ul style="list-style-type: none"> <li>• Islamic securities of Malaysian-incorporated public companies or foreign corporations that are capable of being converted into equity; and</li> <li>• Islamic securities of Malaysian-incorporated public companies or foreign corporations that are issued together with warrants.</li> </ul> <p><u>Offering of Structured Products</u> Proposals for the offering of structured products.</p> <p>Proposals in relation to infrastructure project companies for the purposes of listing such companies or otherwise.</p>
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## Chapter 3

### ADDITIONAL ELIGIBILITY CRITERIA FOR PRINCIPAL ADVISERS SUBMITTING SPECIFIC CORPORATE PROPOSALS

- 3.01 This chapter sets out the additional criteria for corporate finance advisers seeking to act as principal advisers for specific corporate proposals. A corporate finance adviser seeking to act as a principal adviser for specific corporate proposals must be on the Approved List of Principal Advisers Submitting Specific Corporate Proposals.
- 3.02 The additional criteria is required, as:
- IPOs and significant acquisition proposals involve the introduction of new companies/businesses into the market;
  - proposals involving DLCs involve resuscitating and providing the DLC an opportunity to remain listed on Bursa Securities; and
  - a significant disposal would lead to a change in the business direction of the company.
- 3.03 Given the nature of these specific corporate proposals, a higher standard is expected from the principal advisers.

#### Eligibility Criteria for Admission to the Approved List

- 3.04 Any corporate finance adviser seeking to be admitted to the Approved List must satisfy the following requirements:
- (a) Fall within the category of eligible principal advisers under Chapter 2 of these guidelines;
- (b) Have at least two senior personnel (Qualified Senior Personnel) with the following competency and experience:
- Seven years of relevant corporate finance experience; and
  - In the five years immediately preceding the senior personnel being designated as a Qualified Senior Personnel, he must have played a substantial role in the engagement team responsible for advising a listing applicant as a principal adviser in at least three completed IPOs on the Main Board/Second Board/Mesdaq Market of Bursa Securities;
- ; and
- (c) Have at least six other professionals (besides the two Qualified Senior Personnel) with three years direct and relevant corporate finance experience and/or experience in conducting financial audit.

- 3.05 A senior personnel designated as a Qualified Senior Personnel is considered to have the relevant corporate finance experience if he has provided advice for any of the following corporate proposals:
- IPOs;
  - Mergers and acquisitions involving listed companies;
  - Fund-raising exercises from the public by listed companies; and/or
  - Restructuring exercises.
- 3.06 It is envisaged that the Qualified Senior Personnel would have been deemed to have played a substantial role in advising a listing applicant if the individual concerned was involved in the listing engagement in a supervisory or managerial capacity commencing from day one of the engagement until its completion.

### **Admission Procedures**

- 3.07 Any person seeking to be admitted to the Approved List must submit to the SC the information as specified in Schedules 2 and 3, where applicable, together with a declaration by the principal adviser in accordance with the form specified in Schedule 1 of these guidelines.
- 3.08 Upon receipt of the information and declaration submitted by the principal adviser in accordance with paragraph 3.07, an acknowledgement letter will be issued by the SC and the principal adviser is deemed to be admitted to the Approved List.
- 3.09 The Approved List is made available on the SC's website.

### **General and Continuing Obligations**

- 3.10 The above competency requirements are minimum requirements. All principal advisers are expected to have sufficient personnel with relevant competency at all times to carry out engagements in a diligent and professional manner. The personnel are expected to be given continuous training which covers, among others, knowledge on relevant regulatory rules.
- 3.11 An approved principal adviser or a principal adviser seeking to be admitted to the Approved List must have sufficient internal controls and procedures to ensure that—
- the requirements of these guidelines are complied with;
  - all other relevant laws, regulations, guidelines and rules are complied with; and
  - confidentiality of information is maintained and there is no conflict of interest on the part of the principal adviser in accepting engagements and later, discharging its responsibilities as a principal adviser. There should be no material

reliance on the client for business, especially if it will give rise to a conflict of interest situation.

- 3.12 An approved principal adviser must maintain an up-to-date record of all engagements undertaken for at least five years. The record must include, among others, the list of personnel involved in the engagement, the role played by the personnel and the designation of the personnel at the material point in time.
- 3.13 An approved principal adviser should carry out an assessment annually in order to ensure that its systems and controls remain effective. Information and declaration in the form specified in Schedules 1, 2 and 3 of these guidelines must also be submitted on an annual basis to the SC.
- 3.14 An approved principal adviser must submit the information as specified in Schedule 3 for every addition to the list of Qualified Senior Personnel submitted to the SC. Conversely, the SC must be informed in writing of any removal from the list.

### **Review of Principal Advisers**

- 3.15 An approved principal adviser may be subject to a formal review by the SC (which may include an interview and/or a request for information from the principal adviser and/or Qualified Senior Personnel, such as supporting documents to verify relevant corporate finance transactions undertaken) at any point in time to ensure that it has complied with the requirements of these guidelines and is still eligible.

### **Removal from the Approved List**

- 3.16 An approved principal adviser may be removed from the Approved List if it no longer meets the eligibility criteria owing to a material change in circumstances, such as but not limited to, the Qualified Senior Personnel leaving the full-time employment of the principal adviser, resulting in the principal adviser no longer being able to meet the minimum requirement of having at least two Qualified Senior Personnel in its establishment.

The SC must be notified immediately in writing if the principal adviser is unable to meet the eligibility criteria.

- 3.17 Nevertheless, under such circumstances, where after being admitted to the Approved List (but before the next declaration is due for submission) the principal adviser is unable to meet the eligibility criteria, the principal adviser will be given a grace period of three months to take the necessary measures to meet the requirements. Upon expiry of the grace period, the principal adviser will not be allowed to make submission to the SC if it is still unable to meet the SC's eligibility criteria.
- 3.18 The SC may also suspend or remove an approved principal adviser from the Approved List if the SC considers the principal adviser no longer suitable to be on the Approved List owing to a breach of responsibilities expected of the principal adviser in its capacity as a principal adviser.

## Schedule 1

### Declaration by the Principal Adviser

The Chairman  
Securities Commission

#### **PRINCIPAL ADVISER ... (Name of Principal Adviser)...**

#### **Declaration Pursuant To Chapter 3: Additional Eligibility Criteria For Principal Advisers Submitting Specific Corporate Proposals**

We, ...(Name of Principal Adviser)..., are applying to be admitted to the Approved List of Principal Advisers Submitting Specific Corporate Proposals (Approved List).

2. We hereby confirm, after having made all reasonable enquiries and to the best of our knowledge and belief, that we meet the requirements as prescribed in Chapter 3: Additional Eligibility Criteria For Principal Advisers Submitting Specific Corporate Proposals.
3. We declare that our designated Qualified Senior Personnel:
  - (i) Have not been previously charged with, convicted for or compounded for any offence under securities laws, corporation laws or any other laws involving fraud or dishonesty in a court of law during the past seven years;
  - (ii) Have not been subject to disciplinary action by any government or regulatory authority;
  - (iii) Have not been subject to disciplinary action by any body in the area of corporate finance; and
  - (iv) Are employed on a full time basis and that (in relation to the transactions cited in paragraph 6 of Schedule 3 which were carried out while employed by us) the Qualified Senior Personnel have undertaken a supervisory/ managerial corporate finance role.
4. We undertake to immediately inform the SC if we are unable to comply with any of the requirements set out under Chapter 3: Additional Eligibility Criteria For Principal Advisers Submitting Specific Corporate Proposals.
5. We undertake to provide to the SC all such information as the SC may require in relation to being admitted to the Approved List.
6. We agree to be subjected to a formal review by the SC in relation to meeting the requirements to be admitted to the Approved List.

7. We declare that the information as provided in Schedules 1, 2 and 3 are complete and accurate.

Yours faithfully

.....

Signature

Name:

Designation\*:

Date:

Note:

\* Chief Executive Officer / Managing Director

## Schedule 2

### Particulars of the Principal Adviser

#### PRINCIPAL ADVISER ... (Name of Principal Adviser)...

#### Information Pursuant to Chapter 3: Additional Eligibility Criteria For Principal Advisers Submitting Specific Corporate Proposals

1. Name of Organisation : \_\_\_\_\_
2. Address of Head Office : \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
3. Telephone No. : \_\_\_\_\_
4. Fax No. : \_\_\_\_\_
5. E-mail Address : \_\_\_\_\_
6. Particulars of Qualified Senior Personnel :

Name	No. of years of corporate finance experience

7. Particulars of Professionals\* :

Name	No. of years of corporate finance and/or financial audit experience

\* Refer to paragraph 3.04 (c)

8. Contact Person : \_\_\_\_\_



### Schedule 3

#### Particulars of Qualified Senior Personnel

**1. Name of principal adviser**

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**2. Qualified Senior Personnel's full name (as per I.C.)**

Full name:	
Title:	I.C. No.:

**3. Personal address**

Postcode:

**4. Qualifications**


**5. Employment History**

To provide details of employment history (last seven years, most recent first)\*:

Dates from/to	Name and address of organisation	Position held and description of responsibilities

\*Continue answers on a separate sheet where necessary

## 6. Transaction History

To provide a list of completed IPOs whereby you have played a substantial role as defined in paragraph 3.06 of these guidelines including full details of the role undertaken in relation to the transaction.\*

Issuer	Details of work undertaken	Date of mandate	Date of Listing

*\*Continue answers on a separate sheet where necessary*

## 7. Declaration of Qualified Senior Personnel

I declare that I have not been subject to any disciplinary action by a regulator or law enforcement agency in the context of financial services or corporate finance and I declare that the information supplied in this Schedule is complete, true, accurate and not misleading.

Signature:	Date:
Name of signatory in block capitals:	



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