

## **FREQUENTLY-ASKED QUESTIONS (FAQs)**

### **Guidelines on Principal Advisers for Corporate Proposals (1 February 2008)**

#### **1. What is the rationale behind the issuance of this new Guidelines?**

The Guidelines on Principal Advisers for Corporate Proposals (Guidelines) is issued to provide clarity on the eligibility of corporate finance advisers to act as principal advisers and the types of corporate proposals they are permitted to submit to the SC. Further, the Guidelines sets out the additional eligibility criteria that principal advisers need to fulfil in the event they wish to submit specific types of corporate proposals.

Previously, information relating to the categories of corporate finance advisers eligible to act as principal advisers was stated in the respective SC guidelines governing different types of corporate proposals and capital market products. The Guidelines is meant to consolidate this information into a document which will act as a single point of reference. Further, the Guidelines imposes minimum competency standards for principal advisers seeking to submit specific corporate proposals.

#### **2. Who will fall within the scope of the Guidelines?**

The Guidelines is generally applicable to all corporate finance advisers seeking to submit applications to the SC, in the capacity of principal advisers, for all types of corporate proposals falling under Part VI of the CMSA. However, Chapter 3 of the Guidelines will only be applicable if these principal advisers seek to submit specific corporate proposals i.e. an IPO on Bursa Securities, a proposal undertaken by a distressed listed company or a significant acquisition or disposal by a listed company that requires the SC's approval under section 212 of the CMSA.

**3. Will a person who submits applications for corporate proposals to the SC in the capacity of an issuer fall within the scope of the Guidelines?**

No. The Guidelines will only be applicable to principal advisers submitting corporate proposals to the SC on behalf of their clients. A person, who seeks to submit applications to the SC in a capacity of other than that of principal adviser, will fall outside the scope of the Guidelines. This means that the Guidelines will not be applicable to, for example, a person who seeks to submit corporate proposals to the SC in the capacity of an issuer. In this regard, the information with respect to the categories of eligible issuers will still be found in the relevant guidelines governing different types of corporate proposals and capital market products. For example, if a person needs to find out the categories of eligible issuers for the issuance of structured products, that person must refer to the *Guidelines on the Offering of Structured Products*.

**4. Would principal advisers who are not able to comply with the requirements under Chapter 3 of the Guidelines be permitted to make submissions for other types of corporate proposals apart from the specific corporate proposals?**

Yes. The requirements under Chapter 3 are only applicable to corporate finance advisers seeking to act as principal advisers for specific corporate proposals involving IPOs on Bursa Securities, distressed listed companies or significant acquisitions or disposals. Such advisers must first be admitted to the Approved List.

**5. Would principal advisers who are not able to comply with the requirements under Chapter 3 of the Guidelines be given a time frame to observe the requirements?**

Yes, there will be a 12-month grace period. Such principal advisers are still permitted to submit applications for specific corporate proposals until 31 January 2009. Thereafter, the SC will only accept submissions for specific corporate proposals from principal advisers who are on the Approved List.

**6. Given the 12-month grace period, what is required of the principal advisers at this point in time?**

Principal advisers are required to inform the SC (the Issues and Investment Division) in writing, by the end of February 2008, its status of compliance with paragraph 3.04 of the Guidelines. Schedules 1, 2 and 3 of the Guidelines are only required to be submitted at the end of the 12-month grace period, upon which the Approved List will be made available on the SC's website as per paragraph 3.09 of the Guidelines.

**7. Assuming that only the minimum requirements are met, what would happen if one of the Qualified Senior Personnel leave but the principal adviser has a job which is already in advance stage? Would the principal adviser still be able to submit?**

Firstly, when notifying that the minimum requirements are no longer met, the principal adviser is to also inform the SC on the targeted submission date of the said affected submission. SC will assess whether it is really in an advance stage. If yes, and the submission is presumably handled by the remaining team leader all along, the submission can be made.

**8. What happens if the job at hand was being handled by the Qualified Senior Personnel who is leaving?**

The principal adviser would have to demonstrate to the SC how it is able to ensure that the loss of the Qualified Senior Personnel would not in any way compromise the quality of submission that will be made to the SC.

**9. Why only IPOs are used as a benchmark in terms of gauging the experience of the Qualified Senior Personnel? Why not significant acquisitions or disposals, or even proposals involving DLCs?**

As an IPO involves the introduction of new companies/businesses into the market, it is imperative that the Qualified Senior Personnel have substantial experience. In addition, IPOs also involve many processes and “milestones” which may be equally applicable to other corporate proposals but not necessarily vice versa.

**10. Why completed IPOs? Why not based on proposals submitted?**

The SC has previously received a number of sub-standard IPO submissions which have been rejected. Thus, the basis of using completed IPOs is as follows:

- Firstly, it can be presumed that the submissions for the completed IPOs have met the SC’s requirements both in letter and spirit; and
- Secondly, in the interest of investors and the market, the SC wants the principal advisers to have personnel who have gone through the whole IPO process and are familiar with the relevant requirements and milestones.

**11. How long will it take for the SC to issue the acknowledgement letter referred to in paragraph 3.08 of the Guidelines?**

The acknowledgement letter would be issued within 3 working days upon receipt of the information and declaration submitted by the principal adviser.

**12. In the event a principal adviser is suspended by the SC from making submissions under Section 212 of the CMSA, what would be the impact on the principal adviser who is on the Approved List?**

The principal adviser would also be suspended from the Approved List until the tenure of suspension has ended whereupon the principal adviser would be re-admitted after demonstrating to the SC's satisfaction the measures and actions taken to prevent the suspension from reoccurring.

**13. What kind of records should be maintained for purposes of SC's review?**

The list of records or documents would include, but not limited to, the mandate letters, 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.

**14. Since SC will be conducting a periodic review, how long must the principal advisers retain their internal records?**

At least 5 years. Nonetheless, it is encouraged that records be maintained for a longer period particularly in the event where the proposals involve legal proceedings etc.