

THE SC's GUIDELINES ON THE INVOLVEMENT OF STOCKBROKING GROUPS IN THE PROPERTY OR CONSTRUCTION BUSINESS

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4 October 2000



Purpose

- To define the parties that are affected by the policy requirement prohibiting a Group from undertaking or holding any property or construction business
- To serve as a general guide for the affected parties to comply with the above policy requirement



Key Definitions

- “Group” means:
 - For a stockbroking company that is owned by a public listed company (PLC):
 - a stockbroking company’s most immediate holding company that is also listed (immediate PLC) and all the subsidiaries and associated companies of the immediate PLC
 - For a stockbroking company that is not owned by a PLC:
 - a stockbroking company’s immediate holding company and all the subsidiaries and associated companies of the immediate holding company

Requirements

- As a general policy, a Group shall not have any interest in property or construction business except to the extent allowed below:
 - The following parties shall be grandfathered, provided that adequate and effective firewalls are introduced:
 - Groups with core business activities which include property or construction business or where property or construction is the basis for the listing of the immediate PLC; or
 - Groups with investments or holdings in properties (where the sole assets or holdings are properties) that are free from gearing



Requirements (con't)

- Property or construction business is considered as a Group's core activity if:
 - The property or construction business contributes at least 20% of the Group's average profit before taxation over the last 5 years; or
 - The property or construction business constitutes at least 20% of the Group's assets employed based on the latest audited accounts



Requirements (con't)

- Subject to the aforementioned, affected parties are required to restructure their property or construction business within 3 years from the date of issuance of these guidelines
- During this 3-year period, the Group shall be subject to effective firewalls as set out in the SC's Guidelines on Firewalls
- The affected Groups are prohibited from entering into new property or construction business



Requirements (con't)

- Affected parties shall submit a report on the plan for their property or construction business to the SC. The first report shall be due 1 year from the date of issuance of these guidelines. Thereafter the report shall be submitted to the SC on a half-yearly basis
- Any Group that has a stockbroking interest and is not currently involved in the property or construction business is prohibited from venturing into such businesses in the future
- However, these Groups are allowed to acquire or construct owner occupied premises subject to the prior approval of the SC



Requirements (con't)

- For any firm, unconditional and/or binding sales and purchase agreements to acquire property or construction business, the continued holding of that interest shall be subject to these guidelines.

Firewalls

- Appropriate firewalls shall be erected between a stockbroking company and its related property or construction companies to ensure that the inherent risks of the activities of these affected related companies do not affect the stockbroking company
- These measures are set out in the SC's Guidelines on Firewalls



Review of these Guidelines

- These Guidelines will be subject to review and amendment by the SC from time to time



Submissions

- All reports shall be addressed to:
The Director
Market Supervision Division
Securities Commission
3 Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur

