

## APPENDIX 2

## QUESTIONS AND ANSWERS

AMENDMENTS TO THE MAIN MARKET LISTING REQUIREMENTS IN RELATION TO THE  
STRUCTURED WARRANTS FRAMEWORKCHAPTER 5 - STRUCTURED WARRANTS*General***5.1 What are the roles of SC and Bursa Securities respectively in approving the issuance and listing of structured warrants (“SW”)?**

SC approves the eligibility of an issuer of SW, and registers the prospectus and term sheet for specific issuance of SW in accordance with the CMSA. Bursa Securities approves the listing and quotation of SW on Bursa Securities pursuant to the Main LR.

**SW where underlying financial instrument is exchange-traded fund (“ETF”)****5.1A Are the market capitalisation requirements still applicable to ETF in the case of an issuance and listing of SW where the underlying financial instrument is units in the ETF?**

Yes, if the ETF is listed on a securities exchange outside Malaysia which is a member of World Federation of Exchanges or which is approved by Bursa Securities. In such instance, the issuer must ensure that underlying ETF meets the market capitalisation requirements in paragraph 5.04 of the Main LR.<sup>1</sup> However, there are no market capitalisation requirements applicable if the underlying ETF is listed on Bursa Securities.

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<sup>1</sup> Paragraph 5.04(1)(b) of the Main LR stipulates, among others, that where the underlying ETF is listed on a securities exchange outside Malaysia which is a member of the World Federation of Exchanges or is approved by the Exchange, the underlying ETF must have an average daily market capitalisation equivalent to at least -

(a) RM3 billion in the past 3 months ending on the last market day of the calendar month immediately preceding the date of issue; or

(b) RM5 billion for newly listed ETF that does not meet the 3 month market capitalisation track record.

Paragraph 5.04(2) of the Main LR stipulates that if the underlying ETF will be listed on a securities exchange outside Malaysia which is a member of the World Federation of Exchanges or which is approved by the Exchange, the underlying ETF must have a market capitalisation equivalent to at least RM5 billion based on the issue price of the units in the ETF as set out in the prospectus.

*Listing of SW pending listing of underlying financial instrument*

- 5.2 Can an issuer submit a listing application to Bursa Securities for the issuance and listing of ~~structured warrants~~SW where the underlying corporation or ~~exchange-traded fund~~ETF has not been listed but is seeking listing either on Bursa Securities or on a securities exchange outside Malaysia?

Yes, the issuer may do so provided that it complies with the following requirements:

- (a) in the case of an underlying corporation, ~~set out in~~ paragraph 5.03(1A)<sup>2</sup> of the Main LR (if the ~~underlying corporation or exchange-traded fund~~ is seeking listing on Bursa Securities) or paragraph 5.04(2)<sup>3</sup> of the Main LR (if the ~~underlying corporation or exchange-traded fund~~ is seeking listing on a securities exchange which is a member of the World Federation of Exchanges or is approved by Bursa Securities); and
- (b) in the case of an underlying ETF, paragraph 5.04A<sup>4</sup> of the Main LR and in addition, paragraph 5.04(2) of the Main LR (if the ETF is seeking listing on a securities exchange which is a member of the World Federation of Exchanges or is approved by Bursa Securities).

- 5.3 ~~Paragraph 5.03(1A) of the Main LR now allows the~~ Since listing of structured warrantsSW where the underlying corporation or ~~exchange-traded fund~~ETF is seeking listing on Bursa Securities is permitted under the Main LR, ~~When can the structured warrants will such SW~~ be listed on Bursa Securities?

Generally, the listing of ~~structured warrants~~SW shall only take place 5 market days after the date of the listing of the underlying shares in a corporation or units of an ~~exchange-traded fund~~ETF on Bursa Securities (“5 Market Day Requirement”).

- 5.4 Is the 5 Market Day Requirement applicable to a listing of ~~structured warrants~~SW on Bursa Securities where the underlying corporation or ~~exchange-traded fund~~ETF is seeking listing on a securities exchange outside Malaysia?

No, the 5 Market Day Requirement does not apply to such listing of ~~structured warrants~~SW on Bursa Securities.

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<sup>2</sup> The underlying corporation ~~or exchange-traded fund~~ must have a market capitalization (excluding treasury shares) of at least RM3 billion based on the issue price of the shares in the corporation ~~or units in the exchange-traded fund~~ as set out in the prospectus.

<sup>3</sup> The underlying corporation or ~~exchange-traded fund~~ETF must have a market capitalization equivalent to at least RM5 billion based on the issue price of the shares in the corporation or units in the ~~exchange-traded fund~~ETF as set out in the prospectus, and upon listing, the corporation or ~~exchange-traded fund~~ETF must comply with the other requirements set out in paragraph 5.04 of the Main LR.

<sup>4</sup> The underlying ETF must not be a leveraged ETF or inverse ETF.

### Underlying shares for put warrants

#### 5.4A Can an issuer issue put warrants based on underlying shares listed on Bursa Securities, including the non-Approved Securities?

No. Pursuant to paragraph 5.06 of the Main LR, an issuer can only issue put warrants based on underlying shares which are part of the Approved Securities as defined in Rule 1.01 of the Rules of Bursa Securities.

#### 5.4B What are considered as “Approved Securities”?

Pursuant to paragraph 5.02 of the Main LR, “Approved Securities” has the meaning given in Rule 1.01 of the Rules of Bursa Securities. The list of the “Approved Securities” may be obtained at Bursa Securities’ website at:

[https://www.bursamalaysia.com/trade/trading\\_resources/equities/regulated\\_short\\_selling](https://www.bursamalaysia.com/trade/trading_resources/equities/regulated_short_selling).

### *Admission Processes & Procedures*

- 5.9 In view of the cut-off time referred to in Question Error! Reference source not found. and the condition that the announcement can only be made after receipt of a confirmation from Bursa Depository that the ~~structured warrants~~SW are ready to be credited into the respective securities accounts, what is the cut-off time for the issuer to submit the final allotment information and the warrant certificate to Bursa Depository?**

If an issuer wants the listing to take place on a particular date, it must submit an error-free final allotment information and the warrant certificate to Bursa Depository at the earliest time practicable and in any event not later than 9.00 a.m. on the market day immediately before the actual listing date.

- 5.10 Do the issuer of ~~structured warrants~~SW and its directors have to provide any undertakings to Bursa Securities?**

Yes, an issuer of ~~structured warrants~~SW has to furnish to Bursa Securities an undertaking in the form as prescribed in Annexure PN27-C of Practice Note 27 while its directors have to provide undertakings in the form as prescribed in Annexure PN27-D of Practice Note 27.

### *Terms and conditions*

- 5.17 Can an issuer issue additional units of SW to the existing holder as a result of an adjustment arising from the Corporate Proposals<sup>5</sup> ~~(as defined in paragraph 5.17 of the Main LR)?~~

No, pursuant to paragraph 5.17 of the Main LR, where an issuer proposes an adjustment to the terms of the SW arising from a Corporate Proposal, the issuer may only adjust the exercise price, ~~or~~ conversion ratio or call price of its SW, ~~or both~~. It is not allowed to issue additional units to the existing holders.

### *Further Issue*

- 5.18 Can the issuer place out or offer the additional units of SW issued under a further issue of its ~~structured warrants~~SW (“Further Issue”) which form part of the existing listed series of ~~structured warrants~~SW (“Existing Issues”) to the public directly?

No, issuance of additional units of SW under Further Issue pursuant to paragraph 5.29 of the Main LR is only allowed for market making purpose.

In this respect, the additional units will be listed as additional units to the Existing Issue and will be traded under the same stock code, stock short name and ISIN Code as the Existing Issue.

### *Continuing listing obligations*

- 5.21 In respect of the bull equity linked structure referred to in Question Error! Reference source not found. above, how often does the periodic information referred to in paragraph 5.35(1)<sup>6</sup> of the Main LR have to be furnished to Bursa Securities?

As the expiry date of the bull equity linked structure in this case is 6 months, pursuant to paragraph 5.35(2)(b) of the Main LR, an issuer must furnish to Bursa Securities the periodic information prescribed in paragraph 5.35(1), on a fortnightly basis.

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<sup>5</sup> Based on paragraph ~~5.475.02~~ of the Main LR, “Corporate Proposal” means –

- (a) a corporate exercise undertaken by the underlying corporation or the issuer of the underlying financial instrument, ~~for example a such as capitalisation issues, rights issue, consolidation, bonus or rights issue or subdivision of shares or capital reduction exercises;~~ or
- (b) any event which has a dilutive or concentrative or other effect on the– theoretical value of the underlying financial instruments.

<sup>6</sup> The periodic information prescribed under paragraph 5.35(1)- of the Main LR is –

- (a) the number of ~~SW structured warrants~~ exercised during the relevant timeframe;
- (b) the cumulative number of ~~structured warrants~~SW exercised to date; and
- (c) the number of ~~structured warrants~~SW outstanding.

- 5.28 Does an issuer of ~~structured warrants~~SW have any other continuing listing obligations apart from those stated in Chapter 5 of the Main LR?

Yes, pursuant to paragraph 5.42 of the Main LR, an issuer must also comply with Chapters 1, 2 and 16. The other Chapters of the Main LR do not apply to an issuer of ~~structured warrants~~SW.

- 5.29 Does an issuer of ~~structured warrants~~SW have to comply with the provisions relating to corporate governance, for example, the requirement to set up an audit committee?

No, pursuant to paragraph 5.42 of the Main LR, an issuer is not required to comply with the provisions on corporate governance as set out in Chapter 15 of the Main LR. However, an issuer is encouraged to maintain good corporate governance in its company.

#### *Callable Bull/Bear Certificate (“CBBC”)*

- 5.31 Does a CBBC issuer have to comply with the same obligation as an issuer of SWA ~~structured warrant issuer~~?

Unless otherwise provided in the Main LR, an issuer of CBBC must comply with all the requirements in the Main LR which are applicable to an issuer of ~~structured warrants~~SW.

- 5.32 Issuer A intends to issue 100 million callable bear certificates on 1 June 2010. The callable bear certificates issued will be based on PLC X’s shares listed on Bursa Securities. In what situation can Issuer A issue the callable bear certificates?

Pursuant to paragraph 5.06(a) of the Main LR, Issuer A may only issue the callable bear certificates if the shares are part of the Approved Securities<sup>7</sup> ~~as defined in Rule 704.1 of the Rules of Bursa Securities (“Approved Securities”)~~.

- 5.33 ~~[Deleted]What are considered as “Approved Securities”?~~

~~Pursuant to paragraph 5.02 of the Main LR, “Approved Securities” has the meaning given in Rule 704.1 of the Rules of Bursa Securities. The list of the “Approved Securities” may be obtained at Bursa Securities’ website at:~~

~~[https://www.bursamalaysia.com/trade/trading\\_resources/equities/regulated\\_short\\_selling](https://www.bursamalaysia.com/trade/trading_resources/equities/regulated_short_selling).~~

<sup>7</sup> See also Question and Answer 5.4B for more information on the Approved Securities.

5.34 If the underlying financial instrument of a callable bear certificate is an ~~exchange-traded fund~~ ETF, must the issuer issue the callable bear certificates together with the callable bull certificates?

No, the issuer need not issue the callable bear certificates together with any callable bull certificates if the underlying financial instrument is -

- (a) an ~~exchange-traded fund~~ ETF;
- (b) an index; or
- (c) Approved Securities.

5.36 Settlement of CBCs where the call price is different from the exercise price

This Question is based on the same facts as Question Error! Reference source not found. above. For the purpose of this Question, it is assumed that the next trading session after the MCE occurs at 9.30 a.m. contains at least 1 hour of continuous trading for *PLC X's* shares as defined in paragraph 5.25A(2) of the Main LR.

- (a) Assuming the traded prices of *PLC X's* shares during the various trading phases on 2 August 2010 are as follows:

No	Trading Phase	Time	Traded Price of PLC X's Shares (RM)
1	Opening	9.00 a.m.	2.00
2	Continuous Trading	9.30 a.m.	1.40
		10.00 a.m.	1.70
		10.30 a.m.	1.50
		11.30 a.m.	1.60
		12.30 p.m.	1.30
<b>Lunch</b>			
3	Opening	2.30 p.m.	0.90
4	Continuous Trading	3.00 p.m.	1.20
		3.30 p.m.	1.35
		4.00 p.m.	1.40
5	Closing	4.50 p.m.	0.90

Are the callable bull certificate holders in this case entitled to receive a cash amount upon the MCE?

Yes. Pursuant to paragraphs 5.25A(1)(b)(i) and 5.25A(2)(a) of the Main LR, where the call price of a callable bull certificate is different from the exercise price, the certificate holders will receive a cash amount if the lowest traded price transacted during the ~~Main Trading Phase~~ main trading phase as prescribed by

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Bursa Securities (“Main Trading Phase”)<sup>8</sup> of an underlying financial instrument from the MCE up to the end of the next trading session, is above the exercise price.

In this case, MCE occurs at 9.30 a.m. The lowest traded price transacted during the Main Trading Phase\*\* of PLC X’s shares from the MCE (9.30 a.m.) up to the end of the afternoon trading session, is higher than the exercise price of RM1.00.

As such, the callable bull certificate holders in this case are entitled to receive a cash amount upon the MCE.

*\*\*For the purpose of the lowest traded price during the Main Trading Phase, the opening and closing prices are not taken into account. As such, the opening and closing prices of RM0.90 which is lower than the exercise price of RM1.00 is not taken into account. Instead, RM1.20 which is the lowest traded price during the continuous trading phases is regarded as the lowest traded price for settlement purpose.*

Note: The requirement that only the lowest/highest traded price that occurs during the “Main Trading Phase” can be taken into account in computing the settlement price of a CBBC, is only applicable when the underlying financial instrument is shares or ~~exchange-traded funds~~ETF listed on the Exchange.

[END OF APPENDIX 2]

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<sup>8</sup> The Main Trading Phase is set out in paragraph 2.3 of Chapter 2 (Trading Phases & Marketing Timing) of the Bursa Trade Securities II - Participating Organisation’ Trading Manual. This is available on Bursa Securities website at [https://www.bursamalaysia.com/trade/trading\\_resources/equities/manual\\_guidelines\\_po](https://www.bursamalaysia.com/trade/trading_resources/equities/manual_guidelines_po).