

Market Developments Worldwide – the Problems and Opportunities and the Actions to be Taken

- **Building quality markets for smaller companies.**
 - **Ace Market (Malaysia)** – Replaced the previous MESDAQ Market in Aug 2009. Sponsor-driven market for companies of all business sectors that have growth potential. 107 listed companies currently.
 - Malaysia's ACE market facilitates the listing of SMEs seeking a more simplified, cost-efficient process.
 - However, there was only one new listing on the ACE market in 2013 and two new listings YTD. The rejection rate for ACE market was cited to be close to 80%.
 - Despite the high rejection rate for the ACE market, market observers commented that this should be viewed in positive light as it suggests that Bursa's focus is to ensure only quality companies are listed.
 - **MYULM (Malaysia)** – Designed to be Malaysia's first online platform for unlisted securities to help early-stage ventures and businesses.
 - Fast, easy, cost efficient and open to all.
 - Widens the avenues for fund raising by firms, particularly the SMEs, and may include alternative asset classes such as unlisted bonds and unlisted business trusts.
 - Potential issues: 1) Lack of clear regulatory platform in Asia, e.g. investor protection?; 2) Shares cannot be listed or traded after the initial investment, ie investors can exit only if the company does an IPO or new investors bought them out; 3) Risk that companies may fail, or turn out to be fraudulent; and 4) Asia lacks high-profile, reliable platforms for crowdfunding.
 - **Equity Crowdfunding (ECF) (Malaysia)** – Alternative source of financing for startups and other smaller enterprises from relatively large number of investors, using online portals to publicise and facilitate such offers. In the Securities Commission's recent concept paper, ECF is designed to encourage companies to raise funds up to a total paid-up capital of USD1.6m, excluding the issuer's own capital contribution or any funding obtained through private placement.
 - Opportunities: 1) Startups at the early stage of business do not typically have access to traditional financing methods that SMEs otherwise would; 2) Relatively cheaper way to raise capital, especially in developed countries where there is high usage of social media and technology; 3) Allows startup firms to reach a huge audience of potential investors by posting their ideas on crowdfunding websites; and 4) Asia is home to half the world's population.
 - Potential issues broadly similar as to MYULM.

The Regulatory Landscape

- **Recent regulatory actions and proposals affecting the exchanges and capital markets and the issues raised.**
 - **Hong Kong Exchanges (Hong Kong)**
 - The China Securities Regulatory Commission and Hong Kong's Securities and Futures Commission approved, in principle, the development of a pilot programme for establishing mutual stock market access between Mainland China and Hong Kong.
 - During the initial phase of the Shanghai-Hong Kong Stock Connect, the Southbound Trading Link will be subject to a daily quota of CNY10.5bn and an aggregate quota of CNY250bn.
 - The Northbound Trading Link will be subject to a daily quota of CNY13bn and an aggregate quota of CNY300bn.
 - Shanghai Stock Exchange and HKEx will share equally trading and clearing fees.
 - **Singapore Exchange (Singapore)**
 - Pursuant to the crash of several penny stocks in 4Q2013, the Monetary Authority of Singapore (MAS) and SGX have decided to introduce the following proposals, among others:
 - ***Minimum trading price.*** A minimum trading price of SGD0.20 will be introduced as a continuing listing requirement for issuers listed on the SGX Mainboard. This is to address risks of low-priced securities being more susceptible to excessive speculation and potential market manipulation.
 - ***Collateral requirement for securities trading.*** To require securities intermediaries to collect minimum 5% of collateral from their customers for trading of listed securities to promote financial prudence. This will help mitigate the risk of excessive leverage assumed by investors. It will also reduce reliance on remisiers to manage the credit risk exposures of customers. Institutional investors, trades settled through delivery-versus-payment mode, and funds from the Central Provident Fund and Supplementary Retirement Schemes will be exempted from the collateral requirement.
 - ***Short position reporting requirements.*** To implement aggregate short position reporting to further enhance transparency of short selling activities in the securities market. The value threshold has been adjusted upwards such that only short positions that exceed the lower of 0.05% or SGD1m of issued shares will have to be reported.
 - To improve retail investors' access to a broader range of listed securities, particularly blue-chip stocks, SGX will reduce the board lot size of securities listed on SGX to 100 units from 1,000 effective 19 Jan 2015..

- **Securities Commission (Malaysia)**

- The SC has issued a consultation paper in relation to the proposed regulatory framework for equity crowdfunding (ECF).
- ECF offers the potential to bridge this capital gap for some start-ups and other small enterprises, and also help them move up the 'funding escalator' as their projects and future prospects strengthen. To that extent, investors, collectively as a crowd, have the potential to play an important role in financing an enterprise at its crucial early stage, which may promote productivity and economic growth and foster employment, while ideally, returning financial or other forms of benefits to the crowd.
- The availability of ECF as a financing option could increase competition among suppliers of capital to start-ups and other small enterprises, resulting in a potentially lower cost of capital for these issuers, including those not utilising ECF. This may help reduce the capital gap within this sector.