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# **LICENSING EXAMINATION STUDY OUTLINE**

**For July to December 2017 Examinations**

**(Issued in May 2017)**

## **Module 19A Advisory Services (Rules and Regulations) - Part A**

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(This document consists of 21 pages including the cover page)

## **STUDY OUTLINE MODULE 19A: ADVISORY SERVICES (RULES AND REGULATIONS) - PART A**

This examination is designed to test candidates' knowledge and understanding of the rules and regulations governing the advisory services in the Malaysian capital market. It is one of the examinations to be passed by individuals who:

- (1) intend to apply for a Capital Markets Services Representative's Licence (CMSRL) to carry on the regulated activities of investment advice;  
or
- (2) intend to be employees of registered persons who carry out the capital markets activities as stipulated in Item 3 of Part 1 of Schedule 4 of the Capital Markets and Services Act 2007.

Candidates who intend to apply for a CMSRL to carry on the regulated activity of Advising on Corporate Finance or who intend to be employees of registered persons who carry out the capital markets activities as stipulated in Item 2, Part 1 of Schedule 4 of the Capital Markets and Services Act 2007 will need to pass this examination together with Module 19B: Advisory Services (Rules and Regulations) - Part B to be considered as having completed the rules and regulations examination.

Candidates are advised to refer to the Licensing Handbook for the detailed combination of examinations required for each regulated activity.

Candidates are expected to possess good knowledge and understanding of the subject matter provided in the study outline and specified references. In addition, candidates are expected to have relatively strong capability in the application, analysis and evaluation of information in this study outline and its references. It is estimated that this module will require a minimum of 120 hours of study time. Candidates may need less or more depending on the education background and work experience.

Candidates are expected to update themselves with the latest changes relevant to this examination as all questions will be continuously updated to reflect these changes. Candidates are permitted to refer to their own prescribed reference materials during the examination. Note that no prescribed reference materials will be provided by the Securities Industry Development Corporation (SIDC). The prescribed reference materials brought into the examinations by candidates are subject to the terms and conditions of SIDC, details of which are set out in the terms and conditions of the SC licensing examinations.

The prescribed reference materials for this module are as follows:

- **Capital Markets and Services Act 2007**
- **Licensing Handbook**

**Guidelines, Codes, Rules and Practice Notes:**

- **Equity Guidelines**
- **Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries**
- **Malaysian Code on Take-Overs and Mergers 2016**
- **Rules on Take-overs, Mergers and Compulsory Acquisitions**

**Listing Requirements:**

- **Bursa Malaysia Securities Berhad Main Market Listing Requirements**
- **Bursa Malaysia Securities Berhad ACE Market Listing Requirements**

Candidates are required to comply with the terms and conditions of the SC licensing examination. Severe penalties will be taken against candidates for any misconduct during the examination.

At the end of this study outline are 2 sample questions of various formats used in the Module 19A examination. The samples provided do not in any way reflect the level of difficulty or the subject-matter distribution of the actual examination. They are merely intended to familiarise candidates with the styles of multiple-choice questions used in the examination.

## **EXAMINATION STRUCTURE**

Details of the examinations are as follows:

<b>Type of Questions</b>	Multiple-Choice
<b>Number of Questions</b>	40 questions
<b>Passing Mark</b>	70%
<b>Time Allocated</b>	60 minutes

<b>References /Text</b>	<ul style="list-style-type: none"><li>❑ Examination Study Guide on Legal Considerations and Code of Conduct</li><li>❑ Capital Markets and Services Act 2007</li><li>❑ Licensing Handbook</li><li>❑ Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries</li><li>❑ Equity Guidelines</li><li>❑ Malaysian Code on Take-Overs and Mergers 2016</li><li>❑ Rules on Take-overs, Mergers and Compulsory Acquisitions</li><li>❑ Bursa Malaysia Securities Berhad Main Market Listing Requirements</li><li>❑ Bursa Malaysia Securities Berhad ACE Market Listing Requirements</li></ul>
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## REFERENCES

The relevant references (acts, guidelines, codes, rules, study guides etc) for this examination can be obtained from the Securities Commission Malaysia website at [www.sc.com.my](http://www.sc.com.my) or may be purchased from:

**SIDC Shop, Ground Floor**

**3, Persiaran Bukit Kiara**

**Bukit Kiara**

**50490 Kuala Lumpur**

**Tel: (603) 6204 8665/8667**

The Bursa Malaysia Securities Berhad Main Market Listing Requirements and Bursa Malaysia Securities Berhad ACE Market Listing Requirements can be obtained from Bursa Malaysia website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

For more information please visit the SIDC website at [www.sidc.com.my](http://www.sidc.com.my).

**LEARNING OBJECTIVES**

Candidates are expected to have good knowledge, understanding and ability to apply in the following areas:

- The principles of contract law and relevant issues
- The laws which are relevant to the investment advisory services in the Malaysian capital market
- The system and procedures of licensing of persons who carry on the investment advisory business in Malaysia
- The features and prohibitions of investment advisory activities
- The regulations governing the issue and offer of equity securities, listing of corporations and quotations on the main market of Bursa Malaysia Securities Berhad (Main Market) and proposals which result in a significant change in the business direction or policy of corporations listed on the Main Market under the Securities Commission Malaysia’s Equity Guidelines
- The characteristics and regulations governing take-overs in Malaysia
- The regulations governing listing of securities under the Bursa Securities Main Market Listing Requirements and Bursa Securities ACE Market Listing Requirements

**EXAMINATION SYLLABUS**

The syllabus for this examination is divided into 3 sections and the maximum composition of questions from each section is as follows:

Section	Composition of Questions (Maximum)	Number of Questions (Maximum)
Section 1	40%	16
Section 2	80%	32
Section 3	30%	12

Details of the syllabus are as below:

## SECTION 1

### LEGAL CONSIDERATIONS AND CODE OF CONDUCT

#### 1. Contractual Issues

- 1.1 Outline of the law of contract
- 1.2 Essential elements of a contract
- 1.3 Other elements of contract
- 1.4 Exclusion and limitation clauses
- 1.5 Remedies for breach of contract

#### 2. Negligent Misstatement

- 2.1 Negligence
- 2.2 Defences
- 2.3 General liability of stockbrokers
- 2.4 False and misleading statements under securities laws

#### 3. Licensing of persons who carry on the business of investment advice, advising on corporate finance and their representatives

- 3.1 Advising on corporate finance, Investment advice, CMSL and CMSRL defined
- 3.2 Requirement to be licensed
- 3.3 Criteria for the grant of licence
- 3.4 Revocation and suspension of licence
- 3.5 Duties and obligations of licence holder

#### 4. Prohibited Conduct and Insider Trading

- 4.1 Prohibited conduct
- 4.2 Insider trading

#### 5. Conclusion

**GUIDELINES ON PREVENTION OF MONEY LAUNDERING AND TERRORISM FINANCING FOR  
CAPITAL MARKET INTERMEDIARIES**

<b>Part I</b>	<b>:</b>	<b>Introduction and Applicability</b>
		1 Introduction
		2 Applicability
		3 Definitions
		4 General Description of Money Laundering
		5 General Description of Terrorism Financing
		6 General Principles and Policies to Combat Money Laundering and Terrorist Financing
<b>Part II</b>	<b>:</b>	<b>Risk-Based Approach Application</b>
		7 Risk- Based Approach Application
<b>Part III</b>	<b>:</b>	<b>Customer Due Diligence</b>
		8. Customer Due Diligence (CDD)
		9. Group Wide ML/TF Programmes
<b>Part IV</b>	<b>:</b>	<b>Retention of Records</b>
		10. Record Keeping
<b>Part V</b>	<b>:</b>	<b>Suspicious Transactions</b>
		11. Reporting on Suspicious Transactions
		12. Confidentiality of Reporting
<b>Part VI</b>	<b>:</b>	<b>Compliance and Training Programmes</b>
		13. Internal Programmes, Policies, Procedures and Controls
<b>Part VII</b>	<b>:</b>	<b>Combating Terrorism Financing</b>
		14. Identification and Designation
<b>Appendices</b>		

## SECTION 2

### **EQUITY GUIDELINES**

#### **Part I: General**

- Chapter 1: Introduction
- Chapter 2: Definitions and Interpretation
- Chapter 3: Corporate Governance
- Chapter 4: Conflict of Interest

#### **Part II: Policy Guidelines**

- Chapter 5: Equity Offerings and Listings
- Chapter 6: Special Purpose Acquisition Company
- Chapter 7: Back-Door Listings and Reverse Take-Overs
- Chapter 8: Transfer of Listing

#### **Part IV: Appendices**

#### **Part V: Schedules**

#### **Part VI: Guidance**

### **MALAYSIAN CODE ON TAKE-OVERS AND MERGERS 2016**

#### **Citation and commencement**

#### **General principle 1 to 12**

#### **Acquisition pursuant to subsection 218(3)**

#### **Revocation and saving**

### **RULES ON TAKE-OVERS, MERGERS AND COMPULSORY ACQUISITIONS**

#### **PART A: GENERAL**

- RULE 1** Introduction
- RULE 2** Interpretation
- RULE 3** Advisers

#### **PART B: TAKE-OVER OFFER**

- RULE 4** Mandatory offer
- RULE 5** Types of Voluntary Offer
- RULE 6** Key Terms



**RULE 7** Comparable Offers for More than One Class of Equity Shares

**RULE 8** Appropriate Offers for Convertible Securities

**PART C: PROCESS AND PROCEDURE OF TAKE-OVER OFFER**

**RULE 9** Announcements and Notices

**RULE 10** Standard of Care and Responsibility

**RULE 11** Timing and Contents of Documents

**RULE 12** Timing of Offer

**RULE 13** Announcement of Results of Offer

**RULE 14** Settlement of Consideration

**PART D: CONDUCT DURING OFFER**

**RULE 15** Management of Affairs and Resignation by Directors

**RULE 16** Frustration of Offer

**RULE 17** Evidence of Ability to Implement Take-Over Offer

**RULE 18** Favourable Deals

**RULE 19** Dealings During Offer Period

**RULE 20** Prompt Registration

**RULE 21** Restrictions Following Offers and Possible Offers

**PART E: COMPULSORY ACQUISITION AND RIGHT OF MINORITY SHAREHOLDERS**

**RULE 22** Compulsory Acquisition and Right of Minority Shareholders

**SCHEDULES**

**APPENDICES**

**SECTION 3**

**BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS**

**Chapter 2: General**

Part A - General

Part B - Application of These Requirements

Part C - Documents to Comply with These Requirements

Part D - Information

Part E - Fees, Other Charges and Goods and Services Tax

Part E(A) - Directors and Other Key Officers

Part F - Advisers/ Share Registrars

Part G - Other Person Primarily Responsible for Listed Issuer

Part H - Others

Part I - Amendments to These Requirements

Part J - Exchange Holding Company and the Exchange

Appendix

**Chapter 3: Admission**

Part A - General

Part B - Admission

Part C - Price Stabilization Mechanism

Part D - Transfer of Listed Corporation to the Main Market

**Chapter 4: Admission for Specific Applicants**

Part A - General

Part B - Closed-End Funds

Part C - Real Estate Investment Trusts

Part D - Exchange-Traded Funds

Part E - Special Purpose Acquisition Companies

Part G - Stapled Securities

Appendix

## **Chapter 4A: Foreign Listing**

Part A - General

Part B - Admission Requirements for Primary Listing

Part C - Specific Continuing Obligations Relating to Foreign Issuers with a Primary Listing

Part D - Admission Requirements for a Secondary Listing

Part E - Specific Continuing Obligations Relating to Issuers with a Secondary Listing

## **Chapter 4B: Listing of Sukuk and Debt Securities**

Part A - General

Part B - Definitions

Part C - Exchange Traded Bonds

Part C1- Admission of Exchange Traded Bonds

Part C2 - Continuing Listing Obligations of Exchange Traded Bonds

Part D - Exempt Regime

Part D1 - Admission under an Exempt Regime

Part D2 - Continuing Listing Obligations

Part E - De-listing by the Exchange

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## **Chapter 5: Structured Warrants**

Part A - General

Part B - Definitions

Part C - Underlying Financial Instrument

Part D - Admission

Part E - Terms and Conditions

Part F - Trust Deed/Deed Poll

Part G - Trading

Part H - Settlement of Structured Warrants

Part I - Further Issue

Part J - Issue of Basket Warrants

Part K - Continuing Listing Obligations

Part L - Announcements

Part M - Implementation of Proposals

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**Chapter 6: New Issues of Securities**

Part A - General

Part B - Admission

Part C - General Requirements for New Issue of Securities

Part D - Requirements Relating to Placement

Part E - Requirements Relating to a Rights Issue

Part F - Requirements in relation to a Bonus Issue

Part G - Requirements Relating to a Share Issuance Scheme

Part G(A) - Dividend Reinvestment Scheme

Part H - Requirements Relating to an Issue of Debt Securities and Redeemable Preference Shares

Part I - Requirements Relating to an Issue of Convertible Securities

Part J - Requirements Relating to Real Estate Investment Trusts

Part K - Requirements Relating to Exchange-Traded Funds

Part L - Requirements Relating to Special Purpose Acquisition Companies

Part M - Implementation of Proposals

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**Chapter 8: Continuing Listing Obligations**

Part A - General

Part B - Continuing Listing Criteria

Part C - Certificates, Transfers and Transmissions

Part D - Sponsorship of Depository Receipts

Part E - Offer for Sale

Part F - Directors

Part G- Share Issuance Scheme

Part H - Others

Part I - Specific Continuing Obligations Relating to Price Stabilization Mechanism

Part J - Specific Continuing Obligations Relating to Closed-End Funds

Part K - Specific Continuing Obligations Relating to Real Estate Investment Trusts

Part L - Specific Continuing Obligations Relating to Exchange-Traded Funds

Part M - Specific Continuing Obligations Relating to Special Purpose Acquisition Companies

Appendix

**Chapter 9: Continuing Disclosure**

Part A - General

Part B - Corporate Disclosure Policy

Part C - Immediate Disclosure of Material Information

Part D - Thorough Public Dissemination

Part E - Clarification, Confirmation or Denial of Rumours or Reports

Part F - Response to Unusual Market Activity

Part G - Unwarranted Promotional Disclosure Activity

Part H - Insider Trading

Part I - Preparation of Announcements

Part J - Immediate Disclosure Requirements

Part K - Periodic Disclosures

Part L - Circulars and Other Requirements

Part M - Disclosure Requirements for Specific Listed Issuers

Part M1 - Infrastructure Project Corporations

Part M2 - Closed-End Funds

Part M3 - Real Estate Investment Trusts

Part M4 - Exchange-Traded Funds

Part M5 - Special Purpose Acquisition Companies

Appendix

**Chapter 10: Transactions**

Part A - General

Part B - Definitions

Part C - Valuation and Information

Part D - Acquisitions and Disposals

Part E - Related Party Transactions

Part F - Very Substantial Transaction and Significant Change in the Business Direction or Policy

Part F(A) - Major Disposal of Assets Resulting in Listed Corporation No Longer Suitable for Listing

Part G - Other Requirements

Part H - Qualifying Acquisition of a Special Purpose Acquisition Company

Appendix

## **Chapter 12: Share Buy-Backs**

Part A - General

Part B - Definitions

Part C - General Requirements

Part D - Source of Funds and Consideration

Part E - Declaration of Solvency

Part F - Additional Requirements

Part G - Specific Requirements for Share Buy-Back by a Special Purpose Acquisition Company

Part H - Requirements Relating to Buy Back of Odd Lot Shares

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## **Chapter 13: Arrangements and Reconstructions**

Part A - General

Part B - Schemes of Compromise, Arrangement, Amalgamation and Reconstruction

Part C - Subdivision of Shares

Part D - Consolidation of Shares

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## **Chapter 14: Dealings in Listed Securities**

Part A - General

Part B - Definitions

Part C - Application

Part D - Restrictions

Part E - Exemptions

Part F - Procedures for Dealings

## **Chapter 15: Corporate Governance**

Part A - General

Part B - Directors

Part B(A) - Nominating Committee

Part C - Audit Committee

Part D - Auditors

Part E - Corporate Governance Disclosure

Part F - Internal Audit

## **Chapter 16: Suspension, De-Listing and Enforcement**

Part A - General

Part B - Trading Halt and Suspension

Part C - Withdrawal of Listing and De-Listing by the Exchange

Part D - Enforcement

Appendix

### **Practice Notes**

Practice Note 2 - Request for Suspension

Practice Note 3 - Disclosure for Internet-Related Businesses or E-Commerce Activities

Practice Note 7 - Classification of Applicants or Listed Issuers

Practice Note 9 - Internal Control and Corporate Governance Statement

Practice Note 11- Provision of Financial Assistance

Practice Note 12 - Recurrent Related Party Transactions

Practice Note 13 - Requirements for Directors and Signatory of Statutory Declaration for  
Accounts

Practice Note 14 -Principle of Aggregation for Transactions

Practice Note 16 - Cash Companies

Practice Note 17 - Criteria & Obligations of PN17 Issuers

Practice Note 18 - Perusal of Draft Circulars and Other Documents

Practice Note 19 - Public Shareholding Spread or Unit Holding Spread

Practice Note 20 - Trading Halt

Practice Note 21 - Listing Procedures for Initial Admission

Practice Note 22 - Transfer of Listed Corporations to the Main Market

Practice Note 23 - Listing Procedures for Specific Applicants

Practice Note 24 - Listing Procedures for Foreign Listing

Practice Note 25 - Listing Procedures for New Issue of Securities by Issuers with Secondary  
Listing

Practice Note 26 - Listing Procedures of Sukuk and Debt Securities

Practice Note 27 - Listing Procedures for Structured Warrants

Practice Note 28 - Listing Procedures for New Issues of Securities

Practice Note 29 - Saving and Transitional Provisions

Practice Note 30 - Enforcement Proceedings and Related Matters

Practice Note 31 - Stapled Securities

## **BURSA MALAYSIA SECURITIES BERHAD ACE MARKET LISTING REQUIREMENTS**

### **Chapter 2: General**

Part A - General

Part B - Application of These Requirements

Part C - Documents to Comply with These Requirements

Part D - Information

Part E - Fees, Other Charges and Goods and Services Tax

Part E(A) - Directors and Other Key Officers

Part F - Advisers / Share Registrars

Part G - Other Person Primarily Responsible for Listed Corporation

Part H - Others

Part I - Amendments to These Requirements

Part J - Exchange Holding Company and the Exchange

Part K - Conclusion

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### **Chapter 3: Admission**

Part A - General

Part B - Admission

Part C - Methods of Offering of Securities

Part D - Sponsors

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### **Chapter 4: Sponsors**

Part A - General

Part B - Definitions

Part C - Admission of Sponsors

Part D - Sponsors' Obligations

Part E - Ending a Sponsorship or Removal from the Register of Sponsors

Part F - Review of Performance and Conduct of Sponsors

Part G - Rules Governing Sponsored Corporations in Dealing with Sponsors

Appendix



## **Chapter 5: Foreign Listing**

Part A - General

Part B - Admission

Part C - Continuing Obligations of a Listed Corporation

## **Chapter 6: New Issue of Securities**

Part A - General

Part B - Admission

Part C - General Requirements for New Issue of Securities

Part D - Requirements Relating to Placement

Part E - Requirements Relating to a Rights Issue

Part F - Requirements in Relation to a Bonus Issue

Part G - Requirements Relating to a Share Issuance Scheme

Part G(A) - Dividend Reinstatement Scheme

Part H - Requirements Relating to an Issue of Debt Securities and Redeemable Preference Shares

Part I - Requirements Relating to an Issue of Convertible Securities

Part J - Implementation of Proposal

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## **Chapter 8: Continuing Listing Obligations**

Part A - General

Part B - Continuing Listing Criteria

Part C - Certificates, Transfers and Transmissions

Part D - Sponsorship of Depository Receipts

Part E - Offer for Sale

Part F - Directors

Part G - Share Issuance Scheme

Part H - Others

Part I - Specific Continuing Obligations Relating to Price Stabilization Mechanism

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Part A - General

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Part C - Immediate Disclosure of Material Information

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- Part E - Clarification, Confirmation or Denial of Rumours or Reports
- Part F - Response to Unusual Market Activity
- Part G - Unwarranted Promotional Disclosure Activity
- Part H - Insider Trading
- Part I - Preparation of Announcements
- Part J - Immediate Disclosure Requirements
- Part K - Periodic Disclosures
- Part L - Circulars and Other Requirements
- Appendix

### **Chapter 10: Transactions**

- Part A - General
- Part B - Definitions
- Part C - Valuation and Information
- Part D - Acquisitions and Disposals
- Part E - Related Party Transactions
- Part F - Very Substantial Transaction and Significant Change in the Business Direction or Policy
- Part F(A) - Major Disposal of Assets Resulting in Listed Corporations No Longer Suitable for Listing
- Part G - Other Requirements
- Appendix

### **Chapter 12: Share Buy-Backs**

- Part A - General
- Part B - Definitions
- Part C - General Requirements
- Part D - Source of Funds and Consideration
- Part E - Declaration of Solvency
- Part F - Additional Requirements
- Part G - Requirement Relating to Buy Back of Odd Lot Shares
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Part B - Schemes of Compromise, Arrangement, Amalgamation and Reconstruction

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**Chapter 14: Dealings in Listed Securities**

Part A - General

Part B - Definitions

Part C - Application

Part D - Restrictions

Part E - Exemptions

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Part D - Auditors

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Part F - Internal Audit

**Chapter 16: Suspension, De-Listing and Enforcement**

Part A - General

Part B - Trading Halt and Suspension

Part C - Withdrawal of Listing and De-Listing by the Exchange

Part D - Enforcement

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**Guidance Notes**

Guidance Note 1 - Classification of Applications or Listed Companies

Guidance Note 2 - Cash Companies

Guidance Note 3 - Criteria and Obligations of GN3 Companies

Guidance Note 4 - Provision of Financial Assistance

Guidance Note 7 - Principle of Aggregation for Transactions

Guidance Note 8 - Recurrent Related Party Transactions

Guidance Note 9 - Requirements for Directors and Signatory of Statutory Declaration for Accounts

Guidance Note 11 - Internal Control and Corporate Governance Statement

Guidance Note 12 - Request for Suspension

Guidance Note 13 - Public Shareholding Spread

Guidance Note 14- Trading Halt

Guidance Note 15 - Listing Procedures for Initial Admission

Guidance Note 16 - Listing Procedures for Foreign Listing

Guidance Note 17 - Listing Procedures for New Issues of Securities

Guidance Note 18 - Roles and Responsibilities of Sponsors

Guidance Note 19 - Appointment of Adviser for Corporate Proposals

Guidance Note 20 - Saving and Transitional Provisions

Guidance Note 21 - Enforcement proceedings and Related Matters

## SAMPLE QUESTIONS AND ANSWERS

### Sample Question 1

Under the law of contract, \_\_\_\_\_ is the exchange for the promise given.

- (A) intention to create legal relations
- (B) genuine consent
- (C) agreement
- (D) consideration

### Sample Question 2

Beta Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad was discovered to be in breach of the requirements set out in the Equity Guidelines.

The following actions may be taken by the Securities Commission against Beta Berhad:

- (i) reprimand Beta Berhad
  - (ii) impose a penalty of not less than RM1,000,000
  - (iii) direct Beta Berhad to comply with requirements that it is in breach of
  - (iv) direct Beta Berhad to mitigate the effect of the breach by making restitution to persons aggrieved by the breach
- 
- (A) (i) and (ii) only
  - (B) (i), (iii) and (iv) only
  - (C) (ii), (iii) and (iv) only
  - (D) All of the above

### Answers

Sample Question 1 - D

Sample Question 2 - B