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LICENSING EXAMINATION STUDY OUTLINE

**For July to December 2018 Examinations
(Issued in May 2018)**

Module 19B Advisory Services (Rules and Regulations) - Part B

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(This document consists of 14 pages including the cover page)

STUDY OUTLINE

MODULE 19B: ADVISORY SERVICES (RULES AND REGULATIONS) - PART B

This examination is designed to test candidates' knowledge and understanding of the rules and regulations governing the advisory services in the Malaysian capital market. Candidates will need to pass this examination together with Module 19A: Advisory Services (Rules and Regulations) -Part A to be considered as having completed the rules and regulations examinations:

- (1) for an application for a Capital Markets Services Representative's Licence (CMSRL) to carry on the regulated activity of Advising on Corporate Finance;
or
- (2) for those 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.

Candidates are advised to refer to the Licensing Handbook for the detailed combination of examinations required for the relevant 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 80 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:

Guidelines, Codes and Practice Notes:

- Equity Guidelines
- Principal Adviser Guidelines
- Guidelines on Due Diligence Conduct for Corporate Proposals
- Asset Valuation Guidelines
- Prospectus Guidelines
- Guidelines on Issuance of Corporate Bonds and Sukuk to Retail Investors
- Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework
- Issuer Eligibility Guidelines - Structured Warrants

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 19B 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:

Type of Questions	Multiple-Choice
Number of Questions	30 questions
Passing Mark	70%
Time Allocated	60 minutes
References /Text	<input type="checkbox"/> Equity Guidelines <input type="checkbox"/> Principal Adviser Guidelines <input type="checkbox"/> Guidelines on Due Diligence Conduct for Corporate Proposals <input type="checkbox"/> Asset Valuation Guidelines <input type="checkbox"/> Prospectus Guidelines <input type="checkbox"/> Guidelines on Issuance of Corporate Bonds and Sukuk to Retail Investors <input type="checkbox"/> Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework <input type="checkbox"/> Issuer Eligibility Guidelines- Structured Warrants

REFERENCES

The relevant references (acts, guidelines, codes, rules etc) for this examination can be obtained from the Securities Commission Malaysia website at 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

For more information please visit the SIDC website at www.sidc.com.my.

LEARNING OBJECTIVES

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

- The regulations governing the issue and offer of equity securities under the Securities Commission's Equity Guidelines
- The regulations setting out who can act as principal advisers for the submission of corporate proposals and the competency standards required
- The regulations governing the conduct of due diligence for corporate proposals by issuers, advisers and experts
- The regulations governing valuations of property assets in conjunction with corporate proposals for submission to the Securities Commission or for inclusion in prospectuses and circulars
- The regulations governing the issuance and registration of prospectuses
- The regulations governing the issue, subscription, purchase, invitation to subscribe or purchase private debt securities or sukuk to retail investors
- The regulations that must be observed for the purposes of exclusively making available unlisted capital market products to sophisticated investors in Malaysia or persons outside Malaysia
- The regulations governing the issuers of structured warrants

EXAMINATION SYLLABUS

The syllabus for this examination is divided into 2 sections and the maximum composition of questions from each section is as follows:

Section	Composition of Questions (Maximum)	Number of Questions (Maximum)
Section 1	60%	18
Section 2	80%	24

Details of the syllabus are as below:

SECTION 1

EQUITY GUIDELINES

Part III: Submission and Implementation

Chapter 9: Submission of Proposals

Chapter 10: Implementation of Proposals

Part IV: Appendices

Part V: Schedules

Part VI: Practice Notes

PRINCIPAL ADVISER GUIDELINES

Chapter 1: General

Chapter 2: Eligibility to Act as Principal Advisers

Chapter 3: Additional Eligibility Criteria for Principal Advisers Submitting Specific Corporate Proposals

Schedules

GUIDELINES ON DUE DILIGENCE CONDUCT FOR CORPORATE PROPOSALS

Chapter 1: General

Chapter 2: Definitions

Chapter 3: Mandatory Obligations

Chapter 4: Best Practices

Appendix

PROSPECTUS GUIDELINES

Part I General Requirements

Chapter 1 : General

Chapter 2 : Definitions and Interpretation

Part II Contents of Prospectus

Division 1 : Equity

Chapter 1 : Introduction

Chapter 2 : Prospectus Summary

Chapter 3 : Details of Offering

Chapter 4 : Information on Promoters, Substantial Shareholders, Directors, Key Senior Management and Key Technical Personnel

- Chapter 5 : Information on the Corporation
- Chapter 6 : Risk Factors
- Chapter 7 : Related Party Transactions
- Chapter 8 : Conflict of Interest
- Chapter 9 : Financial Information
- Chapter 10 : Reports by the Reporting Accountants
- Chapter 11 : Expert's Reports
- Chapter 12 : Additional Information
- Chapter 13 : Documents Available for Inspection
- Chapter 14 : Application for Shares
- Chapter 15 : Specific Requirements for an Infrastructure Project Corporation
- Chapter 16 : Specific Requirements for a Special Purpose Acquisition Company
- Chapter 17 : Specific Requirements for a Corporation with MOG Exploration or Extraction Assets

Division 2 : Debenture and Sukuk

- Chapter 1 : General
- Chapter 2 : Cover Page
- Chapter 3 : Inside Cover/First Page
- Chapter 4 : Time Table/Definitions/Table of Contents/Corporate Directory
- Chapter 5 : Principal Terms and Conditions of the Debenture/Sukuk
- Chapter 6 : Risk Factors
- Chapter 7 : Information About Issuer/Substantial Shareholders/Directors/Key Management Personnel/Guarantor
- Chapter 8 : Financial Information
- Chapter 9 : Related-party Transactions/Conflict of Interest
- Chapter 10 : Rights of Holders of Debenture/Sukuk
- Chapter 11 : Information Relating to Bond/Sukuk Trustee and Trust Deed
- Chapter 12 : Expert's Reports
- Chapter 13 : Directors Report
- Chapter 14 : Consents
- Chapter 15 : Documents Available for Inspection
- Chapter 16 : Application for Debenture/Sukuk

Division 3 : Structured Warrant

- Chapter 1 : General

- Chapter 2 : Front Cover
- Chapter 3 : Inside Cover/First Page
- Chapter 4 : Time Table/Definitions/Table of Contents/Corporate Directory
- Chapter 5 : Details of Structured Warrants Offering
- Chapter 6 : Risk Factors
- Chapter 7 : Approvals and Conditions
- Chapter 8 : Experts' Statements/Reports
- Chapter 9 : Directors' Report
- Chapter 10 : Consents
- Chapter 11 : Documents Available for Inspection
- Chapter 12 : Application for Structured Warrants

Division 5 : Abridged Prospectus

- Chapter 1 : General
 - Chapter 2 : Cover Page
 - Chapter 3 : Inside Cover/First Page
 - Chapter 4 : Definitions/Table of Contents/Corporate Directory
 - Chapter 5 : Details of Rights Issue
 - Chapter 6 : Excess Applications
 - Chapter 7 : Purpose of Rights Issue and Utilisation of Proceeds
 - Chapter 8 : Risk Factors
 - Chapter 9 : Financial Effects of Rights Issue
 - Chapter 10 : Future Prospects
 - Chapter 11 : Working Capital, Borrowings, Contingent Liabilities and Material Commitments
 - Chapter 12 : Shareholder's Undertakings and Underwriting Arrangements
 - Chapter 13 : Specific Classes of Securities (if applicable)
 - Chapter 14 : Application for Securities
- Appendices

Division 6 : Supplementary and Replacement Prospectus

- Chapter 1 : General
- Chapter 2 : Contents of a Supplementary Prospectus
- Chapter 3 : Contents of a Replacement Prospectus

Part III Procedures for Registration

- Chapter 1 : Prospectus under Division 1, 1A of Part II
- Chapter 2 : Prospectus under Division 2 and 2A of Part II
- Chapter 3 : Prospectus under Division 3 of Part II (Structured Warrants)
- Chapter 5 : Prospectus under Division 5 of Part II (Abridged Prospectus)
- Appendices

Part IV Prospectus Related Guidelines

- Division 1 : Plain Language Guide for Prospectuses
- Division 2 : Electronic Prospectuses and Application Guidelines
- Division 3 : Advertising Guidelines
- Appendices

SECTION 2

ASSET VALUATION GUIDELINES

Chapter 3: Appointment of Valuer

- Right of Appointment
- Eligibility Requirements for Firm
- General and Continuing Obligations
- Independence of Valuer
- Conflict of Interest
- Professional Duty
- Declaration

Chapter 4: Valuation

- Basis of Valuation
- Use of Assumptions
- Breaches of Relevant Laws and Regulations
- Valuation Approach and Methods of Valuation
- Comparison Approach
- Cost Approach
- Income Capitalisation Approach

Chapter 7: Requirements for Valuation of Specific Property Assets

- Part A: Valuation of Plant, Machinery and Equipment

Part B: Valuation of Development Property

Part C: Valuation of Joint Venture Interests

Part D: Forest Assessment Report

Chapter 8: Submission of Report

Procedures in Submitting Valuation Report

Valuation Report Checklist

Content of Submission of Valuation Reports for Property Assets

Fees and Charges

Schedules

GUIDELINES ON ISSUANCE OF CORPORATE BONDS AND SUKUK TO RETAIL INVESTORS

Part A: General

Chapter 1: Introduction

Chapter 2: Definitions

Chapter 3: Responsible Party

Part B: Requirements for an Issuance of Private Debt Securities or Sukuk

Chapter 4: Eligibility

Chapter 5: Rating Requirements

Chapter 6: Trustee and Trust Deed Requirements

Chapter 7: Implementation Time Frame

Chapter 8: Utilisation of Proceeds

Chapter 9: Mode of issuance

Chapter 10: Other Regulatory Approvals and Compliance with Relevant Laws and Guidelines

Part C: Approval for an Issuance of Private Debt Securities or Sukuk

Chapter 11: Approval

Chapter 12; Continuous Disclosure Obligations

Chapter 13: Revision to Principal Terms and Conditions

Chapter 14: Submission to the SC

Part D: Additional Shariah Requirements for Sukuk

Chapter 15: Roles and Responsibilities of Shariah Adviser

Chapter 16: Compliance with Shariah Rulings, Principles and Concepts

- Chapter 17: General Shariah Rulings Applicable to Sukuk
- Chapter 18: Shariah Rulings Applicable to Specific Types of Sukuk
- Chapter 19: Revision to Terms and Conditions of Sukuk

Part E: Requirements for an Issuance of Sustainable and Responsible Investment Sukuk

- Chapter 20: Sustainable and Responsible Investment Sukuk

- Part F : Requirements for an Issuance of ASEAN Green Bonds and Sukuk**
- Chapter 21 : ASEAN Green Bonds and Sukuk

Appendices

GUIDELINES ON UNLISTED CAPITAL MARKET PRODUCTS UNDER THE LODGE AND LAUNCH FRAMEWORK

Section A: General Requirements

- Chapter 1: Introduction
- Chapter 2: Definitions
- Chapter 3: Responsible Party

Section B: Specific Requirements

Part 2: Structured Products

- Chapter 1: General
 - Chapter 2: Structure
 - Chapter 3: Lodgement
 - Chapter 4: Continuous Obligations
 - Chapter 5: Revision
- Appendix

Part 3: Corporate Bonds and Sukuk

- Chapter 1: General
- Chapter 2: Structure
- Chapter 3: Specific Requirements Applicable to Foreign Currency-denominated Corporate Bonds or Sukuk and NIDs or INIDs
- Chapter 4: Lodgement
- Chapter 5: Continuous Obligations
- Chapter 6: Revision

Chapter 7: Sustainable and Responsible Investment (SRI) Sukuk

Chapter 8: ASEAN Green Bonds and Sukuk

Appendices

Part 4: Asset-Backed Securities

Chapter 1: General

Chapter 2: Structure

Chapter 3: Lodgement

Chapter 4: Continuous Obligations on Primary Collateralised Loan Obligations (CLO)
Transactions

Appendices

Section C: Additional Requirements for Shariah-Compliant Unlisted Capital Market Products Under the Lodge and Launch Framework

Chapter 1: Approved Shariah Principles and Concepts for Shariah-Compliant Unlisted Capital Market Products Under the Lodge and Launch Framework

Chapter 2: Roles and Responsibilities of Shariah Adviser

Chapter 3: Compliance with Shariah Rulings, Principles and Concepts

Chapter 4: General Shariah Rulings Applicable to Ringgit-Denominated Sukuk

Chapter 5: Shariah Rulings Applicable to Specific Types of Ringgit-Denominated Sukuk

Chapter 6: Revision to Terms and Conditions of Ringgit-Denominated Sukuk

Section D: Transitional Provisions

Chapter 1: General

Chapter 3: Structured Products

Chapter 4: Corporate Bonds and Sukuk

Appendices

Lodgement Kit: Unlisted Capital Market Products under the Lodge and Launch Framework

Introduction

Part 2: Structured Products

Section 1: Lodgement Form - Structured Product Programme

Section 2: Pre-issuance Notification - Structured Product Series under a Structured Product Programme

Section 3: Monthly Post-Issuance Report

Part 3: Corporate Bonds and Sukuk

- Section 1: Lodgement Form for Corporate Bonds or Sukuk
- Section 2: Post-issuance Notice for Corporate Bonds or Sukuk
- Section 3: Lodgement Form for Foreign Currency-Denominated Corporate Bonds or Sukuk Through a Roadshow
- Section 4: Post-Issuance Notice for Foreign Currency-Denominated Corporate Bonds Or Sukuk Through A Roadshow
- Section 5: Lodgement Form for Negotiable Instruments of Deposit (NIDs) or Islamic Negotiable Instruments of Deposit Programme (INIDs)
- Section 6: Post-Issuance Notice for NIDs or INIDs IProgramme
- Section 7: Information and Documents To Be Submitted To The SC For Post-Issuance Revision

Part 4: Asset-Backed Securities

- Section 1: Lodgement Form for ABS

ISSUER ELIGIBILITY GUIDELINES - STRUCTURED WARRANTS

- 1.0 General
- 2.0 Eligible Issuers of Structured Warrants
- 3.0 Requirements on Issuers
- 4.0 Supervisory Action
- 5.0 Submission of Declaration

Schedules

Appendix

SAMPLE QUESTIONS AND ANSWERS

Sample Question 1

Issuance of Islamic Securities involving a partnership arrangement between two or more parties to finance a business venture whereby all parties contribute capital either in the form of cash or in kind for the purpose of financing the business venture. Any profit derived from the venture will be distributed based on a preagreed profit sharing ratio, but a loss will be shared on the basis of capital contribution.

The above describes the Islamic principle of:

- | | |
|----------------|---------------|
| (A) Musharakah | (C) Murabahah |
| (B) Mudharabah | (D) Istisna' |

Sample Question 2

In relation to the right of appointment of principal advisers, what are the rights reserved for the Securities Commission?

- (i) Right to request for the appointment of an independent adviser
- (ii) Right not to allow submissions by the principal adviser in cases where the Securities Commission considers the principal adviser to be incapable of giving impartial advice
- (iii) Right to decline submissions of the principal adviser where the principal adviser has an interest in the outcome of the proposal
- (iv) Right to appoint a new principal adviser in place of the existing principal adviser

- | | |
|------------------------------|-------------------------------|
| (A) (i) and (iv) only | (C) (ii), (iii) and (iv) only |
| (B) (i), (ii) and (iii) only | (D) All of the above |

Answers

Sample Question 1 - A

Sample Question 2 - B