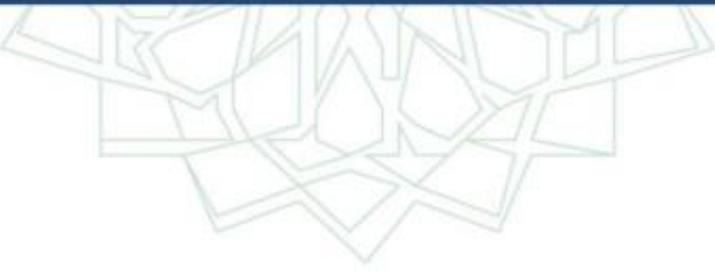




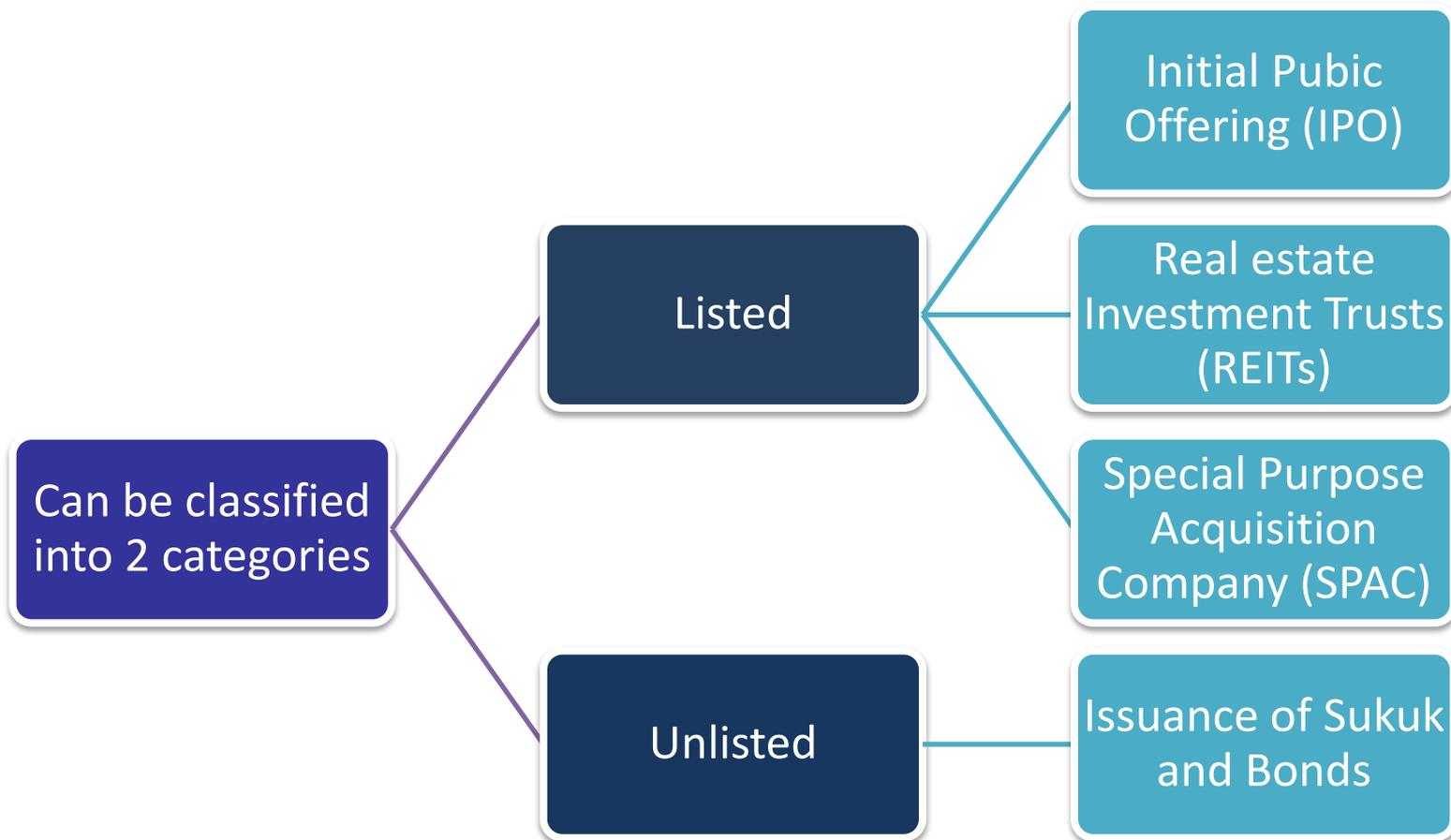
# Real Estate Development: Role of Malaysia's Capital Market



**Presentation at 4<sup>th</sup> COMCEC Capital Markets Regulators Forum Meeting**  
Istanbul, Turkey

19 November 2015

# Real Estate Development Through Capital Market Financing



## Listed: IPO & REITs

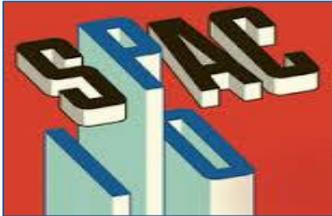


- IPO proceeds can be used to fund the cost of developing real estate projects
- IPO is listed on Bursa Malaysia. To be listed the companies, among others:
  - ✓ must fulfil requirements as stipulated under relevant regulations and guidelines by Bursa Malaysia
  - ✓ must also apply for SC Malaysia's approval and IPO guidelines on listing of property development companies, the Capital Market and Services Law.
  - ✓ a prospectus issued in conjunction with the listing, must also be registered with the SC Malaysia.



- Through REITs framework, REIT managers monetised their commercial property assets
- The money pooled by REIT managers from REITs investors can be used to buy larger units and more marketable property in different locations
- REITs are traded in Bursa Malaysia
  - ✓ as at June 2015, there are 16 listed REITs (including 3 Islamic REITs)
- The issuance of Islamic REITs Guidelines in 2005 paved way for the establishment of world first Islamic REITS in 2006 i.e. Al Aqar KPJ REIT (invested in hospitals)
- Latest innovation in Islamic REITs is the listing of Islamic stapled securities in 2013 i.e. KLCCP Stapled

## Listed: SPAC



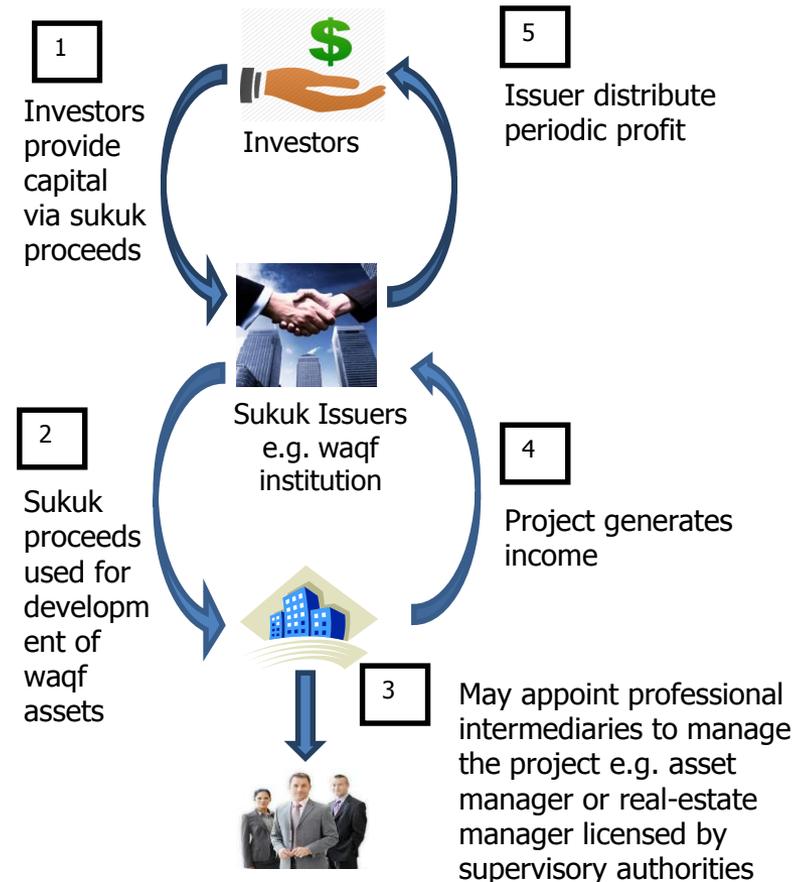
- A SPAC is basically a shell company that has no operations but goes public with the intention of merging with or acquiring operating companies or businesses with its IPO proceeds. Under the Equity Guidelines of SC Malaysia, among others:
  - ✓ The SPAC may acquire a business that is domiciled locally or abroad. It must complete a qualifying acquisition within 36 months of its listing on Bursa Malaysia.
  - ✓ There is no limitation on the types of business sectors that a SPAC can undertake. However, it should not be acquiring a business purely for investment purposes; rather, it should acquire a sizeable business with a view that this would form its core business i.e. the business which provides the principal source of operating revenue or after-tax profits and which comprises the principal activity of the SPAC.
- As at end October 2015, there are 3 SPACs listed on Bursa Malaysia - all ventures into oil and gas sector

# Unlisted: Issuance of Sukuk and Bonds



- Sukuk and bonds can be used to raise capital for the development of real estate sector.
- The SC Malaysia regulates the issue and offer of corporate sukuk and bonds, which among others it: -
  - ✓ ensures that all submissions for the proposed issuance of sukuk and bonds are in compliance with the guidelines and practice notes;
  - ✓ ensure any issuance of sukuk are Shariah compliant and consistent with the Shariah principles as approved by the Shariah Advisory Council.
- In Malaysia, with successful implementation of a well-structured regulatory framework along with tax-exemptions benefits, sukuk could be one of the most preferred instruments to raise funds for real estate sector.
- Sukuk issuance can also help the development of waqf assets such as in Singapore (redevelopment of an old mosque in Bencoolen Street into commercial development comprising real estate) and Saudi Arabia (development of ZamZam Tower).

## Raising capital through sukuk issuance for the development of waqf assets for commercial real estate development



# Cross-border Listing of Real Estate Products

## Pre-condition for cross-border listing, among others:

- Capital Market Regulator
  - ✓ Disclosure framework consistent with IOSCO's International Disclosure Standards for:
    - (i) Cross-Border Offerings and Initial Listings by Foreign Issuers
    - (ii) Cross-Border Offerings and Listings of Debt Securities by Foreign Issuers
- Stock Exchanges
  - ✓ A member of World Federation of Exchanges
  - ✓ The foreign company to be listed must meet the same listing requirements as any other listed companies of the exchange, such as basic requirements for the share count, accounting policies, filing requirements for financial reports and company revenues

## Example of collaborative initiative among ASEAN countries

- Under ASEAN Capital Market Forum initiatives, the ASEAN Framework for cross-border offering of collective investment schemes (CIS) has been established in three ASEAN countries i.e. Malaysia, Thailand and Singapore.
- Within this framework, qualified fund managers in each country have the opportunity to offer their products directly to investors in the other two countries.



**Thank You**