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**New Initiatives in
the Malaysian
Capital Market
With a Focus on
LEAP and SPAC**

**Hon Wei Leow
Wee Yeap Lau**

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New Initiatives in the Malaysian Capital Market

“A vibrant capital market is important in developing a robust economy. Moreover, without exception, Bursa Malaysia plays a key role in this regard. Access to capital and funding is essential for the growth of businesses. However, the listing process has always been viewed as a daunting task by itself, more so for smaller firms. The introduction of the LEAP Market by Bursa ensured that the SME segment could also tap into the capital market. This excellent book by both authors will provide valuable insights into the role of the LEAP Market while identifying the challenges and opportunities for further development of the Malaysian capital market.” Once again, congratulations to both authors on this significant achievement.”

—Chong Jin Yoong, *CFA, President, CFA Society Malaysia, Managing Director, Ogos Learning Resources Sdn Bhd*

“The financial market has long waited for this publication on LEAP Market and SPAC. It is timely as the Capital Market Masterplan 3 (2021–2025) is currently being implemented. A closer exchange of ideas between policymakers, practitioners and academia will breed better policy measures for a vibrant financial market. I congratulate both authors for their endeavour in publishing such important topics for emerging markets like Malaysia.”

—Hooy Chee Wooi, *Ph.D., Professor of Finance, School of Management, Universiti Sains Malaysia, President, Malaysian Finance Association*

“Wee Yeap’s ‘New Initiatives in the Malaysian Capital Market’ is a comprehensive exploration of the LEAP and SPAC initiatives, shedding light on their impact and potential. From analysing historical developments to offering valuable insights, this book is an essential guide for market practitioners, regulators, and academics. His work significantly contributes to understanding Malaysia’s evolving financial landscape.”

—Ng Swee Kiang, *Head of Investment Education, EquitiesTracker Holdings Berhad*

“This authoritative piece of literature offers a nuanced and comprehensive exploration of the ever-evolving landscape redefining the Malaysian capital market. By thoroughly exploring the vast landscape of the LEAP Market and SPACs in Malaysia, this book brilliantly unveils the immense potential and profound influence of these innovations. I wholeheartedly endorse this book to the astute community of investors, dedicated practitioners in the industry, vigilant regulators

and visionary policymakers. It provides a holistic perspective of the transformative forces that are moulding the Malaysian capital market.”

—Royce Tan, *Associate Director, MIDF Research*

“This book is a remarkable guide that delves into the intricacies of the Malaysia capital market, with a particular focus on the LEAP and SPAC segments. It explains the concepts and provides invaluable insights for navigating the complexities of Malaysia’s capital markets. This book is an indispensable tool for anyone looking to gain a deep understanding of LEAP and SPAC in the Malaysian context.”

—Alan Lim Seong Chun, *CFA, Senior Equity Analyst, CFRA Research*

“Both authors have come out with a timely and interesting study on the LEAP and SPAC markets. Both are attempts to add vigour and activity to the capital market in Malaysia. The authors have carefully considered how SMEs can be encouraged and what must be done within the SME ecosystem to promote SME contribution to the market. Attention is correctly drawn to a range of variables, including capital utilisation and behavioural aspects such as heuristic representation. The analysis raises fundamental questions such as the possibly restrictive role of limiting the definition of sophisticated investors, whether the class of investors should be wider, and what can be done to reduce the risk perception that participating SMEs carry. This is surely a book that those interested in Malaysia’s capital market development should peruse.”

—Dr. Shankaran Nambiar, *Head of Research, Malaysian Institute of Economic Research (MIER)*

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FOREWORD

Stock markets have become central to the evolution of capitalism as economic agents, drawing capital raised from individuals or from groups to support firms' activities. While individual and group interests pervade the functioning of most listed companies, the governance of these companies is often defined by institutions laid out to ensure their smooth operations are targeted at the interests of shareholders, as well as stakeholders. The rules in place often seek to prevent runs and corrupt practices, which can arise from agency problems when the board of directors pursue interests against those of the shareholders and when the board of directors seek to violate regulations protecting stakeholders, including customers and unions.

This book provides a historical account of the formation and development of the stock market in Malaysia with the different types of listings and promotions by the Securities Commission of Malaysia, including its accreditation as a Sharia-compliant organization in 2019. Although the book does not delve into the corporate governance issues associated with listed companies, it is a book that offers arguably the best details on the development and functioning of the LEAP Market and SPACs in Malaysia, including the issues and challenges faced by these new market platforms.

The rich history and definitions provided and the growth details offered make the book a must-read for business people, government officials, and financial and corporate analysts to use as an essential companion

on their shelves that they should constantly consult to comprehend several aspects of stock markets in Malaysia. In that sense, the book fills a void in the literature on the growth and workings of Malaysia's capital markets.

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of Economics
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PREFACE

The idea of writing the book was conceived when GRAB Holdings Limited took the headline when it was listed on NASDAQ on 2 December 2021. Prior to the eventful listing, GRAB went through a merger with special purpose acquisition company (SPAC) Altimeter Growth Corp, securing a valuation of nearly \$40 billion to close the SPAC merger and en route for the listing on NASDAQ.

The word SPAC soon became a keyword in news portals and an instant hit in internet searches. Many could not believe that a small start-up with a humble beginning could make it that far into the global market. Could it be the founders' dream that drove the company? Or did the right platform and infrastructure make it possible? Or is it the new form of financial initiatives like SPAC that make it possible?

This book explores the theme of new initiatives in the Malaysian capital market, focussing on the LEAP Market and SPAC. Both new initiatives of raising capital in financial markets bring new expectations to the various stakeholders. To an extent, the LEAP Market and SPAC are successful as they create value by generating economic activities, raising new capital, and bringing up the stock exchange market capitalization. Both initiatives also create new knowledge and instil a culture of good governance in the newly listed governance.

LEAP, launched by Bursa Malaysia in July 2017, aims to provide a new financing platform for Small and Medium Enterprises (SMEs). With only two IPO listings by the end of 2017, the new platform has grown, with

52 IPOs by the end of 2022. Five firms have opted to withdraw from the LEAP market as they could not be transferred to the ACE Market despite being listed for a few years.

This book first provides an overview of the historical development of the IPO market in Bursa Malaysia. Then, it discusses the inception of the Leading Entrepreneur Accelerator Platform (LEAP) Market, its value proposition, governance, performance, issues, and strength. It also compares the LEAP Market with the Main and ACE Markets. Empirical work on placement shares of LEAP Market IPO has been discussed in the subsequent chapter.

While attempting to find a market with a similar concept, we found the dynamic Korea New Exchange (KONEX) that has transformed itself through many reformations from the financial regulators, stock exchange, and financial community. The chapter draws on the experience of the Korea New Exchange (KONEX). It discusses various aspects of development for the past 10 years. LEAP Market can emulate the success of KONEX as it has 129 firms listed at this moment, and 70 firms have been elevated to the KOSDAQ Stock Exchange for the 10 years since its inception in July 2013. We hope the LEAP Market will be the choice of SMEs in Malaysia.

Secondly, this book discusses the inception of a Special Purpose Acquisition Company (SPAC). As early as 2011, Malaysia became the pioneer in ASEAN when the Securities Commission approved Special Purpose Acquisition Companies' Initial Public Offerings (SPAC IPO). As an alternate form of IPO, SPAC offers investment opportunities similar to venture capital with protection on the downside with an IPO trust. It started with high hopes, but only five SPAC IPOs have been listed thus far in the Malaysian stock market.

The chapter discusses SPAC's features, volumes, risks, issues, strength, life cycle, and time frame of SPAC IPO. This chapter also offers case studies of the four firms listed under SPAC IPO.

This book is an interesting compilation of facts, analysis, and insights from these new market initiatives. It will provide a reference for the financial market industry, regulators, market practitioners, analysts, researchers, government authorities, and universities. It is hoped this book will spur interest in more discussion and research among the financial fraternity and academia.

There is no doubt that the new initiatives by Bursa Malaysia to launch the LEAP Market and SPAC have elevated the standing of the stock

exchange in recent years. We hope that modifications and continuous improvement or “Kaizen” can be made in various aspects so that more firms will come forward to list LEAP Market and SPAC IPOs.

Like anything else, a financial infrastructure or product needs refinement and improvement to stay relevant in the market. The evolution of creating new platforms needs constant improvement and assessment of the direction of how to make things improve, or else the excitement of early year success will come to a decline.

We thank Chan Yoon Sang and Kashveena Mahendran from Bursa Malaysia for their kind assistance during the information-gathering process. We also thank Distinguished Professor Rajah Rasiah, the Executive Director of Asia-Europe Institute, for his kind foreword to this book. Lastly, we thank Professor Yusniza Kamarulzaman, Dean of the Faculty of Business and Economics, former Deans, Professor Edmund Terence Gomez, Professor Che Ruhana Isa, and colleagues of the Department of Decision Science, Faculty of Business and Economics, Universiti Malaya, for their encouragement.

Kuala Lumpur, Malaysia

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