Norges Bank Investment Management

Securities Commission Malaysia
No. 3 Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur
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Date: 16.12.25

Consultation on proposed Market Segmentation Review.

Norges Bank Investment Management (NBIM) welcomes the opportunity to respond to the Securities Commission Malaysia's (SCM) Public Consultation Paper No. 4/2025 on the Market Segmentation Review.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank and is responsible for investing the Norwegian Government Pension Fund Global. NBIM is a globally diversified investment manager with MYR 8.16 trillion invested in 68 countries as of 30 June 2025, of which MYR 10.66 billion was invested in the shares of 209 Bursa Malaysia-listed companies.

As a long-term, global institutional investor, we have a strong interest in the development of well-functioning, transparent and efficient capital markets worldwide. In Malaysia, our investments are concentrated exclusively in the MAIN Market. We do not invest in ACE Market or LEAP Market securities. Accordingly, this response addresses only the proposals relating to the MAIN Market, specifically Questions 1 through 5.

We commend SCM for undertaking this timely review of the effectiveness of Malaysia's public market segments. We share SCM's objective of ensuring that the MAIN Market remains a premier board for established corporations that demonstrate strong fundamentals, while also adapting the listing framework to accommodate evolving business models in the modern economy. A well-structured public market with clearly defined segments is essential for enabling investors to make informed decisions based on clear understanding of the types of corporations in which they are investing. It is essential that listing frameworks remain fit for purpose, appropriately calibrated to market realities, and supportive of both issuer access and investor protection. We therefore welcome these measures to grow and further strengthen Malaysian capital markets.

We thank you for considering our perspective and remain at your disposal should you wish to discuss these matters further.

Yours sincerely

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Annex – NBIM responses to relevant questions

Question 1(a): Do you agree that the current level of after-tax profit under the Profit Requirements should increase for applicants seeking to list on the MAIN Market via the profit test? Please provide reasons for your answer.

As a long-term institutional investor, we support SCM's efforts to enhance the quality of listings on the MAIN Market by raising the minimum profit thresholds. This proposal serves several important objectives that align with investor interests.

Preserving market quality and investor confidence: Profit Requirements act as a barometer of an issuer's financial strength and likely future performance. Higher minimum thresholds help maintain listing quality and reinforce the MAIN Market's position as the premier venue for established corporations. This clarity is particularly valuable for international institutional investors who depend on well-defined market segments to inform investment decisions and risk assessments.

Reflecting current market conditions: We note that the current thresholds have remained unchanged since the 2009 board consolidation. SCM's analysis shows that average market capitalisation of small-cap MAIN Market issuers at listing has doubled since 2010, with reported profits substantially exceeding current minimums. We agree that updating these thresholds is warranted to maintain the integrity and attractiveness of the MAIN Market.

Strengthening market segment differentiation: We note with concern that 54% of ACE Market IPO issuers from 2018 to 2024 met MAIN market eligibility criteria at submission, with six recording market capitalisation above RM500 million. This overlap can obscure the distinct investment propositions and risk profiles of each market. Raising profit thresholds will sharpen this distinction, helping investors to better differentiate between market segments.

Alignment with regional standards: Exchanges across the region apply varying profit thresholds suited to their market contexts. Malaysia's proposed requirements would position its MAIN Market appropriately within this regional framework. We note that Malaysia's circumstances differ from markets that have recently lowered thresholds: SCM's analysis demonstrates that current thresholds are readily met and significant overlap exists between market segments, supporting the case for higher requirements.

Question 1(b): If you agree with Question 1(a), do you also agree with our proposal to increase the minimum aggregate after-tax profit to RM30 million based on the past three (3) full financial years only and the minimum after-tax profit of the most recent financial year to RM15 million? If not, please provide your reasons, and indicate what alternative thresholds may be more appropriate for either the aggregate after-tax profit or most recent after-tax profit, along with any supporting evidence.

While we strongly support raising profit thresholds to enhance market quality, we are not in a position to comment on whether the specific amounts proposed (RM30 million aggregate and RM15 million most recent year) represent optimal thresholds for the Malaysian market.

SCM is best placed to determine the appropriate quantum, given its deep understanding of the Malaysian market, comprehensive data on the issuer profile and performance across market segments, and ongoing engagement with market participants. We note that SCM's detailed analysis of IPO applications from 2018 to 2024 indicates that only 5% of MAIN Market IPO applications would have been affected.

We are confident that SCM will set thresholds that appropriately balance maintaining high listing standards with ensuring continued market access for deserving corporations. We agree with SCM that the capital raising ecosystem remains inclusive as corporations not meeting enhanced MAIN Market requirements would retain access to public market through the ACE Market.

Question 2: Do you agree with our proposal to reduce the profit track record from three (3) to five (5) full financial years to just three (3) full financial years preceding submission to the SC under the Profit Requirements? Please provide reasons for your answer.

We support standardising the profit track record period at three full financial years. This change offers several benefits.

Facilitating access for high-growth companies: A shorter, standardised three-year period provides greater flexibility for high-growth and new economy companies. Many innovative companies, particularly in technology and digital sectors, may demonstrate strong financial performance over three years but lack the longer operating history that a five-year requirement would demand. This approach appropriately balances the need for demonstrated financial performance with the commercial realities of newer business models.

We note that this approach is consistent with regional trends toward accommodating newer companies with strong growth potential particularly in emerging industries. SGX RegCo, for example, has recently reduced the minimum operating record requirement for life sciences companies from three years to two years, subject to other conditions. While Malaysia's proposed three-year requirement is more conservative, this is appropriate given the broader scope of industries seeking listing on the MAIN Market and the concurrent proposal to increase profit thresholds.

Adequate safeguard and regulatory consistency: A three-year track record remains meaningful for assessing financial performance and business sustainability. This period aligns with requirements for ACE Market to MAIN Market listing transfers, enhancing regulatory consistency. Combined with increased profit thresholds, three years provides sufficient basis for evaluating an issuer's track record while accommodating legitimate commercial considerations.

Q3: Do you agree with our proposal to remove the ‘uninterrupted’ profit requirement under the increased Profit Requirements over the track record period of three (3) full financial years prior to submission to the SC? Please provide reasons for your answer.

We agree with SCM's proposal to remove the requirement for uninterrupted profits over the 3-year track record period, subject to the safeguard that the accountant’s report must not contain any modified opinion. This change reflects a more nuanced and realistic approach to assessing issuer quality.

Accommodating cyclical industries: Removing this requirement provides appropriate flexibility for industries that experience cyclical performance due to external factors. A temporary profit dip resulting from macroeconomic conditions, commodity price fluctuations, or other factors beyond management's control does not necessarily indicate weak fundamentals. Requiring strict profit continuity could inadvertently exclude sound corporations operating in cyclical sectors.

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Alignment with international practice: This approach aligns with other regional main markets that focus on profitability thresholds rather than strict profit continuity. SCM's maintenance of a 3-year minimum aggregate after-tax profit provides investors with confidence and we support this higher threshold compared with the 2-year aggregate or single latest-year minimums applied by regional peers.

Regulatory consistency: This change would align IPO eligibility criteria with existing requirements under the Equity Guidelines for ACE Market to MAIN Market transfers, where flexibility on uninterrupted profits is already accorded. Consistent treatment across different application types promotes regulatory clarity and reduces unnecessary complexity.

Question 4(a): Do you agree with our proposal that the audited financial statements must not contain any modified opinion for applicants seeking to list on the MAIN Market via the profit test route? Please provide reasons for your answer.

We strongly support the requirement that audited financial statements contain no modified opinion for applicants seeking MAIN Market listing through the profit test route. This proposal is fundamental to ensure reliable and high-integrity financial disclosures.

Ensuring reliable financial information: The audit opinion is a critical assurance mechanism that gives investors confidence in an issuer's financial statements. A modified opinion - whether qualified, adverse, or a disclaimer - indicates matters that could significantly affect investors' understanding of the issuer's financial position. Requiring an unmodified opinion ensures issuers meet baseline standards of financial reporting integrity.

Investor protection: Investors rely heavily on audited financial statements when making investment decisions, particularly at IPO when other information sources may be limited. Requiring an unmodified audit opinion provides an important safeguard that financial disclosures are free from matters affecting investor decision-making and that no material financial or going concern issues exist at listing.

Codifying existing practice: We note that SCM's analysis of MAIN Market IPO applications from 2018 to 2024 found no applicants with modified audit opinions. This indicates the proposal formalises existing market practice and is not expected to materially impact the pool of prospective issuers. Codifying this expectation provides clarity and establishes a consistent standard.

Question 4(b): If you agree with Question 4(a), do you also agree with our proposal that the audited financial statements must not contain any modified opinion in respect of the profit track record period for three (3) full financial years? If not, please provide your reasons, and indicate what alternative period may be more appropriate.

We support applying the unmodified audit opinion requirement across the full three-year track record period. This ensures that financial performance data used to assess eligibility under the profit test is reliable throughout the relevant period, not merely in the most recent year. Given that the profit test requires assessment of aggregate profits over the track record period, it is appropriate that financial statements for all years within that period meet the same standard of audit assurance.

Question 4(c): If you agree with Question 4(a), do you also agree that our proposal should extend to an applicant seeking listing via the market capitalisation test route in respect of the most recent financial year and transfer of listing from the ACE Market to the MAIN Market? Please provide reasons for your answer.

We support extending the unmodified audit opinion requirement to applicants under the market capitalisation test route (for the most recent financial year) and to transfers from the ACE Market to the

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MAIN Market. Consistent financial reporting standards across all entry routes to the MAIN Market ensures a level playing field regardless of admission route, maintains the MAIN market's integrity and reputation, and provides investors with consistent assurance regarding disclosure quality across all MAIN Market listed corporations.

We note that in its October 2025 reforms to the SGX-ST Mainboard Rules, SGX RegCo implemented a new requirement that audited financial statements submitted by a listing applicant with its application must not be subject to an adverse opinion, qualified opinion, or disclaimer of opinion by the auditors. We encourage regional convergence on critical audit matters in listing requirements.

Question 5: Do you agree with our proposal that positive cash flow from operating activities should be regarded as a factor of consideration for healthy financial position, rather than a mandatory requirement over the profit track record period under the profit test route or most recent financial year under the market capitalisation test route? Please provide reasons for your answer.

We support SCM's proposal to treat positive operating cash flow as a factor for consideration rather than a mandatory pass/fail requirement. This change appropriately modernises the listing framework to accommodate evolving business models.

Accommodating high-growth and new economy business models: A rigid operating cash flow requirement may inadvertently exclude corporations with high growth potential, particularly in technology and digital sectors. Some high-growth companies may demonstrate strong revenue growth and profitability while having negative operating cash flows due to substantial growth investments, working capital requirements from rapid expansion, or timing differences in collections and payments that are characteristic of their business models.

Reducing reliance on case-by-case exemptions: SCM has historically granted reliefs on a case-by-case basis, recognising industry-specific characteristics or temporary fluctuations. A principles-based approach that considers operating cash flow as one factor among several in assessing financial health is more appropriate and provides greater certainty for issuers than reliance on regulatory exemptions.

Maintaining appropriate safeguards: The proposal maintains robust investor safeguards. Issuers would still need to demonstrate a healthy financial position, including having sufficient working capital to cover at least 12 months (or 18 months for mineral, oil and gas corporations) from the prospectus date. Operating cash flow would remain a key consideration in assessing financial health, ensuring SCM retains the ability to evaluate this factor in context.

Regional alignment and market competitiveness: This approach aligns Malaysia's listing framework with other regional exchanges. Singapore's Mainboard Rule 210(4)(a) embodies a similar approach, treating operating cash flow as a factor in assessing financial health rather than an absolute prerequisite. Ensuring the regulatory framework does not inadvertently exclude high-quality issuers with strong growth prospects supports the continued development and competitiveness of the Malaysian capital market.

We confirm that this response may be made public by the Securities Commission Malaysia.