

Edge Weekly

Corporate finance advisers seek bigger role in IPO market

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WITH 15 years of experience in the industry, corporate finance advisers (CFAs) are now ready to take on a bigger role in the initial public offering space.

Even though CFAs are licensed by the Securities Commission Malaysia, they are only allowed to act as principal advisers for IPOs on the Leading Entrepreneur Accelerator Platform (LEAP) Market — subject to approval from Bursa Malaysia — and not for those on the Main Market or ACE Market.

Then, in May this year, five industry veterans — Datuk Wan Asmadi Wan Ahmad, Datuk Siow Kim Lun, Datin Wong Muh Rong, Wong Yoke Nyen and Datuk Feizal Mustapha — conceived the idea to set up an association for the CFAs, named the Association of Corporate Finance Advisers (ACFA).

Wan Asmadi is the managing principal of DWA Advisory Sdn Bhd while Siow is the chairman of MainStreet Advisers Sdn Bhd and Muh Rong is the founding managing director of Astramina Advisory Sdn Bhd. Yoke Nyen is the managing director of Wyncorp Advisory Sdn Bhd while Feizal is the chairman and executive director of advisory at BDO Malaysia.

The key objective of the formation of ACFA is to promote the spirit of working together among the various corporate finance advisory firms that are licensed under the Capital Markets and Services Act 2007 (CMSA) in contributing towards the development of the Malaysian capital market.

According to Wan Asmadi, who is the chairman of ACFA, by the collective effort of the more than 40 CFAs in Malaysia, each will be able to play a part in creating a more vibrant industry landscape for its professionals.

“The association intends to act as a platform to better organise the licensed CFAs as a professional fraternity, to facilitate more effective communication between the CFAs and regulatory authorities and possibly create an opportunity to take on greater roles within the capital market,” he tells The Edge in an exclusive interview.

Wan Asmadi says the roles of CFAs prior to the formation of the LEAP Market were mainly to provide support in equity transactions and other relevant services.

“We are much behind our peers in other markets in the region, including Thailand, Singapore and Hong Kong, in terms of their contribution and significance to the overall capital market. Thus, ACFA has been established to ensure that the Malaysian capital market is on a par with international standards and to enhance the market’s competitiveness and attractiveness as the preferred destination for listings and fundraising.”

ACFA secretary Muh Rong opines that over the past 10 years, homegrown CFAs have been slowly establishing their credentials. Now, it is about time for them to come together and voice their views collectively to the regulators, she adds.

“We have done some work. We have established ourselves, and we have proved that boutique firms can survive. Now, give us more chance to see how we can contribute further to developing the capital market.”

Malaysian CFAs wish to compete on a level playing field with investment banks (IBs) and stockbrokers in the country, in line with global trends, Muh Rong

stresses.

“If you look at Singapore, Hong Kong, the UK, the US and Australia, they all have their own financial advisory firms, which are allowed to do much more work than what we are allowed to do here in Malaysia. Thus, it is timely for us to form an association to speak as one to the relevant parties and be heard — that we want to do more.”

For perspective, based on information available on the SC’s website, there are about 70 holders of Capital Markets Services Licence, of which only 15 are approved principal advisers and sponsors — comprising exclusively IBs and universal stockbroking companies — that are allowed to submit listing applications for the Main Market and ACE Market.

This is significantly lower than the figures in other places such as Hong Kong, the UK, Singapore and Thailand (see Table 1).

Yoke Nyen, who is the treasurer of ACFA, highlights that in the UK, financial advisers who are governed and approved by the Financial Conduct Authority can be the sponsors for companies listing on all markets of the London Stock Exchange. “The situation is similar in Hong Kong, Thailand and Singapore.”

He says eligible CFAs are welcome to join ACFA and play a greater role in the industry. This is timely with the availability of enterprising and competent corporate finance talents in the maturing local capital market, he adds.

It is learnt that membership of ACFA is only open to non-bank-backed and non-stockbroking-backed corporate finance advisory firms licensed by the SC to carry out the business of advising on corporate finance, pursuant to the CMSA.

ACFA vice-chairman Feizal concedes that in Malaysia, the key players in the corporate finance landscape are still IBs, which have their own association called the Malaysian Investment Banking Association.

“IBs can provide fully fledged services for the Main Market, ACE Market and LEAP Market. Anything to do with these three markets, they can make submissions. The advantage of having an association is that, as a group, it becomes the representative voice, acting on behalf of its members,” he says.

The second set of players are stockbroking firms, which can also make submissions and act as principal advisers or sponsors. The universal brokers, 1+1

stockbroking companies, foreign stockbroking houses and standalone stockbroking firms have their own association — Association of Stockbroking Companies Malaysia.

The third set of players, says Feizal, are licensed CFAs.

“One fine day, five of us sat down and we said, ‘Let’s do something about ourselves!’ So, we decided to form ACFA. We had our first meeting on May 4 at La Bodega in Bangsar. We formally registered with the Registrar of Societies in July,” he recalls.

ACFA currently has 13 or 14 members, Feizal says, adding that the association has sent out letters to 36 non-bank-backed and non-stockbroking-backed boutique CFA firms.

“There are more than 70 licensed providers in Malaysia but only half of them meet our requirements. Those who are in our category, we have already invited them. Once we have sufficient members, we should be able to call for an AGM (annual general meeting) and then select the right committee members,” he explains.

Muh Rong says ACFA already has the key players in the market, while other potential members are progressively joining.

“The international accounting firms, including KPMG, Deloitte and PwC, generally take a longer time to get back to us. The key local firms such as BDO, UHY and Crowe Horwath have come back to us,” she says.

Meanwhile, Siow sees the potential for exponential growth of IPOs on the LEAP Market given the large base of small and medium enterprises (SMEs) in Malaysia.

“We are confident and optimistic that ACFA will be able to play a significant role as the voice of the industry in promoting the LEAP Market and ensuring its relevance and attractiveness.”

At the same time, ACFA will also be the additional voice to propel the Malaysian capital market to greater heights and to mobilise funds for Malaysian companies, says Siow.

“It is hoped that the regulatory authorities will provide a level playing field to licensed CFAs, in addition to IBs and universal stockbroking companies, to carry out fully fledged corporate proposal submission activities,” he adds.

When contacted by The Edge, Bursa says the stock exchange welcomes any suitably qualified advisers to act as listing advisers on all markets.

“We will work closely with the SC in ensuring that our regulatory framework is facilitative of capital market growth while providing the relevant safeguards towards ensuring adequate investor protection,” it says in an email reply.

Bursa says advisers play a crucial role in meeting this objective by ensuring that companies going for listing and seeking public funds meet the qualitative and quantitative admission criteria.

“With this in mind, the exchange is currently monitoring the quality and progress made by our corporate finance advisers based on the performance of their current advisory roles, including as approved advisers for the LEAP Market, before making any recommendation to the SC with a view to expand their role in the Malaysian capital markets,” it says.

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