

**Malaysia**

Kadir Andri &amp; Partners

**Regulating equity crowdfunding**

**O**n August 21 2014, the Securities Commission (SC) released a public consultation paper on a proposed regulatory framework for equity crowdfunding (ECF) as an alternative funding channel. After input from the public, the SC released the public response paper on September 25 2014, with certain revisions to the proposed framework.

Under the proposed framework, issuers must be locally incorporated private companies (other than exempt private companies). They are eligible to participate

in the ECF through a web-based ECF platform via a primary offering to retail, sophisticated and angel investors. They can raise up to RM3 million (\$842,000) within a 12-month period and a maximum of RM5 million. Sales of existing shares through the ECF

will not be permitted.

No investment limit will be imposed on sophisticated investors, but retail investors will only be allowed to invest up to RM5000 per issuer and up to RM50,000 in a 12-month period. Angel investors who are not sophisticated investors will be subject to the same limit per issuer but may invest up to RM500,000 in a 12-month period. The so-called all or nothing model will be adopted where an issuer will only be entitled to the proceeds raised on the ECF platform if the targeted investment amount has been raised.

To safeguard investors' interests, issuers must lodge a disclosure document with the ECF operator, setting out basic information about the issuer and the offering. A key feature of the proposed framework is a cooling-off period that enables investors to withdraw their investments within six business days. Investors will also be given the right to opt out of their investment within 14 days if a material adverse change occurs which affects the issuer or the project. Investors will be allowed to dispose of their shares through an ECF platform

during a two-week window in each six months in a year, to enhance the liquidity of unlisted shares acquired on the ECF platform.

We look forward to seeing how this innovative market-based financing takes off in Malaysia.

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