



MALAWI STOCK EXCHANGE

Guidelines to Listing on the MSE Alternative Capital Market - MSE ACM

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Section 16

MSE Alternative Capital Market

Scope of section

This section contains the requirements that must be satisfied by issuers wishing to apply for, or which have a listing on the MSE Alternative Capital Market. ("ACM")

The main headings of the section are:

- 16.1 General
- 16.2 Conditions for Listing - Suitability
- 16.3 Criteria
- 16.4 Publication
- 16.5 Corporate Governance
- 16.6 Public shareholders
- 16.7 Pre-Listing Statements
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- 16.10 Related Party Transactions
- 16.11 Appointment of a Sponsor
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- 16.13 Termination of a contract
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- 16.14 Application for transfer
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16.1 General

- (a) Issuers wishing to apply for, and those with a listing on MSE ACM must comply with the Listings Requirements, unless otherwise indicated in this section.
- (b) Prior to the submission of an application for the listing of a company on the MSE ACM the following procedure will apply:
 - (i) a memorandum giving a summary of the nature of the applicant, its modus operandi, its business plans and its prospects must be submitted to the Listings Committee, via a sponsoring broker; and
 - (ii) if this memorandum meets with the approval of the Listings Committee, it will be referred, together with such other documentation as may, in the absolute discretion of the Listings Committee, be deemed necessary, to the Committee for a decision in principle as to whether the Committee will consider, without commitment, a full application for a listing.
- (c) The Committee will not list securities held by the entrepreneurs in the MSE ACM Company amounting to 75% of their shareholding (as held immediately prior to any marketing of securities in conjunction with the application for listing) for a period of at least 2 years subsequent to a listing being granted for the balance of the securities

16.2 Suitability

- (a) MSE ACM is a market for small to medium companies that are in a growth phase. Applicants that meet the criteria for listing on the Main Board will not ordinarily be granted a listing on MSE ACM and the MSE reserves the right to request such applicants to route their applications to the Main Board ; and
- (b) When issuers with a listing on MSE ACM reach the stage that they comply with the criteria specified in Section 2, paragraph 2.35 of the MSE Listings Requirements they may transfer their listing to the Main Board.
- (c) The applicant must have, in the Committee's opinion, conducted adequate research into the management strength and commercial viability of the underlying venture;
- (d) The applicant must have drawn up an analysis of its prospects based on market segment growth, competitive analysis and market share. From this it should present a three year business plan with forecast balance sheets, profit and loss accounts and cash flows;

16.3 Criteria

In addition to the requirements of Section 2, paragraph 2.9 to 2.34, an issuer wishing to apply for a listing on MSE ACM must comply (and after the listing has been granted must comply, on a continuing basis) with the following requirements:

- (a) The applicant issuer must appoint a Sponsor and the terms of the appointment must be in accordance with Section 1 of the MSE Listings Requirements. In addition, other advisors such as reporting accountants, lawyers and merchant bankers may, at the sole discretion of the Committee, be necessary.
- (b) The applicant issuer must have minimum subscribed capital in issue, (including reserves but excluding minority interests, revaluations of assets that are not supported by a valuation by an independent professional expert acceptable to the Committee prepared within the last six months and intangible assets) of at least MWK50,000,000;
- (c) Not less than 10,000,000 equity shares in issue;
- (d) The applicant should submit a profit history for the immediate past one year. The applicant should also, in its analysis of future earnings, indicate credible returns on capital, which, on a time-weighted basis, are above average;
- (e) The public must hold a minimum of 20% of each class of equity shares;
- (f) The number of public shareholders shall be at least 100 for equity shares, 25 for preference shares and 10 for debentures;
- (g) The minimum initial issue price of equity shares shall not be less than 50 tambala per share;
- (h) The majority of the directors and managers have successful records of achievement in their respective roles;
- (i) The applicant must appoint an executive financial director and the Sponsor must be satisfied (and submit confirmation in writing to the MSE) that the financial director has the appropriate expertise and experience to fulfil his/her role; and
- (j) A minimum of five board directors with the majority being non-family members.

(k) Warning statements

The front cover of all documents (including announcements, circulars and annual reports) issued or published by the applicant issuer must contain an appropriate warning in bold relating to the risks of investing in the applicant issuer. This warning must include a statement that the MSE does not guarantee the viability or success of the applicant issuer. It must also include a statement relating to the importance of the Sponsor and that if the applicant issuer fails to retain a Sponsor, it faces suspension within the specified time and subsequent termination without the prospect of an appropriate offer to minorities.

(l) Share certificates shall be endorsed to the effect that securities are listed on the ACM.

16.4 Publication

Announcements must be published in English in the daily national English language newspapers. This is only a minimum and the MSE encourages voluntary publication in the press.

16.5 Corporate governance

All the provisions of the Listings Requirements relating to corporate governance are applicable. Issuers must however appoint an audit committee that must fulfil the role as set out in the Malawi Code of Best Practice. This committee must comprise the non-executive directors. The audit committee may not include any of the executive directors.

16.6 Public shareholders

In addition to the provisions of paragraphs 16.3 (e) any shareholding held beneficially, whether directly or indirectly by the Sponsor will not be regarded as being public.

16.7 Pre-listing statements

Issuers must comply with all the provisions of Section 6 of the MSE Listings Requirements.

16.8 Financial information

All the provisions of Section 5 of the MSE Listings Requirements are applicable with the exception that the period of the immediate past performance is one year instead of three years.

16.9 Transactions

Issuers must comply with all the provisions of Section 9 of the MSE Listings Requirements. Transactions will be categorised as defined in paragraph 9.5 of the MSE Listings requirements.

16.10 Related party transactions

Issuers must comply with all the provisions of Section 10 of the MSE Listings Requirements.

16.11 Appointment of a Sponsor

- (a) A new applicant seeking a listing of securities on MSE ACM must appoint a sponsor as a Designated Advisor in terms of a written contract and must ensure that it has a Sponsor at all times.
- (b) The Sponsor must comply with and is subject to all the provisions of the Listings Requirements.

16.12 Responsibilities

- (a) The Sponsor's role is of particular importance to the successful operation of MSE ACM since it is the requirement of the MSE that each issuer must, with the guidance and assistance of the Sponsor, comply with and discharge its responsibilities under the Listings Requirements. In this regard, the Sponsor is expected to advise the issuer on all of the issuer's responsibilities in a competent, professional and impartial manner.
- (b) The Sponsor must ensure at all times that neither its conduct nor its judgement impair the integrity and reputation of MSE ACM or the MSE.
- (c) The Sponsor must immediately inform the MSE in writing, if the issuer does not comply with the applicable regulation as defined in these Listings Requirements.
- (d) The Sponsor must, prior to listing, confirm in writing to the MSE that:
 - (i) all the documents required by the Listings Requirements have been so submitted;
 - (ii) it considers the new applicant to be suitable for listing on MSE ACM;
 - (iii) the new applicant complies with all of the conditions for listing set out in the Listings Requirements;
 - (iv) the pre-listing statement is in compliance with the Listings Requirements and that:
 - the information contained in the pre-listing statement is accurate and complete in all material respects and not false or misleading;
 - there are no other matters, the omission of which would make any statement in the pre-listing statement false or misleading;
 - statements of fact and opinion expressed by the directors in the pre-listing statement have been arrived at after due and careful consideration on the part of the directors and are founded on bases and assumptions that are fair and reasonable; and
 - the directors of the new applicant have made sufficient enquiries so as to enable them to give the confirmations set out in the "responsibility statement" contained in the pre-listing statement;
 - there are no matters other than those disclosed in the pre-listing statement or otherwise in writing to the MSE which should have been disclosed for the MSE to be able to consider the application for listing of the relevant securities; and
 - the Sponsor (or other advisors acceptable to the Sponsor) has explained to the directors of the new applicant the nature of their responsibilities under the Listings Requirements, the Companies Act, and the Sponsor has satisfied itself to the best of its knowledge and belief, having made due and careful enquiries that:
 - (i) the directors have the requisite expertise and experience;
 - (ii) they understand the nature of those responsibilities and can be expected to honour their obligations under the Listings Requirements, and other applicable regulation;
 - (iii) they can be expected to prepare and publish all information necessary for an informed market to take place in the applicant issuer's securities and
 - (iv) the information supplied on the Director's declaration has been verified and confirmed as true.

- The Sponsor must take all reasonable steps to brief all new appointees to the board of directors of the issuer as to the nature of their responsibilities under the Listings Requirements, other applicable regulation and the general nature of their obligations in relation to shareholders.
- The directors of the issuer must be informed by the Sponsor (or other advisors acceptable to the Sponsor) on a timely basis of any amendment or supplement to the Listings Requirements, or other applicable regulation.
- The Sponsor shall, prior to publication, review with the issuer all periodic financial information announcements, and other documentation detailed in Section 6 with a view to ensuring that the directors of the issuer after due and careful consideration understand the importance of accurately disclosing all material information to shareholders and the market.

16.13 Termination of contract

- (a) In the event that the contract between an issuer and its Sponsor is terminated for whatever reason the issuer and the Sponsor must submit a report to the MSE stipulating the reasons for the termination within 48 hours of such termination.
- (b) An issuer must immediately publish an announcement, stating the reasons for the termination and that the issuer's listing is under threat of suspension and possible termination in accordance with conditions for listing under paragraph 16.11. The issuer must make immediate arrangements to appoint a replacement Sponsor within 15 business days of the date on which the former Sponsor ceased to act and must inform the MSE and publish a further announcement immediately after the appointment has been made.
- (c) The replacement Sponsor must ensure, before accepting the appointment that it has requested the report referred to in paragraph 16.13 (a) from the outgoing Sponsor. The outgoing Sponsor must supply this report to the replacement Sponsor within two business days of such request, and the replacement Sponsor must take account of the reasons for the termination before accepting the appointment.
- (d) If an issuer fails to appoint a Sponsor within the period referred to in paragraph 16.13 (b), the MSE may suspend trading in the issuer's securities. If, after a further 30 days from the date of expiry of the period referred to in paragraph 16.13 (b), the issuer has failed to appoint a replacement Sponsor, the issuer's listing may be terminated by the MSE.

Documents to be submitted and published

16.14 Application for transfer

An issuer that wishes to apply for a transfer to the MSE ACM from another sector must apply to the board in accordance with the Listing Requirements and must submit the following for approval (and for presentation to the Listing Committee):

- (a) the application letter contained in the appendix to this section;
- (b) a memorandum containing all the information required in terms of paragraph 16.1 with the relevant supporting documentation;
- (c) the issuer's latest audited annual report and latest interim report;
- (d) a draft warning statement as required by paragraph 16.3 and a statement that the applicant has been granted approval by the MSE to transfer its listing from a particular date;

- (e) schedule 2 of the MSE Listings Requirements declarations from each of the directors of the applicant.
- (f) If the MSE grants approval, the issuer must publish in the press in accordance with Section 8 of the MSE Listings Requirements and in reference to paragraph 16.4 of this section.

16.15 New applicants

- (a) Applicants wishing to apply for a listing on MSE ACM must comply with all the Listings Requirements as stipulated in this section. Applicants must submit all the documents as required by Section 6 and in addition all the necessary documentation evidencing compliance with this section.
- (b) The directors of the issuer as well as the Sponsor must present, in person, the pre-listing statement and prospectus to the Listing Committee prior to being granted a listing. Subsequently, the Listing Committee shall advise the MSE Board as to the eligibility of the issuer. The board shall consider the Committee's advice and exercise its discretion as to whether or not to grant the issuer a listing.

16.16 Fees

Issuers

- (a) An initial listing fee of K250,000.00 will be required upon submission of a listing application.
- (b) Annual sustaining fees for securities listed on MSE ACM is 0.05 % on issuers Market Capitalisation on the last day of trading in month of December subject to a minimum of K250,000.00 and maximum of K1,000,000.00 payable to the MSE on the 10th day of January.