

27 November 2018

Ms. Sue Lloyd  
Chair  
IFRS Interpretations Committee (Committee)  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom

Dear Ms. Lloyd

**Tentative Agenda Decision – Assessment of promised goods or services  
(IFRS 15 Revenue from Contracts with Customers)**

The Malaysian Accounting Standards Board (MASB) welcomes the opportunity to provide comments on the above Tentative Agenda Decision.

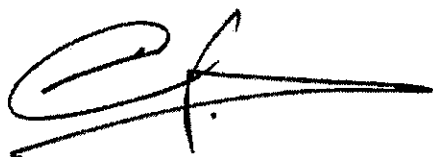
Although we support the Committee's decision not to take this issue onto its agenda, we however, disagree with the Tentative Agenda Decision conclusion because the fact pattern provided by our Bursa Malaysia Berhad ("the Exchange" or "Bursa") the Malaysian Stock Exchange warrants further deliberation by the Committee. Appendix 1 provides an overview of the services provided by our Bursa Malaysia Berhad for your consideration as it may impact the conclusion.

We are of the view that IFRS 15 already provides sufficient guidance and therefore stock exchanges should be able to recognise revenue in accordance with the Standard vis-à-vis the services that they provide.

If you need further clarification, please contact Ms. Tan Bee Leng at [beeleng@masb.org.my](mailto:beeleng@masb.org.my) or at +603 2273 3100.

Thank you.

Yours sincerely,



**MOHAMED RASLAN ABDUL RAHMAN**  
*Chairman*

Bursa Malaysia Berhad (“Bursa” or “the Exchange”) is an Exchange Holding Company approved under Section 15 of the Capital Market and Services Act 2007. Bursa and its subsidiaries (“Bursa Group”) operates and regulates a fully integrated exchange which offers investors a diverse range of investment choices in securities, derivatives, offshore, bonds, conventional and Shariah compliant products whilst providing issuers with an avenue for fundraising. As an end-to-end facilitator of investment and fundraising, Bursa Group provides technology infrastructure and services, post-trade services, information and other exchange-related services.

For discussion purposes, Bursa Group charges the following fees relating to listing of securities on its exchange:

Services	Description	Fees
1	<p>Processing/ pre-listing services</p> <p>Services provided - processing and approval of listing applications which include the following:</p> <ul style="list-style-type: none"> <li>a. Review of a customer’s listing application, forms, including checking all relevant documentation is correctly in place.</li> <li>b. Internal risk assessment and due diligence for new application.</li> <li>c. Submitting applications to the appropriate committee for assessment and approval.</li> <li>d. Assessment and approval of application by relevant committee.</li> </ul> <p><i>Note: For Main Market listing application, the processing and approval services are undertaken by the Securities Commission Malaysia (“SC”). The processing fee will be earned by SC.</i></p>	<p>Upfront processing fees based on prescribed flat rate. This fee is non-refundable.</p>
2	<p>Initial listing</p> <p>Services provided include the following:</p> <ul style="list-style-type: none"> <li>a. Processing of the listing and admission to the market.</li> <li>b. Issuing reference numbers and tickers for the new security.</li> <li>c. Allocation of shares.</li> </ul>	<p>Upfront initial listing fee based on the total market value of share capital or flat fee. This fee is refundable.</p>

Services	Description	Fees
	d. Issuing dealing notice on the admission date. e. Provision of technology, operation and regulatory support.	
3	Annual listing Services provided - provision of ongoing services for listed securities on the Exchange which includes: a. Ongoing market access. b. Provision of technology and general operation support c. Regulatory oversight.	Annual listing fee based on the total market value of share capital or flat fee.

The benefits derive by the PLCs when listed on the Exchange are as follows:

- a. Access to funds (*i.e. IPO and post-listing through secondary share issuances*).
- b. Higher profile (*i.e. greater attention from media and analysts*).
- c. Strengthen company's status (*i.e. passed corporate governance tests, transparent material information*).
- d. Unlock value of the company (*i.e. performance reflected in share price and market capitalisation*).
- e. Share incentives (*i.e. retain key employees*).
- f. Merger and acquisition (*i.e. shares as consideration for acquisitions*).
- g. Allow certain investors to exit.

### **Admission service fees**

In Bursa's view, admission service fees (*i.e. processing and initial listing services fees*) should be recognised upon fulfilment of the performance obligations due to the following:

- (1) As the upfront processing fees are directly attributable/linked to the pre-listing processing services, these fees are charged accordingly to reflect the pre-listing services rendered by the Exchange. These pre-listing services are separate and distinct from the initial listing services and the on-going listing services. In this respect, the Exchange's performance obligation is fulfilled to the issuer upon the approval of the listing application. This fee is non-refundable.
- (2) The initial listing fees directly relate to services rendered by the Exchange from the approval of the application up till the listing of the securities. These services are distinct and separate from the pre-listing services and the on-going listing services. The performance obligation of the Exchange is fulfilled upon the listing

of the securities. If the listing does not materialise the initial listing fees will be refunded to the issuer.

- (3) If "View 2" in the Tentative Agenda Decision were to be implemented (*i.e. recognised over the life span of a PLC on the Exchange*), it is not possible to reliably measure the estimated listing period of listed companies in Malaysia. Based on Bursa's data from 2005 to October 2018, on average only 6% of companies are delisted from our exchange during this period.
- (4) Assuming Bursa's processing and initial listing services fees were to be amortised and assuming the amortisation period is based on Bursa's recent 10 years' historical trend of PLCs delisted from Bursa, these fees may need to be amortised over a period of approximately 18 years. This would not reflect the true picture of the Exchange's financial performance.

In addition to the above, "View 1" in Appendix B of IFRIC's Agenda Paper 2 (*from pages 20 to 22*) reflects closely of the underlying business activities of Bursa as below:

- (5) Admission service (*pre-listing and initial listing services*) is a separate promise to the issuer from the ongoing listing service to the issuer. In addition, it is also separately identifiable from the ongoing listing services. This is supported by the fact that the admission or initial listing fee is paid solely and exclusively in respect of the admission services. The admission services are not highly inter-related to ongoing listing service, as admission service can be provided without continuous listing commitment provided by the stock exchange.
- (6) The recognition of the admission service upon listing faithfully represents the effects of the transactions in the financial statements of the stock exchange. The rationale is as below:
  - (a) If the Exchange were to defer the recognition of upfront fees, it would result in recognising revenue in the reporting periods in which the Exchange is not actually providing an admission service and incurring no costs in relation to the initial admission.
  - (b) If Bursa were to defer and amortise the upfront fees over the estimated listing period, assuming approximately 18 years (see paragraph (4) above), hypothetically it would lead to a situation where, there would be a significant revenue growth in a year when the underlying business is performing badly (*i.e. if a large number of issuers were delisted and would result in a large deferred income being released in that year*). This could mean that a reader of the Exchange's financial statements could be presented with a misleading view of performance for that year.

Accordingly, recognising the admission services fees upon listing should provide more meaningful information reflecting the IPO and initial listing activities in a particular financial period of the stock exchange. Bursa would only recognise these fees when obligations to be performed are fulfilled / delivered upon successful listing of the prospective issuers / companies. In addition, this would also better reflect the financial performance of Bursa as well, as it is aligned with Bursa's certain key performance indicators - number of new initial public offerings (IPOs) and funds raised.