

## **GUIDANCE NOTE 2**

Date issued: 7 July 2004

### **Issued Pursuant to Chapter 4 (The Management Company) of the Guidelines on Unit Trust Funds**

#### **Introduction**

1. This Guidance Note is published to notify a policy amendment in relation to the provisions for a Management Company currently stipulated under Chapter 4 of the Guidelines on Unit Trust Funds (Guidelines).
2. Nothing contained herein should be construed as prejudicing the powers of the Securities Commission under the Guidelines.

#### **Amendments to Clause 4.02 (Eligibility of a Management Company)**

3. Under this Guidance Note, Clause 4.02(1) of the Guidelines is substituted with the following revised provision:

<p>The management company-</p> <ul style="list-style-type: none"><li>(a) must be a subsidiary of-<ul style="list-style-type: none"><li>(i) a company involved in the financial services industry in Malaysia, except where the management company is an entity licensed by the SC; or</li><li>(ii) any other institution which the SC may permit;</li></ul></li><li>(b) must have Bumiputera equity which must not be less than 30%, on an effective basis; and</li><li>(c) (where there is foreign equity participation) must not have foreign equity exceeding 49%, on an effective basis.</li></ul>
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4. The provision of Clause 4.02(2) would only be applicable to a management company that is required to be a subsidiary of a company involved in the financial services industry in Malaysia.
5. Following the amendment above, reference made to sub-clause 4.02(1)(b)(i) under Clause 4.02(2) of the Guidelines will now be substituted with sub-clause 4.02(1)(a)(i).

6. Under this Guidance Note, Clause 4.02(4) of the Guidelines is substituted with the following revised provision:

Unless otherwise approved by the SC, the management company may only be engaged in, or be set up to engage in-

- (a) the business of managing investment portfolio and administering unit trust funds;
- (b) the business of marketing and distributing unit trust funds, subject to (where applicable) compliance with the requirements set out under the *Guidelines for Registration of Institutional Agents for the Marketing and Distribution of Unit Trusts*;
- (c) the business of providing investment advisory services; and
- (d) (where the management company is a universal broker) the activities allowed for a universal broker under the Guidelines for a Universal Broker.

7. Under this Guidance Note, Clause 4.02(5) of the Guidelines is substituted with the following revised provision:

The management company must have adequate resources, including financial and human resources, to carry on business as a management company-

- (a) must have a minimum shareholders' funds of RM10 million, at all times;
- (b) must have adequate human resources with the necessary qualification, expertise and experience to carry on business as a management company; and
- (c) must have adequate and appropriate systems, procedures and processes to undertake the business in a proper and efficient manner.

### **Amendments to Clause 4.03 (The Holding Company)**

8. Following the amendment to Clause 4.02(1) of the Guidelines, Clause 4.03(1) would only be applicable to a management company that is required to be a subsidiary of a company involved in the financial services industry in Malaysia.
9. Reference made to sub-clause 4.02(1)(b)(i) under Clause 4.03(1) will now be substituted with sub-clause 4.02(1)(a)(i).
10. Under this Guidance Note, the provisions under Clause 4.03(2), Clause 4.03(4) and Clause 4.03(5) of the Guidelines are now removed.
11. Following the removal of Clause 4.03(2) above, Clause 4.02(3) of the Guidelines is also removed.

**Amendments to Clause 4.05 (Shareholders, Directors and Key Personnel)**

12. Under this Guidance Note, Clause 4.05(14) of the Guidelines is substituted with the following revised provision:

The management company should ensure that there is a designated person responsible for the investment management function of the fund at all times and that person must be a licensed person under the Securities Industry Act 1983 and/or Futures Industry Act 1993, whichever is applicable.

13. Under this Guidance Note, Clause 4.05(15) and Clause 4.05(16) of the Guidelines are now removed.