

## **GUIDANCE NOTE 15**

Date issued: 15 December 2006

### **Issued Pursuant to the Guidelines on Unit Trust Funds**

- Valuation of bonds

#### **Introduction**

1. This Guidance Note is published to notify an amendment to Schedule D of the Guidelines on Unit Trust Funds (Guidelines) with regard to valuation basis for Malaysian Government Securities, Cagamas Bonds, Bank Negara Malaysia Certificates, Malaysian Treasury Bills, Bankers' Acceptances, Government Investment Certificates and Negotiable Certificates of Deposit, and unlisted bonds.
2. This Guidance Note is only applicable to unlisted bonds.
3. Nothing contained herein should be construed as prejudicing the powers of the Securities Commission under the Guidelines.

#### **Definition**

4. For the purpose of this Guidance Note, "bonds" include securities issued or guaranteed by the Government of Malaysia, State Government and Bank Negara Malaysia as well as corporate bonds and Islamic securities approved by the SC.

#### **Policy Amendment**

5. Under this Guidance Note, requirements on the valuation basis for investment instruments as mentioned in paragraph 1 shall be deleted in its entirety and substituted with the following revised provisions:

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| <ol style="list-style-type: none"><li>(1) Funds investing in Ringgit-denominated bonds shall value bond portfolios on daily basis using fair value prices quoted by a bond pricing agency (BPA) registered with the SC.</li></ol> |
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- (2) Where a management company is of the view that the price quoted by BPA for a specific bond differs from the "market price" by more than 20 basis points, the management company may use the "market price", provided that the management company:
- (i) records its basis for using a non-BPA price;
  - (ii) obtains necessary internal approvals to use the non-BPA price;  
and
  - (iii) keeps an audit trail of all decisions and basis for adopting the "market yield".
- (3) The above requirements will take effect from 3 January 2007.