

GUIDANCE NOTE 10

Date issued: 16 December 2005

Issued Pursuant to the Guidelines On Unit Trust Funds

- Investments in Securities Not Traded In Or Under The Rules of An Eligible Market

Introduction

1. This Guidance Note is published to notify an amendment in relation to unit trust investments in securities not traded in or under the rules of an eligible market, currently stipulated under Clause 10.03 of the Guidelines on Unit Trust Funds (Guidelines).
2. This Guidance Note is also published to notify an amendment to the definition of “**eligible market**” currently stipulated under Chapter 2 of the Guidelines.
3. Nothing contained herein should be construed as prejudicing the powers of the Securities Commission under the Guidelines.

Policy Amendment

4. Under this Guidance Note, the provision under Clause 10.03(2) will be deleted and substituted with the following provision:-

<p>(2) The management company must have appropriate policies and procedures for the valuation of the securities that are not traded in or under the rules of an eligible market.</p>
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5. Under this Guidance Note, the provision under Clause 10.03(3) will be deleted and substituted with the following provision:-

- (3) Securities that are not traded in or under the rules of an eligible market may include securities not listed or quoted on a stock exchange but have been approved by the relevant regulatory authority for such listing or quotation and are offered directly to the fund by the issuer. Investments in such securities will not be subject to the investment limit specified in Schedule C of these Guidelines relating to investments in securities not traded in or under the rules of an eligible market.

6. The definition of "***eligible market***" in Clause 2.01 of the Guidelines is hereby amended to mean a market that:-
- (a) is regulated by a regulatory authority;
 - (b) operates regularly;
 - (c) is open to the public; and
 - (d) has adequate liquidity for the purposes of the fund in question.

Note

A non-exhaustive list of eligible markets includes stock exchange, derivative exchange, over-the-counter debt securities market and money market.