

INVESTOR'S GUIDE
to
Online Investing in Unit Trusts

This "Investor's Guide to Online Investing in Unit Trusts" is issued in conjunction with the release of the *Guidelines on Online Transactions of and Online Activities in relation to Unit Trusts* (Guidelines) on 24 November 2004, which aim to facilitate the establishment of online services by unit trust management companies (UTMCs). An important feature of the Guidelines is that it incorporates elements to ensure that the rights of Malaysian investors are upheld in the posting of e-prospectuses and e-application forms as well as the provision of Internet facilities which include online transactions.

Prior to the issuance of these Guidelines, the Securities Commission (SC) had on 9 December 2003 released the *Guidelines on Electronic Prospectuses and Internet Securities Application* to facilitate the setting-up of online share application facilities by intermediaries.

The online facility will complement the conventional channels of investing in unit trusts. Through the online facility, investors will be able to invest in unit trusts from their computer terminals directly from the comfort of their home or office.

The key investor protection mechanisms that have been incorporated in the Guidelines include the following:

Notices

Unit trust management companies are required to post together with the e-prospectus and e-application form, notices to ensure investors will not miss important facts or messages. These notices include:

- Notice to inform investors on the availability of paper-based prospectus and application form and where to get them.
- Jurisdictional disclaimer informing the fund is only made available in Malaysia or to persons in Malaysia.

- Notice alerting investors of the closing date of the application period where there is a prescribed period.
- Notice informing the investors of the identity of person providing the Internet site or prospectus hyperlink.
- Notice warning investors of the inherent risk of transacting unit trust through the Internet.
- Notice notifying the investors of alternative ways of investing in unit trust other than through the Internet.
- Notice disclosing who is responsible for the facility providing online transactions of unit trusts.
- Notice explaining the procedures if investor wishes to withdraw his unit trusts application when a supplementary prospectus is issued.
- Notice informing investors as to the processing of online application.
- Notice informing suspension of transactions, period of the suspension and date when transacting will resume.
- Notice informing investor how to exercise his right where no online redemption, switching, transfer or exercise of cooling-off right is provided.

Investors investing in unit trusts online are advised to look out for and take heed of these notices.

Advertisements

Investment decisions by investors must be based on the e-prospectus and not on promotional materials and advertisements. In presenting the e-prospectus, the guideline expects UTMCs to comply with this requirement. The e-prospectus and e-application form must be placed in a designated area separate from the advertisement. UTMCs must place a statement informing investors that any information falling outside the designated area is not part of the e-prospectus. **Investors are advised to read and understand the information in the e-prospectus and must not rely on the attractive advertisement before making their investment decisions.**

Applying for unit trust online

Before investors are able to invest online, investors will be prompted for confirmation on the following:

- Whether the investor has read and understood the prospectus;
- Whether the investor has read and agrees to be bound by the terms and conditions as set out on the website;
- That the investor is eligible to apply for the unit trusts, e.g. have attained 18 years of age; and
- That the investor consents to the disclosure of the investor's information to relevant parties which may include the SC.

Investors should only respond to these requests for confirmations after they have complete understanding of the implications. Once an application has been made, investors must receive a confirmation of receipt which they should print and download for their records and future reference.

Transacting online

When transacting online, **investors should pay close attention to the policies on redemption, switching, payment and transfer and whether the online system provides these services.** Even though under the guideline it is stated that UTMCS must clearly display these policies, investors must take the time to look at it. Understanding these policies would enable investors to invest efficiently and to avoid any unnecessary hassle.

Cooling-off period

One important aspect of investing in unit trusts is the cooling-off right to eligible investors, which is essentially a time given to investors to consider whether to continue investing in a particular unit trust product. The cooling-off period should not be less than six working days and the Guidelines states that the cooling-off period for online investments and conventional unit trust investments must be the same. **Investors**

must know the procedures to exercise their cooling off rights. For UTMCs, the Guidelines requires them to put in place the appropriate cooling-off procedures and investors must be informed accordingly through notification. **It is crucial that investors know whether the online facility provides online exercise of cooling-off period. If the service is not provided online, investors must find out the alternative channels and UTMCs are expected to provide clear information on this.**

Access to information

The Guidelines stipulates that investors must have access to all relevant information particularly if it is time-sensitive information. The onus is on the UTMCs to regularly update the information.

UTMCs are allowed to distribute its funds annual and interim report electronically. Nonetheless, they must obtain the consent of the investors first and investors have the right to refuse. At the same time, even if the investor has consented to receiving the report electronically, he/she can still obtain the printed copies of the report. **Investors should insist that UTMCs provide them with timely notification of the latest information.**

Risks associated when applying unit trust online

Like any other transactions, notwithstanding the security measures provided, there are risks when transacting in unit trust online such as loss of investor's data and unauthorised access to the system. To lessen such risks, the Guidelines require parties involved in the online transaction to provide the SC with details of the system failure and action taken to resolve the problem. Yet again, **investors need to play a role by printing and keeping proper records of all their Internet transactions.**

General tips on investing in unit trusts online

- ✓ Before submitting an electronic application form, read and understand the electronic prospectus thoroughly.
- ✓ Read and understand the terms and conditions of the unit trusts application.
- ✓ Go through the UTMC's website and look for a section on investor education which provides mechanism, benefits and risk of investing in unit trust funds.
- ✓ Keep abreast of various notices available when purchasing unit trusts online.
- ✓ Print your confirmation receipt and keep proper records.
- ✓ Understand the risk of using the Internet when purchasing unit trusts online.
- ✓ Do not believe in rumours.
- ✓ Do not feel compelled to invest online if you are not ready. There is always the conventional channel for you.