



Suruhanjaya Sekuriti  
Securities Commission

# GUIDELINES ON UNIT TRUST FUNDS

**GUIDELINES ON MARKETING AND  
DISTRIBUTION OF UNIT TRUST FUNDS**

# **GUIDELINES ON MARKETING AND DISTRIBUTION OF UNIT TRUST FUNDS**

Issued By:

Securities Commission

2nd Edition: 1 April 2003

Updated: 30 September 2003

# CONTENTS

	<b>PAGE</b>
Chapter 1 <b>GENERAL</b>	1-1
Chapter 2 <b>REGISTRATION OF PERSONS DEALING IN UNIT TRUSTS</b>	2-1
Chapter 3 <b>LOAN FINANCING IN THE SALE OF UNIT TRUSTS</b>	3-1
Chapter 4 <b>MINIMUM STANDARDS FOR REGISTRATION OF PERSONS DEALING IN UNIT TRUSTS</b>	4-1
Chapter 5 <b>CODE OF ETHICS AND STANDARDS OF PROFESSIONAL CONDUCT</b>	5-1
Chapter 6 <b>AGENCY STRUCTURE AND SIZE</b>	6-1

## Chapter 1

### GENERAL

#### 1.01 Compliance

- (1) The *Guidelines on Marketing and Distribution of Unit Trust Funds* (Marketing Guidelines) must be complied with by the management company in relation to the marketing and distribution of units.
- (2) The management company should comply with the Marketing Guidelines on the permitted agency structure and size stipulated under Chapter 6 herein.

## Chapter 2

### REGISTRATION OF PERSONS DEALING IN UNIT TRUSTS

#### 2.01 Duties of Management Company

- (1) The management company should ensure that all persons involved in the marketing and distribution of units (i.e. persons who “deal in unit trusts”) are authorised by and registered with the Federation of Malaysian Unit Trust Managers (FMUTM) to market and/or distribute units.
- (2) Accordingly, the management company is prohibited from marketing and/or distributing units through unregistered persons without the prior specific approval of the SC.

#### 2.02 Duties of Individual

- (1) Persons who wish to market and/or distribute units must first register with the FMUTM before marketing and/or distributing units. Registration requires compliance with all clauses of the *Minimum Standards for Registration of Persons Dealing in Unit Trusts* (stipulated under Chapter 4 herein) including the requirement of passing the *Unit Trust Examination for Persons Dealing in Unit Trusts* prior to registration.
- (2) Persons stated herein include staff of institutional unit trust agents under the *Guidelines for Registration of Institutional Agents for the Marketing and Distribution of Unit Trusts*.

#### 2.03 Authorisation Card

- (1) Persons registered with and authorised by the FMUTM to market and distribute units (“registered persons”) will be

issued Authorisation Cards to do so. Only cards issued by the FMUTM will be recognised as authorised cards for the purpose of marketing and distributing units.

- (2) The management company should ensure that, on contact with a prospective investor, the registered person discloses that he is registered to market and distribute units, and that he produces his Authorisation Card thereafter to identify himself.

## Chapter 3

### LOAN FINANCING IN THE SALE OF UNIT TRUSTS

#### 3.01 Duties of Management Company

- (1) The management company should ensure that registered persons do not, directly or indirectly, encourage the sale of units through loans.
- (2) The management company should ensure that, in communicating information on loan financing for units, the registered person provides full and frank disclosure and does not omit any material fact. In this regard, the registered person should only release factual information and, subsequent to that, should explain clearly the risks of leveraging to the prospective investor.

#### 3.02 Duties of the Registered Person

- (1) The registered person should, to the best of his ability, ensure that the investor understands the risks before investing. (The risks of loan financing for the investor are set out in the risk disclosure statement in the *Guidelines on Unit Trust Funds*.)

## Chapter 4

### MINIMUM STANDARDS FOR REGISTRATION OF PERSONS DEALING IN UNIT TRUSTS

#### 4.01 Interpretation

“Dealing in unit trusts” means, whether as principal or agent, making or offering to make with any person, or inducing or attempting to induce any person, to enter into or to offer to enter into–

- (a) any agreement for or with a view to acquiring, disposing of, subscribing for, or underwriting any interest in unit trust funds; or
- (b) any agreement for the purpose, or avowed purpose, of which is to secure a profit to any of the parties from the yield of any interest in unit trust funds or by reference to fluctuations in the value of any interest in unit trust funds.

“securities” has the same meaning as is assigned to that expression in the *Securities Commission Act 1993*.

“unit trust fund” or “fund” has the same meaning as the expression “unit trust scheme” or “scheme” in the *Securities Commission Act 1993*.

#### 4.02 Minimum Requirements for Individuals

##### *Age*

- (1) An individual seeking registration to deal in unit trusts must not be below twenty-one years of age.

### ***Educational Background***

- (2) An individual seeking registration to deal in unit trusts must possess at least Grade 3 Sijil Pelajaran Malaysia (SPM), or its equivalent as determined by FMUTM.

### ***Personal and Financial Background***

- (3) An individual seeking registration to deal in unit trusts should be honest, of good character and good repute. Further, he must also display efficiency, reliability and a high level of integrity. In this regard the individual must not have been—
  - (a) found by a court or other competent authority to have acted fraudulently or dishonestly;
  - (b) convicted of a criminal offence; or
  - (c) censured or reprimanded by, or denied/disqualified from membership of, a professional or trade body; or a regulatory licence, registration or similar approval has been refused or revoked.
- (4) The individual should not be an undischarged bankrupt, neither should he be subject to any bankruptcy proceedings. An individual will similarly not qualify if he has failed to meet any judgment debt.

### ***Statutory Declaration***

- (5) The individual seeking registration to deal in unit trusts must sign a statutory declaration attesting to the requirements set out in sub-clauses 4.02(3) and 4.02(4) (the statutory declaration should be filed with the management company concerned). Any non-disclosure or inaccurate disclosure in the statutory declaration is an offence under Malaysian law

and, among other consequences, will result in the deregistration of the individual concerned.

#### **4.03 Unit Trust Examination**

- (1) An individual seeking registration to deal in unit trusts must first pass the *Unit Trust Examination for Persons Dealing in Unit Trusts* conducted by FMUTM.

#### **4.04 Compliance with the Code of Ethics and Standards of Professional Conduct**

- (1) An individual seeking registration to deal in unit trusts must undertake to comply with all provisions of the *Code of Ethics and Standards of Professional Conduct* (Chapter 5 herein). The undertaking should be contained in the aforementioned statutory declaration stipulated under sub-clause 4.02(5).

## Chapter 5

### CODE OF ETHICS AND STANDARDS OF PROFESSIONAL CONDUCT

#### 5.01 Objective

- (1) The unit trust industry is centrally premised on the concepts of trust and faith. It is imperative that an industry that deals with the public's savings be operated and administered with the highest degree of ethics and professionalism.
- (2) Registered persons must therefore possess a sense of responsibility, integrity and professionalism in marketing and distributing units.
- (3) To promote and maintain the highest of ethical and professional standards, the SC has set out this *Code of Ethics and Standards of Professional Conduct* to guide and aid registered persons in the marketing and distribution of units.
- (4) The *Code of Ethics and Standards of Professional Conduct* form the **minimum standards of conduct** expected of registered persons and are intended to be a guide to ascertaining whether a registered person is acting in a manner which continues to satisfy the *Minimum Standards for Registration of Persons Dealing in Unit Trusts*.
- (5) The *Code of Ethics and Standards of Professional Conduct* are intended to support management companies in their efforts to uphold proper standards and do not in any way restrict the companies from formulating more comprehensive sets of rules in maintaining ethical and professional standards if they so desire.

## 5.02 Code of Ethics

Registered persons are to be guided in their conduct by the general principles contained under this clause.

### ***Honesty, Dignity and Integrity***

- (1) A registered person should at all times strive to act with honesty, dignity and integrity. He should conduct himself and should encourage others to market and distribute units in a professional and ethical manner that will reflect credit on himself, fellow registered persons and the industry.
- (2) In particular, the registered person must not misrepresent or recklessly represent—
  - (a) his qualifications or that of the management company he represents;
  - (b) the products and/or its characteristics offered by the management company he represents; and
  - (c) the past investment performances of the unit trust fund he is marketing.
- (3) Conduct which is dishonest would include any omission of a material fact. A material fact may be defined as one which would cause the customer to appreciate that the fund is different from that actually represented to him.

### ***Fair Dealing***

- (4) A registered person should at all times deal in a fair and equitable manner. Aggressive and offensive sales practices should be avoided.

### ***Good Faith***

- (5) A registered person should always deal with good faith and with the best of intentions. The investor is to be treated with respect and should be given full disclosure of all information pertinent to his investment decision.

## **5.03 Standards of Professional Conduct**

Registered persons must observe standards of conduct contained under this clause.

### ***Compliance with Rules and Regulations***

- (1) A registered person should maintain knowledge of, and comply with, all applicable laws and rules governing the unit trust industry, including this *Code of Ethics and Standards of Professional Conduct*. Further, the registered person should deal with the regulatory authorities in an open and co-operative manner, and should disclose such information as is reasonable and appropriate.

### ***Use of Authorisation Card***

- (2) A registered person must, on contact with a prospective investor, disclose that he is a person registered to market and distribute units and thereafter produce his Authorisation Card issued by FMUTM to identify himself. The use of other cards (not issued by the FMUTM) is strictly prohibited.

### ***Marketing and Distribution with Prospectus***

- (3) A registered person must market and/or distribute units with the prospectus of the unit trust fund. Marketing or distribution of units without a prospectus is prohibited by the SCA.

***Acting with Due Care, Skill and Diligence***

- (4) A registered person should conduct all his dealings with every care, skill and diligence. In this regard, the registered person must–
- (a) ensure as far as possible that the unit trust fund proposed is suitable to the needs and not beyond the resources of the prospective investor;
  - (b) take all reasonable steps to give the prospective investor information in a comprehensible, full and fair manner to assist him in making a balanced and informed decision;
  - (c) provide information only on those matters in which he is competent to deal with and seek or recommend other specialist advice where appropriate;
  - (d) when conveying information to a prospective investor, bear in mind the overall context in which the statements are made and the investor himself, as different persons may require differing levels of detail and explanation. Efforts should be made to improve the amount and clarity of the information given; brief or overly technical explanations tend to create confusion and misunderstanding;
  - (e) in making comparisons with other funds, make clear the different characteristics of each funds: and
  - (f) not omit a material fact, nor make exaggerated, unwarranted, misleading statements or claims, or forecasts of future events.

***Adequate Explanation of the Nature and Characteristics of the Unit Trust Fund***

- (5) A registered person should adequately explain the nature and characteristics of the fund for which he is recommending. Towards this end, he must–
- (a) make clear all the essential attributes of the fund, including–
    - (i) the investment objectives of the fund;
    - (ii) the fees chargeable (including a breakdown of the fees involved);
    - (iii) the prices of units and how the prices are calculated;
    - (iv) the risks of investing in the particular fund, and in unit trusts, generally;
    - (v) the minimum allowable purchases in the fund; and
    - (vi) the special tax implications of the fund (if any);
  - (b) ensure as far as possible that the prospective investor understands what he is committing himself to; and
  - (c) draw attention to any unique features and/or restrictions applicable to the fund,–
    - (i) if loan financing is to be used, draw attention to the risks of purchasing units via loan facilities (as contained in the unit trust loan financing risk disclosure statement); and

- (ii) draw attention to the long-term nature of the fund and the risks of early withdrawal from the fund.

#### ***Use of Advertisements and Promotional Materials***

- (6) A registered person must only use advertisements and/or promotional materials that comply with the requirements of the *Guidelines on Unit Trust Funds Advertisements and Promotional Materials*.

#### ***Confidentiality of Communications and Transactions***

- (7) A registered person should take every precaution to protect and preserve the confidentiality of investor information communicated to him in the course of marketing and distributing units. He must not in any way use such information for personal or another person's gain.

#### ***Competency***

- (8) A registered person should act with proficiency and strive to maintain and improve his competency and that of fellow registered persons.

#### ***Prompt, Efficient and Continuous Service***

- (9) A registered person should endeavour to provide an investor with prompt, efficient and continuous service. In particular, he should always be ready to answer any queries his investor may have on the performance or management of the funds in which he invests.

## **Chapter 6**

### **AGENCY STRUCTURE AND SIZE**

#### **6.01 Tiers in Agency Structure**

- (1) The number of tiers in an agency structure must be standardised and must not exceed four tiers, comprising–
  - (a) group agency manager;
  - (b) agency manager;
  - (c) agency supervisor;
  - (d) agent.
- (2) Management companies, however, are strongly encouraged to reduce the number of tiers in an agency structure to a minimum in the interest of investors.

#### **6.02 Size of Agency Unit**

- (1) The size of an agency unit must not exceed fifty persons at all times. A unit comprises a 'supervisor' (defined as the upper three tiers only, i.e. either group agency manager or agency manager or agency supervisor) and his direct downlines. Correspondingly, an agent is not allowed to conduct recruitment.

