

GUIDANCE

This Guidance provides further clarification to the requirements of these Guidelines.

GUIDANCE TO PART II – CONTENT OF PROSPECTUS FOR UNLISTED FUNDS

GUIDANCE TO CHAPTER 4: THE FUND

Paragraph 4.02(k): What should be disclosed in the prospectus if the fund intends to employ liquidity risk management tools?

If a fund intends to employ liquidity risk management tools, the prospectus should disclose the following:

- (a) A summary of the liquidity risk management policy and procedure; and
- (b) A description of liquidity risk management tool(s) that may be employed, including the circumstances in which the tool(s) may be activated and the impact on the fund and unit holders upon activation.

Utilisation of swing pricing

Where the management company is permitted by the fund's deed to apply swing pricing as part of liquidity risk management for the fund, the prospectus should disclose the following:

- (a) The swing pricing mechanism, including details on the NAV adjustment mechanism in case of net subscriptions (inflows) or redemptions (outflows), the use of any specific subscription/redemption threshold before the swing pricing mechanism becomes applicable (i.e. whether partial or full swing pricing mechanism is utilised);
- (b) The benefits and limitations of swing pricing, including the risk that investors' stake may be diluted when net subscription or redemption is below the swing threshold;
- (c) The maximum amount of price adjustment ("swing factor") under normal circumstances;
- (d) Where the deed permits the management company to temporarily increase the swing factor beyond the maximum level as disclosed in the prospectus under unusual market conditions, to disclose such fact and the details of such unusual market conditions in the prospectus; and
- (e) The statement to the following effect in the prospectus in bold font:
 - (i) The fund's performance will be calculated based on swung prices and that the returns of the fund may be influenced by the level of subscription or redemption activity (which may result in the application of swing pricing);

- (ii) The possibility of increased variability in the fund's returns with swing pricing accounted for in the calculation of performance returns; and
- (iii) The fees of the fund (including performance fees and fees based on NAV) will be charged based on the unswung NAV.

Utilisation of suspension

Where the management company is permitted by the fund's deed to utilise suspension as part of liquidity risk management for the fund, the prospectus should disclose the risks associated with suspension of redemption.

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Paragraph 6.02: In relation to valuation points, what other information should the management company disclose in relation to the NAV and unit price of the fund?

Where relevant and applicable, disclosure should also include a description on the timing of the prices published.

For example, sufficient disclosures should be made in the prospectus that unit prices are published on T+1 for funds with local investments and T+2 for funds with foreign investments and where applicable, the latest prices are available on FIMM's website, UTMCS' websites and/or customer service centres.

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GUIDANCE TO PART III – CONTENT OF PROSPECTUS FOR LISTED FUNDS

GUIDANCE TO CHAPTER 2: INFORMATION SUMMARY

Paragraph 2.01: Should the chapter on information summary include cross-references to the relevant sections in the prospectus?

The information summary should include appropriate cross-references to the specific sections of the prospectus which set out the full details on the respective matters.

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GUIDANCE TO CHAPTER 4: RISK FACTORS

Paragraph 4.01: What should be considered when disclosing the risk factors?

Management companies should consider the following when disclosing risk factors:

- (a) Risk factors that relate to each other should be grouped together. Appropriate and meaningful headings and sub-headings should be adopted.
- (b) Risk factors should be listed in such manner whereby the risks that would have the highest impact should be prominently disclosed at the beginning of each section.
- (c) The purpose of risk factors is to provide meaningful cautionary statement to investors. Hence, any disclaimer statement should not be so wide so as to prevent risk factors from having this effect.
- (d) Any disclosure of mitigating factors should not cause confusion on the nature of the risk or its materiality.

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GUIDANCE TO CHAPTER 9: EXPERTS' REPORTS

Paragraph 9.01(b): When should the expert's report be signed?

The expert's report should be signed and dated within a reasonable time, which generally should not be earlier than the latest practicable date.

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GUIDANCE TO CHAPTER 12: SPECIFIC REQUIREMENTS FOR REAL ESTATE INVESTMENT TRUSTS

Paragraph 12.36: What would be considered as "reasonable bases and assumptions"?

In preparing the future financial information, the bases and assumptions used to support such information should–

- (a) draw the investors' attention to those uncertain factors which can materially affect the ultimate achievement of such future financial results, and where possible to quantify such factors;

- (b) be specific rather than vague, avoid generalisations and all- embracing assumptions and those relating to the general accuracy of the assumptions made in the future financial information;
- (c) be clearly stated and reviewed for reasonableness by the directors who are responsible for the future financial information and bases and assumptions; and
- (d) enable the investors to assess–
 - (i) the validity of the assumptions on which the future financial information is based;
 - (ii) the likelihood of the assumptions actually occurring;
 - (iii) the effect on the future financial information if the assumptions vary;
 - (iv) whether the future financial information is relevant and reliable, i.e. to enable investors to form their own view about how reasonable the grounds are for making the statement; and
 - (v) the facts and circumstances that support future financial information, as well as being able to demonstrate that the information is reasonable;

In addition to the above, the management company and principal adviser should be satisfied that, the bases and assumptions relied on in the preparation of the future financial information, are reasonable. What amounts to reasonable bases and assumptions should be judged by the facts and circumstances of each case. However, in general, the future financial information should assist the investors in making an informed investment decision.

In deciding whether the bases and assumptions are reasonable, the management company and principal adviser should have regard to the following indicative factors:

- (a) The information relates to agreements where future expenses and revenue of the REIT can be reasonably assured for the period of that agreement; and
- (b) The information is underpinned by independent industry experts' reports or independent accountants' reports where such experts believe that the future financial information and its bases and assumptions are reasonable.

The above factors are not necessarily conclusive. Most importantly, in certain circumstances, these factors alone may not be sufficient to establish reasonable bases and assumptions. Hence, in preparing future financial information, the management company and principal adviser are required to consider other factors that may indicate whether or not the bases and assumptions used are reasonable.

Certain factors may indicate that the future financial information has not been prepared on reasonable bases and assumptions. Such factors include where–

- (a) the future financial information is supported only by hypothetical assumptions, and without demonstrating other factors that may support the inclusion of the future financial information;
- (b) the management company has made a statement asserting that the bases and assumptions relied on are reasonable, without coming up with verifiable reasons to support such a statement; and
- (c) the management company has made a statement along the lines of 'this is the best estimate of the directors'. The bases and assumptions relied on by the management company in preparing the future financial information has to be objectively reasonable, taking into account among others, the list of factors set out under this Guidance and not made on the basis of genuine but unreasonable beliefs of the directors of the management company.

The above factors are non-exhaustive.

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GUIDANCE TO CHAPTER 13: SPECIFIC REQUIREMENTS FOR EXCHANGE-TRADED FUNDS

Paragraph 13.11(c): What should be disclosed in the prospectus if the ETF intends to employ liquidity risk management tools?

Please refer to the Guidance to paragraph 4.02(k), Part II of these Guidelines.

[Issued: 1 September 2022]

GUIDANCE TO PART IV – CONTENT OF ABRIDGED PROSPECTUS FOR REAL ESTATE INVESTMENT TRUSTS

GUIDANCE TO CHAPTER 1: INTRODUCTION

Paragraph 1.01(f): Will a change to the timetable be considered as a significant change affecting a matter disclosed in the abridged prospectus?

Any material change to the timetable after the registration of the abridged prospectus is considered as a significant change affecting a matter disclosed in the abridged prospectus.

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GUIDANCE TO CHAPTER 2: SUMMARY OF RIGHTS ISSUE

Chapter 2: Should the chapter on Summary of Rights Issue include cross-reference to the relevant section in the abridged prospectus?

The Summary of Rights Issue should include appropriate cross-references to the specific sections of the abridged prospectus which set out the full details on the respective matters.

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GUIDANCE TO CHAPTER 3: DETAILS OF RIGHTS ISSUE

Paragraph 3.02: What should be disclosed if the fund intends to use the proceeds for general working capital?

Where the fund intends to use the proceeds for general working capital, it should clearly explain the specific items of the fund's general working capital and how the proceeds would be used for each item.

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GUIDANCE TO CHAPTER 4: RISK FACTORS

Paragraph 4.01: What should be considered when disclosing the risk factors?

The following are some of the points that should be considered when disclosing risk factors:

- (a) Risk factors that relate to each other should be grouped together. Appropriate and meaningful headings and sub-headings should be adopted.
- (b) Risk factors should be listed in such manner whereby the risks that would have the highest impact should be prominently disclosed at the beginning of each section.
- (c) The purpose of risk factors is to provide meaningful cautionary statement to investors. Hence, any disclaimer statement should not be so wide so as to prevent risk factors from having this effect.
- (d) Risk factors should not be disclosed in a vague and generic manner. It should be specific and tailored to the fund's risks or uncertainties. This means that the disclosure should not merely disclose the facts or circumstances that give rise to the existence of the risk. Each risk factor should be described to place the risk in context so that investors can understand the nature of, or circumstances giving rise to, the risk or uncertainty as it affects the fund, its operations and securities, or the rights issue.

- (e) Any disclosure of mitigating factors should not cause confusion on the nature of the risk or its materiality.

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GUIDANCE TO CHAPTER 5: FINANCIAL INFORMATION

Paragraph 5.16: What are examples of material transaction?

Examples of material transaction include-

- (a) any material acquisition or material disposal of an asset;
- (b) any agreement to acquire or dispose an asset;
- (c) any significant change to its capital structure, including any material distribution; and
- (d) any other corporate exercise entered into by the fund.

The brief description should include such transactions that may be relevant for the understanding of the fund's operations as a whole.

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GUIDANCE TO CHAPTER 8: ADDITIONAL INFORMATION ON THE FUND, EXPERT'S REPORT AND DOCUMENTS AVAILABLE FOR INSPECTION

Paragraph 8.03: When should the expert's report be signed?

The expert's report should be signed and dated within a reasonable time, which generally should not be earlier than the latest practicable date.

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GUIDANCE TO PART VI – REGISTRATION AND LODGEMENT OF PROSPECTUS

General: When making a submission to the SC for registration and lodgement of prospectus, where should the signature of the person signing the relevant document be located in the document?

The name and designation of the person who has signed the document should be stated below the signature. Where a letter or a report submitted to the SC, is issued by a business or professional firm, the signature appearing on such documents should be in the name of

the firm and in the personal name of the signatory.

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GUIDANCE TO CHAPTER 1: GENERAL

Paragraph 1.01: Under what circumstances would the SC return an application to register a prospectus?

The SC reserves the right to return the prospectus if in its opinion –

- (a) the disclosure in the prospectus is incomplete or inadequate;
- (b) the prospectus is not in its final or complete form; or
- (c) the prospectus is not accompanied by all relevant materials or documents.

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Paragraph 1.03: If a document is amended after submission, should such document be submitted to the SC?

If a document is amended after submission, the marked-up copy of the document should be submitted to the SC.

[Issued: 21 December 2021; Updated: 1 September 2022]

Paragraph 1.05: When should the reports and letters contained in the prospectus be signed?

All reports and letters should be signed and dated within a reasonable time, which generally should not be earlier than the latest practicable date.

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GUIDANCE TO CHAPTER 3: REGISTRATION OF A LISTED FUND'S PROSPECTUS

Paragraph 3.03: What should a management company consider when making the relief application?

The submitting party is encouraged to consult the SC prior to making the relief application. In addition, the relief application should be accompanied with the relevant supporting documents

and the prescribed fee.

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Paragraph 3.21: What information should be included in the summary information submitted to the SC?

The summary information should include, among others, the following information:

- (a) Name of unit holder and its unit holding as at the entitlement date;
- (b) Name of excess rights securities applied for; and
- (c) Number of excess securities allotted in each round and the basis of allotment.

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