Chapter 7

CHARGES, FEES AND EXPENSES

Charges for dealing in units

7.01 A management company may impose a charge for the sale or repurchase of units.

7.02 A management company must not impose a charge unless it is–

(a) permitted by the deed;

(b) expressed as a fixed amount or calculated as a percentage of the price of a unit or amount invested; and

(c) disclosed in the prospectus.

7.03 The charges must not exceed the amount or rate stated in the prospectus unless–

(a) the management company has notified the trustee in writing of the higher charge and the effective date of the charge;

(b) a supplementary or replacement prospectus stating the higher charge has been registered, lodged and issued; and

(c) 30 days have elapsed since the effective date of the supplementary or replacement prospectus.

7.04 Any increase in the maximum amount or maximum rate stated in the deed can only be made by way of a supplementary deed and in accordance with the requirements of the CMSA.

7.05 Discounts and rebates in any form are prohibited. A management company, its sales agents and distributors must clearly inform investors the actual rate of charges payable.

7.06 Where applicable, for the purpose of calculating the charges, the calculation must be based on a fund's NAV per unit that has not been rounded up.

7.07 NAV per unit is computed based on the NAV of the fund divided by the number of units in circulation, at the valuation point. Where multiple classes of units are issued, NAV per unit is computed based on the NAV of the fund attributable to a class of units divided by the number of units in circulation for that class of units, at the valuation point.

Management fee and trustee fee

7.08 A management company and trustee may only be remunerated by way of an annual fee charged to the fund.

7.09 For the purpose of these Guidelines, management fee includes performance fee. A management company, in charging a performance fee, must comply with the following principles:

(a) The computation of performance fee should be equitable to all unit holders;

(b) The frequency for crystallising the performance fee should not be more than once a year;

(c) The method of computation should–

(i) be independently verifiable;

(ii) be measured against an appropriate benchmark that is consistent with the investment objective and strategy of a fund. If the performance fee is not measured against a benchmark, the performance fee can only be payable if the net asset value per unit exceeds the net asset value per unit on which the performance fee was last calculated and paid;

(iii) ensure the performance fee is only payable on the excess performance and increases or decreases proportionately with the investment performance; and

(iv) ensure cumulative losses are offset in some way by cumulative gains before a performance fee is payable, if the computation is not based on a fulcrum fee model; and

(d) The use of performance fee must be clearly disclosed to unit holders, including the computation method of performance fee together with illustrations as well as its impact on the fund.

7.10 Where the method of computation for performance fees deviates from the principles set out in paragraph 7.09, the management company must demonstrate to the SC's satisfaction that such method of computation is in the best interest of the unit holders.

7.11 The fees may only be charged to the fund if permitted by the deed and clearly disclosed in the prospectus.

7.12 The fees should be accrued daily and calculated based on the NAV of the fund. The number of days in a year should be used in calculating the accrued fees.

7.13 The fees must not be higher than that disclosed in the prospectus unless–

(a) in the case of the management fee, the management company has notified the trustee in writing of the new higher rate, and the trustee agrees after considering matters stated in paragraph 7.15;

(b) in the case of the trustee fee, the trustee has notified the management company in writing of the new higher rate, and the management company agrees after considering matters stated in paragraph 7.17;

(c) the management company has notified unit holders of the higher rate and its effective date, such effective date being at least 90 days after the date of the notice;

(d) a supplementary or replacement prospectus disclosing the new higher rate of fees has been registered, lodged and issued; and

(e) 90 days have elapsed since the date of the supplementary or replacement prospectus.

7.14 Any increase in the maximum rate stated in the deed may only be made by way of a supplementary deed and in accordance with the requirements of the CMSA.

Remuneration of management company

7.15 A management company must demonstrate, and the trustee must agree, that the management fee is reasonable, considering–

(a) the roles, duties and responsibilities of the management company;

(b) the interests of unit holders;

(c) the nature, quality and extent of the services provided by the management company;

(d) the size and composition of the fund's assets;

(e) the success of the management company in meeting the fund's investment objective;

(f) the need to maximise returns to unit holders; and

(g) the maximum rate stipulated in the deed.

7.16 If at any time the trustee is of the opinion that the management fee charged to the fund is unreasonable, the trustee must take such necessary action, which may include convening a unit holders' meeting, to ensure that the fee charged commensurate with the services provided by the management company.

Remuneration of trustee

7.17 The trustee fee must be reasonable, and takes into consideration–

(a) the roles, duties and responsibilities of the trustee;

(b) the interests of unit holders;

(c) the maximum rate stipulated in the deed; and

(d) the size and composition of the fund's assets.

Expenses of the fund

7.18 Only expenses, or part thereof, directly related and necessary in operating and administering a fund may be paid out of the fund.

7.19 General overheads and costs for services expected to be provided by the management company must not be charged to the fund. Cost of issuing a prospectus must be borne by the management company but may be charged to the fund if no sales charge is imposed.

7.20 A trustee must ensure that all expenses charged to the fund are legitimate. In addition, a trustee must ensure that the quantum of expenses charged to the fund is not excessive or beyond the standard commercial rates. Where uncertainties arise, a trustee must exercise its discretion carefully and appropriately in determining whether or not to allow the expense, or the quantum of the expense to be charged to the fund.

7.21 A trustee may be reimbursed by the fund for any expense appropriately incurred in the performance of its duties and responsibilities as a trustee.