

## **FREQUENTLY-ASKED QUESTIONS**

### **GUIDELINES ON PRODUCT GOVERNANCE**

(Issued: 24 June 2025)

**1. Why did the SC introduce the *Guidelines on Product Governance (PGG)*?**

The PGG was introduced to promote responsible product innovation and distribution by requiring product issuers and product distributors to implement and maintain an effective product governance framework throughout the product lifecycle. This is also to ensure good outcome to investors as they will receive products that are aligned with their needs and objectives.

**2. Is the PGG applicable to capital market products that are listed and traded on the stock exchange?**

No, the PGG does not apply to capital market products listed and traded on the stock exchange. This is because there is currently sufficient checks and balances governing the offering of these products to the investors.

**3. Is the PGG applicable to issuance of preference shares by an unlisted public company?**

Yes, the PGG applies to any issuance of preference shares by an unlisted public company.

**4. What is the reason for including adviser in the definition of 'product issuer' in paragraph 3.01 of the PGG and what are the examples of adviser?**

For some products such as corporate bonds or sukuk, an adviser may be involved in the design or issuance of the product. Given the above, this is why the definition of 'product issuer' has been extended to include adviser.

Therefore, adviser includes principal adviser or corporate finance adviser who is involved in the design or issuance of corporate bonds, sukuk and unlisted public company's preference shares.

- 5. Management Company X established unit trust fund ABC prior to the PGG coming into effect and subsequently after the PGG comes into effect, the Management Company X established another unit trust fund DEF after the PGG comes into effect. Is Management Company X required to comply with the PGG for the establishment of unit trust fund ABC and unit trust fund DEF?**

Management Company X is not required to comply with PGG in respect of the establishment of unit trust fund ABC as unit trust fund ABC was established prior to the PGG coming into effect. However, the establishment of unit trust fund DEF by Management Company X must comply with the PGG.

- 6. Are corporate bonds and sukuk subject to the PGG and how would the PGG apply to the corporate bonds and sukuk?**

Yes, the PGG applies to unlisted corporate bonds and sukuk as well as corporate bonds and sukuk under the Exempt Regime of Bursa Malaysia Securities Bhd<sup>1</sup>. The PGG will apply to corporate bonds and sukuk in the following manner, after the effective date of the PGG:

- (a) One-off issuances;
- (b) New programmes which permit issuances with the same structure, features, and risk profile; and
- (c) Existing programmes that undergone significant changes to the structure, feature and risk profile.

- 7. Product issuers and product distributors are required to put in place controls, policies and procedures (CPPs) to comply with the PGG. Must the CPPs be submitted to the SC?**

No, product issuers and product distributors are not required to submit the CPPs to the SC.

- 8. What is the difference between identification of target market and client's suitability assessment?**

The identification of target market and client's suitability assessment are both essential in ensuring that a product is appropriately offered to investors, but they serve different purposes and occur at different stages of the product offering process.

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<sup>1</sup> Under the 'Exempt Regime', corporate bonds or sukuk are listed on the Main Market of Bursa Malaysia Securities Bhd but are not quoted and traded on the Main Market.

Identification of target market is part of the product governance framework and it requires a product issuer to identify the group of investors whom the product is intended for. This is to ensure that the product is fit for its intended target market. Identification of target market is done at the design stage of the product. In identifying the intended target market of the product, the product issuer should consider factors such as the target investor's knowledge and experience, financial situation and risk-return profile of the product.

On the other hand, suitability assessment is performed by the product distributor when giving personal advice to its clients at the point of sale. The suitability assessment is carried out for the purposes of determining whether a product is suitable for a specific client. The requirements pertaining to the carrying out the suitability assessment is provided for in the *Guidelines on Conduct for Capital Market Intermediaries*.

**9. What are the examples of 'complex products' referred to in Guidance to paragraph 5.03 of the PGG?**

Some examples of complex products are as follows:

- (a) Structured products; and
- (b) Corporate bonds or sukuk with special features (including, but not limited to, perpetual or subordinated bonds or sukuk, or those which are convertible or exchangeable).

**10. If an investor outside the identified target market of the product acquires the product, will the product issuer be in breach of the PGG?**

A product issuer will not be in breach of the PGG provided the product issuer has taken reasonable steps to ensure that such product is only made available to the identified target market. In this regard, the product issuer must communicate the identified target market to the product distributor and adequately supervise and monitor the distribution of the product by the product distributor.

**11. Is an adviser required to conduct post-sale review on the products issued?**

No, an adviser is not required to conduct post-sale review on the products issued pursuant to paragraph 7.01 of the PGG.