

GUIDELINES ON PRIVATE RETIREMENT SCHEMES

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SECTION A

Chapter 1

INTRODUCTION

General

1.01 [Deleted]

1.02 The Guidelines on Private Retirement Schemes (Guidelines) are issued by the SC pursuant to section 377 of the Capital Markets and Services Act 2007 (CMSA). These Guidelines set out requirements that must be complied with by a PRS Provider and a Scheme Trustee in relation to private retirement schemes. The requirements on matters relevant to members are binding on them including the requirements on account opening, transfer, switching, withdrawal, and nomination.

1.02A These Guidelines are divided into two sections:

- (a) **Section A** sets out the requirements that must be complied with by a PRS Provider and a Scheme Trustee in establishing, offering or providing a Scheme; and
- (b) **Section B** sets out the requirements on nomination which are binding on PRS Providers, Private Pension Administrator and members.

1.03 [Deleted]

1.04 The securities laws, these Guidelines and other guidelines issued in relation and applicable to private retirement schemes form the regulatory framework for private retirement schemes in Malaysia, and must be read together. All parties to a private retirement scheme are expected to be guided by the letter and the spirit of the regulatory requirements.

1.04A Guidance on the application of the requirements of these Guidelines has been provided, where appropriate. Any departure from the Guidance will be taken into consideration in the SC's assessment on whether a breach of these Guidelines had occurred.

1.04B An applicant is encouraged to consult the SC on the application of these Guidelines.

1.05 The SC may, upon application, grant an exemption from or a variation to the requirements of these Guidelines if the SC is satisfied that–

- (a) such variation, if granted is not contrary to the intended purpose of the relevant provision in these Guidelines; or

- (b) there are mitigating factors which justify the said exemption or variation.
- 1.06 [Deleted]
- 1.07 [Deleted]
- 1.08 Any person engaged in dealing, marketing and distributing units of a fund under a Scheme (including issuance of advertisements and promotional materials) must observe and ensure compliance with the requirements as set out in the following guidelines issued by the SC:
 - (a) *Guidelines on Marketing and Distribution of Unit Trust Funds;*
 - (b) *Guidelines on Advertising for Capital Market Products and Related Services;*
 - (c) *Guidelines on Online Transactions and Activities in Relation to Unit Trusts;*
 - (d) *Guidelines on Sales Practices of Unlisted Capital Market Products; and*
 - (e) *Securities Borrowing and Lending Guidelines.*
- 1.08A In applying the guidelines referred to in paragraph 1.08:
 - (a) The words "management company" referred to in the guidelines shall be substituted with the words "private retirement scheme provider";
 - (b) The word "prospectus" referred to in the guidelines shall be substituted with the words "disclosure document";
 - (c) The words "unit trust fund" or "collective investment schemes" referred to in the guidelines shall be substituted with the words "private retirement scheme"; and
 - (d) The words "unit holder", "client" or "investor" referred to in the guidelines shall be substituted with the word "member".
- 1.09 Where a PRS Provider carries on any regulated activity specified in Schedule 2 of the CMSA, the PRS Provider must be a holder of a Capital Markets Services Licence to carry on the regulated activity, and must observe and comply with the relevant guidelines issued by the SC for licence holders, including the following:
 - (a) *Licensing Handbook; and*
 - (b) *Guidelines on Compliance Function for Fund Management Companies.*
- 1.10 [Deleted]
- 1.11 [Deleted]

Overarching Principles

1.12 The PRS Providers shall be guided by the following principles:

- (a) PRS Providers must act in the interest of members as a whole with the aim of providing cost effective voluntary Schemes and ensure that the Schemes are operated in a proper and efficient manner;
- (b) PRS Providers must ensure that the Schemes are accessible by a wide cross-section of the population. Unreasonable exclusions from participation to a Scheme should be avoided, for example imposition of high minimum contribution amount or not accepting contributions from employers who make contributions on behalf of their employees; and
- (c) PRS Providers must ensure that the investment policies for the funds under the Schemes must be consistent with the objective of building savings for retirement and ensure that there is a prudent spread of risk.

1.13 The principles set out in paragraph 1.12 are in tandem with the SC's regulatory objectives of ensuring robust regulation and supervision of the private retirement scheme industry, promoting trust and confidence in the private retirement schemes and protecting members' interests.

Chapter 2

DEFINITIONS

2.01 Unless otherwise defined, all words used in these Guidelines, shall have the meanings assigned to them in the CMSA. In these Guidelines, unless the context otherwise requires-

accounting records	includes invoices, receipts, orders for payment of money, bills of exchange, cheques, promissory notes, vouchers and other documents of prime entry and also includes such working papers and other documents as are necessary to explain the methods and calculations by which financial statements are made up;
accrued benefits	has the meaning assigned to it in section 139A of the CMSA;
adviser	means a holder of a CMSL for advising on corporate finance or such other person as may be approved by the SC based on the person's qualification, expertise and experience;
approved accounting standards	has the meaning assigned to it in the <i>Financial Reporting Act 1997</i> ;
classes of units	means two or more classes of units representing similar interests in the fund's assets;
CMSA	means the <i>Capital Markets and Services Act 2007</i> ;
collective investment scheme (CIS)	<p>means any arrangement where—</p> <p>(a) it is made for the purpose, or having the effect, of providing facilities for persons to participate in or receive profits or income arising from the acquisition, holding, management or disposal of securities, derivatives or any other property (hereinafter referred to as fund's assets) or sums paid out of such profits or income;</p> <p>(b) the persons who participate in the arrangements do not have day-to-day control over the management of the fund's assets;</p> <p>(c) the contributions from the persons who participate in the arrangements and the profits or income from which payments are made, are pooled; and</p> <p>(d) except for physically-backed metal ETF, the fund's assets are managed by an entity who is responsible for</p>

the management of the fund's assets and is approved authorised or licensed by a securities regulator to conduct fund management activities;

For the purpose of these Guidelines the definition of CIS does not include business trusts;

contribution	has the meaning assigned to it in section 139A of the CMSA;
contributor	has the meaning assigned to it in section 139A of the CMSA;
conditionally vested unit	means a unit which accords a member with entitlement to the unit that is conditional upon fulfilment of condition(s) stipulated in a vesting schedule;
controlling shareholder	means any person who is, or a group of persons who collectively are, entitled to exercise or control the exercise of more than 33% of the voting shares or voting rights in a corporation or who is or are in a position to control the composition of a majority of the board of directors of such corporation;
cooling-off right	means the right of a member to obtain a refund of the member's investment in the fund, if the member so requests within the cooling-off period;
core funds	means one or more of the funds under the default option, namely the growth fund, moderate fund and conservative fund that meet the investment limits specified in Schedule B of these Guidelines;
debt securities	means transferable securities referred to in paragraphs 8.11A(b) and (c);
default option	core funds that will be selected automatically for a member who does not specify his or her fund option upon participating in a Scheme;
derivative	means a financial derivative instrument or transaction, the value of which depends upon the value of underlying indices or assets such as currencies, securities, commodities or other derivative instruments;
disclosure document	has the meaning assigned to it in the PRS Regulations;
eligible market	means an exchange, government securities market or an over-the-counter (OTC) market— (a) that is regulated by a regulatory authority;

	(b) [Deleted];
	(c) that is open to the public or to a substantial number of market participants;
	(d) [Deleted]; and
	(e) on which financial instruments are regularly traded.
ETF	means an exchange traded fund;
fair value	means, the price that the fund would reasonably expect to receive upon the current sale of the investment;
financial institution	means, if the institution is in Malaysia licensed bank; licensed investment bank; or licensed Islamic bank or if the institution is outside Malaysia, any institution that is licensed, registered, approved, or authorised by the relevant banking regulator to provide financial services;
financial statements	has the meaning as set out under the approved accounting standards issued or approved by the Malaysian Accounting Standards Board pursuant to the <i>Financial Reporting Act 1997</i> ;
forward price	means the price of a unit that is the NAV per unit calculated at the next valuation point after an instruction or a request is received;
fund	has the meaning assigned to it in the PRS Regulations;
fund applicant	means a person who submits an application to subscribe for units in any fund under a Scheme;
fund manager	means a person who undertakes the fund management function, or part thereof, for any fund under a Scheme and who is either – <ul style="list-style-type: none"> (a) a holder of a Capital Markets Services Licence for the regulated activity of fund management; or (b) in the case of a company outside Malaysia, a person properly licensed or authorised by the relevant regulator in its home jurisdiction to carry out fund management activities;
fund reports	means the annual report and semi-annual report of the fund, collectively;
group of companies	means any company and its related corporations;

guardian	means a person lawfully appointed by will or by an order of a competent court to be the guardian of the minor;
healthcare	means illness listed in Schedule J or any other illnesses as may be specified by the SC including all medical equipment and/or medication prescribed, in writing, by medical practitioners in relation to such illnesses;
Housing	means- <ul style="list-style-type: none">(a) financing building or purchase of a residential property in Malaysia;(b) redeeming or reducing a housing loan in Malaysia; or(c) financing a rent-to-own scheme or any other housing schemes in Malaysia as may be specified by the SC;
immediate family	means a member's: <ul style="list-style-type: none">(a) spouse;(b) biological child, step-child, adopted child;(c) biological parent, parent-in-law, adopted parent, step-parent; or(d) sibling;
independent member	<p>in relation to the board of directors of a PRS Provider, or the Shariah adviser, means a person who is free of any relationship with the PRS Provider or a controlling shareholder of the PRS Provider that would otherwise interfere with the member's exercise of independent judgment. In any case, a period of six months must elapse before a person who was previously connected to the PRS Provider or a controlling shareholder can be deemed to be independent. The following is a non-exhaustive list of persons who would not be considered as an "independent member":</p> <ul style="list-style-type: none">(a) In relation to the board of directors of a PRS Provider, an officer of the PRS Provider but excluding its independent director;(b) In relation to a Shariah adviser, an officer of the PRS Provider;(c) An officer of the Scheme Trustee;(d) An officer of any body corporate or unincorporated body that has the power to appoint or make

recommendations towards the appointment of members of the board of directors of the PRS Provider, or the Shariah adviser of the fund;

- (e) A person related to an officer of the PRS Provider or Scheme Trustee of the Scheme;
- (f) A person representing or seen to be representing the controller of the PRS Provider; or
- (g) A person who, within six months prior to his appointment as independent member, has derived any remuneration or benefit (other than retirement benefit) from the PRS Provider or any body corporate or unincorporated body that has the power to appoint or make recommendations towards the appointment of members of the board of directors of the PRS Provider, or the Shariah adviser of the fund;

inverse ETF	means an ETF whose aim is to deliver the opposite of the daily performance of the index or benchmark being tracked;
investment account	has the meaning assigned to it in the <i>Islamic Financial Services Act 2013</i> ;
ISSBNT	means Islamic securities selling and buying negotiated transactions;
leveraged ETF	means an ETF whose aim is to deliver multiples of the daily performance of the index or benchmark;
liabilities of the fund	includes all amounts payable by the fund, accrued expenses and taxes, and any appropriate provisions for contingencies;
licensed bank	has the meaning assigned to it in the <i>Financial Services Act 2013</i> ;
licensed investment bank	has the meaning assigned to it in the <i>Financial Services Act 2013</i> ;
licensed Islamic bank	has the meaning assigned to it in the <i>Islamic Financial Services Act 2013</i> ;
major shareholder	means a person who has an interest in one or more voting shares in a company and the number or aggregate number of those shares, is—

- (a) 10% or more of the total number of voting shares in the corporation; or
- (b) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation.

For the purpose of this definition, "interest in one or more voting shares" has the meaning assigned to "interest in shares" in section 8 of the Companies Act 2016.

member	has the meaning assigned to it in section 139A of the CMSA;
mental disability	means bipolar disorder, major depression or schizophrenia;
net asset value (NAV)	means the value of all the fund's assets less the value of all the fund's liabilities at the valuation point;
nominee	means the person nominated by a member to receive the accrued benefits as– <ul style="list-style-type: none"> (a) a beneficiary in the case of a non-Muslim member; or (b) an executor in the case of a Muslim member upon the death of such member;
non-core funds	refers to the funds under a Scheme that are not core funds;
ordinary resolution	means a resolution passed by a simple majority of votes validly cast at a meeting of members of the PRS or the fund (where appropriate);
partner	in relation to a director, chief executive or major shareholder of the PRS Provider, the PRS Provider or Scheme Trustee or person connected with a director, chief executive or major shareholder of the PRS Provider, the PRS Provider or Scheme Trustee, means such person who falls within any of the following categories: <ul style="list-style-type: none"> (a) A person with whom the director, chief executive or major shareholder of the PRS Provider, the PRS Provider or Scheme Trustee or person connected with a director, chief executive or major shareholder of the PRS Provider, the PRS Provider or Scheme Trustee is in or proposes to enter into partnership with. "Partnership" has the meaning assigned to it in section 3 of the <i>Partnership Act 1961</i>; and

	(b) A person with whom the director, chief executive or major shareholder of the PRS Provider, the PRS Provider or Scheme Trustee or person connected with a director, chief executive or major shareholder of the PRS Provider, the PRS Provider or Scheme Trustee has entered into or proposes to enter into a joint venture, whether incorporated or not;
permanent total disablement	has the meaning assigned to it in the <i>Employees' Social Security Act 1969 [Act 4]</i> ;
person connected	<p>in relation to a director, chief executive officer or major shareholder of the PRS Provider, the PRS Provider or Scheme Trustee, means such person who falls under any of the following categories:</p> <p>(a) A family member of the director, chief executive officer or major shareholder of the PRS Provider;</p> <p>(b) A trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which the director, chief executive officer or major shareholder of the PRS Provider; PRS Provider or Scheme Trustee; or a family member of the director, chief executive officer or major shareholder of the PRS Provider, is the sole beneficiary;</p> <p>(c) A partner of the director, chief executive officer or major shareholder of the PRS Provider; PRS Provider or Scheme Trustee; or a partner of a person connected with that director, chief executive officer or major shareholder of the PRS Provider; PRS Provider or Scheme Trustee;</p> <p>(d) A person who is accustomed or under obligation, whether formal or informal, to act in accordance with the directions, instructions or wish of the Scheme Trustee, PRS Provider, or a director, the chief executive officer or major shareholder of the PRS Provider;</p> <p>(e) A person in accordance with whose directions, instructions or wish the Scheme Trustee, PRS Provider, or a director, chief executive officer or major shareholder of the PRS Provider; PRS Provider or Scheme Trustee; is accustomed or is under obligation, whether formal or informal, to act;</p>

- (f) A body corporate or its directors that is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Scheme Trustee, PRS Provider, or a director, chief executive officer or major shareholder of the PRS Provider;
 - (g) A body corporate or its directors upon whose directions, instructions or wish the Scheme Trustee, PRS Provider, or a director, chief executive officer or major shareholder of the PRS Provider; is accustomed or under obligation, whether formal or informal, to act;
 - (h) A body corporate in which the director, chief executive officer or major shareholder of the PRS Provider; PRS Provider or Scheme Trustee; persons connected to him are entitled to exercise or control the exercise of, not less than 15% of the votes attached to the voting shares in the body corporate; or
 - (i) A body corporate which is a related corporation;
- physically-backed metal ETF means an ETF where the underlying asset comprises of–
- (a) gold bars;
 - (b) silver bars;
 - (c) platinum plates or ingots;
 - (d) palladium plates or ingots; or
 - (e) such other metals as may be specified by the SC;
- pre-retirement withdrawal means a withdrawal from any fund under a Scheme that occurs prior to a member reaching the retirement age and for the following reasons:
- (a) upon the death of a member;
 - (b) permanent departure of a member from Malaysia;
 - (c) due to permanent total disablement, serious disease or mental disability of a member;
 - (d) withdrawal of any accrued benefits from sub-account B as maintained by PRS Providers for each member;
 - (e) for healthcare purpose; or

	(f) for housing purpose;
Private Pension Administrator (PPA)	has the meaning assigned to "Private Retirement Scheme Administrator" in section 139A of the CMA;
private retirement scheme (PRS) or Scheme	has the meaning assigned to "Private Retirement Scheme" in section 139A of the CMA and include all funds under the Scheme;
private retirement scheme account	means the account maintained by a PRS Provider for each member which holds all contributions made to any fund under a Scheme which is reflected in units;
PRS Provider	means private retirement scheme provider as defined in section 139A of the CMA;
PRS Regulations	means the <i>Capital Markets and Services (Private Retirement Scheme Industry) Regulations 2012</i> ;
real estate	means land and all things that are a natural part of the land as well as things attached to the land both below and above the ground;
related party	means— <ul style="list-style-type: none"> (a) the PRS Provider of the Scheme; (b) the Scheme Trustee of the Scheme; (c) a director, chief executive officer or major shareholder of the PRS Provider; or (d) a person connected with any director, chief executive officer or major shareholder of the PRS Provider; or a person connected with the PRS Provider or Scheme Trustee;
repurchase transactions	means "sale and repurchase transactions" and "reverse repurchase transactions", collectively;
retirement age	means the age of 55 years or any other age as may be specified by the SC;
reverse repurchase transactions	means transactions whereby a fund purchases securities from a counterparty of sale and repurchase transactions and agrees to sell such securities back at an agreed price in the future;

sale and repurchase transactions	means transactions whereby a fund sells its securities to a counterparty of reverse repurchase transactions and agrees to buy such securities back at an agreed price with a financing cost in the future;
SAC	means Shariah Advisory Council of the SC;
SC	means the Securities Commission Malaysia;
Scheme Trustee	has the meaning assigned to it in section 139A of the CMSA;
securities lending	means transactions whereby a fund lends its securities to a counterparty for an agreed rate;
serious disease	has the meaning assigned to it in the <i>Income Tax Act 1967</i> ;
special resolution	has the meaning assigned to it in the PRS Regulations except for the purpose of terminating a fund, a special resolution is passed by a majority in number representing at least 3/4 of the value of the units held by members voting at the meeting;
stock exchange	has the meaning assigned to it in the CMSA and includes stock exchanges in foreign jurisdictions;
substantial shareholder	has the meaning assigned to it in the <i>Companies Act 2016</i> ;
sub-account A	refers to a portion of a private retirement scheme account which holds 70% of all contributions made to any fund under the Scheme which is reflected in units;
sub-account B	refers to a portion of a private retirement scheme account which holds 30% of all contributions made to any fund under the Scheme which is reflected in units;
total return of the fund	means the sum of the income generated by the fund which is reflected as distribution and the capital gains/loss of the fund which is reflected in the movement in the price of a unit;
transferable securities	has the same meaning assigned to it under paragraph 8.11A;
unit	in relation to a fund within a private retirement scheme, means any right of interest in that fund by whatever name called and includes any sub-unit thereof;
units in circulation	means units created and fully paid;
unit split	refers to where a unit is split into more than one unit subsequently;

vested unit	means a unit which accords a member with unconditional entitlement to such unit;
vesting schedule	refers to the schedule that determines the entitlement of an employee's accrued benefits based on terms of service.

Calculation of Time Period

- 2.02 References to "days" in these Guidelines will be taken to mean calendar days unless otherwise stated. Furthermore, any time period stated in these Guidelines where no specific method for determining the time period is set out, the period shall start on the day after the day of the event.

Chapter 3

THE PRS PROVIDER

Appointment of PRS Provider

3.01 [Deleted]

3.02 Persons applying to be approved as a PRS Provider must comply with the requirements set out in the *Eligibility Requirements for Private Retirement Scheme Providers* issued by the SC.

Operating Requirements

3.03 A PRS Provider must–

- (a) be an entity incorporated in Malaysia;
- (b) be a holder of a Capital Markets Services Licence who carries on the business of fund management;
- (c) have minimum paid up capital of RM5 million; and
- (d) have minimum shareholders' funds of RM20 million at all times.

Directors

3.04 The board of directors of a PRS Provider must comprise at least two independent members, while maintaining a minimum ratio of at least one-third independent members ("board composition"). Should there be a change to the board composition resulting in a breach of this requirement, the PRS Provider must take necessary steps to rectify the breach as soon as practicable and in any case, no later than three months from the date of change.

3.04A The independent directors of a PRS Provider must, in addition to their duties and responsibilities as directors, represent and safeguard the interests of members.

3.05 A director of a PRS Provider must not–

- (a) hold office as a director of more than one PRS Provider at any one time; and
- (b) hold office as a director of a management company which is not within the group of companies.
- (c) [Deleted]
- (d) [Deleted]

Chief Executive Officer

3.06 The chief executive officer of a PRS Provider must be a full-time officer.

Designated Person Responsible for the Fund Management Function of the Fund

3.07 [Deleted]

3.08 [Deleted]

3.09 [Deleted]

Compliance Officer

3.10 [Deleted]

3.11 [Deleted]

3.12 [Deleted]

3.13 [Deleted]

Internal Audit

3.14 [Deleted]

3.15 [Deleted]

Roles and Responsibilities of PRS Provider

3.16 [Deleted]

General

3.17 [Deleted]

3.18 In performing its duties as stipulated under the PRS Regulations, a PRS Provider must-

(a) observe high standards of integrity and fair dealing in administering the Scheme as a whole;

(b) ensure that the assets of the fund are—

(i) clearly identified as the fund's assets; and

- (ii) held separately from the assets of the PRS Provider, other funds under the Scheme and any other fund managed by the PRS Provider;
- (c) [Deleted]
- (d) ensure that the financial statements of the funds give a true and fair view of each fund's financial position as at the end of the fund's financial period;
- (e) conduct all transactions for a Scheme on an arm's length basis;
- (f) appoint a compliance officer who must directly report to the board of directors;
- (g) appoint an individual as a designated person responsible for the fund management function of the fund, whether the function is undertaken internally within the PRS Provider or externally. Where the fund management function is undertaken by an external party, the PRS Provider must ensure that the fund manager appoints a designated person for the fund;
- (h) for the purpose of paragraph 3.18(g), the designated person must be a holder of a Capital Markets Services Representative's Licence to carry on the regulated activity of fund management. Where the designated person is in a foreign fund management company, the designated person must be licensed, registered, approved or authorised to carry on the activity of fund management by the relevant regulator in his home jurisdiction;
- (i) maintain an internal audit function to report on the adequacy, effectiveness and efficiency of the management, operations, risk management and internal controls;
- (j) at all times exercise its powers, including managing the funds, in the best interest of the members as a whole;
- (k) establish, implement and maintain risk management policy and procedures of the fund, which is to be documented in a standalone document, to effectively monitor, measure and manage risks of the investment positions of the funds and their overall contributions to the risk profile of the funds. The PRS Provider must at all times –
 - (i) ensure that suitable and effective risk management and control systems are in place to monitor, measure, and manage all relevant risks in relation to the fund;
 - (ii) ensure that an effective liquidity risk management is being implemented and maintained; and

- (iii) implement and maintain effective internal policy and procedures to assess the credit risk that the fund is exposed to or will be exposed to. External ratings shall only be one of the factors to consider in assessing the credit quality of a security or instrument. Mechanistic reliance on external ratings must be avoided;
- (l) ensure that the human resource, technology and systems employed are adequately and appropriately resourced, at all times, for the proper establishment, implementation and maintenance of the risk management policy and procedures under paragraph (k);
- (m) establish, implement, maintain policies and procedures and ensure proper records are in place in relation to the funds' valuation and pricing;
- (n) exercise the degree of care and diligence that a reasonable person would exercise in the position of a PRS Provider;
- (o) give priority to the interest of members as a whole over its own interest in the event of a conflict between the interest of members as a whole and its own interest;
- (p) make all financial and other records of the Scheme available for inspection by—
 - (i) a scheme trustee;
 - (ii) an officer or employee of the scheme trustee authorised by the scheme trustee to carry out the inspection; or
 - (iii) an auditor appointed by the scheme trustee for each fund to carry out the inspection,and give such persons carrying out the inspection any information, explanation or other assistance that they may require in relation to those records;
- (q) not act as principal in the sale and purchase of securities, derivatives, property or assets to and from the Scheme unless specified otherwise by the SC;
- (r) not invest any monies available under the deed in any securities, derivatives, property or assets in which or from which the PRS Provider or any of its officer derives a benefit without the prior approval of the scheme trustee; and

- (s) where any change to the fund may materially prejudice the interest of the members, obtains a special resolution at a members' meeting duly convened and held.
- 3.18A For the purpose of paragraph 3.18(f), in relation to an Islamic fund, the compliance officer must have a basic knowledge of Shariah laws and principles.
- 3.18B A PRS Provider must take reasonable steps to ensure that its employees provide such assistance as the Shariah adviser reasonably requires to discharge its duties.
- 3.19 [Deleted]
- 3.20 [Deleted]
- 3.21 A PRS Provider must ensure that its officers and delegates–
- (a) do not make improper use of information acquired through being such an officer or delegate of the PRS Provider to–
 - (i) gain an advantage for himself or another person; or
 - (ii) cause detriment to members in the PRS;
 - (b) do not make improper use of their position as such officers or delegates to gain, directly or indirectly, an advantage for themselves or for any other person or to cause detriment to members in the PRS; and
 - (c) comply with any other duty or obligation as may be prescribed under the securities laws, trust laws or these Guidelines.

Obligations to the PPA

- 3.22 For the purpose of enabling the PPA to perform its duties and responsibilities under section 139H of the CMSA, a PRS Provider must–
- (a) provide information and comply with reporting requirements, in such manner and frequency as stipulated by the PPA;
 - (b) notify the PPA in a timely manner of any changes made to Schemes or funds under the Scheme or disclosure document;
 - (c) facilitate the opening of a private pension account including scanning and uploading of the relevant forms and information;
 - (d) take all steps to comply with the instructions given by PPA in respect of a member's request made to the PPA–
 - (i) to make any pre-retirement withdrawal from any fund under the Scheme;

- (ii) to transfer monies to another PRS Provider; or
 - (iii) in relation to a nomination of any person to receive any payment of accrued benefits of the member, after the death of the member.
- 3.23 PRS Providers are to obtain satisfactory evidence of the member's identity for all forms and documents received on behalf of the Private Pension Administration, and have effective procedures for verifying the member, which must include—
 - (a) establishing the member's full and true identity;
 - (b) verifying the identification given, where required; and
 - (c) establishing, where appropriate, the clients' financial position, investment experience, and investment objectives.
- 3.24 PRS Providers are to ensure the accuracy of the data and information provided to the PPA and must submit such data and information in specified file format and within the time frame stipulated by the PPA.

Valuation and Pricing

- 3.25 [Deleted]
- 3.26 [Deleted]

Transactions

- 3.27 [Deleted]
- 3.28 [Deleted]

Maintenance of Records

- 3.29 A PRS Provider must maintain, or cause to be maintained for a period of at least seven years,—
 - (a) the accounting records and other books to sufficiently explain the transactions and financial position of the Scheme and enable true and fair financial statements to be prepared from time to time; and
 - (b) such accounting records and other books in such a manner as will enable them to be conveniently and properly audited.
- 3.30 [Deleted]
- 3.31 [Deleted]

Provision of Information

- 3.32 A PRS Provider must submit or make available any information relating to the Scheme, the funds, its business and any other information as may be required by the Scheme Trustee from time to time.

Maintenance of a Website

- 3.32A A PRS Provider is required to maintain a website incorporating information relating to the PRS Provider and any fund under the Scheme. Details of information to be included on the website are set out in Schedule A.

Holding of Units by PRS Provider

- 3.33 Where a PRS Provider or its related corporation holds units in a fund under the Scheme that it manages, it must ensure that there are adequate policies, procedures and controls established to manage any potential conflict of interests.

Complaints Handling

- 3.34 [Deleted]

- 3.35 [Deleted]

Oversight on the operation and management of the fund

- 3.36 A PRS Provider must have oversight arrangement to ensure that the fund is managed in accordance with–
- (a) its deed;
 - (b) its disclosure document;
 - (c) the internal investment restrictions and policies; and
 - (d) the requirements prescribed under these Guidelines.
- 3.37 The arrangement for the oversight function must be appropriate and proportionate to the nature and complexity of funds being managed by the PRS provider. A person who undertakes the oversight function must:
- (a) In the case of an individual, the individual must be independent from the functions where the oversight arrangements are on to enable the individual to undertake its role effectively; and

- (b) In the case of a committee, the committee may comprise of some members who are not independent from the functions of the oversight arrangements, provided that the committee as a whole must be able to undertake its roles and responsibilities effectively.
- 3.38 The roles and responsibilities of the person undertaking the oversight function includes the following:
- (a) Ensure that the investment strategies selected are properly and efficiently implemented by the fund manager;
 - (b) Actively monitor, measure and evaluate the fund management performance of the fund manager; and
 - (c) Approve the appointment of a broker or dealer as prescribed under paragraph 11.29.
- 3.39 Any person, including any members of a committee who carries out the oversight function must not be a member of the Shariah adviser appointed for the same fund.
- 3.40 Where a fund manager undertakes cross-trades between the funds it manages, or between the fund it manages and its other clients' accounts–
- (a) the person undertaking the oversight function must approve the policies and procedures governing cross-trades; and
 - (b) the PRS Provider must provide details of any cross trades transacted to the person undertaking the oversight function.

Chapter 4

[Deleted]

Chapter 5

APPOINTMENT OF THIRD PARTY TO UNDERTAKE FUNCTIONS

General

- 5.01 A PRS Provider may appoint a third party to undertake its fund management function.
- 5.02 The PRS Provider is responsible for the proper conduct of the function undertaken by such third party and will be held equally responsible for the actions and omission by the third party.
- 5.02A For the purpose of these Guidelines, a third party appointed by a PRS Provider to undertake the fund management function for any fund under the Scheme will be referred to as a "fund manager".
- 5.03 A PRS Provider must ensure that–
- (a) adequate procedures are in place to monitor the conduct of the fund manager and to ensure that the function is performed in a proper and efficient manner;
 - (b) there are controls in place to ensure compliance with the securities laws, these Guidelines, disclosure document and deed; and
 - (c) in relation to an appointment of a foreign fund manager, a letter of undertaking is provided by the foreign fund manager to the SC that it will maintain for a period of at least seven years, proper records–
 - (i) that sufficiently explain the transactions entered into on behalf of the fund and the financial position of the fund; and
 - (ii) that will enable such records to be conveniently and properly audited or inspected.
- 5.04 In appointing a fund manager, a PRS Provider must also ensure that the person appointed is suitable to undertake the particular functions, including ensuring that the person appointed–
- (a) is duly licensed or authorised by the relevant authority;
 - (b) has adequate financial resources;
 - (c) has an adequate track record in the performance of the functions; and
 - (d) has adequate and appropriate human resources, systems, compliance, internal controls, procedures and processes to carry out the function.

- 5.05 The service agreement governing the appointment of a fund manager must, among others, contain clear provisions on—
- (a) the services to be provided;
 - (b) the fees, remuneration and other charges;
 - (c) any restrictions or prohibitions regarding the performance of the function to be undertaken; and
 - (d) reporting requirements, including the line of reporting to the PRS Provider, and means of evaluating the performance of the fund manager.

Appointment of a Fund Manager

- 5.06 An appointment of a fund manager by a PRS Provider requires prior notification to the SC in writing.
- 5.07 [Deleted]
- 5.08 Where a PRS Provider appoints a foreign fund manager, the agreement between the PRS Provider and its foreign fund manager must include, in addition to the requirements set out in paragraph 5.05, the following requirements:
- (a) Adequate training arrangements between the foreign fund manager and the PRS Provider; and
 - (b) Powers of examination and inspection by the PRS Provider, Scheme Trustee and the SC to ensure that the foreign fund manager is in compliance with the applicable requirements of the securities laws, these Guidelines, disclosure document and deed.
- 5.09 An officer of a fund manager must not hold office as member of—
- (a) the oversight function of any fund for which the fund manager is appointed to manage; or
 - (b) the Shariah adviser of any fund for which the fund manager is appointed to manage.
 - (c) [Deleted]
- 5.09A Paragraph 5.09(a) does not apply where the fund manager and the PRS Provider satisfy the following conditions:
- (a) The fund manager and the PRS Provider are related companies whereby—

- (i) the fund manager is an ultimate holding company which wholly-owns the PRS Provider;
 - (ii) the fund manager is a wholly-owned subsidiary of the PRS Provider; or
 - (iii) the fund manager and the PRS Provider concerned are wholly-owned subsidiaries of the same ultimate holding company; and
- (b) The PRS Provider has notified the respective members of such appointment.

5.10 The fund manager's remuneration must be paid by the PRS Provider and not be charged to the fund.

Appointment of a Scheme Trustee's Delegate

5.10A [Deleted]

5.10B [Deleted]

Outsourcing of Functions

5.11 [Deleted]

5.12 [Deleted]

Chapter 6

OVERSIGHT ARRANGEMENT BY PRS PROVIDERS

- 6.01 A PRS Provider must establish and maintain additional arrangements to provide oversight on the operations of the Scheme and management of the funds within the Scheme.
- 6.02 A PRS Provider must implement and maintain the following arrangements:
- (a) [Deleted]
 - (b) Appointment of an audit committee; and
 - (c) Appointment of, as the case may be—
 - (i) a Shariah adviser for an Islamic fund.
 - (ii) [Deleted]

Investment Committee

General

- 6.03 [Deleted]
- 6.04 [Deleted]
- 6.05 [Deleted]
- 6.06 [Deleted]
- 6.07 [Deleted]

Roles and Responsibilities

- 6.08 [Deleted]
- 6.09 [Deleted]

Audit Committee

General

- 6.10 An audit committee of a PRS Provider must comprise non-executive directors of the PRS Provider with—
- (a) at least three individual members; and

- (b) a minimum ratio of at least one-third independent members with at least two independent members at all times.

6.11 A member of an audit committee must not hold office as–

- (a) a Shariah adviser for any fund of the PRS Provider; and
- (b) [Deleted]
- (c) an officer who carries on the fund management function for any fund of the PRS Provider.

Roles and Responsibilities

6.12 An audit committee's roles and responsibilities include reviewing and reporting to the board of directors on the following:

- (a) Adequacy of the scope, objectives, approach and reporting of the internal audit function and whether matters highlighted in the audit report, whether internal or external have been satisfactorily resolved;
- (b) Adequacy of the functions, competency and resources of the internal audit function and whether the function has the authority to conduct its work;
- (c) The fund reports of each fund under the Scheme and annual report of the PRS Provider; and
- (d) Any related party transactions and conflict-of-interest situation.

Shariah Adviser

General

6.13 A Shariah adviser must either be–

- (a) [Deleted]
- (b) an individual or a corporation registered with the SC;
- (c) a licensed Islamic bank; or
- (c) a licensed bank or licensed investment bank approved to carry on Islamic banking business.

6.13A Where an individual is appointed as a Shariah adviser, the PRS Provider must appoint at least three individuals so as to form a Shariah committee.

6.14 [Deleted]

6.15 The appointed Shariah adviser under paragraph 6.13(b) must be independent from the PRS Provider and must not hold office as member of the oversight arrangement

of the same fund or any other funds managed and administered by the same PRS Provider.

Roles and Responsibilities

6.16 The roles of a Shariah adviser includes the following:

- (a) [Deleted]
- (b) Providing Shariah expertise and advice on Shariah matters in relation to the Islamic fund including matters relating to documentation (which include the deed, prospectus and disclosure document), structure, feature, investments instruments and ensure that all aspects of the Islamic fund are in accordance with Shariah requirements as set out in the relevant securities laws and guidelines issued by the SC;
- (c) Ensuring that the Islamic fund complies with the applicable Shariah rulings, principles and concepts endorsed by the SAC;
- (d) Reviewing the Islamic fund's compliance report and investment transaction report to ensure that the Islamic fund's investments are in line with Shariah;
- (e) Preparing a report to be included in the fund reports of an Islamic fund stating its opinion whether the Islamic fund has been operated and managed in compliance with Shariah, including Shariah rulings, principles and concepts endorsed by the SAC for the financial period concerned; and
- (f) Apply *ijtihad* (intellectual reasoning) to ensure all aspects relating to the Islamic fund are in compliance with Shariah, in the absence of any rulings, principles and concepts endorsed by the SAC.

6.16A In carrying out the roles and responsibilities above, a Shariah adviser must act with due care, skill and diligence.

6.17 Where there is ambiguity or uncertainty relating to any Shariah matters, the Shariah adviser must consult the SC.

Panel of Advisers

General

6.18 [Deleted]

6.19 [Deleted]

6.20 [Deleted]

Roles and Responsibilities

6.21 [Deleted]

6.22 [Deleted]

6.23 [Deleted]

Fit and Proper Criteria

6.24 [Deleted]

6.25 [Deleted]

6.26 [Deleted]

6.27 [Deleted]

6.28 [Deleted]

Chapter 7

CONSTITUTION OF THE SCHEME

Funds under a Scheme

7.01 [Deleted]

7.01A The funds under the Scheme can consist of core funds and non-core funds which must be authorised by the SC.

7.02 At the minimum, a PRS Provider must at all times offer three core funds within the Scheme.

7.02A Subject to paragraph 7.03, a Scheme may comprise up to seven funds.

7.03 A PRS Provider that intends to offer both conventional and Islamic fund options may offer up to 10 funds under a Scheme.

7.03A The authorisation of a fund under a Scheme may be revoked by the SC if—

- (a) any information or document furnished to the SC in respect of the application for authorisation of the fund is false or misleading or from which there is a material omission;
- (b) the fund is not launched within six months from the date of authorisation, unless an extension of time has been sought from, and approved by the SC;
- (c) the PRS Provider has failed to comply with the requirements of these Guidelines or any direction issued by the SC in relation to the Scheme or funds under the Scheme; or
- (d) a revocation is necessary in order to protect the interests of the public or the members as a whole.

Instrument Constituting the Scheme

7.04 A PRS Provider must ensure that there is only one deed for a Scheme that must be in force at all times. The deed must comply with the minimum requirements specified under Schedule D of these Guidelines and those specified under securities laws at all times.

7.04A The contents of the deed must not be prejudicial to the interest of a member or a member of any class of units.

7.04B Notwithstanding paragraphs 7.04 and 7.04A, a deed must not contain any matter which is inconsistent with the securities laws or these Guidelines.

7.05 [Deleted]

- 7.06 A PRS Provider and Scheme Trustee are responsible for maintaining the deed and making necessary amendments to the deed in accordance with the securities laws and these Guidelines.

Authorisation of Funds under a Scheme

- 7.07 [Deleted]
- 7.08 [Deleted]
- 7.09 [Deleted]
- 7.10 [Deleted]

Name of Funds and Schemes

- 7.11 The three core funds which are the default option under a Scheme must be named '[insert name of PRS Provider] – Growth fund', '[insert name of the PRS Provider] – Moderate fund' and '[insert name of the Provider]- Conservative fund'.
- 7.12 For non-core funds, a PRS Provider and Scheme Trustee must ensure that the name of the non-core fund or any class of units of such non-core fund is not inappropriate and not misleading.
- 7.13 The SC may require the PRS Provider to change the name of the Scheme or funds under the Scheme or any class of units of any fund under the Scheme if, in the opinion of the SC, the name is inappropriate or misleading.
- 7.14 [Deleted]

Investment Objective of the Scheme

- 7.15 The investment objective of the Scheme and funds within the Scheme must be clear, specific and sufficiently stipulated in the deed.
- 7.16 The investment decision of the funds to be established under the Scheme must be for the purpose of achieving long-term optimum returns with emphasis on prudence, safety and sound commercial judgment.
- 7.17 Where the strategies to be adopted to meet the investment objective involve investment in a particular style, asset class, economic sector, market or geographical area, it is the PRS Provider's duty to ensure that an appropriate portion of the fund is invested in accordance with that intention.

Modifications to the Deed

7.18 [Deleted]

7.19 Any modification to a Scheme's deed must be made in accordance with the provisions of the deed, Regulation 5 of the PRS Regulations and as specified under these Guidelines.

7.19A For the purpose of sub-regulation 5(3) of the *Capital Markets and Services (Private Retirement Scheme Industry) Regulations 2012*, a PRS Provider must convene a members' meeting to obtain members' approval where the interests of the members may be materially prejudiced by any changes to the deed.

7.20 [Deleted]

7.21 The PRS Provider must give at least seven days prior written notice to members of a proposed modification to the deed, where the PRS Provider and Scheme Trustee are of the opinion that the proposed modification would not materially prejudice the interests of members.

7.22 [Deleted]

Prohibition on use of the term "capital protected"

7.23 The use of the term "capital protected", or any other form of such term or words with similar meaning, in a Scheme or fund's name and description is prohibited.

Chapter 8

INVESTMENTS OF THE SCHEME

General

- 8.01 The fund's assets must be relevant and consistent with the investment objective of the PRS which is to facilitate accumulation of retirement savings by individuals for use in retirement.
- 8.02 Reasonable steps should be taken to ensure that, taking into account the investment objective and policy of the funds under the Scheme, the fund's assets provides a prudent spread of risk.
- 8.03 [Deleted]
- 8.04 [Deleted]

Dealings in the Fund's Assets

- 8.05 All dealings in the fund's assets must be appropriate to the fund and consistent with the securities laws, these Guidelines, disclosure document and deed.
- 8.06 The fund manager must—
- (a) inform the Scheme Trustee in writing of any acquisition or disposal of a fund's assets within one business day after the acquisition or disposal was effected;
 - (b) ensure that the fund's assets has adequate proof of title or ownership to allow proper custodial arrangements to be made; and
 - (c) cancel a transaction or make a corresponding acquisition or disposal at its own expense to secure restoration of the previous position where the Scheme Trustee conveyed an opinion that a particular acquisition or disposal exceeds the powers conferred on it, or is otherwise contrary to the interests of the members.

Investment Powers: General

- 8.07 The fund's assets may only consist, unless otherwise provided in these Guidelines, of the following:
- (a) Transferable securities;
 - (b) Money market instruments;
 - (c) Deposits with financial institutions;

- (d) Units or shares in CIS;
- (e) Derivatives;
- (f) Real estate; and
- (g) Securities other than (a) and (d), and investment accounts other than (b). For the purposes of these Guidelines, these financial instruments are referred to as "other securities".

8.07A An Islamic fund's assets may only consist of assets that comply with Shariah principles.

8.08 [Deleted]

8.08A A fund may not acquire any asset or engage in any transaction which involves the assumption of any liability which is unlimited.

8.09 Transferable securities and money market instruments held by the fund must be traded or under the rules of an eligible market. Transferable securities that are not traded or dealt in or under the rules of an eligible market is permitted subject to the exposure limit stipulated in Schedule B of these Guidelines.

8.10 [Deleted]

8.11 [Deleted]

Investments in transferable securities

8.11A Transferable securities refer to—

- (a) shares or securities equivalent to shares;
- (b) bonds or other forms of securitised debt; and
- (c) sukuk,

but do not include money market instruments or any security where the title can be transferred only with the consent of a third party.

8.11B Transferable securities must meet the following criteria:

- (a) The maximum potential loss which the fund may incur as a result of the investment is limited to the amount paid for it;
- (b) The investment is liquid, and will not impair the fund's ability to satisfy its redemption and other payment commitments;
- (c) The investment is subject to reliable and verifiable valuation on a daily basis; and
- (d) There is appropriate information available to the market on the investment.

- 8.11C For avoidance of doubt, shares that are not listed and quoted on a stock exchange but have been approved by the relevant regulatory authority for such listing and quotation, and are offered directly to the fund by the issuer, will be deemed to be transferable securities traded or dealt in or under the rules of an eligible market.

Investments in Other Securities

- 8.12 Investment in other securities is subject to an exposure limit stipulated in Schedule B of these Guidelines.
- 8.13 [Deleted]
- 8.14 The fund manager must ensure that there are appropriate policies and procedures for the valuation of the other securities as well as have in place the necessary risk management policy and procedures to enable it to monitor, measure and manage the risks relating to the investment and their contribution to the overall risk profile of the fund.

Investments in CIS

- 8.15 The fund's assets may consist of units or shares in other CIS.
- 8.15A A fund may invest in other CIS that fall within the following categories:
- (a) A CIS authorised or recognised by the SC; or
 - (b) A CIS that meets the following criteria:
 - (i) The CIS is constituted and regulated in a jurisdiction where the laws and practices provide the level of investor protection that is at least equivalent to that offered in Malaysia;
 - (ii) The rules on investments, borrowing and lending are substantially similar to the requirements in these Guidelines. This would exclude hedge funds;
 - (iii) The assets of the CIS are managed by an entity which is approved, authorised or licensed by a securities regulator to conduct fund management activities; and
 - (iv) The business of the CIS is reported in half-yearly and annual reports to enable an assessment to be made of the assets and liabilities, income and operations over the reporting period; or
 - (c) A CIS that meets the following criteria:
 - (i) The CIS invests in permissible investments under paragraph 8.07(a) to (f), or physically-backed metal ETF that comply with paragraph 8.15B;

- (ii) The CIS meets the criteria imposed on transferable securities as prescribed under paragraph 8.11B;
 - (iii) The units or shares in the CIS are listed for quotation and traded on a stock exchange that is an eligible market; and
 - (iv) The CIS is not an inverse or leveraged product; or
- (d) A CIS that does not comply with paragraphs 8.15A(a), (b) or (c), but subject to the exposure limit stipulated in Schedule B of these Guidelines.

8.15B Where a fund invests in a physically-backed metal ETF, the physically-backed metal ETF must meet the following criteria:

- (a) The assets of the physically-backed metal ETF, i.e. the physical metal, is held in trust and is segregated from the assets of the manager, sponsor, trustee or custodian; and
- (b) The physically-backed metal ETF adopts a passive management strategy with the objective of tracking the price of the metal.

8.16 [Deleted]

8.16A [Deleted]

8.17 Where the fund invests in a CIS operated by the same PRS Provider or its related corporation, the fund manager must ensure that–

- (a) there is no cross-holding between the fund and the CIS;
- (b) all initial charges on the CIS are waived; and
- (c) the management fee must only be charged once, either at the fund or the CIS.

Investments in Warrants

8.18 [Deleted]

Investments in Derivatives

8.19 The fund's assets may consist of derivatives that are either listed or quoted on a stock exchange, or dealt in the OTC market, provided that the fund's global exposure from derivatives position does not exceed the fund's NAV at all times. The global exposure may be calculated using the approach described in Part 1, Appendix I of this Chapter after taking into account the fund's investment strategy, the types and complexities of the derivatives used, and the proportion of the fund's portfolio which comprise derivative instruments.

- 8.19A An Islamic unit trust fund may only use derivatives for hedging purposes. Such derivatives must be Islamic derivatives. However, if Islamic derivatives are not available or are not commercially viable, the Islamic fund may use conventional derivatives subject to prior approval from the Shariah adviser being obtained.
- 8.20 The underlying instruments of a derivative must only consist of permissible investments under paragraph 8.07 and may also include commodities, indices, interest rates and foreign exchange rates. Where the underlying instrument of a derivative is a commodity, such derivative must be settled in cash at all times and this must be set out in the deed and disclosure document.
- 8.20A The derivative must meet the following criteria:
- (a) The derivative must be liquid and will not impair the fund's ability to satisfy its redemption and other payment commitments;
 - (b) The exposure to the underlying assets of the derivative must not exceed the investment restrictions or limitations applicable to such underlying assets and investments as set out in Schedule B of these Guidelines;
 - (c) The derivative is subject to reliable and verifiable valuation on a daily basis;
 - (d) The derivative can be sold, liquidated or closed by an offsetting transaction at any time at its fair value; and
 - (e) The derivative must not result in the delivery of investments other than those prescribed under paragraphs 8.07(a) to (d).
- 8.20B In the case of OTC derivatives, reliable and verifiable valuation pursuant to paragraph 8.20A(c) refers to the following:
- (a) A valuation made by the PRS Provider based on a current market value; or
 - (b) Where such value is not available, a fair value based on an appropriate valuation method which is checked at an appropriate frequency by an independent party.

Embedded derivatives

- 8.20C Where a transferable security or money market instrument embeds a derivative, the requirements in paragraphs 8.19 to 8.20B and 8.20H apply to the embedded derivative.
- 8.20D Where the counterparty risk of the embedded derivative is or may be transferred to the fund, paragraphs 8.22 and 8.23 also apply to the embedded derivative.
- 8.20E A transferable security or money market instrument is considered to be embedding a derivative if it contains a component that fulfils the following criteria:
- (a) The component results in some or all of the cash flows that otherwise would be required by the transferable security or money market instrument which

functions as a host contract to be modified according to a variable including but not limited to a specified interest rate, price of a financial instrument, foreign exchange rate, index of prices or rates, credit rating or credit index, and therefore vary in a way similar to a standalone derivative;

- (b) The component's economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
- (c) The component has a significant impact on the risk profile and pricing of the transferable security or money market instrument.

8.20F A transferable security or a money market instrument should not be regarded as embedding a derivative where it contains a component which is contractually transferable independently of the transferable security or money market instrument. Such a component should be deemed to be a separate financial instrument.

8.20G Where an instrument is structured as an alternative to an OTC derivative or tailor-made to meet the specific needs of a fund, the instrument must be deemed as embedding a derivative.

Cover

8.20H The PRS Provider must ensure the fund is able to meet its payment and delivery obligations incurred under transactions in derivative, whether for hedging or for investment purposes, at all times.

8.21 [Deleted]

OTC derivatives

8.22 The OTC derivative must meet the following:

- (a) The counter-party of an OTC derivative must be a financial institution with a minimum long-term credit rating of investment grade (including gradation and subcategories); and
- (b) [Deleted]
- (c) [Deleted]
- (d) [Deleted]
- (e) Subject to the aggregate limit in Schedule B of these Guidelines, the maximum exposure of a fund to the counterparty, calculated based on the method as described in Part 2, Appendix 1 of this Chapter, must not exceed 10% of the fund's NAV.

8.23 For the purpose of paragraph 8.22(a), where the rating of the counterparty falls below the minimum required, or the counter-party ceases to be rated, the fund manager must, within six months or sooner if the Scheme Trustee considers it to be in the best interest of the members, take the necessary action to ensure that the requirements are complied with.

8.24 [Deleted]

8.25 [Deleted]

8.26 [Deleted]

Investment in Structured Products

8.27 [Deleted]

8.28 [Deleted]

8.29 [Deleted]

Investments in Deposits

8.30 The fund's assets may consist of placement of deposits provided that it is with a financial institution.

Securities Lending and Repurchase Transactions

8.31 The fund may undertake securities lending and repurchase transactions provided that these are for the sole purpose of efficient portfolio management. A transaction is deemed to be for the purpose of efficient portfolio management if it meets the following criteria:

- (a) Economically appropriate and realised in a cost-effective way;
- (b) Entered into for one or more of the following specific aims:
 - (i) Reduction of risk;
 - (ii) Reduction of cost; or
 - (iii) Generation of additional capital or income for the fund with a level of risk which is consistent with the risk profile of the fund and the risk diversification requirements as prescribed in these Guidelines;
- (c) The exposure is fully covered to meet any obligation to pay or deliver; and
- (d) The risks are adequately captured by the risk management policy and procedures of the fund.

- 8.31A An Islamic fund may not lend its assets, but it can undertake the following activities for the sole purpose of efficient portfolio management:
- (a) Shariah-compliant securities lending subject to approval from the Shariah adviser;
 - (b) ISSBNT, subject to the rules and directives issued by Bursa Securities, Bursa Malaysia Depository Sdn Bhd and Bursa Malaysia Securities Clearing Sdn Bhd on ISSBNT; or
 - (c) Shariah-compliant repurchase transaction subject to approval from the Shariah adviser.
- 8.32 [Deleted]
- 8.33 The fund manager must ensure that it has appropriate policies and practices for the lending of securities and repurchase transactions by the fund. The fund manager must ensure that the volume of securities lending or repurchase transactions is kept at an appropriate level.
- 8.33A For the purpose of securities lending, a fund may lend its transferable securities either—
- (a) directly;
 - (b) through a standardised lending system facilitated by a clearing house which performs a central counterparty role; or
 - (c) through securities lending agents, who are recognised as specialists in securities lending.
- 8.33B Securities lending and repurchase transactions must be effected in accordance with good market practice.
- 8.33C The fund manager must have at least 100% collateralisation in respect of the securities lending and repurchase transactions into which it enters and ensure there is no uncollateralised counterparty risk exposure arising from these transactions. The collateral must meet the requirements in Appendix II of this Chapter.
- 8.33D All the revenues arising from securities lending and repurchase transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities lending and repurchase transactions, must be returned to the fund.
- 8.33E The securities lending and repurchase transactions must be permitted under the deed and disclosed in the disclosure document.
- 8.34 Except otherwise provided under paragraph 8.31, the fund's assets may not be lent. In addition, the fund may not assume, guarantee, endorse or otherwise become directly or contingently liable for, or in connection with, any obligation or indebtedness of any person.

Counterparty

- 8.34A The counterparty to the securities lending and repurchase transactions must be a financial institution that has a minimum top three long-term credit rating (including gradation and subcategories) provided by any Malaysian or global rating agency.
- 8.34B Where the counterparty to the securities lending and repurchase transactions is a party related to the PRS Provider or the fund manager, the PRS Provider or the fund manager, as the case may be, must have adequate arrangements in place to manage potential conflict of interests.
- 8.34C The agreement between the fund and the counterparty, either directly or through its agent, must require the counterparty to provide additional collateral to the fund or its agent no later than the close of the next business day if the current value of the eligible collateral tendered is insufficient.

Borrowings

- 8.35 Except otherwise provided under paragraph 8.31, the fund is prohibited from borrowing other assets (including borrowing of securities within the meaning of *Securities Borrowing and Lending Guidelines*) in connection with its activities.
- 8.36 Notwithstanding paragraph 8.35, the fund may borrow cash for the purpose of meeting repurchase requests for units and for short-term bridging requirements.
- 8.37 For the purpose of paragraph 8.36, the PRS Provider must ensure that–
- (a) the fund's cash borrowing is only on a temporary basis and that borrowings are not persistent;
 - (b) the borrowing period must not exceed one month;
 - (c) the aggregate borrowings of a fund must not exceed 10% of the fund's NAV at the time the borrowing is incurred; and
 - (d) the fund may only borrow from financial institutions.

Investment in Real Estate

- 8.38 The fund's assets may consist of ownership of real estate provided that it is limited to 15% of the NAV of a fund.
- 8.39 The fund manager must ensure that there are appropriate policies and procedures for the valuation of real estate properties.
- 8.40 [Deleted]

Investment Limits

- 8.41 The fund manager must ensure that the investment limits and restrictions set out in Schedule B of these Guidelines are complied with at all times based on the most up-to-date value of the fund's assets .
- 8.42 The limits and restrictions in Schedule B do not apply to securities/instruments issued or guaranteed by the Malaysian government or Bank Negara Malaysia.
- 8.43 In determining compliance with the limits or restrictions, any accrued entitlement on the securities/instruments held by the fund may be excluded. The entitlement must not be exercised if the exercise results in a breach of any limit or restriction.
- 8.44 [Deleted]
- 8.45 Although the limits and restrictions under Schedule B of these Guidelines apply only on a per fund basis, the fund manager is encouraged to have prudential internal limits and restrictions on a group-of-funds basis if the funds are operated by the same PRS Provider.

Breach of Investment Limits

- 8.46 [Deleted]
- 8.47 [Deleted]
- 8.47A The PRS Provider must notify the SC, within seven business days, of any breach of investment limits and restrictions in this Chapter with the steps taken to rectify and prevent such breach from recurring.
- 8.47B Notwithstanding paragraph 8.47A, any breach as a result of any –
- (a) appreciation or depreciation in value of the fund's investments;
 - (b) repurchase of units or payment made out of the fund;
 - (c) change in capital of a corporation in which the fund has invested in; or
 - (d) downgrade in or cessation of a credit rating,
- need not be reported to the SC but must be rectified as soon as practicable within three months from the date of the breach unless otherwise specified in these Guidelines.
- 8.47C Notwithstanding paragraph 8.47B, the three-month period may be extended if it is in the best interest of members' and Scheme Trustee's consent is obtained. Such extension must be subject to at least a monthly review by the Scheme Trustee.

Voting Rights

8.48 The fund manager or the Scheme Trustee is encouraged to exercise the voting rights for any share held by the fund at a shareholders' meeting of a corporation whose shares are so held.

8.49 [Deleted]

Chapter 8 – Appendix I

EXPOSURE TO DERIVATIVES

PART 1: CALCULATION OF GLOBAL EXPOSURE TO DERIVATIVES AND EMBEDDED DERIVATIVES

- (1) For the purpose of this Appendix, any reference to 'high quality' means the highest long-term credit rating of the issuer.

Commitment approach

- (2) The global exposure of the fund is calculated as the sum of the –
- (a) absolute value of the exposure of each individual derivative not involved in netting or hedging arrangements;
 - (b) absolute value of the net exposure of each individual derivative after netting or hedging arrangements; and
 - (c) the values of cash collateral received pursuant to–
 - (i) the reduction of exposure to counterparties of OTC derivatives; and
 - (ii) efficient portfolio management techniques relating to securities lending and repurchase transactions.

Netting arrangements

- (3) Netting arrangements may be taken into account to reduce a fund's exposure to derivatives.
- (4) A fund may net positions between–
- (a) derivatives on the same underlying constituents, even if the maturity dates are different; or
 - (b) derivatives and the same corresponding underlying constituents, if those underlying constituents are transferable securities, money market instruments, or units or shares in CIS.

Hedging arrangements

- (5) Hedging arrangements may be taken into account to reduce a fund's exposure to derivatives.
- (6) The marked-to-market value of transferable securities, money market instruments, or units or shares in CIS involved in hedging arrangements may be taken into account to reduce the exposure of a fund to derivatives.

- (7) The hedging arrangement must–
- (a) not be aimed at generating a return;
 - (b) result in an overall verifiable reduction of the risk of the fund;
 - (c) offset the general and specific risks linked to the underlying constituent being hedged;
 - (d) relate to the same asset class being hedged; and
 - (e) be able to meet its hedging objective in all market conditions.

PART 2: CALCULATION OF EXPOSURE TO COUNTERPARTY OF OTC DERIVATIVES

- (8) The exposure to a counterparty of an OTC derivative must be measured based on the maximum potential loss that may be incurred by the fund if the counterparty defaults and not on the basis of the notional value of the OTC derivative.
- (9) The total exposure to a single counterparty is calculated by summing the exposure arising from all OTC derivative transactions entered into with the same counterparty.

Collateral

- (10) The exposure to a single counterparty pursuant to paragraph 8.22(e) may be construed as being lowered if the fund receives collateral from such counterparty, provided that the collateral complies with the following:
- (a) It can only consist of cash, debt securities, or money market instruments, that are subject to the investment restrictions and limits, on a portfolio basis, as prescribed under Schedule B of these Guidelines;
 - (b) It is marked-to-market daily by using independent pricing source;
 - (c) It must be sufficiently liquid and tradable in order that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid marketplace with transparent pricing;
 - (d) It must be of high quality and must be replaced immediately as soon as the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it undermine the effectiveness of the collateral;
 - (e) Its value must not have any significant correlation with the creditworthiness of the counterparty in such a way that would undermine the effectiveness of the collateral;
 - (f) It is not issued by the counterparty or any of its related corporation;
 - (g) It must be held by the trustee in a trust account for the fund;

- (h) It must be subject to prudent haircut policy;
- (i) It must be readily accessible or enforceable by the trustee of the fund without further recourse to the issuer of the derivatives;
- (j) It is free from all prior encumbrances; and
- (k) Bonds, sukuk and other forms of securitised debt, and money market instruments, with embedded derivatives are not eligible as collateral.

Re-investment of collateral

- (11) Collateral obtained in the form of cash by the fund may only be reinvested in short-term deposits and high quality money market instruments, and subject to corresponding investment restrictions and limits applicable to such investments, on a portfolio basis, as prescribed under Schedule B of these Guidelines.
- (12) Non-cash collateral received may not be sold, reinvested or pledged.

Management of operational and legal risks

- (13) The PRS Provider or the fund manager must have appropriate systems, operational capabilities and legal expertise for proper collateral management.

Chapter 8 – Appendix II

SECURITIES LENDING AND REPURCHASE TRANSACTIONS

- (1) For the purpose of this Appendix, any reference to 'high quality' means the top three long-term credit rating of the issuer (including gradation and subcategories).

Collateral: General

- (2) The collateral provided to the fund for securities lending and repurchase transactions must comply with the following:
- (a) It can only consist of cash, debt securities, or money market instruments, that are subject to the investment restrictions and limits, on a portfolio basis, as prescribed under Schedule B of these Guidelines;
 - (b) It is marked-to-market daily by using independent pricing source;
 - (c) It must be sufficiently liquid and tradable in order that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid marketplace with transparent pricing;
 - (d) It must be of high quality and must be replaced immediately as soon as the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it undermine the effectiveness of the collateral;
 - (e) Its value must not have any significant correlation with the creditworthiness of the counterparty in such a way that would undermine the effectiveness of the collateral;
 - (f) It is not issued by the counterparty or any of its related corporation;
 - (g) It must be—
 - (i) held by the trustee or an agent; and
 - (ii) legally secured from the consequences of the failure of the trustee, counterparty or agent;
 - (h) It must be subject to prudent haircut policy;
 - (i) It must be readily accessible or enforceable by the trustee of the fund without further recourse to the counterparty of the securities lending and repurchase transactions;
 - (j) It is free from all prior encumbrances; and
 - (k) Bonds, sukuk and other forms of securitised debt, and money market instruments, with embedded derivatives are not eligible as collateral.

Collateral: Securities lending through a standardised lending system

- (3) For securities lending through a standardised lending system, the collateral may, in addition to instruments specified in paragraph (2)(a), consist of equity securities as approved or prescribed by the clearing house, provided that the equity securities—
 - (a) comply with the requirements specified in paragraphs (2)(b), (c), (e), (f), (g), (h), (i) and (j); and
 - (b) equity securities with embedded derivatives are not eligible as collateral.

Re-investment of collateral

- (4) Collateral obtained in the form of cash by the fund may only be reinvested in short-term deposits and high quality money market instruments, and subject to corresponding investment restrictions and limits applicable to such investments, on a portfolio basis, as prescribed under Schedule B of these Guidelines.
- (5) Non-cash collateral received may not be sold, reinvested or pledged.

Management of operational and legal risks

- (6) The PRS Provider or the fund manager must have appropriate systems, operational capabilities and legal expertise for proper collateral management.

Chapter 9

CHARGES, FEES AND EXPENSES

Charges for Dealing in Units

- 9.01 A PRS Provider must not impose a charge, including a charge for the sale and repurchase of units, 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 disclosure document.
- 9.02 Subject to paragraph 9.18, the charges must not exceed the amount or rate stated in the disclosure document unless–
- (a) the PRS Provider has notified the Scheme Trustee and the SC in writing of the higher charge and the effective date of the charge;
 - (b) a supplementary or replacement disclosure document 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 disclosure document.
- 9.03 Subject to paragraph 9.18, any increase in the maximum amount or maximum rate stated in the deed can only be made by way of a supplementary deed and pursuant to a special resolution passed at a meeting of members of the Scheme or the fund within the Scheme, as the case may be.
- 9.04 Discounts and rebates in any form are prohibited. A PRS Provider, its sales agents and distributors must clearly inform members and contributors of the actual rate of charges payable.
- 9.05 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.
- 9.05A [Deleted]

Management Fee and Scheme Trustee Fee

- 9.06 A PRS Provider and Scheme Trustee may only be remunerated by way of an annual fee charged to the fund.
- 9.07 The fees may only be charged to the fund if permitted by the deed and clearly disclosed in the disclosure document.

- 9.08 The fees must be accrued daily and calculated based on the NAV of the fund. The number of days in a year must be used in calculating the accrued fees.
- 9.09 Subject to paragraph 9.18, the fees must not be higher than that disclosed in the disclosure document unless–
- (a) in the case of management fee, the PRS Provider has notified the Scheme Trustee in writing of the new higher rate, and the Scheme Trustee agrees after considering matters stated in paragraph 9.11;
 - (b) in the case of Scheme Trustee fee, the Scheme Trustee has notified the PRS Provider in writing of the new higher rate, and the PRS Provider agrees after considering matters stated in paragraph 9.13;
 - (c) the PRS Provider has notified members 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 disclosure document 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 disclosure document.
- 9.10 Subject to paragraph 9.18, any increase in the maximum rate stated in the deed may only be made by way of a supplementary deed and pursuant to a special resolution passed at a meeting of members of the Scheme or the fund within the Scheme, as the case may be.

Remuneration of PRS Provider

- 9.11 A PRS Provider must demonstrate, and the Scheme Trustee must agree, that the management fee is reasonable, considering–
- (a) the roles, duties and responsibilities of the PRS Provider;
 - (b) the interests of members;
 - (c) the nature, quality and extent of the services provided by the PRS Provider;
 - (d) the size and composition of the respective fund's assets;
 - (e) the success of the PRS Provider in meeting the respective fund's investment objective;
 - (f) the need to maximise returns to members; and
 - (g) the maximum rate stipulated in the deed.
- 9.12 If at any time the Scheme Trustee is of the opinion that the management fee charged to the fund is unreasonable, the Scheme Trustee must take such necessary action,

which may include convening a members' meeting, to ensure that the fee charged commensurate with the services provided by the PRS Provider.

Remuneration of Scheme Trustee

9.13 The Scheme Trustee fee must be reasonable, and takes into consideration–

- (a) the roles, duties and responsibilities of the Scheme Trustee;
- (b) the interests of members;
- (c) the maximum rate stipulated in the deed; and
- (d) the size and composition of the respective fund's assets.

Expenses of the Fund

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

(a) – (g)[Deleted]

9.14A Notwithstanding paragraph 9.14, fees payable to the PPA may be paid out of a fund.

9.15 General overheads and costs for services expected to be provided by the PRS Provider must not be charged to the fund. Costs of issuing disclosure document must be borne by the PRS Provider but may be charged to the fund if no sales charge is imposed.

9.16 A Scheme Trustee must ensure that all expenses charged to the fund are legitimate. In addition, a Scheme 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 Scheme 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.

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

Power to Review Fees

9.18 Where the SC believes that any fee or charge imposed in respect of a PRS is not consistent with the objectives of the long term operations of a Scheme or prejudicial to the interests of members, the SC may review and require such fees and charges to commensurate with the services provided.

Fees payable to PPA

9.19 Any fees to be charged by the PPA to members or contributors may be collected by the PRS Provider acting on behalf of the PPA.

Chapter 10

DEALING, VALUATION AND PRICING

Initial Offer

- 10.01 A fund may provide for an initial offer period of not exceeding 21 days.
- 10.02 Dealing in units during the initial offer period must be at the initial price determined by the PRS Provider. Any creation or cancellation of units during the initial offer period must also be at the initial price.
- 10.03 [Deleted]
- 10.04 [Deleted]

Creation and Cancellation of Units

- 10.05 A PRS Provider must instruct the Scheme Trustee in writing to create or cancel units of a fund, and pay or receive cash to or from the Scheme Trustee for the transaction.
- 10.05AA PRS Provider must pay the Scheme Trustee the value of units created within 7 business days of giving instructions to the Scheme Trustee to create units.
- 10.05BA Scheme Trustee must pay the PRS Provider the value of units cancelled within
- (a) 7 business days; or
 - (b) a period that is no later than the period where the PRS Provider is required to pay the members the proceeds of the repurchase request as disclosed in the fund's disclosure document, pursuant to paragraph 10.16C,
- of receiving instructions from the PRS Provider to cancel units.
- 10.06 A Scheme Trustee must create or cancel units on receipt of, and in accordance with, the instructions given by the PRS Provider and only for cash.
- 10.07 Where a request for units is received from members or potential members, the PRS Provider must instruct the Scheme Trustee to create new units at or before the next valuation point if the PRS Provider has insufficient units to meet the request.
- 10.08 A PRS Provider must not do or omit to do anything which would confer on itself or the fund manager a benefit at the expense of a member or a potential member when giving instructions to the Scheme Trustee for the creation or cancellation of units.
- 10.09 Any instruction for the creation or cancellation of units may be modified but only if the Scheme Trustee agrees and has taken reasonable care to determine that—
- (a) the modification corrects an error in the instruction; and
 - (b) the error is an isolated one.

- 10.10 Any error referred to in paragraph 10.09 must be corrected within the payment period applicable under paragraphs 10.05A, 10.05B and 10.12.
- 10.11 [Deleted]
- 10.12 Where the payment cannot be satisfied within 7 business days, the Scheme Trustee may extend the payment period where the fund does not have sufficient cash or liquid assets and the Scheme Trustee considers payment within 7 business days is not in the best interest of members.
- 10.13 The creation and cancellation of units must be at NAV per unit of the fund as at the next valuation point after an instruction from the PRS Provider is received by the Scheme Trustee.

Scheme Trustee May Refuse to Create or Cancel Units

- 10.14 Notwithstanding any other requirement under these Guidelines, a Scheme Trustee may, by notice to the PRS Provider, refuse to—

- (a) create units; or
- (b) create units in the number instructed by the PRS Provider,

where the Scheme Trustee considers the creation is not in the best interest of members or it would result in a breach of the securities laws, these Guidelines or the deed. Where the Scheme Trustee refuses to create units under this paragraph, the PRS Provider shall repay all monies received from the contributor in relation to the units which are not created as soon as possible, at most within 7 business days after the PRS Provider receives notification from the Scheme Trustee on its refusal to create units.

- 10.14A Notwithstanding any other requirement under these Guidelines, a Scheme Trustee may by notice to the PRS Provider refuse to—

- (a) cancel units; or
- (b) cancel units in the number instructed by the PRS Provider,

where the Scheme Trustee considers the cancellation is not in the best interest of members or it would result in a breach of the securities laws, these Guidelines or the deed.

Dealing in Units

- 10.15 A PRS Provider must agree to issue and repurchase units upon the proper request of a member.
- 10.15A Notwithstanding paragraph 10.15, a PRS Provider has the right to repurchase all units of a member in the event such repurchase is necessary to ensure that the PRS

Provider is in compliance with relevant laws. PRS Provider must provide prior notification to the members of such repurchase.

10.16 A PRS Provider must, at all times during the business day, deal in units of a fund in accordance with the deed and the disclosure document unless it has reasonable grounds to refuse a sale or repurchase.

10.16A A PRS Provider must deal in units at a price determined in accordance with paragraph 10.33.

10.16B Notwithstanding paragraph 10.16, a PRS Provider must ensure that every business day is a dealing day for the fund unless the deed provides otherwise and there is sufficient disclosure that the fund may not have dealings on every business day. In any case, there must be at least one dealing day in a month.

10.16C A PRS Provider may extend the payment period prescribed in paragraph 10.17A, in the following circumstances:

(a) The fund is a feeder fund, in which case the payment to members following a repurchase of units must be made within 5 business days from the receipt of redemption proceeds from the CIS (target fund);

(b) The determination of the NAV per unit of the fund is subject to currency conversion due to, but not limited to-

(i) investments in markets outside Malaysia; or

(ii) the fund is a multi-class fund that offers classes of units denominated in currencies that are different from the fund's base currency,

which renders the redemption payment period within seven business days not practicable; or

(c) A fund that utilises liquidity risk management tool,

provided that adequate disclosure has been made in the fund's disclosure document on the redemption payment period.

Effecting transfers and withdrawals

10.17 To give effect to transfers between PRS Providers under paragraph 11.87, a PRS Provider must pay the transferee PRS Provider the proceeds of the repurchase of units within 5 business days of receiving a completed transfer form from the PPA.

10.17A To give effect to withdrawals, the PRS Provider must pay the proceeds of the repurchase of units in accordance with the following:

No.	Circumstances of withdrawal	Period for payment to be made	Recipient of payment
(a)	Upon reaching retirement age	Within 7 business days after the PRS Provider received a completed withdrawal request from member	Members
(b)	Pre-retirement withdrawals from sub-account B		
(c)	Permanent departure of member from Malaysia		
(d)	Due to permanent total disablement, serious disease and mental disability of a member	Within 7 business days after the PRS Provider received a completed withdrawal request (either received directly or through a notification from the PPA)	Members
(e)	Death of a member	Within 7 business days after the PRS Provider received an authorisation from the PPA	(i) Either a nominee, trustee, executor, or administrator of a deceased member (ii) Notwithstanding paragraph (i), the PRS Provider may pay the accrued benefits nominated to the persons referred to in paragraph 15.18 provided that such persons comply with the requirements in paragraph 15.18.
(f)	For housing purpose	Within 7 business days after the PRS Provider received a completed withdrawal request	Members' account or joint housing loan account
(g)	For healthcare purpose	Within 7 business days after the PRS Provider received a completed withdrawal request	Members

10.17B For the purpose of effecting transfers between PRS Providers and withdrawals under paragraphs 10.17 and 10.17A respectively, a PRS Provider must maintain adequate arrangement to enable it to repurchase units within the period specified under –

- (a) paragraph 10.17; and
- (b) paragraph 10.17A, as may be extended pursuant to paragraph 10.16C, respectively.

10.18 [Deleted]

Suspension of Dealing in Units

10.18A A PRS Provider may, in consultation with the Scheme Trustee and having considered the interests of members, suspend dealing in units of a fund due to exceptional circumstances, where there is good and sufficient reason to do so, considering the interests of members.

10.18B Where a suspension of dealing in units of a fund under paragraph 10.18A is triggered, the PRS Provider must ensure that all members of the fund are informed in a timely and appropriate manner of the decision to suspend dealing in units of the fund.

10.19 A Scheme Trustee may suspend dealing in units in a fund if the Scheme Trustee, on its own accord, considers an event under paragraph 10.18A has been triggered. In such a case, the Scheme Trustee must immediately call for a member's meeting to decide on the next course of action.

(a) [Deleted]

(b) [Deleted]

10.19A A suspension of dealing in units under paragraph 10.18A can apply to one or more classes of units without being applied to other classes provided always that such suspension does not prejudice the interests of members.

10.20 [Deleted]

10.21 A PRS Provider should cease the suspension as soon as practicable after the exceptional circumstances in paragraph 10.18A have ceased, and in any event, within 21 days of the commencement of the suspension. The period of suspension may be extended if the PRS Provider satisfies the Scheme Trustee that it is in the best interest of members for the dealing in units to remain suspended. Such extension must be subject to weekly review by the Scheme Trustee.

10.22 A Scheme Trustee must not create or cancel units when dealing in units is suspended.

10.23 A PRS Provider must immediately notify the SC in writing if dealing in units is suspended, including any extension of suspension, stating the reasons for the suspension or extended suspension, as the case may be.

10.24 Before resuming dealing in units after any suspension, the PRS Provider must notify the SC in writing of the proposed resumption and the date of the proposed resumption.

10.25 A PRS Provider may deal in units at a price calculated by reference to the first valuation point after restart of dealing in units.

Valuation

- 10.25A A PRS Provider must ensure that the fund and the fund's units are correctly valued and priced, in line with the requirements of this chapter and Schedule C of these Guidelines, the deed and the disclosure document.
- 10.25B 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 for a class of units divided by the number of units in circulation for that class of units, at the valuation point.
- 10.26 To determine the fund's NAV, a fair and accurate valuation of all assets and liabilities of the fund must be conducted. Valuation must be based on a process which is consistently applied and leads to objective and independently verifiable valuation.
- 10.27 Assets of a fund must be valued on a regular basis and in any event, on the days of the fund's dealing day in accordance with the deed.
- 10.28 No valuation points are required during the initial offer period.
- 10.29 [Deleted]
- 10.30 For a fund with limited repurchase arrangements or investments in real estate, the valuation points for a fund must be clearly disclosed in the disclosure document and must be at least once a month.
- 10.31 Upon completion of a valuation, the Scheme Trustee must be immediately notified of the NAV per unit of the fund.

Price of a Unit

- 10.32 The price of a fund's unit must be the NAV per unit of the fund. Where a fund issues multiple classes of units, the price of a unit of any class of units must be calculated:
- (a) by reference to the NAV of the fund; and
 - (b) in accordance with the provisions of both the deed and disclosure document applying to that class of units.
- 10.32A For classes of units denominated in different currencies, the price of a unit must be quoted and paid for in the currency in which those classes are denominated.
- 10.33 Subject to paragraph 10.33A, any dealing in units of the fund must be at a price that is the NAV per unit of the fund as at the next valuation point after the request for sale or repurchase of units is received by the PRS Provider.
- 10.33A In circumstances where the prior authorisation of the PPA is required, any repurchase of units will be at a price that is the NAV per unit of the fund as at the next valuation point after the PPA's authorisation is received by the PRS Provider.

Incorrect Valuation or Pricing

10.34 Where incorrect valuation or pricing occurs, a PRS Provider must–

- (a) notify the Scheme Trustee; and
- (b) notify the SC, unless the Scheme Trustee considers the incorrect valuation or pricing to be of minimal significance.

10.35 The PRS Provider must take immediate remedial action to rectify any incorrect valuation or pricing. Where the incorrect valuation or pricing is at or above the threshold of 0.5% of the NAV per unit, rectification must be extended to the reimbursement of money–

- (a) by the PRS Provider to the fund;
- (b) from the fund to the PRS Provider; or
- (c) by the PRS Provider to members and former members.

10.36 Notwithstanding paragraph 10.35, if the amount to be reimbursed to an individual account is less than Ringgit Malaysia 10.00 or in the case of a foreign currency class of unit, less than 10.00 denominated in the respective foreign currency denomination, the requirement to reimburse does not apply.

10.36A The PRS Provider must not pay or caused to be paid from the fund any expenses incurred as a result of correction operations of a valuation error.

10.36B The PRS Provider may decide the manner to reimburse members, either by way of cash or additional units of the fund. In any case, the reimbursement to former members must only be made by way of cash.

10.36C The Scheme Trustee must notify the SC when the PRS Provider has completed such reimbursement satisfactorily.

Dilution Fee or Transaction Cost

10.37 Where there are material costs involved in acquiring or disposing a fund's assets, a PRS Provider may–

- (a) require the payment of a dilution fee or transaction cost; or
- (b) make a dilution or transaction cost adjustment,

provided that it is permitted by the deed and clearly disclosed in the disclosure document.

10.38 The PRS Provider must ensure that the fee or adjustment made for dilution and transaction cost is fair and for the sole purpose of reducing dilution.

- 10.39 Where a fee is imposed, the PRS Provider must ensure that the fee becomes due at the same time payment is made for the creation, cancellation, sale or repurchase of units and such fee must be paid to the Scheme Trustee as soon as practicable after receipt to become part of the fund's assets.
- 10.40 Where an adjustment is made, it may be made to the NAV per unit to reduce the dilution in the fund or to recover any amount which the fund had already paid or reasonably expects to pay in the future for the creation or cancellation of units.
- 10.41 As soon as practicable after a valuation point, the PRS Provider must notify the Scheme Trustee on the amount or rate of any dilution adjustment made to the NAV per unit of the fund or any dilution fee imposed.
- 10.42 A PRS Provider must not impose a dilution fee or make a dilution adjustment for the purpose of making a profit or avoiding a loss for the account of the affected member.

Publication of Price of a Unit

- 10.43 [Deleted]
- 10.44 [Deleted]
- 10.45 [Deleted]

Chapter 11

OPERATIONAL MATTERS

Register of Members

- 11.01 A PRS Provider must keep and maintain an up-to-date register of members at the registered office or principal place of business of the PRS Provider.
- 11.02 The register of members must set out the information required under Regulation 17 of the PRS Regulations. In addition to Regulation 17 of the PRS Regulations, the PRS Provider must enter into the register of members–
- (a) [Deleted]
 - (b) where the PRS Provider holds units of funds in the Scheme, the corporation's name and registration number; and
 - (c) where units are issued pursuant to a vesting schedule, the name of the employee as member and further classify such units as vested or conditionally vested in accordance with the vesting schedule.
- 11.03 A PRS Provider must–
- (a) take reasonable steps to update the register upon receiving a written notice of a change of any particulars of the member to ensure an up-to-date register of members is maintained; and
 - (b) refuse to make entries into the register in joint names.
- 11.04 In the event of conflict or discrepancy, the entries in the register of members as maintained by the PRS Provider shall prevail over the information in the private pension account maintained by the PPA.

Cooling-off Right

- 11.05 A cooling-off right must be given to an individual who makes a contribution in a PRS for the first time. Once an individual is a member of a PRS and has exercised his cooling-off right, the cooling-off right is not available for subsequent contributions whether to that PRS or a PRS managed by another PRS Provider. Cooling-off right is not available for contributions made to a PRS by an employer on behalf of the employee.
- 11.06 Notwithstanding paragraph 11.05, a cooling-off right must not be given to–
- (a) a staff of that PRS Provider; and
 - (b) a person registered by a body approved by the SC to deal in PRS.
- 11.07 The cooling-off period must not be less than six business days commencing from the date of receipt of the application by the PRS Provider.

11.08 The refund pursuant to an exercise of a cooling-off right must be as follows:

- (a) If the original price of a unit is higher than the price of a unit at the point of exercise of the cooling-off right ("market price"), the market price at the point of cooling off; or
- (b) If the market price is higher than the original price, the original price at the point of cooling-off.

11.08A In addition to paragraph 11.08, the PRS Provider must also refund the charges imposed on the day the units were purchased.

11.08B Where the market price is higher than the original price paid by investor, the PRS Provider may agree to pay the investor the excess amount, provided that such amount is not paid out of the fund or the assets of the fund.

11.09 When an investor notifies the PRS Provider of his intention to exercise his cooling-off rights, the PRS Provider must obtain prior authorisation of the PPA (PPA) before proceeding to refund the individual in cash within 7 business days of receiving the authorisation of the PPA.

Default Option

11.10 Where contributions are made by or on behalf of a member who does not select a fund under the Scheme, the PRS Provider must allocate contributions into the default option that corresponds to the age of the member as specified in Schedule B of these Guidelines.

11.10A Notwithstanding paragraph 11.10, where an individual becomes a member and has made his first contribution to the Scheme a month before he attains the age of 45 or 55 years old as the case may be, the PRS Provider must allocate such contribution to the moderate fund or conservative fund as the case may be.

11.11 A member may actively select one or more of the core funds under the default option notwithstanding that the funds do not correspond with the age of the member.

11.12 Where a member is allocated to the default option under paragraph 11.10, the PRS Provider must, within a reasonable time from the first contribution, notify the member that the member has been allocated to the default option and provide to that member a brief description of how the default option operates.

11.13 Subject to paragraph 11.13A, where the member is in the default option, the PRS Provider must redeem the member's units in the current core fund and purchase units in the next core fund before the end of the next calendar month from the day the member attains the age of 45 years old and the age of 55 years old ("Switch-in Date"), unless the member instructs otherwise.

- 11.13A In relation to the switching exercise referred to in paragraph 11.13, the switching must be executed in equal proportion over a five-year period based on the number of units remaining in the relevant fund. The first switching must be executed on the Switch-in Date and the subsequent four switching must be executed no later than 10 business days from each anniversary of the Switch-in Date.
- 11.14 Where the member is in the default option, the PRS Provider must notify the member one month before the member attains the age specified in paragraph 11.13, that the member's investments in a core fund will be switched in accordance with the rules of the default option unless the member instructs otherwise. The notice to the member must at minimum include general investment advice and outlook.

Distribution of Income

- 11.15 Distribution of income must only be made—
- (a) from realised gains or realised income and in the form of units in lieu of cash; or
 - (b) out of capital of the fund provided that—
 - (i) distribution out of capital is permitted under the deed and disclosed in the disclosure document; and
 - (ii) the composition of distribution payments sourced from income and capital are disclosed in the fund reports, both in terms of value and percentage
- 11.16 Distribution of income must be made after the PRS Provider has taken into consideration the following:
- (a) Total returns for the period;
 - (b) Income for the period;
 - (c) Cash flow for distribution;
 - (d) Stability and sustainability of distribution of income; and
 - (e) The investment objective and distribution policy of the fund.
- 11.17 [Deleted]
- 11.18 There must be a distribution account to which the fund's income is transferred prior to distribution to members.
- 11.19 Where a distribution is made, the PRS Provider must send to every member a statement detailing the number of units and the amount of income distributed. The statement must also include the following information:
- (a) Total returns of the fund; and
 - (b) NAV per unit prior to, and subsequent to, the distribution.

- 11.19A For classes of units denominated in different currencies, distributions, if any, must be in the currencies in which those classes of units are denominated.
- 11.20 For interim distribution, a PRS Provider may, instead of sending a statement required under paragraph 11.19, choose to publish the same information in the PRS Provider's website or through an advertisement in at least one national Bahasa Malaysia newspaper and one national English newspaper.

Unit Split

- 11.21 A unit split exercise may only be conducted once in any financial year of the fund.
- 11.22 A unit split exercise may only be conducted when the monthly average NAV per unit of the fund has shown a sustainable appreciation over a 6-month period preceding the unit split exercise.
- 11.23 The PRS Provider must submit the Scheme Trustee's verification on compliance with paragraph 11.22 to the SC within 14 days after the unit split exercise.
- 11.24 The PRS Provider must send a statement detailing the ratio of the split to every member of the fund. The statement must also include the following information:
- (a) NAV per unit prior and subsequent to the unit split exercise; and
 - (b) Reasons for conducting the unit split exercise.
- 11.25 A PRS Provider may, instead of sending a statement required under paragraph 11.24, choose to publish the same information in the PRS Provider's website or through an advertisement in at least one national Bahasa Malaysia newspaper and one national English newspaper.

Conflict of interest or related-party transaction

- 11.26 A PRS Provider and a fund manager must avoid any conflict of interest. Where a conflict cannot be avoided, appropriate safeguards must be put in place to protect the interests of members and ensure that the fund is not disadvantaged by the transactions concerned.
- 11.27 Any related party transactions, dealing, investment and appointment involving parties to a fund must be made on terms which are the best available for the fund and which are no less favourable to the fund than an arm's length transaction between independent parties.
- 11.28 The appointment or renewal of appointment of a fund manager who is a related party must be approved by the independent directors of the PRS Provider.

Use of Brokers or Dealers

- 11.29 A PRS Provider in appointing a broker or dealer must be satisfied that the dealings in the fund's assets will be effected by the broker or dealer on terms which are the most favourable for the fund ("best execution basis").
- 11.30 [Deleted]
- 11.31 [Deleted]
- 11.32 [Deleted]

Rebates and Soft Commissions

- 11.33 A PRS Provider and a fund manager, Scheme Trustee or Scheme Trustee's delegate must not retain any rebate from, or otherwise share in any commission with, any broker or dealer in consideration for directing dealings in a fund's assets. Accordingly, any rebate or shared commission must be directed to the account of the fund concerned.
- 11.34 Notwithstanding paragraph 11.33, goods and services (soft commissions) provided by any broker or dealer may be retained by the PRS Provider or the fund manager if-
- (a) The soft commissions bring direct benefit or advantage to the management of the fund and may include research and advisory services;
 - (b) Any dealings with the broker or dealer are executed on terms which are the most favourable for the fund; and
 - (c) [Deleted]
 - (d) The availability of soft commissions is not the sole or primary purpose to perform or arrange transactions with such broker or dealer, and the PRS Provider or fund manager must not enter into unnecessary trades in order to achieve a sufficient volume of transactions to qualify for soft commissions.
- 11.35 Where paragraph 11.34 applies, the compliance officer must verify and inform the PRS Provider's board of directors or audit committee or compliance committee, if any, that any goods or services received by the PRS Provider or the fund manager comply with the requirements of these Guidelines.

Documents for Inspection by Members

- 11.36 A PRS Provider and a Scheme Trustee must make available at their principal place of business the following documents for inspection by members at all times, without charge, during the ordinary business hours of the PRS Provider and the Scheme Trustee:

- (a) The deed and the supplementary deed(s) of the Scheme or funds under the Scheme, if any;
- (b) The current disclosure document and supplementary or replacement disclosure document of the Scheme and funds under the Scheme, if any;
- (c) The latest fund reports of the funds under the Scheme;
- (d) Each material contract or document referred to in the disclosure document and supplementary or replacement disclosure document, if any;
- (e) All reports, letters or other documents, valuations and statements by any expert, any part of which is extracted or referred to in the disclosure document and supplementary or replacement disclosure document, if any;
- (f) Where applicable, the audited financial statements of the PRS Provider and the funds under the Scheme for the current financial year, and for the last three financial years or if less than three years, from the date of incorporation or commencement; and
- (g) Any consent given by experts or persons named in the disclosure document and supplementary or replacement disclosure document as having made a statement that is included in the disclosure document and supplementary or replacement disclosure document or on which a statement made in the disclosure document and supplementary or replacement disclosure document is based, if any.

11.36A A PRS Provider must provide a copy of the deed and supplementary deed, if any, to a member upon the member's request and upon payment of such reasonable sum as may be imposed by the PRS Provider.

Withdrawals from PRS

11.37 Request for withdrawals may be made in the following circumstances:

- (a) After the day the member reaches the retirement age;
- (b) Prior to the member reaching the retirement age, withdrawal from sub-account B which shall be subject to a tax penalty;
- (c) Following the death of a member (regardless of whether or not a nomination has been made);
- (d) Permanent departure of a member from Malaysia;
- (e) Due to permanent total disablement, serious disease or mental disability of a member;
- (f) For healthcare purpose; or
- (g) For housing purpose.

11.37A In relation to paragraph 11.37, the extent of withdrawal permitted are as follows:

No.	Circumstances for withdrawal	Sub-account	Extent of withdrawals
(a)	Upon reaching retirement age	A & B	Partial or Full
(b)	Pre-retirement withdrawals from sub-account B of a Scheme that would incur a tax penalty	B	Partial or Full
(c)	Death of a member	A & B	Partial or Full
(d)	Permanent departure of a member from Malaysia	A & B	Full
(e)	Due to permanent total disablement, serious disease or mental disability of a member	A & B	Full
(f)	For healthcare purpose	B	Partial or Full
(g)	For housing purpose	B	Partial or Full

11.37B In relation to paragraph 11.37(f), withdrawals for healthcare purpose are permitted for a member's own self or a member's immediate family. Such withdrawals are only permitted for illnesses listed in Schedule J.

11.38 In relation to request for withdrawal under paragraph 11.37(c), the PRS Provider—

- (a) may receive such request from a member, a nominee, an executor, trustee or administrator of a member's estate either directly or through a notification from the PPA; and
- (b) in addition to paragraph 11.38(a), must obtain prior authorisation from the PPA before issuing instructions to the Scheme Trustee to cancel units in the case of a withdrawal following the death of a member.

11.38A The PRS Provider or PPA, as the case may be, may require the member to provide evidence of the facts necessary to establish the member's right to withdraw monies from any fund under the Scheme.

11.39 The pre-retirement withdrawal from sub-account B specified under paragraph 11.37(b),(f) and (g) above may be requested by a member once every calendar year from each PRS Provider (for one or multiple funds under any Scheme(s) managed by that PRS Provider) provided that such individual has been a member of that Scheme (whether via member's contribution or employer's contribution) for at least one year.

11.39AA PRS Provider must deduct an 8% tax penalty (or such other applicable tax penalty) for pre-retirement withdrawals. The tax penalty must be deducted from the withdrawn amount before making payment to the member. For the avoidance of

doubt, such tax penalty would not apply to pre-retirement withdrawals made in the following circumstances:

- (a) death of a member;
- (b) permanent departure of a member from Malaysia;
- (c) due to permanent total disablement, serious disease or mental disability of a member;
- (d) for healthcare purpose; and
- (e) for housing purpose.

Termination of a Scheme or Funds under the Scheme

11.40 Regulation 25 of the PRS Regulations provides that, notwithstanding any provisions or covenant of a deed, prior approval of the SC is required before a Scheme may be terminated. Where termination relates to a fund under the Scheme, the following are circumstances upon occurrence of which a fund may be terminated:

- (a) The SC's approval for the PRS is withdrawn under sub-sections 139X(1) or 139X(2) of the CMSA;
- (b) The SC's authorisation for the fund is revoked under paragraph 7.03A of these Guidelines;
- (c) A special resolution is passed at a members' meeting to terminate a non-core fund; and
- (d) [Deleted]
- (e) The effective date of an approved transfer scheme has resulted in the non-core fund, which is the subject of the transfer scheme, being left with no asset or property.

11.40A Notwithstanding paragraph 11.40(c), a fund may also be terminated without a special resolution being passed at a members' meeting, provided that—

- (a) such circumstance of termination is in the best interest of members; and
- (b) the event of an occurrence of specific termination circumstance without a special resolution being passed is permitted by the deed and disclosed in the disclosure document.

11.41 [Deleted]

11.42 If an event under paragraph 11.40(e) occurs, the Scheme Trustee must proceed to terminate the fund in accordance with the approved transfer scheme.

11.42A In a termination other than as a result of an event under paragraph 11.40(e), the Scheme Trustee must–

- (a) sell all the affected fund's assets remaining in its hands; and
- (b) after paying or retaining adequate amount for all liabilities payable and cost of termination, transfer the net cash proceeds available for the purpose of such distribution in proportion to the number of units held by members respectively to another fund under the same Scheme or under a different Scheme.

11.42B Where a Scheme or a fund under a Scheme is being terminated, the PRS Provider must–

- (a) issue a notice to members ("Termination Notice") at least 30 days before the commencement date of a fund termination ("commencement date"), disclosing the following:
 - (i) The last date of application for redemption of units ("T-1 business day") and commencement date ("T business day");
 - (ii) Rationale for termination;
 - (iii) Options available to members;
 - (iv) Date of expected completion;
 - (v) Where the termination costs are to be borne by the PRS Provider, a statement to this effect. Where there are termination costs to be borne by the fund, to provide the estimates of such costs;
- (b) within the period from the date of the Termination Notice until the commencement date, the fund must not accept any applications for the subscription of units;
- (c) send a notice to the SC at least 14 days (">T-14 days") before the commencement date, enclosing the following:
 - (i) Termination Notice;
 - (ii) Information on the size of the fund and the number of members remaining in the fund (as at the latest practicable date prior to the Termination Notice);
 - (iii) Information on the last date of sale of units; and
- (d) within the period from the commencement date until the date of completion of termination ("completion date"), the fund must not accept any applications for the redemption of units.

- 11.43 The PRS Provider or Scheme Trustee must as soon as practicable after the completion date—
- (a) [Deleted]
 - (b) inform members of the procedures for the members to transfer the net proceeds from the fund to another fund under a Scheme; and
 - (c) publish a notice on the termination of the fund and the procedures for the members to transfer the net proceeds from the fund to another fund under a Scheme on the PPA's website.
- 11.44 The PRS Provider and Scheme Trustee must notify the SC in writing—
- (a) upon the passing of a special resolution to terminate the fund or upon the court confirming the members' resolution to terminate the fund.
 - (b) [Deleted]
- 11.45 Where a Scheme or a fund under the Scheme is being terminated, the Scheme Trustee must also arrange for the auditor of the fund to conduct a final review and audit of the fund's accounts.
- 11.45A At the completion date, the Scheme Trustee must notify the SC confirming the following:
- (a) The assets of the fund have been realised and distributed to another fund; and
 - (b) The PRS Provider has managed the fund as prescribed by the deed and relevant laws.

Accounting and Reports During Termination

- 11.46 While a Scheme or fund under the Scheme is being terminated—
- (a) the financial period continues to run; and
 - (b) the fund reports continue to be required, unless after consulting the auditor and the SC, the PRS Provider has taken reasonable care to determine that timely production of an annual or semi-annual report is not required in the interests of members.

- 11.46A Where for any financial period, the PRS Provider, after consulting the auditor and the Scheme Trustee, has taken reasonable care to determine that timely production of an annual or a semi-annual report is not required in the interests of members, the immediate production of the report may be dispensed with.
- 11.46B The financial period in paragraph 11.46A must be reported together with the following period in the next report prepared for the purpose of paragraph 11.46C. In such instance, the PRS Provider must notify the SC of the change to the timing of issuance of the annual report or semi-annual report, and the expected date of issuance of such report.
- 11.46C At the date of completion of the fund termination, the financial period then running is regarded as the final financial period for the fund. Within two months after the end of the financial period, the final report of the fund must be published and sent to each member and the SC.

Terminating a class of units

- 11.46D A class of units may be terminated if a special resolution is passed at a meeting of members of that class of units to terminate the class provided always that such termination does not prejudice the interests of any other class of units.
- 11.46E The PRS Provider or Scheme Trustee must as soon as practicable after the termination of a class of units–
- (a) inform all members of the fund under the Scheme of the termination of the class of units.
 - (b) [Deleted]
- 11.46F The PRS Provider and Scheme Trustee must notify the SC in writing–
- (a) upon the passing of a resolution to terminate a class of units; and
 - (b) upon the completion of the termination of a class of units.
- 11.46G Where a class of units is being terminated, the Scheme Trustee must also arrange for the auditor of the fund to conduct a final review and audit of the fund's accounts in relation to that class of units.
- 11.46H For avoidance of doubt, where appropriate, the requirements in paragraphs 11.40A, 11.42A to 11.46C apply to the termination of a class of units.

Transfer Schemes

- 11.47 A transfer scheme is an arrangement to transfer the assets of a fund from a fund ("transferor fund") to another fund ("transferee fund").
- 11.48 A PRS Provider must ensure that the members of the transferor fund do not become members of a fund other than a fund under a Scheme authorised by the SC.

11.49 A transfer scheme must not be implemented without the sanction of special resolution of members of both the transferor and transferee funds.

11.50 If the PRS Provider and Scheme Trustee or other persons providing oversight functions for the transferee fund or the auditor of the transferee fund agree that the receipt of the assets concerned for the account of the transferee fund—

- (a) is not likely to result in any material prejudice to the interests of members of the transferee fund;
- (b) is consistent with the investment objective of the transferee fund; and
- (c) could be effected without any breach of paragraphs stipulated in Chapter 8 of these Guidelines;

then, the transfer scheme may be implemented and the issue of units in exchange for the transferor fund's assets may be undertaken.

Meeting of Members

11.51 A PRS Provider or Scheme Trustee may⁷ convene a meeting of members of the Scheme or a fund within the Scheme at any time.

11.52 [Deleted]

Notice of Meetings

11.53 When a PRS Provider or Scheme Trustee convenes a members' meeting, it must—

- (a) give at least 14 days' written notice to members; and
- (b) specify in the notice, the place, time and terms of the resolutions to be proposed.

11.54 Where a meeting is requested by members under Regulation 20 of the PRS Regulations, the PRS Provider must—

- (a) call the meeting within 21 days after receiving the request from members;
- (b) give notice to members of the time and place of the meeting by:
 - (i) sending by post a notice of the proposed meeting at least seven days before the date of the proposed meeting, to each member of the Scheme or where relevant, to each member of the fund at the member's last known address; and
 - (ii) publishing, at least 14 days before the date of the proposed meeting, an advertisement giving notice of the meeting in a national language national daily newspaper and in one other newspaper as may be approved by the SC; and

(c) specify in the notice the terms of the resolutions to be proposed.

11.55 For a meeting of members of a fund, the notice specified under paragraphs 11.53(a) and 11.54(b) must only be given to members of the fund.

11.56 A copy of the notice referred to under paragraphs 11.53(a) and 11.54(b) must be provided to the SC and the Scheme Trustee.

Chairman

11.57 A members' meeting must be chaired by–

- (a) where the meeting is requested by the members or the Scheme Trustee, a person appointed on their behalf by members who are present at the meeting or where no such appointment is made, by a nominee of the Scheme Trustee; or
- (b) where the meeting is called by the PRS Provider, a person appointed by the PRS Provider.

Quorum

11.58 The quorum required for a meeting is five members, whether present in person or by proxy, provided always that the quorum for a meeting which requires a special resolution is five members holding in aggregate at least 25% of the units in issue at the time of the meeting.

11.58A In the case of a fund or class of units having five or less members, the quorum required for a meeting is two members, whether present in person or by proxy, provided always that the quorum for a meeting which requires a special resolution is two members holding in aggregate at least 25% of the units in issue at the time of the meeting.

11.58B In the case of a fund or class of units with one remaining member, such member, whether present in person or by proxy, at the meeting shall constitute as quorum.

11.59 If after a reasonable time from the start of the meeting, a quorum is not present, the meeting–

- (a) if convened on the request of the members, must be dissolved; and
- (b) in any other case, must stand adjourned to–
 - (i) a day and time which is seven or more days after the day and time of the meeting; and
 - (ii) a place appointed by the chairman.

11.60 A PRS provider must send a notice of an adjourned meeting to members, stating that notwithstanding the requirements in paragraphs 11.58 and 11.58A, whatever the number of members or number of units held, as the case may be, present in person

or by proxy at the adjourned meeting will form a quorum after a reasonable time has passed from the convening of the meeting.

Resolutions

- 11.61 Except where a special resolution is specifically required or permitted, any resolution is passed by a simple majority.
- 11.62 A resolution passed at a meeting of members binds all members of the Scheme or a fund whether or not they were present at the meeting. No objection may be made as to any vote cast unless such objection is made at the meeting.
- 11.63 A copy of the resolution must be provided to the SC and the Scheme Trustee.

Voting Rights

- 11.64 On a voting by show of hands, every member who is present in person or by proxy has one vote.
- 11.65 A poll voting may be demanded on any resolution. On a voting by poll—
- (a) votes may be given either personally or by proxy; and
 - (b) every member, who is present in person or by proxy, has one vote for every unit held by him.
- 11.66 A PRS Provider must not exercise the voting rights for the units it or its nominees hold in any members' meeting, regardless of the party who requested for the meeting and the matters that are laid before the meeting.
- 11.67 Related parties who have interest in the outcome of the transaction tabled for approval and that interest is different from the interests of other members, must not vote or be counted in the quorum at a meeting.

Right to Demand Poll Voting

- 11.68 A resolution put to the vote at a members' meeting must be determined by a show of hands unless a poll voting is demanded before or immediately after any question is put to the show of hands by—
- (a) the chairman;
 - (b) the Scheme Trustee;
 - (c) the PRS Provider; or
 - (d) members present or represented by proxy, who hold between them not less than one-tenth of the total number of units in issue of the PRS or fund (depending on the type of meeting called for).

- 11.69 Unless a poll voting is demanded, a declaration by the chairman as to the result of the resolution is conclusive evidence of the fact.

Proxies

- 11.70 A member may appoint another person to attend a members' meeting and vote in the member's place.
- 11.71 Every notice calling for a members' meeting must contain a statement that a member is entitled to attend and vote, or may appoint a proxy.
- 11.72 The document appointing a proxy must be deposited at the office of the PRS Provider not less than 48 hours before the meeting or adjourned meeting.

Adjournment and Minutes

- 11.73 The chairman—
- (a) may, with the consent of any meeting of members at which a quorum is present; and
 - (b) must, if so directed by the meeting, adjourn the meeting.
- 11.74 A PRS Provider must ensure that—
- (a) minutes of all resolutions and proceedings at every members' meeting are made and kept; and
 - (b) any minute made in paragraph 11.74(a) is signed by the chairman of the members' meeting.

Unclaimed Monies

- 11.75 Subject to paragraph 11.76, where a member of a PRS has not made any transaction or instruction in relation to any PRS of any PRS Provider for more than 12 months subsequent to attaining the age of 100 years, the Scheme Trustee may transfer such accrued benefit held by the Scheme Trustee to the Registrar of Unclaimed Moneys, in accordance with the requirements of the *Unclaimed Moneys Act 1965*.
- 11.76 Prior to paying the unclaimed accrued benefits to the Registrar of Unclaimed Moneys, the PRS Provider must obtain approval of the PPA.

Training Requirements

- 11.77 [Deleted]
- 11.78 [Deleted]

Corporate Governance

11.79 A PRS Provider and the fund manager must implement good corporate governance practices and best industry standards for all activities conducted in relation to the Scheme.

11.80 [Deleted]

Other Features of the Scheme

11.81 Contributions to any fund under the Scheme can be received by a PRS Provider from an employer on behalf of its employees or from any individual who has attained the age of 18 years as of the date of opening of a private pension account.

11.81A Where an employer makes a contribution on behalf of an employee whether subject to a vesting schedule or otherwise, the choice of funds under the Scheme (including the right to switch to another fund under the Scheme) is to be made by the employee. Where an employee does not make a fund selection, paragraph 11.10 applies.

11.82 A PRS Provider may set a minimum or maximum contribution amount for each fund under a Scheme and may limit the number of funds that any person may be a member of under a Scheme.

11.83 PRS Providers cannot require members to make fixed or regular contributions to any fund under the Scheme.

11.84 PRS Providers must ensure that contributions received from an employer on behalf of an employee that is subject to a vesting schedule are not to be transferred to another PRS Provider at the request of that employee, or withdrawn by that employee, until units issued pursuant to such contributions are vested unconditionally.

11.85 Vested units are to be maintained in two separate sub-accounts by the PRS Provider as follows:

- (a) Sub-account A which must not be made available for pre-retirement withdrawal; and
- (b) Sub-account B which would be available for pre-retirement withdrawal subject to payment of tax penalty set by the Inland Revenue Board.

11.85A Notwithstanding paragraph 11.85, where an employer makes a contribution on behalf of an employee, the vested units may be maintained in sub-account A only.

11.86 PRS Providers may prescribe the circumstances and may limit the number of times in a year that a member can switch funds within a Scheme.

Transfer between PRS Providers prior to retirement

11.87 Subject to paragraphs 11.84 and 11.89 and prior to a member reaching the retirement age, a PRS Provider must allow accrued benefits of any amount from one or multiple funds under any Scheme(s) managed by that PRS Provider to be transferred at the request of a member once every calendar year to another PRS Provider provided:

- (a) that the individual has been a member of that Scheme (whether via member contribution or employer contribution) for at least one year; and
- (b) all the accrued benefits to be transferred from a particular fund must be transferred to one other fund.

11.88 [Deleted]

11.89 In effecting a transfer of accrued benefits, –

- (a) the transferor PRS Provider may rely on the transferee PRS Provider's verification of the identity of the member requesting such transfer; and
- (b) the proceeds from the cancellation of units in sub-account A (whether from one or multiple funds managed by the transferor PRS Provider) must be used to create units in sub-account A of one or multiple funds managed by the transferee PRS Provider. Similarly, the proceeds from the cancellation of units in sub-account B (whether from one or multiple funds managed by the transferor PRS Provider) must be used to create units in sub-account B of one or multiple funds managed by the transferee PRS Provider.

11.90 PRS Providers may only charge actual and reasonable expenses incurred in connection with transfers to another PRS Provider or switching between funds within the Scheme as disclosed in the disclosure document.

Vesting of contributions in member as accrued benefits

11.91 Under subsection 139Y(1) of the CMSA, contributions in respect of a member of a PRS Scheme shall vest in the member as accrued benefits as soon as it is paid to either the approved PRS Provider or the Scheme Trustee, whichever is earlier.

11.92 For the purposes of employers who make contributions into a Scheme on behalf of their employees, the manner in which the accrued benefits will be accounted for and vested in a member may be in accordance with the vesting schedule issued by the respective employer.

11.93 Contributions that are subject to a vesting schedule may result in the issuance of vested and conditionally vested units. Members who hold vested and conditionally vested units will enjoy equivalent rights as members of a fund. However, a member holding conditionally vested units is not permitted to request for a transfer of such units to another PRS Provider or to withdraw any such units.

11.94 A PRS Provider must ensure that a vesting schedule issued by an employer must clearly stipulate the terms and conditions of the vesting schedule including but not limited to the following:

- (a) terms and conditions of the employer's contribution and of the vesting of the units issued;
- (b) the rights attached to vested and conditionally vested units, including any limitation on the rights attached to conditionally vested units;
- (c) whether conditionally vested units will be unconditionally vested under circumstances including but not limited to the following:
 - (i) Cessation of the employee's employment (under various circumstances);
 - (ii) Where the employer is in the course of being wound up or otherwise dissolved;
 - (iii) Where a receiver, a receiver and manager or an equivalent person has been appointed in respect of any property of the employer;
 - (iv) Where the employer has, whether within or outside Malaysia, entered into a compromise or scheme of arrangement with its creditors, being a compromise or a scheme of arrangement that is still in operation;
 - (v) Merger of the employer with, or acquisition of the employer by, another entity;
 - (vi) Termination of the vesting schedule;
 - (vii) Death of the employee; and
 - (viii) Any other circumstances as may be specified by the SC.

11.95 Upon being notified of any of the circumstances stipulated in a vesting schedule pursuant to paragraph 11.94(c), the PRS Provider is required to—

- (a) repurchase the conditionally vested units and pay the proceeds to the respective employer not later than 10 days after being notified; or
- (b) vest the conditionally vested units in that member or in that member's estate as soon as practicable.

Chapter 12

REPORTING AND AUDIT

Reporting Requirements

- 12.01 A PRS Provider must prepare a fund reports of all funds under the Scheme to provide all necessary information to enable members to evaluate the performance of each fund under the Scheme. Every fund must have the same financial year end.
- 12.02 For a new fund, where the first financial period is less than 12 months, semi-annual report need not be prepared.
- 12.03 If a PRS Provider intends to change the annual or semi-annual financial period, the PRS Provider must notify the SC and the members of the change, the reasons for the change and any other matters that need to be brought to the attention of the members.
- (a) [Deleted]
 - (b) [Deleted]

Content of Fund Reports

- 12.04 An annual report of a fund must contain at least the following:
- (a) Fund information;
 - (b) Report on fund performance;
 - (c) Manager's report;
 - (d) Scheme Trustee's report;
 - (e) Shariah adviser's report, where applicable;
 - (f) Audited financial statements for the financial year; and
 - (g) Auditor's report.
- 12.05 A semi-annual report of a fund must contain at least the following:
- (a) Fund information;
 - (b) Report on fund performance;
 - (c) Manager's report;
 - (d) Scheme Trustee's report;
 - (e) Shariah adviser's report, where applicable; and
 - (f) Financial statements for the interim financial period.

12.06 The minimum and detailed information to be included in the fund's reports is stipulated in Schedule E of these Guidelines.

Publication of Reports

12.07 A PRS Provider must—

- (a) prepare and publish the fund reports of the fund;
- (b) send the fund reports without charge to members;
- (c) send the fund reports to the PPA; and
- (d) lodge the annual report with, and deliver the semi-annual report to, the SC;

within two months after the end of the financial period the report covers as provided for under Regulation 11 of the PRS Regulations.

12.08 Notwithstanding paragraph 12.07(b), a PRS Provider may choose to send a short semi-annual report to members.

12.09 A short semi-annual report must contain at least the following:

- (a) Report on fund performance;
- (b) Manager's report; and
- (c) A statement that the semi-annual report is available upon request and without charge to members where such statement is in bold font and displayed in a prominent position.

12.09A Where a member requests for—

- (a) any additional copies of the document referred to in 12.07(b); or
 - (b) the report as stipulated under Regulation 11(1)(b) of the PRS Regulations,
- the PRS Provider must provide to the member the document requested within two months after the request is received and upon payment of a reasonable sum as may be determined by the PRS Provider.

12.09B For the purposes of paragraph 12.09A(b), a PRS Provider shall be deemed to have complied with the requirement if it provides a copy of the audited financial statements of the PRS Provider.

Audit

12.10 A PRS Provider and Scheme Trustee must ensure that the financial statements of the fund are audited annually.

12.11 An auditor for the fund must be appointed by the Scheme Trustee.

- 12.12 Where the SC is of the opinion that the auditor appointed by the Scheme Trustee is not suitable, or where an auditor has not been appointed, the SC may direct the Scheme Trustee to replace or appoint an auditor to the fund.
- 12.13 A Scheme Trustee may, from time to time, if it deems appropriate, remove the auditor of the fund and appoint another in its place. In addition, members may by way of an ordinary resolution request the Scheme Trustee to replace the auditor.

Co-operation with Auditors

- 12.14 A PRS Provider must take reasonable steps to ensure that its employees—
- (a) provide such assistance as the auditor reasonably requires to discharge its duties;
 - (b) give the auditor right of access at all reasonable times to relevant records and information;
 - (c) do not interfere with the auditor's ability to discharge its duties;
 - (d) do not provide false or misleading information to the auditor; and
 - (e) report to the auditor any matter which may significantly affect the financial position of the fund.
- 12.15 A PRS Provider must, in writing, require a fund manager to co-operate with the fund's auditor in accordance with the requirements specified in paragraph 12.14.

Chapter 13

DISCLOSURE DOCUMENT AND PRODUCT HIGHLIGHTS SHEET

General

13.01 For the issuance of, offering for subscription or purchase, or invitation to subscribe for or purchase units in any fund under a Scheme, a PRS Provider must provide its members and potential members:

- (a) A disclosure document, which must at all times comply with the minimum disclosure requirements under Schedule H of these Guidelines; and
- (b) A product highlights sheet (PHS) which must at all times comply with the minimum disclosure requirements under Schedule I of these Guidelines.

13.01A Separate disclosure documents may be prepared for each non-core fund under a Scheme. This requirement is not applicable for core funds as all information in relation to core funds must be prepared under one disclosure document.

13.02 A PHS is a document that contains clear and concise information of the salient features of a fund under a Scheme. A PHS must be prepared for each fund under the Scheme except for the core funds of the Scheme which must be covered under one product highlights sheet.

13.03 The PHS and disclosure document, either in electronic form or printed copy depending on the choice made by the potential member must be provided before the potential member contributes to any fund under a Scheme except for the following:

- (a) Where contributions, whether from employers or individuals, that are channelled to the default option owing to the reason that a member has not made a fund selection;
- (b) Where additional contributions are made by members to their existing funds under any Scheme.

13.03A Where the exception under paragraph 13.03(a) applies, a PRS Provider must make all reasonable efforts to make available or send the PHS and disclosure document to the relevant member after the first contribution has been made to the relevant fund under a Scheme.

13.03B A PRS Provider must ensure that the PHS and disclosure document are posted on the website of the PRS Provider. PRS Provider must also provide copies of the product highlights sheet and disclosure document, whether in printed or electronic form to members who requested for such documents at any point of time free of charge.

13.04 The minimum information required in these Guidelines is general in nature and must not be viewed as the only criteria for disclosure in a PHS and disclosure document.

- 13.04A The Board of directors of PRS Provider and any other persons, who are parties to the preparation of the PHS, disclosure document and any of its relevant portions, are fully accountable for the accuracy of all information contained in such documents and fully responsible in ensuring that there are no omission of facts, which could result in any of the statements being made therein being false or misleading.
- 13.05 The SC may require and request for additional information in any particular case. Where a fund under the Scheme issues more than one class of units, similar information must be given for each class of units.

Disclosure Document

- 13.06 In determining the information to be disclosed in a Scheme's disclosure document, the following must be considered:
- (a) Nature of the Scheme;
 - (b) Persons likely to consider acquiring units of the funds under the Scheme;
 - (c) Certain matters that may reasonably be expected to be within the knowledge of professional advisers whom members may consult; and
 - (d) Whether the persons to whom an issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase, units is to be made are members in the scheme, and if they are, to what extent (if any) relevant information has previously been given to them by the PRS Provider under any laws or guidelines, if applicable, or otherwise.
- 13.07 [Deleted]
- 13.08 [Deleted]
- 13.09 The disclosure document including a supplementary or replacement disclosure document must be legible and printed in typefaces which are not smaller than Times New Roman eight points. All pages must be numbered.
- 13.10 [Deleted]
- 13.11 [Deleted]
- 13.12 [Deleted]

Registration and Lodgement of the Disclosure Document

- 13.13 The PRS Provider, or its adviser, must submit a disclosure document of the Scheme for registration and lodgement in accordance with the submission requirements and procedures set out in these Guidelines.
- 13.14 The SC will not register a disclosure document unless it is in its final and complete form and is accompanied by all required materials and documents. The SC reserves

the right to refuse registration and return the disclosure document, if in the opinion of the SC, the disclosure is incomplete and inadequate, the disclosure document is not in its final and complete form, or the disclosure document is not accompanied by all relevant materials or documents, as the case may be.

- 13.15 The certified true copies of all reports and letters in the disclosure document must be included as accompanying documents in the registration file. For certified true copies, the identity and position of the person certifying the documents must be stated.
- 13.16 All reports and letters including tax adviser's report, letter of consent and other reports, contained in the disclosure document must be dated and signed.
- 13.17 Where the PRS Provider proposes to issue the disclosure document in various languages, the disclosure document in each language must be registered and lodged with the SC.

Fees Payable to the SC

13.18 [Deleted]

13.19 [Deleted]

Registration of Disclosure Document

13.20 [Deleted]

13.21 [Deleted]

Supplementary Disclosure Document or Replacement Disclosure Document

13.22 Regulation 8 of the PRS Regulations provides for circumstances when a supplementary or replacement disclosure document must be registered with the SC.

13.23 [Deleted]

Notification of Changes

13.23AA PRS Provider must inform members of any change made to the Scheme.

13.23B Where there is a change to the disclosure document, the PRS Provider is required to undertake the following:

- (a) For a significant change which may affect the members' decision to stay invested in any fund, the PRS Provider must give prior notice to members, informing them-
 - (i) that a supplementary or replacement disclosure document will be or has been registered with the SC;

- (ii) of the significant change to the fund, highlighting the current and revised positions; and
 - (iii) of the effective date of the significant change.; or
- (b) For any change other than a significant change under paragraph 13.23A(a) the PRS Provider must notify members via fund reports, whichever is earlier, of the–
 - (i) change made to the fund, highlighting the current and revised positions; and
 - (ii) effective date of the change.

13.23C In relation to paragraph 13.23A(a), the effective date of the significant change must not be less than 14 days from the date of such notice.

13.24 In the case where a person submits an application to subscribe for or purchase units in a fund under the Scheme and before the units are issued, a supplementary or replacement disclosure document is submitted to the SC for registration, then as soon as practicable after the registration of the supplementary or replacement disclosure document has been registered by the SC, the PRS Provider must–

- (a) give notice to the applicant advising them that a supplementary or replacement disclosure document has been registered by the SC;
- (b) give the applicant no less than 14 days from the date of receipt of the notice an opportunity to withdraw his application; and
- (c) ensure that the notice is accompanied by a copy of the supplementary or replacement disclosure document.

13.24A Notwithstanding paragraph 13.24, the right to withdraw an application pursuant to paragraph 13.24(b) is not applicable where–

- (a) a new fund is being added to a master disclosure document;
- (b) there are changes in one or more funds, not being a fund invested in by the fund applicant in the master disclosure document;
- (c) a contribution is made by an employer in relation to the employer's contribution on behalf of applicant to any fund under the Scheme; or
- (d) a member has opted for the default option.

13.25 [Deleted]

13.26 [Deleted]

Documents to be Submitted for Registration of Disclosure Document

13.27 [Deleted]

13.28 [Deleted]

Lodgement of a Disclosure Document

13.29 The following requirements and procedures apply to lodgement of a disclosure document, supplementary disclosure document and replacement disclosure document of PRS.

13.30 Upon the registration of a disclosure document pursuant to Regulation 7 of the PRS Regulations, the PRS Provider or its adviser, must submit a copy of the disclosure document for lodgement with the SC before issuing or circulating or distributing any form of application for contribution to a Scheme as provided for under Regulation 9 of the PRS Regulations. Supplementary or replacement disclosure document must be lodged immediately upon registration of the supplementary or replacement disclosure document under sub-regulation (2) of Regulation 9 of the PRS Regulations.

Documents to be Submitted for Lodgement of a Disclosure Document

13.31 [Deleted]

Product Highlights Sheet

13.31A Information contained in a PHS must be clear, concise and effective to make the PHS a reliable source of information to investors. Further, the information must not be false, misleading or contain any material omission. Guidance in preparing a PHS and the template for the PHS is set out in Guidance I of these Guidelines.

13.31B The PHS for core funds of a Scheme must not exceed 16 A4 pages and the PHS for core funds of an Islamic Scheme must not exceed 20 A4 pages.

13.31C The PHS for non-core fund of a Scheme other than non-core fund of an Islamic Scheme must not exceed eight A4 pages. In relation to a PHS for a non-core fund of an Islamic Scheme, it must not exceed 12 A4 pages.

13.31D Font type and size of not less than Arial 8 must be used for the PHS.

Lodgement of a Product Highlights Sheet

13.32 The PRS Provider or its adviser must submit the PHS which must be prepared in either Bahasa Malaysia or English language for each of the funds, for lodgement with the SC before issuing or circulating or distributing any form of application for contribution to a Scheme. Where the PRS Provider or its adviser has registered a disclosure document in various languages, the PRS Provider or its adviser, must submit product

highlights sheet(s) in the same language(s) as the registered translated disclosure document for lodgement with the SC.

13.32A Where a PHS is submitted for a lodgement in a language other than Bahasa Malaysia or English, the preparer of the PHS must ensure that–

- (a) such PHS has been prepared according to the standards and minimum content as set out in these Guidelines; and
- (b) a PHS prepared in either Bahasa Malaysia or English language is submitted for lodgement with the SC.

13.33 The product highlights sheet must be submitted for lodgement with the SC together with prescribed fees.

13.34 [Deleted]

Replacement Product Highlights Sheet

13.35 [Deleted]

13.35A The PRS Provider must regularly review the PHS to ensure that investors are provided with information that is reliable and up-to-date. In this regard–

- (a) where there is a material change to the content of the PHS in relation to the key features, terms, conditions or risk associated with the product, the PHS must be revised and updated to reflect such material changes;
- (b) the information on fund performance must be updated to reflect the information of the most recent financial year; and
- (c) the revised and updated PHS must be lodged with the SC.

13.36 If any product highlights sheet replacing an existing product highlights sheet is proposed to be issued, the PRS Provider or its adviser must submit the replacement product highlights sheet for lodgement with the SC before issuing or circulating or distributing any form of application for contribution to a Scheme to a potential member.

Documents to be Submitted for Lodgement of a Product Highlights Sheet

13.37 [Deleted]

Distribution of a Product Highlights Sheet

13.37A PRS Provider must ensure that the investor is informed of his right to receive a PHS.

13.37B The investor must be given reasonable time to read and understand the PHS.

13.37C [Deleted]

Chapter 14

APPLICATIONS, NOTIFICATIONS AND REPORTING

Application for SC's Approval or Authorisation

14.01 Proposals may be made to the SC to approve the establishment, offering and providing of a PRS and authorisation of funds under a Scheme.

(a) [Deleted]

(b) [Deleted]

14.01A An application for approval of a Scheme must include the application for authorisation of at least the core funds under the Scheme.

14.01B An application for authorisation of non-core funds may be made at any time after the approval of the Scheme containing the core funds.

14.02 In relation to an application seeking authorisation for a fund, the SC may–

(a) authorise proposals subject to such terms and conditions as it thinks fit;

(b) authorise proposals with such revisions and subject to such terms and conditions as it thinks fit; or

(c) refuse the application.

14.03 In addition to paragraph 14.01, the following proposals are required to be submitted for SC's approval:

(a) Exemption from or variation to the requirements of these Guidelines; and

(b) Extension of time to comply with the requirements of these Guidelines and terms and conditions of approval.

(c) [Deleted]

(d) [Deleted]

14.03A All submissions to the SC, unless otherwise specified in these Guidelines, must be made in accordance with, and accompanied by documents, as specified on the SC's website.

14.03B Submission of applications which do not comply with the requirements or which are unsatisfactory will be returned.

14.03C The SC must be immediately informed of –

(a) any material change in circumstances that would affect the SC's consideration of the application; and/or

(b) any material change or development in circumstances relating to the application, occurring subsequent to the SC's approval or authorisation.

Application for SC Registration

14.04 [Deleted]

Application to Register and Lodge Documents with the SC

14.05 [Deleted]

14.06 [Deleted]

Documents to be Submitted for Registration of Disclosure Document

14.06A A disclosure document must be submitted for registration together with an application to establish a new Scheme.

14.06B The disclosure document may be left undated upon submission to the SC for registration. However, the disclosure document must be dated before it is lodged with the SC.

14.06C For the registration of a disclosure document, the PRS Provider or its adviser must ensure that the registration file submitted to the SC comprises the following documents:

- (a) Cover letter signed by at least one of the directors of the PRS Provider, specifying information as prescribed by the SC on the SC's website;
- (b) Registrable copy of the disclosure document (printers' proof) in English and, if applicable, in Bahasa Malaysia;
- (c) Registration checklist;
- (d) Registration fees and the fee checklist;
- (e) Compliance Schedule;
- (f) Director's responsibility statement for the disclosure document which all directors must sign;
- (g) If an alternate director signs the responsibility statement, there must be a clear reference made in the responsibility statement of such fact. The original written authorisations by directors, appointing an alternate director to sign the responsibility statement on their behalf must be submitted;
- (h) Copies of all letters of consent from all persons named in the disclosure document as having made a statement that is included in the disclosure document or on which a statement made in the disclosure document is based. The consent letter is to be addressed to the PRS Provider;
- (i) Copy of letter of approval from any other relevant authority (e.g. Bank Negara Malaysia) (where applicable);

- (j) Certified copies of all material contracts referred to in the disclosure document or, in the case of contracts not reduced into writing, a memorandum which gives full particulars of the contracts;
- (k) Certified copies of reports or letters from experts disclosed in the disclosure document (e.g. tax advisers, etc.);
- (l) [Deleted]
- (m) [Deleted]
- (n) Copy of the application form* in the same language as the registrable copies of the disclosure document.

Note

- * Where a PRS Provider proposes to register the disclosure document translated in various languages, a copy of the application form in the same language as the said translated registrable disclosure document must be submitted.

14.06D For the registration of a supplementary disclosure document or a replacement disclosure document, the registration file must be submitted to the SC at least seven business days prior to the intended registration date. The registration file must include documents required under paragraph 14.06C (where applicable) and the following documents:

- (a) A list highlighting the original statements from the previously registered disclosure document and the amended document; and
- (b) Certified copies of additional, amended or new material contracts disclosed in the disclosure document pursuant to paragraph 14.06C(j). In the case of contracts not reduced into writing, a memorandum which gives full particulars of the contracts.

Documents to be Submitted for Lodgement of a Disclosure Document

14.06E For lodgement of a disclosure document, the PRS Provider or its adviser must ensure that the lodgement file comprise the following documents:

- (a) Cover letter signed by at least one of the directors of the PRS Provider or the adviser specifying information as prescribed by the SC on the SC's website;
- (b) Copy of the disclosure document and its application form (in each language);
- (c) [Deleted]
- (d) Lodgement checklist; and
- (e) Lodgement fee and the fee checklist.

Documents to be Submitted for Lodgement of a Product Highlights Sheet

14.06F For lodgement of a product highlights sheet, the PRS Provider or its adviser must ensure that the lodgement file submitted to the SC comprise the following documents:

- (a) Cover letter signed by at least one of the directors of the PRS Provider or the adviser specifying information as prescribed by the SC on the SC's website;
- (b) Where the product highlights sheet is issued in various languages, a letter of confirmation from the PRS Provider or its adviser confirming that the said product highlights sheet is a true and accurate translation of the product highlights sheet issued/to be issued in the original language (i.e. either Bahasa Malaysia or English Language) of the disclosure document;
- (c) Copy of the product highlights sheet (in each language); and
- (d) [Deleted]
- (e) [Deleted]
- (f) Lodgement fee and the fee checklist.

Submission of Applications to the SC

14.07 [Deleted]

14.08 Submission of applications, including the registration and lodgement of deed, to the SC, unless otherwise specified in these Guidelines, must be made in accordance with, and accompanied by documents, as specified on the SC's website.

Notifications to the SC

14.09 [Deleted]

Documents and Notifications Required to Be Submitted to the SC

14.10 A PRS Provider must submit the following to the SC:

- (a) The annual report of the fund;
- (b) The semi-annual report of the fund; and
- (c) Notices issued or published after the registration of a disclosure document, including supplementary and replacement disclosure document;
- (d) Statistical Return and Investment Return of the fund which must at all times comply with Schedule G;
- (e) [Deleted]

- (f) Details of the appointment and where relevant, the resignation of the Shariah adviser;
- (g) [Deleted]
- (h) Appointment of a fund manager to perform fund management function for the PRS Provider;
- (i) A special resolution passed (and court confirming where applicable) to terminate a fund or a class of units and where applicable, a court order confirming the same; and
- (j) Commencement and completion of the termination of a fund or a Scheme.

Submission of Notifications or Documents to the SC

14.11 [Deleted]

14.12 Submission of notifications and documents unless otherwise specified in these Guidelines must be made in accordance with, and accompanied by documents, as specified on the SC's website.

Reporting to the SC

14.13 [Deleted]

14.14 [Deleted]

SECTION B

Chapter 15

NOMINATION

In this chapter, unless otherwise stated, the term “member” refers to both Muslim and non-Muslim members.

Nominee

- 15.01 A member who is a Malaysian citizen and a foreigner having a permanent residence status in Malaysia may nominate any individual to receive his accrued benefits upon his death.
- 15.02 A nomination may be made in favour of one person or several persons subject to no more than six individuals.

Making of a Nomination

- 15.03 A nomination may be made by a member at any time after a PRS account has been opened.
- 15.04 A nomination is made by submitting a nomination form to be specified by the PPA through a PRS Provider or to PPA directly.
- 15.05 A nomination, once made, shall be deemed to apply to all PRS accounts which a member may have with more than one PRS Provider.
- 15.06 A member must specify in the nomination form—
- (a) the name and personal details of the nominee including the identification number or passport number, address and contact details; and
 - (b) the percentage of the member’s accrued benefits allocated to each nominee.
- 15.07 The accrued benefits allocated in a nomination must amount to 100 per cent of the member’s accrued benefits upon aggregation.
- 15.08 A nomination shall become effective only when a duly completed and witnessed nomination form has been received by the PPA or a PRS Provider, whichever is earlier.

Revocation of Nomination

- 15.09 A nomination shall be revoked—
- (a) by the death of all nominees during the lifetime of the member;
 - (b) by written notice of revocation made in a revocation form to be specified by the PPA;

- (c) by any subsequent nomination made in a new nomination form; or
 - (d) where a nominee fails to submit the relevant withdrawal form within one year from the death of a Muslim member.
- 15.10 Notwithstanding paragraph 15.09, in the case of a Muslim member, where a nominee is legally incapable to act as an administrator upon the death of the member, the nomination to such person shall be deemed revoked. The revocation of such nomination shall not affect the other nominees. Where all the nominees are legally incapable to act as administrators upon the death of the member, the accrued benefits shall be paid to a lawful executor or administrator of the member's estate as if the member has not made a nomination.
- 15.11 A nomination shall not be capable of being revoked by any will, act, event or instrument, or any other means or circumstances other than those set out in paragraphs 15.09 and 15.10.
- 15.12 A revocation of a nomination made through a revocation form or a subsequent nomination made in a new nomination form shall become effective upon receipt by the PPA or PRS Provider, whichever is earlier, of a duly completed and witnessed form.
- 15.13 Where a nomination is revoked under paragraphs 15.09, the accrued benefits shall be paid to a lawful executor or administrator of the member's estate as if the member has not made a nomination.

Form

- 15.14 A nomination or revocation of nomination made through the form specified by the PPA must be witnessed by a person of sound mind who has attained the age of 18 years and who is not–
- (a) a nominee;
 - (b) a spouse of a nominee;
 - (c) an employee of PPA or PRS Provider; or
 - (d) a consultant of PRS Provider.
- 15.15 The PPA or a PRS Provider may refuse to accept any form if it is not completed and witnessed in accordance with the requirements of these Guidelines.

Nominee Predeceases Member

- 15.16 In the case of both a Muslim and non-Muslim member, where a nominee predeceases a member–
- (a) in the absence of any subsequent nomination made by the member in relation to the portion of accrued benefits allocated to the deceased nominee such

portion shall revert to the estate of the member and be paid to a lawful executor or administrator of the member's estate; and

- (b) the death of the nominee shall not alter the allocation made to other nominees.

Payment of Accrued Benefits upon Death when there is a Nomination Made by a Non-Muslim Member

15.17 Where a non-Muslim member dies having made a nomination, the nominee shall receive the accrued benefits according to the directions of the nomination as a beneficiary.

15.18 Notwithstanding the generality of paragraph 15.17–

- (a) in the case of a nominee who is under the age of 18 years–
 - (i) payment of the accrued benefits allocated to such nominee may be made to the nominee only upon the nominee attaining the age of 18 years; or
 - (ii) where the PPA deems appropriate, payment of the accrued benefits allocated to such nominee may be made to either a parent or a legal guardian of such nominee subject to the execution of an undertaking by such person that such amount paid will be applied solely for the maintenance and benefit of such nominee; or
- (b) in the case of a nominee who is certified as having permanent total disablement by a medical practitioner registered under the *Medical Act 1971* [Act 50], where the PPA deems appropriate, payment of the accrued benefits allocated to such nominee may be made to a person who can satisfy the PPA that he is responsible in managing the affairs of such nominee subject to an execution of an undertaking by such person that such amount paid will be applied solely for the maintenance and benefit of such nominee; or
- (c) in the case of a nominee who is certified as having mental disability by a medical practitioner registered under the *Medical Act 1971* [Act 50], where the PPA deems appropriate, payment of the accrued benefits allocated to such nominee may be made to a person who can satisfy the PPA that he is responsible in managing the affairs of such nominee subject to an execution of an undertaking by such person that such amount paid will be applied solely for the maintenance and benefit of such nominee.

15.19 Where a nominee dies after the death of a non-Muslim member but prior to making an application for withdrawal, the allocated accrued benefits shall constitute a part of the deceased nominee's estate and shall be paid to the lawful executor or administrator of the deceased nominee's estate.

Payment of Accrued Benefits upon Death when There is a Nomination Made by a Muslim Member

- 15.20 Where a Muslim member dies having made a nomination, the nominee shall receive the accrued benefits according to the directions of the nomination, as an administrator and not solely as a beneficiary, and shall distribute such amount in accordance with the Islamic Laws.
- 15.21 Where a nominee dies after the death of a Muslim member but prior to making an application for withdrawal, the death of such nominee shall not affect the other nominees, if any. Where there is no nominee remaining upon the death of the member and the death of the nominee, the accrued benefits shall be paid to a lawful executor or administrator of the member's estate as if the member has not made the nomination.

Verification for Withdrawal

- 15.22 For the purpose of making payment of accrued benefits to a nominee, a PRS Provider may rely on verification of the identity of the nominee as performed by another PRS Provider who has first received the nominee's request for such withdrawal on behalf of the PPA.

Discharge of Obligation

- 15.23 Notwithstanding any written law to the contrary, any payment of accrued benefits made to any person under these Guidelines whether with or without a nomination shall be deemed to have been duly paid and the PRS Provider or the PPA shall be taken to have discharged its obligation in respect of the accrued benefits so paid.

PRS Provider or PPA Not Bound by any Further Distribution

- 15.24 A PRS Provider and the PPA shall not in any circumstances be bound or concerned to ensure the application or subsequent distribution of any accrued benefits which has been paid in respect of any person specified under these Guidelines.

Requirements to Prevail over any Other Written Law

- 15.25 The requirements under these Guidelines in relation to nomination shall have full force and effect notwithstanding anything inconsistent with or contrary to any other written law relating to probate, administration, distribution, disposition of the estates of deceased persons, or in any practice or custom in relation to these matters.

SCHEDULE A

INFORMATION REQUIRED TO BE INCLUDED IN THE PRS PROVIDER'S WEBSITE

- (1) Information on key personnel such as the chief executive officer and designated person responsible for compliance matters;
- (1A) Information on the fund, including:
 - (a) Disclosure document and product highlight sheet;
 - (b) Circulars, notices and announcements;
 - (c) Fund reports;
 - (d) Latest NAV per unit of the funds;
 - (e) Distributions declared, including the composition of distribution (income and capital) in percentage forms;
- (2) Summary of the PRS Provider's financial position for the past three years, where applicable, in tabular form, disclosing—
 - (a) paid-up share capital;
 - (b) shareholders' funds;
 - (c) revenue;
 - (d) profit or loss before tax; and
 - (e) profit or loss after tax
- (3) Total number of funds as well total value of funds, operated by the PRS Provider;
- (4) Where the fund management function is undertaken by an external fund manager, a brief corporate information of the external fund manager and total value of funds under the fund manager's management;
- (5) [Deleted]
- (6) If the PRS Provider outsources any function to an external party, a brief corporate information of the service provider or sub-contractor and the roles and duties of the service provider or sub-contractor;
- (7) Where a Shariah adviser is appointed, the relevant qualifications of each of the Shariah adviser. Where the Shariah adviser is a corporation—
 - (a) the corporate information of the Shariah adviser;
 - (b) the number of funds in which it acts as adviser; and

- (c) the relevant qualifications of the Shariah officer responsible for Shariah matters of the fund.

SCHEDULE B

INVESTMENT RESTRICTIONS AND LIMITS

A. Requirements for core and non-core funds

General

- (1) The requirements herein apply to any funds, under the Scheme, unless otherwise specified in the respective appendices of this schedule.
- (2) The investment limits and restrictions must be read together with the general requirements and prohibitions set out in Chapter 8 of these Guidelines.

Exposure Limit

- (3) The aggregate value of a fund's investments in—
 - (a) transferable securities that are not traded or dealt in or under the rules of an eligible market;
 - (b) CIS that do not comply with paragraphs 8.15A(a), (b) and (c); and
 - (c) other securities,must not exceed 15% of the fund's NAV, subject to a maximum limit of 10% of the fund's NAV in a single issuer or single CIS, as the case may be.

Investment Spread Limits

- (4) The value of a fund's investments in ordinary shares issued by any single issuer must not exceed 10% of the fund's NAV.
- (5) The value of a fund's investments in transferable securities and money market instruments issued by any single issuer must not exceed 15% of the fund's NAV ("single issuer limit"). In determining single issuer limit, the value of the fund's investments in instruments in paragraph (3) issued by the same issuer must be included in the calculation.
- (6) The value of a fund's placements in deposits with any single financial institution must not exceed 20% of the fund's NAV.
- (7) [Deleted]
- (8) [Deleted]
- (9) The aggregate value of a fund's investments in, or exposure to, a single issuer through –
 - (a) transferable securities;

- (b) money market instruments;
 - (c) deposits;
 - (d) underlying assets of derivatives; and
 - (e) counterparty exposure arising from the use of OTC derivatives,
- must not exceed 25% of the fund's NAV ("single issuer aggregate limit"). In determining the single issuer aggregate limit, the value of the fund's investments in instruments in paragraph (3) issued by the same issuer must be included in the calculation.
- (10) The value of a fund's investments in units or shares of any CIS must not exceed 20% of the fund's NAV, provided that the CIS complies with—
- (a) paragraph 8.15A(a);
 - (b) paragraph 8.15A(b); or
 - (c) paragraph 8.15A(c), excluding a CIS that invests in real estate.
- (10A) The value of a fund's investments in units or shares of a CIS that invests in real estate pursuant to paragraph 8.15A(c) must not exceed 15% of the fund's NAV.
- (11) The value of a fund's investments in transferable securities and money market instruments issued by any group of companies must not exceed 20% of the fund's NAV ("group limit"). In determining the group limit, the value of the fund's investments in instruments in paragraph (3) issued by the issuers within the same group of companies must be included in the calculation.

Exceptions to Investment Spread Limits

Structured Products

- (12) [Deleted]
- (13) [Deleted]

Bond/Fixed Income Funds

- (14) [Deleted]
- (15) [Deleted]
- (16) [Deleted]
- (17) [Deleted]
- (18) [Deleted]

Index Funds

- (19) [Deleted]
- (20) [Deleted]
- (21) [Deleted]

Government and other public securities or money market instruments

- (21A) The single issuer limit in paragraph (5) may be raised to 35% of the fund's NAV if the issuing entity is, or the issue is guaranteed by, either a foreign government, foreign government agency, foreign central bank or supranational, that has a minimum long-term credit rating of investment grade (including gradation and subcategories) by an international rating agency.
- (21B) Where the single issuer limit is increased to 35% of the fund's NAV, the single issuer aggregate limit in paragraph (9) may be raised, subject to the group limit in paragraph (11) not exceeding 35% of the fund's NAV.

Deposits

- (21C) The single financial institution limit in paragraph (6) does not apply to placements of deposits arising from:
 - (a) Subscription monies received prior to the commencement of investment by the fund;
 - (b) Liquidation of investments prior to the termination or maturity of the fund, where the placement of deposits with various financial institutions would not be in the best interests of members; or
 - (c) Monies held for the settlement of redemption or other payment obligations, where the placement of deposits with various financial institutions would not be in the best interest of members.

CIS

- (21D) Notwithstanding paragraphs (10) and (10A), investment in units or shares of one or more CIS is permitted in the following circumstances:
 - (a) From the launch of the fund, the value of a fund's investment in any of the CIS must not exceed 95% of the fund's NAV;
 - (b) Upon reaching an NAV of RM200 million, the value of a fund's investment in any of the CIS must not exceed 40% of the fund's NAV; and

- (c) That the investment objective of the CIS is similar to the fund.

Investment Concentration Limits

Transferable securities

- (22) A fund's investments in shares or securities equivalent to shares must not exceed 10% of the shares or securities equivalent to shares, as the case may be, issued by a single issuer.
- (23) A fund's investments in debt securities must not exceed 20% of the debt securities issued by a single issuer. This limit may be disregarded at the time of acquisition if at that time of acquisition the gross amount of debt securities in issue cannot be determined.

Money market instruments

- (24) A fund's investments in money market instruments must not exceed 10% of the instruments issued by any single issuer. This limit does not apply to money market instruments that do not have a pre-determined issue size.

CIS

- (25) Except for investments by core funds, a fund's investments in CIS must not exceed 25% of the units or shares in any one CIS.

B. Additional Requirements for core funds

- (1) The age range for core funds of members under the default option are as follows:
 - (a) For the conservative fund, members are aged 55 years and above;
 - (b) For the moderate fund, members are aged 45 years and above but have not yet reached 55 years; and
 - (c) For the growth fund, members are below 45 years of age.
- (2) [Deleted]
- (3) For conservative fund—
 - (a) investment in debt securities or money market instruments must be—
 - (i) at least long-term credit rating of investment grade (including gradation and subcategories); or
 - (ii) at least top two short-term rating,

by any Malaysian or global rating agency. However, debt securities or money market instruments which are rated below the rating in (i) or (ii), or are unrated, may comprise up to 5% of the fund's NAV ("the 5% limit"). In the case where the 5% limit is exceeded, whether as a result of–

- (i) a downgrade of rating from the rating listed in (i) or (ii);
- (ii) an increase in the aggregate value of debt securities or money market instruments which are rated below the rating in (i) or (ii), or are unrated; or
- (iii) a decrease in the NAV of the fund,

the PRS Provider must reduce such investments to comply with the 5% limit unless in the opinion of the Scheme Trustee, the disposal of such investments is not in the best interests of members; and

(b) [Deleted]

(bb) Investment in derivatives, including embedded derivatives, are not permitted except for the following:

- (i) The derivatives are used for hedging purposes; and
- (ii) The holding of warrants as a result of the fund's holdings in equities.

(c) [Deleted]

(d) [Deleted]

Schedule B– Appendix I

CASH MANAGEMENT FUND

General

- (1) A cash management fund is one which invests primarily in short-term debt securities, short-term money market instruments and placement in short-term deposits.
- (2) Only a fund which complies with the restrictions and limits of Schedule B and this Appendix can hold itself out as a cash management fund.
- (3) This Appendix does not apply to funds which invests in debt securities and money market instruments or places of deposits as part of a diversified portfolio and those whose objective is to invest in riskier and higher yielding debt securities.

Permissible investments

- (4) The fund's assets must only consist of the following:
 - (a) Debt securities;
 - (b) Money market instruments;
 - (c) Placement in deposits;
 - (d) Units or shares in other cash management funds; and
 - (e) Derivatives for the sole purpose of hedging arrangements.
- (4A) For the purpose of paragraph (1), a "short term" debt securities or money market instrument must meet the following criteria:
 - (a) It must meet either one of the following requirements:
 - (i) It has a legal maturity at issuance of 397 calendar days or less;
 - (ii) It has a remaining term of maturity of not more than 397 calendar days; or
 - (iii) Where a debt security or a money market instrument is issued by, or the issue is guaranteed by, either a government, government agency, central bank or supranational, the remaining maturity period must not be more than two years;
 - (b) It must be traded or dealt in under the rules of an eligible market; and
 - (c) It must not contain an embedded derivative.

Exposure Limits

- (5) [Deleted]

- (6) A cash management fund must invest at least 90% of its NAV in –
 - (a) short-term debt securities and short-term money market instruments; and
 - (b) placement in short-term deposits.
- (7) [Deleted]
- (7A) A cash management fund may only invest up to 10% of the fund's NAV in –
 - (a) high quality debt securities which have a remaining maturity period of more than 397 days but fewer than 732 days; and
 - (b) units or shares in other money market funds and derivatives for hedging purposes.
- (7B) A 'high quality' debt security is one with an issuer credit rating that has–
 - (a) minimum top two short-term rating (including gradation and subcategories); or
 - (b) minimum top three long-term rating (including gradation and subcategories), as rated by any Malaysian or global rating agency.

Investment Spread Limits

- (8) The value of a fund's investments in debt securities and money market instruments issued by any single issuer must not exceed 20% of the fund's NAV ("single issuer limit").
- (9) The single issuer limit in (8) may be increased to 30% if the debt securities are rated by any Malaysian or global rating agency to have the highest long-term credit rating.
- (10) [Deleted]
- (11) The value of a fund's investments in debt securities and money market instruments issued by any group of companies must not exceed 30% of the fund's NAV.
- (12) [Deleted]

Investment Concentration Limits

- (13) [Deleted]
- (14) A fund's investments in money market instruments must not exceed 20% of the instruments issued by any single issuer.
- (15) [Deleted]

Repurchase transactions

- (16) Where a fund undertakes repurchase transactions for efficient portfolio management purposes, in addition to the requirements under paragraph 8.31, 8.33, 8.33B, 8.33C, 8.33D, 8.33E, 8.34A, 8.34B and 8.34C, the following requirements must also be complied with:
- (a) The amount of cash received by the fund must not in aggregate exceed 10% of the fund's NAV;
 - (b) The aggregate amount of cash provided to the same counterparty in reverse repurchase agreements must not exceed 15% of the fund's NAV;
 - (c) Collateral received may only be cash, high quality money market instruments and may also include, in the case of reverse repurchase transactions, government securities receiving a favourable assessment on credit quality; and
 - (d) The holding of collateral, together with other investments of the cash management fund must not contravene the requirements in this Appendix and Schedule B, where applicable.
- (17) For the purpose of paragraph (16), high quality money market instruments must have the top three long-term credit rating (including gradations and subcategories) provided by any Malaysian or global rating agency.

Schedule B – Appendix II

FUND-OF-FUNDS

General

- (1) A fund-of-funds is one which invests at least 85% of its NAV in other CIS.
- (1A) A fund-of-funds may invest up to 15% of its NAV in the following permitted investments:
 - (a) Money market instruments that are dealt in or under the rules of an eligible market and whose residual maturity does not exceed 12 months;
 - (b) Placement in short-term deposits; and
 - (c) Derivatives for the sole purpose of hedging arrangements.
- (2) The fund's assets must only consist of units/shares in other CIS. ~~CIS at all times~~
- (3) Only a fund which complies with the restrictions and limits of Schedule B and this Appendix can hold itself out as a fund-of-funds.
- (4) A PRS Provider or the fund manager, must ensure that the investments in other CIS comply with the general requirements set out in Chapter 8 "Investments in CIS" of these Guidelines.
- (5) A fund-of-funds must not invest in–
 - (a) a fund-of-funds;
 - (b) a feeder fund; and
 - (c) any sub-fund of an umbrella fund which is a fund-of-funds or a feeder fund.
- (6) For a fund-of-funds that invests in a sub-fund of an umbrella scheme, the sub-fund of the umbrella scheme must be treated as if it is a separate CIS.

Investment Spread Limits

- (6A) The value of a fund's investments in units or shares of a CIS must not exceed 30% of the fund's NAV, provided that the CIS complies with –
 - (a) paragraph 8.15A(a);
 - (b) paragraph 8.15A(b); or
 - (c) paragraph 8.15A(c), excluding CIS that invests in real estate.
- (7) [Deleted]
- (8) [Deleted]

(8A) [Deleted]

Investment Concentration Limit

(9) [Deleted]

Schedule B – Appendix III

FEEDER FUNDS

General

- (1) A feeder fund is one which invests at least 85% of its NAV in units or shares of a single CIS, provided that the CIS complies with –
 - (a) paragraph 8.15A(a);
 - (b) paragraph 8.15A(b); or
 - (c) paragraph 8.15A(c), excluding CIS that invests in real estate.
- (1A) A feeder fund may invest up to 15% of its NAV in the following permitted investments:
 - (a) Money market instruments that are dealt in or under the rules of an eligible market, and whose residual maturity does not exceed 12 months;
 - (b) Placement in short-term deposits; and
 - (c) Derivatives for the sole purpose of hedging arrangement.
- (2) [Deleted]
- (3) Only a fund which complies with the restrictions and limits of Schedule B and this Appendix can hold itself out as a feeder fund. For the avoidance of doubt, a feeder fund will not be subjected to the investment concentration limit in paragraph (25) of Schedule B of these Guidelines.
- (4) A PRS Provider, or the fund manager, must ensure that –
 - (a) investments in the other CIS comply with the general requirements set out in Chapter 8 “Investments in CIS” of these Guidelines.
 - (b) [Deleted]
- (5) [Deleted]
- (6) A feeder fund must not invest in–
 - (a) [Deleted];
 - (b) a feeder fund; and
 - (c) any sub-fund of an umbrella fund which is a feeder fund.
- (7) For a feeder fund that invests in a sub-fund of an umbrella fund, the sub-fund of the umbrella fund must be treated as if it is a separate CIS.

Schedule B – Appendix IV

BOND OR FIXED INCOME FUNDS

PART 1: GENERAL

- (1) A bond or fixed income fund is one which invests primarily in fixed income instruments. The remaining NAV of the fund may be invested in permitted investments as prescribed in paragraph 8.07 of these Guidelines.

Investment spread limits

- (2) The value of a fund's investments in–
- (a) transferable securities; and
 - (b) money market instruments,
- issued by any single issuer must not exceed 20% of the fund's NAV ("single issuer limit"). In determining the single issuer limit, the value of the fund's investments in instruments in paragraph (3) of Schedule B by the same issuer must be included in the calculation.
- (3) For avoidance of doubt, the single issuer aggregate limit requirement in paragraph (9) of Schedule B applies to a bond or fixed income fund.
- (4) The single issuer limit in paragraph (2) may be increased to 30% if the debt security is rated by any Malaysian or global rating agency to have the highest long-term credit rating.
- (5) Where the single issuer limit is increased to 30% pursuant to paragraph (4), the single issuer aggregate limit of 25% in paragraph (9) of Schedule B may be raised to 30% of the fund's NAV.
- (6) The value of a fund's investments in transferable securities and money market instruments issued by any group of companies must not exceed 30% of the fund's NAV ("group limit"). In determining the group limit, the value of the fund's investments in instruments in paragraph (3) of Schedule B issued by the issuers within the same group of companies must be included in the calculation.
- (7) Where the debt securities or money market instruments are issued, or the issue is guaranteed by, either a foreign government, foreign government agency, foreign central bank or supranational, that has a minimum long-term credit rating of investment grade (including gradation and subcategories) by an international rating agency, the fund manager may apply the limit in paragraphs (21A) and (21B) of Schedule B.

PART 2: COUNTRY-SPECIFIC GOVERNMENT BOND OR FIXED INCOME FUNDS

- (8) A country-specific bond or fixed income fund is one which has an exposure to a single country or sovereign.
- (9) A country-specific bond or fixed income fund must invest –
 - (a) substantially all of its assets in debt securities and money market instruments where the issuer is, or the issue is guaranteed by, a foreign government, government agency, or supranational that has a minimum long-term credit rating ("Sovereign Rating") as follows:
 - (i) Top two credit rating (including gradation and subcategories) provided by a rating agency; or
 - (ii) Within top three and top four credit rating (including gradation and subcategories) provided by a rating agency, subject to compliance with paragraph (10); and
 - (b) the remaining NAV of the country-specific bond or fixed income fund may comprise of the following permitted investments:
 - (i) Money market instruments that are dealt in or under the rules of an eligible market, and whose residual maturity does not exceed 12 months;
 - (ii) Placement in short-term deposits; and
 - (iii) Derivatives for the sole purpose of hedging arrangement.
- (10) Where the Sovereign Rating of the issuer or guarantor falls within the range specified in paragraph (9)(a)(ii), the country-specific government bond or fixed income fund must ensure the following are being met:
 - (a) The foreign government, government agency, or supranational must be listed on the list of acceptable issuers or guarantors, which may be amended from time to time; and
 - (b) The fund must invest in at least six different issues, with investment in any one issue not exceeding 30% of the fund's NAV.
- (11) A PRS Provider must ensure that any marketing communications must contain a prominent statement drawing attention to the foreign country, foreign government, government agency or supranational, the debt securities or money market instruments of which, the fund intends to invest in.

- (12) In the event of any downgrade in the Sovereign Rating, a PRS Provider must notify the SC of such event, as soon as practicable.

Schedule B – Appendix V

INDEX FUNDS

General

- (1) An index fund is a fund whose principal objective is to track, replicate or correspond to an index on permissible investments, with an aim of providing or achieving investment results or returns that closely match or correspond to the performance of the index.

Name of fund

- (2) The name of the fund must reflect the nature of an index fund. The words “index”, “tracking” or “tracker”, must appear in the name of the fund, where appropriate.

Index tracking strategies

- (3) An index fund may seek to track an index by any of the following strategies:
- (a) Full replication by investing all or substantially all of its assets in the constituents of the underlying index, broadly in proportion to the respective weightings of the constituents in the index;
 - (b) Optimisation approach by investing in a portfolio featuring high correlation to the index to minimise index tracking error;
 - (c) Sampling approach by stratifying or dividing an index into manageable risk elements or buckets to replicate the underlying index performance; or
 - (d) Synthetic replication through the use of derivatives or embedded derivatives to replicate the index performance.
- (4) For the optimisation and sampling approaches where certain investments of the fund are not constituents of the index, such approaches may be used only if the resultant fund characteristics closely match or correspond to the characteristics of the index.

Acceptable indices

- (5) In the case where the Islamic unit trust fund is an index fund, the index must be a Shariah index consisting of Shariah-compliant securities.
- (6) The underlying index must–
- (a) have–
 - (i) a clearly defined objective; or
 - (ii) a clear market or sector it aims to represent;

- (b) be objectively calculated and rules-based;
- (c) be diversified such that the maximum weight per constituent does not exceed 20% of the index. Where an index is composed solely of constituents which are non-shares, the maximum weightage of only one constituent may be increased to but not exceeding 35% of the index;
- (d) contain constituents that are sufficiently liquid;
- (e) be transparent and easily accessible by investors; and
- (f) be constructed, maintained and reviewed by a reputable third party index provider.

SCHEDULE B1

[Deleted]

SCHEDULE C

VALUATION

- (1) The PRS Provider must value investment instruments using the valuation basis as set out in the table below:

Investment Instruments	Valuation Basis
Investment instruments that are listed and quoted on an exchange	The official closing price or last known transacted price on the eligible market on which the investment is quoted. However, if the price is not representative or not available to the market, the investments must be valued at fair value.
Instruments not listed or quoted on an exchange	(a) Fair value (b) Amortised cost accounting may be used subject to the following: (i) Only permitted to be used to value money market instruments with remaining term to maturity of not more than 90 calendar days at the time of acquisition; and (ii) The PRS provider must have in place adequate measures and safeguards to properly address relevant risks associated with the use of amortised cost accounting.

- (2) The PRS Provider must ensure that—
- (a) the fair value is determined with due care and in good faith; and
 - (b) the basis for determining the fair value of the investment is approved by the Scheme Trustee (after appropriate technical consultation), and is documented.

SCHEDULE D

DEED OF A PRIVATE RETIREMENT SCHEME

General

- (1) [Deleted]
- (2) [Deleted]
- (3) [Deleted]

Minimum Contents for a Deed

Covenants of the PRS Provider

- (4) A deed must contain the duties and responsibilities of a PRS Provider as set out under Regulation 10 of the PRS Regulations and these Guidelines.
- (5) In addition, the PRS Provider's duties must include, but are not limited to, the following covenants:
 - (a) The PRS Provider must ensure that the scheme has, at all times, an appointed Scheme Trustee;
 - (b) The PRS Provider must pay to the Scheme Trustee, within 7 business days after receipt by the PRS Provider, any money which, under the deed, is payable to the Scheme Trustee;
 - (c) The PRS Provider must not sell any unit of the funds under the Scheme to which the deed relates, other than at a price calculated in accordance with the deed;
 - (d) The PRS Provider must, at the request of members, purchase units held by the member, and the purchase price will be a price calculated in accordance with the deed;
 - (e) The PRS Provider must make available, or ensure that there is made available, to the Scheme Trustee such information as the Scheme Trustee requires on all matters relating to the Scheme and funds under the Scheme to which the deed relates;
 - (f) The PRS Provider must not exercise the voting rights with respect to the units it holds in any members' meeting, regardless of the party who requested for and called the meeting and the matter or matters that are laid before members;
 - (g) The PRS Provider must attach the Scheme Trustee's report together with the annual report required to be sent to members;

- (h) Where a member becomes accountable or liable for any tax penalty in respect to any benefit or payment to be paid for pre-retirement withdrawals, the PRS Provider may deduct such tax penalty from the benefit or payment before making payment to the member; and
- (i) If a member dies, to permit withdrawal to the beneficiary(ies) nominated by the member during his or her lifetime or to the member's personal representative upon the making of an application for withdrawal to the relevant PRS Provider.

Covenants of the Scheme Trustee

- (6) A deed of a Scheme must contain duties of a Scheme Trustee which are provided under Regulation 12 of the PRS Regulations, the securities laws, the *Guidelines on the Registration and Conduct of Capital Market Services Providers*, these Guidelines and also include, but not be limited to, the following covenants:
 - (a) The Scheme Trustee must ensure that the scheme has, at all times, an appointed PRS Provider;
 - (b) The Scheme Trustee must cause the accounts referred to in Regulation 11 of the PRS Regulations to be audited at the end of each financial year by an auditor appointed by the Scheme Trustee; and
 - (c) The Scheme Trustee must provide at least three months' notice of its intention to leave office as Scheme Trustee and undertake to act as Scheme Trustee until a new Scheme Trustee is appointed and has taken office as Scheme Trustee.

Joint Covenants of the PRS Provider and Scheme Trustee

- (7) A deed of a Scheme must contain covenants of the PRS Provider and Scheme Trustee including, but not be limited to, the following:
 - (a) The PRS Provider and the Scheme Trustee must safeguard the interests of members as a whole; and
 - (b) The PRS Provider and the Scheme Trustee must ensure that for the duration of the Scheme, there is a registered deed in force at all times.

Other Provisions

- (8) A deed of a Scheme must also contain provisions for the following:
 - (a) Creation of the fund(s) or declaration of trust, which also sets out full particulars of the trust, including precise information as to the circumstances in which the money, securities, investments and properties subject to the fund are or will be vested in that Scheme Trustee, and the duties and obligations of the Scheme Trustee towards;

- (b) That the deed–
 - (i) is binding on each member as if it had been a party to it and that it is bound by its provisions;
 - (ii) authorises and requires the PRS Provider and the Scheme Trustee to do the things required or permitted of them by the terms of the deed; and
 - (iii) is made and governed under the laws of Malaysia;
- (c) Appointment of a Scheme Trustee to the Scheme to which the deed relates;
- (d) Full particulars of the Scheme and funds within the Scheme including, but not limited to–
 - (i) names of the funds within the Scheme;
 - (ii) investment objective of all the funds within the Scheme;
 - (iii) permitted investments, limits and restrictions;
 - (iv) basis for the valuation and the pricing policy, the method of pricing as well as the circumstances under which it can change;
 - (v) distribution policy, including the basis for the distribution or reinvestment of income;
 - (vi) financial period of all the funds within the scheme;
 - (vii) if classes of units are issued, a provision specifying the classes, differences between the classes and rights attached to each class;
 - (viii) if any class of units may be mandatorily or otherwise converted to another class of units, a provision specifying the conditions/circumstances in which such conversion may occur;
 - (ix) a statement on the base currency of a fund (if classes of units are denominated in different currencies; and
 - (x) if the fund is a bond or fixed income fund referred to in Part 2, Schedule B – Appendix IV of these Guidelines, the name of the foreign country, foreign government, government agency or supranational issuing or guaranteeing the debt securities or money market instruments.
- (e) Full particulars on circumstances in which, and methods by which, all or any of the investments may be varied;

- (f) Full particulars on the provision to be made for investments in assets which depreciate in value, including the source from which the replacement is to be made or from which the cost of replacement is to be met. If no provision is made, a statement to that fact must be clearly stated;
- (g) [Deleted]
- (h) Full particulars on the conditions governing the transfer of any units in a fund under a Scheme to which the deed relates to another PRS Provider as allowed under applicable transfer rules governing the scheme;
- (i) Full particulars on the remuneration of the PRS Provider and Scheme Trustee, respectively, including dealing charges (if any) and expenses which are allowed to be paid out of the fund;
- (j) Where the deed requires, or confers a right on, members to enter into an agreement in connection with a fund under a Scheme, a provision incorporating, the terms and conditions of that agreement;
- (k) A declaration that unless the conditions of issue of any unit expressly provide that a certificate need not be issued, a certificate must be issued by the Scheme Trustee to a purchaser of any unit purchased or subscribed for, not more than two months after the issue of the unit;
- (l) Circumstances under which the dealing in units can be deferred or suspended;
- (m) Circumstances, procedures and processes for termination of the Scheme or the fund under the Scheme (where multiple classes of units are issued, the circumstances, procedures and processes for termination of each class of units and the fund);
- (n) Circumstances, procedures and processes for convening of meetings of members, including the manner in which votes may be given at a meeting of members;
- (o) Circumstances, procedures and processes for retirement, removal and replacement of the PRS Provider and the Scheme Trustee;
- (p) Circumstances, procedures and processes for the appointment, retirement, removal and replacement of the auditor for the fund under the Scheme;
- (q) Specific provisions whereby the PRS Provider undertakes to keep and maintain an up-to-date register of members and to make that register available for inspection, free of charge, to any member at any time during ordinary business hours of the PRS Provider;
- (r) The extent of the indemnity provided by the PRS Provider;

- (s) Provisions relating to members' rights and the extent of their liability, including the rights, liabilities and any limitation attached to vested and conditionally vested units issued pursuant to a vesting schedule;
- (t) Provisions governing the modification of the deed;
- (u) Conditions under which the benefit becomes payable and the way in which benefits will be determined;
- (v) Conditions which are necessary to give effect to the requirement for payment of tax penalty for pre-retirement withdrawal. This may include the following provisions:
 - (i) Subject to permitted reasons for withdrawals, a member may not make a withdrawal from any fund under the scheme until the member reaches the retirement age. Upon reaching the retirement age, a member shall be entitled to withdraw the full amount accumulated in all funds under the Scheme held by the member as accrued benefits without payment of any tax; and
 - (ii) At any time before reaching the retirement age, a member may by making a request to the PRS Provider (in such form and within such time limits as may be required) request for withdrawal from sub-account B of the relevant PRS Provider.

SCHEDULE E

CONTENTS OF A FUND'S REPORT

General

- (1) The purpose of a fund's report is to provide information to enable members to evaluate the performance of a fund within the Scheme. A fund report is required for each fund under the Scheme.
- (2) The information required by the SC under this schedule is the minimum that must be included in a fund's report.
- (3) A fund's report need not adopt the terms used under this schedule. Where possible, the report must avoid unnecessary jargon and use terms which are easily understood by members.
- (4) For a fund with multiple classes of units, that fund's report must contain information with respect to each class of units in issue, where relevant.
- (4A) The fund's report must include any material or non-material changes made to the disclosure document of the fund during that financial year.

Fund Information

- (5) This section must disclose the following information:
 - (a) Name, type and category of the fund;
 - (b) The fund's investment objective;
 - (c) The fund's performance benchmark;
 - (d) The fund's distribution policy; and
 - (e) [Deleted]

Fund Performance

- (6) The following information must be disclosed in this section:
 - (a) A comparative table covering the last three financial years, or since inception if shorter, showing for the end of each financial year—
 - (i) portfolio composition of the fund, e.g. distribution among industry sectors markets and category of investments;
 - (ii) NAV of the fund;

- (iii) NAV per unit and the number of units in circulation as at the end of each year;
 - (iv) highest and lowest NAV per unit;
 [Deleted]
 - (v) total return of the fund, and the breakdown into capital growth and income distribution;
 - (vi) distribution per unit (gross and net) for interim and final distribution, if any, and any other form of distribution made and proposed during the period. The date of each distribution and the effects of the income and additional distribution in terms of NAV per unit before and after distribution must be disclosed. If the distribution is made out of the fund's capital, the breakdown of distribution sourced from income and capital, in value and percentage of total distribution amount;
 - (vii) total expense ratio (TER) of the fund and an explanation for the difference in TER, where applicable; and
 - (viii) portfolio turnover ratio (PTR) of the fund and an explanation for the difference in PTR, where applicable;
- (b) Average total return of the fund measured over the following periods, to the date of the report:
- (i) One year, or since inception if shorter;
 - (ii) Three years; and
 - (iii) Five years; and
- (c) Annual total return of the fund for each of the last five financial years, or since inception if shorter.
- (6A) TER can be calculated based on the ratio of the sum of fees and the recovered expenses of the fund to the average value of the fund calculated on a daily basis, i.e.

$$\frac{\text{fees of the fund} + \text{recovered expenses of the fund}}{\text{average value of the fund calculated on a daily basis}} \times 100$$

where-

Fees = all ongoing fees deducted/deductible directly from the fund in respect of the period covered by the management expense ratio, expressed as a fixed amount, calculated on a daily basis. This would include the annual management fee, the annual trustee fee and any other fees deducted/ deductible directly from the fund;

recovered expenses = all expenses recovered from/ charged to the fund, as a result of the expenses incurred by the operation of the fund, expressed as a fixed amount. This must not include expenses that would otherwise be incurred by an individual member (e.g. brokerage, taxes and levies); and

average value of the unit = the NAV of the fund, including net income value of the fund, less expenses on an accrued basis, in respect of the period covered by the management expense ratio, calculated on a daily basis.

- (6B) PTR can be calculated based on the ratio of the average sum of acquisitions and disposals of the fund for the year to the average value of the fund for the year calculated on a daily basis, i.e

$$\frac{[\text{total acquisitions of the fund for the year} + \text{total disposals of the fund for the year}] / 2}{\text{average value of the fund for the year calculated on a daily basis}}$$

- (6C) The fund's performance, it must be calculated based on a NAV-to-NAV basis with distributions reinvested at the NAV per unit.
- (7) A fund's report may include other performance data for any other period aside from those mentioned in (6) above. However, all other performance data presented must comply with the following requirements:
- (a) The bases of calculation and any assumption made must be consistently applied, adequately disclosed and independently verified; or
 - (b) The data used must be obtained from independent sources.
- (8) There must be a warning statement that past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up.

PRS Provider's Report

- (9) A PRS Provider must prepare a report containing an operational review of the funds under the Scheme, the result of those operations and details of significant changes in the state of affairs of each fund within the Scheme during the financial period.
- (10) In selecting a format for the presentation of the report, consideration must be given, not only to the completeness and accuracy of the data, but also to the clarity of the overall presentation. The PRS Provider's Report must be presented for all funds under the Scheme.
- (11) A fund's report must include the following:

- (a) [Deleted]
- (b) Fund's performance in the last five financial years, or since inception if shorter, and must be illustrated in graphical form. Where the fund has a performance benchmark, the information on the fund's performance must also include comparison between the fund's performance and the performance of the benchmark disclosed in the disclosure document;
- (c) Description of the strategies and policies employed during the period under review. To state any change in strategy adopted which was not in line with the strategy disclosed in the disclosure document;
- (d) Where applicable an explanation on the differences in portfolio composition between the current and previous year;
- (dd) A statement on whether the fund has undertaken any securities lending or repurchase transactions (collectively referred to as "**securities financing transactions**");
- (e) A write-up of the analysis of the fund's performance based on NAV per unit adjusted for income distribution, if any, since the last review period or in the case of newly launched funds since commencement;
- (f) Review of the market in which the fund invests in during the period. Information on returns on investments in each market is encouraged. Focus must be given on instruments comprising major asset allocation, e.g. equity-general, equity-small cap;
- (g) Details of any unit split exercise carried out during the period. State clearly effects on NAV per unit before and after the unit split exercise;
- (h) Description and explanation of significant changes in the state of affairs of the fund during the period and up to the date of the PRS Provider's report, not otherwise disclosed in the financial statements;
- (hh) Details of any change in the fund's disclosure document other than a significant change under paragraph 13.23A(a), which include the following:
 - (i) Change made to the fund, highlighting the current and revised positions; and
 - (ii) Effective date of the change.
- (i) Circumstances which materially affect any interests of members;
- (ii) A statement on whether cross trade transactions have been carried out during the reported period and that the persons undertaking the oversight functions has reviewed that such transactions are in the best interest of the fund and transacted on an arm's length and fair value basis;

- (j) A statement whether any soft commission has or has not been received by the PRS Provider or fund manager for the period under review from any broker or dealer by virtue of transactions conducted for the fund. If any soft commission is received, the following must be disclosed:
 - (i) Description of the goods or services received; and
 - (ii) Manner in which the goods or services received were utilised;
- (jj) Where soft commission has been received, a statement to the effect that the broker or dealer had also executed trades for other funds or investments managed by the PRS Provider or fund manager, and disclose the arrangements in such a way that members of the Scheme are able to assess the scope of the arrangements and how the soft commissions will benefit other clients' accounts;
- (jjj) A confirmation that the soft commissions received were for the benefit of the fund and there was no churning of trades;

For Index Funds Only

- (k) The characteristics and general composition of the index and, where applicable, concentration in any economic sector and/or issuer; and
- (l) Comparison and explanation of the fund's performance, and the actual underlying index's performance over the relevant period.

For Feeder Funds only

- (m) The target fund's top 10 holdings at market value and as a percentage of NAV as at the end of the period under review and a year ago, unless the details are not disclosed in the latest available report of the target fund;

Scheme Trustee's Report

- (12) A Scheme Trustee must prepare a report stating its opinion whether the PRS Provider has operated and managed the fund under the Scheme in accordance with the following:
 - (a) Limitations imposed on the investment powers of the PRS Provider under the deed, securities laws and these Guidelines;
 - (b) Valuation and pricing is carried out in accordance with the deed and any regulatory requirement; and
 - (c) Creation and cancellation of units are carried out in accordance with the deed and any regulatory requirement.
- (13) If the Scheme Trustee is of the opinion that the PRS Provider has not done so, the Scheme Trustee must disclose the shortcoming which may have an impact on the

decision of existing or potential members to remain invested or to invest in the fund. The Scheme Trustee must also highlight steps taken to address the shortcoming and to prevent the recurrence of the shortcoming.

- (13A) The report by a Scheme Trustee must be prepared in the form provided in Appendix I of this Schedule;
- (14) The report prepared by a Scheme Trustee must state its opinion on whether the distribution of income by the fund under the Scheme is appropriate and reflects the investment objective of the fund.

Shariah Adviser's Report

- (15) For an Islamic fund, the Shariah adviser must prepare a report stating its opinion whether the relevant fund under the Scheme has been operated and managed in accordance with the Shariah principles and requirements set out for the fund. If it has not been operated and managed according to the principles and requirements, then the steps taken to address the situation and to prevent the recurrence of the situation must be highlighted.
- (16) The report by the Shariah adviser must be prepared in the form provided in Appendix II of this Schedule.

Auditors Report

- (17) [Deleted]
- (18) [Deleted]

Financial Statements

- (19) The financial statements must give a true and fair view of the fund, and must be prepared in accordance with applicable approved accounting standards, applicable statutory requirements, the trust deed and any regulatory requirement. The disclosure requirements set out for financial statements in this schedule must be complied with unless superseded by approved accounting standards.
- (20) For semi-annual reports, it must be clearly stated whether the financial statements in the semi-annual report are audited or unaudited.
- (21) For the purpose of (20) where unaudited financial statements are used, the financial statements must include a declaration by the director(s) of the PRS Provider that the financial statements give a true and fair view of the fund. A signed copy of the declaration, which must be identical to the declaration printed in the report, must be submitted to the SC.

(22) Additional Disclosure Requirements in Financial Statements-

A *Balance Sheet*

- (a) NAV of the fund;
- (b) Number of units in circulation;
- (c) NAV per unit (ex-distribution, where applicable); and
- (d) Net assets/liabilities attributable to members.

B *Classification of Investments*

- (a) Investments (including cash and cash equivalents) must not be classified as current or non-current, but must be presented in an order that reflects each category's relative liquidity; and
- (b) The carrying amount of investments (where applicable) to be categorised as follows:
 - (i) Fixed income and other debt securities;
 - (ii) Quoted and unquoted equity securities;
 - (iii) Derivatives (e.g. futures, options);
 - (iv) Other CIS;
 - (v) All foreign investments;
 - (vi) Any other investment, with significant items to be disclosed separately;
 - (vii) Cash and cash equivalents; and
 - (viii) Significant items included in other assets, disclosed separately.

C *Income Statement*

- (a) Income, by category:
 - (i) Interest income;
 - (ii) Dividend income;
 - (iii) Net realised gains or losses on sale of investments including derivatives;
 - (iv) Net realised gain on sale of instrument in non-permissible securities (for Islamic funds);

- (v) Dividend income from non-permissible securities (for Islamic funds); and
- (vi) Other significant income items, such as income from securities financing transactions;
- (b) Expenses, by category:
 - (i) Fees and charges paid to PRS Provider, with each type of fee and charge shown separately;
 - (ii) Scheme Trustee's fees and any requirement of Scheme Trustee's expenses, including the basis for the fees charged by the Scheme Trustee;
 - (iii) Auditors fees;
 - (iv) Tax agent's fees;
 - (v) Administrative fees and expenses;
 - (vi) Fees of the PPA;
 - (vii) Payment made to charitable bodies (for Islamic funds); and
 - (viii) Other significant expenses items, such as expenses relating to securities financing transactions;
- (c) Net income before and after taxation;
- (d) For net income after tax, the break down into "realised" and "unrealised" portions; and
- (e) Total amount for distribution (net) and distribution per unit (gross and net) for the interim and final distribution, including the date for each distribution.

D Statement of Changes in NAV

Movement in the NAV of the fund during the period, separately categorising those changes arising from investment and those arising from transactions with members. The following (where applicable) must be shown separately under the appropriate categories:

- (a) NAV at the beginning and end of the period;
- (b) Net income for the period;
- (c) Amounts received from units created;
- (d) Amounts paid for units cancelled;
- (e) Distributions to members; and

- (f) Changes in unrealised reserves.

E Cash Flow Statement

F Notes to the Financial Statements

- (a) The basis of income recognition;
- (b) The basis for fees and charges paid to the PRS Provider;
- (c) The basis for fees and charges paid to the Scheme Trustee;
- (d) Movements in the number of units created or cancelled during the period, highlighting the number of units created as additional distribution, if any;
- (e) Transactions with the top 10 brokers or dealers disclosed as follows:
 - (i) Broker or dealer transactions by value of trade and percentage;
 - (ii) The aggregate amount of brokerage fees or commissions paid by the fund, as well as the amount of fees or commissions paid to each broker or dealer expressed in both value and percentage;
 - (iii) [Deleted]
 - (iv) [Deleted]
- (f) The total number and value of units held by the PRS Provider and its related parties and whether the units are held legally or beneficially;
- (g) The composition of the investment portfolio of the fund under the Scheme as at the date of the financial report must be disclosed. It must be grouped appropriately, based on categories (e.g. sector, market) that would facilitate meaningful analysis. For each category, the following must be stated:
 - (i) Quantity held;
 - (ii) Cost of the investment;
 - (iii) Market value of the investment; and
 - (iv) Market value of each holding as a percentage of NAV.

A list of suspended counters including valuation method and non-approved securities (for Islamic funds) must be separately identified. Action(s) to be taken by the PRS Provider on these suspended counters must be disclosed;

- (gg) Details in respect of derivatives:
 - (i) The market value of derivatives and as a percentage of the fund's NAV as at the end of the period under review;
 - (ii) The net gains or losses on derivatives realised during the period under review; and
 - (iii) The net gains or losses on outstanding derivatives marked to market as at the end of the period under review;
- (h) Auditor's verification on total expense ratio and portfolio turnover ratio (applicable only for annual report);
- (i) [Deleted]
- (j) Additional statements on distributions are required, when—
 - (i) there are unrealised losses (be they arising during the year or period or brought forward from previous year or period) within the fund; and/or
 - (ii) distributions are made from previous year's realised gains.

Additional contents of a fund's annual or semi-annual report

- (23) If applicable, a fund's annual or semi-annual report must also contain information pertaining to the following:
- (a) Derivative investments;
 - (b) Securities financing transactions; and
 - (c) Collateral held by the fund as a result of (a) and (b)

For avoidance of doubt, the information in paragraphs (24) and (25) does not need to be provided if, during the year or period under review, the fund had only utilised derivatives for the sole purpose of hedging.

Information on derivative investments

- (24) Details in respect of derivative investments:
- (a) The underlying assets of derivatives; and
 - (b) The name of the issuers/counterparties of the derivatives.
- (25) Details on global exposure arising from derivatives for the period.

Information on securities financing transactions

(26) Details in respect of securities financing transactions:

- (a) Details of the securities involved in each type of securities financing transactions;
- (b) The amount of securities on loan as a proportion of the fund's total lendable assets and of the fund's NAV;
- (c) The respective absolute amounts of each type of securities financing transactions and as a proportion of the fund's NAV;
- (d) The top 10 largest collateral issuers across all securities financing transactions with details on the amounts of collateral received by the fund;
- (e) The top 10 counterparties of each type of securities financing transactions, including name of counterparty and gross amounts of outstanding transactions;
- (f) The aggregate transaction data for each type of securities financing transactions:
 - (i) The amount (including the currency denomination);
 - (ii) Maturity tenor, including open transactions;
 - (iii) Identity and country of the counterparties;
 - (iv) Settlement and clearing means (e.g. tri-party, central counterparty, bilateral); and
 - (v) Collateral received by the fund to limit counterparty exposure with details required under paragraphs (27)(a) and (e);
- (g) Details on re-investment of cash collateral require under paragraph (27)(f); and
- (h) Details on custody/safe-keeping arrangement of collateral under paragraph (27)(g).

Information on collateral

(27) Description of holdings of collateral, including:

- (a) Nature of the collateral, including asset types and currency denomination;
- (b) Identity of counterparty providing the collateral;

- (c) Value of the fund (by percentage) secured/covered by collateral, with breakdown by asset class/nature and credit rating (if applicable);
- (d) Credit rating of the collateral (if applicable);
- (e) Maturity tenor of the collateral, including open transactions;
- (f) Data on re-investment of cash collateral:
 - (i) Share of cash collateral received that is re-invested, compared to the maximum amount specified in the disclosure document; and
 - (ii) Returns from re-investment of cash collateral; and
- (g) Custody/safe-keeping arrangement, including the following:
 - (i) Number and names of custodians and the amount of collateral received/held by each of the custodian for the fund; and
 - (ii) The proportion of collateral posted by the fund that are held in segregated accounts, pooled accounts, or in any other account.

Schedule E – Appendix I

THE SCHEME TRUSTEE'S REPORT

To the members of [NAME OF FUND] ("Fund"),

We have acted as the Scheme Trustee of the Fund for the financial [period/year]* ended XX XX 20XX and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, [name of PRS Provider] has operated and managed the Fund during the [period/year]* covered by these financial statements in accordance with the following:

1. Limitations imposed on the investment powers of the PRS Provider under the deed, securities laws and the *Guidelines on Private Retirement Schemes*;
2. Valuation and pricing is carried out in accordance with the deed; and
3. Any creation and cancellation of units are carried out in accordance with the deed and any regulatory requirement^{^1}

We are of the opinion that the distribution of income by the Fund [is/is not]* appropriate and [does not reflect/reflects]* the investment objective of the Fund.^{^2}

For [name of Scheme Trustee]

[Name of signatory]

[Designation of signatory]

Date: [Date of report]

Notes:

^{^1} If the Fund has not been operated or managed according to (1), (2) or (3), to amend the confirmation to disclose the shortcoming(s) which may have an impact on the decision of existing or potential members to remain invested or to invest in the Fund. The report must also state the steps taken to address the shortcoming and to prevent the recurrence of the shortcoming.

^{^2} To exclude this paragraph if there was no distribution during the period covered by these financial statements.

* To delete words that are not applicable.

Schedule E – Appendix II

SHARIAH ADVISER'S REPORT

To the members of [NAME OF FUND] ("Fund"),

We hereby confirm:

1. To the best of our knowledge, after having made all reasonable enquiries, [name of PRS Provider] has operated and managed the Fund during the period covered by these financial statements in accordance with the Shariah principles and requirements and complied with the applicable guidelines, rulings or decisions issued by the Securities Commission Malaysia pertaining to Shariah matters¹: and
2. The assets of the Fund comprise instruments that have been classified as Shariah compliant².

For [name of Shariah adviser]

[Name of signatory]

[Designation of signatory]

Date: [Date of report]

Notes:

^{^1} If the Fund has not been operated and managed according to the Shariah principles and requirements, to amend the statement in item 1 accordingly, and to also state the steps taken to address the situation and to prevent the recurrence of the situation.

^{^2} If there was any reclassification of Shariah-compliant status of the instruments, to insert the following:

"except for [name of instrument(s)] which has/have been reclassified as Shariah non-compliant by [name of the authority]. This/These* reclassified Shariah non-compliant instrument(s) shall be disposed/has(ve) been disposed on [state the date]* in accordance with the Fund's Shariah investment guidelines as provided in the deed and the disclosure document of the [name of the Scheme]."*

SCHEDULE F

SUBMISSION OF APPLICATIONS, NOTIFICATIONS AND DOCUMENTS

[Deleted]

Schedule F – Appendix 1(a)

SUBMISSION OF APPLICATIONS FOR APPROVAL/ REGISTRATION

[Deleted]

Schedule F – Appendix I(b)

NOTIFICATION AND SUBMISSION OF DOCUMENTS

[Deleted]

Schedule F – Appendix II(a)

DECLARATION BY THE APPLICANT

[Deleted]

Schedule F – Appendix II(b)

DECLARATION BY THE ADVISER

[Deleted]

Schedule F – Appendix III

REGISTRATION AND LODGEMENT OF A DEED

General

- (1) A deed must be submitted for registration and lodgement according to the requirements under this appendix.
- (2) The SC will not register a deed unless the submission is complete and accompanied by all required materials and documents. The SC reserves the right to refuse registration and return the application if the contents of the deed are inadequate and unsuitable, or if the submission is incomplete, as the case may be.
- (3) [Deleted]
- (4) An application to register a deed proposed to be established must be submitted together with the application to establish a Scheme. The lodgement file must be submitted together with the registration file (the lodgement file and registration file must be in separate folders.)
- (5) [Deleted]
- (6) [Deleted]
- (7) [Deleted]

Submission of Application

Registration of Deed

- (8) [Deleted]

Lodgement of Deeds

- (9) [Deleted]

SCHEDULE G

REPORTING TO THE SC

General

- (1) For the purpose of reporting to the SC, a PRS Provider must submit a Statistical Return and Investment Return (collectively referred to as "PRS Returns") of all funds under the Scheme. The PRS Returns must be submitted on a monthly basis, via a system as may be specified by the SC.
- (2) The reporting period must cover the period starting from the first day until the last day of the respective month. For information required at a certain cut-off, it must be as at the last day of the month.
- (3) For a newly-established fund, the PRS Returns must commence from the month in which the fund's initial offer period ends. For example, if a fund was launched on 28 June and the initial offer period ends on 18 July, the first PRS Returns must be submitted for the month of July. In this instance, the PRS Returns will consist of data for more than one month, i.e. from 28 June to 31 July.
- (4) A PRS Provider must take all necessary precautions to ensure that the information provided in the PRS Returns is accurate.
- (5) The chief executive officer is ultimately responsible for all information provided in the PRS Returns. The chief executive officer is expected to ensure that the necessary policies and procedures are in place and the information submitted to the SC is true, complete and accurate.
- (6) The Investment Return must be submitted to the Scheme Trustee for verification that it is complete, true and accurate to the best of the Scheme Trustee's knowledge and belief.
- (7) A PRS Provider must keep a printed copy of the PRS Returns at the business address of the PRS Provider or a designated place approved by the SC at all times for a period of seven years from the date of submission.
- (8) The SC reserves the right to conduct an examination at the business address or at the designated place to ensure compliance with (7).

Submission of PRS Returns

- (9) The PRS Returns must be submitted to the SC within seven business days (by 5.00 pm on a weekday) of the month following the month of reporting.
- (10) The PRS Returns must be submitted to the SC only after the Scheme Trustee has verified the Investment Returns.
- (10A) The SC considers the PRS Returns submitted via the system as final.

- (10B) Should there be errors or omissions discovered after the submission has been made, the PRS Provider must immediately make the rectification and submit the amended PRS Returns to the SC.

Submission of PRS Returns During Termination

- (11) While a fund under a Scheme is being terminated, a PRS Provider must continue to submit PRS Returns until the termination is complete.

Submission of Compliance Review Report

- (12) Where there is a notification of non-compliance upon the submission of the PRS Returns, the PRS Provider must provide an explanation for the non-compliance and the action to be taken to rectify the matter in a Compliance Review Report.
- (13) The Compliance Review Report must be submitted to the SC not later than seven business days from the date of submission of the PRS Returns.

SCHEDULE H

MINIMUM CONTENTS OF A DISCLOSURE DOCUMENT

General

- (1) The purpose of a disclosure document is to provide information to enable members to make informed investment decisions in contributing to funds under a Scheme. Emphasis should be given to providing relevant and accurate information that is material to understanding the management and operation of the respective funds within the Scheme.
- (2) The information required by the SC under this schedule is the minimum that must be included in a disclosure document. Where possible, the disclosure document must avoid using technical terms. Terms used must be easily understood by members.
- (3) Where a member seeks to make a contribution to a PRS and requests for a subscription to a fund within the Scheme, such application must be accompanied by a copy of the disclosure document, whether in electronic or printed form depending on the choice made by the member. Members must be advised to read and understand the disclosure document before making an investment decision.

Cover Page

- (4) A disclosure document must contain the name of the Scheme and the funds under the Scheme, on its cover page.
- (5) A disclosure document must state the following particulars of the PRS Provider:
 - (a) Full name of the PRS Provider; and
 - (b) Registration number of the PRS Provider.
- (6) A PRS disclosure document must also disclose the following particulars of the Scheme Trustee:
 - (a) Full name of the Scheme Trustee; and
 - (b) Registration number of the Scheme Trustee.
- (7) A disclosure document must be dated.
- (8) The date of constitution of the Scheme must be clearly disclosed.
- (9) The following statement must appear in bold on the cover page of the disclosure document:

"This is a Private Retirement Scheme" (to be disclosed on the upper right hand corner of the disclosure document)

"Members are advised to read and understand the contents of the disclosure document. If in doubt, please consult a professional adviser."

"For information concerning certain risk factors which should be considered by prospective members, see "Risk Factors" commencing on page [xx]."

- (10) Where a fund's assets consists, or proposes to consist, of derivatives exceeding 30% of net asset value (NAV), there must be a statement disclosing the fund's substantial investment, or intention to invest substantially, in derivatives. The statement must appear in bold and in a prominent position on the cover page of the disclosure document.

Inside Cover/First Page

- (11) There are certain types of information considered essential to identify a disclosure document and the status of a disclosure document. If not already disclosed on the front cover, the disclosure document must contain the following statements on the inside cover or at the very least, on page 1:

Responsibility Statements

"This disclosure document has been reviewed and approved by the directors of the PRS Provider and they collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, they confirm to the best of their knowledge and belief, that there are no false or misleading statements, or omission of other facts which would make any statement in the disclosure document false or misleading."

Statements of Disclaimer

"The Securities Commission Malaysia has approved the Scheme and authorised the funds under the Scheme, and a copy of this disclosure document has been registered with the Securities Commission Malaysia".

"The approval and authorisation, as well as the registration of this disclosure document should not be taken to indicate that the Securities Commission Malaysia recommends the Scheme or fund(s) under the Scheme or assumes responsibility for the correctness of any statement made or opinion or report expressed in this disclosure document."

"The Securities Commission Malaysia is not liable for any non-disclosure on the part of the PRS Provider responsible for the Scheme and the funds under the Scheme, and takes no responsibility for the contents in this disclosure document. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this disclosure document, and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents."

"Members should rely on their own evaluation to assess the merits and risks of the investment. In considering the investment, members who are in doubt on the action to be taken should consult professional advisers immediately."

- (12) In addition to the statements required above, the following additional statements must also be stated:

"Members are advised to note that recourse for false or misleading statements or acts made in connection with the disclosure document is directly available through section 92A(3) of the *Capital Markets and Services Act 2007*."

- (13) For an Islamic fund, the following statement must be additionally stated:

"[Name of fund] has been certified as being Shariah-compliant by the Shariah adviser appointed for the fund."

- (13A) For a fund where the distribution is permitted to be made out of capital, a warning statement (appear in bold font and be placed in a prominent position) to the effect that capital will be eroded, the distribution is achieved by forgoing the potential for future capital growth and this cycle may continue until all capital is depleted.

Table of Contents/Definitions/Corporate Directory

- (14) The disclosure document must be properly structured, with relevant sections and headings, for ease of reference and cross-reference.
- (15) There must be a table of contents which lists all sections and subsections of the disclosure document.
- (16) A glossary of abbreviations and technical terms must be provided.
- (17) The directory must contain the names of the following:
- (a) The PRS Provider and its delegates (if any);
 - (b) The Scheme Trustee and its delegates (if any);
 - (c) the directors of the PRS Provider (to specify the independent directors);
 - (d) [Deleted]
 - (e) The specialist committee members or advisers (where applicable) which includes the Shariah adviser appointed for an Islamic fund;
 - (f) The audit and compliance committee (or by whatever name called) members (where applicable);
 - (g) The company secretary and its membership number;
 - (h) The following parties (where applicable):

- (i) Federation of Investment Managers Malaysia (FiMM);
 - (ii) Auditors;
 - (iii) Reporting accountants;
 - (iv) Tax consultants;
 - (v) Valuers;
 - (vi) Solicitors;
 - (vii) Principal bankers; and
 - (viii) Agency offices; and
- (i) The expert(s) who prepared reports or excerpts or summaries included or referred to in the Disclosure document.
- (17A) The directory must also contain the following information of the parties named under paragraph (17)(a), (b), (h), (i), and for an Islamic fund, (e):
- (a) Address. In the case of PRS Provider and the Scheme Trustee, it should include the address of the registered office and business office;
 - (b) Telephone number. In the case of PRS Provider and the Scheme Trustee, it should include the telephone number of the registered office and business office;
 - (c) E-mail address; and
 - (d) Website address, if any.

The above may be incorporated in the disclosure document by referencing the location on the PRS Provider's website where the information can be found.

Key Data/Information Summary

- (18) There must be a key data/information summary section in the disclosure document, highlighting salient features of the fund.
- (19) The key data/information summary section must, where necessary, include cross-references to pages in the disclosure document which give full details on respective matters.
- (20) The following statements must be disclosed in bold in the disclosure document :
"This is a Private Retirement Scheme"

"There are fees and charges involved and potential members are advised to consider them before contributing to a Scheme."

"Unit prices and distributions, if any, may go down as well as up."

- (21) The summary section should include, but is not limited to the following information:
- (a) Scheme information
 - (i) Name of Scheme;
 - (ii) General information on the Scheme;
 - (iii) Brief description on the operations of the Scheme;
 - (iv) The number of funds within the Scheme and for each fund, its name.
 - (b) Fund Information (for each fund under a Scheme)
 - (i) Name of fund;
 - (ii) Category of fund;
 - (iii) Initial offer period and its initial price;
 - (iv) Investment objectives of the fund;
 - (v) Brief but relevant description of the policies and principal investment strategy, including the asset allocation strategy to be employed by the fund manager to meet the objectives;
 - (vi) Performance benchmark (if any);
 - (vii) Member profile;
 - (viii) Brief but relevant description of the principal risks of investing in the fund; and
 - (ix) Where multiple classes of units are issued, a comparison table highlighting the different features of each class.
 - (c) Fees and charges
 - (i) To disclose charges directly incurred by members when purchasing or redeeming units of a fund;
 - (ii) To indicate clearly in the disclosure document whether the charges are negotiable; and
 - (iii) To disclose fees indirectly incurred by members when investing in the fund.
 - (d) Other information
 - (i) A list of current deed and supplementary deed (if any) and their corresponding dates;

- (ii) Avenues for advice available to prospective members;
- (iii) Where and how members can lodge a complaint;
- (iv) Any other key data/information summary that the PRS Provider may consider necessary, material and important to be included in this section; and
- (v) For funds under a Scheme which is already in operation, the disclosure document to state the following warning statement in bold:

"Past performance of the fund is not an indication of its future performance."

Risk Factors

- (22) A disclosure document should contain information regarding risk factors relating to the funds under the Scheme which would include, among others–
 - (a) General risks of investing in the fund;
 - (b) Specific risks associated with the investment portfolio of the fund;
 - (bb) Description of liquidity risks and the associated impact on the fund and members.
 - (c) Where the fund's assets consists or proposes to consist of warrants, options and embedded derivatives, risk disclosures must include the inherent risks associated with these types of investment;
 - (d) Where the fund's assets consists or proposes to consist of derivatives, the risks with respect to investment in derivatives must be disclosed, including the likelihood of high volatility in the NAV and the NAV per unit of the fund;
 - (e) Mitigating factors must be disclosed in circumstances where risks are considered major to members;
 - (f) The listing of risk factors in order of priority is encouraged; and
 - (g) In making disclaimers on risk factors, care must be taken to ensure that the disclaimers are not so wide as to cause the risk disclosures to be of little or no beneficial use to investors.

Risk relating to securities lending and repurchase transactions

- (22A) If the fund may participate in or participates in securities lending or repurchase transactions, the disclosure document must disclose the following:
 - (a) Risks associated with securities lending and repurchase transactions, including operational, liquidity, counterparty, custody and legal risk;

- (b) The risk management policy and procedures to address the potential risks involved; and
- (c) Risks associated with collateral management and, if applicable, re-investment of cash collateral.

Scheme Details

- (23) Name of Scheme.
- (24) General information on the Scheme. This should include a brief description of the benefits of contributing to the Scheme.
- (25) Detailed description of the operations of the Scheme.

The Fund

- (26) A disclosure document must include a section giving details on the funds under the Scheme offered in the disclosure document. The objective is to assist prospective members to make informed assessments of the fund for decision-making purposes.
- (27) The information to be disclosed in this section must include, but is not limited to, the following:
 - (a) The investment objective of the fund. There must also be a statement that any material change to the investment objective of the fund would require members' approval;
 - (b) The investment policy and principal investment strategies to achieve the stated investment objective. In describing the investment policy and principal investment strategies, the following information must be disclosed:
 - (i) Investment focus of the fund (e.g. equities, debt securities, money market instruments, CIS, etc.), the characteristics of the securities or instruments to be invested and the asset allocation strategy. Where applicable, the investment focus must also include the countries or markets (e.g. global, regional or country specific, developed or emerging markets, etc.) and target sector or industry. For the avoidance of doubt, a fund that is established as a country-specific government bond or fixed income fund must contain prominent statement drawing attention to the government, government agency or supranational which the fund intends to invest in;
 - (ii) Practice, technique or approach used by the fund manager in managing the investment portfolio; and
 - (iii) Where applicable, disclosure on whether the fund manager may take temporary defensive position which may be inconsistent with the fund's principal strategy in attempting to respond to adverse market

conditions, economic, political or any other condition. The types of securities or instruments the fund would invest in during the defensive positions must also be disclosed;

- (c) The risk management strategies including liquidity risk management and techniques to be employed by the fund manager;
 - (d) The fund's performance benchmark:
 - (i) Where the fund's performance is or will be measured against a benchmark, the fund's performance benchmark and where the information on the benchmark can be obtained. If a customised benchmark or a combination of multiple benchmarks is used, there must be a description on how the benchmark is derived;
 - (ii) Where there is a change in the benchmark, disclose the fact and explain the reason for the change; or
 - (iii) Where there is no benchmark for the fund, disclose the fact and explain why no benchmark is used;
 - (e) The permitted or authorised investments, and the investment limits and restrictions for the fund;
 - (f) Valuation bases for all types of assets invested or to be invested by the fund, including treatment for suspended counters; and
 - (g) Policy in respect of valuation point(s) to determine the NAV of the fund (including policy in respect of timing for valuation of a fund's foreign investments and frequency of valuation of the fund's assets).
- (28) Where a fund invests or can invest in derivatives or embedded derivatives, the disclosure document must clearly disclose the following:
- (a) The types and characteristics of derivatives or embedded derivatives;
 - (b) The purpose of investing in derivatives, either for hedging or investment, including the method used to determine the fund's exposure and a description of the method;
 - (c) [Deleted]
 - (d) The specific risk management adopted in such investments which includes measures to be taken in the event of a downgrade in the rating of the issuer in the case of over-the-counter (OTC) options; and
 - (e) In the case of derivative on commodity, a statement that such transactions will be settled in cash.

Securities lending and repurchase transactions

- (28A) Where the fund may participate or participates in securities lending or repurchase transactions, the disclosure document must disclose the following:
- (a) The purpose for engaging in securities lending or repurchase transactions, as well as the policies and practices for these activities;
 - (b) The percentage of the fund's assets that can be lent to third parties or involved in the ISSBNT (where applicable);
 - (c) Description and nature of the collateral to be received by the fund, including cash and non-cash collateral;
 - (d) Any conflicts of interest and how they are mitigated, as well as whether the PRS Provider intends to participate in securities lending or repurchase transactions; and

Collateral policy and criteria

- (28B) Disclose the selection criteria, nature and policy of the collateral held by the fund and description of the holdings of collateral, including the following:
- (a) Percentage of collateralisation in respect of the securities lending and repurchase transactions into which the fund enters;
 - (b) The nature and quality of the collateral, including asset type (e.g. cash, money market instruments, shares or bonds), issuer, maturity and liquidity;
 - (c) Criteria for selecting counterparties, including legal and regulatory status, country of origin and minimum credit rating;
 - (d) Source and basis of valuation of collateral, including marked-to-market arrangements;
 - (e) Description of haircut policy;
 - (f) Collateral diversification and correlation policies, if any;
 - (g) Policies for re-investment of cash collateral; and
- (29) For an Islamic fund, a disclosure document must also include—
- (a) a clear description of the Shariah approval process, including details of methodologies, screening process and rules on disposal of Shariah non-compliant investment or instrument; and
 - (b) a statement to the effect that the investment portfolio of the fund comprises instruments which have been classified as Shariah-compliant by the SAC and, where applicable the Shariah Advisory Council of Bank Negara Malaysia. For instruments that are not classified by the SAC, and where applicable the Shariah Advisory Council of Bank Negara Malaysia, a statement stating that

the status of the instruments has been determined in accordance with the ruling issued by the Shariah adviser.

- (30) In addition to the above requirements, for certain types and categories of fund, the PRS Provider must also disclose the additional information stipulated in paragraphs 79–90 of this schedule.

Fees, Charges and Expenses

- (31) A disclosure document must clearly disclose and explain the cost of investing in the fund under a Scheme.
- (32) A disclosure document must include a description of the charges directly incurred by members when purchasing or redeeming units of the fund under a Scheme:
- (a) The maximum rate or amount of charges imposed by each distribution channel;
 - (b) The basis on which the charges are calculated;
 - (c) Illustration on how the charges are calculated; and
 - (d) Whether charges are negotiable.
- (33) Policy on rounding adjustment adopted must also be clearly disclosed.
- (34) A disclosure document must describe the fees indirectly incurred by members when investing in the fund which include, among others, PRS Provider's management fee and Scheme Trustee's trustee fee. The description must include the annual rate imposed.
- (35) A disclosure document must also describe any other fee that may be imposed.
- (35A) A disclosure document must explain how members will be notified of any increase in fees and charges. There must also be disclosure of any notice period required prior to the effective date of such higher fees and/or charges.
- (36) There must be a list of expenses to be incurred/incurred by the fund (e.g. commission paid to brokers, auditors fee, valuation fee, taxes, custodial charges, etc.) in the disclosure document.
- (37) A disclosure document must disclose the PRS Provider's policy on rebates and soft commissions.
- (38) The following statement must appear in bold under this section:
- "There are fees and charges involved and members are advised to consider them before contributing to a Scheme."**

Transaction Information

- (39) A disclosure document must contain information reasonably required by a member for purchasing and redeeming units, as well as information on how members can keep abreast on their investments in the fund under a Scheme.
- (39A) Where a fund does not have dealings on every business day, the reason for this must be disclosed in the disclosure document.
- (39B) Where the dealing in units of the fund may be deferred or suspended, the disclosure document must disclose the circumstances in which dealing in units may be deferred or suspended.
- (39C) A disclosure document must disclose the redemption policy of the fund, including the redemption payment period.

Pricing

- (40) A disclosure document must clearly disclose the valuation points for the purpose of determining the NAV and unit price of the fund under a Scheme and its policy in respect of valuation points, including policy in respect of timing for valuation of a fund's foreign investments and frequency of valuation of the fund's assets.
- (41) A disclosure document must clearly explain the pricing policy adopted by the PRS Provider for the fund's units.
- (42) There must be a clear explanation of how unit prices are calculated. For this purpose, there must be a numerical illustration to show investors the amount payable, amount invested and amount of charges imposed.
- (42A) A disclosure document must disclose the significant threshold and absolute amount adopted by the PRS Provider for reimbursement to members, former members or the fund due to incorrect valuation or pricing.

Transaction Details

- (43) Instructions and procedures on how to purchase and redeem units of the fund under a Scheme must be clearly disclosed. The instructions and procedures must include information, such as minimum initial investment, minimum additional investment, minimum repurchase amount, switching, transfer of units, etc. The instructions and procedures must also take into account the different procedures adopted by different distribution channels.
- (44) The type of distribution channels, e.g. banks, brokers, PRS Provider, sales agents, financial planners, etc. must also be disclosed. Cross-references must be made to a complete list of distribution offices at the end of the disclosure document (where applicable).
- (45) A disclosure document must clearly disclose the cooling-off policy, including an explanation or description of how and when it applies to potential members.

- (46) The following warning statement must appear in bold:

"Members are advised not to make payment in cash when purchasing units of a fund under a Scheme via any institutional/retail agent."

The PRS Provider

- (47) A disclosure document must include a section on the PRS Provider operating the Scheme offered in the disclosure document.

Corporate Information

- (48) The corporate information of the PRS Provider that must be disclosed includes—
- (a) the names of each director and their designation, whether independent or non-independent; and
 - (b) [Deleted]
 - (c) the PRS Provider's experience in operating a fund.
 - (d) [Deleted]
 - (e) [Deleted]
- (49) There must also be disclosure of—
- (a) roles, duties and responsibilities of the PRS Provider; and
 - (b) all current material litigation and arbitration, including those pending or threatened, and any facts likely to give rise to any proceeding which might materially affect the business/financial position of the PRS Provider or any of its delegates.

Investment Committee

- (50) [Deleted]

Audit Committee

- (51) Information on the audit committee of the Scheme must also be disclosed such as—
- (a) names, status (independent or non-independent), relevant qualifications and experience of each member of the committee; and
 - (b) roles and primary functions of the audit committee, including frequency of meetings.

Shariah Adviser

- (52) Where a Shariah adviser is appointed, the following information must be disclosed:

- (a) Names and experience of the Shariah adviser. Where the Shariah adviser is a corporation, to also state the name and experience of the Shariah officer responsible for the Shariah matters of the fund under a Scheme;
- (b) [Deleted]
- (c) Roles and primary functions of the Shariah adviser; and
- (d) Frequency of review on the fund's investment by the Shariah adviser to ensure compliance with Shariah principles or any other relevant principle at all times.

Fund Management Function

- (53) A disclosure document must disclose relevant information on the designated person responsible for the fund management function of the fund within the Scheme, including his qualifications and relevant experience.
- (54) Where the fund management function is undertaken by an external party, the disclosure document must disclose the following:
 - (a) Name of the fund manager;
 - (b) Roles and duties of the fund manager; and
 - (c) The fund manager's experience in fund management.
 - (d) [Deleted]

Delegates

- (55) [Deleted]
- (55A) The PRS Provider must include a statement to inform members that further information on the PRS Provider, Shariah adviser, and fund manager is provided in the PRS Provider's website (e.g. the qualification of the Shariah adviser and their respective members, and other corporate information).
- (55B) The information as required under the following paragraphs may be incorporated in the disclosure document by referencing the location on the PRS Provider's website:
 - (a) Paragraph (48)(a) and (c);
 - (b) Paragraph (49)(b);
 - (c) Paragraph (52)(a);
 - (d) Paragraph (53); and
 - (e) Paragraph (54)(c).

Other information

(55C) Distribution policy;

(55D) Where a fund declares distribution out of capital, the following must be disclosed:

- (i) The rationale for the policy to distribute out of capital;
- (ii) The effects of making distribution out of capital; and
- (iii) A statement indicating the greater the risk of capital erosion that exists and the likelihood that, due to capital erosion, the value of future returns would also be diminished;

(55E) The permitted or authorised investments and the investment limits and restrictions for the fund;

(55F) Details of the fund manager's policy in undertaking cross trades;

(55G) Where the fund's strategy is to preserve capital, a warning statement in bold must be disclosed stating that the fund's capital is not guaranteed; and

(55H) Where a fund invests or propose to invest substantially in derivatives, i.e. exceeding 30% of the NAV, a warning statement on the likelihood of high volatility in the NAV of the fund as a result of the fund's investment in derivatives must be included and appear in bold font.

The Scheme Trustee

(56) A disclosure document must include a section on the Scheme Trustee.

(57) The corporate information of the Scheme Trustee must be disclosed, which includes–

- (a) names of the directors and CEO;
- (b) the Scheme Trustee's experience as trustee to the Scheme; and
- (c) summary of the Scheme Trustee's financial position for the past three years (where applicable), in tabular form, disclosing–
 - (i) paid-up share capital;
 - (ii) shareholders' funds;
 - (iii) revenue;
 - (iv) profit/loss before tax; and
 - (v) profit/loss after tax; and
- (d) number of funds under trusteeship.

- (58) A disclosure document must also include a Scheme Trustee's statement of responsibility.
- (59) There must also be disclosure of–
- (a) roles, duties and responsibilities of the Scheme Trustee; and
 - (b) all current material litigation and arbitration, including those pending or threatened, and any fact likely to give rise to any proceeding which might materially affect the business/financial position of the Scheme Trustee or any of its delegates.

Delegates

- (60) Where the custodial function of the Scheme Trustee is delegated, the following information must be disclosed:
- (a) A brief corporate information of the Scheme Trustee's delegate; and
 - (b) The roles and duties of the Scheme Trustee's delegate.

Salient Terms of Deed

- (61) A disclosure document must disclose salient terms of the deed, particularly provisions relating to–
- (a) rights and liabilities of members, including the limitations and restrictions on their rights;
 - (b) maximum fees and charges permitted by the deed and payable by the members both directly and indirectly (such as management fee, trustee fee, sales charge and repurchase charge, etc.);
 - (c) increase in fees and charges from the level disclosed in the disclosure document and the maximum rate provided in the deed;
 - (d) permitted expenses payable out of the fund's assets ;
 - (e) removal, replacement and retirement of the PRS Provider and Scheme Trustee;
 - (f) termination of the Scheme or fund under a Scheme (where multiple classes of units are issued, the circumstances, procedures and processes for termination of each class of units and the scheme);
 - (g) members' meeting; and
 - (h) permitted withdrawals and pre-retirement withdrawals;
 - (i) circumstances when members may switch funds within the Scheme and transfer units in a fund under a Scheme to another PRS Provider.

Approvals and Conditions

- (62) A disclosure document must disclose approvals obtained from relevant authorities in conjunction with the establishment of the Scheme and fund(s) under the Scheme, together with the dates of approvals, any condition attached and its status of compliance (where applicable).
- (63) For any waiver from any relevant guidelines which has been approved by the SC, to state the specific paragraphs of the guidelines for which the waiver was sought and details of the approval with condition(s) (if any).

Related-Party Transactions/Conflict of Interest

- (64) A disclosure document must disclose the existing and proposed related-party transactions involving the funds under the scheme, PRS Provider, Scheme Trustee, promoters, vendor or persons connected to them, where applicable, together with steps taken to resolve any conflict of interest. Such disclosure is also required if the scheme enters into any transaction with key personnel of the PRS Provider, promoters, vendor or person connected to them.
- (65) The PRS Provider must disclose its policy on dealing with conflict-of-interest situations (e.g. dealing in securities by employees, directors, investment committee members, etc.).
- (66) [Deleted]
- (67) [Deleted]
- (68) Declaration of any expert's existing and potential interests/conflicts of interest in an advisory capacity (if any) vis-à-vis the PRS Provider must be provided in the disclosure document. "Experts" means advisers, firms of public accountants, law firms, valuers, engineers and other parties which provide advice to the PRS Provider.

Taxation of the Fund

- (69) A disclosure document must contain a report providing an opinion from the fund's tax adviser detailing the following:
 - (a) The taxation of the fund taking into account any distinctive characteristic of the fund (e.g. its participation in futures contracts, investment in foreign securities);
 - (b) With regard to members, the tax deduction available and tax liabilities (including the tax penalty for withdrawals prior to retirement), if any; and
 - (c) Maximum tax deduction available for employers who contribute on behalf of employees.

Contributions and Withdrawals

- (70) A disclosure document must contain procedures for making contributions, payment of members' benefits upon withdrawals from a Scheme including deduction of tax penalty for pre-retirement withdrawals, switching between funds within the Scheme and transfer of accrued benefits to other PRS Providers.
- (71) A disclosure document must contain provisions on the minimum switching amount, circumstances under which switching between funds within a Scheme may occur and minimum redemption amount, if any, of each fund within the Scheme.

Additional Information

- (72) A disclosure document must contain information on how members can keep abreast of any developments in the fund within a Scheme and track the NAV per unit of the fund.
- (73) A disclosure document must also disclose the avenue for advice available to prospective investors.
- (74) [Deleted]
- (74A) A disclosure document must disclose a list of current deed and supplementary deeds, if any, and their corresponding dates.
- (74B) A disclosure document must disclose the financial year-end of the fund and when the member can expect to receive the fund reports.
- (74C) The following warning statement must be displayed in bold font:

"The fund's annual report is available upon request."

- (75) [Deleted]
- (76) [Deleted]

Consents

- (77) A disclosure document must contain statements of consent from relevant parties (e.g. advisers, reporting accountants, auditors, issuing houses, registrars, solicitors, external company secretaries, bankers, valuers, underwriters, rating agencies and other experts) for inclusion of their names and statements/reports (where relevant) in the disclosure document in the form and context in which it appears. A statement that they have not subsequently withdrawn such consent must also be disclosed.

Documents Available For Inspection

- (78) The following documents or copies of them or other documents as may be required by the SC (where applicable) are available for inspection at the registered office of the PRS Provider or such other place as the SC may determine:
 - (a) The deed and supplementary deed;

- (b) Each contract disclosed in the disclosure document and, in the case of contracts not reduced into writing, a memorandum which gives full particulars of the contracts;
- (c) The latest fund reports of the fund;
- (d) The audited financial statements of the fund and PRS Provider for the current financial year (where applicable) and the last three financial years or from the date of establishment/ incorporation, if less than three years, preceding the date of disclosure document;
- (e) All reports, letters or other documents, valuations and statements by any expert, any part of which is extracted or referred to in the disclosure document. Where a summary expert's report is included in the disclosure document, the corresponding full expert's report must be made available for inspection;
- (f) Writ and relevant cause papers for all current material litigation and arbitration disclosed in the disclosure document; and
- (g) All consents given by experts disclosed in the disclosure document.

Specific Requirements For Index Funds

- (79) The following information must be disclosed in the disclosure document of an index fund, in addition to that specified under paragraphs 4–78 of this schedule, unless otherwise specified:
 - (a) The underlying index which the fund intends to track or replicate, as well as a description of the market or sector the index represents;
 - (b) The characteristics and general composition of the index and, where applicable, concentration in any economic sector and/or issuer;
 - (c) The fund's investment strategy whether to invest in all (full replication) or a representative sample (sampling) of component securities of the underlying index. Where a representative sample of component securities of the index is used, to disclose how the sample is constituted;
 - (d) A brief description of the index methodology/rules and how members may obtain such information;
 - (e) The means by which members may obtain the latest index information and other important news of the index;
 - (f) Circumstances which may affect the accuracy and completeness in the calculation of the index;
 - (g) Circumstances which may lead to tracking errors and strategies employed in minimising such errors;

- (h) The risks of investing in an index fund;
 - (i) The policy on rebalancing the investment portfolio;
 - (j) The weightings of the top 10 component securities of the underlying index; and
 - (k) In addition to paragraph 79(j), where a representative sample of component securities of the underlying index is used to track or replicate the index, the weightings of the top 10 component securities in the sample.
- (80) There must be statements, highlighted in bold, to the effect that–
- (a) there is no guarantee or assurance of exact or identical replication at any time of the performance of the index;
 - (b) the index composition may change and component securities of the underlying index may be delisted; and
 - (c) (where appropriate) the investment of the fund may be concentrated in securities of a single issuer or several issuers.

Specific Requirements For Cash Management Funds

- (81) The following information must be disclosed in the disclosure document of a cash management fund, in addition to that specified under paragraphs 4–78 of this schedule, unless otherwise specified.
- (82) The following information must be disclosed:
- (a) The minimum credit rating of the money market instruments or debt securities which the fund will invest in; and
 - (b) The steps to be taken where the ratings are downgraded below the pre-determined rating.
- (83) The following statement must be disclosed in bold:
- “Investment in the fund is not the same as placement in a deposit with a financial institution. There are risks involved and members should rely on their own evaluation to assess the merits and risks when investing in the fund.”

Specific Requirements For Feeder Funds

- (84) The following information must be disclosed in the disclosure document of a feeder fund, in addition to that specified under paragraphs 4–78 of this schedule, unless otherwise specified.
- (85) This section must also include information on the CIS (target fund), as follows:
- (a) Name of the target fund;
 - (b) The operator and fund manager of the target fund;

- (c) Country of origin of the target fund;
 - (d) Regulatory authority which regulates the target fund; and
 - (e) Date of establishment of the target fund.
- (86) There must be a section which describes the target fund, including–
- (a) the investment objective and its principal investment strategy;
 - (aa) target fund’s redemption policy;
 - (b) the specific and peculiar risks of the target fund;
 - (c) the permitted/authorised investment and the limits/restrictions of the target fund;
 - (d) (where applicable) the foreign jurisdiction from where the fund originates and name of the regulator responsible for regulating the fund and parties responsible for the fund; and
 - (e) the applicable legislation in the foreign jurisdiction which applies to the target fund.
- (87) There must also be information on the operator and fund manager of the target fund. The information must include the corporate information, experience and expertise in the relevant industry.

Fund Performance

- (88) There must be a disclosure on the most recent performance of the target fund vis-à-vis its selected benchmark.

Fees, Charges, and Expenses

- (89) A disclosure document must clearly explain (with illustration) the impact of fees and charges imposed by the target fund on the cost of investing in the feeder fund. Where fees and charges of the target fund are waived, or where rebates are given, this must be clearly disclosed.
- (90) Where applicable, there must be a warning statement, highlighted in bold, to alert potential members to the fact that they will be subjected to higher fees arising from the layered investment structure.

Investment in an ETF

- (90A) Where the target fund is an ETF, the disclosure document must also contain disclosure on the difference between investing in the ETF through the feeder fund structure and investing directly in the ETF, with particular attention to the fee structure and real-time trading.

Application Form

- (91) An application form must be identifiable with the disclosure document and warn members against signing the form without having read and understood the disclosure document.
- (92) Accordingly, an application form must contain the following:
 - (a) Name of the Scheme and funds under the Scheme;
 - (b) [Deleted]
 - (c) A statement that the application form for new members must not be circulated unless accompanied by the disclosure document;
 - (d) A statement that members must read the disclosure document before completing the application form; and
 - (e) Acknowledgement by a member that he is aware of the fees and charges that he will incur directly or indirectly when investing in the fund.

SCHEDULE I

MINIMUM CONTENTS OF A PRODUCT HIGHLIGHTS SHEET

- (1) The PHS must incorporate all relevant information that investors need to decide on whether to invest in the fund and the Scheme. The PHS must include, but is not limited to, the following information:
- (a) Date of issuance of the PHS that must appear on the first page of the PHS;
 - (b) Information of the preparer of the PHS;
 - (c) Name of the Scheme and brief description of funds under the Scheme;
 - (d) Key features of the funds including brief description on the operation of the Scheme;
 - (e) Valuations and relevant matters relating to exit from investment. Examples:
 - (i) How often and where valuations will be published;
 - (ii) Duration of cancellation period;
 - (iii) How investors can exit investment within the cancellation period;
 - (iv) Related costs, charges or penalty for early exit or early redemption and the basis for such costs, charges or penalty; and
 - (v) Basis or purpose of any costs, charges or penalty deductible or payable in relation to early exit or early redemption.
 - (f) Where applicable, information on fund performance which consists of the following:
 - (i) Average total returns of the fund over—
 - (A) the most recent financial year or since establishment if it is less than one financial year;
 - (B) recent three financial years;
 - (C) recent five financial years;
 - (D) recent 10 financial years.
 - (ii) Annual total return of the fund for each of the last 10 financial years (or since establishment if it is less than 10 years);
 - (iii) For the purpose of (i) and (ii) above, the basis of calculation and any assumption made in calculating the returns;
 - (iv) For the purpose of (i) and (ii) above, the use of graphs to illustrate the performance of the fund and comparison with the selected

benchmark is highly recommended. There should also be a brief write-up on the fund's performance *vis-à-vis* the stated benchmark. If there has been a change in the benchmark at any point in the last one, three, five and 10 financial years (or since establishment if it is shorter to state the fact and explain the reason for the change);

- (v) Portfolio turnover ratio and a brief explanation of any significant change on such information for three most recent financial years (or since establishment if it is shorter); and
 - (vi) The fund's gross and net of tax distribution per unit for the past three financial years, specifying the form by which distributions were made (e.g. cash or units).
- (g) All relevant fees, charges and including management fees, distribution fees, redemption fees, switching fees and any other substantial fees payable by the members and whether they are payable once-off or on a recurring basis;
- (h) A PHS must contain briefly–
- (i) the taxation of the fund under a Scheme taking into account any distinctive characteristic of the fund;
 - (ii) with regard to members, the tax deduction available and tax liabilities (including the tax penalty for withdrawals prior to retirement), if any; and
 - (iii) maximum tax deduction available for employers who contribute on behalf of employees.
- (i) A PHS must include a statement that if a member switch from one fund to another managed by the same PRS Provider, it is likely that the investor may not have to pay any sales charge. Example: Ask about switching before you redeem
- (j) Key risks associated with the funds (e.g. risks that commonly occur or may cause significant losses);
- (k) Other information:
- (i) Where and how members can lodge a complaint;
 - (ii) The following statements must be disclosed in caps and bold:

PAST PERFORMANCE OF THE FUND OR THE SCHEME IS NOT AN INDICATION OF ITS FUTURE PERFORMANCE

YOU SHOULD NOT MAKE A PAYMENT IN CASH TO A PRS CONSULTANT OR ISSUE A CHEQUE IN THE NAME OF A PRS CONSULTANT."

- (2) While paragraph (3) sets out the minimum information that is expected in a PHS, the PHS must include any other necessary information that will assist investors in making an informed investment decision.
- (3) The first page of every PHS must contain the following:
 - (a) **Responsibility Statement** – This is a statement which states that the PHS has been reviewed by the Board, authorised committee or persons authorised by the Board of the preparer of PHS; and
 - (b) **Statement of Disclaimer** – This is a statement which states that the SC shall not be held responsible for the issuance of the fund(s) under any Scheme or the PHS although a copy of the PHS has been lodged with the SC.
- (4) The PHS should also prominently display the following statement:

" This Product Highlights Sheet only highlights the key features and risks of this <<name of Private Retirement Scheme>> and <<relevant fund name(s)>>. Investors are advised to request, read and understand the disclosure documents before deciding to invest."

SCHEDULE J

LIST OF HEALTHCARE ILLNESSES

CANCER

Cancer

CARDIOVASCULAR SYSTEM

- (1) Arrhythmia Requiring Device Insertion (Pacemaker/Defibrillator)
- (2) Cardiomyopathy/Heart Failure
- (3) Congenital Heart Disease
- (4) Constrictive Pericarditis
- (5) Coronary Artery Disease/Ischaemic Heart Disease
- (6) Heart Attack/Myocardial Infarction
- (7) Heart Block Requiring Surgical Intervention/Pacemaker/Battery Implant
- (8) Heart Valve Replacement/Valvular Heart Disease Requiring Replacement
- (9) Peripheral Vascular Disease
- (10) Surgery to Aorta/Diseases of the Aorta Requiring Surgery

ENDOCRINE/MEDICAL

- (1) Epilepsy & Movement Disorders Requiring Deep Brain Stimulation or Surgery
- (2) Guillain-Barré Syndrome Requiring Immunoglobulin Treatment
- (3) Morbid Obesity or Obesity with Multiple Medical Complications and Life Threatening Requiring Bariatric Surgery
- (4) Pituitary Tumors
- (5) Sepsis with One or More Major Organ Failure
- (6) Type 1 Diabetes with Criteria for Insulin Pump Therapy

NERVOUS SYSTEM

- (1) Alzheimer's Disease
- (2) Appalic Syndrome
- (3) Benign Tumor Of Brain
- (4) Cerebral Palsy
- (5) Coma
- (6) Encephalitis
- (7) Loss Of Speech
- (8) Major Head Trauma
- (9) Meningitis
- (10) Motor Neurone Disease
- (11) Multiple Sclerosis
- (12) Muscular Dystrophy
- (13) Paralysis
- (14) Parkinson's Disease
- (15) Poliomyelitis
- (16) Stroke
- (17) Total Permanent Disability

OPHTHALMOLOGY

- (1) Advanced Diabetic Eye Disease - Diagnose By Specialist
- (2) Age Related Macular Degeneration (Armd)/Polypoidal Choroidal Vasculopathy (PCV)
- (3) Blindness
- (4) Cataract Requiring Surgery (Intraocular Lens – IOL)
- (5) Corneal Disorders Requiring Corneal Surgery (Corneal Transplant) – Diagnose By Specialist
- (6) Enophthalmic Socket - Diagnose By Specialist
- (7) Glaucoma Requiring Surgery With Glaucoma Implant
- (8) Retinal Vascular Disease - Diagnose By Specialist

GASTROENTEROLOGY/HEPATOLOGY

- (1) Chronic Inflammatory Bowel Disease
- (2) Chronic Liver Disease
- (3) Fulminant Viral Hepatitis
- (4) Pulmonary Hypertension

GENITOURINARY SYSTEM

- (1) Congenital Urinary Abnormalities Requiring Urgent and Major Surgical Intervention
- (2) Chronic Kidney Disease/Failure
- (3) Medullary Cystic Disease
- (4) Renal Calculi Requiring Surgical Intervention

HEMATOLOGY

- (1) Aplastic Anaemia
- (2) Haemophilia (Moderate To Severe - Factor Activity <5%)
- (3) Hematological Malignancies – Leukemia, Multiple Myeloma (Acute Or Chronic Leukemia Diagnosed By Physician)
- (4) Hematopoietic Stem Cell Transplantation
- (5) Idiopathic Thrombocytopenic Purpura (ITP) – Thrombocytopenia Refractory To Convention Steroid Treatment (1st Line Treatment)
- (6) Lymphoma
- (7) Myeloproliferative Disorders Requiring Blood Transfusion and/or Chelating Agents
- (8) Thalassaemia Major Requiring Chelating Agent

ILLNESSES OF CHILD UNDER 16 YEARS OLD

- (1) Congenital Diseases Requiring Medical or Surgical Intervention Treated by Specialist
- (2) Intellectual Impairment Due to Accident or Sickness
- (3) Leukemia
- (4) Severe Asthma

MENTAL ILLNESS

- (1) Bipolar Mood
- (2) Major Depression
- (3) Schizophrenia

MUSCULOSKELETAL SYSTEM

- (1) Systemic Lupus Erythematosus (SLE) with Major Organ Involvement
- (2) Systemic Sclerosis/Scleroderma with Functional Impairment and/or Major Organ Involvement
- (3) Rheumatoid Arthritis/ Arthritis of any joint Deformities requiring Surgery/Orthosis

ORTHOPEDIC

- (1) Gangrene / Necrotizing Fasciitis Requiring Amputation
- (2) Knee Injury Requiring Surgery/Implant/Graft
- (3) Osteoarthritis Requiring Surgery/Implant
- (4) Prolapse Intervertebral Disc With Significant Neurological Deficit Requiring Surgery
- (5) Shoulder Injury With Instability/Function Compromised Requiring Surgery/Implant/Graft
- (6) Spinal Stenosis With Significant Neurological Symptoms/Deficit Requiring Surgery
- (7) Unstable Spine Fractures / Trauma Requiring Surgery And Implant/ Rehab Equipment

RESPIRATORY SYSTEM

- (1) Bronchiectasis
- (2) Chronic Lung Disease
- (3) Lung Fibrosis
- (4) Obstructive Sleep Apnea
- (5) Secondary Pulmonary Hypertension
- (6) Severe Chronic Obstructive Pulmonary Disease (COPD) / Emphysema

RHEUMATOLOGY

- (1) Ankylosing Spondyloarthritis Active Disease With Functional Impairment and/or Disability
- (2) Chronic Tophaceous Gout With Functional Impairment and/or Disability.
- (3) Psoriatic Arthritis Active Disease With Functional Impairment and/or Disability
- (4) Rheumatoid Arthritis / Arthritis Of Any Joint With Deformities Requiring Surgery/Orthosis

OTHER DISEASES

- (1) AIDS (Accompanied with AIDS defining disease) / HIV (Second Line Treatment)
- (2) Deafness
- (3) Loss of Independent Existence
- (4) Major Burns
- (5) Major Organ Transplant
- (6) Terminal Illness

GUIDANCE

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

GUIDANCE TO CHAPTER 2: DEFINITION

Paragraph 2.01, “independent member”: Will a person be considered as an independent director if that person does not fall under the list of persons outlined in paragraphs (a) to (g) of the definition of independent member?

If a person does not fall within any of the paragraphs (a) to (g) of the said definition, it does not mean that the person will automatically qualify to be an independent director. The person concerned as well as the board of directors of the PRS Provider shall still apply the test of whether the said person is able to exercise independent judgment and in addition to his duties and responsibilities as an independent director, represent and safeguard the interests of members as required under these Guidelines.

[Issued: 1 September 2022]

GUIDANCE TO CHAPTER 3: THE PRS PROVIDER

Paragraph 3.18(k)(i): What is expected from the ‘risk management and control systems’?

The risk management and control systems should –

- (a) commensurate with the nature and scale of the transactions and investment activities that are undertaken for the fund;
- (b) be able to deal with normal and exceptional circumstances including extreme conditions; and
- (c) be able to monitor, measure, and manage all relevant risks the fund is exposed to, including risks associated with derivative investment activities, where applicable.

[Issued: 1 September 2022]

Paragraph 3.18(k)(ii): What does it mean by having an ‘effective liquidity risk management’ for its fund?

A fund may be considered to have an effective liquidity risk management framework if the PRS Provider has implemented, among others, the good practices as provided in SC’s *Guidance Notes on Liquidity Risk Management for Fund Management and Unit Trust Management Companies* that are relevant to its funds under the Scheme.

Generally, a PRS Provider may utilise any liquidity management tool(s) for its funds. However, redemptions in kind and side pockets will not be permitted for the funds due to the following:

- (a) Restriction on use of redemptions in kind: A PRS Provider must pay the members the proceeds of the repurchase of units [in paragraph 8.18(a)].
- (b) Restriction on use of side pockets: The price of units must be calculated based on the fund's NAV divided by the number of units. As defined in these Guidelines, NAV means the value of all the fund's assets less the value of all the fund's liabilities at the valuation point. The NAV or NAV per unit may only be adjusted for dilution fee or transaction cost as provided under paragraphs 8.48 to 8.50 (which also include the application of swing pricing).

[Issued: 1 September 2022]

Paragraph 3.18(k): Is a standalone risk management policy and procedures (RMP) documentation required for each and every fund of the Scheme?

Whilst a PRS Provider is required to prepare an RMP documentation for each fund in a standalone document, the PRS Provider may choose to prepare one common RMP documentation for funds of the Scheme where the RMP do not vary significantly.

[Issued: 1 September 2022]

Paragraph 3.18(k): Is there any expectation as to what should be included in the RMP documentation for a Scheme?

A PRS Provider should at least prepare the RMP documentation to include all relevant information that are clear and understandable. The primary components of a sound RMP are:

- (a) A comprehensive risk measurement approach;
- (b) A detailed structure of limits, guidelines and other parameters used to govern risk taking;
and
- (c) A strong management information system for controlling, monitoring and reporting risks.

In the case where investment in derivatives is involved, the RMP documentation should include, at a minimum, details on contingency plans regarding credit events such as significant downgrading of credit rating and the collapse of the counterparty.

Further information on the content of the RMP documentation can be found in the *Forms in relation to private retirement scheme (PRS)* ("PRS Application Form") that is available on the SC's website.

[Issued: 1 September 2022]

Paragraph 3.18(m): What should a PRS Provider provide in its policies and procedures relating to a fund's valuation and pricing?

To ensure that a PRS Provider is able to comply with paragraphs 10.25A of the Guidelines, its policies and procedures should cover the following areas:

- (a) The unit pricing process that would include, but is not limited to, controls to monitor, detect and prevent possible inaccurate pricing of the fund's units;
- (b) Currency conversion process; and
- (c) Valuation of the fund's assets and liabilities.

[Issued: 1 September 2022]

Paragraph 3.18(s): What would be considered as a change that may materially prejudice the interest of the members?

PRS Provider should refer to the guidance to paragraph 7.19A for the examples of change that may materially prejudice members' interest.

[Issued: Prior to 1 September 2022]

Paragraph 3.33: Should the policies, procedures and controls to manage potential conflict of interest include a process that require the Scheme Trustee's approval for transactions made by the PRS Provider or its related corporation?

A PRS Provider where appropriate, may include a process to obtain the Scheme Trustee's approval based on certain materiality thresholds.

[Issued: 1 September 2022]

GUIDANCE TO CHAPTER 7: CONSTITUTION OF THE SCHEME

Paragraph 7.13: What are the factors SC would take into account when considering if a fund's name is inappropriate or misleading?

The SC will take into account, among other matters, whether the name of the fund or any class of units of any fund under—

- (a) implies that the fund or any class of units of any fund of the fund has merits which are not justified;
- (b) is inconsistent with the fund's investment objective or policy;
- (c) might mislead investors into thinking that a person other than the PRS Provider is responsible for the fund or part of the fund;
- (d) is substantially similar to the name of another fund in Malaysia or elsewhere; or
- (e) is in the opinion of the SC likely to offend the public.

[Issued: 1 September 2022]

Paragraph 7.19A: What are the examples of changes that may materially prejudice the interests of members?

For the purposes of Regulation 5 of the PRS Regulations, changes that may materially prejudice the interests of members would include the following:

- (a) Changes to the nature or objective of any funds under a Scheme;
- (b) Changes to the risk profile of any funds under a Scheme;
- (c) Change in distribution policy;
- (d) Introduction of a new category of fees or charges; or
- (e) Increase in fees or charges.

[Issued: Prior to 1 September 2022]

GUIDANCE TO CHAPTER 8 AND SCHEDULE B: INVESTMENTS OF THE SCHEME

Paragraph 8.05: What would not be considered as dealings appropriate to the Scheme?

Dealings such as the disposal of assets with quick repurchase merely to realise capital gains, dealings for window-dressing or excessive dealing in the fund's assets, i.e. churning, are not considered appropriate to the Scheme.

[Issued: Prior to 1 September 2022]

Paragraph 8.07(g): What is an 'investment account' and which types of investment account are permitted under these Guidelines?

An investment account ("IA") is a product offered by licensed Islamic banks that provides investors the opportunity to invest and share the profit from Shariah-compliant investment activities.

An IA may operate based on the following Shariah principles:

- (a) Mudharabah (profit sharing)
- (b) Musyarakah (profit and loss sharing)
- (c) Wakalah (agency)

There are two (2) main types of IAs i.e. restricted and unrestricted IAs. A restricted investment accounts ("RIA") enables customers to specify the investment mandate and the underlying assets that their funds may be invested in. An unrestricted investment account ("UIA"), on the other hand, allows Islamic banks to determine the investment mandate and the structure of the investment account, which may include combining different UIAs into pools of funds that invest in diversified portfolios of underlying assets, in exchange for more flexible withdrawal conditions.

A Scheme is permitted to invest in both RIA and UIA. However, the limits that apply to it may differ from one IA to another.

Specifically, UIA is regarded as a money market instrument if it fulfils the following criteria:

- (a) The objective of the UIA is to provide stable returns through low to moderate risk investment; and
- (b) The tenure of the UIA placed with the licensed Islamic bank does not exceed 12 months from the placement date.

Examples of the abovementioned UIA are General Investment Account and Term Investment Account.

UIAs other than those described above and RIA are regarded as "other securities". In this regard, a PRS Provider should ensure that the IAs identified for investment by a Scheme is consistent with the objective of the Scheme. Prior to undertaking the process to reflect such investments in a Scheme's documentation, the PRS Provider should ensure that it has a risk management policy and procedures to monitor, measure and manage the risks associated (including credit risks and liquidity risks) with the said IAs. The PRS Provider should also ensure that they are able to verify the valuation methodology of the said IAs, independently. For avoidance of doubt, the 10% single issuer limit as prescribed under paragraph (3), Schedule B of these Guidelines applies to the underlying investment of the IA e.g. the underlying ventures or borrowers.

[Issued: 1 September 2022]

Paragraph 8.07(g): Besides investment accounts, what are examples of other investment instruments that fall under 'other securities'?

Examples of 'other securities' include unlisted shares, investment notes, Islamic investment notes and digital assets. However, if these investment instruments meet the criteria of transferable securities and are traded or dealt in or under the rules of an eligible market, then they may be deemed as transferable securities.

[Issued: 1 September 2022]

Paragraph 8.11A(a): What are examples of 'securities equivalent to shares'?

Securities equivalent to shares' include units or shares in business trusts, depositary receipts, participatory notes, rights, warrants and any other rights, options or interests that can be converted into new shares. It is not intended to include convertible bonds, which will fall under bonds or other forms of securitised debt in paragraph 6.08(b).

However, when the convertible bonds are converted into shares, then it will fall under shares or securities equivalent to shares in paragraph 6.08(a).

[Issued: 1 September 2022]

Paragraphs 8.11B(b) and 8.20A(a): How does a PRS Provider determine if a financial instrument, i.e. a transferable security or a derivative, is "liquid"?

A financial instrument is considered to be liquid if it can be readily converted into cash at a value close to its fair price under normal market condition.

[Issued: 1 September 2022]

Paragraph 8.15A(b)(i): What would SC consider as having the level of investor protection that is at least equivalent to that offered in Malaysia?

In determining if the laws and practices provide the level of investor protection that is at least equivalent to that offered in Malaysia, a PRS Provider should consider the following factors:

- (a) There are rules governing the management of a CIS to ensure that there is high standards of integrity and fair dealing, and the CIS is managed in the best and exclusive interest of the unitholders;

- (b) The existence of an independent party with similar duties and responsibilities to a Scheme Trustee in relation to both safekeeping and supervision. Examples of this would be a Scheme Trustee, Scheme supervisor or independent depository. Where an independent depository is not a requirement of local law, robust governance structures may provide a suitable alternative;
- (c) Availability of pricing information and reporting requirements;
- (d) Redemption facilities and frequency;
- (e) Restrictions in relation to dealings by related parties; and
- (f) The extent of asset segregation where such assets can be clearly identified as the CIS' assets and are held separately from other assets held by the CIS' operator or fund manager and trustee or custodian.

[Issued: 1 September 2022]

Paragraph 8.15A(b)(ii): For the purpose of these Guidelines, what does the SC mean by (a) "substantially similar", and (b) "a hedge fund"?

- (a) A CIS that –
 - (i) is subjected to regulations on diversification of permissible investments;
 - (ii) does not use leverage for investments; and
 - (iii) undertakes securities lending and repurchase transactions for efficient portfolio management purposes only,would be considered as substantially similar to a fund authorised under these Guidelines.
- (b) A hedge fund can be a CIS that aims to achieve a high return through the use of advanced or alternative investment strategies, such as use of long/short exposures, leverage, or hedging and arbitrage techniques or such other CIS labelled, or categorised by the securities regulator regulating the fund, as a hedge fund.

[Issued: 1 September 2022]

Paragraph 8.15A(d): What are the examples of CIS that fall under this category of CIS?

Examples of CIS that fall under this category include leveraged ETFs, inverse ETFs and ETFs that invest in digital asset. [Issued: 01 Sep 2022]

Paragraph 8.20B: Can a PRS Provider use the valuation provided by the OTC derivative counterparty?

Yes. However, the valuation by the PRS Provider should not be based solely on a valuation provided by the counterparty to the transaction.

[Issued: 1 September 2022]

Paragraph 8.20B(b): Who would be considered an “independent party” for the purposes of checking on the appropriateness of the valuation method?

The “independent party” should be independent of the PRS Provider and the counterparty for the OTC derivative, and should have the relevant skill sets and qualifications to ensure that the valuation method adopted by the PRS Provider is appropriate. Examples would include the valuation agent or auditor of the Scheme.

[Issued: 1 September 2022]

Paragraph 8.22(a): The Guidelines requires the counterparty of an OTC derivative to have a credit rating of at least investment grade. However, if the counterparty is a financial institution that is not rated by any credit rating agency, can the Scheme still deal with the financial institution?

Where the financial institution is not rated, the requirement may be met if the financial institution has the benefit of a guarantee by an entity which has an investment grade credit rating (including gradation and subcategories).

[Issued: 1 September 2022]

Paragraph 8.33C: Paragraph (2)(g), Appendix II of Chapter 8 requires the collateral, held by the Scheme Trustee or an agent, be legally secured from the consequences of the failure of the Scheme Trustee, counterparty of agent. In this regard, (a) Who is “the agent”?; and (b) what is envisaged as “legally secured from the consequences of failure”?

- (a) An agent refers to a person appointed for the Scheme for the purpose of securities lending or repurchase transaction activities.
- (b) It is envisaged that the methods for collateral to be legally secured from the consequences of failure of the Scheme Trustee, counterparty or agent, includes-
 - (i) when the collateral is held in trust for the Scheme by the Scheme Trustee or the agent; or

(ii) when the collateral is recorded as the Scheme's asset.

[Issued: 1 September 2022]

Paragraph 8.34C: What is the expectation with regard to rectification of insufficient collateral?

A marked-to-market shortfall on day T should be rectified by the receipt of additional collateral by T+1 business day. For the purpose of this guidance, business day should be based on those of the counterparty's.

[Issued: 1 September 2022]

Schedule B – Part A: In view of the removal of the asset allocation limits for the core funds, are there any guidance for PRS Providers in meeting the investment strategy of such funds?

PRS Providers may be guided by the following principles in formulating the asset allocation of the core funds:

Core fund	Principles
Growth	<p>Focus is on growing the portfolio.</p> <p>Aim:</p> <ul style="list-style-type: none"> • Focuses on growing the portfolio steadily; • Invest mainly in growth-seeking assets; • Take risk as deemed appropriate to generate returns; • Seeking returns that outpace inflation (after covering all fees and expenses of the fund); and • Tolerates high degree of volatility in investments.
Moderate	<p>Focus is on growing the portfolio whilst seeking income.</p> <p>Aim:</p> <ul style="list-style-type: none"> • Continue to grow the portfolio in real terms; • A balanced investment approach between risk and returns; • Take risk only when deemed appropriate without taking high levels of market risk; and

Core fund	Principles
	<ul style="list-style-type: none"> • Tolerates moderate volatility in investments.
Conservative	<p>Focus is on generating income consistent with getting the portfolio ready for utilisation.</p> <p>Aim:</p> <ul style="list-style-type: none"> • Focuses on conserving capital; • Invest mainly in income-generating assets; • Take risk that would not jeopardise the value of investments generated; and • Accept minimum volatility.

[Issued: Prior to 1 September 2022]

Schedule B, Paragraph (21C)(a): What does SC mean by “prior to the commencement of investment”?

The point of time where the exception applies are as follows:

- (a) During the initial offer period and prior to commencement of investment by a newly established Scheme; or
- (b) The day in which an existing fund receives substantial subscription monies in the Scheme’s operating account.

[Issued: 1 September 2022]

Schedule B – Appendix IV, Paragraph (9)(a): Which foreign governments, government agencies and supranational are considered as acceptable by the SC?

The SC may consider a foreign government, government agency (foreign and Malaysian) and supranational as acceptable for a country-specific government bond or fixed income fund if it is one of the following:

- (a) Government of ASEAN member countries;
- (b) Government of G20 member countries;
- (c) Government of OECD member countries;
- (d) Government of the European Union (EU) member states;

- (e) The European Union; or
- (f) Islamic Corporation for the Development of the Private Sector.

Notwithstanding the above, a PRS Provider should consult the SC prior to making a submission to the SC for the establishment of a country-specific government bond or fixed income fund.

[Issued: 1 September 2022]

Schedule B – Appendix IV, Paragraph (9)(b): When would debt securities or money market instruments be regarded as being of a different issue?

Debt securities or money market instruments will be regarded as being of a different issue if, even though they are issued by the same person, they are issued on different terms whether as to repayment dates, interest rates, the identity of the guarantor, or otherwise.

[Issued: 1 September 2022]

Schedule B – Appendix V, Paragraph (6)(e): When would an index be considered as being transparent?

The index would generally be regarded as transparent if the following information is made available:

- (a) The index composition; and
- (b) The methodologies used to construct the index, select the constituents, collect the price data of constituents and rebalance the index.

[Issued: 1 September 2022]

General - Rating of an investment instrument, issuer, guarantor, counterparty or financial institution

Where a minimum rating requirement is prescribed in these Guidelines, such rating refers to one of the following, unless otherwise specified in these Guidelines:

Requirement	Rating by Malaysian Rating Agency	Rating by Global Rating Agency
Highest long-term rating	<ul style="list-style-type: none"> • AAA by RAM¹ • AAA by MARC² 	<ul style="list-style-type: none"> • AAA by S&P³ • Aaa by Moody's • AAA by Fitch
Top two credit rating (including gradation and subcategories)	At least the following: <ul style="list-style-type: none"> • AA₃ by RAM • AA- by MARC 	At least the following: <ul style="list-style-type: none"> • AA- by S&P • Aa3 by Moody's • AA- by Fitch
<ul style="list-style-type: none"> • High quality long-term rating • Top three credit rating (including gradation and subcategories) 	At least the following: <ul style="list-style-type: none"> • A₃ by RAM • A- by MARC 	At least the following: <ul style="list-style-type: none"> • A- by S&P • A3 by Moody's • A- by Fitch
<ul style="list-style-type: none"> • Investment grade • Top four credit rating (including gradation and subcategories) 	At least the following: <ul style="list-style-type: none"> • BBB₃ by RAM • BBB- by MARC 	At least the following: <ul style="list-style-type: none"> • BBB- by S&P • Baa3 by Moody's • BBB- by Fitch
Top two short-term rating	At least the following: <ul style="list-style-type: none"> • P2 by RAM • MARC-2 by MARC 	At least the following: <ul style="list-style-type: none"> • A-2 by S&P • P-2 by Moody's • F2 by Fitch

Where an investment instrument, issuer, guarantor, counterparty, or financial institution is rated by more than 1 rating agencies, the stricter rating is to be adopted.

[Issued: 1 September 2022]

¹ "RAM" refers to RAM Rating Services Bhd.

² "MARC" refers to Malaysian Rating Corporation Bhd.

³ "S&P" refers to Standard and Poor's.

GUIDANCE TO CHAPTER 9: CHARGES, FEES AND EXPENSES

Paragraph 9.14: What are examples of expenses that may be paid out of the Fund?

Examples of expenses that may be paid out of the Fund include the following:

- (a) Commissions or fees paid to brokers or dealers in effecting dealings in the fund's assets, shown on the contract notes or confirmation notes or difference accounts;
- (b) Remuneration relating to the custodial function for the fund's assets outside Malaysia that is delegated to sub-custodians;
- (c) Tax and other duties charged on the Scheme by the government and other authorities;
- (d) Fees and other expenses properly incurred by the auditor appointed for the fund;
- (e) Fees for the valuation of fund's assets;
- (f) Fees in relation to fund accounting;
- (g) Costs incurred for the modification of the deed other than those for the benefit of the PRS Provider or Scheme Trustee; and
- (h) Costs incurred for any meeting of members other than those convened by, or for the benefit of, the PRS Provider or Scheme Trustee.

[Issued: 1 September 2022]

GUIDANCE TO CHAPTER 10: DEALING, VALUATION AND PRICING

Paragraph 10.17A: How should a PRS Provider calculate the '7 business days' timeframe?

'7 business days' is referring to T+7 business days with T-business day referring to the day the repurchase request is received by the PRS Provider. The '7 business days' timeframe is illustrated below:



[Issued: 1 September 2022]

Paragraph 10.18A: What would be considered as exceptional circumstances where a PRS Provider may suspend dealing in units of the fund?

Exceptional circumstances can be considered where the market value or fair value of a material portion of the fund's assets cannot be determined. For avoidance of doubt, difficulties in realising the fund's assets or temporary shortfalls in liquidity may not, on their own, be sufficient justification for suspension.

[Issued: 1 September 2022]

Paragraph 10.26(a): Where the fund has foreign investments, what would be the valuation point to enable the fund to ensure the valuation is fair and accurate?

Investment instruments can be traded and quoted on more than one eligible market and each market may be operating in different time zones. As such, the fund's valuation point on a dealing day should be the closing time of the eligible market on that same dealing day of the fund.

Example: For 1 March 200X, the valuation will start on 7:00am the following day i.e. 2 March 200X (Kuala Lumpur time), valuation is carried out and the following prices should be used:

- a) (Kuala Lumpur): Last done prices as at 5:00 pm, 1 March, at the close of Bursa Malaysia;
- b) (New York): Last done prices as at 4:00pm, 1 March, (equivalent to 5:00 am, 2 March, Kuala Lumpur time) at the close of the exchanges on which the equities are traded;
- c) (London): Last done prices as at 4:00 pm, 1 March, (equivalent to 12:00 at night, 2 March Kuala Lumpur time) at the close of the exchanges on which the equities are traded;
- d) (Japan): Last done prices as at 3:00 pm, 1 March (equivalent to 2:00 pm, 1 March Kuala Lumpur time) at the close of exchanges on which the equities are traded; and
- e) (Bangkok): Last done prices as at 5:00 pm, 1 March (equivalent to 6:00 pm, 1 March Kuala Lumpur time) at the close of exchanges on which the equities are traded.

The timing used for the above example is strictly for illustration purposes only.

This guidance intends to standardise the valuation methodology for funds with foreign investments and should be consistently applied for these funds. PRS Provider should adopt forward pricing for the purpose of valuing the fund's foreign investments NAV to minimize the risk of any arbitraging opportunities arising from the timing differences as the price of the unit would be unknown to the investors at the time of placing the request.

[Issued: 1 September 2022]

Paragraph 10.26: The fund's assets and liabilities may be denominated in different currencies. Also, a fund may offer units in different currencies or in a currency different from the fund's base currency. In this case, what is the expectation pertaining to determining the exchange rate?

Where the prices of an asset or a liability of a fund is denominated in a foreign currency, the exchange rate to be used in converting the valuation to the base currency, for example Ringgit Malaysia should be bid foreign exchange rate quoted by either –

(a) Reuters; or

(b) Bloomberg,

at U.K time 4:00 pm the same day.

[Issued: 1 September 2022]

Paragraph 10.34(b): What information should be submitted in the notification to the SC when an incorrect valuation or pricing occurs?

The PRS Provider should at least provide a report covering the following information in the notification:

- (a) The name of the fund and class(es) of units affected by the incorrect valuation or pricing ("error");
 - (b) Descriptions of the nature of the error e.g. overvalued or undervalued and the magnitude of error as a percentage of the fund's NAV;
 - (c) A computation of the error;
 - (d) When and how the error was discovered;
 - (e) Details on the reasons for the error;
 - (f) Name of the entity responsible for the error;
 - (g) The time period over which the error occurred; and
 - (h) In the event where reimbursement is required:
 - (i) The number of affected members who –
 - (A) subscribed; and
 - (B) redeemed,
- during the time period over which the error occurred, if any;

- (ii) The amount of reimbursement to be paid, if any, to –
 - (A) members; and
 - (B) the Scheme;
- (iii) The entity that pays for the reimbursement;
- (iv) A computation of the total reimbursement to be made; and
- (v) The measures taken, or to be taken, to improve internal controls and prevent the occurrence of similar incidents.

[Issued: 1 September 2022]

Paragraph 10.35: If there is more than one error occurring on a single day, must the PRS Provider determine whether the threshold is breached at each occurrences?

Where there are more than one error occurring on a single day, it is the net effect of all errors that should be considered at the end of that day. If a single error is protracted over successive days, the 0.5% of the NAV per unit threshold is applicable for each day separately.

[Issued: 1 September 2022]

Paragraph 10.35(a): What are examples of scenarios where the PRS Provider should reimburse the fund as a result of a valuation or pricing error?

Where a Scheme incurs a loss as a result of a valuation or pricing error where the investors received more units than they would have if no error had occurred.

[Issued: 1 September 2022]

Paragraphs 10.37 to 10.42: The Guidelines allows a PRS Provider to adjust the price of a unit of a fund to take into account dilution or transaction cost (involved in acquiring and disposing a fund's asset). Does this mean that the use of swing pricing is permitted?

Swing pricing refers to a process for adjusting a fund's NAV to effectively pass on transaction costs stemming from net capital activity (i.e. flows into or out of the fund) to the investors associated with that activity during the life of the fund, excluding the initial offer period or fund termination.

A PRS Provider is permitted to apply swing pricing, and when doing so, the PRS Provider should ensure the following:

- (a) For the purpose of paragraph (6C), Schedule E, the fund's performance is to be calculated based on swung prices;
- (b) For the purpose of paragraphs 9.05, the fees and charges of the fund, including fees based on NAV, should be based on unswung NAV; and
- (c) If the fund's deed and disclosure document provide the PRS Provider with the discretion to, under certain pre-defined circumstances, apply a swing factor that is beyond the maximum swing factor disclosed in the disclosure document, the decision to exceed the current maximum swing factor is to be duly justified and is made in the best interest of all members i.e. both existing and new members.

A PRS Provider that wishes to apply swing pricing to a fund should establish a swing pricing policy defining the parameters including whether it will be a full swing, or if a partial swing is used, the swing threshold, swing factor, as well as the applicability, which may differ from one fund to another fund. The swing pricing policy should be clearly defined prior to implementation and communicated to those administering the swing pricing policy, accordingly. Swing pricing policy should be applied consistently and systematically.

[Issued: 1 September 2022]

GUIDANCE TO CHAPTER 11: OPERATIONAL MATTERS

Paragraph 11.13A: For the purpose of paragraph 11.13A, what is meant by redemption of equal proportion over a 5-year period for core funds in the default option?

Redemption of equal proportion is set out in the following scenario:

Assume 200,000 of units are in the Growth fund in the default option. Example below illustrates the movement of these units progressively from Growth fund to Moderate fund after a member reaches 45 years of age with the member's own redemption of units occurring in certain years. At the end of the 5-year period, the member will fully be in the Moderate fund.

Year	Number of units in Growth fund	Number of units redeemed by Member before the next anniversary	Number of units redeemed by PRS Provider on the anniversary date to be invested in Moderate fund	Balance number of units left in Growth fund
1st year (Switch-in Date)	200,000	None	-40,000 (200,000/5)*	160,000

Year	Number of units in Growth fund	Number of units redeemed by Member before the next anniversary	Number of units redeemed by PRS Provider on the anniversary date to be invested in Moderate fund	Balance number of units left in Growth fund
2nd year (1 st Anniversary)	160,000	None	-40,000 (160,000/4)*	120,000
3rd year (2 nd Anniversary)	120,000	-30,000	-30,000 (90,000/3)*	60,000
4th year (3 rd Anniversary)	60,000	-20,000	-20,000 (40,000/2)*	20,000
5th year (4 th Anniversary)	20,000	None	-20,000 (20,000/1)*	0

* Redemption of equal proportion based on the balance number of units left in Growth fund and after member's own redemption, if any.

[Issued: 1 September 2022]

Paragraph 11.16A: What is considered as distribution out of capital?

Any distribution paid out of unrealised income or unrealised gains is considered as capital distribution.

The following may be used as reference when determining "distributable income":

- The net investment income (i.e. dividend, coupon, interest income net of fees and expenses) and may include net realised gains (if any) based on unaudited accounts.
- "Distributable income" which is not declared and paid as distribution in a period of a financial year can be carried forward as distributable income for the next period(s) within the same financial year. "Distributable income" that has been accrued as at the end of a financial year and is declared and paid as distribution at the next distribution date immediately after that financial year end could be treated as "distributable income" in respect of that financial year. **However, "distributable income" which has been accrued as at the end of a financial year but is not declared and paid as distribution at the next distribution date immediately after that financial year end should be included as "capital" for the next financial year.**
- Where the fund pays distribution out of gross income while charging or paying all or part of the fund's fees and expenses to or out of capital, respectively, the amount of fees and expenses that has been paid out of capital has to be deducted from the gross investment income in order to come up with the "distributable income".

[Issued: 1 September 2022]

Paragraphs 11.19 and 11.20: Can the requirement to send a statement providing the required information to the members be satisfied by sending the statement or making available the required information to members, electronically?

Yes, for a Scheme that is offered exclusively via electronic platforms, the PRS Provider may satisfy the requirements by sending the statement or making available the required information to members, electronically, provided adequate disclosures have been made in the disclosure document of the Scheme.

The same can also apply to a Scheme that is offered via the conventional distribution channels, provided that the PRS Provider complies with paragraph 7.06 of the *Guidelines on Online Transactions and Activities in Relation to Unit Trusts*.

[Issued: 1 September 2022]

Paragraph 11.22: What does it mean by 'sustainable appreciation' of NAV?

'Sustainable appreciation' can be illustrated through the following example:

- (1) Average NAV per unit between 16/5-15/6/202X
- (2) Average NAV per unit between 16/6-15/7/202X
- (3) Average NAV per unit between 16/7-15/8/202X
- (4) Average NAV per unit between 16/8-15/9/202X
- (5) Average NAV per unit between 16/9-15/10/202X
- (6) Average NAV per unit between 16/10-15/11/202X

The monthly average NAV per unit of the fund would have been on an increasing trend during the abovementioned period before it can undertake the unit split exercise in October 202X.

For the avoidance of doubt, the monthly average NAV per unit need not be calculated on a calendar month.

[Issued: 1 September 2022]

Paragraph 11.37: What cannot be considered as a withdrawal from a Scheme?

The following are not considered a withdrawal from a Scheme:

- (a) Exercise of cooling-off rights;
- (b) Withdrawal or redemption for the purpose of transfer to a Scheme of another PRS Provider;

(c) Redemption or holding of units by PRS Provider for the purpose of complying with repurchase requests by members or in creating new units to meet anticipated requests for units from contributions; or

(d) Where a person exercises the right to withdraw his application as permitted under paragraph 13.24.

[Issued: Prior to 1 September 2022]

Paragraphs 11.46D and 11.46F: What does it mean by 'immediate production of the report may be dispensed with' in paragraph 11.46D and 'financial period then running' in paragraph 11.46F and how should the requirements in these paragraphs be read?

The intention of these requirements is to reduce the cost of preparation of fund report of a fund that is to be terminated. The reference to "immediate production of the report may be dispensed with" refers to the flexibility to extend the period of coverage for the final fund report.

The following illustrates the abovementioned scenario:

- The financial year end of Fund XYZ is 31 December
- UTM ABC (being the PRS Provider of Scheme XYZ) announced on 15 June 202X, that it is terminating Scheme XYZ and the termination process will commence on 1 September 202X
- On 1 July 202X, there are 10 members that remained in Scheme XYZ
- The process of terminating Scheme XYZ completed on 20 September 202X

Based on paragraph 11.46D, UTM ABC may dispense with the production of Scheme XYZ's semi-annual report⁴, provided that after consulting the auditor and the Scheme Trustee of Scheme XYZ, UTM ABC has taken reasonable care to determine that timely production of a fund report is not required in the interests of members.

Based on paragraph 11.46F, UTM ABC can produce the final fund report for Fund XYZ which covers a period from 1 January 202X to 20 September 202X (being the completion date of fund termination). UTM ABC is required to send the final fund report to the SC and to the 10 members whose name are in the register of Scheme XYZ on 1 July 202X latest by 20 November 202X.

Using the above illustration as reference, the financial period then running refers to the period from 1 January 202X to 20 September 202X.

[Issued: 1 September 2022]

⁴ If Fund XYZ is not being terminated, the semi-annual report is to cover a period from 1 January 202X to 30 June 202X.

Paragraph 11.51 and all requirements pertaining to meeting of members: Would the requirements also apply to meetings called for a particular class of a fund?

All references to a meeting of members shall include a meeting of members of a class of units and all requirements in these Guidelines applicable to a meeting of members shall be equally applicable to a meeting of members of a class of units.

[Issued: Prior to 1 September 2022]

GUIDANCE TO CHAPTER 13: DISCLOSURE DOCUMENT AND PRODUCT HIGHLIGHTS SHEET

Paragraph 13.22: When should the PRS Providers submit a supplementary or replacement disclosure document for registration?

A PRS Providers should, within 14 days after becoming aware of any occurrence in Regulation 8 of the PRS Regulations, submit a supplementary or replacement disclosure document for registration.

[Issued: Prior to 1 September 2022]

Paragraph 13.23A(a): What are the examples of significant change which may affect a members' decision to stay invested in a Scheme?

Examples of a significant change which may affect a member's decision to stay invested in the Scheme include –

- (a) change in investment strategy of the Scheme;
- (b) change in distribution policy of the Scheme; or
- (c) change in minimum balance.

Editorial changes such as amending grammatical errors, or correcting pagination, paragraphing and numbering in the disclosure document are changes that will not require any notification to members.

[Issued: Prior to 1 September 2022]

GUIDANCE TO SCHEDULE C: VALUATION

Item (b)(ii) of Investment instruments not listed or quoted on an exchange: What are some of the measures and safeguards that can be put in place to address the relevant risks associated with the use of amortised cost accounting?

Measures and safeguards include monitoring the difference between the amortised cost of a money market instrument and its value on an ongoing basis, and ensuring appropriate actions are taken promptly where such difference exceeds threshold determined by the PRS Provider for the fund.

[Issued: 1 September 2022]

GUIDANCE TO SCHEDULE D: DEED OF A PRIVATE RETIREMENT SCHEME

Paragraph (8)(d)(iv): What are examples of circumstances in which the pricing method can change?

An example would be swing pricing as described in the guidance to paragraphs 10.37 to 10.42.

[Issued: 1 September 2022]

Paragraph (8)(d)(iv): Can a PRS Provider provide for circumstances where it has a discretion to apply a swing factor that exceed the maximum swing factor as disclosed in the disclosure document?

Yes, provided that pre-defined circumstances that is made in the best interested of all investors (including both existing and new investors) is disclosed.

[Issued: 1 September 2022]

Paragraph (8)(d)(vii): For a multi-class fund, what should the PRS Provider consider when determining the differences between the classes and the rights of each class?

The PRS Provider should consider the following:

- (a) A class of units should not provide any advantage for that class if that would result in prejudice to members of any other class;
- (b) The nature, operation and effect of the new class of units should be capable of being explained clearly to prospective investors; and

- (c) The effect of the new class of units should not be contrary to the requirements of the CMSA or the purpose of any part of these Guidelines.

[Issued: Prior to 1 September 2022]

GUIDANCE TO SCHEDULE E: CONTENTS OF A FUND'S REPORT

Paragraph (11)(jj): Which "other clients' accounts" are being referred to in the requirement?

"other clients' accounts" includes any other investment portfolios or funds managed by the PRS Provider or fund manager e.g. unit trust funds (besides the fund), exchange-traded funds, private retirement scheme funds or wholesale funds.

[Issued: 1 September 2022]

Paragraph (22)(f)(e): What can be considered as a transaction?

For all funds other than cash management funds, only new placements for depository facilities are considered as a transaction. Renewals of depository facilities are not to be reported as transactions.

[Issued: Prior to 1 September 2022]

GUIDANCE TO SCHEDULE H: MINIMUM CONTENTS OF A DISCLOSURE DOCUMENT

Paragraph (27)(c): What should be disclosed in the disclosure document if the fund intends to employ liquidity risk management tools?

If a fund intends to employ liquidity risk management tools, the disclosure document 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 unitholders upon activation.

Utilisation of swing pricing

Where the PRS Provider is permitted by the fund's deed to apply swing pricing as part of liquidity risk management for the fund, the disclosure document 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 PRS Provider to temporarily increase the swing factor beyond the maximum level as disclosed in the disclosure document under unusual market conditions, to disclose such fact and the details of such unusual market conditions in the disclosure document; and
- (e) The statement to the following effect in the disclosure document 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 PRS Provider is permitted by the fund's deed to utilise suspension as part of liquidity risk management for the fund, the disclosure document should disclose the risks associated with suspension of redemption.

[Issued: 1 September 2022]

Paragraph (40): In relation to valuation points, what other information should the PRS Provider 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 disclosure document 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.

[Issued: 1 September 2022]

GUIDANCE I

GUIDANCE IN RELATION TO PRODUCT HIGHLIGHTS SHEET

Part 1: Guidance in preparing a product highlights sheet

- (1) In preparing a PHS, the preparer of the PHS should take into account:
 - (a) **Usage of clear and simple language.** Where the usage of technical terms is unavoidable, the product highlights sheet should include a glossary that explains the technical terms;
 - (b) **Presentation of information in a PHS.** Presentation of information in the PHS can influence investors' reliance on the PHS. In this regard, attention should be given to provide—
 - (i) equal prominence to benefits and risks related to the fund and the Scheme; and
 - (ii) relevant warnings for particular items of information that have been disclosed in a PHS, for example, where a PHS includes past performance information of the fund and the Scheme, that information must be accompanied with a warning that such information should not be relied on as indicative of future performance.
- (2) The use of graphs, charts, tables or numerical explanations are encouraged to promote investors' understanding of the product. Navigational aids, such as table of contents and clear signposting should also be utilised to help investors find information in a PHS more effectively.
- (3) Size of the typeface, the layout, the use of colour and graphics, the order in which information is presented as well as the location, should also be considered as all these factors can influence investors' reliance on the PHS.

Incorporation by Reference

- (4) To assist in the preparation of a PHS, a PHS can also include information incorporated by reference.
- (5) Information incorporated by reference allows the preparer of the PHS to only provide in the PHS a reference to a source of or link to the information in another document instead of including such information in full in the PHS itself. Information incorporated by reference is only permitted for information that frequently changes or found in publicly available sources.
- (6) Where information is incorporated by reference, the PHS must provide sufficient details about the information to enable investors to—
 - (a) locate the information;

- (b) identify the document or part of the document that contains the information;
and
 - (c) decide whether or not to read, or obtain a copy of, the information.
- (7) Any information that is incorporated by reference in a PHS must be clear, concise and effective and must not be misleading or deceptive.
- (8) PRS Providers are encouraged to include links to online copies of disclosure documents, educational resources or explanatory material.
- (9) All information specified as minimum content of a PHS in Schedule I of these Guidelines should be clearly disclosed in a PHS and this information must not be made by reference to information in other sources, like websites. However, the following information may be incorporated by reference:
 - (a) Ratings; and
 - (b) In relation to the fund performance of a fund, the basis of calculation and any assumption made in calculating the returns.

GUIDANCE I

Part 2: Template of Product Highlights Sheet

NOTE: This template serves only as a GUIDE. The presentation, style, contents and type of information below should be amended according to the types of funds offered. Notwithstanding that, the information required on paragraph (3) of Schedule I of these Guidelines must be included in the Product Highlights Sheet according to the types of funds offered.

<<Date of issuance>>

PRODUCT HIGHLIGHTS SHEET

<<name of Private Retirement Scheme and relevant Fund(s)>>

RESPONSIBILITY STATEMENT

This Product Highlights Sheet has been reviewed and approved by the directors or authorised committee and/or persons approved by the Board of <<name of Private Retirement Scheme Provider>> and they have collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable inquiries, they confirm to the best of their knowledge and belief, that there are no false or misleading statements, or omission of other facts which would make any statement in the Product Highlights Sheet false or misleading.

STATEMENT OF DISCLAIMER

<<name of Private Retirement Scheme>> and authorised the <<relevant fund name(s)>>, and a copy of this Product Highlights Sheet has been lodged with the Securities Commission Malaysia. The approval and authorisation, as well as the lodgement of this Product Highlights Sheet, should not be taken to indicate that the Securities Commission Malaysia recommends the <<name of Private Retirement Scheme>> or <<relevant fund name(s)>>, or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Product Highlights Sheet.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of <<name of Private Retirement Scheme Provider>>, responsible for the <<name of Private Retirement Scheme>> and <<relevant fund name(s)>>, and takes no responsibility for the contents of this Product Highlights Sheet. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this Product Highlights Sheet, and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents.

- This Product Highlights Sheet only highlights the key features and risks of this <<name of Private Retirement Scheme>> and <<relevant fund name(s)>>. Investors are advised to request, read and understand the disclosure documents before deciding to invest.

NAME OF THE SCHEME AND RELEVANT FUND(S)

BRIEF INFORMATION

What is the <<name of Private Retirement Scheme and Fund(s)>>?

Brief description of the following:

- Name of Scheme
- <<For multi-fund's PHS>> What are the Core Funds under the Scheme?
- <<For single-fund's PHS>> What is the <<name of non-Core Fund>>?
- Name of PRS Provider

PRODUCT SUITABILITY

Who is the fund suitable for?

Briefly state the types of investors this fund is suitable for. Information provided could include:

- Return objectives- building savings for retirement e.g. income/capital growth/capital preservation
- Whether their principal investment will be at risk
- Any other key information peculiar to the fund which would help investors to determine if the fund is suitable for them

KEY PRODUCT FEATURES

What am I investing in?

<ul style="list-style-type: none"> • Fund Category/Type • Issuance date • Issuance price • Issue size • Benchmark • Financial year end • Distribution policy 	<ul style="list-style-type: none"> • Minimum initial and subsequent contribution amount • Investment strategy and policy to achieve the investment objective, e.g. investment focus (types of asset, allocation, country, market/sector/industry), techniques/approach used in managing the portfolio • Whether product will employ derivatives strategy or investment in structured products
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**To describe these features with relevant tables, diagrams or illustrations where applicable*

Who am I investing with?

- [State the names of all relevant parties involved in the structure of the Private Retirement Scheme, e.g. PRS Provider, Scheme Trustee, Shariah advisor etc.]
- State any conflict of interest, if applicable]

How does the Scheme work?

<<Brief description. To include circumstances where no selection is made by the members i.e. explain Default Option. A table should be used to set out the age groups for the Default Option. To highlight

that the current retirement age is 55 years and that it may change to any other compulsory age of retirement from employment as may be specified under any written law>>

<< To include a statement on when the cooling-off right may be exercised>>

<< To describe how the contributions will be split into sub-accounts A and B. To describe how/when withdrawals can be effected from each sub-account. Note: tax penalty of 8% should be clearly stated>>

<<To include a statement on when and how frequently a member may:

- (i) switch between PRS funds managed by the PRS Provider*
- (ii) transfer his/her accrued benefits to another PRS Provider >>*

<< To include a statement that if you switch from one fund to another managed by the same PRS Provider, it is likely that you may not have to pay any sales charge. Ask about switching before you redeem>>

KEY RISKS

What are the key risks associated with this fund?

[State key risks that would commonly occur, or which may cause significant losses if they occur, or both. Risks peculiar to the fund should also be stated. Give appropriate formatting emphasis where investors might lose all of their initial investment]

What are the fees and charges involved?

- All relevant fees and charges payable (i.e. application fee, management fees, distribution fees, trustee fee, withdrawal fees, transfer fee and switching fees and any other substantial fees of more than 0.08% of NAV or subscription value)*
- Indicate if fees payable once-off or per-annum basis*
- If fees may be increased later, please state so.*
- To state if charges are negotiable.*
- If an investor redeems units in a fund and then purchase units in another, the investor will probably have to pay a sales charge. However, if an investor switches from one fund to another managed by the private retirement scheme provider, it is likely that such investor may not have to pay any sales charge. To clearly state the policy on switching and redemption, and relevant fees, if any.*
- All relevant fees and charges charged by the PPA (PPA).*

You can also compare the fees and charges of other private retirement schemes by visiting the PPA's website, www.ppa.my

How often are valuations available?

- How often and where valuations are published (i.e. web address/ newspapers where valuations are published)*

Pre-retirement and retirement withdrawal

Brief description of the circumstance for pre-retirement withdrawal and withdrawal at retirement age

What taxes apply?

<< To include explanation: (i) of how the RM3,000 tax deduction applies to an individual; (ii) on the maximum 19% tax deduction for employers; (iii) that withdrawals prior to retirement from sub-

account B will be subject to the 8% tax penalty; (iv) that after reaching the retirement age, death, or permanent departure from Malaysia, permanent total disability, serious disease or mental disability, withdrawals will not be subject to any tax.>>

Who should I contact for further information or to lodge a complaint?

- Contact details of PRS Provider/distributors investors may contact if they have enquiries.
 - Website address and email address
1. For internal dispute resolution, you may contact:
(Contact details for the PRS Provider distributor's internal dispute resolution)
 2. If you are dissatisfied with the outcome of the internal dispute resolution process, please refer your dispute to the Securities Industry Dispute Resolution Center (SIDREC):
 - (a) via phone to : 03-2282 2280
 - (b) via fax to : 03-2282-3855
 - (c) via e-mail to : info@sidrec.com.my
 - (d) via letter to : Securities Industry Dispute Resolution Center (SIDREC)
Unit A-9-1, Level 9, Tower A
Menara UOA Bangsar
No. 5, Jalan Bangsar Utama 1
59000 Kuala Lumpur
 3. You can also direct your complaint to the SC even if you have initiated a dispute resolution process with SIDREC. To make a complaint, please contact the SC's Consumer & Investor Office:
 - (a) via phone to the Aduan Hotline at : 03 – 6204 8999
 - (b) via fax to : 03 – 6204 8991
 - (c) via e-mail to : aduan@seccom.com.my
 - (d) via online complaint form available at www.sc.com.my
 - (e) via letter to : Consumer & Investor Office
Securities Commission Malaysia
3 Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur
 4. Federation of Investment Managers Malaysia (FIMM)'s Complaints Bureau:
 - (a) via phone to : 03 – 20923800
 - (b) via fax to : 03 – 20932700
 - (c) via e-mail to : complaints@fimm.com.my
 - (d) via online complaint form available at : www.fimm.com.my
 - (e) via letter to : Legal, Secretarial & Regulatory Affairs
Federation of Investment Managers Malaysia
9-06-1, 6th Floor Wisma Tune
No. 19, Lorong Dungun
Damansara Heights
50490 Kuala Lumpur

APPENDIX: GLOSSARY

- *Explain terms used in Product Highlights Sheet which the investors may not understand*
- *May include special terms (i.e. legal jargon/ finance jargon)*
- *PRS Providers are encouraged to use simple terms and then explain them in the glossary*