

# **PROSPECTUS GUIDELINES FOR COLLECTIVE INVESTMENT SCHEMES**

**SC-GL/PCIS-2008 (R1-2016)**

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## **PROSPECTUS GUIDELINES FOR COLLECTIVE INVESTMENT SCHEMES**

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***PART I***  
***GENERAL***

## Chapter 1

### INTRODUCTION

- 1.01 The *Prospectus Guidelines for Collective Investment Schemes* (Guidelines) is issued by the Securities Commission Malaysia (SC) under section 377 of the *Capital Markets and Services Act 2007* (CMSA).
- 1.02 The minimum information set out in these Guidelines are in addition to the information set out in sections 235(1)(a) to (e) of the CMSA.
- 1.03 These Guidelines are general in nature and should not be viewed as the only criteria for disclosure in a fund's prospectus. Directors of management companies, promoters, advisers and experts have the obligation and liability for the contents of a fund's prospectus.
- 1.04 The SC may require the disclosure of additional information in any particular case, where it deems appropriate.
- 1.05 Unless otherwise specified, all requirements in these Guidelines are applicable to a prospectus issued in respect of a foreign fund as defined in the *Guidelines for the Offering, Marketing and Distribution of Foreign Funds*.
- 1.06 Information provided in a prospectus must be disclosed in a true, complete and accurate manner.
- 1.07 Information given to investors must be presented in a manner that can be easily understood to enable them to assess and make an informed investment decision in relation to a fund. In drafting a fund's prospectus, a person who is responsible for the content of the prospectus must ensure that–
- (a) all information is written in a clear and concise manner, and easy-to-understand sentences are used;

- (b) plain and simple language is used. Legal or financial jargon, technical terms, or complicated methodologies or analyses are avoided, unless they can be explained;
  - (c) comparative information is meaningful and presented in a fair and balanced way, and the source of information is disclosed; and
  - (d) key information is prominently presented.
- 1.08 The cut-off date for information to be disclosed in a prospectus must be at the latest practicable date available prior to the issue of the prospectus.
- 1.09 A management company or its adviser must update a prospectus where there is any significant change or new matter arising that will affect the content of the prospectus via a supplementary prospectus or replacement prospectus.
- 1.10 A prospectus must be legible and printed in typefaces which are not smaller than Times New Roman eight points and all pages must be numbered.
- 1.11 Full accountability for the accuracy of all information in the prospectus and the responsibility to ensure there is no omission of facts which would make any of the statements therein misleading, remains with the promoters or directors of the management company or any other person who is a party to the preparation of the prospectus or any of its relevant portions.
- 1.12 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 is not contrary to the intended purpose of the relevant requirement in these Guidelines; or
  - (b) there are mitigating factors which justify the said exemption or variation.

- 1.13 For a fund approved for listing and quotation on Bursa Malaysia Securities Bhd, a summary advertisement of the prospectus must be published in a widely circulated Bahasa Malaysia and English newspaper. The summary advertisement must state, among others, the following:
- (a) That the prospectus for the public offering has been registered;
  - (b) Date of the prospectus;
  - (c) Where a copy of the prospectus can be obtained;
  - (d) That any issue of units related to the prospectus will only be made on receipt of an application form accompanying a copy of the prospectus;
  - (e) Brief details of the public offering;
  - (f) Brief details of the fund;
  - (g) Brief details of the management company;
  - (h) Brief details of the trustee;
  - (i) Name of the adviser, managing underwriter and underwriter;
  - (j) Opening and closing time of the application; and
  - (k) Listing sought.

## Chapter 2

### DEFINITIONS AND INTERPRETATIONS

2.01 Unless otherwise defined, all words used in these Guidelines shall have the same meaning as defined in the CMSA. In these Guidelines, unless the context otherwise requires—

adviser	has the same meaning assigned to it under the <i>Guidelines for the Offering, Marketing and Distribution of Foreign Funds</i> ;
BNM	means Bank Negara Malaysia;
CMSA	means the <i>Capital Markets and Services Act 2007</i> ;
deed	means any constitutive document for a fund;
experts	has the same meaning assigned to it under section 213(1) of the CMSA;
foreign fund	has the same meaning assigned to it under the <i>Guidelines for the Offering, Marketing and Distribution of Foreign Funds</i> ;
latest practicable date	means a date whereby information in the prospectus shall remain relevant and current as at the issue date of the prospectus;
local fund	means a unit trust scheme that is primarily regulated in Malaysia whether unlisted or listed on a stock exchange in Malaysia;
management company	in relation to a foreign fund, includes an operator as defined in the <i>Guidelines for the Offering, Marketing and Distribution of Foreign Funds</i> ;
net asset value (NAV)	has the same meaning assigned to it under the <i>Guidelines on Unit Trust Funds</i> ;

OTC	means over-the-counter;
non-complex fund	means a fund that qualifies for an expedited authorisation process under the <i>Guidelines on Unit Trust Funds</i> ;
SAC	means the Shariah Advisory Council of the SC and/or BNM;
SC	means the Securities Commission Malaysia established under the SCA;
SCMA	means the <i>Securities Commission Malaysia Act 1993</i> ;
securities regulator	has the same meaning assigned to it under the <i>Guidelines for the Offering, Marketing and Distribution of Foreign Funds</i> ;
trustee	should be read to include an entity that carries out similar duties as a trustee under the CMSA in relation to a fund regardless of the form in which the fund is constituted;
unit(s)	should be read to include shares or any other instrument representing a right or interest in a foreign fund and “unit holder(s)” should be read to refer to shareholders or any person entitled to be recognised as owner of such right or interest in that foreign fund;

***PART II***  
***UNLISTED FUNDS***

## Chapter 1

### COVER PAGE

- 1.01 The cover page of a prospectus must include the following:
- (a) Name of the fund, or funds in the case of a master prospectus;
  - (b) Name of the management company and its registration number;
  - (c) Name of the trustee and its registration number;
  - (d) Date of the prospectus;
  - (e) Date of fund's constitution;
  - (f) In relation to a fund with limited offer period, the offer period; and
  - (g) In the case of a foreign fund–
    - (i) a statement that the fund is approved, authorised, or registered, as the case may be, by the securities regulator in the foreign jurisdiction;
    - (ii) the foreign jurisdiction where the fund is domiciled, the name of the securities regulator regulating the fund, and the management company for the fund;
    - (iii) the applicable legislation in the foreign jurisdiction governing the fund and that the legal and regulatory environment in the foreign jurisdiction may be different from Malaysia; and
    - (iv) where a prospectus incorporates an offer document registered outside Malaysia in respect of the fund, statement of such fact.



- 1.02 In the case of a master prospectus, the information in subparagraphs 1.01(g)(i) to (iv) must be disclosed for each fund which is subject of the master prospectus.
- 1.03 The following statement must appear, in bold font, on the cover page of the prospectus:
- “INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.”**
- “FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE “RISK FACTORS” COMMENCING ON PAGE [XX].”**
- 1.04 Where a fund’s assets consist, or propose to consist, of derivatives exceeding 30% of 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 font and placed in a prominent position on the cover page of the prospectus.

## Chapter 2

### INSIDE COVER/ FIRST PAGE

2.01 If not already disclosed on the front cover, the prospectus must contain the following statements on the inside cover or at the very least, on page 1:

- (a) A responsibility statement by the management company–

***“Responsibility Statements***

This prospectus has been reviewed and approved by the directors of [name of management company] 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 prospectus false or misleading.”; and

- (b) A statement of disclaimer–

- (i) in the case of a local fund authorised in Malaysia–

***“Statements of Disclaimer***

The Securities Commission Malaysia has authorised the fund and a copy of this prospectus has been registered with the Securities Commission Malaysia.

The authorisation of the fund, and registration of this prospectus, should not be taken to indicate that Securities Commission Malaysia recommends the said fund or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this prospectus.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of the management company responsible for the said fund and takes no responsibility for the contents in this prospectus. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this prospectus, and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents.

**INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF INVESTORS ARE UNABLE TO MAKE THEIR OWN EVALUATION, THEY ARE ADVISED TO CONSULT PROFESSIONAL ADVISERS.”; or**

(ii) in the case of a foreign fund recognised in Malaysia–

***“Statements of Disclaimer***

The fund is established in a foreign jurisdiction and is regulated by the regulator in the foreign jurisdiction. As such, the fund is not subjected to the requirements of the Guidelines on Unit Trust Funds issued by the Securities Commission Malaysia.

The Securities Commission Malaysia has recognised the fund and a copy of this prospectus has been registered with the Securities Commission Malaysia.

The recognition of the fund, and registration of this prospectus, should not be taken to indicate that Securities Commission Malaysia recommends the said fund or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this prospectus.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of the management company responsible for the said fund and takes no responsibility for the contents in this prospectus. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this prospectus, and expressly disclaims any liability whatsoever

arising from, or in reliance upon, the whole or any part of its contents.

**INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF INVESTORS ARE UNABLE TO MAKE THEIR OWN EVALUATION, THEY ARE ADVISED TO CONSULT PROFESSIONAL ADVISERS.”**

2.02 In addition to the statements in paragraph 2.01, the following must be stated:

- (a) “Investors should note that they may seek recourse under the *Capital Markets and Services Act 2007* for breaches of securities laws including any statement in the prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to the prospectus or the conduct of any other person in relation to the fund.”; and
- (b) For a Shariah-compliant fund–

“[Name of fund] has been certified as Shariah compliant by the Shariah adviser appointed for the fund.”

2.03 Where applicable, a prospectus must provide a statement stating:

“No units will be issued or sold based on this prospectus after the expiry date of this prospectus”.

## Chapter 3

### TABLE OF CONTENTS, DEFINITIONS AND DIRECTORY

3.01 The prospectus must be properly structured, with relevant sections and headings, for ease of reference.

#### Table of contents

3.02 There must be a table of contents which lists all sections and sub-sections of the prospectus.

#### Definitions

3.03 A glossary of abbreviations and terminology used must also be provided.

#### Directory

3.04 The directory must contain details of the following:

- (a) Name, address and telephone number of the registered office and business office of the management company. The management company's e-mail address and website address, if any, must also be stated;
- (b) Name, address and telephone number of the registered office and business office of the trustee. The trustee's e-mail address and website address, if any, must also be stated; and
- (c) For a Shariah-compliant fund, name, address and telephone number of the Shariah adviser. The Shariah adviser's e-mail address and website address, if any, must also be stated.

3.05 In addition to paragraph 3.04, in the case of a foreign fund, the name and address of the representative for the fund must be disclosed.

## Chapter 4

### THE FUND

- 4.01 A prospectus must include a section giving details on the fund offered in the prospectus. The objective is to assist investors to make informed assessments of the fund for decision making purposes.
- 4.02 For the purpose of this section, a prospectus must include the following:

#### ***Fund information***

- (a) Name of the fund;
- (b) Base currency of the fund, where applicable;
- (c) Category of the fund;
- (d) In the case of a new fund, the initial offer period of the fund and its initial price;
- (e) 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 unit holders' approval;
- (f) 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. equity, debenture, money market, collective investment schemes, etc.), the characteristics of the securities or instruments to be invested in and the asset allocation strategy. Where appropriate, the investment focus should also include the countries or markets (e.g. global, regional or country-specific, developed or emerging markets, etc.)

- and target sector or industry;
  - (ii) Practice, technique or approach used by the fund manager in managing the investment portfolio, including its policy on active and frequent trading of securities; and
  - (iii) Where applicable, whether the fund manager may take temporary defensive positions which may be inconsistent with the fund's principal strategy in attempting to respond to adverse market conditions, economic, political or any other condition, and the types of securities or instruments the fund would invest in during the defensive positions;
- (g) Where a fund invests or can invest in derivatives and structured products, a disclosure of the following:
- (i) The types and characteristics of derivatives and structured products the fund invests in;
  - (ii) The purpose of investing in derivatives, either for hedging or investment; and
  - (iii) Where applicable, the likelihood of high volatility of the NAV per unit of the fund;

**Risk factors**

- (h) Risk factors relating to the fund which would include, among others–
- (i) general risks of investing in unit trust fund; and
  - (ii) specific risks associated with the investment portfolio of the fund.
- (i) Where the fund's assets consist or propose to consist of

warrants, convertibles, options and structured products, risk factors must include the inherent risks associated with these types of investment;

- (j) Where the fund's assets consist or propose to consist of derivatives, the risks with respect to investment in derivatives, including the likelihood of high volatility in the NAV of the fund;
- (k) The risk management strategies and techniques to be employed by the fund manager;
- (l) Where the fund invests in derivatives and structured products, the specific risk management adopted, including measures to be taken in the event of a downgrade in the rating of the issuer in the case of OTC derivatives;
- (m) In making disclaimers on risk factors, the disclaimers must not be as wide as to cause the risk disclosures to be of little or no beneficial use to investors;

**Other information**

- (n) Distribution policy;
- (o) The fund's performance benchmark and where the information on the benchmark can be obtained. If a customised benchmark or combination of multiple benchmarks is used, there must be a description on how the benchmark is derived;
- (p) The permitted or authorised investments and the investment limits and restrictions for the fund;
- (q) 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; and



**Shariah-compliant fund**

- (r) For a Shariah-compliant fund–
  - (i) a clear description of the Shariah approval process, including details of methodologies, rulings and screening process; and
  - (ii) a statement to the effect that the investment portfolio of the fund will comprise instruments that have been classified as Shariah compliant by the SAC of the SC or the SAC of BNM. For instruments that are not classified as Shariah compliant by the SAC of the SC or the SAC of BNM, a statement stating that the status of the instruments has been determined in accordance with the ruling issued by the Shariah adviser.

4.03 In addition to the above requirements, for certain types and categories of funds, a management company must also disclose the information stipulated in Chapters 16 – 21 of these Guidelines.

## **Chapter 5**

### **FEES, CHARGES AND EXPENSES**

5.01 A prospectus must disclose and explain the cost of investing in the fund.

#### **Charges**

5.02 A prospectus must include a description of the charges directly incurred by investors when purchasing or redeeming units of the fund, including:

- (a) The maximum rate or amount of charges imposed by each distribution channel;
- (b) Basis on which the charges are calculated; and
- (c) Illustration on how the charges are calculated.

5.03 Policy on rounding adjustment adopted must also be disclosed.

#### **Fees**

5.04 A prospectus must describe the fees indirectly incurred by investors when investing in the fund which include, among others, management fee and trustee fee. The description must include the annual rate imposed.

5.05 A prospectus must also describe any other fee that may be imposed.

#### **Expenses**

5.06 There must be a list of expenses incurred or to be incurred by the fund (e.g. commission paid to brokers, auditors fee, valuation fee, taxes, custodial charges, etc.) in the prospectus.

#### **Others**

5.07 Rebates and soft commissions must be disclosed and the

management company's policy on rebates and soft commissions must be explained.

5.08 The following statement must appear under this section:

**“There are fees and charges involved and investors are advised to consider them before investing in the fund.”**

## Chapter 6

### TRANSACTION INFORMATION

#### Pricing

- 6.01 A prospectus must disclose the valuation bases for all types of assets invested or to be invested by the fund, including treatment for suspended counters.
- 6.02 A prospectus must disclose the valuation points for the purpose of determining the NAV and unit price of the fund 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.
- 6.03 A prospectus must explain the pricing policy adopted by the management company for the fund's units, i.e. forward pricing or historical pricing.
- 6.04 Where historical pricing is adopted, the following information must be disclosed:
- “The management company will reprice the units if the NAV per unit of the fund, if revalued, differs by more than 5% from the last valuation points.”**
- 6.05 There must also 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.

#### Application and redemption of units

- 6.06 Instructions and procedures on how to purchase and redeem units of the fund must be 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.

- 6.07 The type of distribution channel must also be disclosed, (e.g. bank, broker, management company, sales agent, financial planner, etc.). Cross-reference must be made to a complete list of distribution offices at the end of the prospectus, where applicable.
- 6.08 A prospectus must disclose the cooling-off policy, including an explanation and description of how such policy applies to various types of investors.
- 6.09 Where the launch of a new fund or continued operation of an existing fund is conditional upon a minimum fund size, this fact and the minimum fund size must be disclosed.
- 6.10 A prospectus must provide a warning statement that investors must not make payment in cash to any individual agent when purchasing units of a fund. Such warning statement must appear in a prominent position.

### **Distribution payment**

- 6.11 A prospectus must describe the mode of distribution to investors, including policies and procedures on unclaimed monies.
- 6.12 Where investors are given an option to reinvest distributions, the following must be disclosed:
  - (a) The costs incurred by investors when exercising the option;
  - (b) Unit price at which the distribution is reinvested into additional units; and
  - (c) Business day at which the distribution is deemed to have been reinvested into additional units.
- 6.13 The following warning statement must be displayed in bold font:

**“Unit prices and distributions payable, if any, may go down as well as up”.**

## **Chapter 7**

### **THE MANAGEMENT COMPANY**

#### **Corporate information**

- 7.01 The corporate information of the management company that must be disclosed, includes–
- (a) the name of each director and their designation, whether independent or non-independent; and
  - (b) the management company's experience in operating a fund.
- 7.02 There must also be a disclosure of–
- (a) the roles, duties and responsibilities of the management company; 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 and financial position of the management company.

#### **Investment Committee**

- 7.03 Where an investment committee is appointed, the roles and primary functions of the investment committee of the fund must also be disclosed.

#### **Shariah adviser or panel of adviser**

- 7.04 Where a Shariah adviser or a panel of advisers is appointed, the following information must be disclosed:
- (a) Names and experience of the Shariah adviser or each member of the panel of advisers. Where the Shariah adviser is a company, to also state the name and experience of the designated person responsible for Shariah matters of the fund;

- (b) Roles and primary functions of the Shariah adviser or panel of advisers; and
- (c) Frequency of review on the fund's investments by the Shariah adviser or panel of advisers to ensure compliance with Shariah principles or any other relevant principle at all times.

### **Fund management function**

- 7.05 A prospectus must disclose relevant information on the designated person responsible for the fund management function of the fund, including his relevant experience.
- 7.06 Where the fund management function is undertaken by an external party, the prospectus must in addition to the disclosure requirements under paragraph 7.05, disclose the following:
- (a) Name of the fund manager;
  - (b) Roles and duties of the fund manager;
  - (c) The fund manager's experience in fund management; and
  - (d) 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 or financial position of the fund manager.

### **Other information**

- 7.07 The management company must include a statement to inform investors that further information on the management company, investment committee, Shariah adviser, panel of adviser, and fund manager is provided in the management company's website (e.g. the qualification of the Shariah adviser or panel of adviser and their respective members, experience of the investment committee members and other corporate information).

## **Chapter 8**

### **THE TRUSTEE**

- 8.01 The following information of the trustee must be disclosed:
- (a) Corporate information;
  - (b) Experience as trustee to unit trust funds;
  - (c) Roles, duties and responsibilities of the trustee; and
  - (d) 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 trustee.

#### **Delegates**

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



## Chapter 9

### SALIENT TERMS OF DEED

- 9.01 A prospectus must disclose salient terms of the deed, particularly provisions relating to—
- (a) rights and liabilities of unit holders, including the limitations and restrictions on their rights;
  - (b) maximum fees and charges permitted by the deed and payable by the investors either 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 prospectus and the maximum rate provided in the deed;
  - (d) permitted expenses payable out of the fund's property;
  - (e) removal, replacement and retirement of the management company and trustee;
  - (f) termination of the fund and where multiple classes of units are issued, the circumstances, procedures and processes for termination of each class of units and the fund; and
  - (g) unit holders' meeting.

## Chapter 10

### APPROVALS AND CONDITIONS

- 10.01 A prospectus must disclose, where applicable, any approval obtained from any relevant authority in conjunction with the establishment of the fund, together with the date of the approval, any condition attached and status of its compliance.
- 10.02 For any waiver from any relevant guidelines which has been approved by the SC, to state the specific paragraph of the guidelines for which the waiver was sought and details of the approval and any condition imposed.

## Chapter 11

### RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST

- 11.01 A prospectus must disclose the existing and proposed related-party transactions involving the fund, management company, trustee, promoter, any vendor or person connected to them, where applicable, together with steps taken to resolve any conflict of interest. Such disclosure is also required if the fund enters into any transaction with key personnel of the management company, promoter, vendor or any person connected to them.
- 11.02 The management company must disclose its policy on dealing with any conflict of interest situation (e.g. dealing in securities by employees, directors, investment committee members, etc.).
- 11.03 A prospectus must provide details of any direct or indirect interest held by the management company's director and substantial shareholder in another corporation carrying on a similar business.
- 11.04 Declaration of any expert's existing and potential interests or conflicts of interest in an advisory capacity, *vis-à-vis* the fund or the management company must be provided in the prospectus.

## **Chapter 12**

### **TAXATION OF THE FUND**

12.01 A prospectus 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); and
- (b) Tax liabilities of the unit holder, if any.

## Chapter 13

### EXPERTS' REPORTS

- 13.01 Where a prospectus contains an expert's opinion–
- (a) an excerpt from, or summary of opinion expressed and conclusion recorded in the report must be disclosed;
  - (b) the expert must state whether or not the report was prepared for inclusion in the prospectus;
  - (c) the expert's report must be signed and dated within a reasonable time of the issuance of the prospectus. This is to ensure that the content is substantially relevant at the time the prospectus is issued.
- 13.02 If an expert becomes aware of any significant change affecting the content of his report, either–
- (a) between the date of the report and the issue of the prospectus; or
  - (b) after the issue of the prospectus and before the issue of the units,
- then, the expert has an obligation to update the report to reflect the change and, either require the management company to issue a supplementary prospectus or replacement prospectus, or withdraw his consent to the inclusion of the report in the prospectus. Failure to do so will result in the management company, promoters and the expert being liable for any misleading statement or material omission in the outdated report.
- 13.03 An expert must not make disclaimers of responsibility that are so wide that it would diminish the reliability or utility of the report to investors.

## Chapter 14

### ADDITIONAL INFORMATION

- 14.01 A prospectus must contain information on how investors can keep abreast of any development in the fund and track the NAV per unit of the fund.
- 14.02 A prospectus must also disclose the avenue for advice available to prospective investors.
- 14.03 A prospectus must also disclose a list of current deed and supplemental deeds, if any, and their corresponding dates.
- 14.04 A prospectus must disclose the financial year-end of the fund and when the unit holder can expect to receive the interim report and annual report.
- 14.05 The following warning statement must be displayed in bold font:

**“The fund’s annual report is available upon request.”**

## Chapter 15

### DOCUMENTS AVAILABLE FOR INSPECTION

- 15.01 A prospectus must contain a statement that for a period of at least 12 months from the date of issuance of the prospectus, a copy of the following documents, where applicable may be inspected at the registered office of the management company or such other place as the SC may determine—
- (a) the deed and supplemental deed;
  - (b) the current prospectus and supplementary or replacement prospectus, if any;
  - (c) the latest annual and interim reports of the fund.
  - (d) each material contract disclosed in the prospectus and, in the case of a contract not reduced into writing, a memorandum which gives full particulars of the contract;
  - (e) where applicable, the audited financial statements of the management company and the fund 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;
  - (f) any report, letter or other document, valuation and statement by an expert, any part of which is extracted or referred to in the prospectus. Where a summary expert's report is included in the prospectus, the corresponding full expert's report must be made available for inspection;
  - (g) writ and relevant cause papers for all material litigation and arbitration disclosed in the prospectus; and
  - (h) consent given by an expert disclosed in the prospectus.

## Chapter 16

### **SPECIFIC REQUIREMENTS FOR INDEX FUNDS**

16.01 The following information must be disclosed in the prospectus of an index fund, in addition to that specified under Chapters 1 – 15 of these Guidelines, unless otherwise specified.

#### **The Fund**

16.02 The following additional information must be disclosed:

- (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 or issuer;
- (c) The fund's investment strategy whether to invest in all (full replication) or a representative sample 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 and rules and how investors may obtain such information;
- (e) The means by which investors 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 subparagraph 16.02(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.

16.03 There must be statements displayed in bold font 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 relevant, the investment of the scheme may be concentrated in securities of a single issuer or several issuers.

## Chapter 17

### SPECIFIC REQUIREMENTS FOR MONEY MARKET FUNDS

17.01 The following information must be disclosed in the prospectus of a money market fund, in addition to that specified under Chapters 1 – 15 of these Guidelines, unless otherwise specified.

#### The Fund

17.02 The following information must be disclosed:

- (a) The minimum credit rating of the money market instruments or debentures which the fund will invest in; and
- (b) The steps to be taken where the ratings are downgraded below the pre-determined rating.

17.03 The following statement must be displayed in bold font:

**“Investment in the fund is not the same as placement in a deposit with a financial institution. There are risks involved and investors should rely on their own evaluation to assess the merits and risks when investing in the fund.”**

## Chapter 18

### **SPECIFIC REQUIREMENTS FOR GUARANTEED FUNDS**

18.01 The following information must be disclosed in the prospectus of a guaranteed fund, in addition to that specified under Chapters 1 – 15 of these Guidelines, unless otherwise specified.

#### **Corporate directory**

18.02 The name, address and telephone number of the registered and business office of the guarantor must be disclosed. E-mail address and website address, if any, must also be stated.

#### **The Fund**

18.03 The following information must also be disclosed:

- (a) Name of the guarantor;
- (b) Commencement date of the fund;
- (c) Tenure and maturity of the fund; and
- (d) Guaranteed value per unit.

18.04 There shall also be statements to the following effect in the prospectus in bold font:

- (a) A statement on the material terms of the guarantee (e.g. the guarantee only applies to investors who hold their investment until maturity date and any redemption before the maturity date would be based on the NAV of the fund on that day and would be charged an exit fee, if any, and that the guarantee does not apply);

- (b) There may be dilution of performance due to the guarantee structure being put in place, compared with a fund with no guarantee structure; and
- (c) The guarantee is subject to the credit risk of the guarantor and does not give any assurance to the future solvency of the guarantor.

18.05 There must be adequate information about the guarantee, which includes–

- (a) material terms of the guarantee, including the scope, circumstances under which the guarantee can be terminated and whether the guarantee is for 100% of the amount paid by investors or only for the amount invested in the fund (i.e. excluding any charge imposed by the management company when investing in the fund);
- (b) enforceability of the guarantee. In this regard, an independent legal opinion must be included in the prospectus on the enforceability of the guarantee;
- (c) an illustration or description to demonstrate the guarantee and investment mechanism;
- (d) the implication or consequences, if any, to investors in respect of the guarantee in the event–
  - (i) the manager retires, is removed or replaced;
  - (ii) the trustee retires, is removed or replaced;
  - (iii) change in the guarantor;
  - (iv) the guarantor goes into liquidation or ceases to carry on the business;
  - (v) the guarantee is terminated; and
  - (vi) the fund is terminated;

- (e) if the guarantee is only limited to a certain period, the expiry date of the guarantee and whether the period commences from the launching date of the fund or from the date of investors' investment in the fund; and
  - (f) any other matter relating to the guarantee that may be relevant to investors in deciding whether or not to invest in the fund.
- 18.06 A detailed description of the nature of the underlying investments which the fund invests in, including–
- (a) the issuers of the underlying investments, or the criteria for selection of such parties; and
  - (b) the liquidation mechanism of the underlying investments to meet redemption requests.

### **Guarantor**

- 18.07 Information on the guarantor must be disclosed, which includes–
- (a) corporate information including–
    - (i) description of its business;
    - (ii) summary of the guarantor's financial position for the past three years, where applicable, in tabular form, disclosing–
      - paid-up share capital;
      - shareholders' funds;
      - revenue;
      - profit/loss before tax; and
      - profit/loss after tax;

- (b) the rating of the guarantor and the name of the rating agency which carried out the rating; and
- (c) steps to be taken and implication to investors, if any, where the guarantor's rating is downgraded below the minimum rating stated in the *Guidelines on Unit Trust Funds*.

## Chapter 19

### **SPECIFIC REQUIREMENTS FOR CAPITAL PROTECTED FUNDS**

19.01 The following information must be disclosed in the prospectus of a capital protected fund, in addition to that specified under Chapters 1 – 15 of these Guidelines, unless otherwise specified.

#### **The Fund**

19.02 To provide additional information, which includes–

- (a) the commencement date of the fund;
- (b) the tenure and maturity of the fund; and
- (c) level of protection for investors.

19.03 There shall also be statements to the following effect in a prospectus, displayed in bold font:

- (a) Where applicable, that the capital protection only applies to investors who hold their investment until maturity date or until the date specified in the prospectus. Any redemption before the maturity or specified date would be based on the NAV of the fund on that day and would be charged an exit fee, if any, and that the protection does not apply in this case; and
- (b) There may be dilution of performance due to capital protection structure being in place, compared with the conventional fund without capital protection.

19.04 Salient features of the fund and its terms of investment must be disclosed.

19.05 There must also be an explanation on the fund manager's strategy to protect investors' capital while earning returns.

19.06 A prospectus must also disclose information on the fund's underlying

investments, including–

- (a) the minimum credit rating and steps to be taken when the ratings are downgraded below the pre-determined rating; and
- (b) the liquidation mechanism of the underlying investments to meet redemption requests.



## Chapter 20

### SPECIFIC REQUIREMENTS FOR FEEDER FUNDS

20.01 The following information must be disclosed in the prospectus of a feeder fund, in addition to that specified under Chapters 1 – 15 of these Guidelines, unless otherwise specified.

#### The Fund

20.02 This section must also include information on the target fund, including–

- (a) name of target fund;
- (b) the management company and fund manager of target fund;
- (c) country of origin of target fund;
- (d) regulatory authority which regulates the target fund; and
- (e) date of establishment of the target fund.
- (f) the investment objective and principal investment strategy;
- (g) the specific and peculiar risks of the target fund;
- (h) the permitted or authorised investment and the limits or restrictions of the target fund;
- (i) 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
- (j) the applicable legislation in the foreign jurisdiction which applies to the target fund.

20.03 In relation to subparagraph 20.02(b), the information must include the corporate information, experience and expertise in the relevant industry.

**Fees, charges and expenses**

- 20.04 A prospectus must 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 disclosed.
- 20.05 Where applicable, there must be a warning statement, in bold font, to alert potential investors to the fact that they will be subjected to higher fees arising from the layered investment structure.

## Chapter 21

### SPECIFIC REQUIREMENTS FOR REAL ESTATE INVESTMENT TRUSTS

21.01 The following information must be disclosed in the prospectus of a real estate investment trust (REIT), in addition to that specified under Chapters 1–15 of these Guidelines, unless otherwise specified.

#### Statements of disclaimer

21.02 There shall be an additional statement of disclaimer, displayed in bold font, as follows:

**“The valuation approved or accepted by the Securities Commission Malaysia is only for the purpose of the proposal submitted to and approved by the Securities Commission Malaysia, and shall not be construed as an endorsement by the Securities Commission Malaysia on the value of the real estates for any other purpose.”**

#### Key data section or information summary

21.03 The key data and information summary section should include, but is not limited to, the following information:

- (a) Fund information
  - (i) Brief but relevant details on the real estates to be acquired, including a table highlighting principal statistics of the real estates;
  - (ii) Revaluation policy;
  - (iii) Gearing policy; and
- (b) Fees and charges
  - (i) Details on other substantial fees to be paid by the REIT (e.g. property management fees, etc.).

## **The Fund**

21.04 Subparagraphs 4.02(e), (f), (g), (k), and (r) are not applicable to a REIT. Instead the prospectus of a REIT must disclose information as required in this section.

## **General**

21.05 The information to be disclosed should include, but is not limited to, the following:

- (a) The investment objective of the REIT and a statement that material changes to the investment objective would require investors' approval;
- (b) The policies and investment strategies to achieve the REIT's investment objective. The disclosure must include the future plans of the REIT (e.g. growth strategies) and steps taken, including the time frame, to realise the plans;
- (c) The types and characteristics of real estates which the REIT will acquire (e.g. location, types of real estate, income/rental prospects of the real estate, etc.);
- (d) Permitted investments and investment limits/restrictions of the REIT, including the policy on holding of liquid assets to meeting repurchase requests;
- (e) The policy on gearing and the REIT's level of gearing at the point of establishment, including source, type, nature of borrowings and the interest rate payable;
- (f) Distribution policy and mode of distribution to investors;
- (g) Investors profile most suitable for the REIT; and
- (h) Details of any existing or proposed arrangement which materially enhances short-term yields but may not be sustainable in the long term and the risks associated with such arrangements. An analysis of how such arrangements affect current and future yields must be disclosed together with a

computation of the forecast distribution yields without such arrangements.

- 21.06 For an Islamic REIT, the prospectus must also include–
- (a) clear description of the Shariah approval process, including details on methodologies, rulings and screening process; and
  - (b) a statement to the effect that the investment of the Islamic REIT is carried out in accordance with the ruling issued by the Shariah adviser. Where the fund also invests in other Shariah compliant instruments, the statement should include that the instruments have been classified as Shariah compliant by the SAC of the SC or the SAC of BNM. For instruments that are not classified as Shariah compliant by the SAC of the SC or the SAC of BNM, a statement stating that the status of the instruments has been determined in accordance with the ruling issued by the Shariah adviser.

### **Investments in real estates**

- 21.07 A prospectus must include specific disclosures on the real estate, including but not limited to, the following:
- (a) Details and description of the real estates held by the REIT and/or real estate to be acquired:
    - (i) Description of the real estate which includes type, location, age, existing use, net lettable area, number of car parks, information specific to the type of the real estate, such as hotel, hospital and agriculture properties, the market value and purchase consideration;
    - (ii) Particulars of the tenancies, which include major tenants and their corresponding percentage contribution to total gross rental income, tenancy periods, periodic reviews and occupancy rates for the past three years, where applicable, and, in the case of a sale and leaseback, the basis of arriving at the rental entered into by the REIT;
    - (iii) Details of incomes and expenditure including gross rental income, outgoings, net income, estimation of

future income and major capital expenditures likely to be incurred in the immediate future; and

- (iv) Any encumbrance or limitations in the title or interest to the real estate;
- (b) Where a real estate acquired or to be acquired is leased or is proposed to be leased, details of the lease excluding any sub-lease, including details of financial arrangements, stamp duty and options, or other rights given to a lessee or proposed lessee to purchase the real estate. If none, a statement to the effect must be made;
- (c) For a real estate to be acquired, the expected period within which the transaction will be completed and its status at the date of prospectus;
- (d) Where a REIT has entered into an agreement to purchase a real estate upon its completion, the rationale and justification of acquiring such real estate and the future prospects of acquiring tenants and future incomes; and
- (e) Relevant information, in particular, risks associated with the following acquisitions:
  - (i) Real estate without a track record;
  - (ii) Buildings which are not fully tenanted;
  - (iii) Equity of single-purpose companies;
  - (iv) Part of a real estate; and
  - (v) Real estate located outside Malaysia.

21.08 A prospectus must also state the management company's valuation policy for the fund's real estate, disclosing the following information:

- (a) Frequency of valuation;
- (b) Date of the last valuation;

- (c) The likely date for the next valuation;
  - (d) Revaluation surplus or deficit comparative to last valuation; and
  - (e) Net book value of the real estate.
- 21.09 An overview of the real estate/property market and the outlook for the types of real estate which are or to be acquired by the REIT must also be included in the prospectus.

**Investments in real estate-related assets and non-real estate-related assets**

- 21.10 Where a REIT invests in real estate-related assets or non-real estate-related assets, the prospectus must disclose, but is not limited to, the following:
- (a) The investment policy and investment strategies to achieve the investment objective of the fund, including–
    - (i) the investment focus of the fund (e.g. equity, debenture, money market, etc.), the characteristics of the securities or instruments to be invested and the asset allocation strategy. Where appropriate, 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/industry;
    - (ii) practice, technique or approach used by the fund manager in managing the investment portfolio, including the policy with regard to active and frequent trading of securities; and
    - (iii) where applicable, disclosure on whether the fund manager may take temporary defensive positions which may be inconsistent with the fund's principal strategy in attempting to respond to adverse market conditions, economic, political or any other condition. There must also be a disclosure on the types of securities/instruments the fund would invest in during defensive positions;

- (b) The risk management strategies and techniques to be employed by the fund manager;
- (c) The permitted or authorised investments and the investment limits and restrictions for the fund;
- (d) Valuation bases for all types of investments invested or to be invested by the fund, including treatment for suspended counters; and
- (e) Policy with respect to the valuation point to determine the values of the investments, including policy on timing for valuation of a fund's foreign investments and frequency of valuation of the fund's property.

## **Financial information**

### ***Proforma income statement***

21.11 For a newly-established REIT, a proforma income statement must be disclosed for each of the last three years. The proforma financial information is presented for illustrative purpose only and on the assumption that the REIT was in existence throughout the period under review.

21.12 The following must also be stated:

- (a) The basis upon which the proforma income statement is prepared;
- (b) Where applicable, that the financial statements used in the preparation of the proforma income statement were prepared in accordance with approved accounting standards in Malaysia. Details of any auditor's qualification to these underlying financial statements must also be highlighted;
- (c) Whether the proforma income statement has been properly prepared in a manner consistent with both the format of the financial statements and the accounting policies to be adopted by the REIT; and



- (d) Any adjustment, which was dealt with when preparing the proforma income statement, must be prominently disclosed and highlighted.

21.13 A detailed analysis of the fund over the past three financial years and latest financial period, where applicable, must be provided.

**Proforma balance sheet**

21.14 A proforma balance sheet at the date of establishment of the REIT must be prepared and adjusted for the following:

- (a) Acquisitions connected with the proposed establishment of the REIT; and
- (b) Proceeds received and proposed utilisation of funds.

The prospectus must also set out the details of such adjustments. The proforma balance sheet will assist investors or analysts in determining the financial effects of the acquisition and the notional financial position of the REIT.

21.15 The proforma balance sheet must also include the following information:

- (a) NAV per unit; and
- (b) Proforma NAV per unit.

21.16 The following must also be stated in the prospectus:

- (a) The basis upon which the proforma balance sheet is prepared;
- (b) Where applicable, the financial statements used in the preparation of the proforma financial information were prepared in accordance with approved accounting standards in Malaysia. Details of any auditor's qualification to these underlying financial statements must also be highlighted;
- (c) Whether the proforma balance sheet has been properly prepared in a manner consistent with both the format of the

financial statements and the accounting policies of the fund/ to be adopted by the REIT; and

- (d) Any adjustment, which was dealt with when preparing the proforma balance sheet, must be prominently disclosed and highlighted.

21.17 The proforma balance sheet must be accompanied by a reporting accountants' letter. The reporting accountant's letter shall state the following:

- (a) The proforma balance sheet has been properly prepared on the basis stated in subparagraph 21.16(a) and in a manner consistent with the format of the balance sheet and accounting policies of the REIT to be adopted by the REIT;
- (b) Where applicable, the proforma balance sheet has been properly prepared using financial statements prepared in accordance with the approved accounting standards in Malaysia; and
- (c) Each material adjustment made to the information used in the preparation of the proforma financial information is appropriate for the purposes of preparing such financial information.

### ***Future financial information***

21.18 Profit estimates or forecasts must be provided and be dealt with in accordance with paragraphs 21.20 to 21.26. Where profit estimates or forecasts are submitted as part of an application for the establishment of a REIT, the profit estimates or forecasts should be provided in the prospectus.

21.19 The accounting policies and calculations for profit estimates or forecasts must be reviewed and reported on by the reporting accountants and be accompanied by a reporting accountant's/auditor's letter. The report/letter should be in the prospectus and the opinion stated in the letter should be consistent with those submitted pursuant to the application referred to in paragraph 21.18.

21.20 There should be notes to future financial information, including

whether such information was prepared on bases and accounting principles consistent with those adopted or to be adopted in the preparation of the financial statements of the REIT.

- 21.21 Sufficient details on the bases and assumptions of the estimates or forecasts must be disclosed to enable the investor to assess the reliability of the estimates or forecasts and the effect of any change to the assumptions used. Profit estimates or forecasts must include at the minimum, the following:
- (a) Revenue;
  - (b) Property operating cost;
  - (c) Profit before tax;
  - (d) Tax expense; and
  - (e) Profit after tax.
- 21.22 The bases and assumptions for the profit estimates or forecasts must—
- (a) provide useful information to assist investors to form a view on the reasonableness and reliability of the estimates or forecasts;
  - (b) draw investors' attention to, and where possible quantify, uncertain factors which can materially affect the ultimate achievement of the estimates or forecasts;
  - (c) be specific rather than vague;
  - (d) where possible, avoid generalisations and all-embracing assumptions and those relating to the general accuracy of the assumptions made in the estimates or forecasts; and
  - (e) be stated and reviewed for reasonableness by the directors of the management company who are responsible for the estimates or forecasts, bases and assumptions.
- 21.23 The following requirements must apply for profit estimates or forecasts:

- (a) Estimates or forecasts should be realistic and achievable to provide investors with information on the REIT's prospects. An unrealistic estimates or forecasts, irrespective of whether it is too high or too low, may mislead investors into making investment decisions based on the information in the prospectus;
  - (b) Estimates or forecasts must be compiled with utmost care and objectivity; and
  - (c) Where estimates or forecasts are subject to a high probability of variation, the management company must provide a sensitivity analysis based on the key variables.
- 21.24 For a newly-established REIT, forecast for the first financial year must be presented. However, if the period represented is less than 9 months, forecast for the second financial year of the REIT must be included in the prospectus.
- 21.25 Directors' analysis of estimates or forecasts and commentary on achievability must be disclosed, in light of the following:
- (a) Future prospects of the industry;
  - (b) Future plans and strategies to be adopted; and
  - (c) The level of gearing, liquidity and other requirements.
- 21.26 Distribution estimate or forecast must be disclosed, which include the following:
- (a) Distribution policy;
  - (b) Distribution rate;
  - (c) Distributable amount;
  - (d) Distribution cover; and
  - (e) Distribution yield.
- 21.27 The following warning statement, to appear in bold, must be included

in the prospectus:

**“The rental yield on real estate held by the scheme is not equivalent to the yield of the units.”**

**“Current rental receipts and yields may not sustain.”**

**“The value of the real estate may rise as well as fall.”**

### **Fees, charges and expenses**

21.28 The disclosure on the list of expenses must also include fee paid to the property manager.

### **The property manager**

21.29 A prospectus must disclose information on the appointed property manager which includes–

- (a) corporate information of the property manager, including number of years in real estate/property management, total property under management and staff strength;
- (b) information on key personnel of the property manager, highlighting the academic and professional qualification, as well as experience possessed by the respective personnel;
- (c) functions, duties and responsibility of the property manager;
- (d) the annual fee and basis of the fee calculation; and
- (e) where applicable, unit holding of the property manager in the fund.

### **Valuation certificate**

21.30 A prospectus must contain a valuation certificate prepared in accordance with the *Guidelines on Asset Valuation*.

### **Related-party Transactions and Conflict of Interest**

- 21.31 The relationship between the management company (including the management company's related corporations and associated persons) and the vendors must be explained.
- 21.32 There must also be disclosed brief particulars of any transaction within the two preceding years relating to any real estate to be purchased or to be purchased out of the proceeds of the issue that may give rise to a conflict of interest.

### **Additional information**

- 21.33 The inclusion of photographs in the prospectus is only permitted on condition that the photograph is not more than six months old and the REIT owns a major portion of the real estate. Drawings of real estate must not be included in the prospectus.
- 21.34 Full disclosure of the salient terms of the material agreement relating to the proposed acquisition of real estate.

## Chapter 22

### APPLICATION FORM

- 22.01 An application form must be identifiable with the prospectus and warn investors against signing the form without having read and understood the prospectus.
- 22.02 Accordingly, an application form must contain the following:
- (a) A statement that in accordance with the requirements of the CMSA, the application form should not be circulated unless accompanied by the prospectus;
  - (b) A statement that investors should read the prospectus before completing the application form; and
  - (c) Acknowledgement by an investor that he is aware of the fees and charges that he will incur directly or indirectly when investing in the fund.
- 22.03 A unit trust loan financing risk disclosure statement, where applicable, must also form part of the application form. The contents of the statement must be as follows:

**Investing in a Unit Trust Fund with Borrowed Money Is More Risky than Investing with Your Own Savings**

You should assess if loan financing is suitable for you in light of your objectives, attitude to risk and financial circumstances. You should be aware of the risks, which would include the following:

1. The higher the margin of financing (that is, the amount of money you borrow for every ringgit of your own money which you put in as deposit or down payment), the greater the loss or gain on your investment.

2. You should assess whether you have the ability to service the repayments on the proposed loan. If your loan is a variable rate loan, and if interest rates rise, your total repayment amount will be increased.
3. If unit prices fall beyond a certain level, you may be asked to provide additional acceptable collateral (where units are used as collateral) or pay additional amounts on top of your normal instalments. If you fail to comply within the time prescribed, your units may be sold towards the settlement of your loan.
4. Returns on unit trusts are not guaranteed and may not be earned evenly over time. This means that there may be some years where returns are high and other years where losses are experienced. Whether you eventually realise a gain or loss may be affected by the timing of the sale of your units. The value of units may fall just when you want your money back even though the investment may have done well in the past.

This brief statement cannot disclose all the risks and other aspects of loan financing. You should therefore carefully study the terms and conditions before you decide to take a loan. If you are in doubt about any aspect of this risk disclosure statement or the terms of the loan financing, you should consult the institution offering the loan.

**Acknowledgement of Receipt of Risk Disclosure Statement**

I acknowledge that I have received a copy of this Unit Trust Loan Financing Risk Disclosure Statement and understand its contents.

Signature: \_\_\_\_\_

Full name: \_\_\_\_\_

Date: \_\_\_\_\_



***PART III***  
***LISTED FUNDS***

## Chapter 1

### COVER PAGE

- 1.01 The cover page of a prospectus must contain–
- (a) in the case of an approved local fund, the name of the fund, or funds in the case of a master prospectus; or
  - (b) in the case of an approved foreign fund:
    - (i) Name of the fund;
    - (ii) The fund is approved, authorised, or registered, as the case may be, by the securities regulator in the foreign jurisdiction;
    - (iii) The foreign jurisdiction where the fund is domiciled, the name of the securities regulator regulating the fund, and management company for the fund;
    - (iv) The applicable legislation in the foreign jurisdiction governing the fund and the legal and regulatory environment in the foreign jurisdiction may differ from that prevailing in Malaysia;
    - (v) In the case were a prospectus incorporates an offer document registered outside Malaysia in respect of the fund, to provide a statement to the effect and
    - (vi) In the case of the master prospectus, the above information must be disclosed for each fund which is the subject of the master prospectus.
- 1.02 A prospectus should state the following particulars of the management company:

- (a) Full name of the management company; and
  - (b) Registration number of the management company.
- 1.03 A prospectus should disclose the following particulars of the trustee:
- (a) Full name of the trustee; and
  - (b) Registration number of the trustee.
- 1.04 A prospectus should be dated and the date of constitution of the fund should be clearly disclosed.
- 1.05 Details of the public offering should be disclosed, including–
- (a) number and type of units being issued/offered;
  - (b) price of units being issued/offered; and
  - (c) listing that is sought.
- 1.06 The name of the adviser, the person primarily managing the placement of securities, if any, and managing underwriter must also be disclosed.
- 1.07 The following statement must appear on the cover page of the prospectus:

**“INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.”**

**“FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE [xx].”**

## Chapter 2

### INSIDE COVER/FIRST PAGE

#### 2.01

Local fund approved in Malaysia	Foreign fund approved in Malaysia
<p>If not already disclosed on the front cover, the prospectus must contain the following statements on the inside cover or at the very least, on page 1:</p> <p><b><i>Responsibility Statements</i></b></p> <p>“This prospectus has been reviewed and approved by the directors of the management company 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 prospectus false or misleading.”</p> <p>“[name of adviser and name of the person primarily managing the placement of securities, if any], acknowledge(s) that, based on all available information, and to the best of its/their knowledge and belief, this prospectus constitutes a full and true disclosure of all material facts concerning the public offering.”</p>	<p>If not already disclosed on the front cover, the prospectus must contain the following statements on the inside cover or at the very least, on page 1:</p> <p><b><i>Responsibility Statements</i></b></p> <p>“This prospectus has been reviewed and approved by the directors of the management company 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 prospectus false or misleading.”</p> <p>“[name of adviser and name of the person primarily managing the placement of securities, if any], acknowledge(s) that, based on all available information, and to the best of its/their knowledge and belief, this prospectus constitutes a full and true disclosure of all material facts concerning the public offering.”</p>

<b>Statements of Disclaimer</b>	<b>Statements of Disclaimer</b>
<p>“The Securities Commission Malaysia has approved the issue of, offer for subscription or purchase, or issue an invitation to subscribe for or purchase units in respect of the public offering and a copy of this prospectus has been registered with the Securities Commission Malaysia.”</p> <p>“The approval of the public offering of the units, and registration of this prospectus, should not be taken to indicate that the Securities Commission Malaysia recommends the fund or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this prospectus.”</p> <p>“The Securities Commission Malaysia is not liable for any non-disclosure on the part of the management company responsible for the fund and takes no responsibility for the contents in this prospectus. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this prospectus, and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents.”</p> <p><b>“INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS</b></p>	<p>“The fund is established in a foreign jurisdiction and is regulated by the regulator in the foreign jurisdiction. As such, the fund is not subjected to the requirements of the [insert relevant guidelines] issued by the Securities Commission Malaysia.”</p> <p>“The Securities Commission Malaysia has approved the issue of, offer for subscription or purchase, or issue an invitation to subscribe for or purchase units in respect of the public offering and a copy of this prospectus has been registered with Securities Commission Malaysia.”</p> <p>“The approval of the public offering of the units, and registration of this prospectus, should not be taken to indicate that the Securities Commission Malaysia recommends the fund or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this prospectus.”</p> <p>“The Securities Commission Malaysia is not liable for any non-disclosure on the part of the management company responsible for the fund and takes no responsibility for the contents of this prospectus. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this prospectus, and</p>

<p><b>OF THE INVESTMENT. IF INVESTORS ARE UNABLE TO MAKE THEIR OWN EVALUATION, THEY ARE ADVISED TO CONSULT PROFESSIONAL ADVISERS.”</b></p> <p>“Admission to the Official List of Bursa Malaysia Securities Bhd is not to be taken as an indication of the merits of the invitation, funds or of its units.”</p>	<p>expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents.”</p> <p><b>“INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF INVESTORS ARE UNABLE TO MAKE THEIR OWN EVALUATION, THEY ARE ADVISED TO CONSULT PROFESSIONAL ADVISERS.”</b></p> <p>“Admission to the Official List of Bursa Malaysia Securities Bhd is not to be taken as an indication of the merits of the invitation, funds or of its units.”</p>
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2.02 In addition to the statements in paragraph 2.01, the following must be stated:

(a)

“Investors should note that they may seek recourse under the *Capital Markets and Services Act 2007* for breaches of securities laws and regulations including any statement in the prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to the prospectus or the conduct of any other person in relation to the fund.”

(b) For a Shariah-compliant fund–

“The fund offered in this prospectus has been certified as Shariah-compliant by the Shariah adviser appointed for the fund”.

## Chapter 3

### **TIMETABLE, TABLE OF CONTENTS, DEFINITIONS AND DIRECTORY**

- 3.01 A prospectus should be properly structured, with relevant sections and headings, for ease of reference and cross-reference.

#### **Indicative Timetable**

- 3.02 A prospectus should disclose the period during which the public offering of units is open after the publication of the prospectus. The offer period should be reasonable and inclusive of the date of issue of the prospectus.
- 3.03 A prospectus should set out the critical dates for the public offering, including–
- (a) opening and closing dates of the issue and/or offer;
  - (b) tentative dates of any special event, for example, date for balloting the applications (day, month and year);
  - (c) tentative date for allotment of units (day, month and year); and
  - (d) tentative listing date (day, month and year).
- 3.04 A prospectus should state whether the directors of the management company reserve the right to extend the closing date.
- 3.05 A prospectus should disclose the method of informing the public if the closing date is extended.

#### **Table of Contents**

- 3.06 There should be a table of contents, listing all sections and subsections of the prospectus.

## Definitions

3.07 A glossary of abbreviations and technical terms should also be provided.

## Corporate Directory

3.08

<b>Local fund approved in Malaysia</b>	<b>Foreign fund approved in Malaysia</b>
<p>The directory should contain details of the following persons:</p> <p>(a) Name, address and telephone numbers of the registered office and business office of the management company and its delegates (if any), as well as the e-mail address and website address (if any);</p> <p>(b) Name, address and telephone numbers of the trustee's registered office and business office and its delegates (if any), as well as the e-mail address and website address (if any);</p> <p>(c) Names of the directors of the management company (to specify the independent directors);</p> <p>(d) Where applicable, names of the investment committee members (to specify the independent members);</p>	<p>The directory should contain details of the following persons:</p> <p>(a) Name, address and telephone numbers of the registered office and business office of the management company and its delegates (if any), as well as the e-mail address and website address (if any);</p> <p>(b) Name, address and telephone numbers of the trustee's registered office and business office and its delegates (if any), as well as the e-mail address and website address (if any);</p> <p>(c) Names of the directors of the management company (to specify the independent directors);</p> <p>(d) Where applicable, names of the investment committee members (to specify the independent members);</p> <p>(e) Names of specialist committee</p>



<p>(e) Names of specialist committee members/adviser (where applicable);</p> <p>(f) Names of the audit and compliance committee (or by whatever name called) members (where applicable);</p> <p>(g) Name, address and membership number of company secretary;</p> <p>(h) Names and addresses of the following parties:</p> <p>(i) Auditors;</p> <p>(ii) Reporting accountants;</p> <p>(iii) Tax consultants;</p> <p>(iv) Solicitors;</p> <p>(v) Principal bankers;</p> <p>(vi) Agency offices;</p> <p>(vii) Issuing house;</p> <p>(viii) Registrar;</p> <p>(ix) Adviser and managing underwriter;</p> <p>(x) Underwriters;</p> <p>(xi) Placement agents;</p> <p>(xii) Valuers (for real estate</p>	<p>members/adviser (where applicable);</p> <p>(f) Names of the audit and compliance committee (or by whatever name called) members (where applicable);</p> <p>(g) Name and address of the representative for the fund;</p> <p>(h) Names and addresses of the following parties:</p> <p>(i) Auditors;</p> <p>(ii) Reporting accountants;</p> <p>(iii) Tax consultants;</p> <p>(iv) Solicitors;</p> <p>(v) Principal bankers;</p> <p>(vi) Agency offices;</p> <p>(vii) Issuing house;</p> <p>(viii) Registrar;</p> <p>(ix) Adviser and managing underwriter;</p> <p>(x) Underwriters;</p> <p>(xi) Placement agents;</p> <p>(xii) Valuers (for real estate investment trusts);</p>
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<p>investment trusts);</p> <p>(xiii) Property manager (for real estate investment trusts);</p> <p>(xiv) Participating dealer (for exchange-traded funds); and</p> <p>(xv) Index licensor (for exchange-traded funds);</p> <p>(i) Names and addresses of expert(s) whose prepared reports or excerpts or summaries are included or referred to in the prospectus; and</p> <p>(j) Name(s) of stock exchange(s) where units are already listed and/or the listing sought in relation to the prospectus.</p>	<p>(xiii) Property manager (for real estate investment trusts);</p> <p>(xiv) Participating dealer (for exchange-traded funds); and</p> <p>(xv) Index licensor (for exchange-traded funds);</p> <p>(i) Names and addresses of expert(s) whose prepared reports or excerpts or summaries are included or referred to in the prospectus; and</p> <p>(j) Name(s) of stock exchange(s) where units are already listed and/or the listing sought in relation to the prospectus.</p>
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## Chapter 4

### KEY DATA/INFORMATION SUMMARY

- 4.01 There must be a key data/information summary section in a prospectus, highlighting salient features of the fund.
- 4.02 The key data/information summary should, where necessary, include cross-references to pages of the body of the prospectus which contains full details about the respective matters.
- 4.03 There must be a warning in bold at the front of the key data/information summary section advising investors that this section is only a summary of the salient information about the fund and that investors should read and understand the whole prospectus prior to making investment decisions.
- 4.04 Detailed content of the key data/information summary is to be determined by the management company but should include, but is not limited, to the following information:
- (a) Fund information such as name of fund; category and type of fund; the investment objectives; investment policies and strategies; performance benchmark; investor profile most suitable for the fund and distribution policy;
  - (b) Risk factors;
  - (c) Fees and charges;
  - (d) Units for distribution, offering price and expected net proceeds;
  - (e) Use of proceeds;
  - (f) Other information, such as—
    - (i) a list of the current deed and supplemental deeds (if any) and their corresponding dates;

- (ii) avenue for advice available to prospective investors (where applicable);
- (g) The following warning statement must be disclosed (to appear in bold):

**“There are fees involved and investors are advised to consider them before investing in the fund.”**

**“Unit prices and distributions payable, if any, may go down as well as up.”**

**“For information concerning certain risk factors which should be considered by prospective investors, see “risk factors” commencing on page [xx].”**

- (h) For a fund which is already in operation prior to the public offering for the purpose of seeking listing on Bursa Malaysia Securities Bhd, the prospectus must include the following warning statement:

**“Past performance of the fund is not an indication of its future performance.”**

## Chapter 5

### DETAILS OF PUBLIC OFFERING

- 5.01 A prospectus should disclose the following:
- (a) Where a prospectus states or implies that an application has been or will be made for permission for the units offered to be listed for quotation on the official list of a stock exchange or similar exchanges outside Malaysia, any allotment made on an application to subscribe for units in pursuance to the prospectus should be void if the permission is not applied for in the form for the time being required by the stock exchange before the third day on which the exchange is open after the date of issue of the prospectus or the permission is not granted before the expiration of six weeks from the date of issue of the prospectus or such longer period as may be specified by the SC, provided that the applicant is notified by or on behalf of the exchange within the six weeks or such longer period as may be specified by the SC; and
  - (b) Where permission has not been applied for, or has not been granted by the exchange as mentioned above, the management company will repay without interest all monies received from the applicant.
- 5.02 The purpose of the public offering should be clearly explained.
- 5.03 A prospectus should disclose details of the following:
- (a) The number and type of units proposed to be issued/offered to different groups of investors;
  - (b) Classes of units and rights attaching to the units regarding voting, distribution, liquidation and any special right;

- (c) Where there is or is to be more than one class of units of the fund in issue, like particulars should be given for each additional class; and
  - (d) If, in conjunction with the public offering, units of the same or another class are sold or subscribed privately, the nature of such sale or subscription and the number and characteristics of the issue concerned, including details of underwriting/undertaking arrangements, if any.
- 5.04 Where a management company intends to allocate units to eligible directors, employees and/or other persons under a preferential allocation scheme, the management company should disclose the following:
- (a) A brief description of the criteria of allocation of the units;
  - (b) Total number of persons eligible for the allocation; and
  - (c) Where the directors of the management company are eligible for the allocation scheme, the number of units which will be allocated to each individual director.
- 5.05 A prospectus should contain details about the pricing of units, including the following:
- (a) Prices applied to different classes of investors; and
  - (b) Bases for determination of the issue/offer price. Such bases should be clearly explained.
- 5.06 Where applicable, a prospectus should contain full details of the following:
- (a) Minimum subscription to be raised to satisfy the objectives of the public offering;
  - (b) Estimated gross proceeds from the public offering, broken

down into each principal intended use. If the anticipated proceeds will not be sufficient to fund all proposed purposes, the order of priority of each purpose should be given, as well as the amount and sources of other funds needed. Disclose also how the proceeds will be used pending their eventual utilisation for the proposed purposes;

- (c) If the management company has no specific plans for the proceeds, it should also discuss the principal reasons for the offering;
  - (d) If any material part of the proceeds is used to discharge, reduce or retire indebtedness, describe the interest rate and maturity of such indebtedness, and, for indebtedness incurred within the past year, the uses to which the proceeds of such indebtedness were put;
  - (e) If any material part of the proceeds is used for general working capital, briefly describe the items;
  - (f) A reasonably itemised statement of the major categories of expenses incurred in connection with the issuance and distribution of the units to be listed or offered, and by whom the expenses are payable;
  - (g) Brokerage arrangements and commissions, including underwriting and placement fees;
  - (h) Time frame for full utilisation of the proceeds based on each category; and
  - (i) Financial impact on the fund from the utilisation of the proceeds, i.e. interest savings, etc.
- 5.07 The prospectus should contain details of underwriting agreements, including–
- (a) name of the underwriter;

- (b) amount of underwriting commissions; and
- (c) brief description of any provision which may allow the underwriters to withdraw from obligations under the agreement after the opening of the offer.



## Chapter 6

### RISK FACTORS

- 6.01 A prospectus should contain information regarding risk factors relating to the fund, which would include among others–
- (a) general risks of investing in the fund; and
  - (b) specific risks associated with the investment portfolio of the fund.
- 6.02 Mitigating factors should be disclosed in circumstances where the risks are considered major to investors.
- 6.03 The listing of risk factors in order of priority is encouraged.
- 6.04 Care should be taken in making disclaimers of risk factors 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.

## **Chapter 7**

### **THE FUND**

- 7.01 A prospectus must include a section giving details on the fund offered in the prospectus. The objective here is to provide prospective investors with detailed information on the fund for the purpose of making an informed assessment of the fund for decision making purposes.
- 7.02 The disclosure requirements that are specific to each category of fund are set out in Chapters 19-21.

## Chapter 8

### FEES

- 8.01 A prospectus must clearly disclose and explain the cost of investing in the fund.
- 8.02 A prospectus should include a description of fees that will be incurred (directly or indirectly) by investors when investing in the fund. Where applicable, the description should include the annual rate imposed during the life of the prospectus and the maximum rate as provided in the deed.
- 8.03 Any additional form of remuneration which the management company and/or any related party/corporation or person may derive, for example, by acting as real estate agents (e.g. commissions, finder's fees, letting fees and project fees), from the supply of maintenance or publicity services, or from the provision of professional (e.g. valuation, legal, accountancy or insurance) services or by other means should be disclosed.

### Expenses

- 8.04 A prospectus should also highlight the expenses to be incurred by the fund (e.g. auditors fee, valuation fee, taxes, custodial charges, etc.)

### Others

- 8.05 The management company's policy on rebates and soft commissions should also be disclosed (where applicable).
- 8.06 The following statement must appear under this section:

**“There are fees involved and investors are advised to consider them before investing in the fund.”**

## Chapter 9

### THE MANAGEMENT COMPANY

9.01 A prospectus must include a section on the management company which operates and manages the fund offered in the prospectus.

#### Corporate information

9.02 The corporate information of the management company must be disclosed, which includes—

- (a) names of the directors and their status (independent or non-independent);
- (b) information of key personnel, such as CEO and designated person responsible for compliance matters. Information should include academic and/or professional qualifications and relevant work experience;
- (c) the management company's experience in operating and managing a fund;
- (d) summary of the management company'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
- (e) total number of funds as well total value of funds operated by the management company (where applicable).

- 9.03 There must also be a disclosure of–
- (a) the roles, duties and responsibilities of the management company; and
  - (b) all current material litigations and arbitrations, 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 management company or any of its delegates.
- 9.04 A prospectus should disclose the promoters, substantial shareholders, directors and key personnel of the management company's direct and indirect unit holding in the fund before and after public offering.

#### **Fund management function**

- 9.05 A prospectus should disclose the designated person responsible for the fund management of the fund, his qualifications and relevant work experience.
- 9.06 Where the fund management function is delegated to an external party, the prospectus should, in addition to the disclosure requirements of paragraph 9.05, disclose the following:
- (a) A brief corporate information of the delegate;
  - (b) Roles and duties of the delegate;
  - (c) The delegate's experience in fund management (including number of years in the fund management industry); and
  - (d) Total value of funds under the delegates management.

#### **Delegates**

- 9.07 If any other function of the management company is delegated to an external party, the following information should be disclosed:

- (a) A brief corporate information of the delegate; and
- (b) Roles and duties of the delegate.

### **Investment committee**

- 9.08 Where an investment committee is appointed, information on the members of the investment committee should 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 investment committee, as well as frequency of meetings.

### **Shariah adviser**

- 9.09 Where a Shariah adviser/panel of advisers is appointed, the following information must be disclosed:
- (a) Names, relevant qualifications and experience of each member of Shariah adviser;
  - (b) Where the Shariah adviser is a company–
    - (i) the corporate information of the company;
    - (ii) experience relevant to its appointment as an adviser; and
    - (iii) number of funds in which it acts as adviser;
  - (c) Roles and primary functions of the Shariah adviser, including the frequency of meetings; and

- (d) Frequency of review on the fund's investments by the Shariah adviser/panel of advisers to ensure compliance with Shariah principles or any other relevant principle at all times.

## Chapter 10

### THE TRUSTEE

- 10.01 A prospectus must include a section on the trustee of the fund.
- 10.02 The corporate information of the trustee must be disclosed, which includes–
- (a) names of directors and CEO;
  - (b) trustee’s experience as trustee to funds;
  - (c) summary of 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.
- 10.03 A prospectus must also include a trustee’s statement of responsibility.
- 10.04 There must be a disclosure of–
- (a) the roles, duties and responsibilities of a trustee; and
  - (b) all current material litigations and arbitrations, 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 trustee or any of its delegates.



**Delegates**

- 10.05 Where custodial function of the trustee is delegated, the following information should be disclosed:
- (a) A brief corporate information on the delegate; and
  - (b) The roles and duties of the delegate.

## Chapter 11

### SALIENT TERMS OF DEED

- 11.01 A prospectus must disclose salient terms of the deed, particularly provisions relating to—
- (a) rights and liabilities of investors, including the limitations and restrictions on the rights of investors;
  - (b) maximum fees permitted by the deed and payable by the investors (such as management fee, trustee fee, etc.);
  - (c) increase in fees from the level disclosed in the prospectus and the maximum rate provided in the deed;
  - (d) permitted expenses payable out of the fund's property;
  - (e) removal, replacement and retirement of the management company and trustee;
  - (f) termination of the fund; and
  - (g) unit holders' meeting.

## Chapter 12

### APPROVALS AND CONDITIONS

- 12.01 A prospectus should disclose the approvals obtained from the relevant authorities in conjunction with the public offering together with the dates of approvals and any condition attached and the compliance thereof (where applicable).
- 12.02 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).

## Chapter 13

### RELATED-PARTY TRANSACTIONS/CONFLICT OF INTEREST

- 13.01 A prospectus should disclose existing and proposed related-party transactions involving the fund, the management company, trustee, promoters, vendors and/or person connected to them (where applicable), together with steps taken to resolve any conflict of interest. Such disclosures is also required if the fund enters into any transaction with key personnel of the management company, promoters, vendors, and/or person connected to them.
- 13.02 A management company should disclose its policy with respect to dealing with conflict-of-interest situations (e.g. dealing in securities by employees, directors, investment committee members, etc.).
- 13.03 A management company should elaborate the nature and extent of related-party transactions and conflict-of-interest situations in the prospectus.
- 13.04 A prospectus should provide details of direct and indirect interests of the directors and substantial shareholders of the management company in other corporations carrying on similar business.
- 13.05 Declaration of any expert's existing and potential interests/conflicts of interest in an advisory capacity (if any) *vis-à-vis* the fund/management company must be provided in the prospectus. "Experts" means advisers, firms of public accountants, law firms, valuers, engineers and other parties which provide advice to the fund/management company.

## **Chapter 14**

### **TAXATION OF THE FUND**

14.01 A prospectus should 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); and
- (b) Tax liabilities of the investors, if any.

## Chapter 15

### EXPERTS' REPORTS

- 15.01 Where a prospectus contains experts' opinion, excerpts from or summaries of opinion expressed and conclusion recorded in the reports should be disclosed in the prospectus. The experts should state whether or not the reports were prepared for inclusion in the prospectus. The experts' reports should be signed and dated within a reasonable time of the issue of the prospectus. This is to ensure that the contents are substantially relevant at the time the prospectus is issued.
- 15.02 If an expert becomes aware of significant changes affecting the content of his report, the expert has an ongoing obligation to either cause his report to be updated for the changes and, where applicable, cause the management company to issue a supplementary prospectus or replacement prospectus, or withdraw his consent to the inclusion of the report in the prospectus. Failure to do so will result in the management company, promoters and the expert being liable for any misleading statement or material omission in the outdated report.
- 15.03 Experts should take care in making disclaimers of responsibility in their reports. If the disclaimers are so wide as to cause the report is of little or no beneficial use to investors, then the inclusion of the report in the prospectus may itself be misleading.

## Chapter 16

### ADDITIONAL INFORMATION

- 16.01 A prospectus should contain information on how investors can keep abreast of developments in the fund and track unit price/NAV per unit of the fund.
- 16.02 A prospectus should also disclose and highlight customer services provided by the management company.
- 16.03 Policies and procedures adopted by the management company to avoid money laundering activities should also be disclosed (e.g. procedures on identifying and verifying investors, and actions to be taken by the management company when money laundering activity is detected).
- 16.04 There should also be a full disclosure of all material contracts (including contracts not reduced in writing) not being contracts in the course of business, entered into within two years preceding the date of the prospectus. The following particulars should be disclosed for each contract:
- (a) Date;
  - (b) Parties;
  - (c) Subject matter;
  - (d) Consideration passing to or from the fund and/or management company where applicable; and
  - (e) The mode of satisfaction of the consideration.

## **Chapter 17**

### **CONSENTS**

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



## Chapter 18

### DOCUMENTS AVAILABLE FOR INSPECTION

- 18.01 A prospectus must contain a statement that for a period of at least 12 months from the date of issuance of the prospectus, copies of the following documents (where applicable) may be inspected at the registered office of the management company or such other place as the SC may determine:
- (a) The deed and supplemental deed;
  - (b) Each material contract referred to in the prospectus and, in the case of contracts not reduced into writing, a memorandum which gives full particulars of the contracts;
  - (c) The audited financial statements of the fund for the current financial year (where applicable) and for the last three financial years or if the fund has been established/incorporated for a period of less than three years, the entire period preceding the date of the prospectus;
  - (d) All reports, letters or other documents, valuations and statements by any expert, any part of which is extracted or referred to in the prospectus. Where a summary expert's report is included in the prospectus, the corresponding full expert's report should be made available for inspection;
  - (e) Writ and relevant cause papers for all material litigation and arbitration disclosed in the prospectus; and
  - (f) Consent given by each expert disclosed in the prospectus.

## Chapter 19

### **SPECIFIC REQUIREMENTS FOR REAL ESTATE INVESTMENT TRUSTS**

- 19.01 The following information must be disclosed in the prospectus of a real estate investment trust (REIT), in addition to that specified under Chapters 1-18 of these Guidelines, unless otherwise specified.

#### **Inside cover/first page**

- 19.02 The responsibility statements under paragraph 2.01 are not applicable for a REIT. The following responsibility statements must be stated in a REIT prospectus:

“This prospectus has been reviewed and approved by the directors of the management company 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, there are no false or misleading statements, or omission of other facts which would make any statement in the prospectus false or misleading. The directors of the management company accept full responsibility for the profit estimate/forecast included in this prospectus and confirm that the profit estimate/forecast has been prepared based on assumptions made.”

“[name of adviser and name of the person primarily managing the placement of securities], acknowledge that, based on all available information, and to the best of their knowledge and belief, this prospectus constitutes a full and true disclosure of all material facts concerning the public offering and is satisfied that any profit estimate/forecast (for which the directors of the management company are fully responsible), prepared for inclusion in the prospectus has been stated by the directors after due and careful enquiry and have been duly reviewed by the Reporting Accountants.”

- 19.03 There must be an additional statement of disclaimer as follows:

“The valuation approved or accepted by the Securities Commission Malaysia shall only be utilised for the purpose of the proposals submitted to and approved by the Securities Commission Malaysia, and shall not be construed as an endorsement by the Securities Commission Malaysia on the value of the subject assets for any other purpose.”

### **Key data/Information summary**

- 19.04 The key data/information summary section should also include, but is not limited to, the following information:
- (a) Brief but relevant details on the real estate, including a table highlighting principal statistics of the real estate;
  - (b) Revaluation policy;
  - (c) Gearing policy; and
  - (d) Summary financial information.

### **The fund**

#### **General**

- 19.05 A prospectus of a REIT should contain, but is not limited to, the following information:
- (a) The investment objective of the REIT. There should also be a statement that material changes to the investment objective of the fund would require unit holders’ approval;
  - (b) The policies and investment strategies to achieve the REIT’s stated objective. The investment strategies should include the REIT’s future plans (e.g. growth strategies) and steps taken (including the time frame) to realise the plans;
  - (c) The types and characteristics of real estates which the REIT will acquire, i.e. considerations taken into account in selecting

the real estate (e.g. location, types of real estate and income/rental prospects of the real estate, etc.);

- (d) Permitted investments and investment limits/restrictions;
- (e) The policy on gearing and the REIT's level of gearing at the point of listing (including source, type, nature of borrowings and the interest rate payable);
- (f) Distribution policy and mode of distribution to investors;
- (g) Investors' profile most suitable for the REIT; and
- (h) Details of any existing or proposed arrangement which materially enhances short-term yields but may not be sustainable in the long-term and the risks associated with such arrangements. An analysis of how such arrangements affect current and future yields should be disclosed together with a computation of the forecast distribution yields without such arrangements.

19.06 For a Shariah-compliant REIT, the prospectus should also include–

- (a) clear description of the Shariah approval process, including details on methodologies, rulings and screening process; and
- (b) a statement to the effect that the investment in real estate of the fund have been carried out in accordance with the ruling issued by the Shariah adviser. Where the REIT also invests in securities, the statement should include that the securities have been classified as Shariah compliant by the Shariah Advisory Council (SAC) of the SC. For securities not classified by the SAC of the SC, a statement stating that the status of the securities has been determined in accordance with the ruling issued by the Shariah adviser.

**Investment in real estates**

19.07 A prospectus must include specific disclosures on the real estate, including but not limited to, the following:

- (a) Details and description of the real estate acquired or to be acquired by the REIT:
  - (i) Description of the real estate which includes type, location, age, existing use, net lettable area, number of car parks, information specific to the type of the real estate, such as hotel, hospital and agriculture properties, the market value and purchase consideration;
  - (ii) Particulars of the tenancies, which include major tenants and their corresponding percentage contribution to total gross rental income, tenancy periods, periodic reviews and occupancy rates for the past three years (where applicable) and, in the case of a sale and leaseback, the basis of arriving at the rental entered into by the REIT;
  - (iii) Details of incomes and expenditure including gross rental income, outgoings, net income, estimation of future income and major capital expenditures likely to be incurred in the immediate future; and
  - (iv) Encumbrances/limitations in title/interest to the real estate (if any);
- (b) Where a real estate acquired or to be acquired is leased or is proposed to be leased, details of the lease(s) (excluding sub-leases), including details of financial arrangements, stamp duty and options, or other rights given to a lessee or proposed lessee to purchase the real estate. If none, a statement to the effect should be made;

- (c) For a real estate to be acquired, the expected period within which the transaction will be completed and its status at the date of prospectus;
- (d) Where a REIT has entered into an agreement to purchase a real estate upon its completion, the rationale and justification of acquiring such real estate and the future prospects of acquiring tenants and future incomes; and
- (e) Relevant information, in particular, risks associated with the following acquisitions:
  - (i) Real estate without a track record;
  - (ii) Buildings which are not fully tenanted;
  - (iii) Equity of single-purpose companies;
  - (iv) Part of a real estate; and
  - (v) Real estate located outside Malaysia.

19.08 A prospectus should also state the management company's valuation policy for the real estate, disclosing the following information:

- (a) Frequency of valuation;
- (b) Date of the last valuation conducted;
- (c) The likely date for the next valuation;
- (d) Revaluation surplus/deficit comparative to last valuation; and
- (e) Net book value of the real estate.

19.09 An overview of the real estate/property market and the outlook for the types of real estate that are or to be acquired by the fund should also be included in the prospectus.

**Investments in real estate-related assets and non-real estate-related assets**

19.10 Where a REIT invests in real estate-related assets and/or non-real estate-related assets, the prospectus should disclose, but is not limited to, the following:

- (a) The investment policy and investment strategies to achieve the investment objective of the REIT. In describing the investment policy and investment strategies, the following information should be disclosed:
  - (i) Investment focus of the REIT (e.g. equity, debenture, money market, etc.), the characteristics of the securities/instruments to be invested and the asset allocation strategy. Where appropriate, the investment focus should also include the countries/markets (e.g. global, regional or country-specific, developed or emerging markets, etc.) and target sector/industry;
  - (ii) Practice, technique or approach used by the fund manager in managing the investment portfolio, including the policy on active and frequent trading of securities; and
  - (iii) Where applicable, disclosure on whether the fund manager may take temporary defensive positions that may be inconsistent with the REIT's principal strategy in attempting to respond to adverse market conditions, economic, political or any other condition. There should also be a disclosure on types of securities/instruments in which the fund would invest in during defensive positions;
- (b) The risk management strategies and techniques to be employed by the fund manager;
- (c) The permitted or authorised investments and the investment

limits/restrictions for the REIT;

- (d) Valuation bases for all types of assets invested or to be invested by the REIT, including treatment for suspended counters; and
- (e) Policy with respect to valuation point(s) to determine the values of the investments (including policy on timing for valuation of a fund's foreign investments and frequency of valuation of the fund's property).

## **Financial information**

### ***Historical financial information***

- 19.11 For a REIT already in operation prior to its listing, the prospectus should contain a table of the income statement of the REIT for the past three financial years and for the latest financial period (where applicable). The table should include, at the minimum, the following:
- (a) Revenue;
  - (b) Property operating cost;
  - (c) Profit before tax;
  - (d) Tax expense; and
  - (e) Profit after tax.
- 19.12 A detailed analysis of the REIT over the past three financial years and latest financial period, where applicable, shall be provided.
- 19.13 If the date of issuance of the prospectus is later than six months after the end of the last financial year, interim audited financial statements should be provided.
- 19.14 The interim financial statements should be provided in the same



format as the audited financial statements provided under paragraph 19.11.

- 19.15 In addition, interim financial statements should include—
- (a) comparative statements for the same period in the prior financial year for the income statements. The comparative interim financial statements need not be audited; and
  - (b) selected disclosure notes which will provide an explanation of events and changes which are significant and caused changes in financial position and performance of the REIT since the last annual reporting date.

***Proforma income statement***

- 19.16 For a newly-established REIT, a proforma income statement should be prepared for each of the last three years. The proforma income statement is presented for illustrative purpose only and on the assumption that the fund was in existence throughout the period under review.
- 19.17 The following should be stated:
- (a) The basis upon which the proforma income statement is prepared;
  - (b) (Where applicable) that the financial statements used in the preparation of the proforma income statement were prepared in accordance with approved accounting standards in Malaysia. Details of any auditor's qualification to these underlying financial statements should also be highlighted;
  - (c) Whether the proforma income statement has been properly prepared in a manner consistent with both the format of the financial statements and the accounting policies to be adopted by the fund; and

- (d) Any adjustments, which were dealt with when preparing the proforma income statement, should be prominently disclosed and highlighted.

19.18 A detailed analysis of the fund over the past three financial years and latest financial period, where applicable, should be provided.

**Proforma balance sheet**

19.19 In all cases, a proforma balance sheet at the date of establishment of the fund or at the last date to which the financial statements should be prepared and adjusted for the following:

- (a) Acquisitions connected with the proposed public-offering exercise; and
- (b) Proceeds of the proposed public-offering exercise and proposed utilisation of funds.

The prospectus should also set out the details of such adjustments. The proforma balance sheet will assist investors or analysts in determining the financial effects of the acquisition and the notional financial position of the fund in which they are being invited to invest.

19.20 The proforma balance sheet should also include the following information:

- (a) NAV per unit; and
- (b) Proforma NAV per unit.

19.21 The following should also be stated in the prospectus:

- (a) The basis upon which the proforma balance sheet is prepared;
- (b) (Where applicable) the financial statements used in the preparation of the proforma financial information were prepared in accordance with approved accounting standards in Malaysia.

Details of any auditor's qualification to these underlying financial statements should also be highlighted;

- (c) Whether the proforma balance sheet has been properly prepared in a manner consistent with both the format of the financial statements and the accounting policies of the fund/ to be adopted by the fund; and
- (d) Any adjustment, which was dealt with when preparing the proforma balance sheet, shall be prominently disclosed and highlighted.

19.22 The proforma balance sheet should be accompanied by a reporting accountants' letter. The reporting accountants' letter should state their opinion of the following:

- (a) The proforma balance sheet has been properly prepared on the basis stated in paragraph 19.21(a) and in a manner consistent with the format of the balance sheet and accounting policies of the fund/to be adopted by the fund;
- (b) (Where applicable) the proforma balance sheet has been properly prepared using financial statements prepared in accordance with the approved accounting standards in Malaysia; and
- (c) Each material adjustment made to the information used in the preparation of the proforma financial information is appropriate for the purposes of preparing such financial information.

***Future financial information***

19.23 Profit estimates/forecasts should be provided and be dealt with in accordance with paragraphs 19.24 – 19.32. Where profit estimates/forecasts are submitted as part of an application for the establishment of a REIT, the profit estimates/forecasts should be provided in the prospectus.

- 19.24 The accounting policies and calculations for profit estimates/forecasts should be reviewed and reported on by the reporting accountants and be accompanied by a reporting accountant's/auditor's letter. The report/ letter should be set out in the prospectus, whereby the opinion stated in the letter is consistent with those submitted pursuant to the application referred to in paragraph 19.23.
- 19.25 There should be notes to future financial information, including whether such information was prepared on bases and accounting principles consistent with those adopted/to be adopted in the preparation of the financial statements of the fund.
- 19.26 Sufficient details on the bases and assumptions of the estimates/forecasts should be disclosed to enable investors to assess the reliability of the estimates/forecasts and the effect of any change to the assumptions used. Profit estimates/forecasts should include at the minimum, the following:
- (a) Revenue;
  - (b) Property operating cost;
  - (c) Profit before tax;
  - (d) Tax expense; and
  - (e) Profit after tax.
- 19.27 The bases and assumptions stated in relation to profit estimates/forecasts should–
- (a) provide useful information to investors to assist them in forming a view as to the reasonableness and reliability of the estimates/forecasts;
  - (b) draw the investors' attention to, and where possible quantify, those uncertain factors which can materially affect the ultimate achievement of the estimates/forecasts;

- (c) be specific rather than vague;
- (d) where possible, avoid generalisations and all-embracing assumptions and those relating to the general accuracy of the assumptions made in the estimates/forecasts; and
- (e) be clearly stated and reviewed for reasonableness by the directors of the management company who are responsible for the estimates/forecasts, bases and assumptions.

19.28 The following requirements should apply for profit estimates/forecasts:

- (a) Estimates/forecasts should be realistic and achievable to provide investors with information on the REIT's prospects. (An unrealistic estimates/forecasts, irrespective of whether it is too high or too low, may mislead investors into making investment decisions based on the information contained in the prospectus);
- (b) Estimates/forecasts should be compiled with utmost care and objectivity; and
- (c) Where estimates/forecasts are subject to a high probability of variation, the management company should provide a sensitivity analysis based on the key variables.

19.29 For a newly-established REIT, a forecast for the first financial year/period should be presented. However, if the period represented is less than nine months, a forecast for the second financial year of the fund should be prepared and included in the prospectus.

19.30 However, for a REIT which has been in operation prior to its listing, the following should be considered:

- (a) If the prospectus is issued in the last three months of the current financial year, a forecast for that financial year and the next financial year should be prepared and included in the

prospectus; or

- (b) If the prospectus is issued subsequent to the last financial year, an estimate for that last financial year and a forecast for the next financial year should be prepared and included in the prospectus.

19.31 Directors' analysis of estimates/forecasts and commentary on its achievability should be disclosed, in light of the following:

- (a) Future prospects of the industry;
- (b) Future plans and strategies to be adopted; and
- (c) The level of gearing, liquidity and other requirements.

19.32 Distribution estimate/forecast should also be disclosed, which include the following:

- (a) Distribution policy;
- (b) Distribution rate;
- (c) Distributable amount;
- (d) Distribution cover; and
- (e) Distribution yield.

19.33 The following warning statements (in bold) should be clearly stated:

**“Rental yield on real estates held by the REIT is not equivalent to the yield of the units.”**

**“Current rental receipts and yields may not sustained.”**

**“Value of the real estates may rise as well as fall.”**

### **Accountant's report**

- 19.34 For a fund already in operation prior to its listing, the prospectus should contain a report prepared by an accountant, who must be an auditor, dealing with the audited financial statements.
- 19.35 The report should state that it has been prepared by an auditor.
- 19.36 The report should be signed and dated. There should also be a statement as to whether the report was prepared for inclusion in the prospectus.
- 19.37 In preparing the report, the reporting accountants should disclose any restatement to the audited financial statements which have been dealt with in the report.
- 19.38 The report should state the following:
- (a) The basis of accounting policies adopted in preparation of the report;
  - (b) That the information presented in the report has been prepared in accordance with approved accounting standards in Malaysia or acceptable internationally-recognised accounting standards;
  - (c) Disclosures on any material change in the accounting policies adopted, including a summary of such change, the reason of such change and quantitative impact of such change on the financial results of the fund; and
  - (d) Details of any auditors' qualification to the audited financial statements and other forms of modified auditor's report, such as emphasis of matters or disclaimers for the past three financial years and the latest audited financial period (where applicable).
- 19.39 All material items in the audited financial statements should be adequately explained.

- 19.40 The auditors who audited the financial statements shall be identified and where the audited financial statements in respect of one or more financial years were audited by different auditors, all such auditors should be identified for the avoidance of doubts.
- 19.41 The reporting accountant shall incorporate subsequent events between the date of the last accounts used in the preparation of the report and the date of the report.
- 19.42 Where applicable, the interim financial statements are to be dealt with in accordance with paragraphs 19.13-19.15.
- 19.43 The report should deal with the audited income statement and balance sheet for each of the three financial years and latest financial period (where applicable) immediately preceding the last date to which the accounts of the fund were made up. Such date should not in any case be more than six months prior to the issue of the prospectus.
- 19.44 The report should deal with rates of distributions, if any, paid by the funds for the past three financial years preceding the issue of the prospectus.

### **Fee**

- 19.45 The list of expenses for the REIT should also include fee payable to the property manager.

### **The property manager**

- 19.46 A prospectus should disclose information on the appointed property manager, including the following:
- (a) Corporate information of the property manager, including number of years in real estate/property management, total property under management and staff strength;
  - (b) Information on the key personnel of the property manager,



highlighting the academic and/or professional qualification, and work experience;

- (c) Functions, duties and responsibility of the property manager;
- (d) The annual fee and basis of the fee calculation; and
- (e) Where applicable, unit holding of the property manager in the fund.

### **Valuation certificate**

- 19.47 The prospectus should contain a valuation certificate prepared in accordance with the *Guidelines on Asset Valuation*.

### **Related-party transactions/conflict of interest**

- 19.48 The relationship between the management company (including the management company's related corporations and associated persons) and the vendors must be clearly explained.
- 19.49 A brief disclosure on any transaction within the two preceding years relating to any real estate purchased or to be purchased out of the proceeds of the issue, which may give rise to a conflict of interest.

### **Additional information**

- 19.50 The inclusion of photographs in the prospectus is only permitted on condition that the photograph is not more than six months old and the REIT owns a major portion of the real estate. Drawings of real estate must not be included in the prospectus.
- 19.51 Full disclosure of the salient terms of the material agreement relating to the proposed acquisition of real estates.

## **Chapter 20**

### **SPECIFIC REQUIREMENTS FOR EXCHANGE-TRADED FUNDS**

20.01 The following information must be disclosed in the prospectus of an exchange-traded fund (ETF), in addition to that specified under Chapters 1-18 of these Guidelines, unless otherwise specified.

#### **Inside cover/first page**

20.02 A prospectus should disclose the licensing condition pursuant to the licensing agreement entered into between index licensor and the management company, and the responsibilities and obligations of the index licensor and any other relevant party associated with the index (where applicable) for the error in the index.

#### **Key data/information summary**

20.03 The key data/information summary section should also include information pertaining to creation of unit block size.

#### **Details on the offering of units**

20.04 A prospectus should discuss the offering process prior to the listing of the fund which shall include–

- (a) how the investors can acquire units of the fund; and
- (b) procedures in relation to application by participating dealers to create new units.

20.05 A prospectus should set out the critical events prior to the listing of the funds.

#### **Details of public offering**

20.06 A prospectus should disclose information on the indicative optimum portfolio value (IOPV), including the basis of determination, frequency and means by which investors may obtain IOPV.

## **Risk factors**

20.07 The disclosure of risk factors should also cover specific risks associated with the use of benchmark index.

## **The fund**

20.08 The information to be disclosed should 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 unit holders' 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 should be disclosed:
  - (i) Investment focus of the fund (e.g. equities, bonds, etc.), the characteristics of the securities/instruments to be invested and the asset allocation strategy. Where appropriate, the investment focus should also include the countries/markets (e.g. global, regional or country-specific, developed or emerging markets, etc.) and target sector/industry;
  - (ii) Whether to invest in all (full replication) or a representative sample of component securities of the underlying index. Where a representative sample of component securities of the index is used, to disclose how such sample is constituted;
  - (iii) Practice, technique or approach used by the fund manager in managing the investment portfolio and selecting investments to be included in the portfolio of the fund, including the policy with regard to active and frequent trading of securities; and

- (iv) Policy on rebalancing the investment portfolio;
- (c) The risk management strategies and techniques to be employed by the fund manager;
- (d) The fund's performance benchmarks and where the information can be obtained. If a customised benchmark or combination of multiple benchmarks is used, there should be a description on how the benchmark is derived;
- (e) The permitted or authorised investments and investment limits/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 property).

20.09 There should also be adequate disclosure on the underlying index including, but is not limited to, the following:

- (a) The underlying index in 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) A brief description of the index methodology/rules and the means by which investors may obtain such information;
- (d) The means by which investors may obtain the latest index

information and other important news of the index;

- (e) Circumstances which may affect the accuracy and completeness in the calculation of the index;
- (f) Circumstances which may lead to tracking errors, and strategies employed in minimising such errors;
- (g) The weightings of the top 10 component securities of the underlying index; and
- (h) In addition to paragraph 20.09(g), where a representative sample of component securities of the underlying index is used to track or replicate the index, the weightings of the top component securities in the sample.

20.10 Where applicable, the following warning statements should be stated in the prospectus (to appear in bold):

**“There is no guarantee or assurance of exact or identical replication at any time of the performance of the index.”**

**“Index composition may change and securities may be delisted.”**

**“The investment of the scheme may be concentrated in securities of a single issuer or several issuers.” (where appropriate)**

**“Any licensing conditions for using the index, including contingency plan in the event of cessation of the availability of the index.”**

20.11 For a Shariah-compliant fund, the prospectus should also include–

- (a) clear description of the Shariah approval process including details of methodologies, rulings and screening process; and
- (b) a statement to the effect that the investment portfolio of the fund comprises securities which have been classified as

Shariah compliant by the Shariah Advisory Council (SAC) of the SC. For securities not certified by the SAC of the SC, a statement stating that the status of the securities has been determined in accordance with the ruling issued by the Shariah adviser.

**Additional information**

- 20.12 A prospectus should clearly describe procedures for in-kind creation and redemption, including the suspension of in-kind creation and redemption.
- 20.13 A prospectus should also disclose fees and charges payable by the participating dealers in relation to creation and redemption of units.

## Chapter 21

### **SPECIFIC REQUIREMENTS FOR CLOSED-END FUND**

- 21.01 The following information must be disclosed in the prospectus of a closed-end fund (CEF), in addition to that specified under Chapters 1-18 of these Guidelines, unless otherwise specified.
- 21.02 In view of the CEF structure, any disclosure requirement which is applicable to a management company (Chapter 9) and a trustee (Chapter 10) should be made in the context of a CEF. Hence, these relevant requirements should be made for CEF fund managers and CEF custodians.
- 21.03 In addition to paragraph 21.02 above, the terms “units” and “distribution” referred to in these Guidelines shall be read as “shares” and “dividend” respectively for the purpose of a CEF.

#### **Inside cover/first page**

- 21.04 There should be an additional statement of disclaimer, as follows:

“A copy of this prospectus, together with the form of application, has also been lodged with the Companies Commission of Malaysia who takes no responsibility for its contents.”

#### **The fund**

- 21.05 The information to be disclosed should include, but is not limited to, the following:
- (a) The investment objective of the CEF. There should also be a statement that any material change to the investment objective of the CEF would require unit holders’ 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 should be disclosed:

- (i) Investment focus of the CEF (e.g. equity, debenture, money market, collective investment schemes, etc.), the characteristics of the securities/instruments to be invested and asset allocation strategy. Where appropriate, the investment focus should also include the countries/markets (e.g. global, regional or country-specific, developed or emerging markets, etc.) and target sector/industry;
  - (ii) Practice, technique or approach used by the fund manager in managing the investment portfolio, including the policy with regard to active and frequent trading of securities; and
  - (iii) Where applicable, disclosure on whether the fund manager may take temporary defensive positions which may be inconsistent with the CEF's principal strategy in attempting to respond to adverse market conditions, economic, political or any other condition. There should also be a disclosure on types of securities/ instruments in which the fund would invest in during defensive positions;
- (c) The risk management strategies and techniques to be employed by the fund manager;
  - (d) The fund's performance benchmark and where the information on the benchmark can be obtained. If a customised benchmark or combination of multiple benchmarks is used, described how the benchmark is derived;
  - (e) The permitted or authorised investments and the investment limits/restrictions for the CEF;
  - (f) Valuation bases for all types of assets invested or to be invested by the CEF, including treatment for suspended



counters; and

- (g) Policy in respect of valuation point(s) to determine the NAV of the CEF (including policy in respect of timing for valuation of a CEF's foreign investments and frequency of valuation of the CEF's property).

21.06 Pursuant to paragraph 21.05(b) and (c), where a CEF invests in derivatives and structured products, the prospectus must clearly disclose the following:

- (a) The types and characteristics of derivatives and structured products the CEF invests in;
- (b) The purpose of investing in derivatives (either for hedging or investment);
- (c) (Where applicable) the likelihood of high volatility of the NAV per unit of the CEF; and
- (d) The specific risk management adopted in such investment which includes measures to be taken in the event of a downgrade in the rating if the issuer in the case of over-the-counter (OTC) options.

21.07 For a Shariah-compliant CEF, the prospectus shall also include—

- (a) clear description of the Shariah approval process, including details in relation to methodologies, rulings and screening process; and
- (b) a statement to the effect that the investment portfolio of the fund comprises securities which have been classified as Shariah-compliant by the Shariah Advisory Council (SAC) of the SC. For securities not certified by the SAC of the SC, a statement stating that the status of the securities has been determined in accordance with the ruling issued by the Shariah adviser.

**Salient terms of deed**

- 21.08 As a CEF does not enter into a deed, the requirements imposed under Chapter 11 should be read to mean disclosure of salient provisions of the memorandum and articles of association (M&A) of a CEF.

**Documents available for inspection**

- 21.09 With reference to paragraph 18.01(a), as a CEF does not enter into a deed, a CEF shall make available its M&A available for inspection.

## Chapter 22

### **SPECIFIC REQUIREMENTS FOR FOREIGN FUNDS**

- 22.01 A prospectus must disclose the material differences between the applicable legal and regulatory requirements in Malaysia and the foreign jurisdiction in which the fund is regulated. Such information should include but is not limited to the following areas:
- (a) Operations and management of a fund;
  - (b) Rights and liabilities of unit holders; and
  - (c) The dispute resolution mechanism (if any) and the procedures for initiating a court process.
- 22.02 The information required under paragraph 22.01 must be prominently disclosed.

## Chapter 23

### APPLICATION FOR UNITS

- 23.01 A prospectus should contain instructions/procedures on how to apply for the units pursuant to a prospectus and how to complete applications. The instructions/procedures should contain terms and conditions for application, specific steps/measures to be complied with on the various modes of application for units, e.g. automated teller machines, Internet and/or physical applications and any relevant statement of disclaimers for the application.
- 23.02 The addresses where completed applications should be sent to and to whom payments should be made payable must be set out in the prospectus.
- 23.03 A prospectus should disclose the minimum number of units and the multiples of additional units for which investors may apply.
- 23.04 A prospectus should state whether directors reserve the right to extend the closing date.
- 23.05 An application form should be identifiable with the prospectus and warn investors against signing the form without having read and understood the prospectus.
- 23.06 Accordingly, the application form should contain the following:
- (a) Name of the fund;
  - (b) Date of the prospectus;
  - (c) Expiry date of the prospectus;
  - (d) A statement that in accordance with the requirements of the CMSA, the application form should not be circulated unless accompanied by the prospectus; and

- (e) A statement that investors should read the prospectus before completing the application form.

23.07 Since investors will forward the application to the issuing house/ placement agent(s), it is important that they retain all information contained in the body of the prospectus for future reference. The application form should not contain any investment information which is not also contained in the body of the prospectus.

23.08 Where applicable, the management company should allocate all excess units for any subscription on a fair and equitable basis. In this respect, the prospectus should contain a statement that the allocation of the excess units will be made on a fair and equitable manner.

***PART IV***  
***SUPPLEMENTARY/  
REPLACEMENT PROSPECTUS***

## **Chapter 1**

### **GENERAL**

- 1.01 For a fund approved for listing and quotation on Bursa Malaysia Securities Bhd, a summary advertisement for a supplementary or replacement prospectus must be published in a widely-circulated Bahasa Malaysia newspaper and English newspaper, where relevant, and must state the following:
- (a) A supplementary or replacement prospectus has been registered;
  - (b) The date of the supplementary or replacement prospectus;
  - (c) Where a copy of the supplementary or replacement prospectus can be obtained; and
  - (d) That any issue of units to which the supplementary or replacement prospectus relates will only be made on receipt of an application form referred to in, and accompanying a copy of, the supplementary or replacement prospectus.

## Chapter 2

### CONTENTS OF A SUPPLEMENTARY PROSPECTUS

- 2.01 A supplementary prospectus must contain details of significant new matters or changes.
- 2.02 A supplementary prospectus must specify the following:
- (a) Name of the fund, or funds in the case of a master prospectus;
  - (b) Full name of the management company and fund manager, where applicable, and its registration number;
  - (c) Full name of the trustee and custodian, where applicable, and its registration number;
  - (d) Date of the supplementary prospectus;
  - (e) A statement to the effect that the supplementary prospectus has been registered by the SC;
  - (f) That registration does not indicate that the SC recommends the units or assumes responsibility for correctness of any statement made, opinions expressed or reports contained in the principal prospectus or supplementary prospectus; and
  - (g) For an unlisted fund with an expiry period, a statement stating that no units will be issued or sold based on the supplementary prospectus after the expiry date of the principal prospectus.
- 2.03 Each page of a supplementary prospectus must contain a clear statement in bold font which states that the document is a supplementary prospectus which is to be read in conjunction with the original prospectus, which must be identified in the supplementary prospectus, and any other supplementary prospectus.
- 2.04 If a supplementary prospectus contains statements or reports by experts not included in the principal prospectus–



- (a) it is required to state the date of each statement or report and whether or not it was prepared for incorporation in the supplementary prospectus; and
  - (b) the supplementary prospectus shall state that the expert has given his consent and has not withdrawn the consent.
- 2.05 If the information in a supplementary prospectus gives rise to new risk factors not covered in the principal prospectus, the supplementary prospectus shall contain a description of those new risk factors.
- 2.06 Disclosure of information in the supplementary prospectus or reports included in the supplementary prospectus must comply with Part II or Part III, where applicable, of these Guidelines.

## **Chapter 3**

### **CONTENTS OF A REPLACEMENT PROSPECTUS**

- 3.01 The SC may require the management company to issue a replacement prospectus to consolidate all amendments made to the principal prospectus.
- 3.02 A replacement prospectus for a unit trust fund which has not been launched is exempted from the requirement stipulated in section 238(6) of the CMSA pursuant to SC's order dated 19 July 2016 (Exemption Order).<sup>1</sup>
- 3.03 Disclosure of information in the replacement prospectus or reports included in the replacement prospectus must comply with Part II or Part III, where applicable, of these Guidelines.

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<sup>1</sup>Section 238(6) requires a clear statement in bold type that states that the document is a replacement prospectus and identifies the prospectus which it replaces.

***PART V***  
***REGISTRATION AND LODGEMENT***  
***OF A PROSPECTUS***

## Chapter 1

### GENERAL

- 1.01 The person submitting (submitting party) a prospectus of a fund for registration must do so in accordance with the submission requirements and procedures set out in chapters 2 and 3 of this Part.
- 1.02 For the purpose of paragraph 1.01, “submitting party” refers to, in the case of:
- (a) an unlisted local fund authorised in Malaysia, the management company or its adviser;
  - (b) a listed local fund approved in Malaysia, the adviser;
  - (c) an unlisted foreign fund recognised in Malaysia, the adviser or representative; and
  - (d) a listed foreign fund approved in Malaysia, the adviser or representative.
- 1.03 The SC may refuse to register and return the prospectus, if it is of the opinion that the disclosure in the prospectus is incomplete or inaccurate, or the prospectus is not in its final or complete form
- 1.04 The certified true copies of all reports and letters in the prospectus must be included as accompanying documents in the registration file. Where the prospectus contains a summary of an expert’s report, the corresponding full report must be submitted to the SC. For certified true copies, the identity and position of the person certifying the documents must be stated.
- 1.05 All reports and letters, e.g. accountant’s report and letters, tax adviser’s report, letter of consent and other experts’ reports, contained in the prospectus must be dated and signed.
- 1.06 Where the management company proposes to issue prospectuses in various languages, the prospectus in each language must be registered and lodged with the SC.

### **Fees payable to the SC**

- 1.07 The prospectus must be submitted to the SC for registration and lodgement together with the appropriate fee.
- 1.08 The details of fees payable to the SC for registration and lodgement of a prospectus, supplementary prospectus and replacement prospectus are set out in the *Capital Markets and Services (Fees) Regulations 2012* as may be amended from time to time.
- 1.09 Payment must be made in the form of a crossed cheque or draft order made in favour of “Suruhanjaya Sekuriti” or “Securities Commission”.

## Chapter 2

### REGISTRATION OF AN UNLISTED FUND'S PROSPECTUS

#### Registration of prospectus

- 2.01 The prospectus may be left undated upon submission to the SC for registration. However, the prospectus must be dated before it is lodged with the SC.
- 2.02 For the purpose of an application under paragraph 1.12 Part I of these Guidelines, in relation to an issuance of a non-complex fund, pursuant to the *Guidelines on Unit Trust Funds*, the management company must first submit such application and obtain the SC's decision before it can submit the prospectus for registration.

#### Supplementary prospectus and replacement prospectus

- 2.03 For registration of a supplementary prospectus or a replacement prospectus, the registration file must be submitted to the SC at least seven business days prior to the intended registration date.

#### Documents to be submitted

- 2.04 For registration of a prospectus, the submitting party must ensure that the registration file submitted to the SC comprised the following:
- (a) Cover letter specifying the following documents:
    - (i) Application to register the prospectus;
    - (ii) A confirmation that a due diligence review has been conducted and verified that the prospectus complies with the minimum disclosure requirements as laid down in the *Capital Market and Services Act 2007* and the *Prospectuses Guidelines for Collective Investment Schemes*;
    - (iii) A confirmation that the accompanying documents in the

registration file are complete, duly signed and dated, where applicable; and

- (iv) Where applicable, a confirmation that all relevant conditions of approval, to be complied with before the issuance of the prospectus, have been met;
- (b) Two printers' proof copies of the prospectus in each language;
- (c) Registration checklist;<sup>3</sup>
- (d) Registration fees and fee checklist;<sup>3a</sup>
- (e) Prospectus minimum content checklist<sup>3b</sup> and a copy of the prospectus which is properly annotated against the applicable requirements of the prospectus minimum content checklist;
- (f) Director's responsibility statement for the prospectus and where applicable, the promoter's responsibility statement. For director's responsibility statement, all directors must sign. In the case of a promoter which is a corporation, a board resolution authorising the signatory who signed on behalf of the corporation, must be submitted together with the promoter's responsibility statement;
- (g) If an alternate director signs the responsibility statement, there must be clear reference made in the responsibility statement of such a fact. The original written authorisation 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 any person named in the prospectus as having made a statement that is included in the prospectus or on which a statement made in the prospectus is based. The consent letter is to be addressed to the management company;

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<sup>3,3a,3b</sup> Checklists are available at [www.sc.com.my](http://www.sc.com.my)

- (i) Copy of letter of approval, where applicable, from any other relevant authority (e.g. Bank Negara Malaysia);
  - (j) Copies of all material contracts referred to in the prospectus or, in the case of contracts not reduced into writing, a memorandum which gives full particulars of the contracts;
  - (k) Copies of reports or letters from experts disclosed in the prospectus (e.g. tax advisers). Where an expert does not possess the capability to prepare a report in the same language as the prospectus, the management company must provide a translation of the expert's report. Such translated report submitted and as incorporated in the prospectus must contain a statement that it is a translation of the original expert's report;
  - (l) Letter of confirmation from the management company of its adviser, confirming the true and accurate translation of the prospectus, where applicable;
  - (m) Letter of confirmation from the management company that the electronic copy of the prospectus will be identical to the printed prospectus registered by the SC, where applicable; and
  - (n) Copy of the application form.
- 2.05 For the purpose of subparagraph 2.04(a), the cover letter must be signed–
- (a) in the case of a local fund authorised in Malaysia, by at least 1 of the directors of the management company or 2 authorised signatories of the advisers; and
  - (b) in the case of a foreign fund recognised in Malaysia, by 2 authorised signatories of the advisers.
- 2.06 For renewal of registration and registration of a supplementary prospectus or a replacement prospectus, the registration file must, where applicable, include documents required under paragraph 2.04 and the following documents:



- (a) A list highlighting the original statements from the previously registered prospectus and the amended statements; and
- (b) Copies of additional, amended or new material contracts disclosed in the prospectus pursuant to paragraph 2.04 (j). In the case of contracts not reduced into writing, a memorandum which gives full particulars of the contracts.

## Chapter 3

### REGISTRATION OF A LISTED FUND'S PROSPECTUS

#### Submission of initial draft prospectus before approval of a listed fund

- 3.01 A draft copy<sup>4</sup> of the fund's prospectus must be submitted concurrently with the proposal seeking approval from the SC for the establishment of a fund seeking for listing on Bursa Malaysia Securities Bhd.
- 3.02 Any application for exemption or variation from complying with the required disclosure requirements of the prospectus must be submitted to the SC at least 14 business days prior to the intended date of submission of the prospectus. The exemption or variation application must be accompanied with the relevant supporting documents and appropriate fee.

#### Submission of prospectus after approval of a listed fund

- 3.03 A registration file comprising documents required under paragraph 3.08 are to be submitted to the SC at least 14 business days prior to the intended registration date.
- 3.04 Prior to submitting the registration file, the following must be clearly resolved:
- (a) Any outstanding issue regarding applications for exemption or variation from these Guidelines; and
  - (b) Any pending matter arising from the approval for the establishment of a listed fund including, among others, application for variation to the terms and conditions of approval, extension of time, etc.
- 3.05 The SC will only register a prospectus after the deed of the fund has been registered by the SC. However, this requirement is not applicable to a foreign fund.

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<sup>4</sup> The submission fee is not required on submission of the initial draft prospectus. Fee is required only at submission of the prospectus.

### **Supplementary prospectus and replacement prospectus**

- 3.06 For registration of a supplementary prospectus, the registration file must be submitted to the SC at least 3 business days prior to the intended registration date.
- 3.07 For registration of a replacement prospectus, paragraph 3.03 shall apply.

### **Documents to be submitted**

- 3.08 For registration of a prospectus, the submitting party must ensure that the registration file comprises the following documents:
- (a) Cover letter signed by 2 authorised signatories of the adviser specifying the following:
    - (i) Application to register the prospectus;
    - (ii) A confirmation that the due diligence working group has seen and verified that the prospectus complies with the minimum disclosure requirements as laid down in the *Capital Markets and Services Act 2007* and the *Prospectus Guidelines for Collective Investment Schemes*;
    - (iii) Where applicable, a confirmation that the accompanying documents in the registration file are complete, duly signed and dated; and
    - (iv) Where applicable, a confirmation that all relevant conditions of approval, to be complied with before the issuance of the prospectus, have been met.
  - (b) Two printer's proof copies of the prospectus, each in Bahasa Malaysia and English language
  - (c) Registration checklist;<sup>5</sup>

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<sup>5,5a</sup> Checklists are available at [www.sc.com.my](http://www.sc.com.my)

- (d) Registration fees and the fee checklist;<sup>5a</sup>
- (e) Compliance Schedule;
- (f) Directors' responsibility statement for the prospectus and, where applicable, the offerors' and promoters' responsibility statement. For director's responsibility statement, all directors must sign. For promoters or offerors which consist of corporation(s), a board resolution authorising the signatory who signed on behalf of a corporation, must be submitted together with the promoters' or offerors' responsibility statements;
- (g) If an alternate director signs the responsibility statements on behalf of a director, there must be a clear reference made in the responsibility statement of such a fact. The original written authorisations by directors, appointing the alternate director to sign the responsibility statement on their behalf must be submitted;
- (h) Copies of all letters of consent from any person named in the prospectus as having made a statement that is included in the prospectus or on which a statement made in the prospectus is based. The consent letter is to be addressed to the management company;
- (i) Copy of letter of approval from any other relevant authority, where applicable (e.g. Bank Negara Malaysia, Bursa Malaysia Securities Berhad);
- (j) Copies of all material contracts referred to in the prospectus, or in the case of a contract not reduced in writing, a memorandum giving full particulars of the contracts;
- (k) Copies of reports or letters from experts disclosed in the prospectus (e.g. reporting accountants, tax advisers, etc.). Where an expert does not possess the capability to prepare a report in the same language as the prospectus, the management company must provide a translation of the

expert's report. Such translated report submitted and as incorporated in the prospectus must contain a statement that it is a translation of the original expert's report;

- (l) Copy of the underwriting agreement;
- (m) Letter of confirmation from the management company or its adviser, confirming the true and accurate translation of the printed prospectus, where applicable;
- (n) Letter of confirmation from the management company, that the electronic copy of the prospectus, where applicable, will be identical to the prospectus registered by the SC;
- (o) Copy of the application form in Bahasa Malaysia and English;
- (p) A CD-ROM containing electronic images of prospectus in "pdf". The CD-ROM must be labelled with a description of what the contents relate to;
- (q) Copy of the summary advertisement of the prospectus to be included in a widely-distributed Bahasa Malaysia newspaper and English newspaper. For a summary advertisement of a prospectus in a language other than that in which the prospectus has been prepared, the management company or its adviser must provide a confirmation that the advertisement is a true and accurate summary of the prospectus; and
- (r) For subsequent amendments made to the prospectus due to prospectus exposure, the following must be provided prior to SC's registration of the prospectus:
  - (i) Hard copy of amended pages;
  - (ii) Soft copy of the amended prospectus in "pdf";
  - (iii) Letter of compliance from the adviser stating that the due diligence working group is aware of all issues raised and that the group has seen and confirmed the

amendments made to the prospectus; and

- (iv) Letter of confirmation (updated) from the adviser that the electronic copy of the prospectus is the same as the prospectus registered by the SC.

3.09 For closed-end funds, the following documents must be submitted:

- (a) The Memorandum and Articles of Association (M&A) and the certificate of incorporation must also be submitted. If the original copy is not submitted, a copy of the M&A certified by the company secretary is acceptable; and
- (b) Letter of confirmation from the adviser that the printed copy of the prospectus is the same as the prospectus registered by the SC.

3.10 For registration of a supplementary or replacement prospectus, the registration file must include documents required under paragraph 3.08, where applicable, and a list highlighting the original statements from the previously registered prospectus and the amended statement.

3.11 If a supplementary prospectus is issued pursuant to a public offering prospectus, the adviser is required to submit both the Bahasa Malaysia and English supplementary prospectus.

## Chapter 4

### LODGEMENT OF A PROSPECTUS

#### Documents to be Submitted

- 4.01 For lodgement of a prospectus, the submitting party must ensure that the lodgement file comprises the following documents:
- (a) Cover letter signed by at least 1 of the directors of the management company in relation to an unlisted local fund, or two authorised signatories of the adviser in relation to foreign fund and a listed local fund, specifying the following:
    - (i) Application to lodge the prospectus;
    - (ii) A declaration that the printed copy of the prospectus lodged with SC is the same as the prospectus registered with SC; and
    - (iii) A declaration that the copy of prospectus in the “pdf” format contained in the CD-ROM is identical to the printed prospectus;
  - (b) 2 printed copies of the prospectus in each language together with its application form;
  - (c) A CD-ROM containing electronic images of the prospectus in “pdf”. The CD-ROM must be labelled with a description of what the contents relate to and the date of the lodgement.
  - (d) Lodgement checklist<sup>6</sup> ; and
  - (e) Lodgement fee and fee checklist<sup>6a</sup>.

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<sup>6,6a</sup> Checklists are available at [www.sc.com.my](http://www.sc.com.my)