

FREQUENTLY-ASKED QUESTIONS
Guidelines on Exchange-traded Funds (ETF Guidelines) and Prospectus Guidelines
for Collective Investment Schemes (CIS Prospectus Guidelines)
(collectively known as CIS Guidelines)
(Date of Issuance: 1 September 2022)

1.0 INTRODUCTION

This document replaces the *Frequently-Asked Questions on Revised Guidelines on Exchange-Traded Funds* that was issued on 26 November 2018.

2.0 FREQUENTLY ASKED QUESTIONS RELATING TO THE CIS GUIDELINES ISSUED ON 1 SEPTEMBER 2022

2.1 When will the revised CIS Guidelines issued on 1 September 2022 take effect?

The revised CIS Guidelines are issued on 1 September 2022 and will take effect on the same date (Effective Date). Please refer to section 3.0 for the transitional arrangement.

Application, registration, lodgement and notification

2.2 In terms of documents and information required to be submitted to the SC as referenced in the CIS Guidelines, where would this be located?

These can be found under: Regulations → Guidelines → Collective Investment Scheme → Application documents for Collective Investment Scheme → **Forms in relation to ETF**

2.3 What are the requirements applicable to persons undertaking secondary listing of a foreign ETF in Malaysia?

Any persons undertaking secondary listing of a foreign ETF in Malaysia must comply with the requirements under the *Guidelines for the Offering, Marketing and Distribution of Foreign Funds*. Prior consultation with the SC is encouraged for added clarity and understanding.

3.0 TRANSITIONAL ARRANGEMENT

3.1 Is there a transitional period for management companies to update the risk management policy and procedures (RMP) documentation for existing synthetic ETF and futures-based ETF and existing ETF that invests in derivatives or participates in securities lending activities?

For an existing ETF (i.e. L&I ETF) where the RMP documentation had already been submitted to the SC, the management company is to update and ensure that the RMP documentation for the ETF is in compliance with the revised ETF Guidelines before the RMP documentation is submitted to the SC by **31 August 2023**. For avoidance of doubt, the minimum contents of the RMP documentation are provided in the *Forms in relation to ETF*.

3.2 Is there a transitional period for management companies to prepare the RMP documentation for existing or new ETFs that do not intend to (a) invest in derivatives (other than for the sole purpose of hedging), (b) participate in securities lending activities, or (c) participate in repurchase transactions¹?

For existing or new ETFs that do not intend to (a) invest in derivatives (other than for the sole purpose of hedging), (b) participate in securities lending activities or (c) participate in repurchase transactions, the management company has **until 31 August 2023** to ensure the RMP documentation for these ETFs are prepared and ready for inspection.

However, if any of the existing ETFs intends to (a) invest in derivatives as part of the ETF's sampling strategy, (b) participate in securities lending activities or (c) participate in repurchase transactions, the management company must prepare the RMP documentation for submission to the SC prior to undertaking such investments. For avoidance of doubt, new L&I ETF, synthetic ETF and futures-based ETF are subjected to the same process.

3.3 In relation to compliance with the ETF Guidelines in general, does the SC expect a management company and its ETFs to immediately comply with the ETF Guidelines?

The SC expects a management company to immediately comply with the ETF Guidelines. However, where adoption of requirements in the ETF Guidelines require the following to be undertaken by the management company, the management company is given **12 months** from the Effective Date to make those changes:

- (a) Change its systems and processes;
- (b) Amend its ETFs' deed or prospectus; or
- (c) Rebalancing of ETFs' investments.

For all other matters, a transitional period of **6 months from the Effective Date**.

¹ The term "repurchase transactions" is defined in the ETF Guidelines to mean "sale and repurchase transactions" and "reverse repurchase transactions", collectively.

Implication on annual report of ETFs

With regard to preparation and publication of annual reports, the SC expects all annual reports for the financial year ending on or after 30 November 2022 (which would be due by **31 January 2023**) to fully comply with the ETF Guidelines.