

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.

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—
 - I. paid-up share capital;
 - II. shareholders' funds;
 - III. revenue;
 - IV. profit/loss before tax; and
 - V. 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*.