

Chapter 8

DEALING, VALUATION AND PRICING

Initial offer

- 8.01 The initial offer period must not exceed 21 days. However, the initial offer period may be extended up to 45 days for close-ended funds.
- 8.02 Dealing in units during the initial offer period must be at the initial price determined by the management company. Any creation or cancellation of units must also be at the initial price.

Creation and cancellation of units

- 8.03 A management company must instruct the trustee in writing to create or cancel units of the fund, and pay or receive cash to or from the trustee for the transaction.
- 8.04 A management company must pay the trustee the value of units created within 7 business days of giving instructions to the trustee to create units.
- 8.05 A trustee must pay the management company the value of units cancelled within –
- (a) 7 business days; or
 - (b) a period that is no later than the period where the management company is required to pay the unit holders the proceeds of the repurchase request as disclosed in the fund's prospectus, pursuant to paragraph 8.19,
- of receiving instructions from the management company to cancel units.

- 8.06 A trustee must create or cancel units on receipt of, and in accordance with, the instruction given by the management company and only for cash.
- 8.07 Where a request for units is received from investors, the management company must instruct the trustee to create new units at or before the next valuation point if the management company has insufficient units to meet the request.
- 8.08 A management company must not, when giving instructions to the trustee for the creation or cancellation of units, do or omit to do, anything which would confer on itself or the fund manager a benefit at the expense of a unit holder or a potential unit holder.
- 8.09 Any instruction for the creation or cancellation of units may be modified but only if the trustee agrees and has taken reasonable care to determine that—
- (a) the modification corrects an error in the instruction; and
 - (b) the error is an isolated one.
- 8.10 Any error referred to in paragraph 8.09 should be corrected within the payment period applicable under paragraph 8.11.
- 8.11 Where the payment cannot be satisfied within 7 business days, the trustee may extend the payment period where the fund does not have sufficient cash or liquid assets and the trustee considers payment within 7 business days is not in the best interests of unit holders.
- 8.12 The creation and cancellation of units should be at NAV per unit of the fund as at the next valuation point after an instruction from the management company is received by the trustee.

Trustee may refuse to create or cancel units

- 8.13 Notwithstanding any other requirement under these Guidelines, a trustee may, by notice to the management company, refuse to—
- (a) create units;
 - (b) cancel units; or
 - (c) create or cancel units in the number instructed by the management company,

where the trustee considers the creation or cancellation is not in the best interests of unit holders or it would result in a breach of the securities laws, these Guidelines or the deed.

Dealing in units

- 8.14 A management company must agree to issue and repurchase units upon the proper request of an investor.
- 8.15 Notwithstanding paragraph 8.14, a management company has the right to repurchase all units of a unit holder in the event such repurchase is necessary to ensure that the management company is in compliance with relevant laws. The management company must provide prior notification to the unit holders of such repurchase.
- 8.16 A management company must ensure that every business day is a dealing day for the fund, and must at all times during the business day, deal in units of a fund in accordance with the deed and the prospectus unless it has reasonable grounds to refuse a sale or repurchase.
- 8.17 Notwithstanding paragraph 8.16, in the case of variable price funds, a management company must ensure that every business day is a dealing day for the fund unless the deed provides otherwise and there is sufficient disclosure that the fund may not

have dealings on every business day. In any case, there must be at least one dealing day in a month.

8.18 A management company must—

- (a) pay the unit holder the proceeds of the repurchase of units as soon as practicable, within 7 business days of receiving the repurchase request; and
- (b) maintain adequate arrangements to enable it to meet any repurchase request within the stated period of time.

8.19 A management company may extend the payment period prescribed in paragraph 8.18(a), in the following circumstances:

- (a) The fund is a feeder fund, in which case the payment to unit holders following a repurchase of units must be made within five business days from the receipt of redemption proceeds from the target fund;
- (b) The determination of the NAV per unit of the fund is subject to currency conversion due to, but not limited to, the following:
 - (i) Investments in markets outside Malaysia; or
 - (ii) The fund is a multi-class fund that offers classes of units denominated in currencies that are different from the fund's base currency,

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

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

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

- 8.20 A management company must deal in units at a price determined in accordance with paragraphs 8.39 and 8.40.

Loan financing in the sale of units

- 8.21 A management company must ensure that the margin of finance for loans in the sale of units does not exceed 67% of the amount invested.
- 8.22 Where an investor takes on loan financing, the management company must obtain a unit trust loan financing risk disclosure statement signed by the investor acknowledging that he has understood its contents. A duplicate of the risk disclosure statement must be forwarded to the investor while the original must be filed by the management company for record and inspection purposes.

Suspension of dealing in units

- 8.23 A management company may, in consultation with the trustee and having considered the interests of unit holders, suspend dealing in units of a fund due to exceptional circumstances, where there is good and sufficient reason to do so, considering the interests of unit holders.
- 8.24 Where a suspension of dealing in units of a fund under paragraph 8.23 is triggered, the management company must ensure that all unit holders of the fund are informed in a timely and appropriate manner of the decision to suspend dealing in units of the fund.
- 8.25 A management company should cease the suspension as soon as practicable after the circumstances in paragraph 8.23 have ceased, and in any event, within 21 days of the commencement of suspension. The period of suspension may be extended if the management company satisfies the trustee that it is in the best interest of unit holders for the dealing in units to remain

suspended. Such extension must be subject to weekly review by the trustee.

- 8.26 A trustee may suspend the dealing of units in a fund if the trustee, on its own accord, considers an event under paragraph 8.23 has been triggered. In such a case, the trustee must immediately call for a unit holders' meeting to decide on the next course of action.
- 8.27 A suspension of dealing in units under paragraph 8.23 can apply to one or more classes of units without being applied to other classes provided always that such suspension does not prejudice the interests of unit holders.
- 8.28 A trustee must not create or cancel units when a suspension of dealing in units of a fund is triggered.
- 8.29 A management company must immediately notify the SC in writing if dealing in units is suspended, including any extension of suspension, stating the reasons for the suspension or extended suspension, as the case may be.
- 8.30 Before resuming dealing in units after any suspension, the management company must notify the SC in writing of the proposed resumption and the date of the proposed resumption.
- 8.31 A management company may deal in units at a price calculated by reference to the first valuation point after restart of dealing in units.

Valuation and pricing

- 8.32 The price of a fund's unit must be the NAV per unit of the fund. Where a fund issues multiple classes of units, the price of a unit of any class of units must be calculated—
 - (a) by reference to the NAV of the fund; and

- (b) in accordance with the provisions of both the deed and the prospectus applying to that class of units.
- 8.33 A management company must ensure that the fund and the fund's units are correctly valued and priced on a regular basis, in line with the requirements of this Chapter and Schedule C of these Guidelines, the deed and the prospectus.
- 8.34 To determine the fund's NAV per unit, a fair and accurate valuation of all assets and liabilities of the fund must be conducted. Valuations must be based on a process which is consistently applied and leads to objective and independently verifiable valuations.
- 8.35 Assets of a fund must be valued on a regular basis and in any event, on the days of the fund's dealing day in accordance with the deed.
- 8.36 No valuation is required during the initial offer period.
- 8.37 Upon completion of a valuation, the trustee must be immediately notified of the NAV per unit of the fund.
- 8.38 For classes of units denominated in different currencies, the price of a unit must be quoted and paid for in the currency in which those classes are denominated.
- 8.39 Any dealing in units of the fund must either be at a forward price or a historical price.
- 8.40 Where historical price is used, the management company should have an additional valuation point during the mid-day of business and re- price the units where it differs by more than 5% from the last valuation point.
- 8.41 The management company must publish the price of a fund's unit, and where applicable, the price of a unit of any class of unit, at least once on every dealing day.

Incorrect valuation or pricing

- 8.42 Where incorrect valuation or pricing occurs, a management company must—
- (a) notify the trustee; and
 - (b) notify the SC, unless the trustee considers the incorrect valuation or pricing to be of minimal significance.
- 8.43 The management company must take immediate remedial action to rectify any incorrect valuation or pricing. Where the incorrect valuation or pricing is at or above the threshold of 0.5% of the NAV per unit, rectification must be extended to the reimbursement of money—
- (a) by the management company to the fund;
 - (b) from the fund to the management company; or
 - (c) by the management company to unit holders and former unit holders.
- 8.44 Notwithstanding paragraph 8.43, if the amount to be reimbursed to an individual account is less than Ringgit Malaysia 10.00 or in the case of a foreign currency class of unit, less than 10.00 denominated in the respective foreign currency denomination, the requirement to reimburse does not apply.
- 8.45 The management company must not pay or caused to be paid from the fund any expenses incurred as a result of correction operations of a valuation error.
- 8.46 The management company may decide the manner to reimburse unit holders, either by way of cash or additional units of the fund. In any case, the reimbursement to former unit holders must only be made by way of cash.

- 8.47 The trustee should notify the SC when the management company has completed such reimbursement satisfactorily.

Dilution fee or transaction cost

- 8.48 Where there are material costs involved in acquiring or disposing a fund's assets, a management company may–
- (a) require the payment of a dilution fee or transaction cost; or
 - (b) make a dilution or transaction cost adjustment,
- provided that it is permitted by the deed and clearly disclosed in the prospectus.
- 8.49 The management company must ensure that the fee or adjustment made for dilution and transaction cost is fair and for the sole purpose of reducing dilution.
- 8.50 Where a fee is imposed, the management company must ensure that the fee becomes due at the same time payment is made for the creation, cancellation, sale or repurchase of units and such fee must be paid to the trustee as soon as practicable after receipt to become part of the fund's assets.
- 8.51 Where an adjustment is made, it may be made to the NAV per unit to reduce the dilution in the fund or to recover any amount which the fund had already paid or reasonably expects to pay in the future for the creation or cancellation of units.
- 8.52 As soon as practicable after a valuation point, the management company must notify the trustee on the amount or rate of any dilution adjustment made to the NAV per unit of the fund or any dilution fee imposed.
- 8.53 A management company must not impose a dilution fee or make a dilution adjustment for the purpose of making a profit or avoiding a loss for the account of the affected unit holder.