

Chapter 14

SPECIFIC REQUIREMENTS FOR CLOSED-END FUND

- 14.01 The following information must be disclosed in the prospectus of a closed-end fund (CEF), in addition to that specified under Chapters 1-11 of these Guidelines, unless otherwise specified.
- 14.02 In view of the CEF structure, any disclosure requirement which is applicable to a management company (Chapter 7) and a trustee (Chapter 7) must be made in the context of a CEF. Hence, these relevant requirements should be made for CEF fund managers and CEF custodians.
- 14.03 In addition to paragraph 14.02 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.

Introduction

Inside cover or first page

- 14.04 There must 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.”

Information on the CEF

- 14.05 The information to be disclosed must include the following:
- (a) The investment objective of the CEF. There must 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 must 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 must 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 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 must 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 or 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).

14.06 Pursuant to paragraph 14.05(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.

14.07 For an Islamic CEF, the prospectus must 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 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.

Salient terms of deed

- 14.08 As a CEF does not enter into a deed, the requirements imposed under paragraph 5.03 must be read to mean disclosure of salient provisions of the memorandum and articles of association (M&A) of a CEF.

Documents available for inspection

- 14.09 With reference to paragraph 11.01(a), as a CEF does not enter into a deed, a CEF shall make available its M&A available for inspection.