

## 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.
- 6.06 A prospectus must disclose the significant threshold and absolute amount adopted by the management company for reimbursement to unit holders, former unit holders or the fund due to incorrect valuation or pricing.
- 6.07 Notwithstanding paragraph 6.06, a prospectus of a recognised fund is not required to have the disclosure if the prospectus registered with the securities regulator in the home jurisdiction does not contain the information required in paragraph 6.06.

- 6.08 Where there are material costs involved in acquiring or disposing of a fund's assets and the deed permits a management to–
- (a) require the payment of a dilution fee or transaction cost; or
  - (b) make a dilution or transaction cost adjustment,
- this information must be disclosed in the prospectus.

### **Application and redemption of units**

- 6.09 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.
- 6.10 Where a fund does not have dealings on every business day, the reason for this must be disclosed in the prospectus.
- 6.11 Where the dealing in units of the fund may be deferred or suspended, the prospectus must disclose the circumstances in which dealing in units may be deferred or suspended.
- 6.12 A prospectus must disclose the redemption policy of the fund, including the redemption payment period.
- 6.13 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.
- 6.14 A prospectus must disclose the cooling-off policy, including an explanation and description of how such policy applies to various types of investors.
- 6.15 Where the launch of a new fund or continued operation of an existing fund is conditional upon specific circumstance e.g. a minimum fund size,

- this fact and the minimum fund size must be disclosed.
- 6.16 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**

- 6.17 A prospectus must describe the mode of distribution to investors, including policies and procedures on unclaimed monies.
- 6.18 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.
- 6.19 The following warning statement must be displayed in bold font:

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