

PROSPECTUS GUIDELINES FOR COLLECTIVE INVESTMENT SCHEMES

SC-GL/PCIS-2008 (R5-2022)

First Issued	: 3 March 2008
Revised	: 1 September 2022

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Effective Date upon 1 st Issuance:	3 March 2008
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LIST OF REVISIONS (FROM 2015)

Revision Series	Revision Date	Effective Date of Revision	Series Number
1 st Revision	19.7.2016	15.8.2016	SC-GL/PCIS-2008 (R1-2016)
2 nd Revision	2.1.2019	2.1.2019	SC-GL/PCIS-2008 (R2-2019)
3 rd Revision	23.5.2019	23.5.2019	SC-GL/PCIS-2008 (R3-2019)
4 th Revision	21.12.2021	1.3.2022	SC-GL/PCIS-2008 (R4-2021)
5 th Revision	1.9.2022	1.9.2022	SC-GL/PCIS-2008 (R5-2022)

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PART I
GENERAL

Chapter 1

INTRODUCTION

- 1.01 The *Prospectus Guidelines for Collective Investment Schemes* (Guidelines) is issued by the Securities Commission Malaysia (SC) under section 377 of the *Capital Markets and Services Act 2007* (CMSA).
- 1.02 The minimum information set out in these Guidelines are in addition to the information set out in sections 235(1)(a) to (e) of the CMSA.
- 1.03 These Guidelines are general in nature and should not be viewed as the only criteria for disclosure in a fund's prospectus. Directors of management companies, promoters, advisers and experts have the obligation and liability for the contents of a fund's prospectus.
- 1.04 The SC may require the disclosure of additional information in any particular case, where it deems appropriate.
- 1.05 Unless otherwise specified, all requirements in these Guidelines are applicable to a prospectus issued in respect of a foreign fund as defined in the *Guidelines for the Offering, Marketing and Distribution of Foreign Funds*.

- 1.06 Guidance on the application of the requirements of these Guidelines has been provided, where appropriate. Any departure from the Guidance will be taken into consideration in the SC's assessment on whether a breach of these Guidelines had occurred.
- 1.07 Information provided in a prospectus must be disclosed in a true, complete and accurate manner.
- 1.08 Information given to investors must be presented in a manner that can be easily understood to enable them to assess and make an informed investment decision in relation to a fund. In drafting a fund's prospectus, a person who is responsible for the content of the prospectus must ensure that—
- (a) all information is written in a clear and concise manner, and easy-to-understand sentences are used;
 - (b) plain and simple language is used. Legal or financial jargon, technical terms, or complicated methodologies or analyses are avoided, unless they can be explained;
 - (c) comparative information is meaningful and presented in a fair and balanced way, and the source of information is disclosed; and

- (d) key information is prominently presented.
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- 1.09 The cut-off date for information to be disclosed in a prospectus must be at the latest practicable date available prior to the issue of the prospectus.
 - 1.10 A management company or its adviser must update a prospectus where there is any significant change or new matter arising that will affect the content of the prospectus via a supplementary prospectus or replacement prospectus.
 - 1.11 A prospectus must be legible and printed in typefaces which are not smaller than Times New Roman eight points and all pages must be numbered.
 - 1.12 Full accountability for the accuracy of all information in the prospectus and the responsibility to ensure there is no omission of facts which would make any of the statements therein misleading, remains with the promoters or directors of the management company or any other person who is a party to the preparation of the prospectus or any of its relevant portions.
 - 1.13 The SC may, upon application, grant an exemption from or a variation to the requirements of these Guidelines if the SC is satisfied that–

- (a) such variation is not contrary to the intended purpose of the relevant requirement in these Guidelines; or
- (b) there are mitigating factors which justify the said exemption or variation.

Chapter 2

DEFINITIONS AND INTERPRETATIONS

2.01 Unless otherwise defined, all words used in these Guidelines shall have the same meaning as defined in the CMSA. In these Guidelines, unless the context otherwise requires—

adviser	has the meaning assigned to it under the <i>Guidelines for the Offering, Marketing and Distribution of Foreign Funds</i> ;
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BNM	means Bank Negara Malaysia;
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approved accounting standards	has the meaning assigned to it in the <i>Financial Reporting Act 1997</i> , but excluding the <i>Malaysian Private Entities Reporting Standard</i> or its equivalent;
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CMSA	means the <i>Capital Markets and Services Act 2007</i> ;
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country-specific government bond or fixed income fund	means a fund, the assets of which comprise of debt securities or money market instruments issued by, or the issues are guaranteed by, a government, including government agency or supranational.
deed	means any constitutive document for a fund;
experts	has the meaning assigned to it under section 213(1) of the CMSA;
foreign fund	has the meaning assigned to it under the <i>Guidelines for the Offering, Marketing and Distribution of Foreign Funds</i> ;
ISSBNT	means Islamic securities selling and buying negotiated transactions;
latest practicable date	means a date whereby information in the prospectus shall remain

	relevant and current as at the issue date of the prospectus;
local fund	means a unit trust scheme that is primarily regulated in Malaysia whether unlisted or listed on a stock exchange in Malaysia;
management company	in relation to a foreign fund, includes an operator as defined in the <i>Guidelines for the Offering, Marketing and Distribution of Foreign Funds</i> ;
NAV	means net asset value;
OTC	means over-the-counter;
repurchase transactions	refers to, collectively the following transactions for the purpose of efficient portfolio management of a fund: (a) sale and repurchase transaction; and

	(b) reverse repurchase transaction;
SAC	means the Shariah Advisory Council of the SC and/or BNM;
SC	means the Securities Commission Malaysia;
securities lending	means a transaction involving the lending of securities for the purpose of efficient portfolio management;
securities lending and repurchase transactions	includes ISSBNT, Shariah-compliant securities lending and Shariah-compliant repurchase transactions;
securities regulator	has the meaning assigned to it under the <i>Guidelines for the Offering, Marketing and Distribution of Foreign Funds</i> ;

trustee	includes an entity that carries out similar duties as a trustee under the CMSA in relation to a fund regardless of the form in which the fund is constituted; and
unit(s)	includes shares or any other instrument representing a right or interest in a foreign fund and “unit holder(s)” should be read to refer to shareholders or any person entitled to be recognised as owner of such right or interest in that foreign fund.

PART II
CONTENT OF PROSPECTUS
FOR UNLISTED FUNDS

Chapter 1

COVER PAGE

1.01 The cover page of a prospectus must include the following:

- (a) Name of the fund, or funds in the case of a master prospectus;
- (b) Name of the management company and its registration number;
- (c) Name of the trustee and its registration number;
- (d) Date of the prospectus;
- (e) Date of fund's constitution;
- (f) In relation to a fund with limited offer period, the offer period; and
- (g) In the case of a foreign fund–
 - (i) a statement that the fund is approved, authorised, or registered, as the case may be, by the securities regulator in the foreign jurisdiction;

- (ii) the foreign jurisdiction where the fund is domiciled, the name of the securities regulator regulating the fund, and the management company for the fund;
- (iii) the applicable legislation in the foreign jurisdiction governing the fund and that the legal and regulatory environment in the foreign jurisdiction may be different from Malaysia; and
- (iv) where a prospectus incorporates an offer document registered outside Malaysia in respect of the fund, statement of such fact.

1.02 In the case of a master prospectus, the information in subparagraphs 1.01(g)(i) to (iv) must be disclosed for each fund which is subject of the master prospectus.

1.03 The following statement must appear, in bold font, on the cover page of the prospectus:

"INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER."

"FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE [XX]."

- 1.04 Where a fund's assets consist, or propose to consist, of derivatives exceeding 30% of NAV, there must be a statement disclosing the fund's substantial investment, or intention to invest substantially, in derivatives. The statement must appear in bold font and be placed in a prominent position on the cover page of the prospectus.

Chapter 2

INSIDE COVER/ FIRST PAGE

2.01 If not already disclosed on the front cover, the prospectus must contain the following statements on the inside cover or at the very least, on page 1:

- (a) A responsibility statement by the management company—

"Responsibility Statements

This prospectus has been reviewed and approved by the directors of [name of management company] and they collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, they confirm to the best of their knowledge and belief, that there are no false or misleading statements, or omission of other facts which would make any statement in the prospectus false or misleading.”; and

- (b) A statement of disclaimer–
 - (i) in the case of a local fund authorised in Malaysia–

"Statements of Disclaimer"

The Securities Commission Malaysia has authorised the fund and a copy of this prospectus has been registered with the Securities Commission Malaysia.

The authorisation of the fund, and registration of this prospectus, should not be taken to indicate that the Securities Commission Malaysia recommends the said fund or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this prospectus.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of the management company responsible for the said fund and takes no responsibility for the contents in this prospectus. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this prospectus, and expressly disclaims any liability whatsoever

arising from, or in reliance upon, the whole or any part of its contents.

INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF INVESTORS ARE UNABLE TO MAKE THEIR OWN EVALUATION, THEY ARE ADVISED TO CONSULT PROFESSIONAL ADVISERS.”; or

(ii) in the case of a foreign fund recognised in Malaysia–

"Statements of Disclaimer

The fund is established in a foreign jurisdiction and is regulated by the regulator in the foreign jurisdiction. As such, the fund is not subjected to the requirements of the Guidelines on Unit Trust Funds issued by the Securities Commission Malaysia.

The Securities Commission Malaysia has recognised the fund and a copy of this prospectus has been registered with the Securities Commission Malaysia.

The recognition of the fund, and registration of this prospectus, should not be taken to

indicate that the Securities Commission Malaysia recommends the said fund or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this prospectus.

The Securities Commission Malaysia is not liable for any non- disclosure on the part of the management company responsible for the said fund and takes no responsibility for the contents in this prospectus. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this prospectus, and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents.

INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF INVESTORS ARE UNABLE TO MAKE THEIR OWN EVALUATION, THEY ARE ADVISED TO CONSULT PROFESSIONAL ADVISERS."

- 2.02 In addition to the statements in paragraph 2.01, the following must be stated:

(a) "Investors should note that they may seek recourse under the *Capital Markets and Services Act 2007* for breaches of securities laws including any statement in the prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to the prospectus or the conduct of any other person in relation to the fund."; and

(b) For an Islamic fund–

"[Name of fund] has been certified as Shariah-compliant by the Shariah adviser appointed for the fund."

2.03 Where applicable, a prospectus must provide a statement stating:

(a) For a fund with a limited offer period

"No units will be issued or sold based on this prospectus after the expiry date of this prospectus"; and

(b) For a fund where the distribution is permitted to be made out of capital, a warning statement (appear in bold font and be placed in a prominent position) to the effect that capital will be eroded, the

distribution is achieved by forgoing the potential for future capital growth and this cycle may continue until all capital is depleted.

Chapter 3

TABLE OF CONTENTS, DEFINITIONS AND DIRECTORY

- 3.01 The prospectus must be properly structured, with relevant sections and headings, for ease of reference.

Table of contents

- 3.02 There must be a table of contents which lists all sections and sub- sections of the prospectus.

Definitions

- 3.03 A glossary of abbreviations and terminology used must also be provided.

Directory

- 3.04 The directory must contain the names of the following:
- (a) The management company;
 - (b) The trustee;

- (c) For an Islamic fund, the Shariah adviser;
and
 - (d) For a foreign fund, the representative of the
fund.
- 3.05 The directory must also contain the following
information of the parties named under paragraph
3.04:
 - (a) Address. In the case of management
company and the trustee, it should include
the address of the registered office and
business office;
 - (b) Telephone number. In the case of
management company and the trustee, it
should include the telephone number of the
registered office and business office;
 - (c) E-mail address; and
 - (d) Website address, if any.

The above may be incorporated in the prospectus
by referencing the location on the management
company's website where the information can be
found.

Chapter 4

THE FUND

- 4.01 A prospectus must include a section giving details on the fund offered in the prospectus. The objective is to assist investors to make informed assessments of the fund for decision making purposes.
- 4.02 For the purposes of this section, a prospectus must include the following:

Fund information

- (a) Name of the fund;
- (b) Base currency of the fund, where applicable;
- (c) Category of the fund;
- (d) In the case of a new fund, the initial offer period of the fund and its initial price;
- (e) The investment objective of the fund. There must also be a statement that any material change to the investment objective of the fund would require unit holders' approval;

- (f) 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 fund (e.g. equities, debt securities, money market instruments, collective investment schemes, etc.), the characteristics of the securities or instruments to be invested in and the asset allocation strategy. Where applicable, the investment focus should also include the countries or markets (e.g. global, regional or country-specific, developed or emerging markets, etc.) and target sector or industry. For avoidance of doubt, a fund that is established as a country-specific government bond or fixed income fund must contain prominent statement drawing attention to the government, government agency or supranational which the fund intends to invest in;

- (ii) Practice, technique or approach used by the fund manager in managing the investment portfolio; and
 - (iii) Where applicable, whether the fund manager may take temporary defensive positions which may be inconsistent with the fund's principal strategy in attempting to respond to adverse market conditions, economic, political or any other conditions, and the types of securities or instruments the fund would invest in during the defensive positions;
- (g) Where a fund invests or can invest in derivatives or embedded derivatives, a disclosure of the following:
 - (i) The types and characteristics of derivatives or embedded derivatives;
 - (ii) The purpose of investing in derivatives, either for hedging or investment, including the method used to determine the fund's exposure and a description of the method;

- (iii) Where applicable, the likelihood of high volatility of the NAV per unit of the fund; and
- (iv) In the case of derivative on commodity, a statement that such transactions will be settled in cash.

Securities lending and repurchase transactions

- (h) Where the fund participates in securities lending and repurchase transactions, the prospectus must disclose the following:
 - (i) The purpose for the management company engaging in securities lending and repurchase transactions, as well as its policies and practices;
 - (ii) The percentage of the fund's assets can be lent to third parties or involved in the ISSBNT (where applicable);
 - (iii) Risks associated with securities lending and repurchase transactions, including operational, liquidity, counterparty, custody and legal risk;

- (iv) Description and nature of the collateral to be received by the fund, including cash and non-cash collateral;
- (v) Any conflicts of interest and how they are mitigated, as well as whether the management company intends to participate in securities lending and repurchase transactions; and
- (vi) The risk management policy and procedures to address the potential risks involved;

Collateral policy and criteria

- (i) Disclose the selection criteria, nature and policy of the collateral held by the fund and description of the holdings of collateral, including:
 - (i) Percentage of collateralisation in respect of the securities lending and repurchase transactions into which the fund enters;
 - (ii) The nature and quality of the collateral, including asset type (e.g. cash, money market instruments,

shares or bonds), issuer, maturity and liquidity;

- (iii) Criteria for selecting counterparties, including legal and regulatory status, country of origin and minimum credit rating;
- (iv) Source and basis of valuation of collateral, including marked-to-market arrangements;
- (v) Description of haircut policy;
- (vi) Collateral diversification and correlation policies, if any;
- (vii) Policies for re-investment of cash collateral; and
- (viii) Risks associated with collateral management and, if applicable, re-investment of cash collateral;

Risk factors

- (j) Risk factors relating to the fund which would include, among others–
 - (i) general risks of investing in unit trust fund;

- (ii) specific risks associated with the investment portfolio of the fund; and
- (iii) description of liquidity risks and the associated impact on the fund and unit holders;

Risk management

- (k) The risk management strategies including liquidity risk management, and techniques to be employed by the fund manager;

Investment in derivatives

- (l) Where the fund's assets consist or propose to consist of warrants, options and embedded derivatives, risk factors must include the inherent risks associated with these types of investment;
- (m) Where the fund's assets consist or propose to consist of derivatives, the risks with respect to investment in derivatives, including the likelihood of high volatility in the NAV of the fund;

- (n) Where the fund invests in derivatives and embedded derivatives, the specific risk management adopted, including measures to be taken in the event of a downgrade in the rating of the issuer in the case of OTC derivatives;
- (o) In making disclaimers on risk factors, the disclaimers must not be as wide as to cause the risk disclosures to be of little or no beneficial use to investors;

Other information

- (p) Distribution policy;
- (q) Where a fund declares distribution out of capital, the following must be disclosed:
 - (i) The rationale for the policy to distribute out of capital;
 - (ii) The effects of making distribution out of capital; and
 - (iii) A statement indicating the greater the risk of capital erosion that exists and the likelihood that, due to capital erosion, the value of future returns would also be diminished;

- (r) Performance benchmark of a fund
 - (i) Where the fund's performance is or will be measured against a benchmark, 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, there must be a description on how the benchmark is derived;
 - (ii) Where there is a change in the benchmark, disclose the fact and explain the reason for the change; or
 - (iii) Where there is no benchmark for the fund, disclose the fact and explain why no benchmark is used;
- (s) The permitted or authorised investments and the investment limits and restrictions for the fund;
- (t) In the case of an authorised fund, details of the fund management company's policy in undertaking cross trades;

- (u) Where the fund's strategy is to preserve capital, a warning statement in bold must be disclosed stating that the fund's capital is not guaranteed;
- (v) Where a fund invests or propose to invest substantially in derivatives, i.e. exceeding 30% of the NAV, a warning statement on the likelihood of high volatility in the NAV of the fund as a result of the fund's investment in derivatives must be included and appear in bold font; and

Islamic fund

- (w) For an Islamic fund–
 - (i) a clear description of the Shariah approval process, including details of methodologies, screening process and rules on disposal of Shariah non-compliant investment or instruments; and
 - (ii) 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 and, where applicable the SAC of BNM. For instruments that

are not classified by the SAC of the SC and, where applicable 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.

- 4.03 In addition to the above requirements, for certain types and categories of funds, a management company must also disclose the information stipulated in Chapters 16 – 20 of these Guidelines.

Chapter 5

FEES, CHARGES AND EXPENSES

5.01 A prospectus must disclose and explain the cost of investing in the fund.

Charges

5.02 A prospectus must include a description of the charges directly incurred by investors when purchasing or redeeming units of the fund, including:

- (a) The maximum rate or amount of charges imposed by each distribution channel;
- (b) Basis on which the charges are calculated; and
- (c) Illustration on how the charges are calculated.

5.03 Policy on rounding adjustment adopted must also be disclosed.

Fees

- 5.04 A prospectus must describe the fees indirectly incurred by investors when investing in the fund which include, among others, management fee and trustee fee. The description must include the annual rate imposed.
- 5.05 A prospectus must also describe any other fee that may be imposed.

Expenses

- 5.06 There must be a list of expenses incurred or to be incurred by the fund (e.g. commission paid to brokers, auditors fee, valuation fee, taxes, custodial charges, etc.) in the prospectus.

Others

- 5.07 A prospectus must disclose the management company's policy on rebates and soft commissions.
- 5.08 The following statement must appear under this section:

"There are fees and charges involved and investors are advised to consider them before investing in the fund."

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 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”.

Chapter 7

THE MANAGEMENT COMPANY

Corporate information

7.01 The corporate information of the management company that must be disclosed, includes–

- (a) the name of each director and their designation, whether independent or non-independent; and
- (b) the management company's experience in operating a fund.

7.02 There must also be a disclosure of–

- (a) the roles, duties and responsibilities of the management company; and
- (b) all current material litigation and arbitration, including those pending or threatened, and any facts likely to give rise to any proceeding which might materially affect the business and financial position of the management company.

Shariah adviser

- 7.03 Where a Shariah adviser is appointed, the following information must be disclosed:
- (a) Names and experience of the Shariah adviser. Where the Shariah adviser is a corporation, to also state the name and experience of the Shariah officer responsible for Shariah matters of the fund;
 - (b) Roles and primary functions of the Shariah adviser; and
 - (c) Frequency of review on the fund's investments by the Shariah adviser to ensure compliance with Shariah principles or any other relevant principle at all times.

Fund management function

- 7.04 A prospectus must disclose relevant information on the designated person responsible for the fund management function of the fund, including his relevant experience.
- 7.05 Where the fund management function is undertaken by an external party, the prospectus must in addition to the disclosure requirement under paragraph 7.04, disclose the following:

- (a) Name of the fund manager;
- (b) Roles and duties of the fund manager;
- (c) The fund manager's experience in fund management; and
- (d) All current material litigation and arbitration, including those pending or threatened, and any facts likely to give rise to any proceeding which might materially affect the business or financial position of the fund manager.

Other information

- 7.06 The management company must include a statement to inform investors that further information on the management company, Shariah adviser, and fund manager is provided in the management company's website (e.g. the qualification of the Shariah adviser and other corporate information).
- 7.07 The information as required under the following paragraphs may be incorporated in the prospectus by referencing the location on the management company's website where the information can be found:

- (a) Paragraph 7.01;
- (b) Sub-paragraph 7.02(b);
- (c) Sub-paragraph 7.03(a);
- (d) Paragraph 7.04; and
- (e) Sub-paragraphs 7.05(c) and (d).

Chapter 8

THE TRUSTEE

8.01 The following information of the trustee must be disclosed:

- (a) Corporate information;
- (b) Experience as trustee to unit trust funds;
- (c) Roles, duties and responsibilities of the trustee; and
- (d) All current material litigation and arbitration, including those pending or threatened, and any fact likely to give rise to any proceeding which might materially affect the business/financial position of the trustee.

Delegates

8.02 Where the custodial function of the trustee is delegated, the following information must be disclosed:

- (a) A brief corporate information of the delegate; and
- (b) The roles and duties of the delegate.

Chapter 9

SALIENT TERMS OF DEED

- 9.01 A prospectus must disclose salient terms of the deed, particularly provisions relating to–
- (a) rights and liabilities of unit holders, including the limitations and restrictions on their rights;
 - (b) maximum fees and charges permitted by the deed and payable by the investors either directly and indirectly, such as management fee, trustee fee, sales charge and repurchase charge, etc.;
 - (c) increase in fees and charges from the level disclosed in the prospectus and the maximum rate provided in the deed;
 - (d) permitted expenses payable out of the fund's property;
 - (e) removal, replacement and retirement of the management company and trustee;
 - (f) termination of the fund and where multiple classes of units are issued, the

circumstances, procedures and processes for termination of each class of units and the fund; and

- (g) unit holders' meeting.

Chapter 10

APPROVALS AND CONDITIONS

- 10.01 A prospectus must disclose, where applicable, any approval obtained from any relevant authority in conjunction with the establishment of the fund, together with the date of the approval, any condition attached and status of its compliance.
- 10.02 For any waiver from any relevant guidelines which has been approved by the SC, to state the specific paragraph of the guidelines for which the waiver was sought and details of the approval and any condition imposed.

Chapter 11

RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST

- 11.01 A prospectus must disclose the existing and proposed related-party transactions involving the fund, management company, trustee, promoter, any vendor or person connected to them, where applicable, together with steps taken to resolve any conflict of interest. Such disclosure is also required if the fund enters into any transaction with key personnel of the management company, promoter, vendor or any person connected to them.
- 11.02 The management company must disclose its policy on dealing with any conflict of interest situation (e.g. dealing in securities by employees, directors, etc.).
- 11.03 Declaration of any expert's existing and potential interests or conflicts of interest in an advisory capacity, *vis-à-vis* the fund or the management company must be provided in the prospectus.

Chapter 12

TAXATION OF THE FUND

12.01 A prospectus must contain a report providing an opinion from the fund's tax adviser detailing the following:

- (a) The taxation of the fund taking into account any distinctive characteristic of the fund (e.g. its participation in futures contracts, investment in foreign securities); and
- (b) Tax liabilities of the unit holder, if any.

Chapter 13

EXPERTS' REPORTS

13.01 Where a prospectus contains an expert's opinion—

- (a) an excerpt from, or summary of opinion expressed and conclusion recorded in the report must be disclosed;
- (b) the expert must state whether or not the report was prepared for inclusion in the prospectus; and
- (c) the expert's report must be signed and dated within a reasonable time of the issuance of the prospectus. This is to ensure that the content is substantially relevant at the time the prospectus is issued.

13.02 If an expert becomes aware of any significant change affecting the content of his report, either—

- (a) between the date of the report and the issue of the prospectus; or
- (b) after the issue of the prospectus and before the issue of the units,

then, the expert has an obligation to update the report to reflect the change and, either require the management company to issue a supplementary prospectus or replacement prospectus, or withdraw his consent to the inclusion of the report in the prospectus. Failure to do so will result in the management company, promoters and the expert being liable for any misleading statement or material omission in the outdated report.

- 13.03 An expert must not make disclaimers of responsibility that are so wide that it would diminish the reliability or utility of the report to investors.

Chapter 14

ADDITIONAL INFORMATION

- 14.01 A prospectus must contain information on how investors can keep abreast of any development in the fund and track the NAV per unit of the fund.
- 14.02 A prospectus must also disclose the avenue for advice available to prospective investors.
- 14.03 A prospectus must also disclose a list of current deed and supplemental deeds, if any, and their corresponding dates.
- 14.04 A prospectus must disclose the financial year-end of the fund and when the unit holder can expect to receive the interim report and annual report.
- 14.05 The following warning statement must be displayed in bold font:

“The fund’s annual report is available upon request.”.

Chapter 15

DOCUMENTS AVAILABLE FOR INSPECTION

15.01 A prospectus must contain a statement that, a copy of the following documents, where applicable may be inspected at the registered office of the management company or such other place as the SC may determine—

- (a) the deed and supplemental deed;
- (b) the current prospectus and supplementary or replacement prospectus, if any;
- (c) the latest annual and interim reports of the fund;
- (d) each material contract disclosed in the prospectus and, in the case of a contract not reduced into writing, a memorandum which gives full particulars of the contract;
- (e) where applicable, the audited financial statements of the management company and the fund for the current financial year and for the last three financial years or if less than three years, from the date of incorporation or commencement;

- (f) any report, letter or other document, valuation and statement by an expert, any part of which is extracted or referred to in the prospectus. Where a summary expert's report is included in the prospectus, the corresponding full expert's report must be made available for inspection;
- (g) writ and relevant cause papers for all material litigation and arbitration disclosed in the prospectus; and
- (h) consent given by an expert disclosed in the prospectus.

Chapter 16

SPECIFIC REQUIREMENTS FOR INDEX FUNDS

16.01 The following information must be disclosed in the prospectus of an index fund, in addition to that specified under Chapters 1 – 15 of these Guidelines, unless otherwise specified.

The fund

16.02 The following additional information must be disclosed:

- (a) The underlying index which the fund intends to track or replicate, as well as a description of the market or sector the index represents;
- (b) The characteristics and general composition of the index and, where applicable, concentration in any economic sector or issuer;
- (c) The fund's investment strategy whether to invest in all (full replication) or a representative sample of component securities of the underlying index. Where a representative sample of component

securities of the index is used, to disclose how the sample is constituted;

- (d) A brief description of the index methodology and rules and how investors may obtain such information;
- (e) The means by which investors may obtain the latest index information and other important news of the index;
- (f) Circumstances which may affect the accuracy and completeness in the calculation of the index;
- (g) Circumstances which may lead to tracking errors and strategies employed in minimising such errors;
- (h) The risks of investing in an index fund;
- (i) The policy on rebalancing the investment portfolio;
- (j) The weightings of the top 10 component securities of the underlying index; and
- (k) In addition to subparagraph 16.02(j), where a representative sample of component

securities of the underlying index is used to track or replicate the index, the weightings of the top 10 component securities in the sample.

16.03 There must be statements displayed in bold font to the effect that–

- (a) there is no guarantee or assurance of exact or identical replication at any time of the performance of the index;
- (b) the index composition may change and component securities of the underlying index may be delisted; and
- (c) where relevant, the investment of the scheme may be concentrated in securities of a single issuer or several issuers.

Chapter 17

SPECIFIC REQUIREMENTS FOR MONEY MARKET FUNDS

17.01 The following information must be disclosed in the prospectus of a money market fund, in addition to that specified under Chapters 1 – 15 of these Guidelines, unless otherwise specified.

The fund

17.02 The following information must be disclosed:

- (a) The minimum credit rating of the money market instruments or debt securities which the fund will invest in; and
- (b) The steps to be taken where the ratings are downgraded below the pre-determined rating.

17.03 The following statement must be displayed in bold font:

“Investment in the fund is not the same as placement in a deposit with a financial institution. There are risks involved and investors should rely on their own

**evaluation to assess the merits and risks
when investing in the fund.”**

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*.

Chapter 19

SPECIFIC REQUIREMENTS FOR FEEDER FUNDS

19.01 The following information must be disclosed in the prospectus of a feeder fund, in addition to that specified under Chapters 1 – 15 of these Guidelines, unless otherwise specified.

The fund

19.02 This section must also include information on the collective investment scheme (target fund), including–

- (a) name of target fund;
- (b) the management company and fund manager of target fund;
- (c) country of origin of target fund;
- (d) regulatory authority which regulates the target fund;
- (e) date of establishment of the target fund;

- (f) the investment objective and principal investment strategy;
- (g) target fund's redemption policy;
- (h) the specific and peculiar risks of the target fund;
- (i) the permitted or authorised investment and the limits or restrictions of the target fund;
- (j) where applicable, the foreign jurisdiction from where the fund originates and name of the regulator responsible for regulating the fund and parties responsible for the fund; and
- (k) the applicable legislation in the foreign jurisdiction which applies to the target fund.

19.03 In relation to subparagraph 19.02(b), the information must include the corporate information, experience and expertise in the relevant industry.

Fees, charges and expenses

19.04 A prospectus must explain with illustration the impact of fees and charges imposed by the target

fund on the cost of investing in the feeder fund. Where fees and charges of the target fund are waived, or where rebates are given, this must be disclosed.

- 19.05 Where applicable, there must be a warning statement, in bold font, to alert potential investors to the fact that they will be subjected to higher fees arising from the layered investment structure.

Investment in an exchange-traded fund (ETF)

- 19.06 Where the target fund is an ETF, the prospectus must also contain disclosure on the difference between investing in the ETF through the feeder fund structure and investing directly in the ETF, with particular attention to the fee structure and real-time trading.

Chapter 20

SPECIFIC REQUIREMENTS FOR REAL ESTATE INVESTMENT TRUSTS

20.01 The following information must be disclosed in the prospectus of a real estate investment trust (REIT), in addition to that specified under Chapters 1–15 of these Guidelines, unless otherwise specified.

Statements of disclaimer

20.02 There shall be an additional statement of disclaimer, displayed in bold font, as follows:

“The valuation approved or accepted by the Securities Commission Malaysia is only for the purpose of the proposal submitted to and approved by the Securities Commission Malaysia, and shall not be construed as an endorsement by the Securities Commission Malaysia on the value of the real estates for any other purpose.”

Key data section or information summary

20.03 The key data and information summary section should include, but is not limited to, the following

information:

(a) Fund information

(i) Brief but relevant details on the real estates to be acquired, including a table highlighting principal statistics of the real estates;

(ii) Revaluation policy;

(iii) Gearing policy; and

(b) Fees and charges

Details on other substantial fees to be paid by the REIT (e.g. property management fees, etc.).

The fund

20.04 Subparagraphs 4.02(e), (f), (g), (k) and (w) are not applicable to a REIT. Instead the prospectus of a REIT must disclose information as required in this section.

General

20.05 The information to be disclosed should include, but is not limited to, the following:

- (a) The investment objective of the REIT and a statement that material changes to the investment objective would require investors' approval;
- (b) The policies and investment strategies to achieve the REIT's investment objective. The disclosure must include the future plans of the REIT (e.g. growth strategies) and steps taken, including the time frame, to realise the plans;
- (c) The types and characteristics of real estates which the REIT will acquire (e.g. location, types of real estate, income/rental prospects of the real estate, etc.);
- (d) Permitted investments and investment limits/restrictions of the REIT, including the policy on holding of liquid assets to meeting repurchase requests;
- (e) The policy on gearing and the REIT's level of gearing at the point of establishment, including source, type, nature of borrowings and the interest rate payable;
- (f) Distribution policy and mode of distribution to investors;

- (g) Investors profile most suitable for the REIT;
and
- (h) Details of any existing or proposed arrangement which materially enhances short-term yields but may not be sustainable in the long term and the risks associated with such arrangements. An analysis of how such arrangements affect current and future yields must be disclosed together with a computation of the forecast distribution yields without such arrangements.

20.06 For an Islamic REIT, the prospectus must also include–

- (a) clear description of the Shariah approval process, including details on methodologies, screening process and rules on purification process; and
- (b) a statement to the effect that the investment of the Islamic REIT is carried out in accordance with the ruling issued by the Shariah adviser. Where the fund also invests in other Shariah compliant instruments, the statement should include that the instruments have been classified as Shariah compliant by the SAC of the SC and, where

applicable, the SAC of BNM. For instruments that are not classified as Shariah compliant by the SAC of the SC and, where applicable, 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.

Investments in real estates

20.07 A prospectus must include specific disclosures on the real estate, including but not limited to, the following:

- (a) Details and description of the real estates held by the REIT and/or real estate to be acquired:
 - (i) Description of the real estate which includes type, location, age, existing use, net lettable area, number of car parks, information specific to the type of the real estate, such as hotel, hospital and agriculture properties, the market value and purchase consideration;
 - (ii) Particulars of the tenancies, which include major tenants and their corresponding percentage

contribution to total gross rental income, tenancy periods, periodic reviews and occupancy rates for the past three years, where applicable, and, in the case of a sale and leaseback, the basis of arriving at the rental entered into by the REIT;

- (iii) Details of incomes and expenditure including gross rental income, outgoings, net income, estimation of future income and major capital expenditures likely to be incurred in the immediate future; and
 - (iv) Any encumbrance or limitations in the title or interest to the real estate;
- (b) Where a real estate acquired or to be acquired is leased or is proposed to be leased, details of the lease excluding any sub-lease, including details of financial arrangements, stamp duty and options, or other rights given to a lessee or proposed lessee to purchase the real estate. If none, a statement to the effect must be made;

- (c) For a real estate to be acquired, the expected period within which the transaction will be completed and its status at the date of prospectus;
- (d) Where a REIT has entered into an agreement to purchase a real estate upon its completion, the rationale and justification of acquiring such real estate and the future prospects of acquiring tenants and future incomes; and
- (e) Relevant information, in particular, risks associated with the following acquisitions:
 - (i) Real estate without a track record;
 - (ii) Buildings which are not fully tenanted;
 - (iii) Equity of single-purpose companies;
 - (iv) Part of a real estate; and
 - (v) Real estate located outside Malaysia.

20.08 A prospectus must also state the management company's valuation policy for the fund's real estate, disclosing the following information:

- (a) Frequency of valuation;
- (b) Date of the last valuation;
- (c) The likely date for the next valuation;
- (d) Revaluation surplus or deficit comparative to last valuation; and
- (e) Net book value of the real estate.

20.09 An overview of the real estate/property market and the outlook for the types of real estate which are or to be acquired by the REIT must also be included in the prospectus.

Investments in real estate-related assets and non-real estate-related assets

20.10 Where a REIT invests in real estate-related assets or non-real estate-related assets, the prospectus must disclose, but is not limited to, the following:

- (a) The investment policy and investment strategies to achieve the investment objective of the fund, including–
 - (i) the investment focus of the fund (e.g. equities, debt securities, money market instruments, etc.), the characteristics of the securities or

instruments to be invested and the 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/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 fund's principal strategy in attempting to respond to adverse market conditions, economic, political or any other condition. There must also be a disclosure on the types of securities/instruments the fund would invest in during defensive positions;
- (b) The risk management strategies and techniques to be employed by the fund manager;

- (c) The permitted or authorised investments and the investment limits and restrictions for the fund;
- (d) Valuation bases for all types of investments invested or to be invested by the fund, including treatment for suspended counters; and
- (e) Policy with respect to the valuation point to determine the values of the investments, including policy on timing for valuation of a fund's foreign investments and frequency of valuation of the fund's property.

Financial information

Proforma income statement

20.11 For a newly-established REIT, a proforma income statement must be disclosed for each of the last three years. The proforma financial information is presented for illustrative purpose only and on the assumption that the REIT was in existence throughout the period under review.

20.12 The following must also be stated:

- (a) The basis upon which the proforma income statement is prepared;
- (b) Where applicable, that the financial statements used in the preparation of the proforma income statement were prepared in accordance with approved accounting standards in Malaysia. Details of any auditor's qualification to these underlying financial statements must also be highlighted;
- (c) Whether the proforma income statement has been properly prepared in a manner consistent with both the format of the financial statements and the accounting policies to be adopted by the REIT; and
- (d) Any adjustment, which was dealt with when preparing the proforma income statement, must be prominently disclosed and highlighted.

20.13 A detailed analysis of the fund over the past three financial years and latest financial period, where applicable, must be provided.

Proforma balance sheet

20.14 A proforma balance sheet at the date of establishment of the REIT must be prepared and adjusted for the following:

- (a) Acquisitions connected with the proposed establishment of the REIT; and
- (b) Proceeds received and proposed utilisation of funds.

The prospectus must also set out the details of such adjustments. The proforma balance sheet will assist investors or analysts in determining the financial effects of the acquisition and the notional financial position of the REIT.

20.15 The proforma balance sheet must also include the following information:

- (a) NAV per unit; and
- (b) Proforma NAV per unit.

20.16 The following must also be stated in the prospectus:

- (a) The basis upon which the proforma balance sheet is prepared;
- (b) Where applicable, the financial statements used in the preparation of the proforma financial information were prepared in accordance with approved accounting standards in Malaysia. Details of any auditor's qualification to these underlying financial statements must also be highlighted;
- (c) Whether the proforma balance sheet has been properly prepared in a manner consistent with both the format of the financial statements and the accounting policies of the fund/ to be adopted by the REIT; and
- (d) Any adjustment, which was dealt with when preparing the proforma balance sheet, must be prominently disclosed and highlighted.

20.17 The proforma balance sheet must be accompanied by a reporting accountants' letter. The reporting accountant's letter shall state the following:

- (a) The proforma balance sheet has been properly prepared on the basis stated in subparagraph 20.16(a) and in a manner consistent with the format of the balance sheet and accounting policies of the REIT to be adopted by the REIT;
- (b) Where applicable, the proforma balance sheet has been properly prepared using financial statements prepared in accordance with the approved accounting standards in Malaysia; and
- (c) Each material adjustment made to the information used in the preparation of the proforma financial information is appropriate for the purposes of preparing such financial information.

Future financial information

20.18 Profit estimates or forecasts must be provided and be dealt with in accordance with paragraphs 20.20 to 20.26. Where profit estimates or forecasts are submitted as part of an application for the establishment of a REIT, the profit estimates or forecasts should be provided in the prospectus.

- 20.19 The accounting policies and calculations for profit estimates or forecasts must be reviewed and reported on by the reporting accountants and be accompanied by a reporting accountant's/auditor's letter. The report/letter should be in the prospectus and the opinion stated in the letter should be consistent with those submitted pursuant to the application referred to in paragraph 20.18.
- 20.20 There should be notes to future financial information, including whether such information was prepared on bases and accounting principles consistent with those adopted or to be adopted in the preparation of the financial statements of the REIT.
- 20.21 Sufficient details on the bases and assumptions of the estimates or forecasts must be disclosed to enable the investor to assess the reliability of the estimates or forecasts and the effect of any change to the assumptions used. Profit estimates or forecasts must include at the minimum, the following:
- (a) Revenue;
 - (b) Property operating cost;

- (c) Profit before tax;
- (d) Tax expense; and
- (e) Profit after tax.

20.22 The bases and assumptions for the profit estimates or forecasts must–

- (a) provide useful information to assist investors to form a view on the reasonableness and reliability of the estimates or forecasts;
- (b) draw investors' attention to, and where possible quantify, uncertain factors which can materially affect the ultimate achievement of the estimates or forecasts;
- (c) be specific rather than vague;
- (d) where possible, avoid generalisations and all-embracing assumptions and those relating to the general accuracy of the assumptions made in the estimates or forecasts; and
- (e) be stated and reviewed for reasonableness by the directors of the management company who are responsible for the

estimates or forecasts, bases and assumptions.

20.23 The following requirements must apply for profit estimates or forecasts:

- (a) Estimates or forecasts should be realistic and achievable to provide investors with information on the REIT's prospects. An unrealistic estimates or forecasts, irrespective of whether it is too high or too low, may mislead investors into making investment decisions based on the information in the prospectus;
- (b) Estimates or forecasts must be compiled with utmost care and objectivity; and
- (c) Where estimates or forecasts are subject to a high probability of variation, the management company must provide a sensitivity analysis based on the key variables.

20.24 For a newly-established REIT, forecast for the first financial year must be presented. However, if the period represented is less than 9 months, forecast for the second financial year of the REIT must be included in the prospectus.

20.25 Directors' analysis of estimates or forecasts and commentary on achievability must be disclosed, in light of the following:

- (a) Future prospects of the industry;
- (b) Future plans and strategies to be adopted; and
- (c) The level of gearing, liquidity and other requirements.

20.26 Distribution estimate or forecast must be disclosed, which include the following:

- (a) Distribution policy;
- (b) Distribution rate;
- (c) Distributable amount;
- (d) Distribution cover; and
- (e) Distribution yield.

20.27 The following warning statement, to appear in bold, must be included in the prospectus:

“The rental yield on real estate held by the scheme is not equivalent to the yield of the units.”

“Current rental receipts and yields may not sustain.”

“The value of the real estate may rise as well as fall.”

Fees, charges and expenses

20.28 The disclosure on the list of expenses must also include fee paid to the property manager.

The property manager

20.29 A prospectus must disclose information on the appointed property manager which includes–

- (a) corporate information of the property manager, including number of years in real estate/property management, total property under management and staff strength;
- (b) information on key personnel of the property manager, highlighting the academic and professional qualification, as well as experience possessed by the

- respective personnel;
- (c) functions, duties and responsibility of the property manager;
- (d) the annual fee and basis of the fee calculation; and
- (e) where applicable, unit holding of the property manager in the fund.

Valuation certificate

20.30 A prospectus must contain a valuation certificate prepared in accordance with *the Guidelines on Asset Valuation*.

Related-party transactions and conflict of interest

20.31 The relationship between the management company (including the management company's related corporations and associated persons) and the vendors must be explained.

20.32 There must also be disclosed brief particulars of any transaction within the two preceding years relating to any real estate to be purchased or to be purchased out of the proceeds of the issue that may give rise to a conflict of interest.

Additional information

- 20.33 The inclusion of photographs in the prospectus is only permitted on condition that the photograph is not more than six months old and the REIT owns a major portion of the real estate. Drawings of real estate must not be included in the prospectus.
- 20.34 Full disclosure of the salient terms of the material agreement relating to the proposed acquisition of real estate.

Chapter 21

APPLICATION FORM

- 21.01 An application form must be identifiable with the prospectus and warn investors against signing the form without having read and understood the prospectus.
- 21.02 Accordingly, an application form must contain the following:
- (a) A statement that in accordance with the requirements of the CMSA, the application form should not be circulated unless accompanied by the prospectus;
 - (b) A statement that investors should read the prospectus before completing the application form; and
 - (c) Acknowledgement by an investor that he is aware of the fees and charges that he will incur directly or indirectly when investing in the fund.
- 21.03 A unit trust loan financing risk disclosure statement, where applicable, must also form part of the application form. The contents of the statement must be as follows:

Investing in a Unit Trust Fund with Borrowed Money Is More Risky than Investing with Your Own Savings

You should assess if loan financing is suitable for you in light of your objectives, attitude to risk and financial circumstances. You should be aware of the risks, which would include the following:

1. The higher the margin of financing (that is, the amount of money you borrow for every ringgit of your own money which you put in as deposit or down payment), the greater the loss or gain on your investment.
2. You should assess whether you have the ability to service the repayments on the proposed loan. If your loan is a variable rate loan, and if interest rates rise, your total repayment amount will be increased.
3. If unit prices fall beyond a certain level, you may be asked to provide additional acceptable collateral (where units are used as collateral) or pay additional amounts on top of your normal instalments. If you fail to comply within the time prescribed, your units may be sold towards the settlement of your loan.
4. Returns on unit trusts are not guaranteed and may not be earned evenly over time. This means that there may be some years where returns are high and other years where losses are experienced.

Whether you eventually realise a gain or loss may be affected by the timing of the sale of your units. The value of units may fall just when you want your money back even though the investment may have done well in the past.

This brief statement cannot disclose all the risks and other aspects of loan financing. You should therefore carefully study the terms and conditions before you decide to take a loan. If you are in doubt about any aspect of this risk disclosure statement or the terms of the loan financing, you should consult the institution offering the loan.

Acknowledgement of Receipt of Risk Disclosure Statement

I acknowledge that I have received a copy of this Unit Trust Loan Financing Risk Disclosure Statement and understand its contents.

Signature: _____

Full name: _____

Date: _____

PART III
CONTENT OF PROSPECTUS
FOR LISTED FUNDS

Chapter 1

INTRODUCTION

Cover page

1.01 The cover page of a prospectus must include the following:

- (a) Name of the fund, or funds in the case of a master prospectus;
- (b) Name of the management company and its registration number;
- (c) Name of the trustee and its registration number;
- (d) Date of the prospectus;
- (e) Date of the fund's constitution;
- (f) The following statement:

"No units will be allotted or issued based on this prospectus after 12 months from the date of this prospectus.";

- (g) In the case of a foreign fund–
 - (i) a statement that the fund is approved, authorised, or registered, as the case may be, by the securities regulator in the foreign jurisdiction;
 - (ii) the foreign jurisdiction where the fund is domiciled, the name of the securities regulator regulating the fund, and management company for the fund;
 - (iii) the applicable legislation in the foreign jurisdiction governing the fund and a statement that the legal and regulatory environment in the foreign jurisdiction may differ from that prevailing in Malaysia;
 - (iv) where a prospectus incorporates an offer document registered outside Malaysia in respect of the fund, to provide a statement to such fact; and
 - (v) in the case of a master prospectus, the information in subparagraphs (i) to (iv) must be disclosed for each fund which is the subject of the master prospectus;
- (h) The following statement, to appear in bold:

"INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER."

"FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE [xx].";

- (i) For a local fund, the following statement:

"The Securities Commission Malaysia has approved [to state approval given] and a copy of this prospectus has been registered by the Securities Commission Malaysia.

The approval, and registration of this prospectus, should not be taken to indicate that the Securities Commission Malaysia recommends the fund or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this prospectus. The Securities Commission Malaysia has not, in any way, considered the merits of the securities being offered for investment.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of the management company responsible for the fund and takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this prospectus.

Admission to the Official List of Bursa Malaysia Securities Berhad is not to be taken as an indication of the merits of the offering, the funds or of its units.”;

(j) For a foreign fund, the following statement:

“The fund is established in a foreign jurisdiction and is regulated by the regulator in the foreign jurisdiction. As such, the fund is not subjected to the requirements of the [insert relevant guidelines] issued by the Securities Commission Malaysia.

The Securities Commission Malaysia has approved [to state approval granted] and a copy of this prospectus has been registered by the Securities Commission Malaysia.

The approval, and registration of this prospectus, should not be taken to indicate that

the Securities Commission Malaysia recommends the fund or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this prospectus. The Securities Commission Malaysia has not, in any way, considered the merits of the securities being offered for investment.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of the management company responsible for the fund and takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from, or in reliance upon, the whole or any part of the contents of this prospectus.

Admission to the Official List of Bursa Malaysia Securities Berhad is not to be taken as an indication of the merits of the invitation, funds or of its units.”

Inside cover or first page

- 1.02 The inside cover or first page must include the following statements:

Responsibility Statements

- (a) "The directors of the management company have seen and approved this prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement, or other facts which if omitted, would make any statement in the prospectus false or misleading.";
- (b) "[name of adviser and name of the person primarily managing the placement of securities, if any], acknowledge(s) that, based on all available information, and to the best of its/their knowledge and belief, this prospectus constitutes a full and true disclosure of all material facts concerning the public offering.";
- (c) Where future financial information is provided:

"The directors of the management company confirm that the bases and assumptions relied on in the preparation of the future financial information are reasonable."

"[Name of principal adviser], being the Principal

Adviser is satisfied that bases and assumptions relied on in the preparation of the future financial information are reasonable.”;

Other Statements

(d) “Investors should note that they may seek recourse under the Capital Markets and Services Act 2007 for breaches of securities laws and regulations including any statement in the prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to the prospectus or the conduct of any other person in relation to the fund.”;

(e) For an Islamic fund–

“The fund offered in this prospectus has been certified as Shariah-compliant by the Shariah adviser appointed for the fund”.

1.03 In the case where the units offered are proposed to be listed and quoted on the stock exchange or other similar exchange outside Malaysia, the prospectus must contain the following statements:

- (a) A statement that the approval for the listing and quotation of the units on the official list of the stock exchange or other similar exchange outside Malaysia has been granted; or
- (b) Where such approval has not been granted, the following statements:
 - (i) That an application has been or will be made for the units offered, to be listed and quoted on the official list of the stock exchange or a similar exchange outside Malaysia;
 - (ii) Any allotment made on an application to subscribe for units under the prospectus would be void if–
 - I. the application to list and quote has not been made within three market days from the date of issue of the prospectus; or
 - II. the approval to list and quote is not granted within six weeks from the date of issue of the prospectus or such longer period as may be specified by the SC, provided that the applicant is notified by or on behalf of the exchange within the six weeks or

such longer period as may be specified by the SC; and

- (c) Where application has not been made, or approval has not been granted by the exchange as mentioned above, the management company will repay without interest all monies received from the applicant.

Indicative timetable

1.04 A prospectus must disclose the timetable, including the following critical dates–

- (a) Opening and closing dates of the issue or offer;
- (b) Dates of any special event, for example, date for balloting the applications (day, month and year);
- (c) Date for allotment of units (day, month and year); and
- (d) Listing date (day, month and year).

1.05 The method of informing the public for any changes to the timetable must be disclosed in the prospectus.

Corporate directory

1.06 The directory must contain details:

- (a) Name, address and telephone numbers of the registered office and business office of the management company and its fund manager, if any, as well as the e-mail address and website address, if any;
- (b) Name, address and telephone numbers of the trustee's registered office and business office and its delegates, if any, as well as the e-mail address and website address, if any;
- (c) For Islamic fund, name, address and telephone numbers of the Shariah adviser, as well as the e-mail address and website address, if any;
- (d) For real estate investment trust and closed-end fund, name of the directors of the management company, including whether the director is independent or non-independent;
- (e) For closed-end fund, name, address and membership number of company secretary;
- (f) Names and addresses of the following parties, where applicable:
 - (i) Principal adviser;

- (ii) Auditor;
- (iii) Tax consultant;
- (iv) Legal adviser connected to the proposal;
- (v) Issuing house;
- (vi) Registrar;
- (vii) Underwriter;
- (viii) Placement agent;
- (ix) For real estate investment trust, valuer;
- (x) For real estate investment trust, property manager;
- (xi) For real estate-investment trust, name, address and professional qualification, including any membership in a professional body, of the reporting accountant;
- (xii) For exchange-traded fund, participating dealer;
- (xiii) For exchange-traded fund, market maker

or a statement on where such information can be obtained;

(xiv) For exchange-traded fund, index licensor;

(g) Name, address and qualification of an expert whose prepared reports or excerpts or summaries are included or referred to in the prospectus. If the expert is a corporation or a firm, to disclose the name of individuals responsible for preparing the reports, excerpts or summaries; and

(h) Name of the stock exchange where units are already listed or the listing sought in relation to the prospectus.

1.07 In the case of a foreign fund, the name and address of the representative for the fund must also be disclosed.

Approvals and conditions

1.08 Disclose all approvals obtained from and conditions imposed by, relevant authorities in relation to the offering, and the status of compliance on such conditions.

- 1.09 For any specific relief obtained from compliance with relevant securities laws and guidelines issued by the SC, to disclose the details of the relief granted.

Chapter 2

INFORMATION SUMMARY

- 2.01 There must be an information summary section in a prospectus, highlighting salient features of the fund.
- 2.02 There must be a warning in bold at the front of the information summary section advising investors that this section is only a summary of the salient information about the fund and that investors should read and understand the whole prospectus prior to making investment decisions.
- 2.03 Detailed content of the information summary is to be determined by the management company but must include, and is not limited, to the following information:
 - (a) Name of fund, category and type of fund, the investment objectives, investment policies and strategies, performance benchmark, investor profile most suitable for the fund and distribution policy;
 - (b) Risk factors;

- (c) Fees and charges;
- (d) Units for distribution, offering price and expected net proceeds; and
- (e) Use of proceeds;
- (f) Other information, such as–
 - (i) a list of the current deed and supplemental deeds, if any, and their corresponding dates;
 - (ii) where applicable, avenue for advice available to prospective investors; and
- (g) For a fund which is already in operation prior to the public offering for the purpose of seeking listing on Bursa Malaysia Securities Berhad, the following warning statement:

“Past performance of the fund is not an indication of its future performance.”.

Chapter 3

DETAILS OF OFFERING

- 3.01 Details of the units being issued or offered must be disclosed, including the following:
- (a) The number and type of units proposed to be issued or offered to different groups of investors;
 - (b) Classes of units and rights attaching to the units regarding voting, distribution, liquidation and any special right;
 - (c) Where there is or is to be more than one class of units of the fund in issue, like particulars must be given for each additional class;
 - (d) If, in conjunction with the public offering, units of the same or another class are sold or subscribed privately, the nature of such sale or subscription and the number and characteristics of the issue concerned, including details of underwriting/undertaking arrangements, if any; and

- (e) For any offering where there are excess units to be allocated, a statement that the allocation of the excess units will be made on a fair and equitable manner.

3.02 Details about the pricing of units, including the following:

- (a) Prices offered to different classes of investors; and
- (b) Bases for determination of the offering price.

3.03 Where a management company intends to allocate units to eligible directors, employees and/or other persons under a preferential allocation scheme, to disclose the following:

- (a) A brief description of the criteria of allocation of the units;
- (b) The total number of persons eligible for the allocation; and
- (c) Where the directors of the management company are eligible for the allocation scheme, the number of units which will be allocated to each individual director.

3.04 Where applicable, the following information must be disclosed:

- (a) Where the offer is not fully underwritten on a firm commitment basis, state the minimum level of subscription in order to satisfy the objectives of the offering;
- (b) The estimated gross proceeds from the offering categorised into each principal intended use and the timeframe for full utilisation of such proceeds. If the anticipated proceeds will not be sufficient to fund all proposed purposes, the order of priority of each purpose must be given, as well as the amount and sources of other funds needed. Disclose also how the proceeds will be used pending their eventual utilisation for the proposed purposes;
- (c) If the management company has no specific plans for the proceeds, it must also discuss the principal reasons for the offering;
- (d) If any material part of the proceeds is used to discharge, reduce or retire indebtedness, describe the interest rate and maturity of such indebtedness, and, for indebtedness incurred within the past year, the uses to

which the proceeds of such indebtedness were put; and

- (e) If any material part of the proceeds is used for general working capital, briefly describe the items; and
- (f) An analysis of the following:
 - (i) Expenses incurred in connection with the issuance and distribution of the units being offered that are payable by, or on behalf of, the fund;
 - (ii) If any units are to be offered by the selling unit holder, expenses to be paid by, or on behalf of such selling unit holder; and
 - (iii) Expenses specifically charged to the subscriber or purchaser of the units being offered.

3.05 Where applicable, the prospectus must contain details of underwriting agreements, including–

- (a) the level of underwriting arrangement, together with the justifications for such arrangement;

- (b) name of the underwriter together with the number of units underwritten by each underwriter;
- (c) amount of underwriting commissions; and
- (d) summary of the salient terms which may allow the underwriters to withdraw from their obligations under the agreement after the commencement of the offer.

Chapter 4

RISK FACTORS

- 4.01 A prospectus must contain information regarding risk factors relating to the fund, which would include among others–
- (a) general risks of investing in the fund; and
 - (b) specific risks associated with the investment portfolio of the fund.

Chapter 5

INFORMATION ON THE FUND

- 5.01 A prospectus must include a section giving details on the fund offered in the prospectus. The objective is to provide prospective investors with detailed information on the fund for the purpose of making an informed assessment of the fund for decision making purposes.

Taxation of the fund

- 5.02 A prospectus must contain a report providing an opinion from the fund's tax adviser detailing the following:
- (a) The taxation of the fund taking into account any distinctive characteristic of the fund (e.g. its participation in futures contracts, investment in foreign securities); and
 - (b) Tax liabilities of the investors, if any.

Salient terms of the deed

- 5.03 A prospectus must disclose salient terms of the deed, particularly provisions relating to–

- (a) rights and liabilities of investors, including the limitations and restrictions on the rights of investors;
- (b) maximum fees permitted by the deed and payable by the investors, such as management fee, trustee fee, etc.;
- (c) increase in fees from the level disclosed in the prospectus and the maximum rate provided in the deed;
- (d) permitted expenses payable out of the fund's assets;
- (e) removal, replacement and retirement of the management company and trustee;
- (f) termination of the fund; and
- (g) unit holders' meeting.

Chapter 6

FEES

- 6.01 A prospectus must disclose and explain the cost of investing in the fund.
- 6.02 A prospectus must include a description of fees that will be incurred, directly or indirectly, by investors when investing in the fund. Where applicable, the description must include the annual rate imposed during the life of the prospectus and the maximum rate as provided in the deed.
- 6.03 Any additional form of remuneration which the management company or any related party or corporation, or person may derive, for example, by acting as real estate agents (e.g. commissions, finder's fees, letting fees and project fees), from the supply of maintenance or publicity services, or from the provision of professional (e.g. valuation, legal, accountancy or insurance) services or by other means must be disclosed.

Expenses

- 6.04 A prospectus must also highlight the expenses to be incurred by the fund (e.g. auditors' fee, valuation fee, taxes, custodial charges, etc.)

Others

- 6.05 Where applicable, a prospectus must disclose the management company's policy on rebates and soft commissions.

Chapter 7

KEY PARTIES

Management Company

Corporate information

- 7.01 The prospectus must disclose corporate information of the management company, including–
- (a) the legal name, date and place of incorporation, and the registration number;
 - (b) the management company's experience in operating and managing a fund;
 - (c) where applicable, summary of the management company's financial position for the past three years, in tabular form, disclosing–
 - (i) paid-up share capital;
 - (ii) shareholders' funds;
 - (iii) revenue;

- (iv) profit or loss before tax; and
 - (v) profit or loss after tax; and
 - (d) where applicable, total number of funds as well total value of funds operated by the management company.
- 7.02 There must also be a disclosure of–
- (a) the roles, duties and responsibilities of the management company; and
 - (b) all material litigations and arbitrations, including those pending or threatened, which might materially affect the business and financial position of the management company or any of its fund manager.
- 7.03 A prospectus must disclose the promoters, substantial shareholders, directors and key personnel of the management company's direct and indirect unit holding in the fund before and after offering.

Directors and key personnel

- 7.04 A prospectus must disclose the following information on the directors and key personnel of the management company:
- (a) Name, age, educational and professional qualification, and work experience; and
 - (b) Functions and areas of experience or responsibility in the management company.

Fund management function

- 7.05 A prospectus must disclose the designated person responsible for the management of the fund, his qualifications and relevant work experience.
- 7.06 Where the fund management function is undertaken by an external party, the prospectus must, in addition to the disclosure requirements of paragraph 7.05, disclose the following:
- (a) A brief corporate information of the fund manager;
 - (b) Roles and duties of the fund manager;

- (c) The fund manager's experience in fund management;
- (d) Total value of funds under the fund manager's management; and
- (e) All material litigation and arbitration, including those pending or threatened, which might materially affect the business or financial position of the fund manager.

Outsourcing function

7.07 If any other function of the management company is outsourced to an external party, the following information must be disclosed:

- (a) A brief corporate information of the service provider; and
- (b) Roles and duties of the service provider.

Audit or compliance committee

7.08 Where applicable, the prospectus must disclose the details relating to the audit and compliance committee, or by whatever name called, including names of committee members.

Investment committee

7.09 Where an investment committee is appointed, information on the members of the investment committee must be disclosed, such as–

- (a) names, designation, whether independent or non-independent, relevant qualifications and experience of each member of the committee; and
- (b) roles and primary functions of the investment committee, as well as frequency of meetings.

Shariah adviser

7.10 Where a Shariah adviser is appointed, the following information must be disclosed:

- (a) Names and experience of the Shariah adviser. Where the Shariah adviser is a corporation, to also state the name and experience of the Shariah officer responsible for Shariah matters of the fund;
- (b) Roles and primary functions of the Shariah adviser; and

- (c) Frequency of review on the fund's investments by the Shariah adviser to ensure compliance with Shariah principles or any other relevant principle at all times.

Trustee

7.11 The following information of the trustee must be disclosed:

- (a) Corporate information;
- (b) Experience as trustee to funds;
- (c) Roles, duties and responsibilities of a trustee; and
- (d) All material litigations and arbitrations, including those pending or threatened, which might materially affect the business or financial position of the trustee or trustee's delegates.

7.12 A prospectus must also include a trustee's statement of responsibility.

Delegates

- 7.13 Where custodial function of the trustee is delegated, the following information must be disclosed:
- (a) A brief corporate information on the trustee's delegate; and
 - (b) The roles and duties of the trustee's delegate.

Other key parties

- 7.14 Where any key party is appointed or contracted by the management company in managing the fund, details of the key party, including roles and duties.

Chapter 8

RELATED-PARTY TRANSACTIONS OR CONFLICT OF INTEREST

- 8.01 A prospectus must disclose the existing and proposed related-party transactions involving the fund, management company, trustee, promoters, any vendor or person connected to them, where applicable, together with steps taken to resolve any conflict of interest. Such disclosure is also required if the fund enters into any transaction with key personnel of the management company, promoter, vendor, or any person connected to them.
- 8.02 A management company must disclose its policy on dealing with any conflict of interest situation (e.g. dealing in securities by employees, directors, investment committee members, etc.).
- 8.03 A prospectus must provide details of any direct or indirect interests held by the management company's director and substantial shareholder in another corporation carrying on similar business.
- 8.04 Declaration of any expert's existing and potential interests or conflicts of interest in an advisory capacity, vis-à-vis the fund or the management company must be provided in the prospectus.

Chapter 9

EXPERTS' REPORTS

- 9.01 Where a prospectus contains experts' opinion—
- (a) an excerpt from, or summary of opinion expressed and conclusion recorded in the reports must be disclosed in the prospectus; and
 - (b) the experts' report must be signed and dated.

Chapter 10

ADDITIONAL INFORMATION

- 10.01 Information on how investors can keep abreast of any development in the fund and track unit price or NAV per unit of the fund.
- 10.02 Disclose the avenue for advice available to prospective investors.
- 10.03 Disclose all material contracts, not being contracts in the course of business, entered into within two years preceding the date of the prospectus. The following particulars must be disclosed for each contract:
- (a) Date;
 - (b) Parties to the contract;
 - (c) Subject matter of the contract; and
 - (d) The consideration and the manner it is to be satisfied.

Chapter 11

DOCUMENTS AVAILABLE FOR INSPECTION

11.01 Provide a statement that a copy of the following documents may be inspected at the principal office of the management company or such other place as the SC may determine:

- (a) The deed and where applicable, the supplemental deed;
- (b) The current prospectus and supplementary or replacement prospectus, if any;
- (c) The latest annual report of the fund;
- (d) Each material contract referred to in the prospectus and, in the case of contracts not reduced into writing, a memorandum which gives full particulars of the contracts;
- (e) Where applicable, the audited financial statements of the management company and the fund for the three most recent financial years or such shorter period that the fund has been in existence, preceding the date of the prospectus;

- (f) Any report, letter or other document, valuation and statement by an expert, any part of which is extracted or referred to in the prospectus. Where a summary expert's report is included in the prospectus, the corresponding full expert's report must be made available for inspection; and
- (g) Each consent given by the parties as disclosed in the prospectus.

11.02 In the case of a real estate investment trust and closed-end fund, the statement must specify that the documents will be made available for a period of at least 12 months from the date of issuance of the prospectus.

Chapter 12

SPECIFIC REQUIREMENTS FOR REAL ESTATE INVESTMENT TRUSTS

12.01 The following information must be disclosed in the prospectus of a real estate investment trust (REIT), in addition to that specified under Chapters 1 – 11 of these Guidelines, unless otherwise specified.

Inside cover or first page

12.02 There must be an additional statement of disclaimer as follows:

“The valuation utilised for the purpose of the proposals submitted to and approved by the Securities Commission Malaysia should not be construed as an endorsement by the Securities Commission Malaysia on the value of the subject assets.”

Information summary

12.03 The information summary section must also include the following information:

- (a) Brief but relevant details on the real estate of the REIT's investment portfolio upon listing, including principal statistics of the real estate;
- (b) Revaluation policy;
- (c) Borrowing or financing policy; and
- (d) Summary of financial information.

Information on the REIT

General

12.04 A prospectus of a REIT must contain the following information:

- (a) The investment objective of the REIT. There must also be a statement that material changes to the investment objective of the REIT would require unit holders' approval;
- (b) The policies and investment strategies to achieve the REIT's stated objective. The investment strategies must include the REIT's future plans (e.g. growth strategies) and steps taken, including the time frame to realise the plans;

- (c) The types and characteristics of real estates which the REIT will acquire, i.e. considerations taken into account in selecting the real estate (e.g. location, types of real estate and income/rental prospects of the real estate, etc.);
- (d) Permitted investments and investment limits and restrictions;
- (e) The policy on borrowing or financing and the REIT's level of gearing at the point of listing, including source, type, nature of borrowings or financing and the interest or profit rate payable;
- (f) Distribution policy and mode of distribution to investors; and
- (g) Investors' profile most suitable for the REIT.

12.05 For an Islamic REIT, the prospectus must also include–

- (a) a clear description of the Shariah approval process, including details on methodologies, rulings and screening process;

- (b) a statement to the effect that the investment of the Islamic REIT is carried out in accordance with the ruling issued by the Shariah adviser. Where the Islamic REIT also invests in other Shariah- compliant instruments, the statement must include that the instruments 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;
- (c) the percentage ratio of rental received from Shariah non- compliant activities based on the most recent financial year and if applicable, the most recent interim period;
- (d) a statement on coverage of real estate by takaful or insurance scheme, where applicable; and
- (e) compliance with Shariah principles for any financing facilities obtained or to be obtained by the Islamic REIT.

Investment in real estates

12.06 Provide details of the real estate that the REIT will be invested in upon listing, including the following:

- (a) Description of the real estate which includes type, location, age, existing use, net lettable area, number of car parks, information specific to the type of the real estate, such as hotel, hospital and agriculture properties, the market value and purchase consideration;
- (b) Where applicable, particulars of the tenancies, which include major tenants and their corresponding percentage contribution to total gross rental income, tenancy periods, periodic reviews and occupancy rates for the past three years and, in the case of a sale and leaseback, the basis of arriving at the rental entered into by the REIT;
- (c) Details of incomes and expenditure including gross rental income, outgoings, net income, estimation of future income and major capital expenditures likely to be incurred in the immediate future;

- (d) Details of any existing or proposed arrangement which materially enhances short-term yields but may not be sustainable in the long-term and the risks associated with such arrangements. Details must include:
 - (i) An analysis of how such arrangements affect current and future yields must be disclosed together with a computation of the forecast distribution yields without such arrangements;
 - (ii) Payments receivable or received from such arrangement; and
 - (iii) Any other information in relation to the arrangement that is pertinent to an investor's decision to invest in the REIT;
- (e) Encumbrances and limitations in title or interest to the real estate, if any;
- (f) Where a real estate is leased or is proposed to be leased, details of the lease (excluding sub-leases), including details of financial arrangements, stamp duty and options, or

other rights given to a lessee or proposed lessee to purchase the real estate. If none, a statement to the effect must be made;

- (g) Where a real estate is to be acquired, the expected period within which the transaction will be completed and its status at the date of prospectus;
- (h) Where a REIT has entered into an agreement to purchase a real estate upon its completion, the rationale and justification of acquiring such real estate and the future prospects of acquiring tenants and future incomes; and
- (i) Other relevant information on the real estate, in particular, risks associated with the following:
 - (i) Real estate without a track record;
 - (ii) Buildings which are not fully tenanted;
 - (iii) Equity of special purpose vehicle;
 - (iv) Real estate where the REIT does not have majority ownership of and control in; and

(v) Real estate located outside Malaysia.

12.07 Where the REIT invests in or proposes to invest in real estate through a lease arrangement, the following must be disclosed:

- (a) Salient terms and conditions of the lease arrangement, including the tenure of the lease to be held by the REIT;
- (b) Details of the lessor;
- (c) A statement whether the lease is registered with the land authority, or where the lease related to a real estate located outside Malaysia, a statement whether the lease is registered or recognised by the relevant authority under an equivalent land registry framework. If the REIT enters into a lease arrangement which is not possible to be registered or recognised by the relevant land authority, the statement must include the following information:
 - (i) Confirmation that the real estate of the lease arrangement is ancillary to a real estate of the REIT, either existing or to be acquired;

- (ii) The value of the lease arrangement compared with the value of the real estate of the REIT that it is ancillary to, expressed as a percentage;
- (d) Confirmation that the lease arrangement is in the best interests of the unit holders; and
- (e) The interests of the unit holders are protected with respect to the risk relating to the REIT not being the registered proprietor of the real estate and a legal opinion has been obtained for this purpose.

12.08 Disclose the management company's valuation policy for the real estate, including the following information:

- (a) Frequency of valuation;
- (b) Date of the last valuation conducted;
- (c) The likely date for the next valuation;
- (d) Revaluation surplus or deficit comparative to last valuation; and
- (e) Net book value of the real estate.

12.09 An overview of the real estate market and the outlook for the types of real estate that are or to be acquired by the fund must also be included in the prospectus.

Investments in non-real estate assets

12.10 Where a REIT invests in non-real estate assets, disclose the following:

- (a) The investment policy and investment strategies to achieve the investment objective of the REIT. In describing the investment policy and investment strategies, the following information must be disclosed:
 - (i) Investment focus of the REIT (e.g. equity, debenture, money market, etc.), the characteristics of the securities/ instruments to be invested and the 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 on active and frequent trading of securities; and
 - (iii) Where applicable, disclosure on whether the fund manager may take temporary defensive positions that may be inconsistent with the REIT'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 or instruments in which the fund would invest in during defensive positions;
- (b) The risk management strategies and techniques to be employed by the fund manager;
- (c) The permitted or authorised investments and the investment limits and restrictions for the REIT;

- (d) Valuation bases for all types of assets invested or to be invested by the REIT, including treatment for suspended counters; and
- (e) Policy with respect to valuation point to determine the values of the investments, including policy on timing for valuation of a fund's foreign investments and frequency of valuation of the fund's assets.

Fees

- 12.11 Where performance fees are payable, the prospectus must include the computation method together with illustrations, such as numerical examples.

Key Parties

The Management Company

- 12.12 Disclose the nature of any association or family relationship between the substantial shareholders, directors and key personnel of the management company, and promoters.

12.13 Disclose details of board practices, as follows:

- (a) Date of expiration of the current term of office, where applicable, and the period for which each director has served in that office; and
- (b) The board committees established including the names of the committee members and a summary of the terms of reference of each committee.

Financial information

12.14 The prospectus must disclose pro forma statement of comprehensive income and statement of financial position. Where applicable, audited financial statements must also be disclosed.

12.15 The date of the prospectus issuance must not be later than six months after the end of the period to which the financial information is prepared.

Pro forma statement of comprehensive income

12.16 A pro forma statement of comprehensive income must be prepared for each of the last three financial years and, if applicable, for the most

recent interim period. The pro forma statement of comprehensive income is presented for illustrative purpose only and on the assumption that the REIT was in existence throughout the period under review.

12.17 For the pro forma statement of comprehensive income required under paragraph 12.16, state –

- (a) the basis upon which the pro forma statement of comprehensive income is prepared;
- (b) where applicable, that the financial statements used in the preparation of the pro forma financial information were prepared in accordance with approved accounting standards. Details of the auditor's qualification to these underlying financial statements must also be disclosed, if any, including a statement on how such qualification has been dealt with; and
- (c) whether the pro forma statement comprehensive income has been prepared in a manner consistent with the format of the financial statements and the accounting policies to be adopted by the REIT.

Pro forma statement of financial position

12.18 A pro forma statement of financial position must be prepared at the date of establishment of the REIT or at the last date to which the financial statements must be prepared and adjusted for the following:

- (a) Any acquisition or disposal connected with the proposed offering exercise; and
- (b) Proceeds of the proposed offering exercise, the effects of the offering exercise on the unit holders' funds and proposed utilisation of funds.

12.19 The pro forma statement of financial position must include the following information:

- (a) NAV per unit; and
- (b) Pro forma NAV per unit.

12.20 For the pro forma statement of financial position required under paragraph 12.18, state –

- (a) the basis upon which the pro forma statement of financial position is prepared;

- (b) where applicable, that the financial statements used in the preparation of the pro forma statement of financial position were prepared in accordance with approved accounting standards. Details of the auditor's qualification to these underlying financial statements must also be disclosed, if any;
- (c) whether the pro forma statement of position has been prepared in a manner consistent with the format of the financial statements and the accounting policies to be adopted by the REIT; and
- (d) any adjustments made when preparing the pro forma statement of financial position.

12.21 The pro forma statement of financial position must be accompanied by a reporting accountant's letter which states–

- (a) whether the pro forma statement of financial position has been properly compiled on the basis stated in paragraph 12.20(a); and
- (b) that the engagement was performed in accordance with the relevant standards on

assurance engagements approved for the application in Malaysia.

Audited financial statements

- 12.22 For a REIT already in operation prior to its listing, the prospectus must disclose the audited financial statements of the REIT for the past three most recent financial years or such shorter period that the REIT has been in existence, and for the most recent interim period, if applicable.
- 12.23 The audited financial statements provided in the prospectus must be prepared in accordance with the approved accounting standard.
- 12.24 For the purpose of this Chapter, the audited financial statements mean the audited financial statements of a REIT, or where applicable, the audited consolidated or combined financial statements of a REIT.
- 12.25 A prospectus must contain an accountant's report prepared by a reporting accountant in respect of the audited financial statements and audited interim financial report of the REIT.

12.26 The accountant's report must include—

- (a) the financial statements and, where applicable, the interim financial report of the REIT, as prepared by the management company and has been audited;
- (b) an audit opinion expressed by the reporting accountant on the financial statements and, where applicable, the interim financial report;
- (c) a statement that it was prepared in accordance with the relevant standards on auditing approved for application in Malaysia; and
- (d) a statement that it was prepared for the inclusion in the prospectus.

12.27 The accountant's report must report on the audited financial statements of the REIT referred to in a prospectus for the three most recent financial years or such shorter period that the REIT has been in existence and, where applicable, the interim financial period. The date of the interim financial period must not be more than six months from the issuance of the prospectus.

12.28 The reporting accountant must disclose any significant subsequent event between the date of the most recent audited financial statements and the audited interim financial report, where applicable, used in the preparation of the accountants' report, and the date of such report. If there is no such event, to provide an appropriate statement to that effect.

Management's discussion and analysis of financial condition and results of operations

12.29 To provide the management's discussion and analysis of the REIT's financial condition, changes in financial condition, and results of operations for each year and interim period for which the financial information is provided in the prospectus. The discussion must include, among others:

- (a) Material changes from year to year in relation to, at a minimum, the following selected financial information;
 - (i) Revenue;
 - (ii) Other income;
 - (iii) Property operating expense;

- (iv) Net property income; and
- (v) Profit before tax; and
- (b) The nature and conditions of the REIT's operations, its risk factors and the prevailing economic environment.

12.30 Results of operations

- (a) Provide information regarding any significant factor, including unusual or infrequent events or new developments, which materially affected profits and to indicate the extent the profits were affected. Describe any other significant component of revenue or expenditure necessary to understand the REIT's results of operations;
- (b) If material, the impact of fluctuations of foreign exchange rates or interest rates on the REIT, and the extent to which foreign currency exposure and investments are hedged by currency borrowings or other hedging instruments; and
- (c) Provide information on any government, economic, fiscal or monetary policies or

factors which have materially affected, or could materially affect the REIT's operations.

- 12.31 Disclose whether or not there are any significant changes that have occurred, which may have a material effect on the financial position and results of the REIT since the date to which the most recent annual financial statements have been prepared and where applicable, since the date of the interim financial statements. If there are no changes, to provide an appropriate statement to that effect.
- 12.32 Provide a statement of capitalisation and indebtedness (distinguishing between guaranteed and unguaranteed, and secured and unsecured, indebtedness) as of a date no earlier than 60 days prior to the date of the prospectus, showing the REIT's capitalisation and, where applicable, as adjusted to reflect the new units being issued and the intended application of the proceeds. Indebtedness also includes indirect and contingent liabilities.

Future financial information

- 12.33 The prospectus must disclose future financial information as follows:

- (a) For a newly-established REIT, for the first financial period. However, if the period represented is less than nine months, future financial information for the second financial year of the REIT must be provided; and
- (b) For a REIT which has been in operation prior to its listing, future financial information must be provided, where—
 - (i) in the case the prospectus is issued in the last three months of the current financial year, a forecast for that financial year and the next financial year; or
 - (ii) in the case the prospectus is issued subsequent to the last financial year, an estimate for that last financial year and a forecast for the next financial year.

12.34 The future financial information required to be disclosed must include at a minimum, the following:

- (a) Revenue;

- (b) Property operating cost;
- (c) Profit before tax;
- (d) Tax expense; and
- (e) Profit after tax.

12.35 In addition to the information required under paragraph 12.34, the following must be disclosed:

- (a) Distribution policy;
- (b) Distribution rate;
- (c) Distributable amount;
- (d) Distribution cover; and
- (e) Distribution yield.

12.36 Future financial information must be prepared on reasonable bases and assumptions.

12.37 Future financial information must be clear and unambiguous, and there must be a disclosure on whether such information is prepared on the bases and accounting policies consistent with

those adopted by the REIT, and is presented in accordance with the accounting standards adopted or to be adopted by the REIT in the preparation of its financial statements.

- 12.38 Disclose details on the bases and assumptions of the future financial information and additional information that investors would reasonably require, for the purpose of making an informed investment decision.
- 12.39 To state the extent to which projected revenues are based on secured tenancies and the reasons for expecting such projected revenues. Also, to include a discussion on the impact of any likely changes in business and operating conditions included in the future financial information.
- 12.40 Directors' analysis of future financial information and commentary on its achievability must be disclosed, in light of the following:
- (a) Future prospects of the industry;
 - (b) Future plans and strategies to be adopted; and
 - (c) The level of gearing, liquidity and other requirements.

12.41 The following warning statements, in bold, must be clearly stated:

“Rental yield on real estate held by the REIT is not equivalent to the yield of the units.”

“Current rental receipts and yields may not be sustained.”

“Value of the real estate may rise as well as fall.”

12.42 The reporting accountants must review and report on the underlying accounting policies and assumptions relied on in the preparation of the future financial information.

12.43 The report must state –

- (a) that the engagement was performed in accordance with the relevant standards on assurance engagements approved for application in Malaysia;
- (b) whether the reporting accountant is of the opinion that the future financial information is properly

prepared based on the assumptions made by the directors and is presented in a manner consistent with both the format of the financial statements and the accounting policies of the REIT; and

- (c) that nothing has come to the reporting accountant's attention which gives him any reason to believe that the assumptions do not provide a reasonable basis for the preparation of future financial information.

Shariah pronouncement by Shariah Adviser

- 12.44 For an Islamic REIT, the Shariah pronouncement including detailed reasoning or justification from the Shariah adviser must be disclosed in the prospectus.

Fee

- 12.45 The list of expenses for the REIT must also include fee payable to the property manager.

The property manager

12.46 Where a property manager is appointed, disclose information on the appointed property manager, including the following:

- (a) Corporate information, including number of years in real estate or property management, total property under management and staff strength;
- (b) Information on key personnel, highlighting the educational and/or professional qualification, and work experience;
- (c) Functions, duties and responsibility of the property manager;
- (d) The annual fee and basis of the fee calculation; and
- (e) Where applicable, unit holding of the property manager in the fund.

Valuation certificate

- 12.47 In relation to the valuations of the real estates, disclose a summary of the valuations in the form of a valuation certificate that complies with the *Guidelines on Asset Valuation*.

Related-party transactions or conflict of interest

- 12.48 The relationship between the management company, including the management company's related corporations and associated persons, and the vendors must be clearly explained.
- 12.49 Disclosure on any transaction within the two preceding years relating to any real estate purchased or to be purchased out of the proceeds of the issue, which may give rise to a conflict of interest.

Additional information

- 12.50 The inclusion of photographs in the prospectus is only permitted on condition that the photograph is not more than six months old and the REIT owns a major portion of the real estate. Drawings of real estate must not be included in the prospectus.

12.51 Disclose the salient terms of material agreements relating to the proposed acquisition of real estates.

12.52 If materially dependent to the REIT's establishment or operations, summary information regarding the extent to which the REIT is dependent on–

(a) Contracts including commercial or financial contracts; and

(b) Licences and permits.

Such information must include the salient terms, approvals and conditions attached and status of compliance, where applicable.

Chapter 13

SPECIFIC REQUIREMENTS FOR EXCHANGE-TRADED FUNDS

13.01 The following information must be disclosed in the prospectus of an exchange-traded fund (ETF), in addition to that specified under Chapters 1 – 11 of these Guidelines, unless otherwise specified.

13.02 For the purposes of this Chapter–

- (a) the term “index” means an index or a benchmark as the context requires;
- (b) “creation unit” means the specified number of units determined by the management company, upon consultation with the trustee and clearly disclosed in the ETF’s prospectus, for creation of ETF units; and
- (c) “redemption unit” means the specified number of ETF units determined by the management company, upon consultation with the trustee and clearly disclosed in the ETF’s prospectus, for redemption of the ETF’s portfolio.

Introduction

Cover page

13.03 Paragraph 1.01(f) of Part III of these Guidelines is not applicable to an ETF.

Inside cover or first page

13.04 A prospectus must disclose the licensing condition pursuant to the licensing agreement entered into between index licensor and the management company, and the responsibilities and obligations of the index licensor and any other relevant party associated with the index, where applicable, for the error in the index.

Corporate directory

13.05 The information as required in paragraph 1.06 of Part III of these Guidelines may be incorporated in the prospectus by referencing the location on the ETF or management company's website on where the information can be found.

Information summary

13.06 The information summary section must also include information pertaining to creation or redemption of unit block size.

Details of offering

13.07 A prospectus must discuss the offering process prior to the listing of the ETF which must include—

- (a) how the investors can acquire units of the ETF; and
- (b) procedures in relation to application by participating dealers to create new units.

13.08 A prospectus must set out the critical events prior to the listing of the ETF.

Indicative optimised portfolio value

13.09 A prospectus should disclose information on the indicative optimised portfolio value (IOPV), including the basis of determination, frequency and means by which investors may obtain IOPV.

Risk factors

13.10 The disclosure of risk factors must also –

- (a) cover specific risks associated with the use of index; and
- (b) contains a description on liquidity risks and the associated impact on the ETF and unit holders, if any.

Information on the ETF

13.11 The information to be disclosed must include, but is not limited to, the following:

- (a) The investment objective of the ETF. There must also be a statement that any material change to the investment objective of the ETF would require unit holders' approval;
- (b) The investment policy and strategies used by an ETF to track the index. In describing the investment policy and strategies, the following information must be disclosed:
 - (i) Investment focus of the ETF (e.g. equities, debt securities, etc.), the characteristics of the securities or

instruments to be invested. Where applicable, the countries, markets or sectors which the index aims to represent (e.g. global, regional or country-specific, developed or emerging markets, etc.) and target sector or industry. For avoidance of doubt, an ETF that is established as a country-specific government bond or fixed income fund must contain prominent statement drawing attention to the government, government agency or supranational which the ETF intends to invest in; and

- (ii) Description of the strategies used – whether to invest in all (full replication) or a representative sample of constituents of the underlying index or synthetic replication of the constituents. Where a representative sample of constituents of the index is used, to disclose how such sample is constituted;
- (c) The risk management strategies, including liquidity risk management, if applicable, and techniques to be employed by the fund manager;

- (d) The ETF's index and where the information on the index can be obtained;
- (e) The permitted or authorised investments and investment limits and restrictions for the ETF;
- (f) Valuation basis for all types of assets invested or to be invested by the ETF, including treatment for suspended counters;
- (g) Policy in respect of valuation point to determine the NAV of the ETF, including policy in respect of timing for valuation of the ETF's foreign investments and frequency of valuation of the ETF's assets; and
- (h) Where the ETF is constituted or established in Malaysia, the details of the fund management company's policy in undertaking cross trades.

13.12 There must also be adequate disclosure on the underlying index including, but is not limited to, the following:

- (a) The underlying index in which the ETF intends to track or replicate, as well as a

description of the market or sector the index represents;

- (b) The characteristics and general composition of the index and, where applicable, concentration in any economic sector and/or issuer;
- (c) A brief description of the index methodology or rules and the means by which investors may obtain such information;
- (d) The means by which investors may obtain the latest index information and other important news of the index;
- (e) Circumstances which may affect the accuracy and completeness in the calculation of the index;
- (f) Circumstances which may lead to tracking errors, and strategies employed in minimising such errors;
- (g) The weightings of the top 10 constituents of the index;
- (h) In addition to paragraph 13.12(g), where a representative sample of constituents of the

underlying index is used to track or replicate the index, the weightings of the top components within the representative sample;

- (i) A statement on whether the index provider is a related corporation of the management company and if so, the means by which potential conflicts of interests are managed; and
- (j) Any licensing conditions for using the index, including contingency plan in the event of cessation of the availability of the index.

13.13 The prospectus must contain the following warning statements:

- (a) **“There is no guarantee or assurance of exact or identical replication at any time of the performance of the index.”;**
- (b) **“Index composition may change and securities may be delisted.”;**
- (c) **“There is a lack of discretion for ETF to adapt to market changes due to the inherent investment nature of ETFs and that falls in the index are expected**

to result in corresponding falls in the value of the ETF.”; and

- (d) Where applicable, a warning where the investments of the ETF may be concentrated in a particular issuer, market or sector.

Islamic ETF

13.14 For an Islamic ETF, the prospectus must also include—

- (a) a clear description of the Shariah approval process, including details of methodologies, screening process and rules on disposal of Shariah non-compliant investment or instruments;
- (b) a statement to the effect that the investment portfolio of the ETF 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; and

- (c) for Islamic ETF based on gold or silver, a statement on the following:
 - (i) The units are backed by physical gold and silver bullion or bars with specified quantity and quality;
 - (ii) The units represent the unit holders' ownership of the gold and silver bullion or bars on a pro-rata basis;
 - (iii) The gold and silver bullion or bars with the correct quantity and quality as per the specification, are in existence;
 - (iv) The gold and silver bullion or bars are kept in a segregated and allocated manner; and
 - (v) The units may be redeemed by taking physical delivery of gold and silver bullion or bars or its equivalent value in cash.

Shariah pronouncement by Shariah Adviser

13.15 For an Islamic ETF, the Shariah pronouncement including detailed reasoning or justification from the Shariah adviser must be disclosed in the prospectus.

Leveraged ETF or inverse ETF

13.16 The name of the leveraged ETF or inverse ETF must include the following:

- (a) The term “daily” to emphasise the daily rebalancing aspect of such ETFs;
- (b) For a leveraged ETF, the term “(2x) Leveraged”; and
- (c) For an inverse ETF, the term “(-1x) Inverse”.

13.17 The prospectus must include the following upfront and prominent disclosure so that investors will not mistakenly assume leveraged ETFs or inverse ETFs share the buy-to-hold characteristics of plain-vanilla ETFs:

- (a) Important information to facilitate investors’ assessment of the unique daily reset features and the difference in risk profile of

the leveraged ETF or inverse ETF as compared to plain-vanilla ETFs;

- (b) The information must emphasise that the leveraged ETF or inverse ETF is meant for active investors who manage their portfolios on a daily basis and that it is not appropriate for long term investment;
- (c) That the performance of the leveraged ETF or inverse ETF may deviate from the underlying index. The disclosure must include examples to illustrate the performance of the leveraged ETF or inverse ETF and the underlying index under different market conditions, the associated risks and impact on investors. The following market conditions must be included in the illustration:
 - (i) In an upward trending market;
 - (ii) In a downward trending market; and
 - (iii) In a volatile market; and
- (d) A warning that investment in a leveraged ETF or an inverse ETF is subject to abnormal risks, a description of the risks involved, and

where appropriate, the risk management policy in place.

Investment in derivatives or embedded derivatives

13.18 Where an ETF invests or can invest in derivatives or embedded derivatives, a disclosure of the following:

- (a) The types and characteristics of derivatives or embedded derivatives;
- (b) The purpose of investing in derivatives, either for hedging or investment, including the method used to determine the ETF's exposure (i.e. commitment approach) and a description of the method;
- (c) A statement that the management company will ensure that it has in place the necessary risk management measures which would enable it to monitor, measure and manage the risks of the ETF position relating to the use of derivatives on an on-going basis and their contribution to the overall risk profile of the ETF; and

- (d) In the case of derivative on commodity, a statement that such transactions will be settled in cash.

Synthetic ETF

13.19 The following information must be disclosed:

- (a) The name of the ETF must include the term “synthetic”;
- (b) The structure of the ETF in plain language and supplemented by diagrams;
- (c) The counterparty of the transactions including identification of such a counterparty;
- (d) The costs of entering into the swap with the counterparty;
- (e) In respect of valuation of the OTC derivatives, the entity responsible for valuation and frequency of such valuation.
- (f) A description of the risks associated to-
 - (i) investments in over-the-counter (OTC) derivatives; and

- (ii) counterparty default and the effect on investor returns;
- (g) Risk management measures employed by the management company to effectively monitor, measure and manage the risks associated with the investments in OTC derivatives; and
- (h) Summary of the contingency plans regarding credit events such as downgrading of the credit rating and collapse of the counterparty.

Securities lending and repurchase transactions

13.20 Where the ETF participates in securities lending and repurchase transactions, the prospectus must disclose the following:

- (a) The purpose for the management company engaging in securities lending and repurchase transactions, as well as its policies and practices;
- (b) The percentage of the ETF's assets can be lent to third parties or involved in the ISSBNT (where applicable);

- (c) Risks associated with securities lending and repurchase transactions, including operational, liquidity, counterparty, custody and legal risk;
- (d) Description and nature of the collateral to be received by the ETF, including cash and non-cash collateral;
- (e) Any conflicts of interest and how they are mitigated, as well as whether the management company intends to participate in securities lending and repurchase transactions; and
- (f) The risk management policy and procedures to address the potential risks involved.

Collateral policy and criteria

13.21 Where the ETF intends to accept collateral, disclose the selection criteria, nature and policy of the collateral held by the ETF and description of the holdings of collateral, including the following:

- (a) Percentage of collateralisation in respect of the securities lending and repurchase transactions into which the ETF enters;

- (b) The nature and quality of the collateral, including asset type (e.g. cash, money market instruments, equity securities or debt securities), issuer, maturity and liquidity;
- (c) Criteria for selecting counterparties, including legal and regulatory status, country of origin and minimum credit rating;
- (d) Source and basis of valuation of collateral, including marked-to-market arrangements;
- (e) Description of haircut policy;
- (f) Collateral diversification and correlation policies, if any;
- (g) Policies on re-investment of cash collateral; and
- (h) Risks associated with collateral management and, if applicable, re-investment of cash collateral.

13.22 Where the ETF participates in securities lending or ISSBNT activities, the prospectus must disclose the following:

- (a) The purpose for the management company engaging in securities lending or ISSBNT activities, as well as its policies and procedures;
- (b) The percentage of ETF assets that can be lent to third parties or involved in the ISSBNT activities (where applicable);
- (c) Risks associated with securities lending or ISSBNT activities, including operational, liquidity, counterparty, custody and legal risk;
- (d) The revenue sharing arrangement between the ETF, lending agent and the management company if any of the income from securities lending or ISSBNT activities also accrues to the management company;
- (e) Description and nature of the collateral to be received by the ETF, including cash and non-cash collateral;
- (f) Any conflicts of interest and how they are mitigated, as well as whether the management company intends to lend the securities or buy and sell the securities under the ISSBNT framework of the ETF to

its related corporations; and

- (g) The risk management procedures to address the potential risks involved.

Key parties

13.23 Subparagraphs 7.06(a) and (d), paragraphs 7.07, 7.08 and 7.10 of Part III of these Guidelines are not applicable to an ETF.

13.24 The management company must include a statement to inform investors that further information on the management company, Shariah adviser and fund manager is provided in the management company or the ETF's website.

Related-party transactions or conflict of interest

13.25 Paragraph 8.03 of Part III of these Guidelines is not applicable to an ETF.

Additional information

13.26 Describe procedures for in-kind creation and redemption, including the suspension of in-kind creation and redemption.

13.27 Disclose fees and charges payable by the participating dealers in relation to creation and redemption of units.

13.28 Where there are material costs involved in acquiring or disposing an ETF'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,

these information must be disclosed in the prospectus.

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.

Chapter 15

SPECIFIC REQUIREMENTS FOR FOREIGN FUNDS

15.01 Unless otherwise specified by the SC, to disclose the material differences between the applicable legal and regulatory requirements in Malaysia and the foreign jurisdiction in which the fund is regulated. Such information must include but is not limited to the following areas:

- (a) Operations and management of a fund;
- (b) Rights and liabilities of unit holders; and
- (c) The dispute resolution mechanism, if any, and the procedures for initiating a court process.

15.02 The information required under paragraph 15.01 must be prominently disclosed.

Chapter 16

APPLICATION FOR UNITS

- 16.01 Disclose the procedures for application of units.
- 16.02 Describe the manner in which—
- (a) the results of the allocation of units will be made public; and
 - (b) any excess application monies will be refunded to the applicants.
- 16.03 Disclose a statement to indicate where investors may find details on the authorised depository agents.
- 16.04 The contents of the application form must not be contrary to any information that is in the prospectus.

PART IV
CONTENT OF
ABRIDGED PROSPECTUS FOR
REAL ESTATE INVESTMENT
TRUSTS

Chapter 1

INTRODUCTION

Cover Page

1.01 The cover page must include the following information:

- (a) Name of the fund;
- (b) Date of constitution;
- (c) Full name and registration number of the management company and trustee of the fund;
- (d) The date of the abridged prospectus;
- (e) Details of the rights issue, including:
 - (i) Number and type of securities being issued and the basis of allotment; and
 - (ii) Price of the securities; and

Indicative timetable

- (f) Important relevant dates relating to the provisional allotment of the rights, highlighted in a prominent colour, being the last date and time for—
 - (i) Sale;
 - (ii) Transfer;
 - (iii) Acceptance and payment; and
 - (iv) Excess application and payment.

1.02 The cover page must also include the following statements:

- (a) “No securities will be allotted or issued based on this abridged prospectus after six months from the date of this abridged prospectus.”;
- (b) Highlighted in bold and a prominent colour:

“THIS DOCUMENT IS IMPORTANT”

**“INVESTORS ARE ADVISED TO READ
AND UNDERSTAND THE CONTENTS OF**

THIS ABRIDGED PROSPECTUS. IF IN DOUBT AS TO THE ACTION YOU SHOULD TAKE, PLEASE CONSULT A PROFESSIONAL ADVISER IMMEDIATELY.”;

- (c) “This abridged prospectus has been registered by the Securities Commission Malaysia. The registration of this abridged prospectus should not be taken to indicate that the Securities Commission Malaysia recommends the rights issue or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this abridged prospectus. The Securities Commission Malaysia has not, in any way, considered the merits of this rights issue.”;
- (d) “Approval has been obtained from Bursa Malaysia Securities Berhad for the listing of and quotation for all the new securities arising from this rights issue. Admission to the Official List of Bursa Malaysia Securities Berhad and quotation of the new securities are not to be taken as an indication of the merits of the rights issue.”; and

- (e) “The Securities Commission Malaysia is not liable for any non- disclosure on the part of the management company responsible for the fund and takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this abridged prospectus.”

Inside cover or first page

- 1.03 The inside cover or first page must include the following statements:

Responsibility statements

- (a) “The directors of the management company have seen and approved all the documentation relating to this rights issue. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statements or other facts which if omitted, would make any statement in this

abridged prospectus false or misleading.”;

- (b) “[Name of principal adviser], being the Principal Adviser, acknowledges that, based on all available information, and to the best of its knowledge and belief, this abridged prospectus constitutes a full and true disclosure of all material facts concerning this rights issue.”;
- (c) Where future financial information is provided:

“The directors of the management company confirm that the bases and assumptions relied on in the preparation of the future financial information included in this abridged prospectus are reasonable.”

“[Name of principal adviser], being the Principal Adviser is satisfied that bases and assumptions relied on in the preparation of the future financial information are reasonable.”;

Statement of disclaimer

- (d) Where applicable:

“The valuation utilised for the purpose of the corporate exercise should not be construed as an endorsement by the Securities Commission Malaysia, on the value of the subject assets.”;

Other statements

- (e) “Investors should note that they may seek recourse under the *Capital Markets and Services Act 2007* for breaches of securities laws including any statement in the abridged prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to the abridged prospectus or the conduct of any other person in relation to the fund.”; and
- (f) “Securities listed on Bursa Malaysia Securities Berhad are offered to the public on the premise of full and accurate disclosure of all material information concerning the rights issue, for which any person set out in section 236 of the *Capital Markets and Services Act 2007*, is responsible.”

(g) For a Shariah-compliant fund-

“The fund has been certified as Shariah-compliant by Shariah adviser appointed for the fund.”

Adviser’s directory

1.04 The inside cover or first page must also include an adviser’s directory that must contain the following details:

- (a) Names and addresses of the following parties, where applicable:
 - (i) Principal adviser;
 - (ii) Legal adviser connected to the rights issue;
 - (iii) Issuing house;
 - (iv) Share registrar;
 - (v) Underwriter;
 - (vi) Placement agent;

- (vii) Shariah adviser; and
 - (viii) Any other person connected to the rights issue.
-
- (b) Where an Accountants' Report is included, the name, address and professional qualification of the reporting accountant, including membership in any professional body;
 - (c) Name, address, and qualification of an expert whose reports, excerpts or summaries are included or referred to in the abridged prospectus. If the expert is a corporation or a firm, to disclose the name of the individuals responsible for preparing the reports, excerpts or summaries; and
 - (d) Name of the stock exchange where the fund's securities are listed.

Chapter 2

SUMMARY OF RIGHTS ISSUE

- 2.01 An abridged prospectus must include a Summary of Rights Issue that must not exceed two pages and must be placed at the beginning of the abridged prospectus.
- 2.02 The Summary of Rights Issue must–
- (a) provide a concise overview of the rights issue and highlights of significant matters disclosed elsewhere in the abridged prospectus;
 - (b) give a fair and balanced view of the nature, material benefits and material risks of the rights issue offered; and
 - (c) be consistent with the disclosures in other parts of the abridged prospectus.
- 2.03 At the top of the Summary of Rights Issue, the following warning statement must be disclosed in bold:

“This Summary of Rights Issue only highlights the key information from other parts of this abridged prospectus. It does

not contain all the information that may be important to you. You should read and understand the contents of the whole abridged prospectus.”

2.04 The Summary of Rights Issue must include the following information:

- (a) Basis of allotment;
- (b) Number of rights to be issued;
- (c) Price of the rights issue;
- (d) Details of the party providing any undertaking and underwriting arrangement including the amount;
- (e) Use of proceeds and timeframe for utilisation;
- (f) Risk factors; and
- (g) Procedures for application for the rights issue and excess rights.

Chapter 3

DETAILS OF RIGHTS ISSUE

Purpose of rights issue

3.01 An abridged prospectus must provide the following information:

- (a) Details on the purpose of the rights issue;
- (b) The minimum level of subscription in order to satisfy the objectives of the rights issue, and the basis for determining the minimum level of subscription; and
- (c) The price of the rights issue and the basis for determining the price.

Use of proceeds

3.02 An abridged prospectus must disclose the estimated gross proceeds of the rights issue categorised into each principal intended use and the timeframe for full utilisation of such proceeds. If the anticipated proceeds will not be sufficient to fund all the proposed purposes, the order of priority of such purposes must be given, as well as the amount and sources of other funds needed.

Disclose also how the proceeds will be used pending their eventual utilisation for the proposed purposes.

3.03 Where the proceeds are being used directly or indirectly to acquire an asset, disclose-

- (a) a brief description of the asset and its particulars;
- (b) the rationale of the acquisition or proposed acquisition including the benefit which is expected to accrue to the fund;
- (c) the particulars of all liabilities, including contingent liabilities and guarantees to be assumed as a result of the acquisition;
- (d) the amount payable in cash or securities to the vendor and, where there is more than one vendor, to specify separately the amount payable to each vendor and the premium paid or payable;
- (e) the status of the acquisition or proposed acquisition; and
- (f) where the asset is a real estate:
 - (i) the market value and valuation date of

the real estate; and

(ii) a valuation certificate that complies with the *Asset Valuation Guidelines*.

3.04 Where any material part of the proceeds is to be used to discharge, reduce or retire indebtedness, describe the interest rate and maturity of such indebtedness. For indebtedness incurred within the last 12 months, how the proceeds of such indebtedness were used.

3.05 An analysis of expenses incurred in connection with the rights issue.

Approval and condition

3.06 An abridged prospectus must contain details of approval by any relevant authority in relation to the rights issue including its terms and conditions, date of approval and status of compliance by the fund of such condition.

3.07 For any specific relief obtained from compliance with relevant securities laws, guidelines and other regulatory requirement, to disclose the details of the relief granted.

Chapter 4

RISK FACTORS

- 4.01 The management company must describe risk factors that would have a material adverse effect on the fund's operations, financial position and results, and unit holders' investments in the fund.

Chapter 5

FINANCIAL INFORMATION

General

- 5.01 This chapter sets out the minimum financial information that a management company must disclose in an abridged prospectus.
- 5.02 The management company must ensure that the audited financial statements provided in the abridged prospectus are prepared in accordance with the approved accounting standards.
- 5.03 Unless specified otherwise, all information under this chapter must be as at the latest practicable date available prior to the issue of the abridged prospectus.

Historical financial information

- 5.04 A management company must disclose key financial information of the fund that may be relevant for the understanding of its operations as a whole.
- 5.05 The key financial information under paragraph 5.04 must be extracted from–

- (a) the audited statement of profit or loss and other comprehensive income, the audited statement of financial position and the audited statement of cash flows, for the three most recent financial years or such shorter period that the fund has been in existence; and
- (b) the interim statement of profit or loss and other comprehensive income, the interim statement of financial position and the interim statement of cash flows, for the most recent published or announced financial report, where applicable.

5.06 A management company may disclose the key financial information as set out in paragraph 5.05 by way of reference to each annual report and where applicable, the most recent published or announced interim financial report of the fund on Bursa Securities' website.

5.07 Where the key financial information is incorporated by way of reference, a cross reference list must be provided specifying the page of the respective annual report or most recent published or announced interim financial report where the financial information is set out.

Financial performance and industry outlook

- 5.08 An abridged prospectus must provide an overview of:
- (a) the financial performance of the fund including significant factors which contributed to exceptional performance during the period; and
 - (b) the market in which the fund operates and the outlook for the types of assets that have been or to be acquired by the fund, if applicable.
- 5.09 The period covered under paragraph 5.08(a) must be for the most recent financial year and where applicable, the most recent published or announced interim financial period.

Accountants' Report

- 5.10 Where the fund has undertaken a very substantial transaction and an Accountants' Report is required to be prepared, the Accountants' Report must be included in the abridged prospectus.

5.11 The Accountants' Report must include–

- (a) the audited financial statements in respect of the three most recent financial years or such shorter period that the corporation has been in existence;
- (b) an audit opinion expressed by the reporting accountant on the financial statements;
- (c) a statement that it was prepared in accordance with the relevant standards on auditing approved for application in Malaysia; and
- (d) a statement that it was prepared for inclusion in the abridged prospectus.

Pro forma financial information

5.12 An abridged prospectus must disclose pro forma financial information based on the most recent audited financial statements or most recent published or announced interim financial report, whichever is later.

5.13 The pro forma financial information must include the following:

- (a) Each line item of the unit holders' fund;
- (b) Net asset value;
- (c) Net asset value per unit;
- (d) Number of units in circulation; and
- (e) Gearing ratio.

5.14 In connection with paragraph 5.13, where applicable, the pro forma financial information must be adjusted for:

- (a) the effects arising from–
 - (i) the minimum and maximum number of units to be issued in connection with the rights issue;
 - (ii) future exercise of any convertible securities;
- (b) any acquisition relating to the rights issue exercise; and
- (c) proposed utilisation of the funds.

- 5.15 Where the fund has undertaken a very substantial transaction, the pro forma consolidated statement of financial position must be accompanied by the reporting accountants' letter.

Material transaction

- 5.16 An abridged prospectus must provide a brief description of any transaction which may have a material effect on the operations, financial position and results of the fund since the date of the most recent annual financial statements and where applicable, since the date of the most recent published or announced interim financial report. Where there was no material transaction, to provide an appropriate statement to that effect.

Borrowing

- 5.17 An abridged prospectus must disclose the fund's level of gearing as at latest practicable date, including source, type, nature of borrowings or financing and the interest or profit rate payable.

Future financial information

- 5.18 Where future financial information is included in an abridged prospectus, the abridged prospectus should comply with the requirements under paragraphs 12.34 to 12.43, Part III of these Guidelines.

Chapter 6

UNIT HOLDERS' UNDERTAKINGS AND UNDERWRITING ARRANGEMENTS

6.01 If there is any irrevocable written undertaking to subscribe for the rights issue, the following information must be disclosed:

- (a) Name of the person providing the undertaking;
- (b) Number of securities and percentage of existing securities held by the person in the fund;
- (c) Number and percentage of securities that the person is entitled to under the rights issue; and
- (d) Number and percentage of securities being undertaken by the person.

- 6.02 For the open portion of the rights issue securities, the abridged prospectus must contain the following information:
- (a) Number and percentage of rights issue securities;
 - (b) Underwriting arrangements including the amount of securities underwritten by each underwriter; and
 - (c) Underwriting commission and the party responsible for payment of the expenses.

Chapter 7

APPLICATION FOR SECURITIES AND EXCESS APPLICATION

- 7.01 The management company must disclose the procedures for application for the rights issue and excess rights.
- 7.02 Any allotment of excess rights must be carried out on a fair and equitable basis.
- 7.03 The management company must set out the basis for the allotment and disclose a statement that all excess rights will be allocated on a fair and equitable basis.
- 7.04 Describe the manner in which–
 - (a) the results of the allocation of shares will be made public; and
 - (b) any excess application monies will be refunded.
- 7.05 The contents of the rights subscription and excess application forms must not be contrary to any information that is in the abridged prospectus.

Chapter 8

ADDITIONAL INFORMATION ON THE FUND, EXPERT'S REPORT AND DOCUMENTS AVAILABLE FOR INSPECTION

8.01 Additional information on the fund to be included in the abridged prospectus:

- (a) Name of each director of the management company, including whether the director is independent or non-independent;
- (b) Units in circulation of the fund;
- (c) Unit prices
 - (i) The monthly highest and lowest unit prices of the fund as transacted on the relevant stock exchange for the 12 months preceding the date of the abridged prospectus;

- (ii) Last transacted market price—
 - (A) On the market day immediately before the date of announcement of the rights issue;
 - (B) On the market day prior to the ex-rights date; and
 - (C) On the latest practicable date before the date of issue of the abridged prospectus; and
- (iii) Source of the unit prices;
- (d) Where any option to subscribe for the fund's units has been granted or is entitled to be granted to any person, to disclose the following information relating to the option:
 - (i) The number, description and amount of such units;
 - (ii) The period during which the option is exercisable;
 - (iii) The price to be paid for units subscribed for under it;

- (iv) The consideration, where applicable, given or to be given for it or for the right to it; and
- (v) The name of the person to whom the option was granted or agreed to be granted, unless the option was offered to—
 - (A) all existing unit holders; or
 - (B) holder of debt securities or any class thereof.
- (e) Disclose all material contracts not being contracts in the ordinary course of business, entered into within two years preceding the date of the abridged prospectus. The particulars must be disclosed for each contract:
 - (i) Date;
 - (ii) Parties to the contract;
 - (iii) Subject matter of the contract; and

- (iv) The consideration and manner it is to be satisfied.
 - (f) Disclose all current material litigation and arbitration, including those pending or threatened, and of any fact likely to give rise to any proceeding which might materially affect the operations or financial position of the fund, management company, trustee or any of their delegates.
- 8.02 An abridged prospectus must disclose the following information on substantial unit holders of the fund as well as substantial shareholders, directors and key personnel of the management company:
- (a) Details of substantial unit holders' direct and indirect interests in the fund before and after the rights issue; and
 - (b) Details of substantial shareholders, each directors and key personnel of the management company's direct and indirect interests in the fund before and after the rights issue.

8.03 Expert's report

- (a) Where an expert's report is included in the abridged prospectus, it must be signed and dated; and
- (b) Where a valuation of property assets have been carried out, for inclusion in this abridged prospectus, a summary of the valuation in the form of a valuation certificate that complies with the *Asset Valuation Guidelines* must be included in the abridged prospectus.

8.04 Documents available for inspection

To include a statement that a copy of each of the following documents may be inspected, for a period of at least six months from the date of issue of the abridged prospectus at the principal office of the management company or such other place as the SC may determine.

Each document referred to in the abridged prospectus which includes the following:

- (i) Each material contract and, in the case of contracts not in writing, a memorandum which gives full particulars of the contracts;

- (ii) All reports, letters or other documents, valuations and statements by any expert, any part of which is extracted or referred to in the abridged prospectus. Where a summary of the expert's report is included in the abridged prospectus, the corresponding full expert's report must be made available for inspection;
- (iii) Each consent given by parties as disclosed in the abridged prospectus; and
- (iv) Irrevocable undertaking letter in respect of subscription of the rights issue.

PART V
SUPPLEMENTARY/
REPLACEMENT PROSPECTUS

Chapter 1

GENERAL

- 1.01 Where a supplementary or replacement prospectus for an exchange-traded fund (ETF) is registered, a management company is exempted from the obligation under subparagraph 239(2)(a)(ii) of the CMA to an applicant of the ETF pursuant to the SC's order dated 2 January 2019 (Exemption Order for ETF).

Chapter 2

CONTENTS OF A SUPPLEMENTARY PROSPECTUS

- 2.01 A supplementary prospectus must contain details of significant new matters or changes.
- 2.02 A supplementary prospectus must specify the following:
- (a) Name of the fund, or funds in the case of a master prospectus;
 - (b) Full name of the management company or fund manager, where applicable, and its registration number;
 - (c) Full name of the trustee and custodian, where applicable, and its registration number;
 - (d) Date of the supplementary prospectus;
 - (e) A statement to the effect that the supplementary prospectus has been registered by the SC;

- (f) That registration does not indicate that the SC recommends the units or assumes responsibility for correctness of any statement made, opinions expressed or reports contained in the principal prospectus or supplementary prospectus; and
 - (g) For an unlisted fund with an expiry period, a statement stating that no units will be issued or sold based on the supplementary prospectus after the expiry date of the principal prospectus.
- 2.03 Each page of a supplementary prospectus must contain a clear statement in bold font which states that the document is a supplementary prospectus which is to be read in conjunction with the principal prospectus, which must be identified in the supplementary prospectus, and any other supplementary prospectus.
- 2.04 If a supplementary prospectus contains statements or reports by experts not included in the principal prospectus—
 - (a) it is required to state the date of each statement or report and whether or not it was prepared for incorporation in the supplementary prospectus; and

- (b) the supplementary prospectus shall state that the expert has given his consent and has not withdrawn the consent.
- 2.05 If the information in a supplementary prospectus gives rise to new risk factors not covered in the principal prospectus, the supplementary prospectus shall contain a description of those new risk factors.
- 2.06 Disclosure of information in the supplementary prospectus or reports included in the supplementary prospectus must comply with Part II, Part III or Part IV, where applicable, of these Guidelines.

Chapter 3

CONTENTS OF A REPLACEMENT PROSPECTUS

- 3.01 The SC may require the management company to issue a replacement prospectus to consolidate all amendments made to the principal prospectus.
- 3.02 A replacement prospectus for a unit trust fund or an ETF which has not been launched is exempted from the requirement stipulated in section 238(6) of the CMSA pursuant to the SC's order dated 18 July 2016 (Exemption Order for unit trust fund) and 2 January 2019 (Exemption Order for ETF), respectively.
- 3.03 Disclosure of information in the replacement prospectus or reports included in the replacement prospectus must comply with Part II, Part III or Part IV, where applicable, of these Guidelines.

PART VI
REGISTRATION AND
LODGEMENT
OF PROSPECTUS

Chapter 1

GENERAL

- 1.01 The person submitting (submitting party) a prospectus of a fund for registration must do so in accordance with the submission requirements and procedures set out in Chapters 2 and 3 of these Guidelines.
- 1.02 For the purpose of paragraph 1.01, “submitting party” refers to, in the case of:
- (a) An unlisted local fund authorised in Malaysia, the management company or its adviser;
 - (b) A local ETF approved in Malaysia, the management company or its adviser;
 - (c) A listed REIT approved in Malaysia, the adviser;
 - (d) An unlisted foreign fund recognised in Malaysia, the adviser or representative; and
 - (e) A listed foreign fund approved in Malaysia, the adviser or representative.

- 1.03 The submission of prospectus and all accompanying documents to the SC must be made in the manner as specified on the SC's website.
- 1.04 The certified true copies of all reports and letters in the prospectus must be included as accompanying documents in the registration file. Where the prospectus contains a summary of an expert's report, the corresponding full report must be submitted to the SC. For certified true copies, the identity and position of the person certifying the documents must be stated.
- 1.05 All reports and letters contained in the prospectus must be dated and signed.
- 1.06 Where the management company proposes to issue prospectuses in various languages, the prospectus in each language must be registered and lodged with the SC.
- 1.07 All accompanying documents which are in a language other than Bahasa Malaysia or English, must be accompanied by Bahasa Malaysia or English translation confirmed by the submitting party as being an accurate translation of the original documents.

- 1.08 The checklists mentioned in this Part are available on the SC's website.

Fees payable to the SC

- 1.09 The prospectus must be submitted to the SC for registration and lodgement together with the appropriate fee.
- 1.10 The details of fees payable to the SC for registration and lodgement of a prospectus, supplementary prospectus and replacement prospectus are set out in the *Capital Markets and Services (Fees) Regulations 2012* as may be amended from time to time.
- 1.11 Payment must be made in favour of "Suruhanjaya Sekuriti Malaysia" or "Securities Commission Malaysia".

Chapter 2

REGISTRATION OF AN UNLISTED FUND'S PROSPECTUS

Registration of prospectus

- 2.01 The prospectus may be left undated upon submission to the SC for registration. However, the prospectus must be dated before it is lodged with the SC.
- 2.02 For the purpose of an application under paragraph 1.13, Part I of these Guidelines, in relation to an issuance of a fund considered under the expedited authorisation process, pursuant to the *Guidelines on Unit Trust Funds*, the management company must first submit such application and obtain the SC's decision before it can submit the prospectus for registration.

Prospectus exposure

- 2.03 The SC may publish the registrable prospectus of a fund considered under the expedited authorisation on the SC website in order to provide an opportunity for the public to view and provide any comments on the information disclosed in the prospectus.

- 2.04 The submitting party must submit the prospectus for prospectus exposure with the following prominently displayed on the cover page in bold and a contrasting colour:

“This document has not been registered by the Securities Commission Malaysia (SC). The information in this document may be subject to further amendments before being registered by the SC. Under no circumstances shall this document constitute an offer for subscription or purchase of, or an invitation to subscribe for or purchase units.”

Supplementary prospectus and replacement prospectus

- 2.05 For registration of a supplementary prospectus or a replacement prospectus, the registration file must be submitted to the SC at least seven business days prior to the intended registration date.

Documents to be submitted

- 2.06 For registration of a prospectus, the submitting party must submit the registrable prospectus in each language, accompanied by the following documents:
- (a) Cover letter containing the information as specified on the SC's website;
 - (b) Registration checklist;
 - (c) Registration fees and fee checklist;
 - (d) Prospectus minimum content checklist and a copy of the prospectus which is properly annotated against the applicable provisions of the prospectus minimum content checklist;
 - (e) Director's responsibility statement for the prospectus and where applicable, the promoter's responsibility statement. For director's responsibility statement, all directors must sign. In the case of a promoter which is a corporation, a board resolution authorising the signatory who signed on behalf of the corporation, must be submitted together with the promoter's responsibility statement;

- (f) If an alternate director signs the responsibility statement, there must be clear reference made in the responsibility statement of such a fact. The original written authorisation by directors, appointing an alternate director to sign the responsibility statement on their behalf must be submitted;
- (g) Copy of letter of approval, where applicable, from any other relevant authority (e.g. BNM);
- (h) Copies of all material contracts referred to in the prospectus or, in the case of contracts not reduced into writing, a memorandum which gives full particulars of the contracts;
- (i) Copies of reports or letters from experts disclosed in the prospectus (e.g. tax advisers). Where an expert does not possess the capability to prepare a report in the same language as the prospectus, the management company must provide a translation of the expert's report. Such translated report submitted and as incorporated in the prospectus must contain a statement that it is a translation of the original expert's report; and
- (j) Copy of the application form.

2.07 For registration of a supplementary or replacement prospectus, the registration file must, where applicable, include documents required under paragraph 2.06 and the following documents:

- (a) A list highlighting the original statements from the previously registered prospectus and the amended statements, and the reasons for such amendments; and
- (b) If applicable, the additional, amended or new material contracts disclosed in the prospectus pursuant to paragraph 2.06(h). In the case of contracts not reduced into writing, a memorandum which gives full particulars of the contracts.

Chapter 3

REGISTRATION OF A LISTED FUND'S PROSPECTUS

Submission of prospectus for registration

- 3.01 The submitting party must submit the prospectus for registration concurrently with the proposal seeking approval from the SC for the establishment, listing and quotation of units of a fund on the Main Market of Bursa Malaysia Securities Berhad.
- 3.02 The information in the prospectus must be substantially complete except in relation to information that by its nature can only be finalised and incorporated after the relevant authorities' approvals for the proposal.
- 3.03 Any application for exemption or variation (relief) from complying with the disclosure requirements of a prospectus must be submitted to the SC at least 14 business days prior to the intended date of submission of the prospectus.

- 3.04 The submitting party must submit the prospectus in English, accompanied by the following documents:
- (a) Cover letter containing the information as specified on the SC's website;
 - (b) Registration checklist;
 - (c) Registration fees and the fee checklist;
 - (d) Prospectus minimum content checklist;
 - (e) Directors' responsibility statement for the prospectus and, where applicable, the offerors' and promoters' responsibility statement. For director's responsibility statement, all directors must sign. For promoters or offerors which consist of corporation(s), a board resolution authorising the signatory who signed on behalf of a corporation, must be submitted together with the promoters' or offerors' responsibility statements;
 - (f) If an alternate director signs the responsibility statements, there must be a clear reference made in the responsibility statement of such a fact. The original

written authorisations by directors, appointing the alternate director to sign the responsibility statement on their behalf must be submitted;

- (g) Where applicable, copy of letter of approval from any other relevant authority;
- (h) Copies of all material contracts referred to in the prospectus, or in the case of a contract not reduced in writing, a memorandum giving full particulars of the contracts;
- (i) Copies of reports or letters from experts disclosed in the prospectus. Where an expert does not possess the capability to prepare a report in the same language as the prospectus, the management company must provide a translation of the expert's report. Such translated report submitted and as incorporated in the prospectus must contain a statement that it is a translation of the original expert's report; and
- (j) Copy of the underwriting agreement.

3.05 For real estate investment trust, where applicable, audited financial statements of the real estate investment trust.

- 3.06 For closed-end funds, the constituent document and the certificate of incorporation must also be submitted. If the original copy is not submitted, a copy of the M&A certified by the company secretary is acceptable.

Submission of prospectus after approval of a listed fund

- 3.07 Upon receiving the relevant authority's approval for the proposal, where applicable, the submitting party must provide all documents required under paragraph 3.10, to the SC at least 14 business days prior to the intended date of registration.
- 3.08 The SC will only register a prospectus after the deed of the fund has been registered by the SC. However, this requirement is not applicable to a foreign fund.
- 3.09 The submitting party must submit a copy of the prospectus in Bahasa Malaysia and English, and where applicable, in any other language, for registration by the SC.
- 3.10 The prospectus must be accompanied by:
- (a) A cover letter for application to register the prospectus signed by two authorised

signatories of the submitting party containing information as specified on the SC's website;

- (b) Copies of any material contract, report or document referred to in the prospectus, which was entered into or updated after submission was made to the SC under paragraph 3.04;
- (c) For real estate investment trust, where the audited financial statements have been updated after submission was made to the SC under paragraph 3.04, certified true copies of the updated statements;
- (d) For any revision to the prospectus that was cleared by the SC under paragraph 3.04, the following must be provided to the SC:
 - (i) Marked-up copy of the revised prospectus; and
 - (ii) Letter of confirmation from the submitting party stating that the due diligence working group–

- (A) has seen and confirmed the revisions made to the prospectus; and
- (B) has seen and verified that the prospectus complies with the disclosure requirements of the CMSA and relevant guidelines.

Prospectus exposure

- 3.11 The SC may publish the registrable prospectus on the SC website in order to provide an opportunity for the public to view and provide any comments on the information disclosed in the prospectus.
- 3.12 The submitting party must submit the prospectus for prospectus exposure with the following prominently displayed on the cover page in bold and a contrasting colour:

“This document has not been registered by the Securities Commission Malaysia (SC). The information in this document may be subject to further amendments before being registered by the SC. Under no circumstances shall this document constitute an offer for subscription or purchase of, or an invitation to subscribe for or purchase units.”

Supplementary prospectus and replacement prospectus

- 3.13 For registration of a supplementary prospectus, the registration file must be submitted to the SC at least three business days prior to the intended registration date.
- 3.14 For registration of a replacement prospectus, paragraph 3.07 shall apply.
- 3.15 For registration of a supplementary or replacement prospectus, the submitting party must include –
- (a) documents required under paragraphs 3.04 and 3.10, where applicable; and
 - (b) a list highlighting the original statements from the previously registered prospectus and the amended statements, and the reasons for such amendment.

Submission of abridged prospectus for registration

- 3.16 The submitting party must notify the SC of the intention to submit the abridged prospectus for registration on the day of the book closure date is

announced on the stock exchange. The abridged prospectus must be submitted to the SC at least three market days prior to the ex-rights date.

- 3.17 For any application for exemption or variation (relief) from complying with the disclosure requirements of an abridged prospectus, paragraph 3.03 shall apply.
- 3.18 The submitting party must submit the abridged prospectus in English, accompanied by the following documents:
- (a) Cover letter signed by two authorised signatories of the submitting party containing information as specified on the SC's website;
 - (b) Registration checklist;
 - (c) Registration fees and the fee checklist;
 - (d) Abridged Prospectus minimum content checklist;
 - (e) Directors' responsibility statement for the abridged prospectus. For director's responsibility statement, all directors must sign;

- (f) If an alternate director signs the responsibility statement, there must be clear reference made in the responsibility statement of such a fact. The original written authorisations by directors, appointing the alternate director to sign the responsibility statement on their behalf must be submitted;
- (g) Where applicable, copy of letter of approval from any other relevant authority;
- (h) Copies of all material contracts referred to in the abridged prospectus, or in the case of a contract not reduced in writing, a memorandum giving full particulars of the contracts;
- (i) Copies of reports or letters from experts disclosed in the abridged prospectus. Where an expert does not possess the capability to prepare a report in the same language as the abridged prospectus, the management company must provide a translation of the expert's report. Such translated report submitted and as incorporated in the abridged prospectus must contain a statement that it is a translation of the original expert's report;

- (j) Copy of the underwriting agreement; and
 - (k) Copy of the circular to -.
- 3.19 For registration of a supplementary abridged prospectus and replacement abridged prospectus, the registration file must be submitted to the SC at least three business days prior to the intended registration date.
- 3.20 For registration of a supplementary abridged prospectus or replacement abridged prospectus, the submitting party must include –
- (a) documents required under paragraph 3.18, where applicable; and
 - (b) a list highlighting the original statements from the previously registered abridged prospectus and the amended statements, and the reasons for such amendment.
- 3.21 The submitting party must submit the following information to the SC within two business days before the listing of the rights units:

- (a) Summary information on the total number of excess securities available for allocation, total number of applicants and list of the successful applicants; and
- (b) In relation to item (a) above, a spreadsheet of the summary information together with underlying formula and explanations on the formula applied.

Chapter 4

LODGEMENT OF A PROSPECTUS

Documents to be submitted

4.01 For lodgement of a prospectus, the submitting party must submit the prospectus in each language, accompanied by the following documents:

- (a) Cover letter signed by at least 1 of the directors of the management company in relation to an unlisted local fund, or two authorised signatories of the submitting party in relation to foreign fund and a listed local fund, containing the information as specified on the SC's website;
- (b) Copy of the application form;
- (c) Lodgement checklist; and
- (d) Lodgement fee and fee checklist.

PART VII
PROSPECTUS RELATED
GUIDELINES FOR LISTED
FUNDS

Chapter 1

ELECTRONIC PROSPECTUS AND ONLINE UNITS APPLICATION

1.01 Any person who seeks to—

(a) issue, circulate or distribute electronic prospectuses and electronic application forms; or

(b) provide for Internet units application,

is required to comply with Part IV, Division 2 of the *Prospectus Guidelines*.

1.02 In applying the guidelines referred to in paragraph 1.01, the words—

(a) “issuer” referred to in the guidelines shall be substituted with the words “management company”;

(b) “applicant” referred to in the guidelines shall be substituted with the words “investor” and

(c) “securities” referred to in the guidelines shall be substituted with the words “units”.

Chapter 2

ADVERTISING GUIDELINES

- 2.01 For the purpose of advertising of unit offerings regulated under section 241 of the CMAA, the requirements of Part IV, Division 3 of the *Prospectus Guidelines* applies.
- 2.02 In applying the guidelines referred to in paragraph 2.01, the words—
- (a) “company” and “issuer” referred to in the guidelines shall be substituted with the words “management company”;
 - (b) “applicant” referred to in the guidelines shall be substituted with the words “investor”;
 - (c) “securities” referred to in the guidelines shall be substituted with the words “units”; and
 - (d) “Registrar of Companies” referred to in the guidelines shall be substituted with the words “SC”.

PART VIII
GUIDANCE

GUIDANCE

This Guidance provides further clarification to the requirements of these Guidelines.

GUIDANCE TO PART II – CONTENT OF PROSPECTUS FOR UNLISTED FUNDS

GUIDANCE TO CHAPTER 4: THE FUND

Paragraph 4.02(k): What should be disclosed in the prospectus if the fund intends to employ liquidity risk management tools?

If a fund intends to employ liquidity risk management tools, the prospectus should disclose the following:

- (a) A summary of the liquidity risk management policy and procedure; and
- (b) A description of liquidity risk management tool(s) that may be employed, including the circumstances in which the tool(s) may be activated and the impact on the fund and unit holders upon activation.

Utilisation of swing pricing

Where the management company is permitted by the fund's deed to apply swing pricing as part of liquidity risk management for the fund, the prospectus should disclose the following:

- (a) The swing pricing mechanism, including details on the NAV adjustment mechanism in case of net subscriptions (inflows) or redemptions (outflows), the use of any specific subscription/redemption threshold before the swing pricing mechanism becomes applicable (i.e. whether partial or full swing pricing mechanism is utilised);
- (b) The benefits and limitations of swing pricing, including the risk that investors' stake may be diluted when net subscription or redemption is below the swing threshold;
- (c) The maximum amount of price adjustment ("swing factor") under normal circumstances;
- (d) Where the deed permits the management company to temporarily increase the swing factor beyond the maximum level as disclosed in the prospectus under unusual market conditions, to disclose such fact and the details of such unusual market conditions in the prospectus; and
- (e) The statement to the following effect in the prospectus in bold font:
 - (i) The fund's performance will be calculated based on swung prices and that the returns of the fund may be influenced by the level of subscription or redemption activity (which may result in the application of swing pricing);

- (ii) The possibility of increased variability in the fund's returns with swing pricing accounted for in the calculation of performance returns; and
- (iii) The fees of the fund (including performance fees and fees based on NAV) will be charged based on the unswung NAV.

Utilisation of suspension

Where the management company is permitted by the fund's deed to utilise suspension as part of liquidity risk management for the fund, the prospectus should disclose the risks associated with suspension of redemption.

[Issued: 21 December 2021]

Paragraph 6.02: In relation to valuation points, what other information should the management company disclose in relation to the NAV and unit price of the fund?

Where relevant and applicable, disclosure should also include a description on the timing of the prices published.

For example, sufficient disclosures should be made in the prospectus that unit prices are published on T+1 for funds with local investments and T+2 for funds with foreign investments and where applicable, the latest prices are available on FIMM's website, UTMCS' websites and/or customer service centres.

[Issued: 21 December 2021]

GUIDANCE TO PART III – CONTENT OF PROSPECTUS FOR LISTED FUNDS

GUIDANCE TO CHAPTER 2: INFORMATION SUMMARY

Paragraph 2.01: Should the chapter on information summary include cross-references to the relevant sections in the prospectus?

The information summary should include appropriate cross-references to the specific sections of the prospectus which set out the full details on the respective matters.

[Issued: 21 December 2021]

GUIDANCE TO CHAPTER 4: RISK FACTORS

Paragraph 4.01: What should be considered when disclosing the risk factors?

Management companies should consider the following when disclosing risk factors:

- (a) Risk factors that relate to each other should be grouped together. Appropriate and meaningful headings and sub-headings should be adopted.
- (b) Risk factors should be listed in such manner whereby the risks that would have the highest impact should be prominently disclosed at the beginning of each section.
- (c) The purpose of risk factors is to provide meaningful cautionary statement to investors. Hence, any disclaimer statement should not be so wide so as to prevent risk factors from having this effect.
- (d) Any disclosure of mitigating factors should not cause confusion on the nature of the risk or its materiality.

[Issued: 21 December 2021]

GUIDANCE TO CHAPTER 9: EXPERTS' REPORTS

Paragraph 9.01(b): When should the expert's report be signed?

The expert's report should be signed and dated within a reasonable time, which generally should not be earlier than the latest practicable date.

[Issued: 21 December 2021]

GUIDANCE TO CHAPTER 12: SPECIFIC REQUIREMENTS FOR REAL ESTATE INVESTMENT TRUSTS

Paragraph 12.36: What would be considered as "reasonable bases and assumptions"?

In preparing the future financial information, the bases and assumptions used to support such information should–

- (a) draw the investors' attention to those uncertain factors which can materially affect the ultimate achievement of such future financial results, and where possible to quantify such factors;

- (b) be specific rather than vague, avoid generalisations and all- embracing assumptions and those relating to the general accuracy of the assumptions made in the future financial information;
- (c) be clearly stated and reviewed for reasonableness by the directors who are responsible for the future financial information and bases and assumptions; and
- (d) enable the investors to assess–
 - (i) the validity of the assumptions on which the future financial information is based;
 - (ii) the likelihood of the assumptions actually occurring;
 - (iii) the effect on the future financial information if the assumptions vary;
 - (iv) whether the future financial information is relevant and reliable, i.e. to enable investors to form their own view about how reasonable the grounds are for making the statement; and
 - (v) the facts and circumstances that support future financial information, as well as being able to demonstrate that the information is reasonable;

In addition to the above, the management company and principal adviser should be satisfied that, the bases and assumptions relied on in the preparation of the future financial information, are reasonable. What amounts to reasonable bases and assumptions should be judged by the facts and circumstances of each case. However, in general, the future financial information should assist the investors in making an informed investment decision.

In deciding whether the bases and assumptions are reasonable, the management company and principal adviser should have regard to the following indicative factors:

- (a) The information relates to agreements where future expenses and revenue of the REIT can be reasonably assured for the period of that agreement; and
- (b) The information is underpinned by independent industry experts' reports or independent accountants' reports where such experts believe that the future financial information and its bases and assumptions are reasonable.

The above factors are not necessarily conclusive. Most importantly, in certain circumstances, these factors alone may not be sufficient to establish reasonable bases and assumptions. Hence, in preparing future financial information, the management company and principal adviser are required to consider other factors that may indicate whether or not the bases and assumptions used are reasonable.

Certain factors may indicate that the future financial information has not been prepared on reasonable bases and assumptions. Such factors include where–

- (a) the future financial information is supported only by hypothetical assumptions, and without demonstrating other factors that may support the inclusion of the future financial information;
- (b) the management company has made a statement asserting that the bases and assumptions relied on are reasonable, without coming up with verifiable reasons to support such a statement; and
- (c) the management company has made a statement along the lines of 'this is the best estimate of the directors'. The bases and assumptions relied on by the management company in preparing the future financial information has to be objectively reasonable, taking into account among others, the list of factors set out under this Guidance and not made on the basis of genuine but unreasonable beliefs of the directors of the management company.

The above factors are non-exhaustive.

[Issued: 21 December 2021]

GUIDANCE TO CHAPTER 13: SPECIFIC REQUIREMENTS FOR EXCHANGE-TRADED FUNDS

Paragraph 13.11(c): What should be disclosed in the prospectus if the ETF intends to employ liquidity risk management tools?

Please refer to the Guidance to paragraph 4.02(k), Part II of these Guidelines.

[Issued: 1 September 2022]

GUIDANCE TO PART IV – CONTENT OF ABRIDGED PROSPECTUS FOR REAL ESTATE INVESTMENT TRUSTS

GUIDANCE TO CHAPTER 1: INTRODUCTION

Paragraph 1.01(f): Will a change to the timetable be considered as a significant change affecting a matter disclosed in the abridged prospectus?

Any material change to the timetable after the registration of the abridged prospectus is considered as a significant change affecting a matter disclosed in the abridged prospectus.

[Issued: 21 December 2021]

GUIDANCE TO CHAPTER 2: SUMMARY OF RIGHTS ISSUE

Chapter 2: Should the chapter on Summary of Rights Issue include cross-reference to the relevant section in the abridged prospectus?

The Summary of Rights Issue should include appropriate cross-references to the specific sections of the abridged prospectus which set out the full details on the respective matters.

[Issued: 21 December 2021]

GUIDANCE TO CHAPTER 3: DETAILS OF RIGHTS ISSUE

Paragraph 3.02: What should be disclosed if the fund intends to use the proceeds for general working capital?

Where the fund intends to use the proceeds for general working capital, it should clearly explain the specific items of the fund's general working capital and how the proceeds would be used for each item.

[Issued: 21 December 2021]

GUIDANCE TO CHAPTER 4: RISK FACTORS

Paragraph 4.01: What should be considered when disclosing the risk factors?

The following are some of the points that should be considered when disclosing risk factors:

- (a) Risk factors that relate to each other should be grouped together. Appropriate and meaningful headings and sub-headings should be adopted.
- (b) Risk factors should be listed in such manner whereby the risks that would have the highest impact should be prominently disclosed at the beginning of each section.
- (c) The purpose of risk factors is to provide meaningful cautionary statement to investors. Hence, any disclaimer statement should not be so wide so as to prevent risk factors from having this effect.
- (d) Risk factors should not be disclosed in a vague and generic manner. It should be specific and tailored to the fund's risks or uncertainties. This means that the disclosure should not merely disclose the facts or circumstances that give rise to the existence of the risk. Each risk factor should be described to place the risk in context so that investors can understand the nature of, or circumstances giving rise to, the risk or uncertainty as it affects the fund, its operations and securities, or the rights issue.

- (e) Any disclosure of mitigating factors should not cause confusion on the nature of the risk or its materiality.

[Issued: 21 December 2021]

GUIDANCE TO CHAPTER 5: FINANCIAL INFORMATION

Paragraph 5.16: What are examples of material transaction?

Examples of material transaction include-

- (a) any material acquisition or material disposal of an asset;
- (b) any agreement to acquire or dispose an asset;
- (c) any significant change to its capital structure, including any material distribution; and
- (d) any other corporate exercise entered into by the fund.

The brief description should include such transactions that may be relevant for the understanding of the fund's operations as a whole.

[Issued: 21 December 2021]

GUIDANCE TO CHAPTER 8: ADDITIONAL INFORMATION ON THE FUND, EXPERT'S REPORT AND DOCUMENTS AVAILABLE FOR INSPECTION

Paragraph 8.03: When should the expert's report be signed?

The expert's report should be signed and dated within a reasonable time, which generally should not be earlier than the latest practicable date.

[Issued: 21 December 2021]

GUIDANCE TO PART VI – REGISTRATION AND LODGEMENT OF PROSPECTUS

General: When making a submission to the SC for registration and lodgement of prospectus, where should the signature of the person signing the relevant document be located in the document?

The name and designation of the person who has signed the document should be stated below the signature. Where a letter or a report submitted to the SC, is issued by a business or professional firm, the signature appearing on such documents should be in the name of

the firm and in the personal name of the signatory.

[Issued: 21 December 2021]

GUIDANCE TO CHAPTER 1: GENERAL

Paragraph 1.01: Under what circumstances would the SC return an application to register a prospectus?

The SC reserves the right to return the prospectus if in its opinion –

- (a) the disclosure in the prospectus is incomplete or inadequate;
- (b) the prospectus is not in its final or complete form; or
- (c) the prospectus is not accompanied by all relevant materials or documents.

[Issued: 21 December 2021]

Paragraph 1.03: If a document is amended after submission, should such document be submitted to the SC?

If a document is amended after submission, the marked-up copy of the document should be submitted to the SC.

[Issued: 21 December 2021; Updated: 1 September 2022]

Paragraph 1.05: When should the reports and letters contained in the prospectus be signed?

All reports and letters should be signed and dated within a reasonable time, which generally should not be earlier than the latest practicable date.

[Issued: 21 December 2021]

GUIDANCE TO CHAPTER 3: REGISTRATION OF A LISTED FUND'S PROSPECTUS

Paragraph 3.03: What should a management company consider when making the relief application?

The submitting party is encouraged to consult the SC prior to making the relief application. In addition, the relief application should be accompanied with the relevant supporting documents

and the prescribed fee.

[Issued: 21 December 2021; Updated: 1 September 2022]

Paragraph 3.21: What information should be included in the summary information submitted to the SC?

The summary information should include, among others, the following information:

- (a) Name of unit holder and its unit holding as at the entitlement date;
- (b) Name of excess rights securities applied for; and
- (c) Number of excess securities allotted in each round and the basis of allotment.

[Issued: 21 December 2021; Updated: 1 September 2022]