



**PUBLIC RESPONSE PAPER**

**NO. 1/2011**

**REVIEW OF SOPHISTICATED INVESTORS  
AND  
SALES PRACTICES FOR UNLISTED CAPITAL MARKET PRODUCTS**

The Securities Commission Malaysia (SC) issues this Public Response Paper in response to feedback received on the Consultation Paper dated 19 March 2010 on the Review of Sophisticated Investors and Sales Practices for Unlisted Capital Market Products.

This Public Response Paper is dated 28 January 2011

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## EXECUTIVE SUMMARY

### 1. Introduction

- 1.1 While our capital market has shown remarkable resilience during the recent financial crisis, lessons learnt from affected markets show that issues in connection with sales of complex and high risk investment products can negatively impact the reputation of the market when investors end up suffering huge losses as a result of mis-selling.
- 1.2 On 19 March 2010, we published a *Consultation Paper on the Review of Sophisticated Investors and Sales Practices for Unlisted Capital Market Products*. The consultation paper discussed proposals to enhance and clarify existing investor protection measures and regulatory framework for unlisted capital market products. At the end of the consultation period, we received positive feedback from respondents, the majority of whom were supportive of the rationale and objective of the proposals.

### 2. Categorisation of investors

- 2.1 Having considered all the feedback received, we set out our proposals to the issues raised in the consultation paper in this response. Many of the proposals are interconnected and should be considered as a set of integrated actions designed to enhance investor protection in the offering of unlisted capital market products. In doing so, we have been mindful of the need to formulate balanced proposals, taking into account potential compliance costs, investors' need for appropriate level of protection, growth of the market and product innovation.
- 2.2 Having reviewed the existing framework on investor characterisation in Schedules 6 and 7 of the *Capital Market and Services Act 2007* (CMSA), we propose to streamline the categories of investors by extending the existing category of High Net Worth Individuals to include an individual who has a gross annual income exceeding RM300,000 per annum or who jointly with his/her spouse has a gross annual income of RM400,000 per annum in the preceding 12 months. The value of the individual's primary residence, however, will be excluded in the calculation of his/her net worth.
- 2.3 We also propose that the existing category of High Net Worth Entities be extended to include entities other than corporations. A partnership with total net assets exceeding RM10 million, a trust company under the *Trust Companies Act 1949* with assets under management exceeding RM10 million, a public company under the *Companies Act 1965* approved by the SC as a trustee under the CMSA with assets under management exceeding RM10 million and a statutory body, will be categorised as High Net Worth Entities.

- 2.4 Schedules 6 and 7 of the CMSA currently recognise entities licensed by regulatory authorities such as insurance companies and capital market licence holders dealing in securities or engaging in fund management as investors who do not need to be provided with a prospectus. We propose that these entities be categorised as accredited investors. The group of investors under this category will also be expanded to include all Capital Markets Services Licence (CMSL) holders and executive directors and chief executive officer of all CMSL holders. As these investors operate in a regulated environment, they are deemed to have the necessary knowledge or skill to assess the merits and risk of investment products offered, and even if they do not, they have the ability and knowledge to source for required information.
- 2.5 Investors who do not fall into any of the above categories will be classified as retail investors.
- 2.6 One of the difficult issues which we have had to consider is whether the ticket size of RM250,000 currently found in Schedules 6 and 7 of the CMSA should be retained. In considering this issue, the SC notes that ticket size does not truly reflect nor indicate a person's net worth or level of sophistication. There is also a tendency for ticket size to be abused when retail investors who do not truly understand the risk of investing in complex products pool their funds to make investments of RM250,000.
- 2.7 Taking into consideration the proposed expansion of categories of sophisticated investors and balancing the need for business efficacy and investor protection in the offering of unlisted capital market product, we propose that ticket size be discarded. Once a product distributor is satisfied that an investor falls within any of the categories of investors discussed above, the value of investment made by or offered to the investor becomes irrelevant.
- 2.8 We believe the expansion of the categories of sophisticated investors and the removal of ticket size reflects a balanced and proportionate approach by ensuring that complex and high risk products are offered or marketed only to investors who are truly sophisticated without shrinking the buy-side.
- 2.9 Ticket size, however, will be retained in Schedules 6 and 7 of the CMSA and will continue to apply to private placement in a fund-raising exercise.

### **3. Review of the sales practices regime**

#### Standardise suitability assessment

- 3.1 We propose to issue guidance that will seek to standardise the suitability assessment carried out by product distributors before matching a particular product with the needs of an investor.
- 3.2 The guidance will set out our expectations in respect of how product distributors should perform the suitability assessment under section 92 of the CMSA.
- 3.3 We propose that suitability assessment test be applied for all categories of investors except accredited investors. High net worth entities can choose to opt out from being subjected to the suitability assessment test.

#### Disclosure documents

- 3.4 We propose that product issuers be required to issue a separate disclosure document namely a Product Highlight Sheet (PHS) when offering unlisted capital market products to sophisticated investors other than accredited investors. As in the case of the suitability assessment test, High Net Worth Entities can choose to opt out from receiving a PHS.
- 3.5 The contents of the PHS must reflect principles of good disclosure to ensure that it is an effective disclosure document that can be relied upon by investors.

#### Introduce principles of Treating Investors Fairly (TIF)

- 3.6 We propose to issue guidance that will require product issuers and product distributors to deliver fair dealing outcomes to investors. This guidance will require product issuers and product distributors to give due regard to the interests of investors in the development, marketing and sale of unlisted capital market products.
- 3.7 The Board and Senior Management will be responsible for delivering fair dealing outcomes to investors. They should align their business practices and incentive structures with identified fair dealing outcomes.

### **4. Conclusion**

- 4.1 The proposed new categorisation of investors and enhanced disclosure and suitability requirements are, however, not to be regarded as measures that guarantee no failures. Mandated disclosures will not have the intended effect if investors do not read and/or

understand the information provided. Supervision and conduct regulation will play an indispensable role in ensuring that product issuers and distributors fulfill required obligations when recommending or offering products to investors, particularly with regard to suitability considerations. The SC will continue to reinforce investor education and establish a strong and effective enforcement regime to protect investors and sanction those who fail to meet the prescribed standards.

- 4.2 Moving forward, the SC will be seeking industry's views before finalising the guidelines and the format of the documentation required in the new framework.

## **1. Purpose of the Public Response Paper**

- 1.1 On 19 March 2010, the SC published a *Consultation Paper on the Review of Sophisticated Investors and Sales Practices for Unlisted Capital Market Products*. We thank all respondents for their feedback and comments.
- 1.2 We have carefully reviewed and considered all responses received relating to the Consultation Paper. This paper sets out the SC's response to the feedback received and proposals to improve the regulatory framework for unlisted capital market products.
- 1.3 Our response and proposals will address the following:
  - 1.3.1 **Categorisation of investors into appropriate categories** to ensure that appropriate levels of disclosure and suitability requirements are applied to relevant categories of investors;
  - 1.3.2 **Requiring a suitability assessment** to be carried out by product distributors to ensure consistency in its application;
  - 1.3.3 **Providing effective disclosures to investors** to enable them to make informed investment decisions; and
  - 1.3.4 **Requiring product issuers and distributors to take into account investors' interests** at the design, marketing and sales stage of products.
- 1.4 The proposals on categorisation of investors are discussed in Part 1 of this paper while the remaining three proposals are discussed in Part 2 of this paper.

## **PART 1 – PROPOSALS ON CATEGORISATION OF INVESTORS**

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### **2. Proposals on categorisation of investors**

- 2.1 The current regulatory framework provides for characterisation of sophisticated investors if they fulfil any one of the criteria set out in Schedules 6 and 7 of the *Capital Markets and Services Act 2007* (CMSA). As these schedules are used by product issuers and product distributors to promote the sale of unlisted capital market products, it is important that the qualifying criteria for sophisticated investors be based on the appropriate level of net worth and sophistication.

### **3. Proposals on High Net Worth Individual**

- 3.1 Currently, an individual who has total net personal assets exceeding RM3 million or its equivalent in foreign currencies can qualify as a sophisticated investor.

#### The SC's Proposal

- 3.2 The SC proposes that new qualifying criteria be applied in categorising an individual as a "High Net Worth Individual", namely:
- 3.2.1 An individual whose total net personal assets, or total net joint assets with his or her spouse, exceeds RM3 million or its equivalent in foreign currencies. The value of the individual's primary residence will be excluded in the calculation of the investor's net worth under this category;
- 3.2.2 An individual who has a gross annual income exceeding RM300,000 per annum in the preceding 12 months; or
- 3.2.3 An individual who, jointly with his or her spouse, has a gross annual income of RM400,000 per annum in the preceding 12 months.

#### Feedback from respondents

- 3.3 There was overwhelming support from respondents for the RM3 million net assets threshold to be maintained. The SC has decided to maintain this threshold taking into account industry concerns that an increase in the threshold may shrink the buy-side for capital market products which may in turn stifle innovation and development of the capital market.

Respondents were generally supportive of the proposal to exclude the value of primary residence in the calculation of the net worth of an individual.

Respondents were also generally supportive of the proposal to enable this threshold to be satisfied by net assets held jointly by the investor with his or her spouse. The value of the primary residence will similarly be excluded in the computation of joint net worth.

There is majority support for the proposal to expand the qualifying criteria for this category to include the gross annual income of an investor. The SC is of the view that this expansion will enlarge the buy-side of the capital market.

#### **4. Proposals on High Net Worth Entity**

4.1 Currently, Schedules 6 and 7 of the CMSA provide for the following entities which can qualify as a sophisticated investor:

4.1.1 A corporation with total net assets exceeding RM10 million or its equivalent in foreign currencies based on the last audited accounts;

4.1.2 A company that is registered as a trust company under the *Trust Companies Act 1949*;

4.1.3 A corporation that is a public company under the *Companies Act 1965* or under the laws of any other country which has been allowed by the SC to be a trustee for the purposes of the CMSA; and

4.1.4 A statutory body established by an Act of Parliament or an enactment of any state.

## SC's Proposal

- 4.2 The SC proposes to maintain the existing qualifying criteria for a "High Net Worth Entity " as a corporation with total net assets exceeding RM10 million. At the same time, this category will be expanded to include entities other than corporations. The expanded category of High Net Worth Entity will now comprise of:
- 4.2.1 A corporation with total net assets exceeding RM10 million or its equivalent in foreign currencies based on the last audited accounts.
  - 4.2.2 A partnership with total net assets exceeding RM10 million.
  - 4.2.3 A company that is registered as a trust company under the *Trust Companies Act 1949* which has assets exceeding RM10 million under management.
  - 4.2.4 A corporation that is a public company under the *Companies Act 1965* which is approved by the SC to be a trustee under the CMSA and has assets exceeding RM10 million under management.
  - 4.2.5 A statutory body which is defined as any authority or body, whether corporate or un-incorporate, established, appointed or constituted by any written law, but does not include any local authority.

## Feedback from respondents

- 4.3 There was overwhelming support from respondents for the RM10 million net assets threshold to be maintained. The SC has decided to maintain this threshold taking into account industry concerns.
- 4.4 There was majority support for the proposal to enlarge this category by including other entities apart from corporations. The SC had taken into account industry feedback that this would further enlarge the buy-side by encouraging other types of entities to participate in the capital market.
- 4.5 Respondents were generally in favour of applying the same threshold of RM10 million for other entities.

## **5. Proposals on Accredited Investors**

- 5.1 Schedules 6 and 7 of the CMSA currently recognize a group of sophisticated investors by virtue of the fact that they have been authorized or regulated by the SC or by other regulatory authorities. These are:

- 5.1.1 A holder of a Capital Markets Services Licence (CMSL) who carries on the business of dealing in securities;
- 5.1.2 A holder of a CMSL who carries on the business of fund management;
- 5.1.3 A closed end fund approved by the SC;
- 5.1.4 A licensed offshore bank as defined under the *Offshore Banking Act 1990*;
- 5.1.5 An offshore insurer as defined under the *Offshore Insurance Act 1990*;
- 5.1.6 A licensed institution as defined in the *Banking and Financial Institutions Act 1989* or an Islamic bank as defined in the *Islamic Banking Act 1983*;
- 5.1.7 An insurance company registered under the *Insurance Act 1996*;
- 5.1.8 A unit trust scheme or a prescribed investment scheme; and
- 5.1.9 A pension fund approved by the Director General of Inland Revenue under the *Income Tax Act 1967*.

#### SC's Proposal

- 5.2 Having reviewed and considered feedback from respondents, the SC proposes to formally recognise these investors as "Accredited Investors". They are:

#### Expansion of current categories

- 5.2.1 All CMSL holders. The inclusion of all CMSL holders will expand the current category beyond CMSL holders for dealing in securities and CMSL holders for fund management.
- 5.2.2 An executive director and chief executive officer of all CMSL holders.

#### Existing categories in Schedules 6 and 7 of the CMSA

- 5.2.3 A unit trust scheme or a prescribed investment scheme.
- 5.2.4 A closed end fund approved by the SC.

- 5.2.5 A licensed institution as defined in the *Banking and Financial Institutions Act 1989* or an Islamic bank as defined in the *Islamic Banking Act 1983*.
- 5.2.6 A licensed offshore bank as defined under the *Labuan Financial Services and Securities Act 2010*.
- 5.2.7 An insurance company registered under the *Insurance Act 1996*.
- 5.2.8 An offshore insurer as defined under the *Labuan Financial Services and Securities Act 2010*.
- 5.2.9 A pension fund approved by the Director General of Inland Revenue under the *Income Tax Act 1967*.

#### Feedback from respondents

- 5.3 The SC is of the view that Accredited Investors have the necessary knowledge or ability to assess the merits and risks of the investment product offered to them and to negotiate favourable terms if necessary.
- 5.4 A majority were in favour of extending this category to include an executive director and chief executive officer of all CMSL holders.

### **6. Proposals on ticket size**

- 6.1 Schedules 6 and 7 of the CMSA provide that a person who acquires securities as principal for an aggregate consideration of not less than RM250,000 or its equivalent in foreign currencies for each transaction, whether such amount is paid for in cash or otherwise, need not be provided with a prospectus and is therefore put in the same position as a sophisticated investor.

#### The SC's Proposal

- 6.2 The SC proposes to discard the ticket size as a qualifying criteria for the sale of unlisted capital market products, for the following reasons:
  - 6.2.1 Ticket size is not a true reflection of an investor's net worth or level of sophistication;
  - 6.2.2 There is a tendency for ticket size to be abused when retail investors who do not truly understand the risks of investing in complex products pool their funds to make investments of RM250,000;

6.2.3 Ticket size is no longer relevant in light of the proposed categorisation of sophisticated investors.

Feedback from respondents

- 6.2 The SC appreciates the responses submitted by industry on the proposal to discard ticket size and has reviewed and analysed all concerns raised.
- 6.3 We are of the view that discarding the ticket size may be beneficial to industry in the long term and will enhance protection for less sophisticated investors from the risks associated with offerings of complex investment products.

## **PART 2 – PROPOSALS IN RESPECT OF THE SALES PRACTICES REGIME**

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### **7. Review of the sales practices regime**

- 7.1 Part 2 of this paper discusses the SC's proposals to strengthen the sales practices regime for unlisted capital market products to enhance investor protection.
- 7.2 The SC's proposals seek to ensure that:
- 7.2.1 Investors are provided with appropriate recommendations when investing in unlisted capital market products. To achieve this, the suitability assessment carried out by a product distributor will be standardised in order to promote consistency;
  - 7.2.2 Investors are provided with clear, concise and effective disclosures which will enable them to make an informed investment decision. The SC will require product issuers to issue a Product Highlight Sheet (PHS) when offering unlisted capital market products; and
  - 7.2.3 Product issuers and product distributors will be required to give due regard to the interests of investors in the development, marketing and sale of new products.

### **8. Proposals to standardise suitability assessment**

- 8.1 Currently, the regulatory framework requires licensed and registered persons (product distributors) to have a reasonable basis when making a recommendation to an investor. Section 92 of the CMSA requires product distributors to have a reasonable basis before making a recommendation on a securities or futures contract to an investor. In this regard, the section requires product distributors to conduct a suitability assessment to determine the investment objectives, financial situation and particular needs of the investor. Currently, there is no guidance on what a suitability assessment entails and the SC is aware that different product distributors have adopted different approaches in fulfilling this requirement.

#### The SC's Proposal

- 8.2 The SC proposes to issue a guidance to streamline suitability assessment practices that are carried out by product distributors. The guidance will provide clarity on what is required of product distributors under section 92 of the CMSA. For the purposes of this paper, product distributors will include those who are offering or marketing unlisted capital market products. This guidance will focus on:

8.2.1 **Investor suitability.** Product distributors will be required to collect and document information on an investor's investment objectives, financial situation and his particular needs. This will require product distributors to undertake the analysis described below:

- **Needs analysis.** The product distributor is required to analyse and assess the information provided by the investor in order to determine whether the product being offered to the investor is suitable for the needs of the investor and in line with his risk profile. The product distributor will also be required to inform the investor if the product is not suitable for him.
- **Investor knowledge assessment.** The product distributor is required to assess an investor's knowledge relating to investment in unlisted capital market products. Emphasis should be placed on determining whether an investor has the relevant knowledge or experience to understand the risks and features of the product that is being offered. If an investor does not have the relevant knowledge or experience, the product distributor will be required to inform the investor that the product is not suitable for him.

8.2.2 **Documentation and record keeping.** The product distributor is required to furnish the investor with a document containing the recommendation made to the investor and the basis of the recommendation. These documents should be kept by the product distributor for a period of at least six years for purposes of audit and supervision by the SC.

8.2.3 **Warning to the investor.** The SC is proposing that:

- Investors should be informed that the information provided to the product distributor will be the basis on which the product distributor will make his recommendation and that any inaccurate or incomplete information provided can affect the suitability of the recommendation made to the investor.
- If a product distributor finds that there are no products which are suitable for the investor after conducting the investor suitability test, the product distributor must inform the investor accordingly.

8.3 The SC proposes that the suitability assessment test be applied for all categories of investors except accredited investors. High Net Worth Entities are given the option to opt out from being subjected to the suitability assessment test. This promotes a risk-based approach to regulation in that regulation should be tiered according to the risk

posed by that activity or product to an investor and acknowledges that different types of investors require different levels of protection.

- 8.4 Moving forward, the SC will work together with industry in defining the scope and application of the guidance in order to strike the right balance between protecting the interests of investors and promoting business efficacy.

#### Feedback from respondents

- 8.5 There was strong industry support for standardisation of investor suitability assessment and for the SC to issue guidance.

### **9. Proposals on disclosure documents**

- 9.1 Currently, where a product issuer makes an offer of securities to retail investors, the law requires that a prospectus be issued. The content of the prospectus is prescribed by the CMSA and the *Prospectus Guidelines*. The *Prospectus Guidelines* mandates that a prospectus must be accompanied by an Information Summary which summarises key information about the offer or issue of securities.

#### The SC's proposal

- 9.2 The proposes that product issuers be required to issue a separate disclosure document namely a Product Highlight Sheet (PHS) when offering unlisted capital market products to sophisticated investors other than Accredited Investors. High Net Worth Entities can choose to opt out from receiving a PHS.
- 9.3 In this regard, the SC proposes to issue a guide for disclosures that must be made by product issuers in a PHS.
- 9.4 The guidance will focus on:
- 9.4.1 **Requiring the contents of the PHS to be drafted in accordance with principles of good disclosure.** The principles of good disclosure require disclosure of material information which is relevant to the investor on a timely and continuous basis. The PHS should promote product understanding by avoiding terminologies which are difficult to understand and by highlighting the complexities and risks of the product. The PHS should also disclose the interests which the product issuer and the product distributor may have in respect of the product, such as all-in-costs and any relationship that is capable of influencing the advice given by a product distributor in respect of the product.

- 9.4.2 **The time when a PHS should be given to an investor.** The guidance will provide that the investor must be given a PHS before he makes a decision to invest in the unlisted capital market product.
- 9.4.3 **The SC's expectations in respect of advertisements.** Advertisements must be clear and not misleading. Advertisements should also direct investors to carefully read all disclosures made in relation to the product.
- 9.5 A sample PHS is attached in the Appendix to this paper. Moving forward, the SC will form an industry focus group to develop the content and format of the PHS. The objective of this focus group will be to design a PHS that is clear and effective.
- 9.6 Following the issuance of the guidance, the SC will enhance its supervision on the conduct of:
- 9.6.1 product issuers to ensure that they uphold the highest level of disclosure and transparency; and
- 9.6.2 product distributors to ensure that they apply the investor suitability assessment test meaningfully.

#### Feedback from respondents

- 9.7 In the Consultation Paper, the SC sought industry's views on whether the current disclosure documents are effective and whether there is a need to mandate Product Highlight Sheet (PHS). Feedback from industry shows that most were in support of having more effective disclosure.

### **10. Proposals to introduce principles of Treating Investors Fairly**

- 10.1 Although the SC has not issued a specific code of conduct for product issuers, there are several guidelines which prescribe principles of good conduct such as those contained in the *Guidelines on Marketing and Distribution of Unit Trust Funds*, the *Guidelines on Market Conduct and Business Practices for Stockbrokers and Licensed Representatives*, the *Guidelines on Offering of Structured Products* and the *Guidelines on Wholesale Funds*. Given that conduct requirements are contained in different guidelines, they may not have been applied consistently.
- 10.2 The focus of the Treating Investors Fairly (TIF) initiative is to promote a culture of fair treatment of investors and to encourage product issuers and product distributors to deliver fair dealing outcomes to investors. The TIF initiative will ensure that product

issuers and product distributors give due regard to the interests of investors in the development, marketing and sale of unlisted capital market products.

#### The SC's proposal

10.3 The SC proposes to develop a generic guidance for treating investors fairly which will complement the other initiatives that have been discussed in this paper.

10.4 The guidance will focus on:

10.4.1 Board and Senior Management's responsibilities for delivering fair dealing outcomes to investors. They are accountable for setting the culture and direction of their entities, be it as product issuer or product distributor, so as to align their business practices with fair dealing outcomes.

10.4.2 The selection, marketing and distribution of unlisted capital market products and the provision of advice for these products. The guidance will also cover responsibilities for after-sales services and complaints handling.

10.4.3 The guidance will set out the following five fair dealing outcomes:

Outcome 1: Investors will have confidence that they deal with product issuers and product distributors who have incorporated fair dealing into their corporate culture.

Outcome 2: Product distributors market unlisted capital market products that are suitable for their target investor segments.

Outcome 3: Product issuers and product distributors have competent representatives who provide investors with quality advice and make appropriate recommendations.

Outcome 4: Investors receive clear, relevant and timely information to make informed investment decisions.

Outcome 5: Product issuers and product distributors handle investor complaints in an independent, effective and prompt manner.

## **11. Conclusion**

11.1 Before finalising the above proposals, the SC will seek views and input from industry in formulating a suitable and effective guidance for the capital market. The SC looks

forward to working together with industry to strengthen investor confidence and promote the growth of the Malaysian capital market.

## APPENDIX

| <b>PRODUCT HIGHLIGHT SHEET</b>  |
|---|
| <b>KEY PRODUCT FEATURES AND RISKS</b>   |
| <p><b>1. What are you investing in and who are you investing with?</b></p> <ul style="list-style-type: none"><li>• The objective of this question is for the issuer to describe the nature of the product and state the parties involved.</li></ul>   |
| <p><b>2. What are the key risks of this investment?</b></p> <ul style="list-style-type: none"><li>• The objective of this question is to allow investors to be aware of the key risks of the investment which they are exposed to.</li></ul>  |
| <p><b>3. What will you gain or lose in different situations, including the worst case?</b></p> <ul style="list-style-type: none"><li>• The objective of this question is to allow investors to be informed of what they could potentially gain or lose in different situations, including the worst case.</li></ul>   |
| <b>PRODUCT SUITABILITY</b>  |
| <p><b>4. Is the product suitable for investors who:</b></p> <ul style="list-style-type: none"><li>— <b>do not want to risk any part of their capital?</b></li><li>— <b>might need to sell their investments for short-term funding requirements?</b></li><li>— <b>do not have sufficient knowledge or experience investing in derivatives?</b></li></ul> <ul style="list-style-type: none"><li>• The objective of this question is to highlight to investors whether the product is suitable for investors whose investment objective is to preserve capital, investors who have liquidity needs, and investors who lack knowledge or experience in dealing with derivatives.</li></ul> |
| <b>MINIMUM INVESTMENT AMOUNT, FEES AND CHARGES</b>  |
| <p><b>5. How much are you paying for this investment?</b></p> <ul style="list-style-type: none"><li>• The objective of this question is to inform investors of the minimum investment sum and the fees and charges of the distributors, fund managers and product providers, where applicable.</li></ul>  |

## LIQUIDITY

### 6. How often are valuations available?

- The objective of this question is to inform investors whether regular valuations are available and how to obtain them. If valuations are not readily available, the investors should be informed of the associated risks.

### 7. How can you exit from this investment and what are the risks and costs in doing so?

- The objective of this question is to inform investors of the mechanism by which investors can exit from their investment in the product and if the mechanism poses any risks or costs to investors, to highlight the risks and costs involved.

## STRUCTURAL SAFEGUARDS

### 8. Are the issuer, arranger and counterparties in Malaysia and governed by Malaysian law? If not, how does it affect you?

- The objective of this question is to highlight to investors whether the transaction parties involved in the product are entities in Malaysia and subject to Malaysian law. If not, the associated risks are to be highlighted to investors.

### 9. Is the investment secured by assets in Malaysia? If not, how does it affect you?

- The objective of this question is to highlight to investors whether the assets securing the investment are located in Malaysia. If not, the associated risks are to be highlighted to investors.

### 10. Is any aspect of the investment that has a material impact on you governed by foreign law? If so, how does it affect you?

- The objective of this question is to highlight to investors whether any aspect of the investment that has a material impact on investors is governed by foreign law. If so, the associated risks are to be highlighted to investors.

## OTHER RELEVANT INFORMATION

### 11. How do you contact us?

- The objective of this question is to establish the means by which investors may obtain information or raise complaints.

**12. What other important information should you know before you invest?**

- The objective of this question is to allow issuers to highlight any other material information which investors should know before investing in the product.