



**FEDERATION OF MALAYSIAN UNIT TRUST MANAGERS**  
( Company No. 272577 - P )

**INVESTMENT MANAGEMENT STANDARD**

<b>REFERENCE NO</b>	<b>: FMUTM/IMS(R&amp;D)-002</b>
<b>DATE ISSUED</b>	<b>: 22 SEPTEMBER 2006</b>
<b>EFFECTIVE DATE</b>	<b>: 22 DECEMBER 2006</b>

**FORWARD PRICING TO BE ADOPTED BY NEW UNIT TRUST SCHEMES**

**1.0 APPLICATION AND EFFECTIVE DATE**

1.1 This Investment Management Standard is made pursuant to Article 63 of the Memorandum of Association and shall come into force on 22 December 2006.

**2.0 BACKGROUND**

2.1 Clauses 11.05 and 11.07 under the Guidelines on Unit Trust Funds (Guidelines) issued by Securities Commission (SC) recommended for the adoption of Forward Pricing in calculating unit prices of Unit Trust Schemes (the Scheme). Notwithstanding the above, Historic Pricing is also permitted by the Guidelines, provided that the Unit Trust Management Companies (UTMCs)

- a) must re-value the Scheme's assets at the mid-day close of business of the Bursa Malaysia and re-price the units where the Net Asset Value (NAV) of the Scheme differs by more than 5% from the NAV previously determined; and
- b) must set out and documented in the UTMCs' operations manual and prospectus the procedures for the mid-day valuation and subsequent re-pricing of units.

2.2 When Forward Pricing is used, the NAV per unit of the Scheme used for the purpose of calculating a price is the NAV per unit as at the next valuation point after an instruction or a request is received.

2.3 Conversely, under Historic Pricing, NAV per unit of the Scheme used for the purpose of calculating a price is the NAV per unit as at the valuation point immediately before an instruction or a request is received.

### **3.0 POTENTIAL DRAWBACKS OF THE HISTORIC PRICING**

- 3.1 Notwithstanding that Historic Pricing enables investors to be aware of the buying or selling price at the time of placing the request, it could also expose the Scheme to the potential risk of arbitraging activities on market movements that is detrimental to other existing Scheme unit holders whose value of their underlying assets in the Scheme may be diluted.
- 3.2 Consequentially, Historic Pricing requires higher operating costs vis-à-vis additional operational requirements as specified in the Guidelines that are imperative in mitigating the potential arbitrage risk.

### **4.0 OBJECTIVES**

- 4.1 The proposed adoption of Forward Pricing is to be in tandem with the international practices in minimizing any arbitrage possibility arising from the timing differences as the price of the unit would be unknown to the investor at the time of placing the request.

### **5.0 FORWARD PRICING OF UNIT TRUST SCHEMES**

- 5.1 Definition of Forward Pricing used in this Investment Management Standard has the same meaning as is assigned to that expression in the Guidelines.

### **6.0 EFFECTIVE DATE**

- 6.1 This Investment Management Standard shall come into force on the date as specified in Clause 1.0 of this Investment Management Standard but earlier adoption of this Investment Management Standard is permitted and encouraged.

### **7.0 APPLICABILITY**

- 7.1 After this Investment Management Standard has come into effect, all new Schemes launched on or after the Effective Date shall adopt Forward Pricing in the pricing of units.

### **8.0 EXCEPTIONS**

- 8.1 Notwithstanding Clause 7.0 above, existing Schemes launched before the effective date of this Investment Management Standard and are practicing Historic Pricing are allowed to retain the same pricing basis. However, changing to Forward Pricing is permitted and encouraged.
- 8.2 This Investment Management Standard shall not be applicable to Schemes allowed or granted any exemption under applicable legislation, in relation to the unit pricing basis and has also obtained specific written approval from the SC and have obtained specific written exemption from the FMUTM.

8.3 Any exemption or variation from this Investment Management Standard should not absolve the UTMCs from any other requirements as required under any written law.

8.4 UTMCs seeking FMUTM's exemption from this Investment Management Standard are required to provide relevant information on which shall include reason(s) for such exemption and procedure(s) or controls that are in place that can effectively prevent possible arbitraging activities.

In addition, FMUTM may require UTMCs to submit or make available other information relating to the Scheme, its business where appropriate and/or reasonable to support the above application.

8.5 All application for exemption should be addressed to:

**Executive Director  
Federation of Malaysian Unit Trust Managers  
19-07-3, 7th Floor, PNB Damansara  
No. 19, Lorong Dungun  
Damansara Heights  
50490 Kuala Lumpur**

## **9.0 FEES**

9.1 The application for the exemption or variation from this Investment Management Standard shall be submitted with a non-refundable processing fee as determined by the FMUTM.

## **10.0 SYSTEMS AND CONTROLS**

10.1 UTMCs should document, regardless of whether they have outsourced some or all of the unit pricing functions, their unit pricing policies and procedures.

10.2 UTMCs must also adopt policies and institute procedures to monitor, detect and deter any arbitraging activities that are detrimental to unit holders arising from the timing differences.

10.3 All pertinent records should be maintained and made available for checking and audit verification purposes.