

30 November 2015

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TO : ALL MEMBERS

ATTN : CHIEF EXECUTIVE OFFICER / AUTHORIZED REPRESENTATIVE

Dear Sir/ Madam,

ISSUANCE OF THE FIMM GUIDANCE ON SIMPLE LANGUAGE AND EFFECTIVE DRAFTING PRACTICES FOR PROSPECTUS

1. We are pleased to announce that we had issued the FIMM Guidance on Simple Language and Effective Drafting Practices for Prospectus (Guidance) on 30 November 2015. The Guidance is intended to guide FIMM members in drafting prospectuses in a clear, concise and effective manner, so as to improve readability of the prospectuses as well as to facilitate investors' understanding of the information disclosed.
2. Members may download the Guidance from FIMM website: <https://www.fimm.com.my/resources/rules/guidelines-and-regulations/>. A hard copy of the Guidance will be provided later to members.
3. Brief information on the Guidance:

The Guidance consists of 3 parts:

Part I sets out 17 general **guidance on simple language and effective drafting practices** (including examples and illustrations) that aim to improve the readability of prospectus and facilitate investors' understanding on the information disclosed in the prospectus. The general guidance are as follows:

- Use less legal, financial and technical terms or jargons
- Use common everyday words
- Use active voice
- Use personal pronouns
- Use positive sentences and avoid multiple negatives
- Avoid "cutting and pasting"
- Use clear and concise sentences
- Avoid vague or subjective disclosures
- Practise consistency in disclosures
- Limiting repetitive information
- Present information in a logical order and balanced manner

Cont'd...

- Use defined terms sparingly and effectively
- Use effective presentation of information
- Ensure disclosures are true, accurate and not misleading
- Disclose all relevant and material risks
- Adopt Islamic Capital Market Disclosure for Shariah-compliant fund
- Understand the information you need to disclose and test it

Part II sets out 17 standardised **Glossary of Financial/Investment Terminology** so that all parties (from product issuers to the regulator and investors) have the same understanding whenever the terminology is used in prospectuses.

FIMM members are however reminded in the Guidance that if the definition is inconsistent with the Capital Markets and Services Act 2007 (CMSA) and SC's guidelines, the definitions in the CMSA or SC's guidelines will prevail. FIMM members are also reminded to refer to the definitions provided by Bank Negara Malaysia (BNM) for products regulated by BNM.

Part III sets out 11 **Standard Risk Disclosures** so that all parties (from product issuers to the regulator and investors) have the same understanding whenever the risk disclosures are used in prospectuses.

4. Should you require any further information or clarification, please do not hesitate to contact the undersigned, Ms Koh Hwee Ngim or Cik Zunaida Abdullah at 603-2093 2600 or email to koh@fimm.com.my / zunaida@fimm.com.my.

Yours faithfully

FEDERATION OF INVESTMENT MANAGERS MALAYSIA



NAZARUDDIN OTHMAN
Chief Executive Officer