



CONSULTATION PAPER NO. 1/2016

REVIEW OF THE FRAMEWORK FOR COLLECTIVE INVESTMENT SCHEMES  
UNDER THE MAIN MARKET LISTING REQUIREMENTS

Date of Issue: 19 July 2016

Bursa Malaysia Securities Berhad (“the Exchange”) invite your written comments on the issues set out in this Consultation Paper by **19 September 2016 (Monday)** via:

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## (I) INTRODUCTION

The unit trust industry in Malaysia is primarily regulated by the Securities Commission ("**SC**") under the Capital Markets and Services Act 2007 ("**CMSA**") and its various guidelines. A collective investment scheme ("**CIS**") is a unit trust scheme that pools monies from investors in a unit trust fund managed by a professional fund manager known as the management company ("**CIS Manager**"). A CIS Manager is licensed and supervised by SC.

Common examples of CIS are real estate investment trusts ("**REITs**"), business trusts ("**BTs**"), exchange-traded funds ("**ETFs**") and closed-end funds ("**CEFs**"). For listed CIS, they are also subject to the post listing obligations as set out under Bursa Malaysia Securities Berhad ("**the Exchange**") Main Market Listing Requirements ("**Main LR**").

As at 15 July 2016, there are a total of 8 ETFs, 17 REITs and 1 CEF listed on the Main Market of the Exchange. Listed CIS in Malaysia provides an alternative investment option to investors to diversify their investment portfolio, with a choice to choose those with a steady flow of capital return to their investments through regular distributions. REITs, for example, have become an increasingly popular investment choice for investors in Malaysia given its tax-efficient regime, attractive yield and steady distributions to investors. The aggregate market capitalization of the 17 listed REITs on the Exchange stands at about RM42 billion, representing approximately 2.5% of the size of the total Malaysian capital market<sup>1</sup>. Further, REIT issuers were able to raise over RM1.1 billion in the secondary market through additional fund-raising in the last 3 years.<sup>2</sup>

Although the Malaysian CIS market has enjoyed a rather steady and stable growth over the years, there is still much opportunity to develop the CIS market, in order to broaden the depth and breadth of the Malaysian capital market. Cognizant of the importance to enhance the attractiveness and competitiveness of listed CIS in Malaysia, the SC and the Exchange have embarked on a review of the existing regulatory framework governing the CIS listed on Main Market.

In this connection, the Exchange has undertaken a holistic review of the regulatory framework governing REITs, ETFs, CEFs and BTs, under the Main LR. The review which enhances the post listing regulatory framework governing CIS, is aimed at promoting greater market efficiency and business efficacy, whilst at the same time strengthening investor protection. The review also complements the Exchange's ongoing market development initiatives to expand the depth and breadth of our capital market by providing attractive diversified investment options to our investors through a wide range of product offerings to the market.

## (II) KEY PROPOSALS

### ***Bursa as a 1-stop centre for secondary fund-raising***

In line with the objective above, a key focus of our review is the streamlining of the regulatory functions between the SC and the Exchange. It is proposed for the Exchange to be the one-stop centre for all new issues of securities (other than debt securities) by a listed CIS, post listing. This means that the Exchange will be the single approving authority for secondary fund raisings by all listed issuers, for both listed corporations and listed CIS. The SC's approval will only be required for initial public offerings and foreign listings. With the streamlined functions and processes in place, a listed CIS will only be required to deal with the Exchange instead of 2 regulators. This, in turn, will result in shorter time-to-market, lower cost of regulation and enhance the overall attractiveness and competitiveness of CIS in the Malaysian capital market.

<sup>1</sup> As at 15 July 2016.

<sup>2</sup> Based on the funds raised by REITs from February 2013 to May 2016, through either special issue or private placement.

### ***Facilitating access to more value added information by investors***

The review undertaken by the Exchange is also aimed at equipping investors with meaningful information which are specific and relevant to each CIS. This will aid investors in making better informed investment decisions. The following are some of the proposed enhancements:

#### Periodic reporting framework

- proposing the requirement for statement of investment portfolio in the quarterly reports of ETFs and CEFs to provide transparency on the performance of investments by country, industry and asset class;
- enhancing the disclosures of management discussion and analysis (“**MD&A**”) or performance review by the CIS in annual reports by, for example, extending the 3 year financial highlights to 5 years and introducing the disclosure of risks, and in the case of a REIT, to include also a forward looking statement as part of its MD&A. This will serve to facilitate better understanding of the CIS in terms of their risk profile, fund performance, investment portfolio and prospects;

#### Transactions

- requiring REITs to provide more detailed disclosures when announcing material transactions in accordance with the prescribed minimum contents in the Main LR; and
- requiring REITs to disclose the independent advice provided by the independent adviser on the fairness and reasonableness of a related party transaction to aid unit holders’ decision-making.

### ***Strengthening key aspects of investor protection***

As investor protection underpins the regulatory framework for the capital market, the Exchange also proposes to strengthen key aspects of investor protection of CIS. The enhancements are aimed at strengthening the governance practices of REITs and empowering unit holders in decision-making process by REITs. The following are some of the key proposals:

#### Transactions

- in relation to a non-related party transaction entered into by a REIT, requiring unit holders’ approval for an acquisition or disposal of real estate which triggers 25% or more of the REIT’s total asset value. Presently, only a disposal of real estate exceeding 50% of the REIT’s total asset value will require unit holders’ approval;
- in relation to a related party transaction entered into by a REIT, requiring the appointment of an independent adviser to advise minority unit holders on the fairness and reasonableness of the transaction to aid their decision-making. Currently, there is no mandatory requirement to appoint the independent adviser;

#### Corporate governance

- requiring a REIT Manager to establish an audit committee to oversee, among others, the financial reporting process, internal control and risk management as well as conflict of interest matters; and
- inculcating better corporate governance practices amongst the REITs through requiring them to disclose compliance with the Malaysian Code on Corporate Governance 2012 in the REIT annual reports.

***Easing regulatory burden through liberalisations, where appropriate to ensure a balanced framework***

In line with our regulatory principle of promoting balanced regulation, the Exchange also proposes various liberalisations which are aimed at easing regulatory burden and promoting business efficacy, where appropriate. Some of the proposals include the following:

- allowing REITs to seek a mandate instead of specific unit holders’ approval for related party transactions entered into on a recurring basis and which are necessary for the day-to-day operations of the REIT;
- subjecting the requirements to make announcement and seek unit holders’ approval for transactions by REITs, to the de minimis requirements i.e. REITs are not required to announce or seek unit holders approval if the value of the transaction is below RM500,000; and
- making the underwriting arrangements in a rights issue by REIT optional instead of mandatory.

In formulating our proposals above (collectively referred to as the “**Proposals**”), the Exchange has taken into consideration the views and suggestions obtained from the relevant CIS Managers and industry participants through engagements and various focus group meetings.

This Consultation Paper is to invite public feedback on the Proposals.

The SC has also issued a public consultation paper on 14 July 2016 in relation to its proposed enhancements to the REITs framework and its Guidelines on Real Estate Investment Trust (“**SC REIT Consultation Paper**”). For clarity and convenience of the readers, as well as to facilitate our collation and review of feedback, this Consultation Paper discusses in detail, the Proposals and changes to the Main LR, and refers to certain proposals from the SC REIT Consultation Paper, where relevant.

**(III) STRUCTURE OF THE CONSULTATION PAPER**

The Proposals in this Consultation Paper are organised in the following manner:

<b>PART</b>	<b>DETAILS OF PROPOSAL</b>	<b>PROPOSED AMENDMENTS</b>
1.	Enhancements to improve efficiency and time-to-market in new issues of securities by a listed CIS post listing	<b><u>Annexure A</u></b>
2.	Enhancements to the REIT framework under the Main LR to promote quality disclosures, strengthen unit holder protection and facilitate greater operational efficiency and flexibility	
3.	Enhancements to improve the quality of disclosures in the contents of periodic reports issued by a listed ETF	
4.	Enhancements to improve the quality of disclosures in the contents of periodic reports issued by a listed CEF	

We have put together all discussions of the Proposals relating to a particular CIS in one Part, to provide readers with a holistic view of all the changes that relate to the particular CIS.

The detailed rationale for the Proposals are provided in the “**Details of Proposals**” in **Parts 1 to 4** of this Consultation Paper, whilst the proposed amendments to the Main LR in relation to the Proposals (“**Proposed Amendments**”) are provided in **Annexure A**.

The Proposed Amendments are reflected in the following manner:

- portions underlined are text newly inserted/added/replaced onto the existing rules; and
- portions struck through are text deleted.

Comments on the Proposals or the Proposed Amendments can be given by filling up the template as attached in the **Attachment**.

*Note: As the Proposals and Proposed Amendments are open to comments and feedback from the public, the final amendments may be different from those stated in this Consultation Paper. Further, the Proposals and Proposed Amendments have NOT been approved by the SC and as such are not the final amendments. The Exchange will submit the Proposals and the Proposed Amendments to the SC for approval after receipt of comments pursuant to this Consultation Paper and making the relevant changes, where appropriate, to the Proposals and the Proposed Amendments.*

*[The rest of this page is intentionally left blank]*

## (IV) DETAILS OF PROPOSALS

For the purpose of the “**Details of Proposals**”, unless the context otherwise requires, the following abbreviations/words have the meanings or definitions given below:

<b>BT</b>	:	Business trust.
<b>CEF</b>	:	Closed-end fund.
<b>CEF Report</b>	<b>Quarterly</b> :	Interim financial report of a CEF that is prepared on a quarterly basis.
<b>CIS</b>	:	Collective investment scheme.
<b>CIS Manager</b>	:	A professional fund manager known as the management company licensed and supervised by the SC to manage and operate the CIS.
<b>CMSA</b>	:	Capital Markets and Services Act 2007.
<b>ETF</b>	:	Exchange-traded fund.
<b>ETF Manager</b>	:	The management company licensed and supervised by the SC to manage and operate the ETF.
<b>ETF Report</b>	<b>Quarterly</b> :	Interim financial report of an ETF for each of the first 3 quarters of its financial year.
<b>Exchange</b>	:	Bursa Malaysia Securities Berhad.
<b>Main LR</b>	:	Bursa Malaysia Securities Berhad Main Market Listing Requirements.
<b>Manager</b>	:	Collectively the company and individuals responsible for managing the investments of CEF as approved by the SC under the SC CEF Guidelines
<b>NAV</b>	:	Net asset value.
<b>REIT</b>	:	Real estate investment trust.
<b>REIT Manager</b>	:	The management company licensed and supervised by the SC to manage and operate the REIT.
<b>REIT Report</b>	<b>Quarterly</b> :	Interim financial report of the REIT for each of the first 3 quarters of the financial year.
<b>RPT</b>	:	Related party transaction(s) (as defined in the Main LR).
<b>RRPT</b>	:	Recurrent Related Party Transaction(s) (as defined in the Main LR).
<b>SC</b>	:	Securities Commission.
<b>SC BT Guidelines</b>	:	Business Trust Guidelines issued by the SC.
<b>SC CEF Guidelines</b>	:	Guidelines for Public Offerings of Securities of Closed-end Funds issued by the SC.



- SC CIS Guidelines** : Collectively the SC BT Guidelines, SC CEF Guidelines, SC ETF Guidelines and SC REIT Guidelines.
- SC ETF Guidelines** : Exchange-Traded Funds Guidelines issued by the SC.
- SC REIT Guidelines** : Guidelines on Real Estate Investment Trusts issued by the SC.

Note:

- (1) *Unless otherwise defined in this “Details of Proposals”, or unless the context otherwise requires, words or expressions defined in the Main LR or the relevant CIS guidelines issued by the SC, when used in this “Details of Proposals”, have the same meanings as in the Main LR or the relevant CIS guidelines issued by the SC, as the case may be.*
- (2) *Apart from the above, certain other terms and expressions have also been defined in the respective Parts. Such definitions only apply with respect to the respective Parts in which they are contained.*
- (3) *A reference to –*
- (a) *a certain paragraph of the Main LR means the respective paragraph of the Main LR; and*
- (b) *a certain clause of the relevant SC CIS Guidelines means the respective clause of the relevant SC CIS Guidelines.*

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## PART 1 ENHANCEMENTS TO IMPROVE EFFICIENCY AND TIME-TO-MARKET IN NEW ISSUES OF SECURITIES BY A LISTED CIS POST LISTING

### PROPOSAL 1: EXCHANGE AS THE SINGLE APPROVING AUTHORITY FOR NEW ISSUES OF SECURITIES BY LISTED CIS

Description	Affected Provision(s) of the Main LR
Streamlining the approval process for new issues of securities by a listed CIS – only the Exchange’s approval is required	<ul style="list-style-type: none"> <li>▪ Paragraph 6.45A</li> <li>▪ Paragraph 6.59</li> <li>▪ Paragraph 6.60</li> <li>▪ Paragraph 8.37</li> <li>▪ Paragraph 8.40</li> </ul>

1. Currently, any *issuance* of new securities by a CIS, other than those exempted under Schedule 5 of the CMSA<sup>3</sup>, requires the prior approval of the SC under section 212 of the CMSA. *Listing and quotation* of these securities will require the approval of the Exchange.
2. In line with the objective of improving market efficiency and time-to-market, it is proposed that similar to listed corporations, the function to approve all secondary fund-raising and new issues of securities by a CIS (except debt securities) (collectively “**New Issue(s) of Securities**”), be transferred to the Exchange. This means the SC’s approval under section 212 of the CMSA will only be required for initial public offerings and foreign listings of CIS. All New Issues of Securities such as placements, rights issues and issuance of new securities as purchase consideration will be approved by the Exchange.
3. Arising from the transfer of function to the Exchange to approve all New Issue(s) of Securities by a listed CIS, the Exchange proposes to **apply** the requirements in relation to a new issue of securities as set out in **Chapter 6 of the Main LR, to a REIT and ETF subject to the modifications below**.
4. With regards to a BT and a CEF, the requirements in Chapter 6 of the Main LR are already applicable to such CIS by virtue of paragraph 2.09(1) of the Main LR<sup>4</sup>. In effect, unless specifically exempted, the relevant provisions and Chapters in the Main LR are applicable to a BT and a CEF.
5. Details of the proposed requirements to be applied in relation to a REIT and ETF are as follows.

<sup>3</sup> Paragraph 14, Schedule 5 of the CMSA currently exempts a rights issue and bonus issue undertaken by a CIS, from the approval of the SC under section 212 of the CMSA.

<sup>4</sup> Paragraph 2.09(1) of the Main LR stipulates that where applicable, the Main LR shall apply to an applicant or a listed issuer which is a collective investment scheme subject to such adaptations or modifications, where necessary.

## Proposed modifications for a REIT

### 6. General mandate

6.1 In line with the SC's proposal as set out in *paragraph 4.8 of the SC REIT Consultation Paper*, the Exchange proposes to incorporate in the Main LR, that a REIT may seek a general mandate from its unit holders for issue of new units up to 20% of its approved fund size. The Exchange also proposes to stipulate that the number of units issued pursuant to the general mandate, when aggregated with the number of units issued during the preceding 12 months, must not exceed the 20% threshold.

### 7. Underwriting for a rights issue

7.1 Clause 14.10 of the SC REIT Guidelines prescribes that underwriting arrangements **must** be in place before a REIT undertakes a rights issue. On the other hand, paragraph 6.18 of the Main LR provides that underwriting arrangement is optional at the **discretion** of the listed corporation and its Principal Adviser.

7.2 In this regard, the Exchange proposes to apply the Main LR underwriting provision to a REIT where **underwriting is discretionary** as this provides more flexibility to the REIT and is consistent with the approach taken for a listed corporation. This will result in cost saving for a REIT which undertakes a rights issue.

7.3 Further, the Exchange believes that if a REIT chooses not to have underwriting, there are sufficient safeguards in place for investor protection. In such instances, the REIT must disclose the minimum level of subscription required to achieve its funding objective together with the basis for its determination, in the circular to unit holders<sup>5</sup>. Additionally, where the minimum level of subscription is not achieved, the REIT must terminate the rights issue and all consideration received must be immediately returned to all subscribers<sup>6</sup>.

### 8. Capitalisation of reserves in a bonus issue

8.1 Paragraph 6.59(3) of the Main LR currently provides that where a revaluation surplus is to be utilized for the issuance of bonus units by a REIT, up to 10% of the revalued amount must be retained in the revaluation reserves after the capitalization for the bonus issue. This is consistent with the requirement in the SC REIT Guidelines<sup>7</sup>.

8.2 In line with the objective of streamlining the requirements applicable to all listed issuers and the proposal in *paragraph 4.10 of the SC REIT Consultation Paper*, the Exchange now proposes to apply the requirement set out in paragraph 6.30(2)(b) of the Main LR to a REIT. This means that similar to a listed corporation, where a REIT undertakes a bonus issue by way of capitalization of reserves arising from revaluation of real estate, the REIT must retain up to **20%** (instead of 10%) of the valuation amount from the revalued real estate in the revaluation reserves after capitalization for the bonus issue.

<sup>5</sup> See paragraph 6.18(3)(a) of the Main LR.

<sup>6</sup> See paragraph 6.18(4) of the Main LR.

<sup>7</sup> Clause 14.20 of the SC REIT Guidelines stipulates that where a revaluation surplus is to be utilized for a bonus issue, a REIT may capitalized up to 90% of the surplus as bonus units.

**ETFs**

9. In the case of an ETF, SC's approval under section 212 of the CMSA is currently required for any issuance of new units by the ETF based on its approved fund size<sup>8</sup>. Given that the Exchange will be assuming the function of the SC to approve all new issuance of securities by a CIS, similarly **any issuance of new units based on the approved fund size of the ETF** is proposed to be approved by the Exchange and no longer by the SC. The Exchange will approve such issuance when considering the additional listing application made by the ETF.
10. However, the ETF will be required to seek **SC's approval** if it intends to **increase its fund size**. Once the new fund size has been approved, any issuance of new securities pursuant to the new fund size will only be subjected to the Exchange's approval.

**Proposal 1 - Issue(s) for Consultation:**

1. Do you have any other suggestion to enhance the framework for new issuance of units by a CIS? If yes, please provide your suggestions and the reasons for such suggestions.

***[End of Part 1]***

<sup>8</sup> See paragraph 6.60(2) of the Main LR.

## PART 2 ENHANCEMENTS TO THE REIT FRAMEWORK UNDER THE MAIN LR TO PROMOTE QUALITY DISCLOSURES, STRENGTHEN UNIT HOLDER PROTECTION AND FACILITATE GREATER OPERATIONAL EFFICIENCY AND FLEXIBILITY

### SIMPLIFIED AND STREAMLINED PERIODIC REPORTING FRAMEWORK FOR REITS

#### PROPOSAL 2.1: MINIMUM CONTENTS OF REIT QUARTERLY REPORT

Description	Affected Provision(s) of the Main LR
Enhancing the contents of REIT Quarterly Report under the Main LR by requiring only information which is meaningful and useful to unit holders	<ul style="list-style-type: none"> <li>▪ Paragraph 9.44</li> <li>▪ New Part D of Appendix 9B</li> </ul>

11. At present, a REIT is required to cross refer to the SC REIT Guidelines for the contents of the REIT Quarterly Report, and include the information relating to the REIT Manager's report and financial statements in the REIT Quarterly Report<sup>9</sup>.
12. In this review, the Exchange proposes to make the Main LR as the key reference point for all requirements relating to the REIT Quarterly Report. This includes prescribing the minimum contents of the REIT Quarterly Report.
13. Generally, the proposed disclosures required are substantially the same except that we have rearranged them for better flow, where appropriate. We also propose to streamline the contents of the REIT Quarterly Report as prescribed in the SC REIT Guidelines with that of a listed corporation under the Main LR, where applicable.
14. In this regard, the Exchange proposes the following changes in the Main LR in respect of a REIT Quarterly Report –
  - (a) to include the information as set out in **Part A, Appendix 9B of the Main LR** with the necessary modifications; and
  - (b) to also include **relevant operational and financial information** (currently prescribed in the SC REIT Guidelines<sup>10</sup>) such as the **analysis of fund performance based on changes in net asset value and net asset value per unit, explanation on differences in portfolio composition, net asset value, income distribution, fees paid to the REIT Manager and the trustee together with the basis and breakdown of realized income** so that meaningful and useful information or matters that are important to investors is disclosed to facilitate their understanding and assessment of the performance of the REIT.

The proposed minimum contents of the REIT Quarterly Report discussed above are set out in **Appendix 1** to this Consultation Paper.

<sup>9</sup> See paragraph 9.44 of the Main LR.

<sup>10</sup> See clauses 11(e), 11(f) and 22 in Schedule B of the SC REIT Guidelines.

15. The Exchange also proposes to omit the remaining information required under the SC REIT Guidelines to be disclosed in the REIT Quarterly Report, so that the REIT Quarterly Report remains relevant, clear and concise. The information proposed to be omitted are:
- (a) the following information which is more appropriately disclosed on an annual basis as the interval of 3 months may be too short for any significant change to occur and disclosure on a quarterly basis may not add much value to unit holders and investors:
    - (i) analysis of the REIT's performance based on changes in prices<sup>11</sup>;
    - (ii) review of the markets in which the REIT invests in<sup>12</sup>;
    - (iii) explanation on any maintenance costs and major capital expenditure incurred<sup>13</sup>;
    - (iv) statement whether any soft commission has been received by the REIT Manager from its brokers/dealers in respect of transactions conducted for the REIT<sup>14</sup>;
    - (v) information on transactions with brokers/dealers<sup>15</sup>;
    - (vi) carrying amounts of investment in prescribed categories<sup>16</sup>;
    - (vii) number of units and value held by the REIT Manager and related parties<sup>17</sup>;
    - (viii) composition of investment portfolio grouped in appropriate categories<sup>18</sup>; and
    - (ix) auditor's verification of management expense ratio and portfolio turnover ratio<sup>19</sup>;
  - (b) the following information which may be repetitious or redundant given that it is already prescribed or disclosed elsewhere:
    - (i) circumstances which materially affect any interests of unit holders<sup>20</sup>;

<sup>11</sup> Clause 11(g), Schedule B of the SC REIT Guidelines.

<sup>12</sup> Clause 11(h), Schedule B of the SC REIT Guidelines.

<sup>13</sup> Clause 11(m), Schedule B of the SC REIT Guidelines.

<sup>14</sup> Clause 11(n), Schedule B of the SC REIT Guidelines.

<sup>15</sup> Clause 22(o), Schedule B of the SC REIT Guidelines.

<sup>16</sup> Notes to the Balance Sheet including items (i) to (viii), Schedule B of the SC REIT Guidelines.

<sup>17</sup> Clause 22(p), Schedule B of the SC REIT Guidelines.

<sup>18</sup> Clause 22(q), Schedule B of the SC REIT Guidelines.

<sup>19</sup> Clause 22(s), Schedule B of the SC REIT Guidelines.

<sup>20</sup> Clause 11(k), Schedule B of the SC REIT Guidelines. Similar disclosure obligation is imposed under paragraph 9.03 of the Main LR where it is stipulated that material information must be immediately announced.

- (ii) declaration by the directors of the REIT Manager stating whether the financial statements give a true and fair view of the financial position, financial performance and cash flow of the REIT<sup>21</sup>;
- (iii) net assets/liabilities attributable to unit holders<sup>22</sup>;
- (iv) income recognition basis in the income statement<sup>23</sup>; and
- (v) movements in the number of units<sup>24</sup>.

**Proposal 2.1 - Issue(s) for Consultation:**

2. Do you agree with the proposed minimum contents of the REIT Quarterly Report *[paragraphs 14 and 15 above]*?  
  
Please provide your views and reasons for your views.
3. Is there any other information which should be disclosed in the REIT Quarterly Report? If yes, please provide your suggestions and the reasons for such suggestions.

**PROPOSAL 2.2: MINIMUM CONTENTS OF REIT ANNUAL REPORT**

Description	Affected Provision(s) of the Main LR / SC REIT Guidelines
<ul style="list-style-type: none"> <li>▪ Simplifying and streamlining the minimum contents of the REIT annual report and introducing the disclosure of management discussion and analysis of the REIT's business operations and performance.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Para 9.45</li> <li>▪ New Part D of Appendix 9C</li> </ul>

**REIT specific reports**

16. Currently, under the Main LR<sup>25</sup>, a REIT Manager is required to issue annual reports that includes **annual audited financial statements** together with the **auditors' and REIT Manager's reports** and forward them to the Exchange and unit holders within 2 months after the end of the period to which they relate.

<sup>21</sup> Clause 21, Schedule B of the SC REIT Guidelines. The obligation to ensure that financial statements give a true and fair view is already codified in clause 3.41 of the SC REIT Guidelines.

<sup>22</sup> Clause 22(d), Schedule B of the SC REIT Guidelines. Similar information is also disclosed in the statement of financial position of the REIT Quarterly Report.

<sup>23</sup> Clause 22(l), Schedule B of the SC REIT Guidelines. This is an accounting policy which is required to be disclosed pursuant to the approved accounting standards.

<sup>24</sup> Clause 22(n), Schedule B of the SC REIT Guidelines. This is already required under the approved accounting standards and also disclosed in the Statement of Changes in Equity.

<sup>25</sup> See paragraph 9.45 of the Main LR.

17. On the other hand, the SC REIT Guidelines<sup>26</sup> requires a REIT Manager to prepare an annual report that contains the following documents (collectively referred to as the “**REIT specific reports**”):
- (a) annual audited financial statements;
  - (b) auditors’ report;
  - (c) management company’s report;
  - (d) trustee’s report; and
  - (e) Shariah adviser’s report (where applicable).

The minimum contents of the annual report and each of the REIT specific reports are prescribed in the SC REIT Guidelines<sup>27</sup>.

18. In line with the Main LR being the key reference point for post listing reporting obligations of CIS, the Exchange proposes to **enumerate in the Main LR, all** of the REIT specific reports that the REIT Manager must issue together with the annual report. The Main LR will also **prescribe the minimum contents of the REIT annual report**.
19. However, the **SC will continue to prescribe the minimum contents of the REIT specific reports** in the SC REIT Guidelines as the SC is the primary authority regulating of the REIT Manager and trustee, as well as compliance with the financial reporting standards and Shariah related matters.
20. In light of the above, both the Exchange and the SC and will be streamlining the requirements on the minimum contents of the REIT annual report and REIT specific reports to facilitate ease of compliance and avoid duplication accordingly.

**Minimum contents of the REIT annual report**

21. In this regard, the Exchange proposes to include the information set out in paragraph 22 below as part of the minimum contents of the REIT annual report under the Main LR. Like the proposed REIT Quarterly Report, the contents of the REIT annual report remain largely the same as required currently except that we have rearranged or re-clustered the information under different headings, for better flow and easier read, where appropriate.
22. The information which must be included in the proposed minimum contents of the REIT annual report under the Main LR are as follows:
- (a) salient information about the REIT, for example, the nature of the REIT, its duration, the composition of its investment portfolio and its distribution policy;
  - (b) particulars of the REIT Manager, the trustee and investment committee members of the REIT;
  - (c) a statement of the management discussion and analysis of the REIT’s business operations and performance (including financial performance) during the financial year (“**REIT MD&A**”) which is discussed further in paragraphs 24 to 26 below;

<sup>26</sup> See clause 16.04 of the SC REIT Guidelines.

<sup>27</sup> See Schedule B of the SC REIT Guidelines.



- (d) information pertaining to the directors of the REIT Manager such as the profile (including the profile of the chief executive) and their remuneration;
- (e) fees and charges paid to the REIT Manager and trustee respectively, together with the basis;
- (f) audit and non-audit fees paid to the auditors of the REIT;
- (g) information on material contracts, material loans, changes in material litigation, if any;
- (h) information about the major unit holders of the REITs; and
- (i) corporate governance and sustainability related statements in Part A, Appendix 9C of the Main LR.

A complete list of the minimum contents required of a REIT annual report is set out in **Appendix 1** to this Consultation Paper.

23. The proposed minimum contents of the REIT annual report contains information which is extracted and where necessary, modified from Part A, Appendix 9C of the Main LR and Schedule B of the SC REIT Guidelines, as well as new information which the Exchange views to be important to help investors make better investment decisions.

#### **MD&A information in the REIT annual report**

24. In this exercise, the Exchange also seeks to ensure that the REIT annual reports contain useful and meaningful information which are presented in a simple, clear and concise manner, to help investors make better investment decisions. In this regard, the Exchange believes that disclosure of the MD&A of the REIT's business operations and performance is important as it complements the annual audited financial statements of the REIT and provides investors with an analysis of the REIT's financial results, risk exposure, outlook and expected future performance. The inclusion of the MD&A in annual reports is also supported by international bodies such as the International Organisation of Securities Commission ("IOSCO")<sup>28</sup>.
25. In view of the above, we propose to include in the REIT annual report, a statement of the REIT MD&A in place of the Chairman's statement currently required in paragraph 7, Part A, Appendix 9C of the Main LR<sup>29</sup>.

<sup>28</sup> IOSCO had, in its Final Report on the Principles for Periodic Disclosure by Listed Entity dated February 2010 at page 8, highlighted, among others that –

*“through the MD&A, management explains the factors that have affected the company's financial condition and results of operations for the historical periods covered by the financial statements, as well as management's assessment of the factors and trends that are anticipated to have a material effect on the company's financial condition and results of operations in the future”*; and

*“the MD&A enables investors to see the company through the eyes of management and improves financial disclosure by providing the context within which financial statements should be analysed”*.

<sup>29</sup> The Chairman's statement represents the collective view of the board and sets out a balance summary which includes the brief description of the industry trend and development, a discussion and analysis of the group's performance during the year, and the material factors underlying its results and financial position and the prospects of the listed issuer.

26. The REIT MD&A must include the following information which are currently prescribed in the SC REIT Guidelines with some modifications to ensure that the information disclosed is useful and meaningful to a REIT unit holder and investor:

**Financial Information**

- (a) Information on the fund performance<sup>30</sup> with the following modifications:
- (i) requiring the comparative table to cover the prescribed information for the last **5** financial years (instead of 3 currently);
  - (ii) requiring an explanation **if the difference in the management expense ratio (“MER”) is 10% or more** during the financial year; and
  - (iii) requiring the **inclusion of income distributions made and capital gains** in the disclosure of the average and annual total return of the REIT.

**Real Estate Information**

- (b) Information regarding the real estate held by the REIT<sup>31</sup> with the following modifications:
- (i) requiring disclosure of the **trade sector mix of tenants (in terms of percentage of gross rental income and net lettable area)** in addition to the existing disclosures required under the brief particulars of tenancies;
  - (ii) **requiring new disclosure on fair value adjustments**; and
  - (iii) **removing the disclosure pertaining to unit holders’ approval** i.e. the details of meeting and the resolution as this would have been announced under paragraph 9.19 of the Main LR.
- (c) An explanation on **major** maintenance costs and major capital expenditure incurred during the financial year<sup>32</sup>.

The real estate information will replace the requirement to disclose the particulars of properties under paragraph 25, Part A, Appendix 9C of the Main LR.

**Operational Review**

- (d) Information required in the REIT Manager’s Report<sup>33</sup> with modification on the explanation of the differences in portfolio composition. In this regard, an explanation is only required for **significant** differences.

**Risks and Forward-Looking Statement (New)**

- (e) Any **identified anticipated or known risks** that the REIT is exposed to which **may have a material effect on the REIT’s operations, performance, financial condition, and liquidity together with a discussion of the plans or strategies to mitigate such risks.**

<sup>30</sup> Clauses 6 and 7, Schedule B of the SC REIT Guidelines.

<sup>31</sup> Clause 4(h), Schedule B of the SC REIT Guidelines.

<sup>32</sup> Clause 11(m), Schedule B of the SC REIT Guidelines.

<sup>33</sup> Clauses 9 and 11(b), (e) – (i), Schedule B of the SC REIT Guidelines.

- (f) **Forward-looking statement** regarding the **possible trend, outlook and sustainability of the REIT's business, the prospects** of new businesses or investments, and the **proposed strategies** of the REIT based on its review.

27. In addition to the information set out in paragraphs 15(b) above (information which is already prescribed or disclosed elsewhere), the Exchange proposes to omit the requirement to disclose the NAV backing at book value of each unit<sup>34</sup> in the annual report as this information will form part of the disclosure in the proposed REIT MD&A (i.e. the effects of income distribution on the NAV per unit before and after distribution).

**Proposal 2.2 - Issue(s) for Consultation:**

4. Do you agree with the proposed minimum contents of the REIT annual report *[paragraphs 21 to 27 above]*?
- Please provide your views and reasons for your views.
5. Is there any other information which should be disclosed in the REIT annual report? If yes, please provide your suggestions and the reasons for such suggestions.

*[The rest of this page is intentionally left blank]*

<sup>34</sup> Clause 22(e), Schedule B of the SC REIT Guidelines.

## **BALANCED FRAMEWORK GOVERNING TRANSACTIONS FOR REITS**

### **PROPOSAL 2.3: NON-RPT FRAMEWORK FOR REITS**

Description	Affected Provision(s) of the Main LR
Strengthening the non-related party transaction framework for a REIT by requiring announcement and unit holder approval for material acquisitions and disposals	<ul style="list-style-type: none"> <li>▪ Paragraph 8.36(a)</li> <li>▪ Paragraph 8.37</li> <li>▪ Paragraph 9.43(1)(m)</li> <li>▪ Paragraph 9.43(2)(b)</li> </ul>

28. As highlighted in *Proposal 13 of the SC REIT Consultation Paper*<sup>35</sup>, it is proposed that the requirements set out in **Part D of Chapter 10 of the Main LR** governing acquisitions and disposals of assets from or to non-related parties, **shall apply** to a listed REIT. This means that a listed REIT must, among others –
- (a) **announce** an acquisition or disposal of real estate (“**transaction**”) from or to non-related parties if the percentage ratio of the transaction is **5% or more** (instead of 25% currently required for a REIT), and the value of the consideration of the transaction is **RM500,000 or more**<sup>36</sup>; and
- (b) obtain **unit holders’ approval via poll voting** if the percentage ratio of the **transaction** is **25% or more**<sup>37</sup> (instead of only for a disposal where the value exceeds 50%), and the value of the consideration of the transaction is **RM500,000 or more**.
29. The proposals are made with a view to provide parity in regulation amongst the listed issuers and accord unit holders with the right to approve or disapprove both material acquisitions and disposals undertaken by a REIT.
30. The proposals also assist REITs in improving their current governance practices when they transact by keeping unit holders better apprised of transactions entered into by the REITs and empower unit holders to vote on material acquisition or disposal based on the specified threshold.

#### **Proposal 2.3 - Issue(s) for Consultation:**

6. Is there any other requirement which a REIT must comply with when it enters into an acquisition or disposal of real estate? If yes, please provide your suggestions and the reasons for such suggestions.

<sup>35</sup> In particular, see *paragraphs 4.13(i)(a), (ii)(a) and 4.14 of the SC REIT Consultation Paper*.

<sup>36</sup> See paragraph 10.06 of the Main LR.

<sup>37</sup> See paragraph 10.07 of the Main LR.

## **PROPOSAL 2.4: RPT FRAMEWORK FOR REITS**

Description	Affected Provision(s) of the Main LR
<ul style="list-style-type: none"> <li>▪ Enhancing the existing RPT framework for a REIT by, among others, requiring poll voting and the appointment of advisers, as well as disallowing interested related parties to vote</li> <li>▪ Enhancing the definition of a related party in the context of a REIT</li> </ul>	<ul style="list-style-type: none"> <li>▪ Paragraph 1.01</li> <li>▪ Paragraph 8.36(a)</li> <li>▪ Paragraphs 9.43(1)(n) and 9.43(2)(b)</li> <li>▪ Paragraphs 10.02(c), (f) and (fA)</li> <li>▪ Paragraphs 10.08(7) and (8)</li> </ul>

### ***Proposed obligations of a REIT in a RPT***

31. In line with the objectives of this review and *Proposal 13 in the SC REIT Consultation Paper*<sup>38</sup>, the Exchange proposes to clarify that the requirements as set out in **Part E of Chapter 10 of the Main LR** (which regulates RPTs of other listed issuers), **apply** to a listed REIT which enters into a RPT. This means that a listed REIT must –
- (a) announce any RPT which triggers the percentage ratio of **0.25% or more** and the value of transaction is **RM500,000.00 or more**<sup>39</sup> (instead of all RPTs);
  - (b) obtain unit holders' approval **via poll voting** and appoint an **independent adviser** for any RPT which triggers the percentage ratio of 5% or more and the value of transaction is **RM500,000.00 or more**<sup>40</sup>;
  - (c) appoint a **main adviser** (in addition to an independent adviser) for any RPT which triggers the percentage ratio **25% or more**<sup>41</sup>; and
  - (d) ensure the **interested related party and their persons connected abstain from voting** on the transaction<sup>42</sup>.
32. The Exchange believes that the proposals above upholds good governance standards and are comparable with the requirements imposed on other listed issuers undertaking RPTs. As RPTs typically involve issues of conflict of interests, the Exchange considers that the appointment of an independent advisor is crucial to advise the minority unit holders and ensure that their interests are not compromised. Additionally, the proposals are also in line with the recommendations set out in the document "*Asia-Pacific REITs: Building Trust through Better REIT Governance*" issued by the CFA Institute<sup>43</sup> in February 2011.

<sup>38</sup> In particular, see *paragraphs 4.13(i)(b), (ii)(b) and 4.14 of the SC REIT Consultation Paper*.

<sup>39</sup> See paragraph 10.08(1) of the Main LR.

<sup>40</sup> See paragraph 10.08(2) read together with paragraphs 10.08(3) and 10.08(10) of the Main LR.

<sup>41</sup> See paragraph 10.08(4) of the Main LR.

<sup>42</sup> See paragraphs 10.08(6) and 10.08(7) of the Main LR.

<sup>43</sup> CFA Institute is a global, not-for-profit organization and is the world's largest association of investment professionals, dedicated to developing and promoting the highest educational, ethical, and professional standards in the investment industry for the ultimate benefit of society.

***Proposed definition of a related party of a REIT***

33. Given the trust structure of a REIT, the Exchange also proposes to incorporate in the Main LR, the definition of a related party in the context of a REIT. This would be consistent with the definition set out in the SC REIT Guidelines<sup>44</sup>.
34. Further to the above, it is also proposed that a related party of a REIT includes the following persons:
- (a) a **director, chief executive or major shareholder of the REIT Manager**, within the **last 6 months** of the date on which the terms of the transaction were agreed upon;
  - (b) a director, chief executive or major shareholder (including those within the last 6 months) of the REIT Manager's **subsidiary or holding company**;
  - (c) a **major unit holder of the REIT** within the **last 6 months** of the date on which the terms of the transaction were agreed upon.

This is to ensure that the definition is sufficiently broad to capture relevant transactions that present a risk of potential abuse and that the requirements are not easily avoided or circumvented.

35. The Exchange will also make the relevant consequential changes to the definition of “**person connected**” and “**partner**” in paragraph 1.01 of the Main LR, and “**director**”, “**major shareholder**” and “**major unit holder**” in paragraph 10.02 of the Main LR, by clarifying who these parties are in the context of a REIT.

**Proposal 2.4 - Issue(s) for Consultation:**

***Proposed obligations of a REIT in a RPT***

7. Is there any other requirement which a REIT must comply with when it enters into a RPT? If yes, please provide your suggestions and the reasons for such suggestions.

***Proposed definition of a related party of a REIT***

8. Do you agree that in addition to the existing definition of related party as referred to in paragraph 33 above, a related party of a REIT should include the following persons *[paragraph 34 above]*:
- (a) a **director, chief executive or major shareholder of the REIT Manager or major unit holder** of the REIT, within the **last 6 months** of the date on which the terms of the transaction were agreed upon; and
  - (b) a director, chief executive or major shareholder (including those within the last 6 months) of the REIT Manager's **subsidiary or holding company**?

Please state your views and reasons for such views.

<sup>44</sup> Clause 2.01 of the SC REIT Guidelines defines a related party to mean (a) the REIT Manager or person connected to the REIT Manager; (b) the trustee or person connected to the trustee; (c) major unit holder or person connected with the major unit holder of the REIT; or (d) the director, chief executive officer or major shareholder of the REIT Manager.

9. Do you agree with the proposed amendments to the definition of “**person connected**” and “**partner**” under paragraph 1.01 of the Main LR, in the context of a REIT as set out in **Annexure A** to this Consultation Paper?

Please state your views and reasons for such views.

## **PROPOSAL 2.5: RRPT FRAMEWORK FOR REITS**

Description	Affected Provision(s) of the Main LR
Extending the framework for RRPT under the Main LR to listed REITs	<ul style="list-style-type: none"> <li>▪ Paragraph 8.36(a)</li> </ul>

36. The Main LR currently provides a separate framework to cater for situations where a listed issuer enters into a RPT on a continuing or recurring basis<sup>45</sup> and such transaction is of a revenue or trading nature, is necessary for the day-to-day operations and is in the ordinary course of business (“**RRPT**”). A common example of a RRPT for a REIT is the provision of maintenance services for its assets.
37. The RRPT framework under the Main LR is generally more flexible and facilitative compared to the RPT framework given the nature of RRPTs. Some of the key flexibilities under the RRPT framework<sup>46</sup> include the following:
- (a) **higher materiality threshold** for announcement – an announcement is required where the RRPT triggers the percentage ratio of **1% or more** (instead of 0.25% under the RPT framework) **or** where the value of the transaction is **RM1 million or more** (instead of RM500,000 under the RPT framework);
  - (b) **flexible mode of obtaining shareholder approval** - shareholder approval for the RRPT may be obtained via a **mandate on an annual basis** (instead of a specific shareholder approval as required under the RPT framework) for the RRPT which triggers the percentage ratio of 5% or more, subject to specific disclosure requirements<sup>47</sup>;
  - (c) **appointment of advisers is not required** - the appointment of independent adviser and main adviser as discussed under the RPT framework in paragraphs 31(b) and (c) above are **not required** for purposes of procuring the shareholder mandate.

<sup>45</sup> At least once in every 3 years.

<sup>46</sup> See paragraph 10.09 and Practice Note 12 of the Main LR.

<sup>47</sup> For example, the circular must include, among others, the methods or procedures to ensure that the RRPTs are undertaken on terms not more favourable to the related party and not to the detriment of the minority shareholders, and a statement of at least 2 other contemporaneous transactions with unrelated 3<sup>rd</sup> parties for similar products or services as comparison. This is set out in Annexure PN12-A in Practice Note 12 of the Main LR.

38. Currently, the RRPT framework is not applicable to a listed REIT. Instead, the listed REIT entering into a RRPT must comply with the RPT requirements set out in the SC REIT Guidelines which among others, require announcement of **all** RPTs and **specific unit holder approval** for RPTs triggering the percentage ratio of 5% or more. The Exchange notes that this may be unduly burdensome for the REITs.
39. In view of this, the Exchange proposes to **extend the RRPT framework** currently available to the other listed issuers as discussed in paragraph 37 above, **to a listed REIT**. We believe this will enhance business efficacy and reduce cost of compliance of the REIT whilst at the same time ensure that unit holders' interests are protected.

**Proposal 2.5 - Issue(s) for Consultation:**

10. Do you agree with the proposal to extend the RRPT framework currently available to other listed issuers to a REIT which enters into a RRPT *[paragraph 39 above]*?
- Please state your views and the reasons for such views.
11. Is there any other requirement which a REIT must comply with when it enters into a RRPT? If yes, please provide your suggestions and the reasons for such suggestions.

**PROPOSAL 2.6: STREAMLINED VALUATION REQUIREMENTS FOR REITS**

Description	Affected Provision(s) of the Main LR
Streamlining the valuation requirements for REITs under the Main LR	<ul style="list-style-type: none"> <li>▪ Paragraph 8.36A</li> <li>▪ New paragraph 10.15</li> </ul>

40. Currently, a listed REIT must comply with the valuation requirements set out under the SC REIT Guidelines when it acquires or disposes real estate<sup>48</sup>. Among others, the listed REIT must prepare a valuation report in accordance with the Malaysian Valuation Standards or other applicable valuation standards (for acquisitions or disposals not subjected to unit holders' approval) or in accordance with the SC's Asset Valuation Guidelines (for acquisitions or disposals subjected to unit holders' approval), deposit such valuation report with the SC, and ensure that the valuer makes the necessary adjustments in the valuation report where circumstances have arisen that materially affect the value of the real estates.
41. In line with the objective to streamline the transaction framework for a REIT under the Main LR, the Exchange proposes to **incorporate in the Main LR, the valuation requirements currently stipulated in the SC REIT Guidelines** for any acquisition or disposal of real estate by a REIT which is **not subjected to unit holders' approval, with modifications** as follows:
- (a) the valuation report is to be **given to the trustee only**. A copy is **no longer required to be deposited with the SC**; and
- (b) the valuation report is to comply with the Malaysian Valuation Standards or the **equivalent foreign valuation standards**.

<sup>48</sup> See Chapter 10 of the SC REIT Guidelines.



42. The Exchange believes that the proposals above complement the proposed transaction framework for a REIT in the Main LR which currently has in place valuation requirements for REIT's transactions which are subjected to unit holders' approval only. Additionally, the proposals above also provide some liberalization to the valuation requirements imposed on a REIT.
43. The Exchange wishes to highlight that the proposals above are in addition to the proposed continuing obligation of a REIT to undertake revaluation of all the real estate in the REIT's investment portfolio annually as highlighted in *Proposal 11 of the SC REIT Consultation Paper*. This continuing obligation to undertake a revaluation of its real estate investment will remain under the purview of the SC REIT Guidelines<sup>49</sup>.

**Proposal 2.6 - Issue(s) for Consultation:**

12. Is there any other requirement which a REIT must comply with when it conducts a valuation? If yes, please provide your suggestions and the reasons for such suggestions.

**PROPOSAL 2.7: FRAMEWORK FOR VERY SUBSTANTIAL TRANSACTIONS ENTERED INTO BY REITS**

Description	Affected Provision(s) of the Main LR
Extending the disclosure requirements for very substantial transactions to REITs	<ul style="list-style-type: none"> <li>▪ Paragraph 8.36(a)</li> </ul>

44. Where a listed issuer acquires or disposes of an asset **which triggers the percentage ratio of 100% ("very substantial transaction")**<sup>50</sup>, the listed issuer **must include the additional financial information prescribed in Part G of Appendix 10A and Appendix 10B of the Main LR, in the announcement and circular relating to very substantial transaction**<sup>51</sup> respectively. This includes, among others, key audited financial data for the past 3 years in relation to the asset to be acquired, the financial effects on the proforma net assets upon completion of the very substantial transaction, specific financial information if the asset to be acquired does not have profit track record, and statement of future activities and direction after disposal.
45. In this regard, the Exchange proposes to **require a REIT** which enters into a very substantial transaction to **disclose the additional financial information prescribed in Part G of Appendix 10A and Appendix 10B of the Main LR**, in its announcement and circular to unit holders respectively, with the necessary modifications. This will enhance the quality of disclosures made in relation to such transactions by listed REITs and ensure that unit holders have all the necessary information to make an informed investment decision.

<sup>49</sup> See Chapter 10 of the SC REIT Guidelines.

<sup>50</sup> See paragraph 10.02(n) of the Main LR. A very substantial transaction does not include an acquisition which will result in a significant change in business direction or policy of a listed issuer.

<sup>51</sup> See paragraph 10.10 of the Main LR.

**Proposal 2.7 - Issue(s) for Consultation:**

13. Do you agree with the enhanced disclosure required for a REIT which enters into a very substantial transaction in its announcement and circular respectively *[paragraph 45 above]*?

Please state your views and the reasons for such views.

14. Is there any other information which a REIT must disclose in its announcement and circular to unit holders in relation to a very substantial transaction? If yes, please provide your suggestions and the reasons for such suggestions.

**ENHANCEMENTS TO THE REIT FRAMEWORK TO FACILITATE GROWTH ARISING FROM THE SC REIT CONSULTATION PAPER**

**PROPOSAL 2.8: PROPERTY DEVELOPMENT ACTIVITIES**

Description	Affected Provision(s) of the Main LR
Enhancing the disclosure requirements in announcements, REIT Quarterly Report and REIT annual report arising from SC's proposal to allow REITs to undertake property development activities	<ul style="list-style-type: none"> <li>▪ Paragraph 1.01</li> <li>▪ Paragraph 3 in Part D of Appendix 9B</li> <li>▪ Paragraph 7 in Part D of Appendix 9C</li> <li>▪ New paragraph 10.16</li> <li>▪ New paragraph 4(h) in Part C of Appendix 10A</li> </ul>

46. In *Proposal 1 of the SC REIT Consultation Paper*, SC proposes to allow a REIT to undertake property development activity and acquire vacant land for development provided that -
- (a) the value of the vacant land and properties earmarked for property development as well as the property development cost must not exceed 15% of the enlarged total asset value in aggregate;
  - (b) the REIT continues to hold the completed property for at least 2 years from the completion date; and
  - (c) the REIT must seek its trustee's consent and obtain unit holders' approval by way of special resolution if the REIT wishes to dispose the completed properties within the 2 year holding period.

47. In light of the above, the Exchange proposes that a REIT undertaking property development activity or acquiring vacant land for development must comply with the following requirements:
- (a) Announce the proposed acquisition of vacant land and provide the following information<sup>52</sup>:
    - (i) the aggregate value of the vacant land, properties earmarked for property development and the property development cost, as a percentage of the total asset value of the REIT; and
    - (ii) the expected yield and rental arising from the property development activities.

This is in addition to the information prescribed in Appendix 10A of the Main LR.
  - (b) For other property development activities undertaken by the REIT which do not involve any acquisition of real estate such as redevelopment of aged properties, announce such property development activities if such activities materially impact the rental yield, revenue from rental income or other financial performance of the REIT under paragraph 9.03 of the Main LR.
  - (c) Disclose the status of the property development activities (if applicable) in the REIT Quarterly Report.
  - (d) Disclose a summary of all investments in property development activities or acquisition of vacant land for development in the REIT annual report.
  - (e) Comply with the requirements to make an announcement and obtain unit holders' approval in Chapter 10 of the Main LR, for any disposal of property within the 2 year holding period.
48. The Exchange also proposes to incorporate the definition of “**property development activities**” as proposed in the *SC REIT Consultation Paper*<sup>53</sup> in the Main LR.

**Proposal 2.8 - Issue(s) for Consultation:**

15. Do you agree with the proposed requirements governing a REIT which undertakes property development activity or acquires vacant land *[paragraph 47 above]*?  
  
Please state your views and reasons for such views.
16. Is there any other information which a REIT must disclose in its announcement, REIT Quarterly Report or REIT annual report relating to its property development activities? If yes, please provide your suggestions and the reasons for such suggestions.

<sup>52</sup> The proposed announcement requirement is subject to the materiality threshold for announcements as set out in paragraphs 10.05, 10.06 and 10.08 of the Main LR, as the case may be.

<sup>53</sup> In *paragraph 2.5 of the SC REIT Consultation Paper*, SC proposes to define “**property development activities**” to mean the construction or re-development of a building or the extension to an existing building. Property development activities do not include renovations, refurbishment or retrofitting.

## **PROPOSAL 2.9: PRIVATE LEASES**

Description	Affected Provision(s) of the Main LR
Requiring immediate announcement of the private leases entered into by a REIT	<ul style="list-style-type: none"> <li>▪ Paragraph 9.43(o)</li> <li>▪ New Part K in Appendix 9A</li> </ul>

49. Arising from the SC's proposal to allow a REIT to acquire properties through private leases as discussed in *Proposal 2 of the SC REIT Consultation Paper* particularly the disclosure proposals in *paragraph 2.10(iv)*<sup>54</sup>, the Exchange proposes to require a listed REIT to immediately announce similar information under the Main LR, if the total value of the private leases is 5% or more of the total asset value of the REIT.
50. In addition to the proposed disclosure requirements above, a listed REIT entering into a private lease with a related party must also comply with the RPT requirements in Part E of Chapter 10. This is in view of the fact that a transaction in this Part includes leasing of assets<sup>55</sup>.
51. In the case of a private lease with a non-related party, a listed REIT will only be required to make the immediate announcement proposed in paragraph 49 above. The listed REIT need not comply with the requirements governing non-RPTs in Part D of Chapter 10 as the private lease does not fall within the ambit of an acquisition or disposal of asset.
52. The Exchange will also incorporate the definition of “**private lease**” as stated in *paragraph 2.7 of the SC REIT Consultation Paper*<sup>56</sup>, in the Main LR.

### **Proposal 2.9 - Issue(s) for Consultation:**

17. Do you agree with the proposal that a listed REIT entering into a private lease that involves the interest of a related party must comply with the RPT requirements under Part E in Chapter 10 of the Main LR [*paragraph 50 above*]?
- Please state your views and reasons for such views.
18. In addition to the requirement to make the proposed immediate announcement, is there any other specific obligation which a REIT must comply with if it enters into a private lease with a non-related party [*paragraph 51 above*]? Please state your views and reasons for such views.

<sup>54</sup> The additional disclosures proposed include the following:

- (a) remaining term of the lease held by the REIT;
- (b) the private lease is a lease registered with the Land Office, or its equivalent for foreign real estate;
- (c) name of the lessor of the real estate;
- (d) statement whether the lessor is a related party; and
- (e) any other information in relation to the private lease arrangement that is relevant for investors' consideration in deciding whether to invest or stay invested in the REIT.

<sup>55</sup> See paragraph 10.02(l)(ii)(aa) of the Main LR.

<sup>56</sup> *Paragraph 2.7 of the SC REIT Consultation Paper* defines “**private lease**” to mean an acquisition of interest in real estate through a long term lease agreement with a lessor where the lessor is not a government or government agency.

**PROPOSAL 2.10: INCOME SUPPORT**

Description	Affected Provision(s) of the Main LR
Enhancing the disclosure requirements in announcements, circulars and REIT annual reports arising from acquisitions of real estate with income support arrangements	<ul style="list-style-type: none"> <li>▪ New paragraph 9.43(p)</li> <li>▪ New paragraph 11(g)(ii) in Part D of Appendix 9C</li> <li>▪ New Part J in Appendix 10A</li> <li>▪ New Part K in Appendix 10B</li> </ul>

53. Under *Proposal 3 in the SC REIT Consultation Paper*, it is proposed that where a REIT acquires real estate with income support arrangements –
- (a) the market value of the real estate to be acquired should exclude the impact of the income support arrangement; and
  - (b) the REIT must include the prescribed disclosures on the income support arrangements in prospectus, circulars, announcements and annual reports, where applicable.
54. In line with SC’s proposal above, the Exchange will also be proposing the following disclosure enhancements in the Main LR:
- (a) additional specific disclosures in the announcements and circulars to unit holders relating to the acquisition of real estate with income support arrangements which triggers the relevant percentage ratio under Chapter 10 of the Main LR as per the proposal in *paragraph 2.15 of the SC REIT Consultation Paper*<sup>57</sup>;
  - (b) immediate announcement of any default in the income support arrangement under Chapter 9 of the Main LR; and
  - (c) disclosure in the REIT annual report of the amount of income support payments received by the REIT during the financial year and the effect of these payments on the REIT’s distribution per unit.

**Proposal 2.10 - Issue(s) for Consultation:**

19. Do you agree with the proposal to immediately announce any default in the income support arrangement under Chapter 9 of the Main LR [*paragraph 54(b) above*]?

Please state your views and the reasons for such views.

<sup>57</sup> The additional disclosures proposed are as follows:

- (a) detailed terms of the income support arrangement, including how the income support is priced into the purchase consideration of the real estate (where applicable), the tenure or remaining tenure of the income support, as the case may be;
- (b) expected yields with and without the income support arrangement;
- (c) payments receivable or received from the income support arrangement; and
- (d) any other information in relation to the income support arrangement that is pertinent to an investor’s decision to invest or stay invested in the REIT.

20. Do you agree with the proposal to disclose in the REIT annual report, the amount of income support payments received by the REIT during the financial year and the effect of these payments on the REIT's distribution per unit *[paragraph 54(c) above]*?

Please state your views and reasons for such views.

## **OTHER PROPOSED AMENDMENTS**

Description	Affected Provision(s) of the Main LR
Other proposed amendments consequential to the SC REIT Consultation Paper	<ul style="list-style-type: none"> <li>▪ Paragraph 8.36(b)</li> <li>▪ Paragraph 9.43(1)(f)</li> <li>▪ New paragraph 12.28</li> </ul>

55. In addition to Proposals 2.8 to 2.10 above, we will also be amending the Main LR to reflect the following proposals arising from the SC REIT Consultation Paper:

- (a) allowing listed REITs to buy back their own units subject to the restrictions and notification requirements currently applicable to unit buy-backs by a business trust under the Main LR<sup>58</sup>;
- (b) requiring the board of directors of the REIT Manager to disclose a Statement of Corporate Governance and Internal Control in the REIT annual report<sup>59</sup> in accordance with Main LR;
- (c) requiring the REIT Manager to establish an audit committee in accordance with the Main LR<sup>60</sup>; and
- (d) deleting the requirement to immediately announce any proposal which will result in the borrowings exceeding 50% of the total asset value of the REIT and the reason for the proposal in line with the proposed adoption of a fixed leverage limit of 50% of the total asset value<sup>61</sup>.

***[End of Part 2]***

<sup>58</sup> See Proposal 5 of the SC REIT Consultation Paper.

<sup>59</sup> See Proposal 7 of the SC REIT Consultation Paper.

<sup>60</sup> See Proposal 8 of the SC REIT Consultation Paper.

<sup>61</sup> See Proposal 6 of the SC REIT Consultation Paper.

## PART 3 ENHANCEMENTS TO IMPROVE THE QUALITY OF DISCLOSURES IN THE CONTENTS OF PERIODIC REPORTS ISSUED BY A LISTED ETF

### PROPOSAL 3.1: MINIMUM CONTENTS OF ETF QUARTERLY REPORT

Description	Affected Provision(s) of the Main LR
Enhancing the contents of an ETF Quarterly Report, by requiring information which is appropriate and of value to investors	<ul style="list-style-type: none"> <li>▪ Paragraph 9.48</li> <li>▪ New Part E of Appendix 9B</li> </ul>

56. Similar to a REIT, the Main LR cross refers to the SC ETF Guidelines for the contents of an ETF Quarterly Report. Under paragraph 9.48 of the Main LR, an ETF Manager is currently required to, amongst others, include some of the information set out in the ETF Manager's report and financial statements prescribed in the SC ETF Guidelines, in the ETF Quarterly Report.
57. Due to the characteristics of the ETF, the Exchange proposes to adopt a different approach for the minimum contents of the ETF Quarterly Report. The ETF is typically a passive investment fund which primary purpose is to generate profit or return for its investors through its investments based on a defined investment policy. As such, an ETF merely manages its investments to meet its specific investment objectives and purpose. Unlike a REIT which manages income generating real estate which is similar to a corporation engaging in active businesses, an ETF does not actively operate any business.
58. In this regard, we propose to prescribe the specific contents of the ETF Quarterly Report in the Main LR, instead of requiring the funds to comply with the requirements set out in Part A, Appendix 9B of the Main LR, which are more relevant to a listed corporation, BT or REIT.
59. It is proposed that the notes to the ETF Quarterly Report under the Main LR be clustered into 3 categories as follows:

(a) **Statement of Investment Portfolio**

This is a **new** disclosure item which is aimed at providing greater transparency on the performance of each security the fund has invested in, based on the prescribed classification below.

The Statement of Investment Portfolio must contain an analysis of all investments as at the end of the financial period classified by:

- (i) country;
- (ii) industry; and
- (iii) asset class (such as equity, REITs, bonds, derivatives, etc) with the following details:
  - description of investment;
  - quantity;
  - costs;
  - market value;

- unrealised profit or loss;
- net book value; and
- net book value as a percentage of the total fund's assets.

The Exchange considers it appropriate to require disclosure of the Statement of Investment Portfolio as such information will help investors in understanding the investments and fund performance better. This, in turn will enable them to make more informed investment decisions. Further, the requirement is also comparable to the requirements in Singapore<sup>62</sup> and Hong Kong<sup>63</sup>.

(b) **Performance Review**

This relates to information on how the fund performs against benchmark indicators and the future prospects in the markets it operates in. This requirement is currently prescribed in Schedule B of the SC ETF Guidelines, which includes information such as **analysis of the fund's performance based on changes in total NAV, NAV per unit and changes in prices, review of the markets which the fund invests in, general assessment of future prospects of such markets, material circumstances and statement on soft commission** received by the Manager.

(c) **Additional Interim Financial Information**

This relates to certain interim financial information that is currently prescribed in Schedule B of the SC ETF Guidelines, and includes **information on NAV, NAV backing at book value and NAV per unit, number of units listed, fees paid to the ETF Manager and trustee together with the basis, amount available for distribution, net income after tax and sources of distribution together with additional statements on distributions.**

The proposed minimum contents of the ETF Quarterly Report discussed above is set out in **Appendix 2** to this Consultation Paper.

60. As with the approach taken for the REIT Quarterly Report, the following information which is currently included in the ETF Quarterly Report is proposed to be omitted:

- (a) the following information which is more appropriately disclosed on an annual basis:
- (i) information on transactions with brokers/dealers<sup>64</sup>;
  - (ii) number of units held by the ETF Manager and related parties<sup>65</sup> and the value of such units;
  - (iii) auditor's verification of management expense ratio<sup>66</sup>; and

<sup>62</sup> See "Statement of Portfolio" and Appendix 1 of the Recommended Accounting Practice 7.

<sup>63</sup> See "Investment Portfolio" in Appendix E of the Code on Unit Trusts and Mutual Funds.

<sup>64</sup> Clause 20(m), Schedule B of the SC ETF Guidelines.

<sup>65</sup> Clause 20(n), Schedule B of the SC ETF Guidelines.

<sup>66</sup> Clause 20(p), Schedule B of the SC ETF Guidelines.



- (b) the following information which may be repetitious or redundant given that it is already prescribed or disclosed elsewhere:
- (i) explanation on any differences in portfolio composition<sup>67</sup>;
  - (ii) changes in material litigation<sup>68</sup>;
  - (iii) net assets/liabilities attributable to unit holders<sup>69</sup>;
  - (iv) carrying amounts of investments in prescribed categories<sup>70</sup>; and
  - (v) income recognition basis<sup>71</sup>;
  - (vi) movements in the number of units<sup>72</sup>.

61. With the proposed revisions above, we expect that the ETF Quarterly Report issued will be more relevant, complete and concise to assist investors in understanding and assessing their investments better.

**Proposal 3.1 - Issue(s) for Consultation:**

21. Do you agree with the proposed minimum contents of the ETF Quarterly Report *[paragraph 59 above]*?

Please provide your views and reasons for your views.

22. Is there any other information which should be disclosed in the ETF Quarterly Report? If yes, please provide your suggestions and the reasons for such suggestions.

<sup>67</sup> Clause 11(e), Schedule B of the SC ETF Guidelines. This is covered in the new disclosure under the Statement of Investment Portfolio read together with the disclosure under Performance Review proposed in paragraphs 59(a) and (b) above.

<sup>68</sup> Clause 11(k), Schedule B of the SC ETF Guidelines. Given the passive nature of an ETF, it is unlikely that there will be any litigation by or against the ETF. Further, such disclosure is already covered under paragraph 9.03 of the Main LR i.e. immediate announcement of material information.

<sup>69</sup> Clause 20(d), Schedule B of the SC ETF Guidelines. This is already disclosed in the statement of financial position of the ETF Quarterly Report.

<sup>70</sup> Note to the Balance Sheet including items (i) to (vi), Schedule B of the SC ETF Guidelines. This will be covered in the new disclosure under the Statement of Investment Portfolio proposed in paragraphs 59(a) above and the statement of financial position.

<sup>71</sup> Clause 20(j), Schedule B of the SC ETF Guidelines. This is an accounting policy which is required to be disclosed pursuant to the approved accounting standards.

<sup>72</sup> Clause 20(l), Schedule B of the SC ETF Guidelines. This is already required under the approved accounting standards and also disclosed in the Statement of Changes in Equity.

## **PROPOSAL 3.2: MINIMUM CONTENTS OF ETF ANNUAL REPORT**

Description	Affected Provision(s) of the Main LR
Simplifying and streamlining the minimum contents of the annual report of an ETF, and introducing disclosure of a performance review of the ETF	<ul style="list-style-type: none"> <li>▪ Paragraph 9.49</li> <li>▪ New Part E of Appendix 9C</li> </ul>

### **ETF annual report and specific reports**

62. Similar to a REIT, an ETF Manager is required, under the Main LR<sup>73</sup>, to issue annual reports that include **annual audited financial statements** together with the **auditors' and ETF Manager's reports** and forward them to the Exchange and unit holders within 2 months after the end of the period to which they relate.
63. The SC ETF Guidelines stipulates that the ETF Manager must also include the following documents in an ETF annual report (collectively referred to as the "**ETF specific reports**"):
  - (a) annual audited financial statements;
  - (b) auditors' report;
  - (c) management company's report;
  - (d) trustee's report; and
  - (e) Shariah adviser's report (where applicable).

The contents of the annual report and each of the ETF specific reports are prescribed in the SC ETF Guidelines<sup>74</sup>.

64. As such, like the approach for REITs, we propose to **list down in the Main LR** that the ETF Manager must issue an annual report that **includes the trustee's report and Shariah adviser's report (where applicable), in addition to the annual audited financial statements, auditors' report and ETF Manager's report**. The Main LR will also stipulate the **minimum contents of the ETF annual report**.
65. The SC, on the other hand, will continue to prescribe the minimum contents of the ETF specific reports, given that SC remains the primary regulator in these areas. In this regard, both the SC and the Exchange will be streamlining the disclosure requirements to be prescribed for the ETF specific reports under the SC's ETF Guidelines and the ETF annual report under Main LR to ensure that information contained in these documents is relevant, updated and not duplicated.

<sup>73</sup> See paragraph 9.49 of the Main LR.

<sup>74</sup> See clauses 14.03, 14.04 and Schedule B of the SC ETF Guidelines.

### Minimum contents of ETF annual report

66. Generally, the contents of the ETF annual report under the Main LR will remain largely the same as currently prescribed except that certain information has been rearranged and re-clustered under different headings, for better flow and easier read, where appropriate. We have also streamlined the contents of the ETF annual report with that of a listed corporation under the Main LR, where applicable.
67. In view of the approach above, the minimum contents of the ETF annual report is proposed to include the following information:
- (a) salient information about the ETF, for example, the nature of the ETF, its duration and distribution policy;
  - (b) particulars of the ETF Manager, the trustee and investment committee members of the ETF;
  - (c) performance review of the ETF which is discussed further in paragraph 69 below;
  - (d) information pertaining to the directors of the ETF Manager such as the profile (including the profile of the chief executive) and their remuneration;
  - (e) fees and charges paid to the ETF Manager and trustee respectively, together with the basis;
  - (f) audit and non-audit fees paid to the auditors of the ETF;
  - (g) information on material litigation, if any; and
  - (h) information on the major unit holders of the ETFs.

A complete list of the minimum contents required of an ETF annual report is set out in **Appendix 2** to this Consultation Paper.

68. The proposed minimum contents of the ETF annual report contains information which is extracted and where necessary, modified from Part A, Appendix 9C of the Main LR and Schedule B of the SC ETF Guidelines, as well as new information which the Exchange views to be important to help investors make better investment decisions.

### Performance Review of the ETF

69. As stated in paragraph 67(c) above, we propose to require an ETF Manager to include a performance review of the ETF, which must contain the following minimum information:
- (a) information on the fund performance<sup>75</sup> with modifications as follows:
    - (i) requiring the comparative table to cover the prescribed information for the last **5** financial years (instead of 3 currently);
    - (ii) requiring an explanation **if the difference in the management expense ratio (“MER”) is 10% or more** during the financial year; and
    - (iii) requiring the **inclusion of income distributions made and capital gains** in the disclosure of the average and annual total return of the ETF;

<sup>75</sup> Clauses 6 and 7, Schedule B of the SC ETF Guidelines.

- (b) information required in the ETF Manager's Report<sup>76</sup> with modification on the explanation of the differences in portfolio composition i.e. that explanation is only required for **significant** differences;
- (c) a **new** section on **Details of Major Investments**, which contains the following:
- (i) a list of all investments with a value greater than 5% of the ETF's gross assets, and at least the 10 largest investments stating, with comparative figures where relevant:
- a brief description of the business;
  - percentage of share capital owned;
  - cost;
  - market value or directors' valuation if unlisted;
  - total dividends/distributions received during the year; and
  - distribution yield of each investment (based on year end market value);
- (ii) an analysis of all investments as at the end of the financial year classified by country, industry and asset class (eg. equity, REITs, bonds, derivatives etc). The analysis based on asset class must include the following details:
- description of investment;
  - quantity;
  - costs;
  - market value;
  - unrealised profit/(loss);
  - net book value; and
  - net book value as a percentage of the ETF's total assets.

The above new requirement replaces the disclosure of the particulars of properties under paragraph 25, Part A, Appendix 9C of the Main LR. It is proposed to provide unit holders and investors of ETF with meaningful information to assist in their understanding of the investment and fund performance better. This requirement is also benchmarked against the requirements in Singapore<sup>77</sup> and Hong Kong<sup>78</sup>; and

- (d) a **new** disclosure on the **risks** that the ETF is exposed to which may have a **material effect on its performance and liquidity, together with a discussion of the plans or strategies** to mitigate such risks.

<sup>76</sup> Clauses 9 and 11(b), (e) – (i), Schedule B of the SC ETF Guidelines.

<sup>77</sup> See Statement of Portfolio & Appendix 1 of the Recommended Accounting Practice 7, as well as paragraph 5.2 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore.

<sup>78</sup> See "Investment Portfolio" in Appendix E of the Code on Unit Trusts and Mutual Funds.

70. In addition to the information set out in paragraph 60(b) above (information which is already prescribed or disclosed elsewhere), the Exchange proposes to omit the requirement to disclose the NAV backing at book value of each unit<sup>79</sup> as this information will form part of the disclosure in the proposed performance review of an ETF (i.e. the effects of income distribution on the NAV per unit before and after distribution).

**Proposal 3.2 - Issue(s) for Consultation:**

23. Do you agree with the proposed minimum contents of the ETF annual report *[paragraphs 66 to 70 above]*?

Please provide your views and reasons for your views.

24. Is there any other information which should be disclosed in the ETF annual report? If yes, please provide your suggestions and the reasons for such suggestions.

**PROPOSAL 3.3: NON-APPLICATION OF THE TRANSACTION REQUIREMENTS TO ETFS**

Description	Affected Provision(s) of the Main LR
Clarifying that the requirements set out in Chapter 10 of the Main LR are not applicable to an ETF	<ul style="list-style-type: none"> <li>▪ Paragraph 8.38</li> <li>▪ Paragraph 8.40</li> </ul>

71. In Malaysia, an ETF is a fund that typically tracks an index and is designed to follow the performance of its benchmark index. This is further emphasised in the SC ETF Guidelines where it is stipulated that an ETF's property should be relevant and consistent with the investment objective of the fund, **which is to track the benchmark index with minimal tracking error**<sup>80</sup>. As such, the ETF is often passively managed. Essentially, the ETF Manager makes only minor periodic adjustments to keep the fund in line with its index.
72. Given the passive nature of the ETF, the Exchange proposes to clarify that the requirements on transactions as set out in **Chapter 10 of the Main LR do not apply** to an ETF. Currently, if an ETF undertakes an investment or divestment in securities or assets, the ETF must comply with the requirements set out in Chapter 8 of the SC ETF Guidelines, which among others, prescribes the permitted investments that an ETF may undertake. The said Chapter also stipulates that the SC's approval is required in the event the ETF wishes to invest in other investments not specified in the said Chapter of the SC ETF Guidelines. In view of this, the Exchange believes that there are adequate safeguards regulating transactions by an ETF.

<sup>79</sup> Clause 20(e), Schedule B of the SC ETF Guidelines.

<sup>80</sup> See clause 8.02 of the SC ETF Guidelines.

**Proposal 3.3 - Issue(s) for Consultation:**

25. Do you agree with the proposal to clarify that the requirements on transactions as set out in Chapter 10 of the Main LR **do not apply** to an ETF *[paragraph 72 above]*?

Please state your views and the reasons for such views.

***[End of Part 3]***

## PART 4 ENHANCEMENTS TO IMPROVE THE QUALITY OF DISCLOSURES IN THE CONTENTS OF PERIODIC REPORTS ISSUED BY A LISTED CEF

### **PROPOSAL 4.1: MINIMUM CONTENTS OF CEF QUARTERLY REPORT**

Description	Affected Provision(s) of the Main LR
Enhancing the minimum contents of CEF Quarterly Report, by requiring information which is appropriate and of value to investors	<ul style="list-style-type: none"> <li>▪ Paragraph 9.40</li> <li>▪ Part B of Appendix 9B</li> </ul>

73. Currently, the Main LR<sup>81</sup> requires a closed-end fund to include in the CEF Quarterly Report, information prescribed for a listed corporation's quarterly report.
74. However, due to the characteristics of a CEF which does not actively operate any business and which primary purpose is to generate profit or return for its investors through its investments based on a defined investment policy, the Exchange proposes to adopt a different approach for the minimum contents of the CEF Quarterly Reports<sup>82</sup>. In this regard, we propose to prescribe the specific contents of the CEF Quarterly Report in the Main LR, instead of requiring the CEF to comply with the requirements set out in Part A, Appendix 9B of the Main LR, which are more relevant to a listed corporation, BT or REIT.
75. Given the similar nature and characteristics of an ETF and CEF, the Exchange proposes to adopt the contents of the ETF Quarterly Report for the CEF. This ensures parity of regulation of passive investment funds listed on the Exchange.
76. Hence, it is proposed that the notes to the CEF Quarterly Report under the Main LR be clustered into 3 categories as follows:

(d) **Statement of Investment Portfolio**

This is a **new** disclosure item which is aimed at providing greater transparency on the performance of each security the fund has invested in, based on the prescribed classification below.

The Statement of Investment Portfolio must contain an analysis of all investments as at the end of the financial period classified by:

- (iv) country;
- (v) industry; and
- (vi) asset class (such as equity, REITs, bonds, derivatives, etc) with the following details:
  - description of investment;
  - quantity;

<sup>81</sup> See paragraph 9.40 of the Main LR.

<sup>82</sup> Currently, the contents of the CEF Quarterly Report are prescribed in Part A and Part B of Appendix 9B of the Main LR.

- costs;
- market value;
- unrealised profit or loss;
- net book value; and
- net book value as a percentage of the total fund's assets.

The Exchange considers it appropriate to require disclosure of the Statement of Investment Portfolio as such information will help investors in understanding the investments and fund performance better. This, in turn will enable them to make more informed investment decisions. Further, the requirement is also comparable to the requirements in Singapore<sup>83</sup> and Hong Kong<sup>84</sup>.

(e) **Performance Review**

This relates to information on how the fund performs against benchmark indicators and the future prospects in the markets it operates in. This requirement includes disclosure of information such as **analysis of the fund's performance based on changes in total NAV, NAV per unit and changes in prices, review of the markets which the fund invests in, general assessment of future prospects of such markets, material circumstances and statement on soft commission** received by the Manager.

(f) **Additional Interim Financial Information**

This relates to interim financial information such as **information on NAV, NAV backing at book value and NAV per share, number of shares listed, fees and charges paid to the Manager together with the basis, total dividend available for distribution and net income after tax.**

The proposed minimum contents of the CEF Quarterly Report discussed above is set out in **Appendix 3** to this Consultation Paper.

77. With the proposed revisions above, we expect that the CEF Quarterly Report issued will be more relevant, complete and concise to assist investors in understanding and assessing their investments better.

**Proposal 4.1 - Issue(s) for Consultation:**

26. Do you agree with the proposed minimum contents of the CEF Quarterly Report *[paragraph 76 above]*?

Please provide your views and reasons for your views.

27. Is there any other information which should be disclosed in the CEF Quarterly Report? If yes, please provide your suggestions and the reasons for such suggestions.

Please provide your views and reasons for your views.

<sup>83</sup> See "Statement of Portfolio" and Appendix 1 of the Recommended Accounting Practice 7.

<sup>84</sup> See "Investment Portfolio" in Appendix E of the Code on Unit Trusts and Mutual Funds.



## **PROPOSAL 4.2: MINIMUM CONTENTS OF CEF ANNUAL REPORT**

Description	Affected Provision(s) of the Main LR
Simplifying and streamlining the minimum contents of the annual report of a CEF and introducing disclosure of a performance review of the CEF	<ul style="list-style-type: none"> <li>▪ Paragraph 9.41</li> <li>▪ Part B of Appendix 9C</li> </ul>

78. A CEF, like a corporation, is currently required to issue its annual report that includes the annual audited financial statements, auditors' report and directors' report. The CEF annual report must include the information set out in Part A and Part B, Appendix 9C of the Main LR<sup>85</sup>.
79. Similar to Proposal 3.2 above in relation to the annual report of an ETF, the Exchange proposes to update and rearrange the information required to be disclosed in the annual report of a CEF, and introduce the disclosure of a performance review of the CEF.
80. In this regard, the minimum contents of the CEF annual report is proposed to include the following information:
- (a) the existing information set out in Part A, Appendix 9C of the Main LR except for the particulars of the key senior management, chairman statement, particulars of material properties and sustainability statement;
  - (b) the existing requirements in Part B, Appendix 9C of the Main LR relating to the **investment objectives and policies of the CEF, the gross revenue of the CEF, the service charges and management fees paid to the Manager, analysis of the surpluses, number of securities held by the CEF Manager and its family members or fund managed by the CEF Manager and the sales and purchases of investments where the CEF Manager acted as principal**<sup>86</sup> together with the following modifications and enhancements:
    - (i) requiring disclosure of the **particulars of the CEF Manager's directors**;
    - (ii) requiring disclosure of **information on transactions with brokers/dealers** which must include the following<sup>87</sup>:
      - **top 10 brokers/dealers by value of trade**;
      - **the aggregate amount of brokerage fees/commissions paid by the fund as well as the amount of fees/commissions paid to each broker/dealer (highlighting the brokers/dealers related to the Manager) expressed in both value and percentage**;
      - **parties related to the Manager**; and
      - **a statement on whether dealings with related parties have been transacted at an arm's length basis**;

<sup>85</sup> See paragraph 9.41 of the Main LR.

<sup>86</sup> These are set out in paragraphs (1), (2), (3), (7), (9) and (10) in Part B, Appendix 9C of the Main LR.

<sup>87</sup> This is a proposed modification of paragraph 8 in Part B, Appendix 9C of the Main LR.

- (c) **new** information on the **performance review of the CEF**, which must include the following information<sup>88</sup>:

***Financial information***

- (i) a 5 year comparison table showing the total asset value, net asset value, net asset value per unit, highest and lowest net asset value and price per unit, number of units listed, distribution per unit, distribution yield and management expense ratio;
- (ii) average total return of the fund over 1, 3 and 5 years;
- (iii) annual total return of the fund for the last 5 years;
- (iv) performance benchmark;

***Operational review***

- (v) comparison between fund performance and performance benchmark;
- (vi) explanation of significant differences in portfolio composition;
- (vii) analysis of fund's performance based on changes in total net asset value, net asset value per share and changes in prices;
- (viii) review of the markets where the fund invests in;
- (ix) assessment of the fund's future prospects;

***Details of major investments***

- (x) a list of all investments with a value greater than 5% of the CEF's gross assets, and at least the 10 largest investments stating, with comparative figures where relevant:
  - a brief description of the business;
  - percentage of share capital owned;
  - cost;
  - market value or directors' valuation if unlisted;
  - total dividends/distributions received during the year; and
  - distribution yield of each investment (based on year end market value);
- (xi) an analysis of all investments as at the end of the financial year classified by country, industry and asset class (eg. equity, REITs, bonds, derivatives etc). The analysis based on asset class must include the following details:
  - description of investment;
  - quantity;
  - costs;
  - market value;

<sup>88</sup> This information is similar to that required in the performance review of an ETF as proposed in paragraph 69 above.

- unrealised profit/(loss);
- net book value; and
- net book value as a percentage of the CEF's total assets;

**Risks**

- (xii) **risks** that the CEF is exposed to which may have a **material effect on its performance and liquidity, together with a discussion of the plans or strategies** to mitigate such risks.

A complete list of the minimum contents required of a CEF annual report is set out in **Appendix 3** to this Consultation Paper.

81. The Exchange believes that with the proposed enhancements to the annual reports of a CEF above, shareholders of the CEF will be provided with relevant and value add information in a simple, concise and consistent manner so that they are able to make better informed investment decisions.

**Proposal 4.2 - Issue(s) for Consultation:**

28. Do you agree with the proposed minimum contents of the CEF annual report *[paragraph 80 above]*?

Please provide your views and reasons for your views.

29. Is there any other information which should be disclosed in the CEF annual report? If yes, please provide your suggestions and the reasons for such suggestions.

***[End of Part 4]***

## **OTHER ANCILLARY AMENDMENTS FOR GREATER CLARITY AND CERTAINTY**

82. Apart from the Proposals as discussed above, the Exchange also proposes to make various ancillary amendments to the Main LR which are intended to improve the clarity of the requirements, streamline the relevant requirements for consistency and parity in approach, or reflect corresponding changes made to, or terminologies used, in other requirements or guidelines.

***[End of this Part]***

## APPENDIX 1 PROPOSED CONTENTS OF REIT QUARTERLY REPORT AND REIT ANNUAL REPORT

### REIT QUARTERLY REPORT

**Paragraphs 1 – 14 are reproduced from Part A, Appendix 9B of the Main LR. These are to be applied with the necessary modifications.**

1. A detailed analysis of the performance of all operating segments of the group, setting out material factors affecting the earnings and/or revenue of each segment for the current quarter and financial year-to-date.
2. An explanatory comment on any material change in the profit before taxation for the quarter reported on as compared with the immediate preceding quarter.
3. A commentary on the following:
  - (a) the prospects, including the factors that are likely to influence the corporation's prospects for the remaining period to the end of the financial year or the next financial year if the reporting period is the last quarter; and
  - (b) the corporation's progress to achieve the financial estimate, forecast, projection or internal targets in the remaining period to the end of the financial year and the forecast period which was previously announced or disclosed in a public document and steps taken or proposed to be taken to achieve the financial estimate, forecast, projection or internal targets.
4. A statement of the board of directors' opinion as to whether the financial estimate, forecast, projection or internal targets in the remaining period to the end of the financial year and the forecast period which was previously announced or disclosed in a public document are likely to be achieved.
5. An explanatory note for any (only applicable to the final quarter for corporations which have previously announced or disclosed a financial estimate, forecast or projection, or profit guarantee in a public document) –
  - (a) variance of actual profit after tax and minority interest and the profit after tax and minority interest stated in the financial estimate, forecast or projection (where the variance exceeds 10%); and
  - (b) shortfall in the profit guarantee received by the corporation (if any) and steps taken to recover the shortfall.
6. A breakdown of tax charge and an explanation of the variance between the effective and statutory tax rate for the current quarter and financial year-to-date.
7.
  - (a) The status of corporate proposals announced but not completed at the latest practicable date which must not be earlier than 7 days from the date of issue of the quarterly report.
  - (b) Where applicable, a brief explanation of the status of utilisation of proceeds raised from any corporate proposal, including an initial public offering, which must include the information prescribed in the following table:

Purpose	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation	Deviation		Explanations (if the deviation is 5% or more)
	RM'000	RM'000		Amount	%	
(i)						
(ii)						
(iii)						
(iv)						
(v)						
Total						

8. The group borrowings and debt securities as at the end of the reporting period –
- whether secured or unsecured, and a breakdown between secured and unsecured, if applicable;
  - breakdown between short term and long term borrowings; and
  - whether denominated in foreign currency, and a breakdown of the debt/borrowings in each currency, if applicable.
9. Changes in material litigation (including status of any pending material litigation) since the date of the last annual statement of financial position which must be made up to a date not earlier than 7 days from the date of issue of the quarterly report.
10. Dividend: To be completed if a decision regarding dividend has been made. (State whether dividend amount is before tax, net of tax or tax exempt and if before tax or net of tax, state the tax rate) –
- an interim/final ordinary dividend has/has not been declared/ recommended;
    - the amount per share.....sen;
    - the previous corresponding period.....sen;
    - the date payable.....; and
    - in respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at .....dd/mm/yyyy; and
  - the total dividend for the current financial year..... sen.
11. To disclose the following in respect of earnings per share:
- the amount used as the numerator in calculating basic and diluted earnings per share and a reconciliation of those amounts to the net profit or loss for the reporting period; and
  - the weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other.
12. Where the audit report of the corporation's preceding annual financial statements was qualified, disclosure of the qualification and the current status of the matter(s) giving rise to the qualification for the current quarter and financial year to date.

13. The following items must be included either in the statement of profit and loss and other comprehensive income or in the notes to the statement of profit and loss and other comprehensive income for the current quarter and financial year to date:
  - (a) interest income;
  - (b) other income including investment income;
  - (c) interest expense;
  - (d) depreciation and amortization;
  - (e) provision for and write off of receivables;
  - (f) provision for and write off of inventories;
  - (g) gain or loss on disposal of quoted or unquoted investments or properties;
  - (h) impairment of assets;
  - (i) foreign exchange gain or loss;
  - (j) gain or loss on derivatives; and
  - (k) exceptional items (with details). If any of the items above is not applicable to the listed issuer, a statement to that effect.
  
14. The statement of cash flows must include details of the major components on each of the following activities:
  - (a) the operating activities of the listed issuer;
  - (b) the investing activities of the listed issuer; and
  - (c) the financing activities of the listed issuer.

***Paragraphs 15 – 30 are the additional information specific to a REIT. These are currently prescribed in the SC REIT Guidelines***

15. An analysis of the real estate investment trust's performance based on changes in total net asset value and net asset value per unit since the last review period or since commencement (for newly established funds).
16. An explanation on any differences in portfolio composition between the period under review and previous year (where applicable).
17. The status of the property development activities, where applicable. **[NEW]**
18. The net asset value of the real estate investment trust.
19. The net asset value backing at book value per unit as at balance sheet date.
20. The net asset value per unit (ex-distribution, where applicable).
21. The number of units listed.
22. The fees and charges paid to the management company, with each type of fee and charge shown separately.
23. The fees paid to the trustee and any reimbursement of the trustee's expenses.

24. Basis for the fees and charges paid to the management company and trustee.
25. The valuation fees.
26. Payments made to charitable bodies (for Shariah-compliant real estate investment trusts).
27. The net income after tax to be shown separately between realized and unrealized portions.
28. Total amount available for distribution and distribution per unit (interim and final).
29. Sources of distribution made to unit holders in the format as follows:

**Statement of income distribution**

	20X8 RM'000	20X7 RM'000
Rental income	XXX	XXX
Dividend income	XXX	XXX
Interest income	XX	XX
Realised gains [less losses] on sale of real estate/investments	XXX	XXX
Previous period's realised gains	XX	XX
Other income	XXX	XXX
	<hr/>	<hr/>
	XXXX	XXXX
<u>Less:</u>		
Expenses	XX	XX
Taxation	XX	XX
	<hr/>	<hr/>
	XXX	XXX
	<hr/> <hr/>	<hr/> <hr/>
Distribution per unit (sen)	X	X

30. Additional statements on distributions in the event –
  - (a) there are unrealised losses (arising during the period or brought forward from previous period) within the real estate investment trust; or
  - (b) distributions are made from previous year's realised gains.



## **REIT ANNUAL REPORT**

***Paragraphs 1 – 15 are reproduced from Part A, Appendix 9C of the Main LR. These are to be applied with the necessary modifications.***

1. The address, telephone and facsimile numbers of the registered office.
2. The address, telephone and facsimile numbers of each office at which a register of securities is kept.
3. The particulars of each director in the listed issuer including the following information:
  - (a) the name, age, gender, nationality, qualification and whether the position is an executive or non-executive one and whether such director is an independent director;
  - (b) working experience and occupation;
  - (c) the date the person was first appointed to the board;
  - (d) the details of any board committee to which the person belongs;
  - (e) any other directorship in public companies and listed issuers;
  - (f) any family relationship with any director and/or major shareholder of the listed issuer;
  - (g) any conflict of interests that the person has with the listed issuer;
  - (h) other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any; and
  - (i) the number of board meetings attended in the financial year.
4. Name of the chief executive and where the chief executive is not a director, the following particulars:
  - (a) the age, gender, nationality and qualification;
  - (b) working experience;
  - (c) the date the person was first appointed to the listed issuer;
  - (d) the details of any interest in the securities of the listed issuer or its subsidiaries;
  - (e) any directorship in public companies and listed issuers;
  - (f) any family relationship with any director and/or major shareholder of the listed issuer;
  - (g) any conflict of interests that the person has with the listed issuer; and
  - (h) other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any.
5. The name of the company secretary.
6. The audit committee report in respect of the financial year required under paragraph 15.15.

7. A statement relating to corporate governance in respect of the financial year required under paragraph 15.25.
8. A responsibility statement in respect of the annual audited financial statements required under paragraph 15.26(a).
9. A statement on risk management and internal control in respect of the financial year required under paragraph 15.26(b).
10. The remuneration of directors of the listed issuer (including the remuneration for services rendered to the listed issuer as a group) for the financial year and in the following manner, stating the amount received from the listed issuer and the amount received on a group basis respectively:
  - (a) the aggregate remuneration of directors with categorisation into appropriate components (e.g. directors' fees, salaries, percentages, bonuses, commission, compensation for loss of office, benefits in kind based on an estimated money value) distinguishing between executive and non-executive directors; and
  - (b) the number of directors whose remuneration falls in each successive band of RM50,000 distinguishing between executive and non-executive directors.
11. The total number of board meetings held during the financial year.
12. Where applicable, a brief explanation of the status of utilisation of proceeds raised from any corporate proposal.
13. The following particulars in relation to the audit and non-audit services rendered to the listed issuer or its subsidiaries for the financial year:
  - (a) amount of audit fees paid or payable to the listed issuer's auditors, stating the amount incurred by the listed issuer and the amount incurred on a group basis respectively; and
  - (b) amount of non-audit fees paid or payable to the listed issuer's auditors, or a firm or corporation affiliated to the auditors' firm, stating the amount incurred by the listed issuer and the amount incurred on a group basis respectively. If the non-audit fees incurred were significant, details on the nature of the services rendered. If no non-audit fees were incurred, a statement to that effect.
14. A statement by the board of directors relating to the training attended by directors in respect of the financial year required under paragraph 15.08(3).
15. A description of the corporate social responsibility activities or practices undertaken by the listed issuer and its subsidiaries or if there are none, a statement to that effect.

**Paragraphs 16 – 32 are the additional information specific to a REIT. Most of these are currently prescribed in the SC REIT Guidelines with some modifications.**

16. Name, type and category of the real estate investment trust.
17. Duration of the real estate investment trust and its termination date (where applicable).
18. Distribution policy of the real estate investment trust.
19. Details of the trustee as set out in paragraph 1, Part A of Appendix 9C.
20. Details of the investment committee member as set out in paragraph 3, except for the information prescribed in subparagraphs (d) and (e), in Part A of Appendix 9C.

21. Composition of the investment portfolio of the fund as at the date of the financial report grouped in appropriate categories, e.g. real estate (listed by types e.g. residential, commercial, industrial), real estate-related assets (e.g. stocks, debentures, other real estate investment trusts), that would facilitate a meaningful analysis. For each category, the following must be stated, where applicable:
- (a) the carrying amounts of investments;
  - (b) description of investment including quantity held;
  - (c) total cost of the investment;
  - (d) market value of the investment;
  - (e) net book value; and
  - (f) percentage of net book value as compared to the total fund assets.

For investments in real estate-related assets and non-real estate related assets, a list of suspended counters and non-approved securities (for Shariah-based funds) should be separately identified. Action(s) to be taken on these suspended counters must be disclosed.

22. A summary of all investments in property development activities or acquisition of vacant land for development, if applicable. **[NEW]**
23. Fees and charges paid to the management company, with each type of fee and charge shown separately.
24. Fees paid to trustee and any reimbursement of trustee's expenses.
25. Basis for the fees and charges paid to the management company and trustee.
26. Statement containing the management discussion and analysis of the real estate investment trust's business operations and performance (including financial performance) during the financial year ("**REIT MD&A**"). The REIT MD&A must include at least the following information:

**Financial Information**

- (a) A comparative table covering the last 5 financial years, or since inception, if shorter, showing for the end of each financial year –
  - (i) the total asset value of the real estate investment trust;
  - (ii) the net asset value of the real estate investment trust (ex-distribution);
  - (iii) the net asset value per unit of the real estate investment trust (ex-distribution);
  - (iv) the highest and lowest net asset value per unit of the real estate investment trust (ex-distribution);
  - (v) the highest and lowest price per unit;
  - (vi) the number of units listed;
  - (vii) the distribution per unit (interim and final) and the date for each distribution together with the effects of the income distribution on the net asset value per unit before and after distribution;

- (viii) the distribution yield of the real estate investment trust; and
  - (ix) the management expense ratio (“**MER**”) of the real estate investment trust, and if applicable, an explanation for the difference in MER which is 10% or more during the financial year, together with a statement that the MER has been verified by the auditors.
- (b) Average total return (including income distributions made and capital gains) of the real estate investment trust measured over the following periods to the date of the report:
- (i) 1 year, or since inception, if shorter;
  - (ii) 3 years; and
  - (iii) 5 years.
- (c) Annual total return (including income distributions made and capital gains) of the real estate investment trust for each of the last 5 financial years, or since inception, if shorter.
- (d) The real estate investment trust’s performance benchmark.
- (e) Any other performance data aside from those mentioned in subparagraphs (a) to (d) above. However, all performance data presented must comply with the following requirements:
- (i) the bases of calculation and any assumptions made should be consistently applied, adequately disclosed and independently verified; and
  - (ii) the data used must be obtained from independent sources.

**Real Estate Information**

- (f) The real estate of the real estate investment trust, including those held via single-purpose companies (i.e. unlisted companies whose principal assets comprise real estate) as at the end of the financial year. The information must include the following:
- (i) details of the real estate owned by the real estate investment trust (to be disclosed separately for each real estate) such as –
    - (aa) name and address of the real estate;
    - (bb) description, property type, and age of the real estate;
    - (cc) title details, encumbrances or limitations in title and interests (if any);
    - (dd) tenure of real estate and if it is a leasehold property, the remaining lease period;
    - (ee) net lettable area, existing use, occupancy rates and number of parking spaces;
    - (ff) brief particulars of tenancies highlighting, among others, the major tenants, tenancy and lease periods, average lease period, trade sector mix of tenants (in terms of percentage of gross rental income and net lettable area);
    - (gg) date of acquisition of real estate;

- (hh) acquisition price;
- (ii) fair value adjustments;
- (jj) market value of the real estate, date of latest valuation and name of independent valuer that carried out the valuation;
- (kk) net book value of the real estate; and
- (ll) name and address of the property manager for each real estate;
- (ii) where a real estate is acquired or disposed during the year, the following information:
  - (aa) identity of the vendor or purchaser of the real estate

***in the case of an acquisition***

  - (bb) the information as set out in subparagraph (i) above;

***in the case of a disposal***

  - (cc) name and address of the real estate;
  - (dd) date of disposal;
  - (ee) disposal price;
  - (ff) market value of the real estate;
  - (gg) date of latest valuation;
  - (hh) name of independent valuer that carried out the valuation; and
  - (ii) gain or loss on disposal;
- (iii) where a real estate is acquired from, or disposed to, a related party during the financial year, the following details must be disclosed:
  - (aa) the information in subparagraph (ii) above; and
  - (bb) the relationship between the vendor or purchaser with the real estate investment trust, management company or trustee; and
- (iv) an explanation on major maintenance costs and major capital expenditure incurred during the financial year.

**Operational Review**

- (g) The discussion on the operational review of the real estate investment trust must include the following information:
  - (i) the result of the operations and details of significant changes in the state of affairs of the real estate investment trust during the financial year;
  - (ii) the amount of income support payments received by the real estate investment trust during the financial year and the effect of these payments on the real estate investment trust's distribution per unit, if applicable. **[NEW]**

- (iii) comparison between the real estate investment trust's performance and the performance benchmark for the last 5 financial years or since inception, if shorter, and illustrated in graphical form;
- (iv) an explanation on any significant differences in portfolio composition between the financial year under review and previous year (where applicable);
- (v) an analysis of the real estate investment trust's performance based on changes in total net asset value and net asset value per unit since the last financial year or since inception, if shorter;
- (vi) an analysis of the real estate investment trust's performance based on changes in prices since the last financial year or since listing, if shorter;
- (vii) review of the market(s) (including foreign markets) in which the real estate investment trust invests in during the financial year and analysis by each real estate or property sector (e.g. industrial or commercial);

**Risks [NEW]**

- (h) any identified anticipated or known risks that the group is exposed to which may have a material effect on the REIT's operations, performance, financial condition, and liquidity together with a discussion of the plans or strategies to mitigate such risks; and

**Forward-looking statement [NEW]**

- (i) forward-looking statement providing commentary on the –
  - (i) possible trend, outlook and sustainability of the real estate investment trust's business; and
  - (ii) prospects of new businesses or investments,
 and the proposed strategies of the real estate investment trust based on its review.

27. Particulars of material contracts of the real estate investment trust involving the interest of the management company, its directors, its chief executive who is not a director, its major shareholders or major unit holders, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year, providing the following particulars for each contract:

- (a) the date;
- (b) the parties;
- (c) the general nature;
- (d) the consideration passing to or from the fund;
- (e) the mode of satisfaction of the consideration; and
- (f) the relationship between the management company, its directors, its chief executive, its major shareholders or major unit holders and the contracting party (if the management company, its director, its chief executive, its major shareholder or major unit holder is not the contracting party).

If no material contract has been entered into, a statement to that effect.

28. Where the above contract relates to a loan (such as bank loan or loan from a special purpose vehicle that issues debentures), the following particulars:
- (a) names of the lender and the borrower;
  - (b) relationship between the borrower and the management company, its directors, its chief executive who is not a director, its major shareholders or major unit holders (if the management company, its director, its chief executive, its major shareholder or major unit holder is not the borrower);
  - (c) purpose of the loan;
  - (d) amount of the loan;
  - (e) interest rate;
  - (f) terms as to payment of interest and repayment of principal;
  - (g) security or collateral provided; and
  - (h) the real estate investment trust's gearing ratio.
29. Changes in material litigation (including status of any pending material litigation) since the last financial year, which should be made up to a date not earlier than seven days from the date of the report.
30. A statement (indicating the date of such statement) that sets out –
- (a) the names of the major unit holders (excluding bare trustees) and their direct and deemed interests, stating the number and percentage of units in which they have an interest;
  - (b) the number of holders of each class of units and the voting rights attached to each class (where applicable); and
  - (c) the names of the 30 unit holders having the largest number of units according to the Record of Depositors (without aggregating the securities from different securities accounts belonging to the same person) and the number and percentage of units held. In the case of securities account holders which are authorised nominees as defined under the Securities Industry (Central Depositories) Act 1991, information in the account qualifier field of the securities account.

***[End of the Appendix 1]***

## APPENDIX 2 PROPOSED CONTENTS OF ETF QUARTERLY REPORT AND ETF ANNUAL REPORT

### **ETF QUARTERLY REPORT**

*Paragraphs 1 – 3 are the information specific to an ETF. Except for paragraph 1 which is new, the rest are currently prescribed in the SC ETF Guidelines and adopted with modifications.*

#### **1. Statement of Investment Portfolio [New]**

An analysis of all investments as at the end of the financial period classified by:

- (a) country;
- (b) industry; and
- (c) asset class (such as equity, real estate investment trusts, bonds, derivatives, etc) with the following details:
  - (i) description of investment;
  - (ii) quantity;
  - (iii) costs;
  - (iv) market value;
  - (v) unrealised profit or loss;
  - (vi) net book value; and
  - (vii) net book value as a percentage of the total assets of the exchange-traded fund.

#### **2. Performance Review**

The performance review of the exchange-traded fund during the financial period which must include, at least the following information:

- (a) an analysis of the exchange-traded fund's performance based on changes in total net asset value and net asset value per unit since the last review period or since inception, if shorter;
- (b) an analysis of the exchange-traded fund's performance based on changes in prices since the last review period or since listing, if shorter;
- (c) review of the market(s) relating to the benchmark index (including foreign markets) in which the exchange-traded fund invests in during the period;
- (d) general assessment of the future prospects of the market(s) relating to the benchmark index the exchange-traded fund invests in;
- (e) any circumstances which materially affect any interests of the unit holders;



- (f) a statement whether any soft commission has or has not been received by the management company or its delegate during the period under review from its brokers/dealers by virtue of transactions conducted for the exchange-traded fund. If soft commission (such as goods and services) is received, the following must be disclosed:
- (i) identification of the goods or services received; and
  - (ii) manner in which the goods or services received were utilised.

### 3. Additional Interim Financial Information

The following additional interim financial information:

- (a) net asset value of the exchange-traded fund;
- (b) net asset value backing at book value per unit as at balance sheet date;
- (c) net asset value per unit (ex-distribution, where applicable);
- (d) number of units listed;
- (e) fees and charges paid to the management company, with each type of fee and charge shown separately;
- (f) fees paid to trustee and any reimbursement of trustee's expenses;
- (g) basis for the fees and charges paid to the management company and trustee;
- (h) payment made to charitable bodies (for Shariah-compliant exchange-traded funds);
- (i) total amount available for distribution and distribution per unit (interim and final);
- (j) the net income after tax to be shown separately between realised and unrealised portions;
- (k) sources of distribution made to unit holders in the format as follows:

#### Statement of Income Distribution

	<b>20X8</b> <b>RM'000</b>	<b>20X7</b> <b>RM'000</b>
Dividend income	XXX	XXX
Interest income	XX	XX
Realised gains [less losses] on sale of investments	XXX	XXX
Previous period's realised gains	XX	XX
Other income	XXX	XXX
	<hr/>	<hr/>
	XXXX	XXXX
Less:		
Expenses	XX	XX
Taxation	XX	XX
	<hr/>	<hr/>
	XXX	XXX
Distribution per unit (sen)	<hr/> <hr/> X	<hr/> <hr/> X

- (l) additional statements on distributions in the event –
  - (i) there are unrealised losses (arising during the period or brought forward from previous period) within the exchange-traded fund; or
  - (ii) distributions are made from previous year's realised gains.

## **ETF ANNUAL REPORT**

***Paragraphs 1 – 11 are reproduced from Part A, Appendix 9C of the Main LR. These are to be applied with the necessary modifications.***

1. The address, telephone and facsimile numbers of the registered office.
2. The address, telephone and facsimile numbers of each office at which a register of securities is kept.
3. The particulars of each director in the listed issuer including the following information:
  - (a) the name, age, gender, nationality, qualification and whether the position is an executive or non-executive one and whether such director is an independent director;
  - (b) working experience and occupation;
  - (c) the date the person was first appointed to the board;
  - (d) the details of any board committee to which the person belongs;
  - (e) any other directorship in public companies and listed issuers;
  - (f) any family relationship with any director and/or major shareholder of the listed issuer;
  - (g) any conflict of interests that the person has with the listed issuer;
  - (h) other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any; and
  - (i) the number of board meetings attended in the financial year.
4. Name of the chief executive and where the chief executive is not a director, the following particulars:
  - (a) the age, gender, nationality and qualification;
  - (b) working experience;
  - (c) the date the person was first appointed to the listed issuer;
  - (d) the details of any interest in the securities of the listed issuer or its subsidiaries;
  - (e) any directorship in public companies and listed issuers;
  - (f) any family relationship with any director and/or major shareholder of the listed issuer;
  - (g) any conflict of interests that the person has with the listed issuer; and

- (h) other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any.
5. The name of the company secretary.
6. A responsibility statement in respect of the annual audited financial statements required under paragraph 15.26(a).
7. The remuneration of directors of the listed issuer (including the remuneration for services rendered to the listed issuer as a group) for the financial year and in the following manner, stating the amount received from the listed issuer and the amount received on a group basis respectively:
  - (a) the aggregate remuneration of directors with categorisation into appropriate components (e.g. directors' fees, salaries, percentages, bonuses, commission, compensation for loss of office, benefits in kind based on an estimated money value) distinguishing between executive and non-executive directors; and
  - (b) the number of directors whose remuneration falls in each successive band of RM50,000 distinguishing between executive and non-executive directors.
8. The total number of board meetings held during the financial year.
9. Where applicable, a brief explanation of the status of utilisation of proceeds raised from any corporate proposal.
10. The following particulars in relation to the audit and non-audit services rendered to the listed issuer or its subsidiaries for the financial year:
  - (a) amount of audit fees paid or payable to the listed issuer's auditors, stating the amount incurred by the listed issuer and the amount incurred on a group basis respectively; and
  - (b) amount of non-audit fees paid or payable to the listed issuer's auditors, or a firm or corporation affiliated to the auditors' firm, stating the amount incurred by the listed issuer and the amount incurred on a group basis respectively. If the non-audit fees incurred were significant, details on the nature of the services rendered. If no non-audit fees were incurred, a statement to that effect.
11. A statement by the board of directors relating to the training attended by directors in respect of the financial year required under paragraph 15.08(3).

**Paragraphs 12 – 22 are the additional information specific to an ETF. Except those marked as “NEW”, the rest are currently prescribed in the SC ETF Guidelines and adopted with modifications.**

12. Name, type and category of the exchange-traded fund.
13. Duration of the exchange-traded fund and its termination date (where applicable).
14. Distribution policy of the exchange-traded fund.
15. Details of the trustee as set out in paragraph 1, Part A of Appendix 9C.
16. Details of the investment committee member as set out in paragraph 3, except for the information prescribed in subparagraphs (d) and (e), in Part A of Appendix 9C, where applicable.

17. Fees and charges paid to the management company, with each type of fee and charge shown separately.
18. Fees paid to trustee and any reimbursement of trustee's expenses.
19. Basis for the fees and charges paid to the management company and trustee.
20. Discussion on the performance review of the exchange-traded fund which must include at least the following information:

**Financial Information**

- (a) A comparative table covering the last 5 financial years, or since inception, if shorter, showing for the end of each financial year –
  - (i) the total asset value of the exchange-traded fund;
  - (ii) the net asset value of the exchange-traded fund (ex-distribution);
  - (iii) the net asset value per unit of the exchange-traded fund (ex-distribution);
  - (iv) the highest and lowest net asset value per unit of the exchange-traded fund (ex-distribution);
  - (v) the highest and lowest price per unit;
  - (vi) the number of units listed;
  - (vii) the distribution per unit (interim and final) and the date for each distribution together with the effects of the income distribution on the net asset value per unit before and after distribution;
  - (viii) the distribution yield of the exchange-traded fund; and
  - (ix) the management expense ratio (“**MER**”) of the exchange-traded fund, and if applicable, an explanation for the difference in MER which is 10% or more during the financial year, together with a statement that the MER has been verified by the auditors.

For purpose of this subparagraph, MER has the meaning given to it under paragraph 8(a)(ix) in Part B of Appendix 9C above.
- (b) Average total return (including income distributions made and capital gains) of the exchange-traded fund measured over the following periods to the date of the report:
  - (i) 1 year, or since inception, if shorter;
  - (ii) 3 years; and
  - (iii) 5 years.
- (c) Annual total return (including income distributions made and capital gains) of the exchange-traded fund for each of the last 5 financial years, or since inception, if shorter.
- (d) The exchange-traded fund's benchmark index.
- (e) Any other performance data aside from those mentioned in subparagraphs (a) to (d) above. However, all performance data presented must comply with the following requirements:

- (i) the bases of calculation and any assumptions made should be consistently applied, adequately disclosed and independently verified; and
- (ii) the data used must be obtained from independent sources.

#### **Details of Major Investments [NEW]**

- (f) A list of all investments with a value greater than 5% of the exchange-traded fund's gross assets, and at least the 10 largest investments stating, with comparative figures where relevant -
  - (i) a brief description of the business;
  - (ii) percentage of share capital owned;
  - (iii) cost;
  - (iv) market value or directors' valuation if unlisted;
  - (v) total dividends/distribution received during the year; and
  - (vi) dividend/distribution yield of each investment (based on year end market value).
- (g) An analysis of all investments as at the end of the financial year classified by -
  - (i) country;
  - (ii) industry; and
  - (iii) asset class (e.g. equity, real estate investment trusts, bonds, derivatives, etc) with the following details:
    - (aa) description of investment;
    - (bb) quantity;
    - (cc) costs;
    - (dd) market value;
    - (ee) unrealised profit or loss;
    - (ff) net book value; and
    - (gg) net book value as a percentage of the total assets of the exchange-traded fund.

#### **Operational Review**

- (h) The discussion on the operational review of the exchange-traded fund must include the following information:
  - (i) the result of the operations and details of significant changes in the state of affairs of the exchange-traded fund during the financial year;
  - (ii) comparison between the exchange-traded fund's performance and the performance benchmark for the last 5 financial years or since inception, if shorter, illustrated in graphical form;

- (iii) an explanation on any significant differences in portfolio composition between the financial year under review and previous year (where applicable);
- (iv) an analysis of the exchange-traded fund's performance based on changes in total net asset value and net asset value per unit since the last financial year or since inception, if shorter;
- (v) an analysis of the exchange-traded fund's performance based on changes in prices since the last financial year or since listing;
- (vi) review of the market(s) relating to the benchmark index (including foreign markets) in which the exchange-traded fund invests in during the financial year;
- (vii) general assessment of the future prospects of the market(s) relating to the benchmark index the exchange-traded fund invests in, and the proposed strategies of the exchange-traded fund based on the assessment; and

**Risks [NEW]**

- (i) any identified anticipated or known risks that the exchange-traded fund is exposed to which may have a material effect on the exchange-traded fund's performance and liquidity together with a discussion of the plans or strategies to mitigate such risks.
21. Changes in material litigation (including status of any pending material litigation) since the last financial year, which should be made up to a date not earlier than seven days from the date of the report.
22. A statement (indicating the date of such statement) that sets out –
- (a) the names of the major unit holders (excluding bare trustees) and their direct and deemed interests, stating the number and percentage of units in which they have an interest;
  - (b) the number of holders of each class of units and the voting rights attaching to each class (if applicable); and
  - (c) the names of the 30 unit holders having the largest number of units according to the Record of Depositors (without aggregating the securities from different securities accounts belonging to the same person) and the number and percentage of units held. In the case of securities account holders which are authorised nominees as defined under the Securities Industry (Central Depositories) Act 1991, information in the account qualifier field of the securities account.

***[End of the Appendix 2]***

## APPENDIX 3 PROPOSED CONTENTS OF CEF QUARTERLY REPORT AND CEF ANNUAL REPORT

### CEF QUARTERLY REPORT

*Paragraphs 1 – 3 are new proposals.*

#### 1. Statement of Investment Portfolio

An analysis of all investments as at the end of the financial period classified by:

- (a) country;
- (b) industry; and
- (c) asset class (such as equity, real estate investment trusts, bonds, derivatives, etc) with the following details:
  - (i) description of investment;
  - (ii) quantity;
  - (iii) costs;
  - (iv) market value;
  - (v) unrealised profit or loss;
  - (vi) net book value; and
  - (vii) net book value as a percentage of the total assets of the closed-end fund.

#### 2. Performance Review

The performance review of the closed-end fund during the financial period which must include, at least the following information:

- (a) an analysis of the closed-end fund's performance based on changes in total net asset value and net asset value per share since the last review period or since inception, if shorter;
- (b) an analysis of the closed-end fund's performance based on changes in prices since the last review period or since listing, if shorter;
- (c) review of the market(s) (including foreign markets) in which the closed-end fund invests in during the period;
- (d) general assessment of the future prospects of the market(s) the closed-end fund invests in;
- (e) any circumstances which materially affect any interests of the shareholders;
- (f) a statement whether any soft commission has or has not been received by the Manager during the period under review from its brokers/dealers by virtue of transactions conducted for the closed-end fund. If soft commission (such as goods and services) is received, the following must be disclosed:

- (i) identification of the goods/services received; and
- (ii) manner in which the goods/services received were utilised.

**3. Additional Interim Financial Information**

The following additional interim financial information:

- (a) net asset value of the closed-end fund;
- (b) net asset value per share (ex-distribution, where applicable);
- (c) net asset value backing at book value per share as at balance sheet date;
- (d) number of shares listed;
- (e) fees and charges paid to the Manager, with each type of fee and charge shown separately;
- (f) basis for the fees and charges paid to the Manager;
- (g) total dividend available and dividend amount per unit (interim and final); and
- (h) the net income after tax to be shown separately between realised and unrealised portions.

**CEF ANNUAL REPORT**

***Paragraphs 1 – 20 are reproduced from Part A, Appendix 9C of the Main LR. These are to be applied with the necessary modifications.***

- 1. The address, telephone and facsimile numbers of the registered office.
- 2. The address, telephone and facsimile numbers of each office at which a register of securities is kept.
- 3. The particulars of each director in the listed issuer including the following information:
  - (a) the name, age, gender, nationality, qualification and whether the position is an executive or non-executive one and whether such director is an independent director;
  - (b) working experience and occupation;
  - (c) the date the person was first appointed to the board;
  - (d) the details of any board committee to which the person belongs;
  - (e) any other directorship in public companies and listed issuers;
  - (f) any family relationship with any director and/or major shareholder of the listed issuer;
  - (g) any conflict of interests that the person has with the listed issuer;
  - (h) other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any; and
  - (i) the number of board meetings attended in the financial year.



4. Name of the chief executive and where the chief executive is not a director, the following particulars:
  - (a) the age, gender, nationality and qualification;
  - (b) working experience;
  - (c) the date the person was first appointed to the listed issuer;
  - (d) the details of any interest in the securities of the listed issuer or its subsidiaries;
  - (e) any directorship in public companies and listed issuers;
  - (f) any family relationship with any director and/or major shareholder of the listed issuer;
  - (g) any conflict of interests that the person has with the listed issuer; and
  - (h) other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any.
5. The name of the company secretary.
6. The audit committee report in respect of the financial year required under paragraph 15.15.
7. A statement on the activities of the nominating committee in the discharge of its duties for the financial year required under paragraph 15.08A(3).
8. A statement relating to corporate governance in respect of the financial year required under paragraph 15.25.
9. A responsibility statement in respect of the annual audited financial statements required under paragraph 15.26(a).
10. A statement on risk management and internal control in respect of the financial year required under paragraph 15.26(b).
11. The remuneration of directors of the listed issuer (including the remuneration for services rendered to the listed issuer as a group) for the financial year and in the following manner, stating the amount received from the listed issuer and the amount received on a group basis respectively:
  - (a) the aggregate remuneration of directors with categorisation into appropriate components (e.g. directors' fees, salaries, percentages, bonuses, commission, compensation for loss of office, benefits in kind based on an estimated money value) distinguishing between executive and non-executive directors; and
  - (b) the number of directors whose remuneration falls in each successive band of RM50,000 distinguishing between executive and non-executive directors.
12. The total number of board meetings held during the financial year.
13. Where applicable, a brief explanation of the status of utilisation of proceeds raised from any corporate proposal.
14. The following particulars in relation to the audit and non-audit services rendered to the listed issuer or its subsidiaries for the financial year:
  - (a) amount of audit fees paid or payable to the listed issuer's auditors, stating the amount incurred by the listed issuer and the amount incurred on a group basis respectively; and

- (b) amount of non-audit fees paid or payable to the listed issuer's auditors, or a firm or corporation affiliated to the auditors' firm, stating the amount incurred by the listed issuer and the amount incurred on a group basis respectively. If the non-audit fees incurred were significant, details on the nature of the services rendered. If no non-audit fees were incurred, a statement to that effect.
15. Particulars of material contracts of the listed issuer and its subsidiaries, involving the interests of the directors, chief executive who is not a director or major shareholders, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year, providing the following particulars in respect of each such contract:
- (a) the date;
  - (b) the parties;
  - (c) the general nature;
  - (d) the consideration passing to or from the listed issuer or any other corporation in the group;
  - (e) the mode of satisfaction of the consideration; and
  - (f) the relationship between the director, chief executive or major shareholder and the contracting party (if the director, chief executive or major shareholder is not the contracting party). If no such material contract has been entered into, a statement to that effect.
16. Where the above contract relates to a loan, the following particulars in respect of each loan:
- (a) the names of the lender and the borrower;
  - (b) the relationship between the borrower and the director, chief executive who is not a director or major shareholder (if the director, chief executive or the major shareholder is not the borrower);
  - (c) the purpose of the loan;
  - (d) the amount of the loan;
  - (e) the interest rate;
  - (f) the terms as to payment of interest and repayment of principal; and
  - (g) the security provided.
17. A statement indicating the date of such statement and setting out –
- (a) the names of the substantial shareholders and their direct and deemed interests stating the number and percentage of shares in which they have an interest as shown in the register of substantial shareholders of the listed issuer;
  - (b) a statement showing the direct and deemed interests in the listed issuer, or in a related corporation (including number and percentage) of –
    - (i) each director appearing in the register maintained under section 134 of the Companies Act 1965; and
    - (ii) chief executive who is not a director;

- (c) the number of holders of each class of equity securities and any convertible securities and the voting rights attaching to each class;
- (d) a distribution schedule of each class of equity securities and any convertible securities setting out the number of holders and percentage in the following categories:

No. of Holders	Holdings	Total Holdings	%
	less than 100		
	100 to 1,000 shares		
	1,001 to 10,000 shares		
	10,001 to 100,000 shares		
	100,001 to less than 5% of issued shares		
	5% and above of issued shares		
			100%

- (e) the names of the 30 securities account holders having the largest number of securities from each class of equity securities and convertible securities according to the Record of Depositors (without aggregating the securities from different securities accounts belonging to the same person) and the number and percentage of equity securities and convertible securities of each class held. In the case of securities account holders which are authorised nominees as defined under the Securities Industry (Central Depositories) Act 1991, information in the account qualifier field of the securities account must also be stated.

18. The following information in relation to an Employee Share Scheme:

- (a) the number of schemes currently in existence during the financial year, and brief details of each scheme including –
  - (i) total number of options or shares granted;
  - (ii) total number of options exercised or shares vested; and
  - (iii) total options or shares outstanding;
- (b) in regard to options or shares granted to the directors and chief executive:
  - (i) aggregate options or shares granted;
  - (ii) aggregate options exercised or shares vested; and
  - (iii) aggregate options or shares outstanding;
- (c) in regard to options or shares granted to the directors and senior management –
  - (i) aggregate maximum allocation applicable to directors and senior management in percentage; and
  - (ii) the actual percentage granted to them, during the financial year and since commencement of the scheme respectively; and
- (d) a breakdown of the options offered to and exercised by, or shares granted to and vested in (if any) non-executive directors pursuant to an Employee Share Scheme in respect of the financial year in tabular form as follows:

Name of director	Amount of options/shares granted	Amount of options exercised/shares vested
1.		
2.		
3.		
Total		

19. A statement by the board of directors relating to the training attended by directors in respect of the financial year required under paragraph 15.08(3).
20. A statement relating to the internal audit function of the listed issuer, i.e. whether the internal audit function is performed in-house or is outsourced and the costs incurred for the internal audit function in respect of the financial year.

**Paragraphs 21 – 29 are the additional information specific to a CEF. Except for paragraph 29 which is new, the rest are reproduced from Part B, Appendix 9C of the Main LR with modifications**

21. Information relating to the Manager as follows:
  - (a) the name, nationality, qualification and working experience;
  - (b) any conflict of interests that the Manager has with the closed-end fund; and
  - (c) other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any.
22. A detailed statement of its investment objectives and policies and the manner in which those policies have been carried into effect (where applicable).
23. The gross revenue of the closed-end fund, to be divided separately to show at least the interest, dividends, profit/loss on the sale of investments and any item of revenue amounting to 5% or more of the gross revenue.
24. The initial service charges, management fees or any other fees paid to the Managers to be shown separately under gross expenses of the closed-end fund.
25. An analysis of realised and unrealised surpluses, stating separately profits and losses as between listed and unlisted investments.
26. Information on transactions with brokers/dealers which must include the following:
  - (a) top 10 brokers/dealers by value of trade;
  - (b) the aggregate amount of brokerage fees/commissions paid by the closed-end fund as well as the amount of fees/commissions paid to each broker/dealer (highlighting the brokers/dealers related to the Manager) expressed in both value and percentage);
  - (c) related parties of the Manager; and
  - (d) a statement on whether dealings with the related parties in subparagraph (c) above have been transacted at an arm's length basis.
27. The number of securities (if any) held by the Manager and family members of Manager (where applicable) or by other funds managed by the Manager, at the date of the statement of financial position.

28. Sales and purchases of investments into and from the closed-end fund, where the Manager acted as principal.
29. A performance review of the closed-end fund which must include at least the following information: **[NEW]**

**Financial Information**

- (a) A comparative table covering the last 5 financial years, or since inception, if shorter, showing for the end of each financial year –
- (i) the total asset value of the closed-end fund;
  - (ii) the net asset value of the closed-end fund (ex-distribution);
  - (iii) the net asset value per share of the closed-end fund (ex-distribution);
  - (iv) the highest and lowest net asset value per share of the closed-end fund (ex-distribution);
  - (v) the highest and lowest price per share;
  - (vi) the number of shares listed;
  - (vii) the dividend amount per share (interim and final) and the date for each dividend payment together with the effects of the dividend payment on the net asset value per share before and after payment;
  - (viii) the dividend yield of the closed-end fund; and
  - (ix) the management expense ratio (“**MER**”) of the closed-end fund, and if applicable, an explanation for the difference in MER which is 10% or more during the financial year, together with a statement that the MER has been verified by the auditors.

For purpose of this subparagraph, MER means the ratio of the sum of fees and the recovered expenses of the closed-end fund to the average value of the closed-end fund calculated on a daily basis, i.e.

$$\frac{\text{Fees of the closed-end fund + Recovered expenses of the closed-end fund}}{\text{Average value of the closed-end fund calculated on a daily basis}} \times 100$$

Average value of the closed-end fund calculated on a daily basis

Where:

Fees = all ongoing fees deducted or deductible directly from the fund in respect of the period covered by the MER, expressed as a fixed amount, calculated on a daily basis. This would include the annual management fee, the annual trustee fee and any other fees deducted or deductible directly from the fund;

Recovered expenses = all expenses recovered from, or expenses charged to, the closed-end fund, as a result of the expenses incurred by the operation of the closed-end fund, expressed as a fixed amount. This should not include expenses that would otherwise be incurred by an individual investor (e.g. brokerage, taxes and levies); and

Average value of the unit = the net asset value of the closed-end fund, including net income value of the closed-end fund, less expenses on an accrued basis, in respect of the period covered by the MER, calculated on a daily basis.

- (b) Average total return (including dividend payments made and capital gains) of the closed-end fund measured over the following periods to the date of the report:
- (i) 1 year, or since inception, if shorter;
  - (ii) 3 years; and
  - (iii) 5 years.
- (c) Annual total return (including dividend payments made and capital gains) of the closed-end fund for each of the last 5 financial years, or since inception, if shorter.
- (d) The closed-end fund's performance benchmark.
- (e) Any other performance data aside from those mentioned in subparagraphs (a) to (d) above. However, all performance data presented must comply with the following requirements:
- (i) the bases of calculation and any assumptions made should be consistently applied, adequately disclosed and independently verified; and
  - (ii) the data used must be obtained from independent sources.

#### **Details of Major Investments**

- (f) A list of all investments with a value greater than 5% of the closed-end fund's gross assets, and at least the 10 largest investments stating, with comparative figures where relevant:
- (i) a brief description of the business;
  - (ii) percentage of share capital owned;
  - (iii) cost;
  - (iv) market value or directors' valuation if unlisted;
  - (v) total dividends/distributions received during the year; and
  - (vi) dividend/distribution yield of each investment (based on year end market value).
- (g) An analysis of all investments as at the end of the financial year classified by -
- (i) country;

- (ii) industry; and
- (iii) asset class (e.g. equity, real estate investment trusts, bonds, derivatives, etc) with the following details:
  - (aa) description of investment;
  - (bb) quantity;
  - (cc) costs;
  - (dd) market value or directors' valuation if unlisted;
  - (ee) unrealised profit or loss;
  - (ff) net book value; and
  - (gg) net book value as a percentage of the total assets of the closed-end fund.

### **Operational Review**

- (h) The discussion on the operational review of the closed-end fund must include, at least, the following information:
  - (i) the result of the operations and details of significant changes in the state of affairs of the closed-end fund during the financial year;
  - (ii) comparison between the closed-end fund's performance and the performance benchmark for the last 5 financial years or since inception, if shorter, illustrated in graphical form;
  - (iii) an explanation on any significant differences in portfolio composition between the financial year under review and previous year (where applicable);
  - (iv) an analysis of the closed-end fund's performance based on changes in total net asset value and net asset value per share since the last financial year or since inception, if shorter;
  - (v) an analysis of the closed-end fund's performance based on changes in prices since the last financial year or since listing, if shorter;
  - (vi) review of the market(s) (including foreign markets) in which the closed-end fund invests in during the financial year; and
  - (vi) general assessment of the future prospects of the market(s) the closed-end fund invests in, and the proposed strategies of the closed-end fund based on the assessment.

### **Risks [NEW]**

- (i) Any identified anticipated or known risks that the closed-end fund is exposed to which may have a material effect on the closed-end fund's performance and liquidity together with a discussion of the plans or strategies to mitigate such risks.

***[End of the Appendix 3]***

## APPENDIX 4 BURSA MALAYSIA SECURITIES BERHAD'S PERSONAL DATA NOTICE

In relation to the Personal Data Protection Act 2010 and in connection with your personal data provided to us in the course of this consultation, please be informed that Bursa Securities' personal data notice ("Notice") is available at [www.bursamalaysia.com](http://www.bursamalaysia.com). Kindly ensure that you read and are aware of the Notice.

If you are submitting personal data of an individual other than yourself ("data subject"), please ensure that prior to such submission, you have provided the data subject with written notice of the Notice unless section 41 of the Personal Data Protection Act 2010 ("PDPA") applies or Bursa Securities otherwise specifies in connection with the PDPA.

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Berhubung Akta Perlindungan Data Peribadi 2010 dan berkenaan semua data peribadi anda yang diberikan di dalam proses konsultasi ini, sila ambil maklum bahawa notis Bursa Securities mengenai data peribadi ("Notis tersebut") boleh didapati di [www.bursamalaysia.com](http://www.bursamalaysia.com). Sila pastikan yang anda membaca dan memahami Notis tersebut.

Jika anda mengemukakan data peribadi individu pihak ketiga ("Subjek Data"), anda mesti memastikan bahawa Subjek Data telah diberi notis bertulis mengenai Notis tersebut terlebih dahulu kecuali seksyen 41 Akta Perlindungan Data Peribadi 2010 ("APDP") terpakai atau [Bursa Securities sebaliknya menyatakan berkenaan dengan APDP]

***[End of the Appendix 4]***



## **ANNEXURE A    PROPOSED AMENDMENTS**

*[Please see **Annexure A** enclosed with this Consultation Paper].*

## ATTACHMENT TABLE OF COMMENTS

*[Please see the **Attachment** setting out the Table of Comments enclosed with this Joint Public Consultation Paper].*