

ANNEXURE A
PROPOSED AMENDMENTS IN RELATION TO ETFS
[Draft for Consultation – 9 July 2018]

ANNEXURE A
AMENDMENTS IN RELATION TO EXCHANGE-TRADED FUNDS
Main Market Listing Requirements

CHAPTER 1 – DEFINITIONS AND INTERPRETATION

PART A – DEFINITIONS

1.01 Definitions

In these Requirements, unless the context otherwise requires –

exchange-traded fund (“ETF”) means a listed ~~index tracking~~ fund or a listed sub-fund of an umbrella fund, structured as a unit trust scheme ~~or any other approved structure~~ whose ~~primary objective~~ principal aim is to –

- (a) track;
- (b) deliver multiples of; or
- (c) deliver opposite of,

~~achieve the returns that correspond to~~ the performance of an particular index ~~or a benchmark using a passive investment strategy.~~

[End of proposed amendments to Chapter 1]

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CHAPTER 9 – CONTINUING DISCLOSURE

PART M4 – ETFS

9.47 Immediate announcements to the Exchange

- (1) In addition to the requirements set out in this Chapter, a management company of an ETF must immediately announce to the Exchange the following events:
- (a) any change or proposed change of the trustee or management company;
 - (b) any change or proposed change in the control of the management company;
 - (c) any change in the name of the management company or the trustee;
 - (d) any change or proposed change in the rate of management fee or trustee fee and its effective date;
 - (e) any change or proposed change in the general character or nature of the ETF;
 - (f) any intention to vary the duration of, or terminate the ETF;
 - (g) [deleted]
 - (h) any material modification to the deed of the ETF;
 - (i) any material change to the investment objectives set out for the ETF;
 - (j) any change or proposed change to the constituents and weightings of the benchmark or index basket; ~~or~~
 - (k) any change in the methodology or rules for constructing, compiling or calculating the benchmark or index;
 - (l) any change in the objective or characteristics of the benchmark or index; or
 - (m) any income distribution together with the total returns of the ETF and net asset value per unit of the ETF prior to, and subsequent to, the distribution.
- (2) For the purposes of subparagraph (1)(b) above, the term “**change in the control**” has the meaning given to “**controller**” in section 60(7) of the CMSA.

9.48 QuarterlySemi-annual report of an ETF

- (1) A management company must announce to the Exchange an interim financial report of the ETF for ~~each of the first three quarters~~ 6 months of its financial year (“**ETF QuarterlySemi-Annual Report**”), as soon as the figures have been approved by the board of directors of the management company, and in any event, not later than 2 months after the ~~quarter ends~~ end of the 6 month period.
- (2) The management company must include in the ETF QuarterlySemi-Annual Report -
- (a) the information set out in Part E of Appendix 9B; and

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- (b) any other information as may be required by the Exchange.
- (3) Where there is a change in the financial year proposed by a management company, such management company must consult the Exchange as to the period to be covered by the ETF ~~Quarterly~~ Semi-Annual Report.

APPENDIX 9B

PART E

Contents of ~~quarterly~~ semi-annual report of ETF (paragraph 9.48)

Statement of Investment Portfolio

- (1) Details of all investments as at the end of the financial period classified by -
 - (a) country;
 - (b) industry; and
 - (c) asset class (such as equity, REITs, bonds, derivatives, etc) with the following details:
 - (i) description of investment;
 - (ii) quantity;
 - (iii) fair value; and
 - (iv) fair value as a percentage of the net asset value of the ETF.
- (2) In the case of a synthetic ETF as defined in the SC's Guidelines on ETFs, the following additional information of the over-the-counter ("OTC") derivatives:
 - (a) the underlying exposure obtained through the OTC derivatives; and
 - (b) the identity of the counterparty to the OTC derivatives.

Performance Review

- ~~(23)~~ The performance review of the ETF during the financial period which must include at least the following information:
 - (a) an analysis of the ETF's performance based on changes in total net asset value and net asset value per unit since the last review period or since commencement of operations, if shorter;
 - (b) an analysis of the ETF's performance based on changes in prices since the last review period or since listing, if shorter;

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- (c) review of the market(s) relating to the benchmark or index (including foreign markets) in which the ETF invests in during the period;
- (d) general assessment of the future prospects of the market(s) relating to the benchmark or index the ETF invests in;
- (e) a statement whether any soft commission has or has not been received by the management company or ~~its delegate fund manager during for~~ the period under review from ~~its any brokers/ or dealers~~ by virtue of transactions conducted for the ETF. If soft commission ~~(such as goods and services)~~ is received, the following information:
 - (i) identification of the goods or services received; and
 - (ii) manner in which the goods or services received were utilised.

Interim Financial Information

(34) The following interim financial information:

- (a) net asset value of the ETF;
- (b) net asset value per unit (before and after distribution);
- (c) number of units listed;
- (d) total amount available for distribution and distribution per unit (interim and final);
- (e) the net income after tax to be shown separately between realised and unrealised portions;
- (f) sources of distribution made to unit holders in the format as follows:

Statement of Income Distribution

	Current quarter RM'000	Corresponding quarter RM'000	Current year-to-date RM'000	-Corresponding year-to-date RM'000
Dividend income	XXX	XXX	XXX	XXX
Interest income	XX	XX	XX	XX
Realised gains [less losses] on sale of investments	XXX	XXX	XXX	XXX
Other income	XXX	XXX	XXX	XXX
	XXXX	XXXX	XXXX	XXXX
Less:				
Expenses	XX	XX	XX	XX
Taxation	XX	XX	XX	XX
Realised income for the period/year	XXX	XXX	XXX	XXX

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Previous year's undistributed realised income	XX	XX	XX	XX
Total realised income available for distribution	<u>XX</u>	<u>XX</u>	XX	XX
Less: Proposed/declared income distribution	XX	XX	XX	XX
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Balance undistributed realised income	XXX	XXX	XXX	XXX
Distribution per unit (sen)	X	X	X	X

- (g) the above statement of income distribution must also include unrealised losses (arising during the period or brought forward from previous year) if any, within the ETF.

Securities Lending Transactions

- (5) The following information if the ETF enters into securities lending transactions:
- (a) amount of securities on loan as a proportion of the total net asset value of the ETF;
 - (b) income received by the ETF, the management company and the lending agent arising from the securities lending transactions;
 - (c) description and nature of the collateral holdings; and
 - (d) marked-to-market value of the non-cash collateral and value of the cash collateral.

Collateral Holdings

- (6) Description of collateral holdings if collateral is used to mitigate the ETF's exposure to the counterparty of OTC derivatives including the following information:
- (a) nature of the collateral;
 - (b) identity of the counterparty providing the collateral;
 - (c) marked-to-market value of the non-cash collateral with breakdown by asset class and credit rating, if applicable; and
 - (d) value and type of investments made with the cash collateral with a breakdown by asset class and credit rating, if applicable.

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APPENDIX 9C**Part F****Contents of annual report of ETFS**

(paragraph 9.49)

- (1) Description of the ETF including the name, type, duration and termination date of the ETF.
- (2) Distribution policy of the ETF.
- (3) Particulars of the management company as follows:
 - (a) name, address, telephone and facsimile numbers of the registered office of the management company;
 - (b) name, address, telephone and facsimile numbers of each office at which a register of unit holders is kept;
 - (c) the information in relation to directors and chief executive officer of the management company as set out in paragraphs 3 and 4 in Part A of Appendix 9C respectively;
 - (d) name and address of the company secretary of the management company;
 - (e) total number of board meetings in relation to the ETF held during the financial year; and
 - (f) particulars of any public sanction or penalty imposed on the management company by the relevant regulatory bodies during the financial year, if any.
- (4) Name, address, telephone and facsimile numbers of the registered office of the trustee.
- ~~(5) Details of the investment committee member including the following:
 - ~~(a) name, age, nationality, qualification, experience and whether the person is an independent member;~~
 - ~~(b) date the person was first appointed to the committee;~~
 - ~~(c) any conflict of interest that the person has with the ETF;~~
 - ~~(d) 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~~
 - ~~(e) the number of committee meetings attended in the financial year.~~~~
- (65) In the case of an Islamic ETF, details of the Shariah adviser as follows:
 - (a) name, qualification and experience;
 - (b) any conflict of interest that the Shariah adviser has with the Islamic ETF;

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- (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;
- (d) if a corporation is appointed, in addition to the above -
 - (i) the address, telephone and facsimile numbers of the registered office of the corporation; and
 - (ii) the name, qualification and experience of the designated person responsible for Shariah matters of the Islamic ETF.

(6) Name and address of any fund manager or trustee's delegate appointed pursuant to the SC's Guidelines on ETFs or SC's Trustee Guidelines respectively, and a description of their functions.

- (7) Discussion on the ETF's performance which must include the following information:

Financial Information

- (a) A comparative table covering the last 5 financial years, or since commencement of operations, if shorter, showing for the end of each financial year –
 - (i) the total asset value of the ETF;
 - (ii) the net asset value of the ETF (before and after distribution);
 - (iii) the net asset value per unit of the ETF (before and after distribution);
 - (iv) the highest and lowest price per unit;
 - (v) the number of units listed;
 - (vi) the distribution per unit (interim and final);
 - (vii) the distribution yield of the ETF; and
 - (viii) the MER of the ETF together with a statement that the MER has been verified by the auditors. If the MER varies by 10% or more as compared with the preceding year, an explanation for such variation.
- (b) Average total return of the ETF measured over the following periods as at the financial year end:
 - (i) 1 financial year, or since commencement of operations, if shorter;
 - (ii) 3 financial years; and
 - (iii) 5 financial years.
- (c) Annual total return of the ETF for each of the last 5 financial years, or since commencement of operations, if shorter.
- (d) The performance of the ETF's benchmark or index.

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Investment Portfolio

- (e) Details of all investments as at the end of the financial year classified by-
 - (i) country;
 - (ii) industry; and
 - (iii) asset class (e.g. equity, REIT, bonds, derivatives, etc) with the following details:
 - (aa) description of investment;
 - (bb) quantity;
 - (cc) fair value; and
 - (dd) fair value as a percentage of the net asset value of the ETF.
- (f) In the case of a synthetic ETF as defined in the SC's Guidelines on ETFs, the following additional information of the OTC derivatives:
 - (i) the underlying exposure obtained through the OTC derivatives; and
 - (ii) the identity of the counterparty to the OTC derivatives.

Performance Review

- ~~(fg)~~ Description of the ETF's investment objective and the explanation on whether the ETF has achieved its investment objective.
- ~~(gh)~~ Description of the strategies and policies employed during the year, and if there is a change in the strategies or policies employed compared with the strategies and policies disclosed in the preceding financial year (or in the case of a newly listed ETF, the strategies and policies disclosed in the prospectus), a statement of such change.
- ~~(hi)~~ Review of the ~~ETF's result of the operations~~ result and details of significant changes in the state of affairs of the ETF during the financial year.
- ~~(ij)~~ Comparison between the ETF's performance and the benchmark or index for the last 5 financial years or since commencement of operations, if shorter, illustrated in graphical form.
- ~~(ik)~~ The difference between the annual return of the ETF and the performance of the benchmark or index for the financial year under review, together with an explanation for the difference.
- ~~(ml)~~ The size of the tracking error of the ETF at the end of the financial year under review.
- ~~(jm)~~ An explanation on any significant differences in portfolio composition between the financial year under review and previous year (where applicable).

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- (~~kn~~) An analysis of the ETF's performance based on changes in total net asset value and net asset value per unit since the last financial year or since commencement of operations, if shorter.
- (~~lo~~) An analysis of the ETF's performance based on changes in prices since the last financial year or since listing.
- (~~mp~~) Review of the market(s) relating to the benchmark or index (including foreign markets) in which the ETF invests in during the financial year.
- (~~q~~) General assessment of the future prospects of the market(s) relating to the benchmark or index the ETF invests in, and the proposed strategies of the ETF based on the assessment.
- (8) The following information if the ETF enters into securities lending transactions:
- (a) amount of securities on loan as a proportion of the total net asset value of the ETF;
- (b) income received by the ETF, the management company and the lending agent arising from the securities lending transactions;
- (c) description and nature of the collateral holdings; and
- (d) marked-to-market value of non-cash collateral and value of cash collateral.
- (9) Description of collateral holdings if collateral is used to mitigate the ETF's exposure to the counterparty of OTC derivatives including the following information:
- (a) nature of the collateral;
- (b) identity of the counterparty providing the collateral;
- (c) marked-to-market value of non-cash collateral with breakdown by asset class and credit rating, if applicable; and
- (d) value and type of investments made with the cash collateral with a breakdown by asset class and credit rating, if applicable.
- (810) The following particulars in relation to the audit and non-audit services rendered to the ETF for the financial year:
- (a) amount of audit fees paid or payable to the ETF's auditors; and
- (b) amount of non-audit fees paid or payable to the ETF's auditors, or a firm or corporation affiliated to the auditors' firm.

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(911) A breakdown of unit holdings as follows:

No. of holders	Holdings	Total Holdings	%
	Less than 100		
	100 – 1,000		
	1,001 – 10,000		
	10,001 – 100,000		
	00,001 to less than 5% of the total number of units issued 5% and above of the total number of units issued		

~~(10) A statement explaining the management company's responsibility for preparing the annual audited financial statements.~~

(11012) A statement by the board of directors of the management company relating to the training attended by directors in respect of the financial year required under paragraph 15.08(3).

[End of Annexure A]