



# **GUIDELINES ON ONLINE TRANSACTIONS AND ACTIVITIES IN RELATION TO UNIT TRUSTS**

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## **1.0 PURPOSE**

1.01 The *Guidelines on Online Transactions and Activities in Relation to Unit Trusts* is issued by the Securities Commission (SC) under section 377 of the *Capital Markets and Services Act 2007* (CMSA). These guidelines seek to provide guidance to any person who intends to provide one or more of the following facilities in relation to collective investment schemes:

- (a) Issue, circulate or distribute electronic prospectuses and electronic application forms;
- (b) Provide online transactions of unit trusts; and
- (c) Provide online activities in relation to unit trusts.

## **2.0 SCOPE**

2.01 These guidelines are divided into four parts, as follows:

- (a) Part 1 which deals with the issuance, circulation or distribution of electronic prospectuses and electronic application forms;
- (b) Part 2 which deals with the online transactions of unit trusts;
- (c) Part 3 which deals with the online activities in relation to unit trusts; and
- (d) Part 4 which deals with the documentation to be submitted to the SC.

2.02 Any person who seeks to provide one or more of the following facilities:

- (a) The issuance, circulation or distribution of electronic prospectuses, and electronic application forms;
- (b) Online transactions of unit trusts; and

(c) Online activities in relation to unit trusts,

must obtain approval of the SC and comply with the relevant parts of these guidelines.

2.03 The SC may, where it deems appropriate, impose one or more of the following:

(a) Impose any condition or restriction on the applicant; and

(b) Allow any exemption or variation from any provision of these guidelines based on the merits of the case.

Where the SC allows any exemption or variation from these guidelines, whether on a permanent basis or for a specified period, the relevant party or parties will not be absolved from any duty or liability imposed under any law.

### 3.0 DEFINITIONS

3.01 In these guidelines, the following definitions have the following meanings, unless the context otherwise requires:

**adviser** has the same meaning as in the UTF Guidelines;

**banner** means a space on a website used for advertisements;

**client** means an investor or other person, including but not limited to CUTA and IUTA, utilising the online facilities of the online provider for the online transactions of unit trusts or online activities in relation to unit trusts;

**collective investment schemes or schemes**

means, for the purpose of these guidelines, any arrangement approved by the SC and where–

- (a) it is made for the purpose, or having the effect, of providing facilities for persons to participate in or receive profits or income arising from the acquisition, holding, management or disposal of securities, futures contracts or any other property (referred to as “scheme’s assets”) or sums paid out of such profits or income;
- (b) the persons who participate in the arrangements do not have day-to-day control over the management of the scheme’s assets; and
- (c) the scheme’s assets is managed by an entity who is responsible for the management of the scheme’s assets and is approved, authorised or licensed by a relevant regulator to conduct fund management activities;

and includes, among others, unit trust funds, real estate investment trusts, exchange-traded funds and closed-end funds;

**Corporate Unit Trust Advisers or CUTA**

means an institution, a corporation or an organisation that is–

- (a) licensed by the SC for the regulated activities of financial planning and dealing in securities; and
- (b) registered with the FMUTM in accordance with the FMUTM’s *Guidelines for Registration of Corporate Unit Trust Advisers for the Marketing and Distribution of Unit Trusts*;

<b>e-host</b>	means a person who is approved to issue, circulate or distribute electronic prospectuses and electronic application forms, and is limited to the following persons: <ul style="list-style-type: none"> <li>(a) Management companies;</li> <li>(b) CUTA;</li> <li>(c) IUTA; and</li> <li>(d) Such other entities as may be determined by the SC in accordance with such terms and conditions as the SC deems fit;</li> </ul>
<b>electronic application form</b>	means an application form that is issued, circulated or distributed via one or more of the following: <ul style="list-style-type: none"> <li>(a) The Internet; and</li> <li>(b) An electronic storage medium, including but not limited to CD-ROMS;</li> </ul>
<b>electronic prospectus</b>	means a copy of a collective investment scheme prospectus that is issued, circulated or distributed via one or more of the following: <ul style="list-style-type: none"> <li>(a) The Internet;</li> <li>(b) An electronic storage medium, including but not limited to CD-ROMs;</li> </ul>
<b>FMUTM</b>	means the Federation of Malaysian Unit Trust Managers;
<b>investor</b>	means a unit holder or potential unit holder;

<b>Institutional Unit Trust Advisers or IUTA</b>	<p>means an institution, a corporation or an organisation that is–</p> <p>(a) licensed by the SC or a registered person, for the regulated activity of dealing in securities; and</p> <p>(b) registered with the FMUTM in accordance with the FMUTM's <i>Guidelines for Registration of Institutional Unit Trust Advisers for the Marketing and Distribution of Unit Trusts</i>;</p>
<b>licensed institution</b>	<p>means any institution licensed or deemed to be licensed under the <i>Banking and Financial Institutions Act 1989</i> or <i>Islamic Banking Act 1983</i>;</p>
<b>management company</b>	<p>means a management company as approved by the SC in accordance with section 289 of the CMSA;</p>
<b>mass customisation</b>	<p>means a system that provides investors with information customised to their needs;</p>
<b>online activities in relation to unit trusts</b>	<p>means any utilisation of the Internet or other electronic medium to market, promote, distribute or provide information in relation to collective investment schemes;</p>
<b>online provider</b>	<p>means a person who is approved to provide any facilities for online transactions of or online activities in relation to unit trusts, and is limited to the following persons:</p> <p>(a) Management companies;</p> <p>(b) IUTA;</p> <p>(c) Such other entities as may be determined by the SC in accordance with such terms and conditions as the SC deems fit;</p>

<b>online transactions of unit trusts</b>	means any purchase, redemption, transfer or switching of units in a collective investment scheme by investors on the Internet or other electronic medium;
<b>opt-in e-mail</b>	means e-mail containing information or advertisement that users have agreed to receive;
<b>proprietary information</b>	means any personal information of an investor transmitted by another person, including but not limited to CUTA and IUTA;
<b>registered person</b>	means a person registered under section 76 of the CMSA;
<b>share-hawking</b>	means any unsolicited offer or invitation to subscribe for or purchase units in a collective investment scheme;
<b>spam</b>	refers to a term describing the practice of blindly posting commercial messages or advertisements to unrelated and probably disinterested recipients;
<b>third party distributor</b>	means an institution, corporation or organisation that markets and distributes units of a collective investment scheme managed by another entity;
<b>unit trust fund</b>	has the same meaning as the expression "unit trust scheme" in the CMSA;
<b>UTF Advertising Guidelines</b>	means the SC's <i>Guidelines on Unit Trust Advertisements and Promotional Materials</i> and any subsequent amendments that the SC may make from time to time; and
<b>UTF Guidelines</b>	means the SC's <i>Guidelines on Unit Trust Funds</i> and any subsequent amendments that the SC may make from time to time.

#### **4.0 PERSONS ACTING AS E-HOST OR ONLINE PROVIDER**

- 4.01 Where the e-host or online provider is a third party distributor, the e-host or online provider must notify the relevant management company of the relevant online facilities it provides, its Internet address and any changes thereto. It is the responsibility of the e-host or online provider to ensure that it has the necessary approvals to provide such online facilities.
- 4.02 Where the online provider is a third party distributor, the online provider must appoint an officer responsible for ensuring compliance with relevant laws, regulations, and guidelines. This officer must not be involved in dealing in and marketing of collective investment schemes.
- 4.03 Where the online provider providing online transactions of unit trusts is a third party distributor, the online provider, in addition to the requirements contained in these guidelines, must–
- (a) send to its clients statements of their online transactions of unit trusts, within 14 days after the expiration of the period of six months from the date of the clients' first subscription of units in a collective investment scheme and of every subsequent six-month period. The online transactions of unit trust of various collective investment schemes may be consolidated within one statement; and
  - (b) ensure that the reports, statements or other documents issued by the management company to investors and received by the online provider, are sent to the online provider's clients in a timely and efficient manner.

## **Part 1**

### **5.0 ELECTRONIC PROSPECTUS AND ELECTRONIC APPLICATION FORM**

#### **Form and Content of Electronic Prospectus**

- 5.01 The e-host must make available a valid and updated electronic prospectus, which printed version has been registered by the SC. The e-host must ensure that the electronic prospectus posted on its website is a copy of the corresponding printed prospectus that has been registered by the SC. The electronic prospectus constitutes a "copy" of the printed prospectus when it is a reproduction of the registered printed prospectus, containing the same information and appearing in the same sequence.
- 5.02 The following enhancements or differences in the electronic prospectus are permitted:
- (a) Search functions for searching defined expressions within the electronic prospectus;
  - (b) Hypertext links within the electronic prospectus;
  - (c) Zoom facility for enlarging or reducing the information displayed;
  - (d) Prompts to assist the client to use and find information in the electronic prospectus;
  - (e) Audio version of the prospectus; and
  - (f) Facility to print out a hardcopy version or download into an electronic storage medium.

## **Use of Hyperlinks**

- 5.03 The electronic prospectus must not contain embedded hyperlinks to other information contained in other parts of the Internet site or electronic storage medium where the electronic prospectus appears, or to third party information. The SC will consider the presence of such hyperlinks as an indication of the adoption or endorsement of the hyperlinked information and its inclusion in the electronic prospectus and, therefore, the electronic prospectus does not represent a "copy" of the prospectus registered by the SC.
- 5.04 Hyperlinks from other Internet sites or other parts of the electronic storage medium to the electronic prospectus are allowed provided that the hyperlinks direct the investors either to the beginning or the first page of the electronic prospectus or a page that outlines the contents of the electronic prospectus.
- 5.05 Hyperlinks from the electronic prospectus to other Internet sites are only permitted in the following circumstances:
- (a) Hyperlinks to Internet sites of online providers where the investor may transact in the units of the collective investment schemes which are the subject of the electronic prospectus in question; and
  - (b) Hyperlinks to the Internet sites of other e-hosts in relation to the electronic prospectus in question.

Such hyperlinks must comply with the requirements in paragraph 5.04 above.

## **Electronic Application Form**

- 5.06 Electronic application forms must be accompanied by an electronic prospectus.

- 5.07 The electronic application form must have similar appearance and contain the same information as the printed application form, and must include a loan risk disclosure statement.
- 5.08 In determining whether the electronic application form is accompanied by an electronic prospectus, the e-host may take one or more of the following measures:
- (a) Issue, circulate or distribute the electronic application form and the electronic prospectus in the same electronic document file;
  - (b) Use any form of electronic mechanism by which:
    - (i) The investor can gain access to the electronic application form only if he or she has access to the electronic prospectus first;  
or
    - (ii) It can be verified that the investor has viewed the electronic prospectus before completing the electronic application form.

### **Complete and Unaltered Prospectus**

- 5.09 The e-host must take adequate and appropriate measures to ensure that the electronic prospectus and electronic application form are prevented from unauthorised tampering or alteration.
- 5.10 The measures that are taken to ensure that the electronic prospectus and electronic application form are prevented from unauthorised tampering or alteration must not in any way hinder the client from downloading the documents into an electronic storage medium or printing out a hardcopy version of the same.
- 5.11 Remedial action must be taken as soon as is reasonably practicable to rectify any breach of security or systems failure, such breach or failure includes but is not limited to the inability to access the electronic prospectus. The remedial

action must be reported to the SC by the next business day of such action being taken.

5.12 The e-host must retain a copy of the format and information displayed to a client when accessing an electronic prospectus and electronic application form in a durable and legible medium for seven years.

5.13 When requested by the SC, the e-host must provide the SC with access to and copies of the records required under paragraph 5.12 above.

### **Access to Electronic Prospectus and Electronic Application Form**

5.14 The e-host must provide clear and simple instructions as to how a client can hyperlink to, access, view or download the electronic prospectus and the electronic application form.

5.15 If a particular software is required to access, view or download the electronic prospectus or electronic application form, the online provider must provide the client with such software or the address of the Internet site where such software may be obtained free of charge.

### **Advertisement, Promotional Material, and Other Informational Material**

5.16 The e-host must ensure that the electronic prospectus is presented in a way that the investor will make his or her investment decision on the basis of the prospectus, and not on the basis of the advertisement, promotional material or other informational material.

5.17 The e-host must clearly demarcate the electronic prospectus and electronic application form in a designated area so as not to create any confusion between the advertisement, promotional material or other informational material and the electronic prospectus.

- 5.18 The e-host must include a statement in the designated area to inform the client that any other information that falls outside the designated area does not form part of the electronic prospectus and that the collective investment schemes are offered solely on the basis of the information contained in the electronic prospectus.
- 5.19 As a guide, the following must be complied with:
- (a) Advertisement, promotional material or other informational material must not appear on the same page or document as the electronic prospectus and electronic application form;
  - (b) Hyperlinks must not be embedded within the body of the electronic prospectus or electronic application form which allow links to the advertisement, promotional material or other informational material; and
  - (c) The size of the advertisement, promotional material or other informational material must not be disproportionate to the size of the prospectus so as to draw attention away from the electronic prospectus to the advertisement, promotional material or other informational material.
- 5.20 The issuance, circulation or distribution of the electronic prospectus, electronic application form, advertisement, promotional material, and other informational material must also comply with the UTF Guidelines and the UTF Advertising Guidelines.

### **Supplementary Prospectuses**

- 5.21 A supplementary prospectus which has been registered by the SC and the accompanying application form must be issued, circulated or distributed in the same manner as that utilised for the original prospectus. Therefore, if the client is given access to the original prospectus and application form through the Internet or electronic storage medium, then the client should similarly be

given access to the supplementary prospectus and the accompanying application form through the Internet or electronic storage medium.

5.22 If the supplementary prospectus and the accompanying application form is to be issued, circulated or distributed electronically, unlike the original prospectus, the original prospectus must be issued, circulated or distributed together with the supplementary prospectus and the accompanying application form.

5.23 Hyperlinks from the supplementary prospectus to the original prospectus will be allowed provided they direct the client to the specific change or addition made to the original prospectus.

#### **Notices**

5.24 The e-host must prominently display the notices as set out in paragraphs 5.27 to 5.30 to accompany the issuance, circulation or distribution of electronic prospectuses and electronic application forms.

5.25 In determining whether the notices are sufficiently prominent, the overall layout and size of the notices in relation to the electronic prospectus and electronic application form must be taken into account. As a guide, regard must be given to the font sizes used on the Internet site or electronic medium and the presentation of the information therein. The notices should, if possible, be presented in type of the same size as the rest or the majority of the text in the Internet site or electronic medium.

5.26 If the e-host is not the management company, the management company must provide to the e-host the text for the notices required under paragraphs 5.27 to 5.30 together with the electronic prospectus and electronic application form.

***Notice of Availability and Location of Printed Prospectus***

5.27 The electronic prospectus and electronic application form must be accompanied by a statement that printed prospectuses and application forms are also available at a specified location.

***Notice of Close of Application for Collective Investment Schemes with a Prescribed Period***

5.28 The issuance, circulation or distribution of an electronic prospectus, and electronic application form must be accompanied by a notice stating the following:

- (a) The closing date of the application period; and
- (b) That no units in a collective investment scheme will be issued on the basis of that electronic prospectus after the closing date.

5.29 Upon the close of the application period as prescribed in the prospectus, such electronic prospectus may continue to be issued, circulated or distributed electronically, provided that it must be accompanied by a notice stating that the electronic prospectus is made available for purely informational and archiving purposes.

***Notice as to the Person Responsible for the Issuance, Circulation or Dissemination of the Electronic Prospectus and Electronic Application Form***

5.30 The electronic prospectus and electronic application form must be accompanied by a notice informing the client as to–

- (a) the identity of the person responsible for the Internet site or electronic storage medium on or in which the electronic prospectus and the electronic application form are posted or contained; or

- (b) the identity of the person responsible for the Internet site providing a hyperlink to the electronic prospectus.

If that person is not the management company, the notice must also state the person's relationship to the management company.

### **List of E-Hosts**

- 5.31 A management company is required to post a notice on its website informing clients as to the e-hosts and their Internet addresses where clients are able to access the electronic prospectus and electronic application form.
- 5.32 Any changes to the list of e-hosts or their Internet addresses must be immediately updated on the management company's website.

## **Part 2**

### **6.0 ONLINE TRANSACTIONS OF UNIT TRUSTS**

#### **Accompaniment by Electronic Prospectus**

6.01 Online providers wishing to provide the facility for online transactions of unit trusts must ensure that an electronic prospectus and corresponding notices which comply with Part 1 of these guidelines accompany the facility.

#### **Notices**

6.02 The online provider must prominently display the notices as set out in paragraphs 6.04 to 6.11 to accompany the facility providing for online transactions of unit trusts.

6.03 In determining whether the notices are sufficiently prominent, the overall layout and size of the notices accompanying the facility providing for online transactions of unit trusts must be taken into account. As a guide, regard must be given to the font sizes used on the Internet site or electronic medium and the presentation of the information therein. The notices should, if possible, be presented in type of the same size as the rest or the majority of the text in the Internet site or electronic medium.

#### ***Notice as to the Risk of Using the Internet***

6.04 The facility providing for online transactions of unit trusts must be accompanied by a notice warning clients of the inherent risks of conducting transactions through the Internet and that a client wishing to trade in units of a collective investment scheme through the Internet assumes such risks.

#### ***Notice as to Alternative Methods for Transacting in Collective Investment Schemes***

6.05 The facility providing for online transactions of unit trusts must be accompanied by a notice informing investors of alternative methods of

transacting in units of a collective investment scheme other than via the facility provided for online transactions of unit trusts.

***Notice as to the Person Responsible for the Facility Providing for Online Transactions of Unit Trusts***

6.06 Where the online provider is a third party distributor, the facility providing for the online transactions of unit trusts must be accompanied by a notice disclosing–

- (a) the relationship between the online provider and the management company; and
- (b) the role played by the online provider in the transaction process.

***Notice as to the Procedures for Withdrawal of Collective Investment Schemes Application Made When Supplementary Prospectus is Issued***

6.07 The facility providing for online transactions of unit trusts must be accompanied by a notice informing the client of the mechanisms or procedures for the withdrawal of the collective investment scheme application resulting from the issuance of a supplementary prospectus.

6.08 A notice must be displayed informing clients that the application for units in the scheme cannot be withdrawn where a supplementary prospectus has been registered after the issuance or transfer of units to the client.

***Notice as to the Processing of Online Applications***

6.09 The facility providing for online transactions of unit trusts must be accompanied by a notice stating–

- (a) that electronic application forms will be processed upon receipt of the online providers confirmation notice by the client; and

- (b) the contact details as to where a client may confirm the status of their application.

### ***Notice as to the Suspension of Transactions***

6.10 Where there is a suspension of the transactions of units in a collective investment scheme, the facility providing for online transactions of unit trusts must be accompanied by a notice informing clients of its inability to conduct transactions. The notice should disclose–

- (a) the period in or dates on which the suspension takes place; and
- (b) the date on which transactions of units in the scheme will resume.

### ***Notice as to Procedures on Redemption, Switching, Transfer, and Exercise of Cooling-off Right***

6.11 Where the online provider does not intend to provide for online redemption, switching, transfer or exercise of cooling-off right, a notice must be displayed informing clients on how these rights may be exercised and contact details where a client may enquire of such procedures.

### **Submission of Application Forms and Confirmations**

6.12 Prior to submitting an electronic application form to the online provider, the investor or client, where applicable, must be required to provide the following confirmations:

- (a) That the investor has read the electronic prospectus and fully understand its contents;
- (b) That the client has read and agrees to be bound by the terms and conditions set out on the website;

- (c) That the investor is eligible to apply for the units in the collective investment scheme, e.g. that he/she has attained 18 years of age unless otherwise allowed under the terms of the prospectus; and
  - (d) That the client gives consent to the person providing the facility for online transactions of unit trusts to disclose information pertaining to the client, including but not limited to proprietary information, to the relevant entities involved in the collective investment scheme as well as to the SC.
- 6.13 The client must receive a confirmation of receipt of the online application for units in the collective investment scheme upon submission of the electronic application form. The client must be able to download into an electronic storage medium or print out a hardcopy version of the confirmation for his or her own record. The online provider must provide clear and simple instructions on how a client can print or download the confirmation.
- 6.14 Where there is a prescribed period for specific collective investment schemes or where the transactions of units in the scheme are suspended pursuant to the UTF Guidelines or any other relevant guidelines, appropriate steps or mechanisms must be put in place to reject any application forms that are submitted or monies paid after the close of the application period or during the suspension period.
- 6.15 Where a supplementary prospectus has been registered by the SC for a collective investment scheme for which a facility providing for online transactions of unit trusts was made available, such a facility must contain any of the following measures:
- (a) A mechanism by which online applications for units in the scheme made in relation to an original prospectus can be withdrawn by the client; or

- (b) A notification informing the client of the procedures for the withdrawal of online applications for units in the scheme resulting from the issuance of a supplementary prospectus.

### **Opening of Online Transactions Account**

6.16 The online provider must ensure that there are clearly defined policies and procedures in relation to the following:

- (a) Clear and simple instructions on how a client can open an online transactions account;
- (b) Procedures to ensure that the “know your client” rule is complied with; and
- (c) Reliable authentication mechanism to ensure clients’ identity.

### **Redemption, Transfer, and Switching of Units**

6.17 Appropriate procedures and policies on online redemption, switching, and transfer by and payment to clients should be clearly set out on the Internet site of the online provider.

6.18 The client must receive a confirmation of receipt of the application upon submission of the redemption, switching or transfer application. The client must be able to download into an electronic storage medium or print out a hardcopy version of the confirmation for his or her own record. The online provider must provide clear and simple instructions on how a client can print or download the confirmation.

6.19 Where the online provider does not intend to provide for online redemption, switching or transfer of units in the collective investment scheme, a notification must be displayed informing clients of the procedures for redeeming, switching or transferring units in the scheme.

## **Cooling-off Right**

- 6.20 The cooling-off right granted to clients who purchase units in the collective investment scheme online should be similar to investors who purchase units in the scheme through the traditional mode.
- 6.21 Appropriate steps or mechanisms must be put in place to allow clients to exercise this cooling-off right and to obtain refund of monies paid for the purchase of the units in the collective investment scheme. A notification must be displayed informing clients of the procedures when exercising the cooling-off right and the procedures for the refund of monies paid.
- 6.22 Upon exercising the cooling-off right, a client must receive a confirmation of receipt of the exercise. The client must be able to download into an electronic storage medium or print out a hardcopy version of the confirmation for his or her own record. The online provider must provide clear and simple instructions on how a client can print or download the confirmation.
- 6.23 Where the online provider does not intend to provide for online exercise of the cooling-off right, a notification must be displayed informing clients of the procedures on how this right can be exercised.

## **Systems Security and Integrity**

- 6.24 The online provider must put in place adequate and appropriate systems and security measures to ensure the reliability, availability, integrity, and confidentiality of the application or other related information or transactions transmitted via the facility providing for online trading of units in the collective investment scheme, including without limitation, measures to ensure the following:
- (a) Proper audit trails to track access, transaction, and changes made to client data, which include but are not limited to information relating to client data, such as clients' name, address, account number, contact

details and traffic data, such as the date, time, size, duration, webpage visited and content of communication;

- (b) System capacity, performance, and resilience;
- (c) Back-up systems and procedures to cater for any possible outages, transmission delay, disruption, and system capacity problems;
- (d) Confidentiality, protection, and privacy of any personal information and proprietary information transmitted by the client, subject to any requirement of law requiring disclosure of such information to or by the online provider;
- (e) Detection and prevention of unauthorised access to the system;
- (f) Proper documentation and formalised policies and procedures pertaining to the system; and
- (g) Proper controls including access control, input output control, and physical control.

6.25 The online provider must take remedial action as soon as is reasonably practicable to rectify any breach of security or systems failure. Such a breach or failure includes but is not limited to the inability to access the electronic prospectus that is posted on the Internet site or the facility providing for online trading of units in the collective investment scheme. The remedial action must be reported to the SC within the next business day of such action being taken.

6.26 The online provider must retain a copy of the format and information displayed to a client when submitting an application for units in the collective investment scheme in a durable and legible medium for seven years.

6.27 The SC may–

- (a) audit and conduct examination on the facility providing for online transactions of unit trusts and systems;
- (b) require the online provider to provide the SC with access to and copies of the audit logs on all applications for units in the collective investment scheme transmitted through the facility providing for online transactions of unit trusts;
- (c) require the online provider to provide the SC with access to and copies of the records required under paragraph 6.26 above; and
- (d) require the online provider to provide the SC with any other information it requires.

#### **List of Online Providers**

6.28 A management company is required to post a notice on its website informing clients of the online providers and their Internet addresses where clients are able to trade in units in the collective investment scheme.

6.29 Any changes to the list of online providers or their Internet addresses must be immediately updated on the management company's website.

#### **Safeguarding Clients' Monies and Properties**

6.30 The online provider must ensure that clients' monies and properties are properly safeguarded from conversion or inappropriate use by the employees or agents of the online provider.

6.31 Where the online provider is a third-party distributor, the online provider must–

- (a) establish and keep clients' monies in one or more trust accounts in a licensed institution designated or evidenced as such; and
  - (b) ensure that any withdrawal or transfer of monies from the clients' trust account should be pursuant to the clients' instructions in respect of the online transactions of unit trusts, or as authorised by the client in writing, or otherwise authorised by law.
- 6.32 The online provider must not, without prior approval of the client, invest any monies available for investment in any securities, properties, and assets in which the online provider or any officer of the online provider has a financial interest or from which the online provider or any officer of the online provider derives a pecuniary benefit, excluding the fees and charges stipulated for providing the facilities for online transactions of unit trusts or online activities in relation to unit trusts.

#### **Duties, Roles, and Responsibilities**

- 6.33 The online provider must ensure that in providing the facilities for online transactions of unit trusts, it will treat its clients in a fair and equitable manner.
- 6.34 The fees or charges to be paid must be clearly stipulated and disclosed to the client prior to the client submitting the electronic application form to the online provider. Such fees or charges must not exceed the fees and charges disclosed in the electronic prospectus.
- 6.35 Where the online provider is a third-party distributor, the online provider must forward the clients' instructions for the online transactions of unit trusts to the management company before the cut-off time set by the management company, and make payment to the management company for such transactions by the next business day from receipt of the clients' monies, where applicable.

### **Part 3**

#### **7.0 ONLINE ACTIVITIES IN RELATION TO UNIT TRUSTS**

##### **Contents of Internet Site and Other Electronic Medium**

- 7.01 Contents posted on Internet sites and other electronic medium must comply with the relevant regulatory requirements.
- 7.02 Internet sites containing specific time frame or time-sensitive information should remain available for as long as it is necessary for clients to have a reasonable opportunity to access or read them. Clients must be able to retain the information by printing out a hard copy, downloading the information or be given continuous access to the information.
- 7.03 Information posted on the Internet site should be regularly updated. Outdated information must be appropriately removed or archived in order to avoid confusion.
- 7.04 The SC encourages the Internet site to provide a section dedicated to educating investors on the mechanism, benefits, and risks of investing in collective investment schemes.

##### **Mass Customisation**

- 7.05 Customisation of information in accordance with respective clients' needs is permitted, provided that the information with regard to the following matters are not customised:
- (a) Contents of electronic prospectus;
  - (b) Advertisements in relation to collective investment schemes;
  - (c) Disclaimers and notices; and

- (d) Information required to be disclosed in accordance with relevant regulatory requirements.

## **Communication Via Electronic Means**

### ***Annual Report, Interim Report, and Other Information***

- 7.06 A management company is allowed to utilise any electronic transmission method to distribute its schemes' annual and interim reports as required under Chapter 12 of the UTF Guidelines and other information pertaining to the schemes. However, there is still the need to ensure that printed copies of the annual and interim reports are made available to investors upon request.
- 7.07 The SC does not seek to prescribe the delivery mode to be used by the online providers provided that the mode permits effective communication and the investors concerned have consented to the use of the specified mode for the delivery of communication.
- 7.08 The electronic version of the annual and interim report should remain available on the Internet site at least until superseded by a later report.
- 7.09 Prior consent and authorisation to receive information through electronic means must be obtained from investors utilising the online provider's online facilities. A record of the consent and authorisation, which is revocable by investors at any time, must be maintained by the online provider. Where the investor does not consent to electronic delivery, such investor must be furnished with a printed copy of all such information via postal mail.
- 7.10 Where consent is given by an investor utilising the online provider's online facilities for the delivery mode to be via a communication posted on the Internet site, there should be effective means to ensure that the investor is notified or made aware on a timely basis that such information exists.

7.11 Share-hawking or spam mail to the general public in any form of communication under this paragraph is prohibited other than share-hawking to existing clients.

### **Online Privacy Policies**

7.12 The online provider must display consistent and user-friendly privacy statements on the Internet site providing for the online activities.

7.13 Internet sites that require clients or users to provide details about themselves, should provide "opt-in" and "opt-out" e-mail alternatives with the default setting at "opt-out".

7.14 Online providers should, at a minimum, disclose the following information on the Internet site:

- (a) Types of personal or proprietary information pertaining to the client that is collected;
- (b) Information collected that will be disclosed, and to whom the information is disclosed to;
- (c) Rights of investors to "opt-out" of disclosure and how the rights can be exercised;
- (d) Security measures undertaken to protect the confidentiality and security of information provided; and
- (e) Any other information that may be required by the SC.

7.15 A notice must be displayed on the Internet site informing clients of the risks of sending confidential information through the Internet site, e-mails or other electronic means.

## **Safeguarding of Records and Information**

- 7.16 In line with the requirements to disclose its online privacy policies, online providers must have in place policies and procedures that address administrative, technical, and physical safeguards for the protection of clients' records and information.
- 7.17 Security measures must be implemented to safeguard the transmission of clients' records and information internally and to external parties. The requirements as set out in 6.24 should be complied with.

## **Advertisements on the Internet**

- 7.18 Information or contents that are advertisement in nature and related to collective investment schemes, which are not made available in printed form to investors, must be delivered to the SC. These advertisements would, where applicable, also be subjected to relevant regulatory requirements, the UTF Guidelines and UTF Advertising Guidelines.
- 7.19 Banner advertisements that comply with the UTF Advertising Guidelines are permitted on Internet sites of the online provider. Where the online provider is a third party distributor, the banners may only depict the name of a company or refer to services offered by a company without any direct reference to specific collective investment schemes.
- 7.20 Banners may also contain an embedded hyperlink to another Internet site where collective investment schemes are advertised. The hyperlink should be directed to either the beginning or the first page of the electronic prospectus or a page that outlines the contents of the electronic prospectus of the respective scheme.

## **Duties, Roles, and Responsibilities**

- 7.21 Where the online provider provides other services in addition to online transactions of unit trusts, the online provider must clearly stipulate and disclose to the client the fees and charges for the services.
- 7.22 The online provider must comply with the relevant requirements set out in paragraphs 6.30 to 6.32 in dealing with monies and properties received under paragraph 7.21.

## Part 4

### 8.0 SUBMISSIONS TO THE SC

#### Documents to be Provided to the SC

8.01 Prior to the provision of the facilities set out in paragraph 1.01 above, the e-host and online provider must provide the SC with:

- (a) the cover letter specifying the particulars of the proposal;
- (b) the written declaration by the internal auditors or external auditors, where applicable, of the e-host or online provider, in accordance with Appendix 1, as to the reliability, availability, integrity, and confidentiality of the systems and controls providing for these facilities in relation to-
  - (i) measures of the e-host to ensure compliance with paragraph 5.09 above, for the issuance, circulation or distribution of the electronic prospectus and electronic application form; or
  - (ii) measures of the online provider to ensure compliance with-
    - paragraphs 5.09, 6.24, and 7.17 above, for the issuance, circulation or distribution of the electronic prospectus and providing any facility for online transactions of unit trusts or providing for online activities in relation to unit trusts; or
    - paragraph 5.04, 6.24, and 7.17 above, for providing a hyperlink to the electronic prospectus and providing any facility for online transactions of unit trusts or providing for online activities in relation to unit trusts;
- (c) The written declaration by the director or authorised person, in accordance with Appendix 2, stating that the e-host or online provider has complied and will continue to comply with the guidelines; and

(d) The checklist for compliance with these guidelines.

8.02 The following must be provided by the management company or their adviser to the SC at the time of registration of the prospectus by the SC:

(a) The address of the Internet sites on which the electronic prospectus and electronic application form will be made available or a copy of the electronic storage medium containing the electronic prospectus and electronic application form (where applicable);

(b) The date on which the electronic prospectus will first be posted on the relevant Internet sites, or will first be issued, circulated or distributed via the electronic storage medium (where applicable); and

(c) Such other information as may be required by the SC.

8.03 Where the facility for online transactions of unit trusts is provided, online providers must submit monthly statistical and compliance returns to the SC which include the following information:

(a) Number and value of units purchased online; and

(b) Number and value of units redeemed online.

8.04 All documents to be provided to the SC for these guidelines should be addressed to—

Head

Trusts and Investment Management Department

Issues and Investment Division

Securities Commission

3 Persiaran Bukit Kiara

Bukit Kiara

50490 Kuala Lumpur

**Declaration by Internal Auditor/External Auditor\*\* on  
Compliance with the Guidelines On Online Transactions  
and Activities in Relation to Unit Trusts**

Date: *(Date of lodgement)*

The Chairman  
Securities Commission  
No.3, Persiaran Bukit Kiara  
Bukit Kiara  
50490 Kuala Lumpur

Dear Sir,

*(Name of the e-host or online provider)*

**DECLARATION LETTER BY INTERNAL AUDITORS/EXTERNAL AUDITORS\*\*  
ON SYSTEMS AND CONTROLS FOR THE ONLINE TRANSACTIONS AND  
ACTIVITIES IN RELATION TO UNIT TRUSTS**

\*\* We, the *(internal auditors/external auditors)* of *(Name of the e-host)*, hereby declare that we have exercised due diligence and made reasonable enquiries to ensure that the systems and controls providing for the issuance, circulation or distribution of the electronic prospectus and electronic application form complies with paragraph 5.09 of the SC Guidelines on Online Transactions and Activities in Relation to Unit Trusts.

\*\* We, the *(internal auditors/external auditors)* of *(Name of online provider)*, hereby declare that we have exercised due diligence and made reasonable enquiries to ensure that the systems and controls providing for the issuance, circulation or distribution of the electronic prospectus and electronic application form and facility for any online transactions of unit trusts or online activities in relation to unit trusts, complies with paragraph 5.09, 6.24 and 7.17 of the SC's *Guidelines on Online Transactions and Activities in Relation to Unit Trusts*.

\*\* We, the *(internal auditors/external auditors)* of *(Name of online provider)*, hereby declare that we have exercised due diligence and made reasonable enquiries to ensure that the systems and controls providing a hyperlink to the electronic prospectus and providing the facility for any online transactions of unit trusts or online activities in relation to unit trusts, complies with paragraph 5.04, 6.24 and 7.17 of the SC's *Guidelines on Online Transactions and Activities in Relation to Unit Trusts*.

We also undertake to immediately provide the SC with all such information or confirmation as the SC may from time to time require in relation to the systems and controls providing for the electronic prospectus or online transaction of or online activities in relation to unit trusts.

We declare that we will ensure continuous compliance with the stated requirements and conditions imposed by the SC under the Guidelines as well as any other requirements as may from time to time be specified by the SC with respect to the systems and controls of the facilities.

The above Declaration has been signed by me as the (*internal auditor/external auditors*) of (*Name of the e-host or online provider*).

Yours faithfully,

.....

Name of signatory

Designation: (*Head, Internal Audit or its equivalent*)

Date

Name (*Name of the e-host or online provider or external auditor*)

Address (*Address of the e-host or online provider or external auditor*)

*\*\* delete where appropriate*

**Declaration by Director or Authorised Person  
On Compliance with the Guidelines on Online Transactions  
and Activities in Relation to Unit Trusts**

Date: (*Date of lodgement*)

The Chairman  
Securities Commission  
No.3, Persiaran Bukit Kiara  
Bukit Kiara  
50490 Kuala Lumpur

Dear Sir,

*(Name of the e-host or online provider)*

**DECLARATION LETTER FOR THE ONLINE TRANSACTIONS AND ACTIVITIES  
IN RELATION TO UNIT TRUSTS**

We, (*Name of the e-host or online provider*), hereby declare that we shall ensure that the electronic prospectus provided on the Internet site at (*address of the Internet site*) or electronic storage medium (*details of the type of electronic storage medium*) is a copy of the printed prospectus that has been duly registered by the SC.

We, hereby declare that we shall exercise due diligence and make reasonable enquiries to ensure that (*Name of the e-host or online provider*) fully comply with the requirements in (*\*\*Part(s) A/B/C*) of the SC Guidelines on Online Transactions and Activities in Relation to Unit Trusts.

We also undertake to immediately provide the SC with all such information or confirmation as the SC may from time to time require.

We declare that we will ensure continuous compliance with the stated requirements and conditions imposed by the SC under the Guidelines as well as any other requirements as may from time to time be specified by the SC.

The above Declaration is provided pursuant to the agreement of the Board of Directors of (*Name of the e-host or online provider*) and the authority granted to me by a resolution of the Board of Directors on (*date of resolution*).

Yours faithfully,

.....  
Name of signatory  
Designation  
Date  
Name (*Name of the e-host or online provider*)  
Address (*Address of the e-host or online provider*)

*\*\* delete where appropriate*