

FREQUENTLY ASKED QUESTIONS

GUIDELINES ON PRODUCT HIGHLIGHTS SHEET (FORMERLY KNOWN AS THE GUIDELINES ON SALES PRACTICES OF UNLISTED CAPITAL MARKET PRODUCTS)

1. Why have the *Guidelines on Sales Practices of Unlisted Capital Market Products* (Sales Practices Guidelines) been renamed as the '*Guidelines on Product Highlights Sheet*' (PHS Guidelines)?

As a consequence of the revised *Guidelines on Conduct for Capital Market Intermediaries* issued on 1 October 2024 (Conduct Guidelines), the only requirements remaining in the Sales Practices Guidelines are requirements in relation to product highlights sheet (PHS). This is because Parts 2 and 4 of the Sales Practices Guidelines in relation to requirements on treating investors fairly and suitability assessment, respectively, have been incorporated and subsumed under the Conduct Guidelines.

2. Which capital market products will be governed under the PHS Guidelines?

The PHS Guidelines will govern all capital market products that are not listed on a stock exchange or derivatives exchange in Malaysia, regardless of whether they are manufactured within or outside Malaysia.

Examples of such products include, but are not limited to unlisted collective investment schemes, asset-backed securities, over-the-counter (OTC) derivatives and OTC structured products such as negotiable instruments of deposit with tenure of more than 5 years.

3. What is a PHS?

A PHS is a clear, concise and effective document which highlights the salient information of an unlisted capital market product to facilitate product comparison and enable the investor to make an investment decision. The contents of a PHS includes the brief description of the product, key characteristics of a product, risks associated with product, fees and charges payable by the investors, valuation information, means of exiting investment and information as to where disputes or complaints can be referred to (i.e. SIDREC).

4. What is the difference between the PHS and current disclosure documents/prospectus?

The PHS only highlights the salient information of the unlisted capital market product (i.e. brief description of the product, key characteristics of a product, risks associated with product, fees and charges payable by the investors, valuation information, means of exiting investment and information as to where disputes or complaints can be referred to (i.e. SIDREC).

The PHS is a concise document, where the page limit is 8 pages for conventional product and 12 pages for Islamic products. The prospectus will include all information about a

product and investor may need to refer to prospectus for other information which may not be included in the PHS for greater understanding about the product that they want to invest in.

5. Does the requirement to provide the hardcopy of a PHS before a client makes an investment decision apply equally to both face-to-face and non-face-to-face transactions?

For face-to-face transactions, the product distributor must ensure that a hardcopy PHS is provided to an investor before the investor makes an investment decision.

For non-face-to-face transactions, for example transactions made online, it would be sufficient to provide the investor with an electronic copy of the PHS. However, where an investor requests for a hard-copy version of the PHS, one should be provided to the investor at no extra cost.

Investors must still be given a reasonable time to read and understand the PHS, as required under the PHS Guidelines.

6. As a product distributor, must I provide a hardcopy PHS to an existing investor who tops-up his investment in an existing unlisted capital market product?

No, a hardcopy of the PHS is not required to be provided to an investor who tops-up his investment in an existing unlisted capital market product with the same product distributor, provided that there is no material change to the salient features or risks associated with the unlisted capital market product and there is no updated PHS for such unlisted capital market product.

7. If my investment product is subject to both, the PHS Guidelines and Bank Negara Malaysia's Guidelines on Product Transparency and Disclosure (PTD Guidelines), do I need to prepare and lodge a PHS, a Product Disclosure Sheet (PDS) or both?

Any product that requires the authorisation of SC under the securities laws, and is not listed and traded on Bursa Malaysia is subject to the PHS Guidelines. As such, the requirement for the preparation of a PHS must be complied with.

In circumstances where such unlisted capital market product also falls under the scope of Bank Negara Malaysia (BNM)'s PTD Guidelines, it has been agreed between SC and BNM that product issuers/product distributors, as the case may be, should prepare a PHS in place of the PDS. For this purpose, you should also make reference to the sample base template included in BNM's PTD Guidelines.

As such, a Dual Currency Investment for example, which is a structured product and therefore requires SC's authorisation, requires a PHS and BNM shall take such PHS to be in compliance with the requirement for a product disclosure sheet under the PTD Guidelines as long as the PHS is prepared with reference to the sample base template included in BNM's PTD Guidelines.