



( Company No. 272577 - P )

## **INVESTMENT MANAGEMENT STANDARD**

<b>REFERENCE NO</b>	<b>: FIMM/IMS(I&amp;SP)-004 (2nd Edition)</b>
<b>DATE ISSUED</b>	<b>: 23 JUNE 2010</b>
<b>EFFECTIVE DATE</b>	<b>: 1 SEPTEMBER 2010</b>

### **UNIT TRUST SCHEMES WITH FOREIGN PORTFOLIO: BID FOREIGN EXCHANGE RATE FOR VALUATION OF UNIT TRUST SCHEMES**

#### **1.0 APPLICATION AND EFFECTIVE DATE**

- 1.1 This Investment Management Standard (2nd Edition) is made pursuant to Article 63 of the Memorandum of Association and shall come into force on or after 1 September 2010.

#### **2.0 BACKGROUND**

- 2.1 For Unit Trust Schemes (the Schemes) with foreign portfolio, foreign exchange rate(s) are used in the valuation of the assets and liabilities for the purpose of determining the Scheme's Net Asset Value (NAV). Currently, there is no specific provision in the Guidelines on Unit Trust Funds (Guidelines) for the basis of foreign exchange rate to be used in Scheme valuation. Hence, Unit Trust Management Companies (UTMCs) may adopt different foreign exchange rates that include, bid rate and mid rate as determined by the UTMCs in good faith and duly approved by the respective trustee.
- 2.2 The above diverse approaches have caused inconsistency in Scheme performance comparison and reporting among Schemes with foreign portfolio.

#### **3.0 OBJECTIVES**

- 3.1 This Investment Management Standard aims to standardize the foreign exchange rate for valuation of Schemes with foreign portfolio.

#### **4.0 FOREIGN EXCHANGE RATE**

- 4.1 Where the prices of an asset or a liability of a Scheme is denominated in a foreign currency, the exchange rate to be used in converting the valuation to the base currency, for example Ringgit Malaysia should be bid foreign exchange rate quoted by either:
- a) Reuters or
  - b) Bloomberg
- at U.K time 4:00 pm the same day.
- 4.2 The foreign exchange rate used for valuation of the assets and liabilities for the purpose of determining the Scheme's NAV should be based upon rate obtained from the same provider which is consistently applied.
- 4.3 The standardization of foreign exchange rate shall benefit the industry as follows:
- a) Provides uniform performance comparison among Schemes managed by different UTMCs;
  - b) Provides more uniform Scheme reporting; and
  - c) Using bid rate is in line with the requirements as set out in the impending Financial Reporting Standards.

#### **5.0 EFFECTIVE DATE**

- 5.1 This Investment Management Standard shall come into force on the date as specified in Clause 1.0 of this Investment Management Standard but earlier adoption of this Investment Management Standard is permitted and encouraged.

#### **6.0 APPLICABILITY**

- 6.1 This Investment Management Standard shall be applicable to all Schemes with foreign portfolio invested on or after the Effective Date of this Investment Management Standard.
- 6.2 Where the FIMM allows any exemption or variation from this Investment Management Standard during the grace period, UTMCs shall not be absolved from any duty or liability as provided under any written laws.

#### **7.0 DISCLOSURES**

- 7.1 Where relevant and required, sufficient disclosures with regard to the foreign exchange rate adopted for the Scheme valuation should be made in accordance with the Guidelines and any other regulatory requirements, that include, the adoption of bid rate from the provider for valuation of foreign portfolio.

**8.0 SYSTEMS AND CONTROLS**

- 8.1 There shall be well defined policies and procedures, controls as well as proper records in place to ensure that the foreign exchange rate used for valuation of the assets and liabilities for the purpose of determining the Scheme's NAV are consistently applied, and which leads to valuations that are objective.
- 8.2 All pertinent records should be maintained and made available for checking and audit verification purposes.