



Important Notice

By Standard Chartered Securities (B) Sdn Bhd (“SCSB”)

Updates to our Know Your Investment Risk (KYIR) – Unit Trusts including Regular Savings Plan (RSP), Customer Terms, and Investment Product Terms – effective 12 April 2021

1. Important Changes to our Know Your Investment Risk (KYIR) – Unit Trusts including Regular Savings Plan (RSP)

a) We have added the following clauses related to Syariah Compliance:

Syariah compliant investing specific risks (if applicable)

Syariah compliant investing has limitations that may potentially create risk. Investments purchased by funds must first pass a stringent Syariah compliance criteria to be considered Syariah compliant. The constructed halal portfolio may not be as well diversified as traditional portfolios, which may increase the risk of loss.

Important note on Syariah Compliance – Islamic Unit Trust

The Syariah compliance of a Unit Trust is established and vetted by an internal committee of scholars or by external consultants, expert in Syariah, engaged by the Unit Trust manager. The Syariah Advisory Body of Standard Chartered Securities (B) Sdn Bhd (“SCSB”) endorses the decision of such scholars or consultants but does not independently verify the continuing compliance with Syariah of the Unit Trust’s investment activities nor the Unit Trust manager’s activities or processes. Insofar as you wish or are required for any reason to enter only into transactions or investments which comply with Syariah, you shall seek independent advice at your own expense and/or satisfy yourself as to the Syariah compliance of the Unit Trust, and the Unit Trust manager’s transactions or investments by making your own investigations and not relying on any written declaration, fatwa, opinion or other documents prepared by, on behalf or at the request of the Unit Trust manager or SCSB for the purpose of determining or confirming that the transactions or investments are Syariah compliant.

The revised KYIR will also be available at <https://www.sc.com/global/av/bn-kyir-unit-trusts.pdf>

2. Important Changes to our Investment Product Terms & Conditions

For Standard Chartered Securities (B) Sdn Bhd (“SCSB”)

(a) We have added definitions for “Syariah” and “Syariah Supervisory Committee or Syariah Advisory Body” under Part 1 under General Terms, Definitions And Interpretation.



- (b) We have added a new clause 31.10 under Section 31 Miscellaneous to cover the waiver on Syariah Product: The principle of payment of interest is repugnant to the principles of Syariah and to the extent that any law would impose (whether by contract or statute) an obligation to pay interest to the other party or in relation to this Agreement and the Islamic product offering provided in accordance therewith, the parties expressly waive and reject the entitlement to recover interest from the other party.

Non-Syariah Compliant terminologies / terms mentioned in document are not applicable to Syariah compliant product.

- (c) We have added the following Clause 3.4 in Part 3, Part B, Section 3 – Collective investment schemes to cover information on Islamic Unit Trust:
- Islamic Unit Trust comprises a joint pool wherein investors contribute capital for investment purposes to earn halal profits in adherence to the principles, rules and regulations of Syariah. The unit trust manager establishes Syariah compliance of the funds it manages through its Syariah supervisory committee or firm of external consultant, expert in Syariah.

For equity unit trust, where the underlying investment pertains to companies, the Unit Trust Manager evaluates the investment in accordance with its Syariah compliant equity investment guidelines.

These generally include:

- Assessment of underlying business activity of the company into which the Unit Trust invests - Such an assessment is necessary to prevent the investor from getting involved in any activity which is not permissible from a Syariah standpoint. Any company primarily engaged in an activity contrary to Syariah will be ineligible and its shares must not be considered for investment. Non- Syariah compliant sectors include alcohol, tobacco, gambling, casinos etc.
- Screening of Financial Ratios - Certain financial ratios are reviewed to gain comfort that the company into which the Unit Trust invests may neither derive a substantial portion of its revenue from interest-based investments, nor can it rely heavily on interest bearing loans to maintain its operations.
- Purification of Income earned through dividends - Income purification is required in instances where a percentage of revenues of the company into which the Unit Trust invests is earned from non-permissible means such as interest income or income from other prohibited activities. Under this process where the profits are earned through dividends, a certain proportion of the dividend, which corresponds to the proportion of non-permissible income earned by the company is taken out and devolved to charity.

In other respects, an investment in an Islamic Unit Trust bears the same risks as investing in conventional unit trust (see the other risk disclosures in Part Three of this document).

- (d) We have added the following Clause 5 in Part 3, Part B, Section 3 – Collective investment schemes to cover information on Sukuk:



A Sukuk is a Syariah compliant variant of a conventional fixed income instrument. In Arabic, Sukuk is the plural of sakk, a generic term for “certificates”, representing an undivided ownership claim in underlying asset(s) proportionate to the individual’s investment. In practice, the market now uses the term generically to refer to capital market instruments compliant with Syariah principles.

The concept of a Sukuk is based on the premise that any Islamic financing contract which represents ownership in a tangible asset can be bought or sold, and hence, can be securitised in the form of tradable securities.

Sukuks are typically structured to give an investor generic exposure to the credit quality of an originator, whose obligations generate the cashflows used by the Sukuk issuer to make payments in accordance with the terms of the Sukuk and do not give exposure to risks arising from the underlying, tangible asset, nor to the fluctuations of its market value. Sukuks, for this reason, are called asset-based investments, to distinguish them from asset-backed investments, which, on the contrary, give exposure to the underlying asset performance. Sukuks therefore operate similarly to conventional fixed income instruments in most characteristics such as trading, listing, rating, and regular periodic income streams. However, Sukuks are structured to deliver such outcomes in a Syariah compliant manner.

The Syariah compliance of a sukuk is usually established by the supervisory committees of Sukuk issuer or well-known financial institutions which act as arrangers at the time of the sukuk issuance. Syariah Advisory Body of SCSB will endorse the Sukuk and underlying, tangible asset as part of the approval process. Before Sukuks become part of SCSB’s offering, they are reviewed and identified among selected Sukuks which are based on Syariah concepts endorsed by the Syariah Advisory Board of SCSB. Sukuks that are included in the offering comply with certain Islamic concepts (Ijarah, Musharakah, Mudaraba, etc.). As mentioned, the underlying structures of these instruments have been reviewed and approved by internationally reputed Syariah scholars engaged by the issuer / arrangers for the respective Sukuks at the time of issuance.

As financial instruments, Sukuks are subject to various risks and market events, which are the same risks as those which an investor in conventional bonds is exposed to (see the other risk disclosures in Part Three of this documents).

Clients should note that other risks may also be relevant to their investments, including risks that are specific to a particular Sukuk which are described in the Sukuk offering documentation.

- (e) We have added Clause 6 in Part 3, Part B – Specific financial products or services. The clause covers an important note on Syariah Compliance:

The Syariah compliance of Islamic investment products such as Islamic Unit Trusts, Sukuks and others Islamic Investment products originated by a third party Islamic financial institutions, are established and vetted by an internal committee of Scholars or by external consultants, expert



in Syariah, engaged by the third-party Islamic financial institution (such as a Unit Trust manager, a Sukuk issuer or arranger or another third-party Islamic Investment product provider). The Syariah Advisory Board of SCSB endorses the decisions of the scholars or consultants engaged by such third parties but does not independently verify the continuing compliance with Syariah of the third-party Islamic Investment products, nor the Syariah compliance of the activities or process of such third parties. Insofar as the Customer wishes or is required for any reason to enter only into transactions or investments which comply with Syariah, we encourage Customers to satisfy themselves as to the Syariah compliance of the Islamic Investment product, by making their own investigations and not relying on any written declaration, fatwa, opinion or other document prepared by, on behalf or at the request of the Islamic Investment provider or by SCSB for the purpose of determining or confirming that a transaction or Investment Product are Syariah compliant.

The revised Investment Product Terms & Conditions <https://www.sc.com/global/av/bn-investment-product-terms.pdf>

3. Important Changes to our Customer Terms

For Standard Chartered Securities (B) Sdn Bhd (“SCSB”)

- a) We added a new clauses to cover the Waiver of Interest & Non-Syariah Compliant Terminologies Term for Islamic Product:

31.53 The parties acknowledge and agree that the payment of interest is repugnant to the principle of Syariah and accordingly, to the extent that the governing law would impose whether by contract or by statute any obligation to pay interest, the parties hereby irrevocably, unconditionally and expressly waive and reject any entitlement to recover interest from each other.

31.54 Non-Syariah Compliant terminologies / terms mentioned in the relevant clauses of the Customer Terms, Investment Product Terms & Conditions and any other document which govern Investment Product(s) are not applicable to Syariah Compliant product(s).

The Customer Terms will also be available at <https://www.sc.com/global/av/bn-customer-terms.pdf>