



Monetary Authority of Singapore

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**SECURITIES AND FUTURES ACT  
(CAP. 289)**

**NOTICE ON CANCELLATION PERIOD FOR  
COLLECTIVE INVESTMENT SCHEMES CONSTITUTED  
AS UNIT TRUSTS**

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**Notice No : SFA 04/13-N01**

**Issue Date : 1 October 2002 (Last revised on 20 March 2003\*)**

## **SECURITIES AND FUTURES ACT (CAP. 289)**

### **NOTICE ON CANCELLATION PERIOD FOR COLLECTIVE INVESTMENT SCHEMES CONSTITUTED AS UNIT TRUSTS**

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#### **Introduction**

1 This Notice is issued pursuant to sections 101 and 293 of the Securities and Futures Act (Cap. 289) ["the Act"]. It sets out the obligations of a manager of a collective investment scheme constituted as a unit trust in relation to a cancellation of purchase of units in a unit trust by an investor.

2 This Notice shall not apply to a unit trust that is listed on a securities exchange approved under section 9 of the Act.

3 This Notice shall come into effect on 1 July 2003.

[SFA 04/13-N01 (Amendment) 2003]

#### **Definitions**

4 For the purposes of this Notice:

“collective investment scheme” has the same meaning as in section 2(1) of the Act;

“manager” has the same meaning as in section 2(1) of the Act;

“participant” has the same meaning as in section 2(1) of the Act;

“prospectus” has the same meaning as in section 283(1) of the Act;

“purchase” includes subscription of units in a unit trust;

“unit trust” means a collective investment scheme under which the property is held on trust for the participants and is authorised under section 286(2) of the Act.

## **Application**

5 This Notice applies to:

- (a) a manager of a unit trust; or
- (b) a person (other than the manager referred to in sub-paragraph (a)), who –
  - (i) purchases or arranges for the purchase of, on behalf of an investor, units in a unit trust and through whom the investor would redeem the units so purchased; and
  - (ii) arranges for the units purchased by the investor, to be held in a nominee account or by a nominee corporation or on trust.

6 In this Notice, “the relevant person” shall mean:

- (a) in the case where the investor is registered as a participant in the register of participants of the unit trust, the manager of the unit trust; and
- (b) in the case where an investor purchases units from the person referred to in paragraph 5(b), that person.

7 For the avoidance of doubt, a sub-fund of an umbrella fund is considered to be a single unit trust in this Notice.

## **Right to Cancel**

8 The relevant person shall give an investor a right to cancel an agreement to purchase units in a unit trust (referred to as the “purchase agreement”). For the purposes of this paragraph, a purchase agreement includes an agreement to participate in a regular savings plan [“RSP”].

9 The right to cancel referred to in paragraph 8 need not be given in any of the following circumstances:

- (a) the investor is not a natural person;
- (b) the investor is a participant in a unit trust, who subsequently purchases units in that unit trust or participates in a RSP of that unit trust; and
- (c) in the case where the investor participates in a RSP, the second and any subsequent payment.

10 Subject to paragraph 11, where an investor has a right to cancel, that right must be exercised within 7 calendar days from the date the investor signs the agreement to purchase units (referred to in this Notice as the “cancellation period”). Where the last day of the cancellation period falls on a Sunday or a public holiday, the cancellation period shall be extended to the next calendar day, not being a Sunday or a public holiday.

Example

If an investor enters into an agreement to purchase units in a unit trust on Tuesday, he would need to exercise his right to cancel no later than Monday of the following week. In the event the 7<sup>th</sup> day falls on a Sunday or a public holiday, the cancellation period is extended to the next calendar day, (assuming it is not a public holiday).

11 The relevant person may give the investor a longer cancellation period (i.e., more than 7 days) and it shall disclose in the purchase agreement the investor’s rights for the extended period (i.e., for the period after the 7<sup>th</sup> day).

12 Without prejudice to paragraph 11, the relevant person shall not be permitted to contract out of or alter an investor’s rights as specified under this Notice by the terms and conditions of the purchase agreement between the investor and the relevant person, or otherwise.

**Giving the Investor Notice of the Right to Cancel**

13 The relevant person shall give the investor, in writing, clear and prominent notice of his right to cancel before the purchase agreement is concluded.

14 The notice shall state -

- (a) that the investor has a right to cancel the purchase agreement;
- (b) the duration of the cancellation period, including the point in time where the cancellation period begins;
- (c) the steps the investor has to take to cancel the purchase agreement, including details of how and where he can exercise his cancellation right;
- (d) that the relevant price for calculating the amount to be refunded will be the dealing price following the receipt of the cancellation request by the relevant person, as determined by the relevant person's time-stamp or any other reasonable means;
- (e) the effect of cancelling the purchase agreement, including any adjustment to the amount to be repaid; and
- (f) the restrictions imposed on the investor in relation to redemption and switching during the cancellation period, as stated at paragraphs 23 and 24, respectively,

and be accompanied by a form to enable the investor to effect the cancellation request.

Guidance

The Authority will accept that clear and prominent notice of the investor's right to cancel referred to in paragraph 13 of this Notice is complied with if the investor's right to cancel is disclosed in or together with the relevant application form for unit trust. However, the application form should prominently feature words like: "**IMPORTANT:** information about your right to cancel this agreement is enclosed."

**Exercising the Right to Cancel**

15 The relevant person should specify reasonable means by which the investor could exercise his right to cancel. In the case where the

cancellation request is to be sent by post, the relevant day for determining whether the right to cancel has been exercised within the cancellation period is the date on which such request is posted by the investor (i.e., as determined by the postmark). The investor should be entitled to send the cancellation request by ordinary post.

16 A cancellation request is valid only when it is served on the relevant person or any agent of the relevant person with authority to accept notice on the relevant person's behalf.

### **Calculation of the Amount to be Repaid**

17 Subject to paragraphs 18 to 21, when an investor has made payment for his purchase of units in a unit trust and thereafter validly exercises his right to cancel, the relevant person shall –

- (a) in a case where the amount the investor has paid to the relevant person has not yet been invested or is held in a demand deposit account (or similar accounts), refund the investor the amount that the investor has paid to the relevant person in connection with the purchase agreement (without any interest) within 2 business days after receiving a valid cancellation request; and
- (b) in any other case, pay the investor in compliance with the requirements under the Code of Collective Investment Schemes in respect of payment of redemption proceeds as modified by any exemption granted to the relevant unit trust, as if the cancellation was a redemption.

18 In determining the amount payable to the investor under paragraph 17, the relevant person shall in determining the amount that is payable to the investor, be entitled to an adjustment to reflect the change in market value of the units held by the investor.

19 Where the market value of the units held by the investor is greater than the **original amount** paid by the investor, the relevant person is not obliged to pay the excess amount to the investor, and where the relevant person is the manager of a unit trust, the manager shall ensure that such excess amount is retained in the unit trust.

### **Recovery of Expenses Incurred by the Relevant Person**

20 The relevant person shall be entitled to recover any expense it incurred by reducing the amount to be repaid to the customer, provided that such expense is reasonably related to the original purchase and subsequent cancellation of units by the investor.

21 For the avoidance of doubt, where an investor exercises his right to cancel, any sales charge or front-end load fee imposed by the relevant person in respect of any purchase of units in a unit trust shall not be chargeable to the investor. In addition, the relevant person shall be prohibited from imposing any penalty on the investor for the termination of the purchase agreement.

### **Realisation Charge**

22 Where a unit trust provides for the levy of a realisation charge (or by whatever name it is called) on an investor who redeems his units, the relevant person shall not be entitled to impose such charge on an investor who has submitted a valid cancellation request.

### **Redemption and Switching**

23 During the cancellation period, an investor may choose to redeem his units instead of exercising his right to cancel. In this case, the redemption procedures as stated in the prospectus of the unit trust will apply. The relevant person shall make it clear to the investor that -

- (a) the investor will not be able to enjoy the benefits of cancellation in the event that he chooses to redeem his units (i.e., no refund of initial sales charge will be given for redemption and levy of realisation charge is allowed) and that the redemption proceeds that the investor will receive may be lower than the amount being refunded had he exercised his cancellation right if the appreciation in the value of units in the unit trust is less than the initial sales charge; and

- (b) the published prices are indicative in nature and can change during the period between the submission and processing of the redemption request.

24 In respect of unit trusts which allow an investor to switch his units to another unit trust, where the relevant person decides to maintain an investor's right to switch during the cancellation period, the relevant person shall ensure that the investor by switching unit trust would not be in a worse position than if he were to cancel his initial purchase and to buy units in the other unit trust.

\* Notes on History of Amendment

1. SFA 04/13-N01 (Amendment) 2003 with effect from 20 March 2003.