

Circular No. ID 10/07

20 August 2007

To Principal Officers of All Direct Life Insurers

Dear Sir/Madam

### **REVISIONS TO MAS NOTICES 302 AND 307**

MAS issued a consultation paper on 30 August 2006 proposing changes to the existing approval and post-sale disclosure requirements for sub-funds of investment-linked life insurance policies ("ILPs"). The consultation period closed on 30 September 2006 and MAS' response to feedback received from the consultation was published on 5 February 2007.

2 MAS Notice 307 has been revised to incorporate the proposed changes. The Notice has also been updated to align the requirements for ILP sub-funds with those for collective investment schemes contained in the Code on Collective Investment Schemes issued by the MAS pursuant to Section 321 of the Securities and Futures Act.

3 The key revisions to MAS Notice 307 are:

- Removal of the requirement for MAS' prior approval before the launch of a new ILP sub-fund or for any significant change to an existing ILP sub-fund. This has been replaced with the requirement to notify MAS at least 21 days prior to the launch of a new ILP sub-fund or 1 month prior to a significant change in an ILP sub-fund;
- Introduction of the option of a supplementary audit conducted on the processes and controls relating to ILP sub-funds in lieu of the existing requirement for a full audit of each ILP sub-fund;
- Introduction of the requirement for an audit certificate for ILP sub-funds that have terminated or matured; and
- For ILP sub-funds that feed substantially into an underlying fund, insurers to be allowed to replace the semi-annual and annual report on the ILP sub-funds with the corresponding reports on the underlying funds provided certain conditions are met.

4 With the removal of the requirement for MAS' prior approval of ILP sub-funds, greater reliance is placed on the Board and senior management of insurers to exercise prudent management oversight and adequate controls over their ILP sub-funds. In this regard, the existing Board approved controls required under MAS Notice 302 for ensuring proper development, pricing and disclosure for insurance products have been extended to ILP sub-funds. MAS Notice 302 has been revised to incorporate this requirement.

5 Copies of the Amendment Notices and revised Notices for MAS 302 and 307 are attached. There is a transitional period of 1 month and 6 months for MAS Notices 307 and 302 respectively.

6 Please contact your company's liaison officer in MAS should you require further clarification.

Yours faithfully

[sent via MASNET]

LOW KWOK MUN  
EXECUTIVE DIRECTOR  
INSURANCE SUPERVISION DEPARTMENT

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