RESPONSE TO CONSULTATION PAPER

Consultation topic:	Proposed Amendments to Code on Collective Investment Schemes
Name[1]/Organisation: 1 if responding in a personal capacity	CFA Society Singapore Advocacy Committee

General comments:

Unless otherwise defined in this response, all terms defined in the Consultation Paper on Proposed Amendments to the Code on Collective Investment Schemes P014 – 2016 dated November 2016 (the "**Consultation Paper**") shall have the same meanings when used in this response.

Question 1: MAS seeks comments on the proposed requirements for Precious Metals Funds. MAS also seeks views on (i) imposing an NAV cap on Precious Metals Fund's investments in silver and/or platinum; or (ii) only allowing a Precious Metals Fund to invest in gold, for a start.

Additional Disclosure in relation to Precious Metal Funds

We note that in paragraph 2.4 of the Consultation Paper, the MAS proposed to impose additional requirements for Precious Metal Funds to follow the LBMA rules and the LPPM rules (as applicable).

To provide retail investors with a better appreciation of the Precious Metals Fund's operations and the risk that the fund faces, we suggest that the MAS make it a requirement to disclose in the prospectus that the fund follows the LMBA rules and LPPM rules (as applicable) (the "**Rules**"). The prospectus should also disclose where the Rules may be found so that retail investors can have easy access to them.

Following the adoption of our suggestion above, one question that may arise is, whether in the event of any changes to the Rules, the existing prospectus of the Precious Metals Fund will need to be updated. In this regard, we further suggest that the MAS should clarify that the fund's prospectus should be updated whenever the changes to the Rules have been adopted by the fund. This is because, currently, we understand that fund managers typically decide to update a fund's prospectus when there are material changes to the information contained in the prospectus. Allowing fund managers to decide on whether or not to update the fund's prospectus when there are changes in the Rules may confuse retail investors if different fund managers take different views on materiality with respect to the same changes to the Rules.

In addition, the MAS should also make it a requirement to disclose in some disclaimer language to inform retail investors that the Rules may be amended from time to time and that the fund may need some time to adopt any changes to the Rules.

Whether to allow Precious Metals Funds to also invest in silver and/or platinum

We note that in paragraph 2.5 of the Consultation Paper, the MAS sought views on whether to impose an NAV cap on a Precious Metals Fund's investments in silver and/or platinum, or to only allow a Precious Metals Fund to invest in gold.

Currently, retail investors have access to hard commodities. There are also silver and platinum ETFs overseas that retail investors can access through their brokers. Hence we are of the view that Precious Metals Funds should be allowed to invest in gold, silver and/or platinum subject to safeguards including an NAV cap to invest in silver and/or platinum, and requiring clear disclosures and disclaimers to prevent mis-selling

Further clarification

We note that paragraph 2 of the Consultation Paper only applies to Precious Metals Funds - currently defined as "Authorised funds that invest solely in gold, silver and platinum", and we seek clarification on the following:

(a) whether there is any intention to apply paragraph 2 of the Consultation Paper to funds that invest in the equity securities of companies that invest solely in gold, silver and platinum;

(b) whether there is any intention to apply paragraph 2 of the Consultation Paper to funds that invest in other funds which may invest solely in gold, silver and platinum; and

(c) whether the framework for regulating Authorised funds investing in gold will also be extended to Recognised funds investing in gold. In addition, we seek clarification on whether it is still necessary to allow the SPDR Gold Trust to be marketed to retail investors even though it is currently not a Recognised fund and is constituted outside of Singapore given that there is now a framework for regulating funds that invest in gold. The concern that we have, is that retail investors may be led to prefer the SPDR Gold Trust (a fund that is neither Authorised nor Recognised by the MAS) over other Precious Metals Funds (that are regulated by the MAS) if the SPDR Gold Trust achieves superior performance due to lower compliance cost.

Question 2: MAS seeks comments on the proposed disclosure requirements on a fund manager's credit assessment practices.

We currently have no comments on MAS' proposal.

Question 3: MAS seeks comments on the proposal to require additional disclosures on securities lending or repo in the fund's semi-annual and annual reports.

We currently have no comments on MAS' proposal.

Question 4: MAS seeks comments on the proposal to extend the additional disclosure requirements under the CIS Code to Recognised funds.

We currently have no comments on MAS' proposal.

Question 5: MAS seeks comments on the proposal to require managers of Authorised and Recognised funds to ensure that advertisement on such funds are prepared in accordance with the CBPA and the RDPA.

We currently have no comments on MAS' proposal.

Question 6: MAS seeks comments on the proposal to require a REIT to calculate WALE based on the date of commencement of the leases.

We agree that WALE calculation should be based on the date of commencement of leases. The signing date on leases should not be used as some leases are secured months in advance.

Question 7: MAS seeks comments on the proposed requirement for a REIT to hold its first AGM within 18 months of its authorisation.

We agree with MAS' proposal.

Question 8: MAS seeks comments on the proposal to allow all funds, except property funds and hedge funds, to pay out redemption proceeds within 7 business days from the receipt of the redemption request.

We currently have no comments on MAS' proposal.

Question 9: MAS seek comments on the proposal to replace the phrase "passing rents of the underlying sub-leases" in the CIS Code with the phrase "market rents of the underlying sub-leases at the time of entry or renewal of the master lease arrangement", where "market rent" is defined using existing valuation standards.

We agree with MAS' proposal.

Question 10: MAS seeks comments on the proposal to allow an SGX-listed REIT to issue summary financial statements to unitholders in place of full financial statements and report.

We agree with MAS' proposal. As MAS intends to allow REITs to send financial statements by electronic means, REITs should send summary financial statements in addition to full financial statements.

Question 11: MAS seeks comments on the proposals to allow a REIT to also send its accounts and reports to unitholders by electronic means.

We agree with MAS' proposal.