RESPONSE TO CONSULTATION PAPER

Consultation topic:	Proposed Amendments to Code on Collective Investment Schemes ("**Consultation Paper**")
Name[1]/Organisation: [1]if responding in a personal capacity	**Sidley Austin LLP**

General comments:

We have recently received feedback from our fund manager clients in relation to the Consultation Paper. Notwithstanding the late response, we are grateful if you could consider their comments below. On behalf of our clients, we thank you for the opportunity to provide feedback and your kind understanding.

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.

No comments.

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

Clients' comments:

We seek further clarification from the Authority on the rationale for the proposed disclosures in relation to the fund manager's credit assessment process. It is respectfully submitted that a fund manager may have various reasons for conducting a credit assessment to verify ratings and such reasons may vary on a case-by-case basis. As such, it may be difficult to provide comprehensive disclosures (or avoid generic disclosures) in the prospectus and it might be hard to see how investors could benefit from such disclosures. We are not certain how such disclosures would aid the investors in their investment decision as well.

Could the Authority confirm that the proposal will not be applicable to recognised funds?

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.

Clients' comments:

The accounting rules of the home jurisdiction of a recognised fund will apply to the fund. For example, in the case of a Luxembourg fund, the funds are already required to make disclosures on securities lending and repurchase transactions. It is important to note that Luxembourg funds cannot deviate from the accounting rules applied by the Luxembourg laws and regulations. As such, the Authority will need to ensure that the proposed changes to the CIS code are consistent with the home regulations applicable to the recognised funds offered in Singapore in order to avoid the scenario where two sets of disclosures are required in the same fund's semi-annual and annual report.

It should also be noted that the auditors of the funds will have to audit two sets of disclosures in relation to the securities lending and repurchase transactions and this will inevitably lead to increased costs that may be passed on to investors. It is respectfully submitted that the benefits of such disclosures may not outweigh the costs as the additional disclosures may not provide any further/better disclosures.

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

Clients' Comment:

We understand the intention of the Authority to enhance the disclosure requirements. However, it should be noted that the performance fee calculation for recognised funds may differ from authorised funds. We seek the Authority's clarification whether the calculation method for performance fees will be imposed on recognised funds.

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.

Clients' Comments:

We note that IMAS and the Authority jointly issued the CBPA in 2006. While the general code is a useful guide to the industry, we would like to know whether IMAS (together with the Authority) will be reviewing and updating the CBPA in light of the changes in regulation and the recent focus on the use of derivatives?

In relation to the RDPA issued by IMAS on 20 October 2016, we note that it does not provide for the definitions of a number of terms used in the RDPA. For example, please clarify the references/definitions of (the following list is not exhaustive):

(i) "income";

(ii) "capital";

(iii) the calculation method for "average distribution since inception"; and

(iv) the calculation method for "annualised volatility of total return of the strategy".

If the Authority requires fund managers to ensure that funds are prepared in accordance with the CBPA and the RDPA, we hope that the Authority could issue more guidance to clarify as well as provide illustrative examples to highlight the types of information that need to be disclosed.

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

No comments.

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

No comments.

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.

No comments.

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.

No comments.

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.

No comments.

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

No comments.