RESPONSE TO CONSULTATION PAPER

Consultation topic:	Proposed Amendments to Code on Collective Investment Schemes
Name[1]/Organisation: [1]if responding in a personal capacity	CHAN & GOH LLP

General comments:

Nil.

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.

Nil.

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

We note that a prospectus should contain all the information that investors and their advisers would reasonably require to make an informed investment decision.

In recent years, MAS has observed that prospectuses have become increasingly lengthy and complex and this resulted in investors having difficulty understanding them. This has resulted in the issuance of the Guidelines on Good Drafting Practices for Prospectuses on 7 July 2015 (the "**Guidelines**") which identified certain drafting issues and this includes, amongst others, having (i) unnecessary, irrelevant or immaterial details and (ii) vague boilerplate disclosures which may not be meaningful to investors.

According to the final report entitled "Good Practices on Reducing Reliance on CRAs in Asset Management" (the "**Report**") by the internal organization of securities commissions ("**IOSCO**"), asset managers often use external credit ratings to form an opinion on the creditworthiness of a particular issuer before purchasing securities, selecting counterparties, or choosing the best collateral to secure transactions. Similarly, investors refer to the external credit ratings when selecting investments or guiding asset managers on the basis of a tailored investment mandate.

In relation to the retail investors, our view is that having knowledge of a manager's credit risk assessment process does not assist investors in making their decision in making investment decisions as such information relates to a manager's internal

processes and investors would not appreciate nor understand how the manager carries out such credit assessment.

Moreover, the investment mandate for funds are generally very broad in nature to give flexibility to the fund manager. Where the internal assessment of the credit rating of any security differs from that of a credit rating agency (which may have been used as a benchmark), the fund manager may switch and invest in another security that falls within the investment mandate and satisfies the rating as set out in the relevant prospectus. Such action will generally not be disclosed to investors as it relates to the operational decisions of the manager in investing. In this regard, it is unclear how disclosure of the manager's credit risk assessment process will allow investors to make an informed decision other than to give them the assurance that such a process is in place. If the latter rationale is the key reason behind the proposed disclosure process, a short paragraph indicating that the fund manager has a credit risk assessment process in place to ensure investments made falls within the investment mandate and meet their internal credit rating standards will suffice.

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.

Nil.

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

Nil.

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.

Under the IMAS guidance note, "Recommended Disclosures to Support the Presentation of Income Statistics in Advertisements", fund managers are required to, amongst others, disclose that any distribution is expected to result in an immediate reduction of the net asset value per share/unit. We assume this disclosure requirement applies to distributions out of either (a) income, (b) net capital gains or (c) capital of the fund or a combination of (a) and/or (b) and/or (c).

In relation to the above, we wish to highlight that we have received comments from MAS on the provisions relating to distributions in prospectuses in the past. In particular, where a fund distributes out of capital (and not income or net capital gains), there must be a statement stating that distributions out of capital may amount to a reduction of the

investor's original investment is required. Please clarify if this additional disclosure should similarly apply to advertisements.

We have also received comments from MAS that where distributions are made out of income or net capital gains, a statement that any distributions made will reduce the net asset value of the fund is not necessary. In this regard, should this statement be reinstated in the prospectus for consistency with the proposed disclosures in advertisements?

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

Nil.

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

Nil.

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.

Nil.

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.

Nil.

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.

Nil.

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

Nil.