

**FAQs on CFC 02/2022 Disclosure and Reporting Guidelines for Retail ESG Funds (Circular)
[issued on 3 January 2023]**

Disclaimer:

This set of FAQs is meant to provide clarification to the industry on the Circular for retail ESG Funds that was issued on 28 July 2022 and do not constitute legal advice. If in doubt, MAS expects industry practitioners to seek independent legal opinion, to ensure that they continue to satisfy all legal and regulatory requirements.

Q1: What type of funds would be regarded as an ESG Fund which needs to comply with requirements under the Circular?

A1: A fund will fall within the scope of the Circular and be subject to the requirements under the Circular if:

- i. it uses or includes ESG factors as its key investment focus and strategy; and
- ii. it represents itself as an ESG-focused fund.

In this regard, a fund will be considered as representing itself as an ESG-focused fund if:

- i. its name includes ESG-related or similar terms;
- ii. it is, or will be, marketed as an ESG-focused scheme; or
- iii. it represents itself as an ESG-focused scheme through disclosures made in its offering documents, websites, etc.,

thereby causing investors to construe the fund as an ESG Fund.

The fund manager is responsible for assessing whether a fund is an ESG Fund which falls within the scope of the Circular. If in doubt, the fund manager may consult MAS.

Q2: Does a fund that invests all, or substantially all, of its NAV in an ESG Fund (i.e. feeder fund) need to comply with the Circular?

A2: The feeder fund itself would need to comply with the Circular in full if it is an ESG Fund (see Q1 for details). While the feeder fund may incorporate disclosures made by the underlying master fund, the feeder fund itself must comply with the disclosure requirements under the Circular in full. It would not be sufficient for the feeder fund to demonstrate compliance with the disclosure requirements solely by referencing the disclosures made by the underlying master fund.

Q3: Can the name of a fund that does not fall within the scope of the Circular contain ESG-related or similar terms? Conversely, can such terms be omitted from the name of an ESG Fund?

A3: Under Chapter 4.1 of the Code on Collective Investment Schemes, a scheme's name should be appropriate, and not be undesirable or misleading. Fund managers should therefore ensure that the name of the fund accurately reflects the investment objective and nature of the fund. To mitigate the risk of confusion among investors, an ESG Fund should be clearly differentiated from other retail funds. The name of an ESG Fund should contain ESG-related or similar terms in its name to reflect its ESG focus.

A fund is prohibited from using ESG-related or similar terms in its name if it does not comply with the Circular. Existing funds that have ESG-related terms in their names or represent themselves as ESG-focused schemes but do not comply with the Circular will be required to change their names or be represented by another name when the funds are offered to investors in Singapore.

Q4: Must the two-thirds threshold be complied with at all times?

A4: The manager should ensure that the ESG Fund invests at least two-thirds of its net asset value in accordance with its investment strategy at all times. This is applicable to both authorised and recognised funds (including UCITS funds classified under Article 8 or 9 of the EU SFDR).

Q5: Are all UCITS funds classified under Article 8 or 9 of the EU SFDR deemed to have complied with the Circular?

A5: An Article 8 or 9 fund will only be deemed to have complied with the disclosure requirements, including the reporting and disclosure requirements, under Section C of the Circular. The Article 8 or 9 fund may not be marketed to retail investors in Singapore under the "ESG Fund" label unless the fund also falls within the scope of the Circular (in accordance with Section A) and complies with the requirements in Section B of the Circular.

Q6: Can the prospectus of a UCITS fund that is classified under Article 8 of the EU SFDR mention that the fund promotes ESG characteristics pursuant to Article 8 of the EU SFDR?

A6: Yes.

Q7: Must all ESG Funds, including existing ESG Funds, comply with the Circular by 1 January 2023?

A7: The Circular will apply to ESG Funds seeking authorisation or recognition on or after 1 January 2023.

Existing ESG Funds will have to comply with the requirements under the Circular when they (i) re-lodge their prospectuses that would otherwise expire (annual re-lodgments), and (ii) submit the relevant Form 1-A/2-A on OPERA to indicate their statuses as ESG Funds, on or after 1 January 2023. This will provide existing ESG Funds sufficient time to comply with the requirements under the Circular. For the avoidance of doubt, the requirements under the Circular will not apply to supplementary or replacement prospectuses of existing ESG Funds that are lodged on or after 1 January 2023 but prior to their annual re-lodgments.

Q8: What additional document is required to be submitted to MAS with the prospectus of an ESG Fund?

A8: In addition to the documents required for the lodgement of prospectuses as set out under the CIS Practice Note 1/2005 – Administrative Procedures for Retail Schemes (CIS Practice Note), a prospectus checklist in relation to the disclosure requirements under the Circular is required to be submitted. For more information, please refer to the CIS Practice Note [here](#).