

27 August 2025

**Monetary Authority of Singapore**

The below responses will be submitted to the Monetary Authority of Singapore online system on 27 August 2025.

**ASIFMA AMG Response to MAS Consultation on Enhancements to Product Highlights Sheet (PHS) Requirements and the Complex Products Framework**

Name of Organisation / Entity:	Asset Management Group ("AAMG") of Asia Securities Industry & Financial Markets Association ("ASIFMA")
Name of Individual / Contact Person:	Eugenie Shen
Email Address:	<a href="mailto:eshen@asifma.org">eshen@asifma.org</a>
Please indicate which aspects of your submission you would like to keep confidential.	None – I agree to publish my full feedback with attribution.

**Q1. MAS seeks views on the proposal to amend the PHS template to display a yellow-coloured heading band across the top of the first page of the PHS, bearing the words "PRODUCT HIGHLIGHTS SHEET" as a default.**

On behalf of the Asset Management Group ("AAMG") of Asia Securities Industry & Financial Markets Association ("ASIFMA"), we would like to submit our response to the Monetary Authority of Singapore ("MAS") Consultation on Enhancements to Product Highlights Sheet (PHS) Requirements and the Complex Products Framework.

Below is our response to Q1.

Our members are supportive of MAS's intention to enhance the design and content of the PHS templates. However, the yellow-coloured heading band shown in the PHS template in Annex B7 of the Consultation notably large. As some of our members already find it challenging to fit all the content within the 4-page limit whilst adhering to the content and design requirements, we suggest that the heading band be made smaller or the current rectangular PHS strip on the right side of the first page only be retained so that more space is available for the product's content.

In addition, with the removal of the heading band or rectangular PHS strips on each page besides the first page, we suggest including "PHS" as a footer alongside the page number starting from

## DEVELOPING ASIAN CAPITAL MARKETS

the second page so that investors can distinguish the PHS from other documents if the PHS is printed in hardcopy.

**Q2. MAS seeks views on the proposal to introduce the use of a red-coloured heading band across the top of the first page of the PHS, bearing the words “PRODUCT HIGHLIGHTS SHEET” for PHS of specified investment products (“complex products”).**

The current Excluded Investment Products (EIPs) and Specified Investment Products (SIPs) classification framework focuses on identifying the products’ complexity, not risk. While we agree with using a different colour heading band to suggest the need for caution, the red colour is too striking and may evoke associations of “danger” or high risk, which contradicts the policy intent of merely distinguishing complex from non-complex products. A complex product is not inherently riskier than a non-complex one. For example, in the context of a Collective Investment Schemes (CIS), a traditional long-only strategy employing limited use of derivatives to generate additional returns and/or reduce costs of the product (effective portfolio management) may be considered a complex product, but it is not riskier than a similar product that does not use derivatives and considered a non-complex product. Our members are concerned that PHS with a red-coloured heading band would unnecessarily scare away investors from products that are not risky. Therefore, we suggest using a colour other than red which could lead investors to conflate complexity with risk or caution with danger.

**Q3. MAS seeks views on the proposal to require the disclosure of the investment strategy and fees payable in the form of diagrams for the PHS of CIS (excluding REITs), and ILP sub-funds.**

The proposal to include disclosures of investment strategy and fees payable in the form of diagrams in the PHS seems to be a shift from the idea that the PHS is a snapshot of the prospectus. This may also give rise to issues of discrepancies between the prospectus and PHS due to the differences in information being disclosed. We suggest that disclosures of investment strategy and fees payable in the form of diagrams in the PHS be optional only and not mandatory.

Below are some further comments on the illustrative examples of disclosure of investment strategy and fees payable in the PHS template in Annex B7.

Investment strategy

In the PHS template in Annex B7, the disclosure of product investment strategy includes information on fund size, a list of the top 10 holdings of a fund and charts on the fund’s asset, sector and country allocations. It is important to note that such information is already widely available on the fund manager’s website and factsheets produced on a regular basis. From an efficiency/cost perspective, our members suggest that the PHS focus on the key information of the product and not duplicate the information already available elsewhere.

As fund size, top 10 holdings and asset, sector and country allocations are not static, it may be best presented in more frequently updated materials (e.g., websites and monthly factsheets), compared to the PHS which may only be updated annually. Providing a PHS with dated information to investors may create unintended representation of the product’s portfolio composition, contradicting the aim to help enhance investors’ understanding of the product.

And requiring PHSes to be updated every time there is a change in such information is time consuming and costly. We note, for example, that the Hong Kong SFC removed in 2019 its previous requirement to include top 10 holdings information of ETFs in the PHS-equivalent Product Key Facts Statement (KFS).

Therefore, our members would like MAS to consider the usefulness to investors of requiring the PHS to include disclosures of fund size, top 10 holdings and asset/sector/country allocations (which frequently changes) while investors can readily obtain up-to-date details from publicly available materials (e.g., websites and factsheets). Instead of providing such detailed disclosure, it may be helpful to include in the PHS a hyperlink to the fund's website or factsheets so that the investors are directed to the latest data.

#### Fees payable

If a diagram similar to the illustrative example of the fees payable disclosure in the PHS template in Annex B7 needs to be prepared for every share class offered, it would take up significant time and resources in computing and validating the fee structure. In addition, the diagram may be an over simplistic depiction of the impact of the fees on an investor's investment and may potentially cause even more confusion as it does not take into account movements of the fund's underlying assets. It also takes up space in the PHS, which is currently subject to a 4-page limit but proposed to increase to 8-page, reducing the space for including key features and risk of the fund, further diminishing the usefulness of the PHS. Therefore, we suggest that disclosure of fees payable in the form of diagrams for the PHS not be mandatory but optional only.

If MAS is inclined to include disclosures of fees payable in the PHS, we suggest that MAS consider allowing the use of a representative share class, i.e., a base currency share class accompanied by appropriate disclaimers, rather than a separate disclosure for each share class which would take up a lot of space in the PHS.

#### **Q4. MAS seeks views on the proposed simplified and standardised introductory statements to be included for all redesigned PHSes.**

We have no objections to including simplified and standardized introductory statements for all redesigned PHSes but they should be objectively stated. The statements should avoid starting with ““You should not purchase . . . if you do not understand . . .”, which we suggest replacing instead with “You should purchase . . . only if you understand . . .”. We also think that understanding “our business” should not be a consideration for the investor as they are buying products from an asset/fund manager that is already licensed or recognized by the MAS.

The purpose of the PHS should be to clearly inform investors about the nature of the product and its complexity and associated risks, while encouraging them to make a considered decision based on their own circumstances. Therefore, we suggest the below wording for the introductory statements for non-complex and complex products.

*“Prior to making an investment in this product, you should review this PHS, the offer documents, and associated materials carefully to understand the nature of the product and its risks, and to assess whether it is suitable for your investment objectives and risk tolerance.”*

*“This is a COMPLEX product. Prior to making an investment in this product, you should review this PHS, the offer documents, and associated materials carefully to understand the nature of the product and its risks, and to assess whether it is suitable for your investment objectives and risk tolerance.”*

**Q5. MAS seeks views on the proposed complexity disclosure statement to be included for all redesigned PHSes.**

We are of the view that the proposed complexity disclosure statement should include the reason why the product is complex (e.g., it uses derivatives for . . . purposes) instead of just “it has certain features that the average retail investor may not understand”.

**Q6. MAS seeks views on the proposal to require the disclosure of financial ratios of issuers and guarantors for the PHSes of Equity Securities, Hybrid Instruments, Debt Securities, Post-Seasoning Bonds and Exempt Bonds. MAS also seeks views on the proposed general principles to guide issuers’ choice of the financial ratios to be disclosed.**

No comment.

**Q7. MAS seeks views on the proposal to require the disclosure of asset and revenue profile of issuers and guarantors for the PHS of Equity Securities, Hybrid Instruments and Debt Securities, for such offers made in or accompanied by a prospectus only.**

No comment.

**Q8. MAS seeks views on the proposal to remove the requirement to disclose business strategies and future plans for the PHS of Hybrid Instruments. MAS also seeks views on the relative utility to retail investors of information in this segment vis-à-vis other segments in the redesigned Hybrid Instruments PHS template.**

No comment.

**Q9. MAS seeks any other suggestions on how the redesigned PHS for respective investment products as set out in Annex B1-B8 can be made more readable and useful for investors.**

Below are our comments and suggestions with regard to the templates for CIS in Annex B7a and B7b.

Under “What are the characteristics of this product?” section, the template states that visual aids such as icons can be included to represent the characteristics of the products. We wish to point out that having too many visual aids may detract an investor’s attention away from key features and risks of a fund. Instead, it may attract investors to invest in funds solely because the PHS is reader friendly. We suggest that visual aids not be made mandatory for inclusion in this section. For those fund managers that choose to include icons or visual aids, it would be helpful if MAS could provide guidance on the format and type of icons that may be used for the PHSes’ first page.

Under the “Who are you investing with?” section, the illustrative diagram seems to be setting out basic fund structures rather than key features of a fund. This may not be an efficient use of a document that aims to set out key fund features and risks.

Instead of “strongly encouraging”, which may be interpreted as mandating, the use of diagrams, we respectively request that MAS consider leaving the option to product issuers to assess whether diagrams are helpful based on the features of the fund.

**Q10. MAS seeks views on the proposal to introduce amendments to the SFA and related subsidiary legislation to incorporate requirements for a PHS for offers of Debt Securities, Hybrid Instruments and Equity Securities in legislation.**

No comment.

**Q11. MAS seeks comments on the proposed amendments to the Regulations set out in Annexes C1-C4, particularly the amendments described in paragraph 2.24.**

No comment.

**Q12. MAS seeks views on the proposal to introduce the use of a red coloured heading band across the top of the first page of all ILP-PHS, bearing the words “PRODUCT HIGHLIGHTS SHEET”, and to include a prominent statement directing investors to refer to the complexity classification and disclosures of each selected sub-fund.**

No comment.

**Q13. MAS seeks views on whether ILPs should be classified as a complex product and be indicated as such in the ILP-PHS.**

Even though most of our members are mainly concerned about CIS, the classification of ILPs may impact fund managers. We do not believe that ILPs should automatically be classified as a Complex Product as this should be determined by the nature and classification of the underlying funds of the ILP.

**Q14. MAS seeks views on the prescribed content for ILP-PHS set out in Annex A and the proposed ILP-PHS template set out in Annex B9.**

No comment.

**Q15. MAS seeks comments on the proposed amendments to the Notices set out in Annexes C5-C7.**

No comment.

**Q16. MAS seeks feedback on a transition period of six months from the effective date of legislative amendments for financial institutions to implement the PHS requirements.**

Given the number of proposed enhancements to the PHS, we respectfully request that the transition period be extended from six months to at least twelve months from the effective date of legislative amendments. An extended transition period is more appropriate due to diverse product offerings, system and template overhaul required, cross-functional coordination within firms, etc. In addition, an extended transition period allows for smoother implementation by existing CIS (which PHS is updated annually) so that recently filed documents would not need to be re-submitted solely to comply with the PHS enhancements.

**Q17. MAS seeks views on amending the current terms used for classifying products from “EIP” and “SIP” to “non-complex products” and “complex products” respectively, in the relevant MAS Notices.**

We are generally supportive of amending the current terms used to classify products from “EIP” and “SIP” to “non-complex products” and “complex products”. However, we suggest that the definitions of complex and non-complex product can be more clearly defined to facilitate fund managers’ decision-making when developing new products with differentiating features or seeking recognition of their overseas products to be sold in Singapore. More specifically, we would like to request a review of the classification of CIS, as under the current classification approach, many products in the market, such as a traditional long-only strategy employing limited use of derivatives for investment gains purpose, may end up being classified as “complex”, which would lead to a misrepresentation of the product nature and create confusion for retail investors.

We support MAS’s proposal in its Consultation on Proposed Changes to Complex Products Regime issued in November 2021 to “classify all authorised and recognised CIS (and correspondingly ILP sub-funds that invest in authorised/recognised CIS) as EIPs, except for a small group of more complex funds”. The 2021 Consultation stated that the CIS products being offered to retail investors are already well regulated under the CIS Code and expanding the scope of EIP-CIS will make it easier for retail investors to invest in diversified and professionally managed funds, including exchange traded funds (ETFs). MAS’s Response to Feedback to the 2021 Consultation noted that respondents (including AAMG) were generally supportive of broadening the scope of CIS classified as EIP, but MAS will hold back responding to their proposals on EIP/SIP classification changes and take them into consideration in an upcoming broader review.

Further, if the above proposal merely covers all authorised/recognised CIS, Hong Kong mutual funds with a simple structure may be categorized as “complex products” just because they are not considered a recognized scheme, which may also create confusion for retail investors.

Therefore, we suggest that MAS consider classifying “all CIS as non-complex products, except for a small group of ‘complex’ CIS products that have intricate structures, multiple layers and are challenging for a typical retail investor to grasp their potential risks and returns”. For example, hedge funds that do not comply substantially with the guidelines on hedge fund in the

CIS Code, derivative funds, alternative products, products that invest in illiquid instruments/markets making it difficult to sell quickly or at fair price.

**Q18. MAS seeks views on requiring distributing financial institutions to perform the following prior to any transaction of a complex product:**

- a) Clearly highlight to the investor that the product is complex;
- b) where the PHS is required to be prepared, provide the PHS or access to the PHS (e.g., via a weblink);
- c) remind investors to review the product information, understand the features of the product, and seek financial advice if needed; and
- d) document that investors have acknowledged the complex nature of the product, verified receipt of the PHS or access to the PHS (where applicable), and their decision to proceed with the transaction.

No comment.

**Q19. MAS seeks feedback on combining the criteria for Customer Knowledge Assessment (CKA) and Customer Account Review (CAR) into a single set of criteria that is applicable to both listed and unlisted complex products. The combined assessment will be termed as Customer Knowledge Assessment (CKA).**

We would like to seek clarification from MAS on the validity period for the new combined CKA. Currently, CAR is valid for three years while CKA is valid for one year, and the proposed product knowledge assessments (PKA) outcome is valid indefinitely. It would be helpful if the validity period of the new combined CKA aligns with the perpetual validity of PKA.

Additionally, if a customer completes the new CKA/PKA with one intermediary but chooses to transact with another, we assume the second intermediary must conduct its own CKA/PKA assessment and cannot rely on the previous intermediary's outcome. We appreciate MAS's clarification if our understanding is correct.

**Q20. MAS seeks feedback on introducing product knowledge assessments (PKA), customised to each product type. Financial institutions will have flexibility to craft the PKA to cover the essential characteristics, features, and risks associated with the complex product. Financial institutions will be required to address knowledge gaps when questions are answered incorrectly. A pass in the PKA for a particular product type, will be valid perpetually for that product type.**

We support the introduction of PKA customised to each product type, granting financial institutions, product manufacturers, and issuers the flexibility to design questions that cover essential characteristics, features, and risks. Addressing knowledge gaps when questions are answered incorrectly is crucial, and we agree that a pass in the PKA should be valid perpetually for that product type. We acknowledge that distributing financial institutions have the discretion on how best to incorporate the PKA into their sales and advisory processes, recognizing and reinforcing their duty / obligation to ensure product suitability.



With that being said, some of our members think that it would be helpful if MAS can provide further guidance on its expectations of what a PKA should entail to create some level of standardization across the industry for each product type. Leaving it entirely to each financial institution to craft their own PKA may introduce more complexity as different financial institutions may have different versions of the PKA. From a compliance standpoint, this could lead to regulatory arbitrage or uneven investor protection. A level of standardization can ensure consistency and fairness. This can be achieved via collaboration and consultation with industry associations.

**Q21. MAS seeks feedback on an effective way to categorise product types for the administration of the PKA, considering that the same set of questions may be used for products with similar features.**

We suggest that MAS consider providing a basic list of common product types (such as convertible bonds) for which financial institutions need to design PKAs and/or the same set of questions can be used, with flexibility for financial institutions and product manufacturers to adjust the list based on their product offerings. Alternatively, MAS could consider modular PKAs, where a core set of questions applies across a product category, with optional add-on questions for specific product features.

**Q22. MAS seeks views on requiring financial institutions to administer the knowledge and experience assessment for execution-only transactions, where investors will be given the choice to be assessed based on the CKA criteria or the PKA. For advised transactions, financial advisers need not perform a separate knowledge and experience assessment if they have accounted for the investor's product knowledge and experience in the course of assessing the product's suitability.**

No comment.

**Q23. MAS seeks feedback on the pass outcome in the knowledge and experience assessment being valid perpetually. Investors who fail the PKA for a particular product type will need to undergo the PKA again before transacting in that product type subsequently.**

No comment.

**Q24. MAS seeks feedback on the removal of the learning module as a means to assess investors' knowledge of complex product.**

Instead of removing the learning module, we suggest that MAS consider retaining this option as an alternative to the PKA assessment to enhance and demonstrate investors' understanding of complex products.

**Q25. MAS seeks comments on the removal of the mandatory advisory requirement for investors who are deemed to lack adequate knowledge and experience in complex products (i.e. do not meet the knowledge and experience assessment).**

No comment.



- Q26. MAS seeks views on the requirements for financial institutions that deal with investors who are deemed to lack adequate knowledge and experience in complex products (as demonstrated by not meeting the knowledge and experience assessment). Before each transaction in a complex product for such investors, financial institutions must:**
- (a) Notify the investor that the product may not be suitable for him/her;**
  - (b) Remind the investor to read the offer documents carefully to understand the product features and risks; and**
  - (c) Encourage the investor to obtain financial advice (or offer to provide financial advice if licensed to do so).**

**These disclosure requirements would remain in effect until the investor successfully passes the knowledge and experience assessment.**

No comment.

- Q27. MAS seeks views on the proposals to enhance safeguards for Selected Clients transacting in complex products, by including the following requirements in the Notice on Sale of Investment Products (SFA 04-N12) and the Notice on Recommendations on Investment Products (FAA-N16):**
- (a) Require financial institutions to assess and document if an investor is a Selected Client as part of its KYC process; this requirement will apply to existing and new investors;**
  - (b) Mandate financial advice for Selected Clients intending to transact in complex products (execution-related advice would not be considered as fulfilling the requirement);**
  - (c) Selected Clients may only transact in complex products if it is recommended by a financial adviser. If the Selected Client chooses to proceed against the recommendation, the financial institution processing the transaction will be required to meet the requirements set out in paragraph 41V of the updated Notice on Recommendations on Investment Products (FAA-N16). In addition, MAS proposes to retain the requirement for the financial adviser to obtain senior management's approval before processing the transaction. MAS invites views on retaining this senior management approval requirement for Selected Clients.**

No comment.

- Q28. MAS seeks comments on whether the proposed six-month transition period, starting from the effective date of the amended Notices, is sufficient to implement the new requirements for the Complex Products Framework.**

We suggest MAS consider allowing for a twelve month transition period to provide sufficient time for financial institutions and product manufacturers (e.g., managers of recognized schemes) to assess global impact of funds that need to undergo changes to fit into MAS's new classification and to complete implementation, which may require consideration of regulatory timelines from multiple jurisdictions that the funds may also be registered in.

- Q29. Feedback on other aspects of the consultation that are not covered in the other questions.**

We appreciate if MAS can clarify if a CIS naturally falls within the complex product classification due to investment in instruments that are deemed complex. For example, with the revision of classification of (i) debentures with interest rates that can be varied at the issuer's discretion or upon certain condition or event that the investor has no control over; and (ii) debentures which are convertible to equity as complex products, would a CIS investing in them be considered complex products?

If the answer to the question is yes, we respectfully request that MAS consider allowing grandfathering provisions to apply to existing authorised and recognised schemes classified as EIP that are currently invested in the aforementioned debentures. This is in view of the potential downstream impact on existing investors arising from the change in classification of the schemes from EIP to SIP/ or non-complex to complex, which may result in investor attrition and fund outflows. This is in line with our previous suggestion to classify all authorized and recognized CIS as EIPs or non-complex products, except for a small group of more complex funds which are already subject to additional disclosure requirements and enhanced distribution safeguards for SIPs.

In relation to debentures, we would also like to highlight a potential area of concern. We respectfully urge the MAS to re-consider the reclassification of debentures with convertible structures and debentures with variable interest rates (at the issuer's discretion or upon certain conditions) as complex securities.

While the structures in these debentures may differ from those of a vanilla bond offering, they continue to deliver many similar features of plain vanilla bonds (such as seniority in the capital structure to equities, and fixed coupons for a notable time period).

Some features are specific to securities that have variable interest rates as a result of issuer discretion / action or contingent on certain events beyond the investors' control. These features are often used to compensate investors for the non-occurrence of certain events and can be seen in another lens as a form of investor protection. An example of such a feature is a coupon step-up following a non-call event for a perpetual bond. As many (retail) investors expect perpetuals to be called at their call date and treat this as pseudo-maturity, a coupon step-up feature in this case provides the issuer with an incentive to call, and in the event it does not, provides the investor with additional compensation for continued holding of said perpetual.

In the coupon step up for a sustainability-linked bond as referenced in Table II-2 (page 32 of this Consultation), an investor is again being compensated for the failure of an investment outcome being obtained (in this case, the failure of the issuer to hit a desired sustainability KPI).

Pertaining to debentures that are convertible to equity, we note that convertible bonds retain many features of plain vanilla bonds, namely the return of principal at maturity and a regular interest payment. We note the exception of zero-coupon convertible bonds but presume it is reasonable that an investor in such securities should be aware of the absence of a coupon.

We reiterate that potential losses which may arise from the aforementioned structures should not be considered a factor in their complexity. By virtue of capital structure, we can assume that substantial losses incurred by holders of such securities will also be incurred by holders of the

equity, challenging the coherence of classifying these securities as complex compared to the non-complex classification for equities. From a risk perspective, many of these securities may rank senior to equities, potentially providing better investor protection in such a scenario.

While we acknowledge that the structures in these securities may be more complex and the risks may be elevated relative to that of a plain vanilla bond, we believe that these matters can be addressed by improved (more easily digestible) disclosures and enhanced investor education, as opposed to curtailing access.

Finally, these securities continue to offer investors a broader range of means to express an investment view on a particular company / issuer, supporting the development of more sophisticated investor demand and issuer financing channels, in line with the MAS's desire to continue to grow and deepen Singapore's capital markets.