



Monetary Authority of Singapore

Consultation Paper  
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# **Consultation Paper on Enhancements to Product Highlights Sheet (PHS) Requirements and the Complex Products Framework**



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# 1. Preface

- 1.1. On 3 November 2023, MAS responded to the *Consultation on Proposed Changes to Complex Products Regime* (November 2021 consultation), indicating that it would conduct a broader review of the framework and of product disclosure enhancements.
- 1.2. This consultation paper presents MAS' proposals, with respect to the broader review, in two parts:
  - (a) Part I: Enhancements to the Product Highlights Sheet (PHS)
    - (i) Design and content enhancements to PHS templates
    - (ii) Alignment of PHS-related legislation
    - (iii) New PHS requirements for Investment-Linked Policies (ILP)
  - (b) Part II: Review of the Complex Products Framework
    - (i) Enhanced disclosures and simplified nomenclature for complex products
    - (ii) Streamlined distribution safeguards for complex products
    - (iii) Response to feedback relating to product classifications for specific products
- 1.3. Please note that all submissions received will be published and attributed to the respective respondent unless they expressly request MAS not to do so. As such, if respondents would like:
  - (a) their whole submission or part of it, and/or
  - (b) their identity,to be kept confidential, please expressly state so in the submission to MAS. MAS will only publish non-anonymous submissions. In addition, MAS reserves the right not to publish any submission received where MAS considers it not in the public interest to do so, such as where the submission appears to be libelous or offensive.
- 1.4. Please submit written comments by **1 September 2025** via the link provided:  
<https://form.gov.sg/6862412207b1778e82aead14>.

## 2. Part I: Enhancements to the Product Highlights Sheet

2.1. Currently, a Product Highlights Sheet (PHS) is to be given to investors for certain offers of investment products as set out in the Table I-1. The PHS is intended to present key features and risks in a clear and concise manner, complementing the offer document. The PHS also allows for easy comparison across products by requiring information to be presented in a prescribed format.

**Table I-1: Existing requirements and guidance on issuing PHS**

Investment Product	Applicable to offers made in or accompanied by / through	Relevant legislation / guidelines
Asset-backed securities (ABS)	Prospectus	<ul style="list-style-type: none"> <li>Securities and Futures Act (the “SFA”)</li> <li>MAS Notice 307 on Investment-Linked Policies</li> <li>MAS Notice 318 on Market Conduct Standards for Direct Life Insurer as a Product Provider</li> <li>Notice on Recommendations on Investment Products (FAA-N16)</li> </ul>
Structured notes (SNs)	Prospectus	
Collective investment schemes (CIS), excluding real estate investment trusts (REITs)	Prospectus	
Sub-funds of investment-linked policies (ILP sub-funds)	ILPs	
Plain vanilla debentures (Debt Securities)	Prospectus or Offer Information Statement (OIS)	<ul style="list-style-type: none"> <li>Guidelines on the Product Highlights Sheet for Offers of Debt Securities, Hybrid Instruments and Equity Securities [SFA 13-G13]<sup>1</sup></li> </ul>
Preference shares, perpetual securities or convertible bonds (each, a “Hybrid Instrument”)	Prospectus or OIS	
Ordinary shares, units in a REIT or units in a business trust (each, the “Equity Securities”)	Prospectus	
Re-tap of seasoned bonds under the Bond Seasoning Framework	Offering Memorandum/ Circular	<ul style="list-style-type: none"> <li>Securities and Futures (Offers of Investments) (Exemption for Offers of Straight Debentures) Regulations 2016</li> <li>Securities and Futures (Offers of Investments) (Exemption for Offers of Post-seasoning Debentures) Regulations 2016</li> </ul>
Bonds offered under the Exempt Bond Issuer Framework	Simplified Disclosure Document (SDD)	

<sup>1</sup> In the *Policy Consultation on Proposals to Facilitate Better Understanding of Prospectuses*, MAS had indicated its intent to issue PHS requirements in legislation.



## Design and content enhancements to PHS templates

- 2.2. MAS conducted a behavioural science study to consider how the existing PHS templates can be enhanced to provide a more effective summary of offer documents and improve their role in consumers' financial decision-making. The study examined consumers' understanding of information presented in PHSes and explored ways to enhance their usefulness and readability.
- 2.3. Focusing on four products — Asset-backed Securities, Perpetual Securities (including perpetual bonds), Collective Investment Schemes, and ILPs<sup>2</sup> — MAS compared and sought feedback on two versions of PHS for each product through focus group discussions and online surveys with consumers. These were some of the findings revealed across all tested products.
  - (a) Visual elements: Appropriate use of colours, font designs, icons, and diagrams draw readers' attention to key information and enhances their ability to absorb available information.
  - (b) Simplified language: The use of plain language instead of technical jargon, and numerals rather than words (e.g., use '10' instead of 'ten'), improves readability and comprehension.
  - (c) Relatable information: Curated and targeted content, such as examples of pay-off profiles, improves understanding of product features.

### **Design enhancements to the PHS**

- 2.4. MAS is proposing the following key design enhancements to the PHS:
  - (a) Placing key product features on the first page for immediate visibility;
  - (b) Incorporating colours, font designs and icons to capture reader attention; and
  - (c) Use of diagrams, simple language and numerals to facilitate better understanding.
- 2.5. These design enhancements may modify the presentation and layout of information within the PHSes. In particular, the revised PHSes will now have segment headers in a “question and answer” format, which has proven through the behavioural science study to be effective in engaging consumers. Additionally, key product characteristics which were previously dispersed throughout the existing PHS will be consolidated on the first page under a new segment titled “*What are the characteristics of the [product]?*”.

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<sup>2</sup> The study was extended to ILPs as MAS had consulted on the introduction of a new product-level PHS for ILPs.  
[Consultation Paper on Enhancements to PHS Requirements and the Complex Products Framework](#)



### ***(A) Changes to current presentation of yellow rectangular strip on each page of a PHS***

- 2.6. Currently, all pages of existing PHSes are distinguished by a yellow rectangular strip on the right, bearing the words "PRODUCT HIGHLIGHTS SHEET". This was to ensure that investors could easily identify the PHS from other offer documents, such as the prospectus, when reviewing them in hardcopy. Given that the offer documents and the PHS are now primarily presented to investors digitally as separate files, MAS proposes that it would suffice to have one coloured heading band across the top of the first page of the PHS, bearing the words "PRODUCT HIGHLIGHTS SHEET". The subsequent pages will no longer need to have the yellow rectangular strip. This will free up more space for core content.

### ***(B) Introducing a red colour indicator in PHS of specified investment products ("complex products")***

- 2.7. MAS proposes that the coloured heading band on the first page of the PHS be yellow in colour (same as the yellow rectangular strip of the current PHS) as a default. However, if the product is a specified investment product (proposed to be renamed "complex product"<sup>3</sup>), the first page heading band will instead be **red** in colour. There will also be strong encouragement for investors to seek professional advice in relation to the suitability of the product.
- 2.8. Complex products often have features or a combination of features that can significantly impact key aspects of investment performance for the investor, e.g., returns, risks, and costs. The colour red is associated with the need for caution, and will be useful as an easy visual indicator to help investors more easily identify a complex product. It is intended to prompt investors to pause, make effort to understand its features, and to consider obtaining professional advice, if needed, before making their investment decisions.
- 2.9. For visual consistency, all warning statements in the PHS are to be highlighted in a text box, and using the corresponding colour theme (i.e. yellow as a default, and red for complex products).

### ***(C) Use of diagrams to illustrate investment strategy and fees payable for collective investment schemes (excluding REITs) and ILP sub-funds***

- 2.10. The behavioural science study found that presenting the investment strategy through diagrams enhanced readers' understanding of how the fund's proceeds would be invested. Additionally,

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<sup>3</sup> Refer to Part II on the proposal to simplify the nomenclature.



illustrating fees payable through diagrams proved effective in helping readers grasp the value of their investment after deducting fees and charges, as well as when these deductions would be incurred. MAS thus proposes for the PHS of collective investment schemes (excluding REITs), and ILP sub-funds to disclose the investment strategy and fees payable through diagrams as illustrated in Annex B7 and Annex B8.

- Question 1. 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.*
- Question 2. 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”).*
- Question 3. 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.*

## Enhancements to prescribed content in the PHS

2.11. The proposed enhancements to the prescribed content of the PHS aim to:

- (a) Provide information which consumers can better relate to; and
- (b) Prioritise critical information in the PHS, and remove information of lower relative utility to investors to avoid overloading them with information.

2.12. There are five content-related changes that MAS would like to seek comments on, as set out below.

### **(A) Introductory statements**

2.13. The introductory statements on the first page of all existing PHSes are primarily intended to inform investors about the purpose of the PHS and important disclaimers. MAS proposes a set of simplified and standardised introductory statements for all PHSes (see examples set out below):

- (a) A statement that indicates if the product is a complex product. The complexity disclosure statement (set out in (B) below) further explains the implications of the product’s complexity for investment decisions.
- (b) A statement that highlights the purpose of the PHS, and that it should be read carefully in full, together with the relevant offer documents. It also reinforces the message that investors should seek to understand the nature of the products before they invest in them.

- (c) For offers of Post-Seasoning/Exempt Bonds, an additional statement is provided to state that it is exempted from a prospectus.

***Figure I-2: Proposed introductory statements for all redesigned PHSes for non-complex products***

!	<ul style="list-style-type: none"> <li>You should <u>not</u> purchase the <a href="#">[type of securities]</a> if you do not understand the nature of an investment in <a href="#">[type of securities]</a>, our business or are not comfortable with the accompanying risks.</li> <li>This Product Highlights Sheet (PHS) summarises the key features and risks relating to this product. Read it carefully in full, together with the <a href="#">[Prospectus / Offer Information Statement / title of Offering circular]</a>,<sup>4</sup> before deciding whether to purchase the <a href="#">[type of securities]</a>.</li> </ul>
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***Figure I-3: Proposed introductory statements for all redesigned PHSes for complex products***

!	<ul style="list-style-type: none"> <li>This is a COMPLEX product (see page 2). You should <u>not</u> purchase the <a href="#">[type of securities]</a> if you do not understand the nature of an investment in <a href="#">[type of securities]</a>, our business or are not comfortable with the accompanying risks.</li> <li>This Product Highlights Sheet (PHS) summarises the key features and risks relating to this product. Read it carefully in full, together with the <a href="#">[Prospectus / Offer Information Statement / title of Offering circular]</a>,<sup>5</sup> before deciding whether to purchase the <a href="#">[type of securities]</a>.</li> </ul>
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***Figure I-4: Additional statement for redesigned PHSes for offers of Post-Seasoning/Exempt Bonds***

!	<ul style="list-style-type: none"> <li>This offer to investors in Singapore is exempt from being made in or accompanied by a prospectus that is registered by the Monetary Authority of Singapore.</li> </ul>
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## ***(B) Complexity Disclosure Statement***

- 2.14. MAS proposes to include standardised statements under the suitability section of the PHS, to bring to consumers’ attention the implication of a product’s complexity classification vis-a-vis their own investment knowledge. The statement will be flagged out in a cautionary warning box to alert investors to pay closer attention and seek advice if needed. Figures I-5 and I-6 illustrate the disclosure statement for non-complex products and complex products respectively.

<sup>4</sup> The [\[Prospectus / Offer Information Statement\]](#), [\[registered by / lodged with\]](#) the Monetary Authority of Singapore on [\[date\]](#), is available for collection at [\[time and place, if applicable\]](#) or accessible at [\[web address, if applicable\]](#).

<sup>5</sup> The [\[Prospectus / Offer Information Statement\]](#), [\[registered by / lodged with\]](#) the Monetary Authority of Singapore on [\[date\]](#), is available for collection at [\[time and place, if applicable\]](#) or accessible at [\[web address, if applicable\]](#).

***Figure I-5: Proposed complexity disclosure statement for non-complex products***

<b>WHO IS THIS [PRODUCT] SUITABLE FOR?</b>	
Investors who: ...	
<b>!</b>	<ul style="list-style-type: none"> <li>• <b>Have basic investment knowledge</b> – this is a <b>non-complex product</b>, which means its features are generally well understood by the average retail investor. Retail investors can purchase this [product] without needing to obtain advice from a licensed financial adviser, but should do so if they wish to better understand the [product] and whether it is suitable for their investment needs.</li> </ul>

***Figure I-6: Proposed complexity disclosure statement for complex products***

<b>WHO IS THIS [PRODUCT] SUITABLE FOR?</b>	
Investors who: ...	
<b>!</b>	<ul style="list-style-type: none"> <li>• <b>Have advanced investment knowledge</b> – this is a <b>complex product</b>, which means it has certain features that the average retail investor may not understand. Retail investors who do not have the knowledge or experience of investing in complex products are encouraged to seek advice from a licensed financial adviser.</li> </ul>

### ***(C) Financial ratios***

- 2.15. MAS proposes to require the disclosure of financial ratios<sup>6</sup> for the PHSes of Equity Securities, Hybrid Instruments, Debt Securities, Post-Seasoning and Exempt Bonds. Our behavioural science study found financial ratios to be useful as it informed readers of the financial health of the issuer (and guarantor, where applicable).
- 2.16. MAS notes that different financial ratios may be relevant for different industries. Accordingly, MAS proposes that issuers determine the financial ratios to be disclosed, but that each financial ratio be accompanied by a short description to help retail investors interpret the financial ratios and explain their relevance. To determine the appropriate financial ratios to disclose, issuers may consider these general principles:
- (a) Financial ratios chosen are most relevant to their business or industry.
  - (b) How the financial ratios are derived and how they are used in assessing the issuer’s financial health should be explained.
  - (c) Financial ratios should be derived based on financial statements that are included in the offer document.

<sup>6</sup> In respect of each of the relevant number of most recent completed financial year(s) and any subsequent interim period for which financial information has been included in the Prospectus or Offer Information Statement.



(d) Financial ratios disclosed for the same investment product issued at different points in time (e.g., bonds issued on different dates), should not be changed without properly explaining the rationale.

2.17. MAS also recognises that past financial results or ratios may not be an accurate guide to future performance, as they only provide a point-in-time snapshot of the financial health of the issuer or guarantor. MAS will thus also require the inclusion of a warning statement on the reliance on financial ratios and the need for continuous monitoring of the investment.

### ***(D) Issuer's (and guarantor's) asset and revenue profile***

2.18. MAS proposes to require the disclosure of an issuer's (and guarantor's, if applicable) asset and revenue profile in the PHS. This should include a breakdown of the company's total revenue and assets by its main activities and geographical markets for the most recent financial year.<sup>7</sup> The requirement would apply to the PHSes of Equity Securities, Hybrid Instruments and Debt Securities that are made in or accompanied by a prospectus. This would offer retail investors a concise overview of the issuer's (or guarantor's) sectoral and geographical presence, and their corresponding market exposure.

2.19. Given that the PHS should not contain information that is absent or materially different from other offer documents, this proposal will not apply to offers of Hybrid Instruments and Debt Securities made in or accompanied by an OIS,<sup>8</sup> nor to offers of Post-Seasoning Bonds and Exempt Bonds which are exempt from prospectus requirements.<sup>9</sup>

### ***(E) Business strategies and future plans of Issuer***

2.20. To prioritise the proposed content to be added as explained in (C) and (D) above, MAS proposes to remove the existing requirement of disclosing "business strategies and future plans of Issuer" from the Hybrid Instruments PHS.<sup>10</sup> The behavioural science study found that removing this information from the Hybrid Instruments PHS did not reduce consumers' comprehension of the key features and risks of the product.

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<sup>7</sup> Such information can be derived from segmental information in issuers' financial statements that are required to be disclosed in prospectuses.

<sup>8</sup> The information required to be disclosed in an OIS is less detailed than in a prospectus, given that it is for a secondary offer made by an issuer whose shares are listed on the securities exchange and subject to continuous disclosure obligations.

<sup>9</sup> Similarly, the Offering Circular / Simplified Disclosure Document is not required to contain information from which the asset and revenue profile can be derived as the issuer is either already listed on the SGX (in the case of an offer of Post-Seasoning Bond) or is subject to a set of stricter eligibility criteria (in the case of an offer of Exempt Bond).

<sup>10</sup> For the avoidance of doubt, disclosure of "business strategies and future plans" will continue to be required for PHS for Equity Securities, since such information will continue to be of greater relative utility to equity investors.



- 2.21. Nonetheless, MAS recognises that this segment may be useful for investors since the returns in Hybrid Instruments could depend on the performance of the issuer's business. MAS thus seeks comments on the relative utility to retail investors of information in this segment vis-à-vis other segments in the proposed Hybrid Instruments PHS template as set out in Annex B2.

## Proposed PHS templates

- 2.22. For ease of reference, a summary of the revised PHS requirements is set out in Annex A, and the proposed templates in the following Annexes:

- Annex B1 – Equity Securities
- Annex B2 – Hybrid Instruments
- Annex B3 – Debt Securities
- Annex B4 – Asset-backed securities (ABS) or Structured notes (SNs)
- Annex B5 – Re-tap of seasoned bonds offered under the Bond Seasoning Framework (Post-seasoning bonds)
- Annex B6 – Bonds offered under the Exempt Bond Issuer Framework (Exempt bonds)
- Annex B7 – Collective investment schemes (CIS), excluding real estate investment trusts (REITs)
- Annex B8 – ILP Sub-funds

- Question 4. MAS seeks views on the proposed simplified and standardised introductory statements to be included for all redesigned PHSes.*
- Question 5. MAS seeks views on the proposed complexity disclosure statement to be included for all redesigned PHSes.*
- Question 6. 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.*
- Question 7. 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.*
- Question 8. 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.*
- Question 9. 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.*



## Alignment of PHS-related legislation

2.23. As indicated in Table I-1 above, PHS requirements for ABS, SNs, CIS (ex REITs) and ILP sub-funds are currently contained in legislation, and will be amended accordingly to reflect the proposals in this consultation. Accordingly, MAS proposes for the PHS requirements for Debt Securities, Hybrid Instruments and Equity Securities that are currently in guidelines, be set out in legislation.<sup>11</sup>

(a) For offers of Debt Securities, Hybrid Instruments and Equity Securities made in or accompanied by a prospectus, MAS proposes amendments to the following Regulations:

- (i) Annex C1 – Securities and Futures (Offers of Investments) (Securities and Securities-Based Derivatives Contracts) Regulations 2018
- (ii) Annex C4 – Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations 2005

(b) For offers of Debt Securities and Hybrid Instruments made in or accompanied by an OIS, this would require amendments to the Securities and Futures Act.<sup>12</sup>

2.24. In addition, MAS proposes to improve consistency in existing PHS requirements across various investment products, in particular:

- (a) Prescribing the form and content of PHSes in mandatory forms on MAS' website instead of in SFA Regulations,<sup>13</sup> to allow for more flexibility in making necessary template changes in the future;
- (b) Removing the existing differentiation in page limits for PHSes for ABS, SNs, CIS (excluding REITs) and ILP sub-funds with and without use of diagrams,<sup>14</sup> given the redesigned PHS templates for these investment products intend to embed the use of diagrams to present information as far as possible. Accordingly, the page limit for such PHSes will be 8 pages, regardless of the use of diagrams; and
- (c) Prescribing that the PHSes for Post-Seasoning Bonds and Exempt Bonds must give a fair and balanced view of the debentures, and must not be false or misleading, to align with the PHS requirements for other investment products.

<sup>11</sup> Issuers are currently expected to issue PHSes to accompany offers of Debt Securities, Hybrid Instruments and Equity Securities, as set out in the 2015 Guidelines on the Product Highlights Sheet (SFA 13-G13).

<sup>12</sup> Such offers, essentially being offers by SGX-listed issuers for which there are continuing disclosure requirements on the issuers under SGX's Listing Rules, are currently exempted from prospectus and PHS requirements pursuant to section 277 of the SFA.

<sup>13</sup> This is with the exception of the PHS for ILP sub-funds, which will continue to remain in MAS Notice 307.

<sup>14</sup> Currently, PHSes for ABS, SNs, CIS (ex REITs) and ILP sub-funds with diagrams must not be more than 8 pages, while a PHS without diagrams must not be more than 4 pages.



2.25. These proposed amendments are set out in the following Annexes:

- (i) Annex C1 – Securities and Futures (Offers of Investments) (Securities and Securities-Based Derivatives Contracts) Regulations 2018
- (ii) Annex C2 – Securities and Futures (Offers of Investments) (Exemption for Offers of Post-seasoning Debentures) Regulations 2016
- (iii) Annex C3 – Securities and Futures (Offers of Investments) (Exemption for Offers of Straight Debentures) Regulations 2016
- (iv) Annex C4 – Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations 2005

*Question 10. 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.*

*Question 11. MAS seeks comments on the proposed amendments to the Regulations set out in Annexes C1-C4, particularly the amendments described in paragraph 2.24.*



## New PHS requirements for Investment-Linked Policies<sup>15</sup>

- 2.26. There are existing requirements to issue a PHS for an ILP sub-fund (refer to Table I-1). However, the ILP sub-fund PHS only discloses key information of the ILP sub-fund and not the ILP itself. To aid consumers in understanding the design and structure of ILPs, MAS had previously consulted on *Proposed Enhancements to Disclosure Requirements for Sale of Investment-Linked Policies*, which included introducing a product-level PHS for ILP products (“ILP-PHS”). The ILP-PHS is intended to provide key information on the ILP which is separate from that of the ILP sub-fund (e.g., key features, risks, fees of the ILP) and complement existing disclosure documents.<sup>16</sup>
- 2.27. There was broad support for the proposal to introduce the ILP-PHS. Respondents acknowledged that the ILP-PHS would provide greater clarity to consumers, particularly on the fees and charges incurred in buying an ILP. Subsequently, MAS conducted a behavioural science study on the ILP-PHS, after reviewing consumer testing results of other product PHSes.<sup>17</sup> This approach facilitated the consolidation of behavioural insights and ensured consistency in the design of PHS across various products. This section sets out the proposed form and content for the ILP-PHS.
- 2.28. MAS proposes that the ILP-PHS disclose the information in Annex A in the template set out in Annex B9, which sets out:
- (a) Five key sections covering an overview of the components of an ILP, key risks and features, fees and charges, and exit mechanisms. The ILP-PHS also includes one section on “Important questions to ask a financial adviser before you purchase the product”. This was added as the behavioural science study showed that consumers preferred to consult a financial adviser before purchasing an ILP.
  - (b) Instructions on the mandatory disclosures to be made in sections on key risks and features, fees and charges, and exit information. These instructions are set out in purple font at the beginning of these sections.
  - (c) Examples to provide guidance on how the disclosures can be presented and illustrated. The examples are not meant to be exhaustive or prescriptive.

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<sup>15</sup> An ILP is a life insurance policy that combines insurance coverage with investment features:

(i) It provides insurance coverage in the event of death, total permanent disability and/or critical illness (depending on the specific policy); and

(ii) the investment aspect is the surrender value that is based on the units in ILP sub-fund(s), which depends on the value of the underlying investments sub-fund, similar to a CIS.

<sup>16</sup> The existing disclosure documents include the product summary and product illustration.

<sup>17</sup> The ILP-PHS was the last phase of the behavioural science study which included the PHSes of Asset-backed Securities, Perpetual Securities, and Collective Investment Schemes.



- 2.29. MAS proposes that all ILP-PHS display the **red** coloured heading band across the top of the first page of the PHS, bearing the words “PRODUCT HIGHLIGHTS SHEET”, and include a prominent statement on the first page directing investors to also refer to the complexity classification and disclosures in the PHSes of each of the underlying sub-funds.<sup>18</sup> This simplifies the current approach of classifying ILPs, which is based on the complexity of the selected sub-funds, i.e., an ILP would be classified as complex if any of the selected ILP sub-funds invests in complex products. MAS welcomes views on whether all ILPs should be classified as complex products, regardless of the complexity classification of the sub-funds, and be indicated as such in the ILP-PHS. This considers that the ILP is a hybrid product that combines insurance and investment features, with returns subject to the sub-funds’ performance and ongoing insurance premium charges. These factors are generally beyond investors’ control and are not known beforehand, making it difficult for retail investors to grasp the ILP’s risk-return characteristics.
- 2.30. Life insurers offering ILPs will be required to prepare and provide an ILP-PHS for new ILP policies issued. Financial advisors will be required to provide the ILP-PHS when making a recommendation to investors. MAS will be amending the following Notices to reflect the new PHS requirements for ILP:
- (a) MAS Notice 318 on Market Conduct Standards for Direct Life Insurer as a Product Provider to include the issuance of an ILP-PHS (Annex C5);
  - (b) MAS Notice 307 on Investment-Linked Policies to include the ILP-PHS template (Annex C6); and
  - (c) MAS Notice FAA-N16 on Recommendations on Investment Products to include the provision of the ILP-PHS (Annex C7).

*Question 12. 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.*

*Question 13. MAS seeks views on whether ILPs should be classified as a complex product and be indicated as such in the ILP-PHS.*

*Question 14. 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.*

*Question 15. MAS seeks comments on the proposed amendments to the Notices set out in Annexes C5-C7.*

<sup>18</sup> The PHSes for ILP sub-funds will contain the complexity disclosures and colour indicators, similar to a CIS (a capital markets product).



## Transition period for legislative amendments

2.31. MAS will provide a transition period of six months from the date of the legislative amendments taking effect.

*Question 16. 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.*



## 3. Part II: Review of the Complex Products Framework

3.1. The complex products framework was introduced in 2012 to aid retail investors<sup>19</sup> in better understanding the features and risks of a complex product before transacting in it. The framework consists of two aspects:

(a) Classification of capital markets products

Capital markets products<sup>20</sup> that are well-established in the market and have features generally understandable by retail investors are defined in MAS Notices<sup>21</sup> as Excluded Investment Products (EIPs).<sup>22</sup> Products that are not EIPs are considered complex products, defined in MAS Notices as Specified Investment Products (SIPs).

(b) Distribution safeguards for SIPs

(i) Before an investor transacts in a SIP, financial institutions (e.g., market intermediaries, financial advisers) are required to assess the investor's knowledge and investment experience, via the Customer Knowledge Assessment (CKA) for unlisted SIPs, and the Customer Account Review (CAR) for listed SIPs. The CKA/CAR considers a person's educational and professional qualifications, work experience, and investment experience. Alternatively, the investor may participate in relevant learning modules provided by an independent body to demonstrate that he or she has the knowledge to transact in SIPs.<sup>23</sup>

(ii) Where an investor is assessed not to have sufficient knowledge or experience to trade in SIPs (i.e., through the CKA/CAR), financial institutions must provide financial advice to the investor in relation to any SIP investment.<sup>24</sup> If the investor chooses to transact in an SIP that is not recommended by the financial adviser, the financial adviser is required to seek senior management's approval before the investor can transact in the SIP.

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<sup>19</sup> Unless the context otherwise suggests, references to retail investors in Part II of this paper refer to individuals who are not accredited investors, expert investors or institutional investors as defined in the SFA.

<sup>20</sup> As defined in section 2(1) of the SFA. Although ILPs are not capital market products, ILP sub-funds are required to be classified as EIPs or SIPs due to their similarity with CIS. See MAS Notice 307 on Investment-Linked Policies and Notice on Recommendations on Investment Products (FAA-N16).

<sup>21</sup> Notice on the Sale of Investment Products (SFA 04-N12); Notice on Recommendations on Investment Products (FAA-N16).

<sup>22</sup> The prescribed list of products is found in the Schedule to Securities and Futures (Capital Markets Products) Regulations 2018.

<sup>23</sup> E.g., Singapore Exchange (SGX)'s SIP Online Module, and the E-Learning Portal on SIPs that is jointly developed by the Association of Banks in Singapore (ABS) and Securities Association of Singapore (SAS).

<sup>24</sup> For investors who are assessed to have sufficient investment knowledge or experience, market intermediaries must still offer to provide advice on any SIP investment.



- 3.2. MAS has periodically reviewed the complex products framework since its introduction, taking into account market developments and feedback<sup>25</sup> to cater to the evolving and diverse investment needs of Singapore retail investors.
- 3.3. Over the last decade, we have observed increased investor interest, improved access to financial and investment knowledge, and greater availability and accessibility of product information. This is in a large part due to the increased digitalisation of financial services, which has led to retail investors having easier access to, and more options for financial products. Investors are always encouraged to seek professional financial advice when considering transacting in investment products, but we note there is also a growing segment of retail investors who prefer to manage their investments independently, for example, through online trading platforms.
- 3.4. In this regard, MAS has received feedback that retail investors face two key challenges. First, they may be inundated with investment information and have difficulty identifying the most relevant and crucial information. Second, they may perceive the broad regulatory safeguards that are implemented in the investing process as overly cumbersome and “one size fits all”. To address these challenges, MAS proposes the following refinements:
- (a) **Enhanced disclosures** that clearly indicate to the investor the complexity of a product, and describe key product features and risks more plainly, so they can make better informed decisions; and
  - (b) **Streamlined distribution safeguards** more targeted to the specific type of product, and investor needs.

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<sup>25</sup> The list of EIPs has been refined over the years to facilitate retail investors’ access to a broader range of relatively simple investment products. Some examples include the following:

- In 2012, MAS allowed intermediaries to classify investment products listed on overseas exchanges as EIPs, if they are able to determine that such products are equivalent to an EIP. Previously, all investment products that were listed on overseas exchanges were classified SIPs.
- In 2015, MAS allowed funds that invest only in simple products such as shares or gold to be classified as EIPs. MAS also allowed funds that use derivatives solely for efficient portfolio management, including the hedging of risks, to be EIPs. Prior to this revision, all investment products that used derivatives were classified as SIPs.
- In the Nov 2023 response to the *Consultation on Proposed Changes to Complex Products Regime*, MAS expanded the EIP criteria to allow funds that invest in SIPs for the purpose of directly replicating the performance of an “acceptable index” (for example, S&P 500, FTSE 100, Hang Seng Index and STI) to be classified as EIPs.



## Enhanced disclosures and simplified nomenclature for complex products

### **A more intuitive nomenclature for classifying capital markets products**

- 3.5. To help investors more intuitively understand product classification, MAS proposes that EIPs and SIPs be instead termed as “non-complex” and “complex” products, respectively. Accordingly, existing MAS Notices<sup>26</sup> will be amended to reflect the change in nomenclature. For avoidance of doubt, MAS will continue to retain the existing framework of prescribing non-complex products (i.e., current EIPs) and will deem all other capital markets products as complex products (i.e., current SIPs). Issuers offering capital markets products to retail investors are to thus classify products as “non-complex” or “complex”.
- 3.6. Similar to the current framework, for products that do not already have a complexity classification determined by the issuer (e.g., products issued outside of Singapore and listed on an overseas exchange), the distributing financial institution is to implement a system to determine the product’s complexity. In the absence of such a system, the distributing financial institution must classify the product as complex and apply the corresponding distribution safeguards applicable to complex products.<sup>27</sup> Proposed amendments to distribution safeguards for complex products are discussed in the following section in Part II of this paper.

### **Distributors to clearly disclose that a product is complex**

- 3.7. MAS also proposes new requirements that distributing financial institutions must, prior to any sale or transaction of a complex product:
- (a) Clearly highlight to investors that the product is complex;
  - (b) Where the PHS is required to be prepared, provide investors with the PHS, or access to the PHS (e.g., via a weblink);<sup>28</sup>

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<sup>26</sup> Notice on the Sale of Investment Products (SFA 04-N12); Notice on Recommendations on Investment Products (FAA-N16); Notice 307 on Investment-Linked Policies; Notice on Competency Requirements for Representatives of Holders of Capital Markets Services Licence and Exempt Financial Institutions (SFA 04-N22); Notice on Competency Requirements for Representatives of Financial Advisers (FAA-N26).

<sup>27</sup> This is aligned with current requirements under the Notice on Sale of Investment Products (SFA 04-N12) and the Notice on Recommendations on Investment Products (FAA-N16).

<sup>28</sup> For products where PHS is not available, financial institutions need only comply with requirements (a), (c) and (d).



- (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 the investor's decision to proceed with the transaction.

*Question 17. 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.*

*Question 18. 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.*

## Streamlined distribution safeguards for complex products

- 3.8. Currently, investors who wish to transact in complex products (i.e., SIPs) are required to go through a financial advisory process,<sup>29</sup> unless they:
- (a) meet the CKA/CAR threshold which assesses the investors' financial knowledge and investment experience in complex products; or
  - (b) satisfactorily complete the relevant learning module provided by an independent body to demonstrate understanding in complex products.<sup>30</sup>

<sup>29</sup> Except where provided for under paragraph 12 of the Notice on Sale of Investment Products (SFA 04-N12).

<sup>30</sup> E.g., Singapore Exchange (SGX)'s SIP Online Module, and the E-Learning Portal on SIPs that is jointly developed by the Association of Banks in Singapore (ABS) and Securities Association of Singapore (SAS).



- 3.9. The current process was intended to ensure that investors are able to understand, or are provided advice on a complex product before investing in it. MAS notes market feedback that the CKA/CAR may be overly blunt for the purpose of assessing investors' investment knowledge. The requirement to take financial advice or complete the learning module, should an investor not meet the CKA/CAR threshold, adds friction to the process and deters investors from investing.
- 3.10. Given the enhanced PHS disclosures proposed in Part I that seek to provide investors with more relevant and reader-friendly disclosures, and noting that there is now better access and wider availability of investing-related information and resources for retail investors, MAS proposes recalibrating the complex product safeguards, to achieve a better balance between consumer protection safeguards, and consumer access to investment products. The key proposals are summarised below, with the detailed proposals set out in the following sections:
- (a) Provide an alternative pathway for investors to demonstrate investment knowledge, by introducing a Product Knowledge Assessment (PKA);
  - (b) Allow investors to invest in complex products without being required to undergo a mandatory advice process if they choose not to do so, after being provided with relevant disclosures and warnings; and
  - (c) Require advice and additional safeguards to be accorded to Selected Clients<sup>31</sup> who wish to invest in complex products.

### **CKA/CAR to be combined into one set of criteria and termed as CKA**

- 3.11. Currently, the CKA and CAR are used for assessing the investor's knowledge and experience when he/she wishes to trade in unlisted and listed SIPs, respectively. Given the similarities in criteria between the CKA and CAR, MAS proposes to combine the CKA and CAR into a single set of criteria that would be applicable to both listed and unlisted complex products. This will be termed as the Customer Knowledge Assessment (CKA). We are not proposing any changes to the current criteria. An investor who satisfies any of the following CKA criteria will be deemed as possessing the knowledge or experience in investing in complex products:

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<sup>31</sup> A "selected client" is a client who meets any two of the following criteria:

- (a) Is 62 years of age or older;
  - (b) Is not proficient in spoken or written English;
  - (c) Has below GCE "O" or "N" level certifications, or equivalent academic qualifications;
- other than a client who meets any two of the criteria and has been assessed by the financial institution to possess adequate investment experience and knowledge to transact in the investment product recommended.



- (a) holds a diploma or has higher qualifications in accountancy, actuarial science, business/business administration/business management/business studies, capital markets, commerce, economics, finance, financial engineering, financial planning, computational finance and insurance;
- (b) has a professional finance-related qualification;<sup>32</sup>
- (c) has transacted in any complex product at least 6 times in the preceding 3 years; or
- (d) has a minimum of 3 consecutive years of working experience<sup>33</sup> in the past 10 years, in the development of, structuring of, management of, sale of, trading of, research on or analysis of investment products,<sup>34</sup> or the provision of training in investment products. Work experience in accountancy, actuarial science, treasury or financial risk management activities will also be considered relevant experience.

## Product knowledge assessment (PKA) as an alternative assessment to CKA

- 3.12. As the CKA criteria examines the investor's general investment experience or academic qualifications, meeting the CKA criteria may not always directly translate to the investor's understanding of the specific features and risks of the complex product he is investing in. MAS hence proposes to introduce the PKA as an alternative means to evaluate an investor's knowledge in a complex product. The CKA and PKA will be collectively termed as "knowledge and experience assessment (KEA)".
- 3.13. Financial institutions will be required to offer investors the choice of assessment under the CKA criteria or the PKA. Investors who would not meet the CKA criteria should then be assessed under the PKA. For avoidance of doubt, financial institutions may also choose to offer the PKA to investors who currently meet or who would meet the CKA criteria.
- 3.14. The PKA will comprise questions on the key features and risks of the product type<sup>35</sup> that the investor is investing in. This serves two regulatory objectives. First, it presents an opportunity for investors to affirm their understanding of the key features of the product being bought. Second, for investors who

<sup>32</sup> Examples of this would include the:

- Chartered Financial Analyst Examination conducted by the CFA Institute, USA;
- Association of Chartered Certified Accountants (ACCA) Qualifications;
- Associate Wealth Planner or Certified Financial Planner by the Certified Financial Planners Board of Standards, USA;
- Certified Financial Risk Manager Programme by the Global Association of Risk Professionals, USA;
- Chartered Alternative Investment Analyst Examination conducted by the Chartered Alternative Investment Analyst Association, USA; or
- Chartered Financial Consultant by the American College, USA.

<sup>33</sup> Such working experience would also include the provision of legal advice or possession of legal expertise on the relevant areas listed in limb (d).

<sup>34</sup> As defined in section 2 of the Financial Advisers Act.

<sup>35</sup> Some examples of product types: asset-backed securities, structured warrants and daily leveraged certificates. See also paragraph 3.17 below.



may be less familiar with that product type – the PKA will highlight pertinent features or risks that they should take note of before investing.

- 3.15. MAS notes that other jurisdictions (e.g., Hong Kong, United Kingdom, European Union) have in place product knowledge assessment requirements, similar to the proposed PKA requirements, when retail investors transact in complex products.<sup>36</sup> MAS observed a range of practices across jurisdictions. For example, the United Kingdom has issued specific, detailed guidance on the design of knowledge assessments, while Hong Kong’s requirement is principles-based which gives financial institutions the discretion to design knowledge assessments that meet regulatory objectives.
- 3.16. In requiring financial institutions to implement the PKA, MAS proposes to adopt a principles-based approach to allow financial institutions, product manufacturers and issuers the discretion to design questions for the PKA, aligned with our regulatory objectives. Distributing financial institutions will decide how best to incorporate the PKA into their onboarding or sales and advisory processes – for example whether to conduct the PKA at account opening, or before an investor’s first transaction in each type of complex product.
- 3.17. MAS proposes that financial institutions should consider the following in designing their PKA:
- (a) The PKA questions should be designed to focus on key features and relevant common risks of the product type.
    - (i) For example, for a convertible bond, a possible question to test the investor’s understanding of the product type could be: *“You may receive the company’s shares at maturity instead of a cash repayment of the principal amount – true or false?”*.
    - (ii) It is not necessary to tailor the questions to the specific product that the investor is investing in, for instance, to cite the specific timing or event-specific conditions where a convertible bond may be converted.
  - (b) Financial institutions should develop taxonomies for product types. Considering the regulatory objective of the PKA, MAS envisages the product types will be defined narrowly enough (e.g., asset-backed securities, structured warrants, daily leveraged certificates) to enable the PKA to highlight unique product features and applicable risks of the product type.
- 3.18. Financial institutions may also consider engaging relevant industry associations or approved exchanges (for listed products) to co-create PKAs. If a financial institution uses the PKA designed by the product manufacturer or any third party, it should still independently assess the adequacy of the PKA in

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<sup>36</sup> The International Organization of Securities Commissions (IOSCO) had, in its review of Suitability Requirements with Respect to the Distribution of Complex Financial Products, recommended assessing the level of knowledge and experience of the investor in the investment field relevant to the specific type of product or service, particularly for the sale of complex products on an unsolicited basis.



evaluating an investor's understanding of the product, and meeting regulatory objectives, before adopting it.

## Knowledge and experience assessment not required for advised transactions

3.19. Financial advisers need not perform the KEA when advising on complex products, as they would have already performed a financial needs analysis and explained the product features during the full advisory process. Financial advisers continue to be responsible for ensuring investors understand the key risks and features of the product, taking into account their product knowledge and experience when assessing the complex product's suitability.<sup>37</sup> This aligns with industry feedback received in the *Consultation on Proposed Changes to Complex Products Regime*, where the majority of respondents were supportive of integrating the assessment of investor's investment knowledge or experience within the advisory process.

## Investors may proceed to invest without undergoing mandatory advisory process

3.20. An objective of the proposed PKA is to assess and facilitate awareness of pertinent features of complex products, as investors answer the PKA questions. This is achieved where the investor is able to demonstrate his understanding by answering the questions correctly. Where investors demonstrate a gap in understanding with incorrect responses, financial institutions will be required to give the investor the relevant information to address the knowledge gap. Financial institutions must also communicate to the investor that:

- (a) the product may not be suitable for him/her;
- (b) he/she should read the offer documents carefully to understand the product features and risks;  
and
- (c) he/she is encouraged to seek financial advice (or offer to provide financial advice if licensed to do so) before transacting in the product.

If the investor acknowledges these warnings but still wishes to proceed with the investment, the financial institution may execute the transaction after obtaining the investor's explicit acknowledgment to proceed despite the warnings, in accordance with its own internal assessment and processes.

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<sup>37</sup> See paragraph 9 of Notice on Recommendations on Investment Products (FAA-N16).



- 3.21. MAS thus proposes to remove the requirement for mandatory financial advice, as referenced in paragraph 3.8, regardless of the outcome of the knowledge and experience assessment.

### **Mandatory advice required for Selected Clients transacting in complex products**

- 3.22. Even with the proposed disclosure enhancements in the PHS (discussed in Part I of this paper) and the highlighting of key product features and risks through the PKA, there may be some investors who may struggle to fully grasp the risks and features of the complex investment products they intend to transact in. This could include vulnerable investors who are not proficient in the English language which is used in disclosure documents. Such investors would benefit from financial advice before transacting in complex products. MAS therefore proposes to require mandatory financial advice for complex product transactions with Selected Clients. This requirement will operate alongside the specific safeguards for Selected Clients.<sup>38</sup> MAS is proposing that the financial advisory process required for Selected Clients for transactions in complex products be a full advisory process, and execution-related advice<sup>39</sup> would not be considered as fulfilling the requirement. Selected Clients can still transact in non-complex products on an execution-only basis.
- 3.23. If a Selected Client wishes to invest in a complex product against the recommendation of the financial adviser, the requirements set out in paragraph 41V of the *updated Notice on Recommendations on Investment Products (FAA-N16)* will apply.<sup>40</sup> In addition, in view of the complexity of the product, MAS proposes requiring the financial adviser to obtain senior management approval before allowing the Selected Client to proceed with such a transaction. MAS seeks views on retaining this safeguard for Selected Clients.
- 3.24. To ensure that such investors are accorded the additional safeguards, all financial institutions<sup>41</sup> will be required to assess if an investor who wishes to transact in complex products is a Selected Client as part of its Know Your Client (KYC) process, and if so, direct them to seek financial advice. For avoidance of doubt, this includes existing investors who have met the CKA criteria, CAR criteria or satisfactorily completed the learning module in paragraph 3.8(b) as at the implementation date of the revised Notices. Financial institutions may also direct Selected Clients who would like to invest in complex products to a full financial advisory process without conducting the CKA or PKA.

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<sup>38</sup> The safeguards that apply to Selected Clients are detailed in paragraphs 41K-Z in the *updated Notice on Recommendations on Investment Products (FAA-N16)*, which takes effect from 29 December 2025, as outlined in the *Consultation on Proposed Legislative Amendments to the Requirements for Enhancing Pre and Post- Transaction Safeguards for Retail Clients*.

<sup>39</sup> As defined in Regulation 34A(2) of the Financial Advisers Regulations.

<sup>40</sup> This includes a recorded call-back to confirm the Selected Client's intent and reason for not following the advice and confirming that the client understands that he is responsible for ensuring the suitability of the product selected.

<sup>41</sup> Including financial institutions that facilitate non-advised transactions as well as those providing execution-related advice.



### **Pass outcome for knowledge and experience assessment will not expire**

3.25. MAS proposes that a pass outcome in the KEA will have no set validity period, and does not expire in relation to the investor's account with the financial institution. However, where an investor has failed the PKA for a particular product type, the distributing financial institution will be required to re-administer the PKA before the investor may transact in a similar product type.

### **Grandfathering of prior knowledge assessments (current CKA or CAR)**

3.26. MAS proposes that any investor who has previously been assessed to have met the CKA criteria, CAR criteria or satisfactorily completed the learning module in paragraph 3.8(b) as at the implementation date of the revised Notices, will continue to be considered as possessing sufficient knowledge and experience for all complex products, and this will not expire for the investor's account with the financial institution. Consequently, such investors need not undergo any further CKA or PKA to transact in complex products with the financial institution.

### **Removal of requirement to undergo learning modules**

3.27. As the PKA serves to assess an investor's knowledge and address any knowledge gap of pertinent complex features of the product, MAS proposes that the learning modules as referenced in paragraph 3.8(b) are no longer required to assess investors' knowledge.

### **Summary of proposed requirements for issuers and distributors**

3.28. Table II-1 below summarises the key regulatory obligations imposed on issuers, financial advisers, and intermediaries under the enhanced framework. Please note that this is a summarised and non-exhaustive list and should be read in conjunction with the relevant Regulations, Notices and Guidelines.



**Table II-1: Regulatory obligations for complex products under current and proposed frameworks**

Entity	Current requirements	Proposed requirements
<b>Issuers</b>	<ul style="list-style-type: none"> <li>• Prepare Product Highlights Sheet:               <ul style="list-style-type: none"> <li>○ Classify offered product as either “EIP” or “SIP”.</li> </ul> </li> <li>• Inform relevant persons<sup>42</sup> of the product classification.</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare Product Highlights Sheet:               <ul style="list-style-type: none"> <li>○ Classify offered product as either “complex” or “non-complex” and make the relevant disclosures in the Product Highlights Sheet.</li> </ul> </li> <li>• Inform relevant persons<sup>43</sup> of the product classification.</li> </ul>
<b>Intermediaries that do not provide advice – execution-only transaction</b>	<ul style="list-style-type: none"> <li>• Conduct CKA/CAR to assess investor’s investment knowledge and experience.               <ul style="list-style-type: none"> <li>○ Disclose results of CKA/CAR to investor.</li> <li>○ For investors who fail CKA/CAR, direct investors to seek advice before transacting in SIP.<sup>44</sup></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• For complex products:               <ul style="list-style-type: none"> <li>○ highlight that the product is complex;</li> <li>○ where the PHS is required to be prepared, provide the PHS or access to the PHS (e.g., via a weblink);</li> <li>○ remind investors to review the product information, understand the features of the product, and seek financial advice if needed; and</li> <li>○ document that investors have acknowledged the complex nature of the product, verified receipt of the PHS or access to the PHS (where PHS is required to be prepared), and their decision to proceed with the transaction.</li> </ul> </li> <li>• Administer the knowledge and experience assessment<sup>45</sup> for complex products.               <ul style="list-style-type: none"> <li>○ If the investor demonstrates a knowledge gap, provide information to address the knowledge gap, and communicate that the product may not be suitable, the investor should read the offer documents carefully, and is encouraged to seek financial advice before proceeding.</li> </ul> </li> <li>• In addition, for Selected Clients:               <ul style="list-style-type: none"> <li>○ As part of the KYC process, identify and document investors, both existing and new, who are considered Selected Clients.</li> <li>○ Direct Selected Clients who wish to transact in complex products, to obtain financial advice on the product.</li> </ul> </li> </ul>

<sup>42</sup> The definition of “relevant person” is set out in section 309A of the Securities and Futures Act.

<sup>43</sup> The definition of “relevant person” is set out in section 309A of the Securities and Futures Act.

<sup>44</sup> Except where provided for under paragraph 12 of the Notice on Sale of Investment Products (SFA 04-N12).

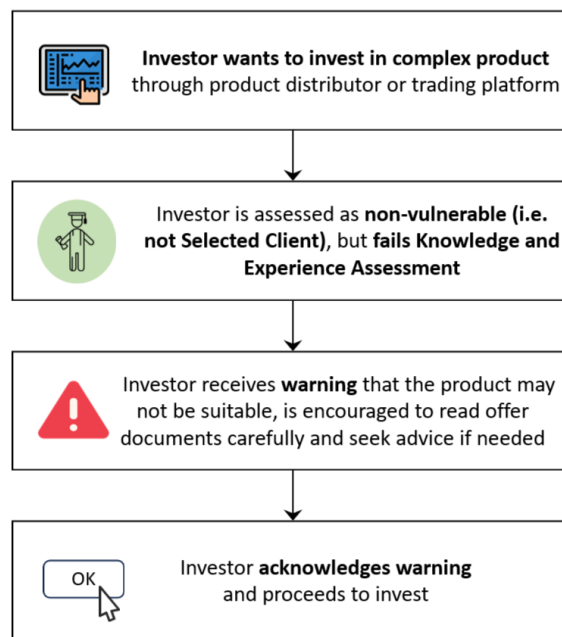
<sup>45</sup> The knowledge and experience assessment consists of options to be assessed either by the CKA or the PKA for that particular type of complex product.



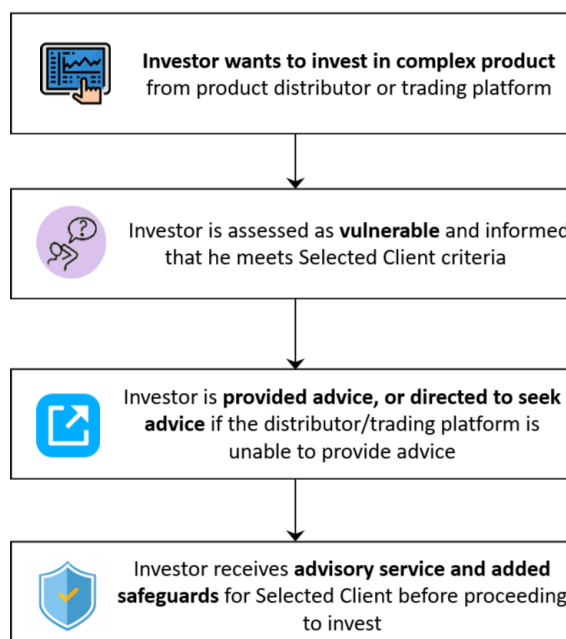
Entity	Current requirements	Proposed requirements
<b>Financial Advisers (FA) – advised transaction</b>	<ul style="list-style-type: none"><li>• Conduct CKA/CAR to assess investor’s investment knowledge and experience.<ul style="list-style-type: none"><li>○ Disclose results of CKA/CAR to investor.</li><li>○ For investors who fail CKA/CAR, advice must be provided before investor can transact in SIP.</li><li>○ If investor wishes to invest against the financial adviser’s recommendation, the financial adviser must obtain senior management approval to proceed with transaction.</li></ul></li></ul>	<ul style="list-style-type: none"><li>• For complex products, disclose that this is a complex product and explain the risk and features of the product as part of the financial needs analysis and advisory process.<ul style="list-style-type: none"><li>○ Financial advisers continue to be responsible to ensure investors understand the key risks and features of the product, and should take into consideration the investor’s product knowledge and experience in assessing the suitability of the product for the investor.</li><li>○ If the investor wishes to invest in a complex product against the financial adviser’s recommendation, approval from senior management will not be required. Financial advisers will be required to comply with paragraphs 41V-Z of the <i>updated Notice on Recommendations on Investment Products (FAA-N16)</i>, which takes effect from 29 December 2025, as outlined in the <i>Consultation on Proposed Legislative Amendments to the Requirements for Enhancing Pre and Post- Transaction Safeguards for Retail Clients</i>.</li></ul></li><li>• In addition, for Selected Clients:<ul style="list-style-type: none"><li>○ As part of the KYC process, identify and document investors, both existing and new, who are considered Selected Clients.</li><li>○ The requirements set out in paragraphs 41K-U of the <i>updated Notice on Recommendations on Investment Products (FAA-N16)</i> will apply.</li><li>○ If Selected Client wishes to invest in complex products against the financial adviser’s recommendation, the requirements set out in paragraph 41V of the <i>updated Notice on Recommendations on Investment Products (FAA-N16)</i> will apply. The financial adviser must seek its senior management’s approval before allowing the Selected Client to proceed with the transaction.</li></ul></li></ul>

3.29. Figures II-2 and II-3 illustrate the process flow under the proposed complex products framework for a non-selected client and a selected client respectively. The illustrations are intended to be read and understood together with Table II-1 on the description of the regulatory obligations under the proposed framework.

**Figure II-2: Illustration of investor journey for a non-selected client (e.g. 40-year-old software engineer with no trading experience) investing in a complex product under the proposed framework**



**Figure II-3: Illustration of investor journey for a selected client (e.g. 80-year-old retiree who is not proficient in English) investing in a complex product under the proposed framework**





- Question 19. 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).*
- Question 20. 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.*
- Question 21. 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.*
- Question 22. 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.*
- Question 23. 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.*
- Question 24. MAS seeks feedback on the removal of the learning module as a means to assess investors' knowledge of complex product.*
- Question 25. 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).*
- Question 26. 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.*



*Question 27. 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.*

## Response to feedback relating to product classifications for specific products

3.30. In the November 2021 *Consultation on Proposed Changes to Complex Products Regime*, MAS had sought views on the classification of hybrid securities and debentures with certain features. MAS has reviewed the feedback, and considered the classification of these products alongside the proposed enhancements to the complex product framework in this paper. MAS will maintain the current classification for perpetual securities and preference shares as non-complex products and re-classify debentures with returns that are contingent on specific conditions and debentures that are convertible to equity as complex products.

3.31. A summary of the products consulted, and their revised classification is in Table II-4 below. This is in addition to the changes in complexity criteria for collective investment schemes (CIS) as set out in the November 2023 *Response to Feedback Received on Proposed Changes to the Complex Products Regime*. The changes in classification will be implemented in tandem with the finalised enhancements to the complex product framework. Annex D sets out the list of non-complex products to be prescribed in the Schedule of the Securities and Futures (Capital Markets Products) Regulations.

- (a) **Perpetual bonds and preference shares** have features that differentiate them from their plain vanilla equivalents. However, MAS notes from the November 2021 consultation feedback that these features can be easily explained through disclosures. Taking into consideration the proposed

enhanced disclosures in the PHS in Part I, **perpetual bonds and preference shares will continue to be classified as non-complex products.**

- (b) **Debentures with interest rates that can be varied under conditions or events beyond the investor’s control** would generally be challenging for retail investors to understand and price. This difficulty arises from the contingency features which can change the risk-return profile of the debenture. **Hence, debentures with such variable returns will be classified as complex products.**
- (c) **Debentures which are convertible to equity** are likewise challenging for retail investors to understand and price, as the convertibility terms and ratios can be complicated. Retail investors also may not fully appreciate the implications of the convertibility feature, such as potentially not receiving their invested principal at maturity, and the significant change in the nature and risk of their investment, when it is converted from debt to equity. **Hence, debentures which are convertible to equity will be classified as complex products.**

**Table II-2: Revised classifications of consulted products**

<b>Products</b>	<b>Current classification</b>	<b>Revised classification</b>
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 (e.g., step-up rate if issuer exercises option not to call the debenture at a certain year; step-up rate if issuer fails to meet its sustainability targets).  <i>Note: This does <u>not</u> include debentures where the interest rate varies based on a fixed, pre-determined schedule (e.g., unconditional step-up rate at a certain year; rates reset from fixed to a pre-defined floating rate after a certain year).</i>	Non-complex (EIP)	Complex
Debentures which are convertible to equity, regardless whether the conversion is at the discretion of the issuer, the investor, or upon certain pre-defined condition or event.	Non-complex (EIP)	Complex
Perpetual securities	Non-complex (EIP)	Non-complex
Preference shares	Non-complex (EIP)	Non-complex



## Transition period to effect changes in Complex Products Framework

3.32. Following the conclusion of this consultation, MAS will review the feedback and refine the proposals, where needed. A separate consultation on the draft amendments to the relevant Notices will follow. MAS proposes to provide a transition period of six months from the date when the amended Notices take effect.

*Question 28. 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.*



## 4. List of Questions

- Question 1. 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. 7
- Question 2. 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”). 7
- Question 3. 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. 7
- Question 4. MAS seeks views on the proposed simplified and standardised introductory statements to be included for all redesigned PHSes. 11
- Question 5. MAS seeks views on the proposed complexity disclosure statement to be included for all redesigned PHSes. 11
- Question 6. 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. 11
- Question 7. 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. 11
- Question 8. 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. 11
- Question 9. 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. 11
- Question 10. 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. 13



Question 11. MAS seeks comments on the proposed amendments to the Regulations set out in Annexes C1-C4, particularly the amendments described in paragraph 2.24. 13

Question 12. 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. 15

Question 13. MAS seeks views on whether ILPs should be classified as a complex product and be indicated as such in the ILP-PHS. 15

Question 14. 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. 15

Question 15. MAS seeks comments on the proposed amendments to the Notices set out in Annexes C5-C7. 15

Question 16. 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. 16

Question 17. 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. 20

Question 18. 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. 20

Question 19. 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). 30

Question 20. 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. 30

Question 21. 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. 30

Question 22. 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. 30

Question 23. 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. 30

Question 24. MAS seeks feedback on the removal of the learning module as a means to assess investors' knowledge of complex product. 30

Question 25. 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). 30

Question 26. 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). 30

These disclosure requirements would remain in effect until the investor successfully passes the knowledge and experience assessment. 30

Question 27. 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. 31

Question 28. 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. 33