

RESPONSE TO CONSULTATION PAPER

Consultation Topic	MAS Consultation Paper on Enhancements to Product Highlights Sheet (PHS) Requirements and the Complex Products Framework
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CFA Society Response to MAS Consultation Paper on Enhancements to Product Highlights Sheet (PHS) Requirements and the Complex Products Framework

14 August 2025

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.

We support MAS’s proposal. A yellow heading band as the default will provide a consistent visual identifier for the PHS, increasing investor recognition. This standardisation helps investors quickly identify the document regardless of product type. We recommend MAS also ensure the heading band is designed with sufficient contrast and accessibility compliance for colour-blind readers.

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”).

We agree with the use of a red heading band for complex products, as it introduces a strong visual warning signal at first glance.

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.

We strongly support the requirement for diagrams. Visual representation of strategy and fee structures will make it easier for retail investors to understand product mechanics and costs. We recommend:

- **Standardised diagram templates** issued by MAS to promote comparability.
- **Layered disclosure**, with simplified diagrams on page 1 and more technical charts in later sections.
- **Fee diagrams** to clearly distinguish between recurring vs. one-off charges.

Question 4. MAS seeks views on the proposed simplified and standardised introductory statements to be included for all redesigned PHSes

We support this proposal. Consistent introductory statements will help investors quickly grasp the document’s purpose. We suggest MAS test these statements with retail investors to ensure clarity and retention.

Question 5. MAS seeks views on the proposed complexity disclosure statement to be included for all redesigned PHSes.

We agree that complexity statements should be included, but they should not be generic. The statement should briefly explain *why* the product is complex (e.g., “due to leveraged exposure,” “due to illiquidity,” or “due to non-standard payoff structures” or a combination of these factors). A generic “this is complex” may not sufficiently inform investors to aid in their decision-making.

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.

We support mandatory disclosure of key financial ratios for transparency and comparability. MAS should specify a **minimum set** (e.g., gearing ratio, interest coverage ratio, return on assets) but allow issuers flexibility to include sector-specific ratios. We also recommend using consistent definitions across issuers to improve comparability.

We agree with MAS that financial ratios only provide a point-in-time snapshot of the issuer or guarantor’s financial health and might be outdated when the investor reads the PHS. If there is no requirement to update the ratios periodically, issuers should explain how investors can obtain updates about the same ratios to help with continuous monitoring of the investment, if relevant.

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.

We support this proposal as it provides critical context for issuer creditworthiness. To enhance investor understanding, we suggest including both **numerical data** and a **simple pie chart or bar chart** showing the breakdown of revenue and assets by geography and business segment.

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.

We note MAS’ rationale to remove the requirement to disclose business strategies and future plans for the PHS of Hybrid Instruments, although we prefer to maintain a consistent disclosure standard across the board.

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.

We recommend:

- A “Key Risks” summary box at the top of page 1 in plain language.
- Consistent placement of risk, fee, and strategy sections across all PHS templates.
- Use of QR codes linking to MAS or MoneySense explainer videos.
- Short bullet points rather than dense paragraphs.

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.

We support legislative incorporation as it enhances enforceability and compliance discipline.

Question 11. MAS seeks comments on the proposed amendments to the Regulations set out in Annexes C1C4, particularly the amendments described in paragraph 2.24.

No comments.

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.

We support alignment of ILP-PHS colour coding with other PHS categories. Adding complexity classification will aid investor understanding. The classification should be accompanied by a concise explanation of the product’s complexity drivers

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

Our members had a robust discussion on the definition of complexity in relation to an ILP, noting that there are merits to classifying an ILP as non-complex where all of the underlying sub-funds are non-complex. We support MAS’ proposal to classify ILPs as a complex product in view of the structural complexity as a streamlined approach. The complexity disclosure could include a clear explanation why it is deemed a complex product i.e. due to the structural complexity rather than the complexity of the underlying sub-funds.

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.

We agree with the prescribed content. The inclusion of strategy, holdings, and fees in clear diagrams is beneficial.

Our members noted that it may be beneficial to include more varied age groups and both genders in the section titled “What are the fees and charges you need to pay?” of the ILP-PHS to illustrate the effect of these factors on fees and charges but the trade off is that the PHS becomes lengthier.

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

We support the amendments for clarity and standardisation.

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.

We recommend extending the transition period to 12 to 18 months, as issuers and distributors will require time for:

- Redesigning templates
- Systems and process changes
- Training staff and advisers

A longer period will reduce implementation errors and enhance quality.

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.

We support the change as it uses clearer, plain-English terminology. However, MAS should accompany the change with an education campaign to ensure investors understand the new terminology.

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.**

We support these measures as they reinforce investor awareness and informed consent. Documentation of investor acknowledgment should be digital-friendly and easy to retrieve for audit purposes.

We further request MAS clarify whether these measures:

- should be carried out prior to every transaction or only prior to the first transaction,
- should be carried out in subsequent transactions where the investor has previously invested into the same product or another product with similar features,
- should be carried out in writing or over a recorded phone line, and
- are applicable to investors who are not retail investors.

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).

We agree with combining CKA and CAR into a unified framework for both listed and unlisted complex products. This simplifies compliance processes and reduces confusion for investors.

Question 20. MAS seeks feedback on introducing product knowledge assessments (PKA), customized 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 PKAs tailored to product type, as they ensure targeted understanding.

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.

We suggest leaving it up to financial institutions to decide on how to categorize product types for the administration of PKA as there are downstream impacts.

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.

We agree with providing investors a choice between CKA and PKA. For advised transactions, we suggest that financial advisers conduct the PKA and furnish relevant client education material prior to the first transaction, to provide baseline understanding to clients in the investment product.

Question 23. MAS seeks views on requiring 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.

We agree, with the caveat that investors are aware and agree before each transaction in the relevant product that their knowledge remains current.

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

We support removing the module as an assessment tool.

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).

We note that the proposal removes the requirement for senior management approval for investors who are deemed to lack adequate knowledge and experience in complex products and wish to invest in the complex product. We support the removal, as long as robust disclosure, acknowledgment, and warning procedures remain for investors without adequate knowledge, and senior management are comfortable with its internal fair dealing processes.

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)**

We agree with the proposed notification and encouragement to seek advice. Institutions should maintain records of these warnings for compliance audits.

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.**

We support enhanced safeguards and mandatory advice for Selected Clients. Senior management approval should remain for transactions against adviser recommendations to ensure strong governance.

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.

We recommend extending to 12 to 18 months, in alignment with Q16, to allow sufficient preparation and staff training.