Consultation Paper

P014-2026 – July 2026

Consultation on Proposed Amendments to the Code on Collective Investment Schemes to Facilitate Retail Fund Product Innovation

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1. Preface

1.1. The Monetary Authority of Singapore ("**MAS**") is seeking feedback on proposed amendments to the Code on Collective Investment Schemes ("**CIS Code**") to facilitate fund product innovation with appropriate safeguards for retail investors. This will help to broaden investor choice and enhance the vibrancy and growth of Singapore's fund management industry.

1.2. MAS proposes to introduce greater flexibility within the CIS Code to enable a wider range of new fund product types to be authorised for retail offer more expeditiously. MAS will introduce a new Alternative Funds Appendix to cater to new fund types that satisfy certain criteria and may be permitted with alternative safeguards, to distinguish them from traditional funds.

1.3. To safeguard investors' interests, appropriate regulatory safeguards will be put in place to mitigate unique risks and enhance disclosures to empower investors to make informed investment decisions. Fund managers and distributors should continue to focus on fair dealing outcomes[1] in the design and distribution of funds to retail investors.

1.4. Alongside these proposals, MAS is also prepared to recognise foreign funds that are comparable to any new fund products that are authorised by MAS and facilitate the cross-listing of a wider range of listed funds.

1.5. MAS has received interest from the industry to offer to retail investors in Singapore two new fund types, namely futures-based single-commodity funds and a wider array of single-country government bond funds. These products have been offered in other jurisdictions for some time. The application of the proposed greater flexibility in the CIS Code, including the use of the proposed Alternative Funds Appendix, is illustrated using these two new fund types. MAS will assess other new fund types, based on key factors as set out in paragraph 2.5 below.

1.6. MAS invites comments from interested parties on the proposals set out in this consultation paper.

1.7. 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 (but not their identity), or

(b) their identity along with their whole submission,

[1] Guidelines on Fair Dealing – Board and Senior Management Responsibilities for Delivering Fair Dealing Outcomes to Customers [FSG-G04]

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 libellous or offensive.

1.8. Please submit written comments by 10 August 2026 via the *FormSG link*.

1.9. If you encounter technical difficulties in submitting your feedback via the link above, or would like to seek further clarifications on the consultation paper, please send your enquiry to *ciscode@mas.gov.sg*.

2. Enhanced flexibility to the CIS Code

2.1. Under section 286 of the Securities and Futures Act 2001 ("**SFA**"), MAS may authorise a collective investment scheme ("**CIS**", "**fund**" or "**scheme**") if MAS is satisfied that certain conditions are met, including compliance with the SFA and the CIS Code.

2.2. Broadly, the CIS Code is structured in two parts:

(a) **The Chapters of the CIS Code set out key fundamental requirements**, including the best practices on management, operation and marketing of schemes, that managers, approved trustees, directors and custodians of a variable capital company (VCC) are expected to observe. These practices are fundamental to meeting the International Organisation of Securities Commissions (IOSCO) principles for CIS to ensure that the assets of a CIS are managed in the best interests of investors.

(b) **The Appendices[2] set out additional investment guidelines and borrowing limits** ("**investment requirements**"). These are aimed at managing the investment risk exposure of authorised schemes and help to support the sufficiency of liquidity of such schemes to meet their redemption obligations[3].

2.3. MAS has received interest from the industry to introduce new fund product types to retail investors in Singapore to broaden investment choices and increase product diversity locally. However, these fund types may not comply with existing investment requirements under Appendix 1 of the CIS Code, such as diversification requirements[4]. As such, these new fund types will not be allowed to be offered to retail investors, unless amendments to the relevant investment requirements under the CIS Code are made.

Alternative Funds Appendix

2.4. To facilitate fund product innovation, MAS proposes to introduce greater flexibility in the CIS Code to accommodate new fund product types for retail offer by introducing a new Appendix to cater to new fund types that satisfy certain criteria ("**Alternative Funds Appendix**"). These new fund types may involve the heavy use of derivatives and/or have undiversified exposures. Some investors may seek exposure to such funds within the context of a broader, diversified portfolio. Under this Appendix, these new fund types may be permitted to deviate from the investment requirements within Appendix 1 of the CIS Code, while being subject to alternative safeguards.

[2] Appendices 1 to 7 of the CIS Code.
[3] Chapter 6.1 of the CIS Code requires at least one dealing day a month.
[4] Paragraph 2 of Appendix 1 of the CIS Code.

Considerations in admitting new fund types

2.5. In determining whether to allow a new fund type to deviate from investment requirements, MAS will consider the following key factors:

(a) the fund's compliance with IOSCO principles[5], as encapsulated by legislative requirements in the SFA and Chapters of the CIS Code, which include having sufficiently liquid assets to facilitate fund redemptions[6];

(b) the listing or offer history of similar products in other jurisdictions; and

(c) the proposed safeguards, such as product-level safeguards, enhanced disclosures and distribution safeguards to mitigate the risks arising from the novel or new structure, risk or investment policy, and deviation from the existing CIS Code investment requirements.

Safeguards

2.6. Where MAS decides that it is appropriate to allow for a new alternative fund type to be authorised for retail offer, such a fund type will be allowed through a circular issued under the proposed Alternative Funds Appendix.

2.7. The circular will set out the modified investment requirements, along with alternative safeguards and enhanced disclosures for that specific fund type. For the avoidance of doubt, the fund must still comply with all key fundamental requirements contained in the Chapters of the CIS Code.

2.8. Funds authorised under this new Appendix will be required to carry a clear and prominent statement in their prospectuses, product highlights sheets and marketing materials relating to the fund, that states that the fund is offered under this Appendix as an alternative fund. This is to ensure that investors can readily distinguish them from traditional funds that comply with the existing investment requirements in Appendix 1 of the CIS Code. We have illustrated this using the futures-based single-commodity fund example as set out in section 3(i) below.

2.9. For completeness, MAS expects fund managers and distributors to deliver fair dealing outcomes in the design and distribution of fund products to retail investors. For new fund types that are classified as complex products, distribution safeguards under the complex products regime will also apply accordingly[7].

[5] The principles include (i) ensuring high standards of competence, integrity and fair dealing, including having effective liquidity risk management processes, (ii) ensuring proper segregation and protection of investors' funds and assets of the CIS, (iii) providing adequate disclosures to investors, and (iv) ensuring a proper and disclosed basis for asset valuation, pricing and redemption of units in a CIS.

[6] These would include transferable securities and financial derivatives.

[7] Response to Feedback Received on Enhancements to Product Highlights Sheet (PHS) Requirements and the Complex Products Framework.

Approval process for new fund types

2.10. Issuers should consult with MAS on new fund types that they wish to offer to retail investors before applying for authorisation of the fund. To facilitate a comprehensive assessment, issuers will be required to submit all relevant information as outlined in **Annex 1** when consulting with MAS.

2.11. MAS expects to be able to design the alternative set of requirements for most new fund types in about three months[8]. The alternative set of requirements will be published via a circular to provide market clarity and transparency on the applicable safeguards for future interested issuers. Once the guardrails are established, funds of the same type will take 21 days to be authorised if they fulfil the requirements[9].

Related enhancements to the CIS Code

2.12. Not all new fund types will necessarily be classified as alternative funds. Where a new fund type remains largely in line with traditional funds, the more suitable approach would be to amend the investment requirements under the relevant Appendices of the existing CIS Code to accommodate the new fund type, provided that adequate safeguards are maintained.

2.13. MAS proposes to amend the CIS Code to provide flexibility for future possible amendments to investment requirements in the existing Appendices of the CIS Code. This flexibility will not be extended to the key fundamental requirements described in paragraph 2.2(a).

2.14. MAS will only permit such future possible amendments if the key factors as set out in paragraph 2.5 above are fulfilled. In addition, any amendments to investment requirements will be made in a manner that seeks to ensure that safeguards on fund investments – such as risk limits and disclosures – remain adequate. Once amendments are made, the revised investment requirements would apply to all authorised funds. An example of an amendment to investment requirements is illustrated using the single-country government bond fund example in section 3(ii) below.

2.15. MAS invites feedback on the above proposals to introduce greater flexibility within the CIS Code to reduce the time-to-market for new fund types, while ensuring appropriate regulatory safeguards are in place to mitigate their unique risks, including with enhanced disclosures[10]. The proposed amendments to the CIS Code are set out in **Annex 2**.

2.16. For consistency, MAS will also recognise foreign funds[11] that are comparable to new fund products that are authorised by MAS, including those under the proposed Alternative Funds Appendix.

[8] The processing time depends on the quality and completeness of the submitted information, and whether MAS' comments are addressed fully and in a timely manner.
[9] This is in line with the 21-day processing time for applications for authorisation of CIS that do not have novel features that could have a material impact on investors.
[10] The proposed amendments to the CIS Code to give effect to the above proposals are set out in **Annex 2**.
[11] Pursuant to section 287 of the SFA.

Question 1.	*MAS seeks views on the factors MAS should consider in determining whether to modify or amend investment requirements under the Appendices of the CIS Code to accommodate a new fund type for retail offer, as set out in paragraph 2.5 above.*
Question 2.	*MAS seeks views on the proposed introduction of a new Appendix under which new fund types may be permitted to deviate from investment requirements within Appendix 1, while being subject to alternative safeguards.*
Question 3.	*MAS seeks views on:* *a) the proposed title of the Appendix as "Alternative Funds Appendix" and suggestions on other titles for the new Appendix that may be more suitable; and* *b) the requirement for funds authorised under this new Appendix to carry a clear and prominent statement in their prospectuses, product highlights sheets and marketing materials relating to the fund, that states that the fund is offered under this Appendix as an alternative fund.*
Question 4.	*MAS seeks views on the proposal to incorporate flexibility in Chapter 4 of the CIS Code to enable MAS to amend investment requirements in existing Appendices of the CIS Code.*
Question 5.	*MAS seeks views on the proposal to recognise foreign funds that are comparable to new fund products that are authorised by MAS, including those under the proposed Alternative Funds Appendix.*

3. Examples of new fund products

3.1. MAS has received market interest to offer two new fund types to retail investors, namely (i) futures-based single-commodity funds and (ii) a wider array of single-country government bond funds. The set of investment requirements and alternative safeguards that MAS intends to apply to these two new fund types are included here as examples.

<u>(i) Futures-based single-commodity funds</u>

3.2. MAS proposes to permit futures-based single-commodity funds under the Alternative Funds Appendix.

3.3. Under the CIS Code, a fund investing in only one type of commodity through futures contracts (referred here as a "**futures-based single-commodity fund**") is currently not permitted for offer to retail investors[12].

3.4. Globally, investment products that offer exposure to single-commodity futures have been growing in popularity. They are increasingly being considered to have similar transferability and market liquidity as financial assets. Products that offer exposure to single-commodity futures include exchange-traded funds.

3.5. Futures-based single-commodity funds present risks that differ from traditional funds. For instance, they have roll risks where futures may incur losses when rolling expiring contracts into new ones, and they do not have diversified exposure, being linked to a single commodity. Nonetheless, futures-based single-commodity funds can play a role in the portfolios of retail investors who are seeking such concentrated exposure within the context of a broader, more diversified investment portfolio.

3.6. MAS has taken into account the considerations set out in paragraph 2.5 above in deciding whether to modify the requirements to allow futures-based single-commodity funds.

(a) **Compliance with IOSCO principles.** The intended modification of the requirements under the CIS Code for futures-based single commodity funds relates solely to the investment guidelines within Appendix 1 of the CIS Code. These products are required to continue to comply with legislative[13] and CIS Code requirements, ensuring compliance with IOSCO principles.

(b) **Listing or offer history.** MAS have considered that futures-based single commodity funds are offered to retail investors in other jurisdictions such as Hong Kong.

Safeguards

3.7. For a futures-based single-commodity fund, MAS intends to impose safeguards across two dimensions, namely: *product-level, and naming and disclosure requirements*[14]*.* These safeguards will be set out in the Alternative Funds Appendix as illustrated in **Annex 2**.

[12] To ensure that the portfolio of a fund is not overly concentrated in any commodity type, the CIS Code subjects a fund's exposure to commodities through derivatives to diversifications limits such that the maximum exposure to a single commodity does not exceed 35% of the fund's assets, with the remaining exposure to other commodities each not exceeding 20% (paragraph 4.2(b) of Appendix 1, read with paragraph 4(e) of Appendix 5 of the CIS Code). The only exception is precious metals in physical form, limited to gold, silver and platinum. Under appendix 7 of the CIS Code, a fund is allowed to solely in physical precious metals (gold, silver, platinum) if these precious metals conform to specifications of good delivery and meet certain valuation requirements.

[13] SFA and the relevant subsidiary legislation.

[14] The product would be classified as a complex product as it is not a non-complex product prescribed under the Schedule to the Securities and Futures (Capital Markets Products) Regulations 2018 and will be subject to enhanced distribution safeguards.

3.8. ***Product-level requirements:***

(a) The fund must track a well-recognised futures price index[15] of the relevant commodity.

(b) The fund's exposure to one of the permitted commodities, namely gold, silver, platinum, crude oil and iron ore, must be at least 90% of its net asset value ("**NAV**"). For the avoidance of doubt, the remainder of up to 10% of the fund's NAV may only consist of eligible deposits and/or units of commodity exchange traded funds ("**ETFs**") (of the same commodity).

(c) The fund may only invest in futures on gold, silver, platinum, iron ore and crude oil that are listed for quotation and traded on an organised exchange. The fund's global exposure to financial derivatives, calculated based on the commitment approach, should not exceed 100% of the fund's NAV.

3.9. ***Naming and disclosure requirements:***

(a) The name of the fund should refer to the type of commodity futures invested in, and contain the term "futures" or any derivative or form of such a term so that it is clearly differentiated from an ETF that is directly invested in physical commodities;

(b) Where the fund is exchange-traded, the name of the fund should not contain the term "ETF" or any other derivative or form of such term, so that it clearly differentiated from a traditional ETF that provides diversified exposure to underlying investments;

(c) The fund should be clearly and prominently labelled as being offered under the Alternative Funds Appendix in its offer documents; and

(d) The prospectus of the fund should contain clear and prominent disclosures of the following:

i) The fact that the product is a futures-based fund and is particularly subject to risks associated with futures contracts such as rolling of futures contracts risks, as well as volatility, leverage and liquidity risks;

ii) The concentration risk to the single commodity, as well as the key features and inherent risks of the underlying commodity and its futures market; and

iii) The customer segment that the fund intends to target.

[15] Examples of such indices include the S&P GSCI Crude Oil Enhanced Index Excess Return which tracks the price of the West Texas Intermediate Crude Oil Futures Contracts with different expiration dates traded on NYMEX, and the DCE Iron Ore Futures Price Index comprising DCE Iron Ore Futures Contracts.

(ii) Single-country government bond funds

3.10. MAS proposes to permit a wider range of single-country government bond funds. The proposed amendments to the requirements under Appendix 1 of the CIS Code are set out in **Annex 2.**

3.11. Currently, single-country government bond funds are permitted where the issuer is a government that complies with certain requirements, including a minimum credit rating[16].

3.12. MAS has received feedback that the Credit Rating Requirements may not meaningfully enhance the safeguards to investors of a single-country government bond fund. Conversely, it could inadvertently result in some investors placing over-reliance on the credit rating, without doing more careful due diligence on the government bond's underlying credit risk. Moreover, the hard-wiring of the Credit Rating Requirements in the Exception Criteria may result in the likelihood of "*cliff effects*" arising from sudden sovereign credit rating downgrades.

3.13. In response to this feedback, MAS has decided to remove the Credit Rating Requirements. In making this amendment, MAS has taken into account the considerations (set out in paragraph 2.5 above) in deciding whether to amend the requirements to allow for a wider range of single-country government bond funds.

(a) **Compliance with IOSCO principles.** The intended CIS Code amendments to allow a wider range of single-country government bond funds relate to only the investment guidelines set out within Appendix 1 of the CIS. These funds are required to continue to comply with legislative[17] and CIS Code requirements, ensuring compliance with IOSCO principles.

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[16] Under the CIS Code, funds are currently subject to a single entity limit of 10%. The single entity limit may be disapplied ("**Exception Criteria**") where a single-country government bond fund invests in public debt securities and money market instruments *where the issuer is, or the issue is guaranteed by, a government, government agency or supranational* ("**Public Debt Instruments**") that complies with the certain requirements, including a minimum credit rating. The requirements to qualify for the Exception Criteria are as follows:

(a) has a minimum long-term credit rating of at least AA by Fitch, Aa by Moody's or AA by Standard and Poor's, and the fund invests not more than 20% of the fund's NAV in a single issuance; or

(b) (i) has a minimum long-term credit rating of at least investment-grade;

(ii) the country or jurisdiction of the government or government agency has a country risk classification of 1 or 2 by the Organisation for Economic Co-operation and Development (the "**OECD**"), or is unrated by the OECD for the sole reason that it is classified by the OECD as high-income;

(iii) the Public Debt Instruments are constituents of a well-recognised international index; and

(iv) the fund invests in at least six different issuances of Public Debt Instruments, each not exceeding 30% of the fund's NAV,

(collectively, the credit rating requirements in paragraphs (a), (b)(i) and (b)(ii) of this footnote refer to the "**Credit Rating Requirements**").

[17] SFA and the relevant subsidiary legislation.

(b) **Listing or offer history.** MAS has considered that the revised requirements for single-country government bond funds are largely similar to that of other jurisdictions such as the EU and Hong Kong, and these funds have been made available to retail investors in these jurisdictions.

<u>Safeguards</u>

3.14. ***Product-level requirements:*** With a view to reduce mechanistic reliance on credit ratings, MAS intends to amend the relevant requirements under Appendix 1 of the CIS Code to simplify the Exception Criteria by removing the Credit Rating Requirements[18]. However, two safeguards will be retained[19].

(a) First, the requirement for Public Debt Instruments to be included in a well-recognised international index[20]. The inclusion in such an index can indicate global acceptance of these instruments in terms of sufficient liquidity and having a freely tradeable and convertible currency.

(b) Second, the requirement for funds to invest in at least six different issuances with no single issuance exceeding 30% of NAV. This ensures minimum level of diversification across various securities from a single government entity.

3.15. ***Disclosure requirements:*** To highlight the nature and concentration risks of a single-country government bond fund, MAS intends to require the fund's prospectus to contain clear and prominent disclosures of the following:

(a) a statement that the fund invests most, if not all, of its assets in public debt instruments issued by the government of a single country. Therefore, any political or economic changes in the relevant country, changes in the financial condition of the issuer, or changes in economic or political conditions that affect the issuer may have an adverse impact on the value of the instruments held by the fund, which may lead to significant or total loss of investment; and

(b) the fund's characteristics and associated risks with investing in such a fund (e.g. sovereign credit risks, country specific risks, and concentration risks).

[18] Currently, the single entity limit may be raised from 10% to 35% of the fund's NAV for Public Debt Instruments that has a minimum credit rating of investment grade (the "**35% Limit**"). With the removal of the Credit Rating Requirements from the Exception Criteria for single-country government bond funds, the 35% Limit will become less relevant. Therefore, the 35% Limit will be removed.

[19] As set out in MAS Circular CFC 02/2020: Modification to the Single Entity Limit for Country-Specific Government Bond Funds.

[20] Examples of well-recognised international indices that track government bonds include JPMorgan Government Bond Index-Emerging Markets, and FTSE World Government Bond Index.

4. List of Questions

Question 1. MAS seeks views on the factors MAS should consider in determining whether to modify or amend investment requirements under the Appendices of the CIS Code to accommodate a new fund type for retail offer, as set out in paragraph 2.5 above 8

Question 2. MAS seeks views on the proposed introduction of a new Appendix under which new fund types may be permitted to deviate from investment requirements within Appendix 1, while being subject to alternative safeguards. 8

Question 3. MAS seeks views on:

a) the proposed title of the Appendix as "Alternative Funds Appendix" and suggestions on other titles for the new Appendix that may be more suitable; and 8

b) the requirement for funds authorised under this new Appendix to carry a clear and prominent statement in their prospectuses, product highlights sheets and marketing materials relating to the fund, that states that the fund is offered under this Appendix as an alternative fund. 8

Question 4. MAS seeks views on the proposal to incorporate flexibility in Chapter 4 of the CIS Code to enable MAS to amend investment requirements in existing Appendices of the CIS Code. 8

Question 5. MAS seeks views on the proposal to recognise foreign funds that are comparable to new fund products that are authorised by MAS, including those under the proposed Alternative Funds Appendix. 8

Annex 1

Information to be submitted to MAS

A. Information on the scheme

i) Key features of the scheme, including:

a. the investment objective and focus of the scheme;

b. the investment approach of the manager; and

c. a description of the payoff structure of the scheme, including how the payoff is calculated and illustrative examples to explain the payoff structure.

ii) the specific provisions under the CIS Code that the scheme requires deviation from, and the reasons for such deviation; and

iii) the proposed safeguards to adequately mitigate the risks arising from the novel or new structure, risk or investment policy, as well as from any deviation from the requirements under the CIS Code. The safeguards should include product-level, disclosure and distribution safeguards. There should also be information on measures in place to ensure that the scheme will have sufficient liquidity to meet fund redemptions.

B. Information on similar schemes in other jurisdictions (if applicable)

i) a list of jurisdictions where similar schemes have been launched for offer to retail investors, stating the regulatory approvals obtained;

ii) the number of years similar schemes have been listed or offered in the respective jurisdictions;

iii) the asset under management of similar schemes in other jurisdictions; and

iv) a description of any adverse incidents involving similar schemes in other jurisdictions in the past two years, including investigations by regulatory authorities, lawsuits, and reported investor complaints.

Annex 2

Proposed amendments to the CIS Code

CHAPTER 4

4 The Scheme

[...]

4.4 Investment: Core Requirements

a) The core investment guidelines and borrowing limits which the scheme should adhere to are set out in the Appendices. Where the scheme contains a novel or new structure, risk or investment policy and/or does not adhere to the core investment guidelines and borrowing limits, the manager (or the VCC, in the case of a scheme constituted as a VCC or is a sub-fund thereof), should consult the Authority prior to its application for authorisation.

b) The Authority may modify or amend the application of the core investment guidelines and borrowing limits for such a scheme, or class of schemes, having considered relevant factors, including the following:

i) compliance with standards and best practices issued by the International Organisation of Securities Commissions;

ii) the listing and offer history of scheme, or class of scheme; and

iii) the proposed safeguards to mitigate risks arising from the novel or new structure, risk or investment policy, and deviation from the requirements under Appendix 1 of the Code, such as investment safeguards, enhanced disclosures and distribution safeguards.

[...]

APPENDIX 1

INVESTMENT: CORE REQUIREMENTS

2 Spread of Investments

[...]

Government and other public debt securities / money market instruments ("Public Debt Instruments")

~~2.4 The single entity limit of 10% may be raised to 35% of the scheme's NAV where:~~

~~a) the issuing entity or trust is, or the issue is guaranteed by, either a government, government agency or supranational, that has a minimum long-term rating of BBB by Fitch, Baa by Moody's or BBB by Standard and Poor's (including such sub-categories or gradations therein); and~~

~~b) except for schemes with a fixed maturity, not more than 20% of the scheme's NAV may be invested in any single issue of transferable securities or money market instruments by the same entity or trust.~~

~~2.5 If there is a downgrade in rating to that below the minimum rating as stated in paragraph 2.4(a), or if the rating agencies no longer rate the entity or the guarantor, the single entity limit should revert to 10%.~~

2.6 The single entity limit of 10% does not apply where:

a) the issuing entity or trust is, or the issue is guaranteed by, either a government, government agency or supranational~~, that has a minimum long-term rating of AA by Fitch, Aa by Moody's or AA by Standard and Poor's (including such sub-categories or gradations therein)~~;

b) the Public Debt Instruments are constituents of a well-recognised international index that tracks the performance of Public Debt Instruments of multiple countries or jurisdictions; and

Guidance
Examples of such indices include JPMorgan Government Bond Index-Emerging Markets and FTSE World Government Bond Index.

c) the scheme will be invested in at least six different issuances of Public Debt Instruments by the same issuing entity or trust, each not exceeding 30% of the scheme's NAV ~~except for schemes with a fixed maturity, not more than 20% of the scheme's NAV may be invested in any single issue of transferable securities or money market instruments by the same entity or trust~~.

2.7 ~~If there is a downgrade in rating to that below the minimum rating as stated in paragraph 2.6(a) of this Appendix, or if the rating agencies no longer rate the entity or the guarantor, the single entity limit as specified in paragraph 2.1(a) or 2.4 of this Appendix, as the case may be, should apply accordingly.~~

Where paragraph 2.6 of this Appendix applies, the prospectus of the scheme should contain clear and prominent disclosures of the following:

a) a statement that the scheme invests most, if not all, of its assets in transferable securities or money market instruments issued by the government of a single country, where applicable. Therefore, any political or economic changes in the relevant country, changes in the financial condition of the issuer, or changes in economic or political conditions that affect the issuer may have an adverse impact on the value of the instruments held by the scheme, which may lead to significant or total loss of investment; and

b) the scheme's characteristics and associated risks with investing in such a scheme (e.g. sovereign credit risks, country specific risks, and concentration risks).

[…]

PART IV

This part is applicable to alternative funds. For the avoidance of doubt, the manager, trustee, the VCC, VCC Directors and the VCC Custodian, where applicable, of a scheme offered under this Part are to comply with the requirements set out in chapters 1 to 7. The investment guidelines and borrowing limits under Appendix 1 of this Code would also apply to schemes offered under this Part unless otherwise stated.

APPENDIX 8

INVESTMENT: ALTERNATIVE FUNDS

1 Scope

This Appendix applies to a scheme where the Authority has, pursuant to Chapter 4.4(b), expressly modified the application of the investment guidelines and borrowing limits under Appendix 1 of the Code for that scheme, or class of schemes, under this Appendix.

2 Description of Scheme

The prospectuses, products highlights sheets or marketing materials relating to the scheme should also carry a clear and prominent statement that the scheme is offered under this Appendix as an alternative fund.

3 Futures-based single-commodity fund

3.1 The spread of underlying assets (i.e. commodities) of financial derivatives of a scheme in paragraphs 4.1 and 4.2(b) of Appendix 1 of this Code do not apply to a futures-based single-commodity fund.

3.2 The requirements in sections 3, 5, 6 and 7 of Appendix 5: Index Funds shall apply to a futures-based single-commodity fund, where applicable.

Investment Requirements

3.3 A futures-based single-commodity fund must track a well-recognised futures price index of the relevant commodity.

Guidance
Examples of such indices include the S&P GSCI Crude Oil Enhanced Index Excess Return which tracks the price of the West Texas Intermediate Crude Oil Futures Contracts with different expiration dates traded on NYMEX, and the DCE Iron Ore Futures Price Index comprising DCE Iron Ore Futures Contracts.

3.4 A futures-based single-commodity fund's exposure to one of the permitted commodities, namely gold, silver, platinum, crude oil and iron ore, must be at least 90% of its NAV. For the avoidance of doubt, the remainder of up to 10% of the scheme's NAV may only consist of eligible deposits and/or units of commodity exchange traded funds (of the same commodity).

3.5 A futures-based single-commodity fund may only invest in futures on gold, silver, platinum, iron ore and crude oil that are listed for quotation and traded on an organised exchange. The scheme's global exposure to financial derivatives, calculated based on the commitment approach, should not exceed 100% of its NAV.

Name of Scheme

3.6 The name of a futures-based single-commodity fund should refer to the type of commodity futures invested in, and contain the term "futures" or any derivative or form of such a term so that it is clearly differentiated from an exchange traded fund ("ETF") that is directly invested in physical commodities.

3.7 Where a futures-based single-commodity fund is exchange-traded, the name of the scheme should not contain the term "ETF" or any other derivative or form of such term, so that it clearly differentiated from a traditional ETF that provides diversified exposure to underlying investments.

Disclosure Requirements

3.8 The prospectus of a futures-based single-commodity fund should contain clear and prominent disclosures of the following:

a) the fact that the scheme is a futures-based fund and is particularly subject to risks associated with futures contracts such as rolling of futures contracts risks, as well as volatility, leverage and liquidity risks;

b) the concentration risk to the single commodity, as well as the key features and inherent risks of the underlying commodity and its futures market; and

c) the customer segment that the scheme intends to target.