

**CPF INVESTMENT SCHEME (CPFIS)
INFORMATION BOOKLET
FOR FUND MANAGEMENT AND INSURANCE COMPANIES**

A. GENERAL INFORMATION

1. BACKGROUND

1.1 *The CPF Investment Scheme (CPFIS) comprises the CPF Investment Scheme-Ordinary Account (CPFIS-OA) and CPF Investment Scheme-Special Account (CPFIS-SA) schemes. The schemes give CPF members more options in investing their CPF savings, while meeting the long-term objective of financial security in old age.*

1.2 Refer to the *Frequently Asked Questions (FAQs) on CPF Investment Scheme* for general information on the scheme.

2. PURPOSE

2.1 This document sets out the regulatory framework for inclusion of *Collective Investment Schemes (CIS)* [which include *Unit Trusts (UTs)* and *Exchange Traded Funds (ETFs)*], *Investment-linked Insurance Product (ILP)* sub-funds and *Fund Management Accounts (FMAs)* under CPFIS. It also sets out the selection procedures for *Fund Management Companies (FMCs)* and *Insurance Companies (Insurers)* participating under CPFIS.

Amended on
1 Sept 2002

2.2 In this document, “Fund” refers to CIS and ILP sub-funds, which invest in securities and which may be denominated in Singapore dollar or other currencies, and be constituted in Singapore or outside of Singapore.

2.3 “Fund” also refers to property funds investing in property-related securities that are able to comply with the *CPF Investment Guidelines (CPFIG)*. However, for property funds that invest directly in infrastructure projects or real estate and are not able to comply with the CPFIG, refer to *Section E - Paragraph 6* for the different criteria under which this type of property funds could be considered under the CPFIS.

2.4 Documents marked in italics and underlined are available in full at the following address:

http://mycpf.cpf.gov.sg/Business-Partner/Gen-Info/CPFIS/CPFIS_Fundmgt.htm

B. ADMISSION CRITERIA FOR FMCs/INSURERS

1. SELECTION PROCESS

1.1 The admission of FMCs/Insurers under CPFIS is done through a two-stage selection process:

- a) Regulatory screening by MAS to assess the suitability of the applicant against the prevailing criteria for admission under CPFIS; and,
- b) Evaluation by the CPF Board's appointed Investment Consultant. The Investment Consultant will conduct due diligence on the applicant based on the applicant's track record and quality of investment management. Besides performance records, the consultant would also consider factors such as the stability in the fund management team of the company, the applicant's corporate culture and ability to retain good fund managers in the company.

2. ADMISSION CRITERIA FOR FMCs

2.1 Refer to Criteria For Fund Management Companies (FMCs) To Be Included Under CPFIS

Amended on
11 Apr 2005

3. ADMISSION CRITERIA FOR INSURERS

3.1 Refer to Criteria for Insurers to be included under CPFIS.

4. HOW DOES AN FMC/INSURER GET INCLUDED UNDER CPFIS

4.1 FMCs/Insurers who wish to be included under CPFIS may apply to the CPF Board.

- a) The FMCs/Insurers should send in Form CPFIS/FMC/1 "Application By FMC/ Insurer for Inclusion under CPFIS" to:

Deputy Director (Investment Schemes)
Central Provident Fund Board
Investment Schemes Department
12th Storey, CPF Building
Singapore 068897
Fax: 6229 3375

- b) The application fee (refer to the relevant fee payable under “Application Fees for Inclusion of Fund Management Companies (FMCs)/Insurers and their Products under CPFIS”) should be paid to the *Central Provident Fund Board* at the same time the application is submitted.
- c) An acknowledgement letter would be sent to the FMCs/Insurers about one week following the Board's receipt of their applications.
- d) After the Board has reviewed the applications with MAS, the Board would inform the FMCs/Insurers whether they would be considered for inclusion under CPFIS and may proceed to the 2nd stage of evaluation by the Board's Investment Consultant.
- e) If the FMCs/Insurers pass the 1st stage review, they would be informed by the Board to submit information to the Board's Investment Consultant for due diligence purposes. Each stage of the evaluation process takes about four weeks, with the final timeframe depending on whether additional information or further clarification on the application is required.

4.2 FMCs/Insurers included under CPFIS have to comply with terms and conditions set by the Board. FMCs/Insurers also need to sign a *Deed of Indemnity* with the Board upon their inclusion under CPFIS.

4.3 For FMCs that are domiciled outside Singapore, a Deed of Indemnity from the FMC is also required before their Funds may be included under CPFIS. In addition, a copy of the Deed or Contract which sets out the roles or responsibilities of the Singapore-Registered Representative / Agent of the FMC also has to be submitted to the Board.

Added on
1 Sept 2002

5. **HOW DOES A FUND GET INCLUDED UNDER CPFIS**

5.1 FMCs that wish to manage Funds under CPFIS must first be admitted into the List of Fund Management Companies (FMCs) Included under CPFIS

- a) FMCs may then apply to the CPF Board to include their Funds* or offer investment management services which:
 - i) comply with the requirements of the MAS and,
 - ii) satisfy the *CPF Investment Scheme (CPFIS) Terms and Conditions For Fund Management Companies*, including being able to comply with the CPF Investment Guidelines (CPFIG).

* ETFs must be listed on the Singapore Exchange.

b) (1) New funds for inclusion under CPFIS must meet the more stringent criteria and preferably have a track record of good performance for at least 3 years.

Added on
27 Nov 2007

- i) The revised benchmark set at the top 25 percentile of funds in their global peer group (with effect from 1 Feb 2006).
- ii) An expense ratio that is lower than the median of existing CPFIS funds in its risk category (with effect from 1 Feb 2006).
- iii) Sales charges that is not exceeding 3% (with effect from 1 July 2007)

Please refer to the press release by CPF Board on 29 December 2005 and 28 December 2006.

b) (2) All CPFIS funds have to meet the criteria in para 5.1b (1) in order to take in new CPF monies from 1 Jan 2011.

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Jan 2011

Please refer to the FAQs issued by CPF Board on 18 Feb 2009 to the Fund Management Companies (FMCs) and Insurers on “Re-Evaluation of Existing CPFIS Funds” for more information.

c) Funds for inclusion under CPFIS may be denominated in Singapore dollar or other currencies from 1 September 2002.

Added on
1 Sept 2002

- i) **Changing currency denomination for existing funds constituted in Singapore** - The FMC should write to the Board giving the reason for making the change, when the change would take effect, how members who have invested in the fund would be affected and informed about the change, as well as any other relevant information.
- ii) **Removing the feeder structure for funds feeding into an underlying CIS constituted outside Singapore, or applying for a fund constituted outside Singapore for direct inclusion under CPFIS** – refer to the Application and Admission Criteria For Funds Managed By FMCs/ Insurers.

d) FMCs that have been included under CPFIS may proceed to offer FMAs without applying separately to do so.

- i) Contractual parties – FMCs should sign investment management contracts with CPF members who wish to set up an FMA.
- ii) Settlement procedures – FMCs have to apply to the member’s Agent Bank for withdrawal of the amount agreed by the member for investment in a FMA. Agent Banks do not keep detailed transactions for FMAs. They only keep the total amount withdrawn and eventually the total proceeds refunded should the FMA be terminated. However, FMCs need to provide the Agent Banks with an annual *Profit & Loss*

(P&L) Statement for each FMA managed, until P&L computation is discontinued.

- iii) Disclosure requirements – FMCs may follow the industry practice or provide CPF members with the same disclosures and statements as they do for their cash investors of FMAs.
- iv) Investment guidelines – In general, FMAs are subject to the *CPF Investment Guidelines* except where the clause is not applicable for FMAs, e.g. Clause 2 (liquidity).
- v) Application process – FMCs are not required to submit a separate application to manage FMAs. However, FMCs need to write to the Board with a copy of their standard investment management agreement and forms for managing FMAs at least 2 weeks before they actually start offering FMA services to CPF members. This is to enable the Board to make arrangements with Agent Banks to enable their withdrawal of funds for FMA services.

Amended on
2 May 2002

5.2 Insurance Companies that wish to offer life insurance products under CPFIS must first be included in the List of Insurance Companies Included under CPFIS.

- a) Insurers may apply to the CPF Board to offer ILPs which:
 - i) comply with the requirements of the MAS; and,
 - ii) satisfy the *CPF Investment Scheme (CPFIS) Terms and Conditions for Insurance Products*, including being able to comply with the CPF Investment Guidelines (CPFIG).
- b) Same as 5.1b) (1) and (2).
- c) ILPs may be denominated in Singapore dollar or other currencies from 1 September 2002.
 - i) Same as 5.1(ci).

5.3 FMCs/Insurers should refer to the following documents when they wish to apply for inclusion of their funds under CPFIS:

Amended on
1 Sept 2002

- a) Application and Admission Criteria For Funds Managed By FMCs/ Insurers
- b) Process For Inclusion of Funds Under CPF Investment Scheme (CPFIS)

6. CPFIS RISK CLASSIFICATION SYSTEM (RCS)

- 6.1 Funds included under CPFIS will be classified in a risk classification system according to their risk/return profile.
- 6.2 The risk classification is to assist members in making more informed investment decisions.

C. WHAT DO FMCS/ INSURERS WHICH OFFER FUNDS UNDER CPFIS HAVE TO COMPLY WITH

1. Before FMCs and Insurers may include Funds under CPFIS for members' subscription, the FMCs and Insurers, or the appointed Singapore-registered Representative or Agent of the FMC domiciled outside Singapore, have to return the signed *Deed of Indemnity* to the Board.

Added on
1 Sept 2002

2. FMCs have to comply with *the CPF Investment Scheme (CPFIS) Terms and Conditions For Fund Management Companies*; which includes:

- a) Applicable guidelines in the Securities and Futures Act 2001, Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations 2002 and the Code on Collective Investment Schemes;
- b) *CPF Investment Guidelines (CPFIG)*;
- c) *Disclosure Requirements For FMCs / Insurers*; and
- d) *Application and Admission Criteria For Funds Managed by FMCs / Insurers*.

Amended on
1 Sept 2002

3. Insurers have to comply with *the CPF Investment Scheme (CPFIS) Terms and Conditions For Insurance Products*; which includes:

- a) Applicable guidelines in the Insurance Act, Insurance Regulations and MAS Notices;
- b) *CPF Investment Guidelines (CPFIG)* for insurers who are allowed to manage funds;
- c) *Disclosure Requirements For FMCs / Insurers*; and
- d) *Application and Admission Criteria For Funds Managed by FMCs / Insurers*

D. ROLE & RESPONSIBILITIES OF FMCS/ INSURERS

1. RESPONSIBILITIES OF FMCs:

- 1.1 FMCs for funds constituted both inside or outside Singapore are required to adhere to the *CPF Investment Guidelines* (CPFIG), including self-imposed investment limits (or operating ranges) and the *Disclosure Requirements For FMCs / Insurers*.

- 1.2 FMCs in Singapore or the Singapore-registered Representative or Agent for FMCs domiciled outside Singapore, are also required to furnish the following to the CPF Board, by the respective dates indicated:

Returns to CPF Board	Date Due
a) Annual external auditor's report on Fund* (Refer to <u>Auditor's Report for Fund</u>)	<p>For Authorised Funds, it is within 3 months from the close of the financial year of the fund.</p> <p>For Recognised Funds, it is based on the time frame mandated by the law of jurisdiction which the Fund was constituted in or within 5 months from the close of the financial year of the Fund, whichever is earlier.</p>
b) Annual external auditor's report on operations relating to unit holdings and fund management accounts of CPF members (Refer to <u>Auditor's Report for FMC</u>)	Within 5 months from the close of the financial year of the FMC.
c) Returns to confirm continuing compliance with admission criteria by FMCs (Refer to <u>Form CPFIS/FMC/3</u>)	Within 1 month from the end of the respective quarter.
d) (i) Notification of Breach of the <u>CPF Investment Guidelines</u> * (ii) Notification of Trustee's approval to extend deadline for rectifying breach (iii) Notification of rectification of the breach (The Board has to be informed of rectification of all breaches, not only those breaches whereby the Trustee has given an extension of deadline.) Refer to para 9.3 of the <u>CPF Investment Guidelines</u>	(i) Within 14 days of the occurrence of the breach. (ii) Within 7 days of the agreement. (iii) Within 7 days of the rectification of the breach.

Amended on
2 May 2002

* If the FMC is appointed by an Insurer to manage an ILP sub-fund which does not feed 100% into a CIS already included under CPFIS, the FMC should submit items 1.2(a) and 1.2(d) to the Board through the Insurer.

2. **RESPONSIBILITIES OF INSURERS:**

2.1 Insurers:

- a) that are allowed to manage funds under CPFIS are required to adhere to the CPF Investment Guidelines, including self-imposed investment limits (or operating ranges) and ;
- b) applicable guidelines in the Insurance Act, Insurance Regulations and MAS Notices.

2.2 Insurers are also required to furnish the following to CPF Board:

Returns to CPF Board	Date Due
a) Annual external auditor's report on ILP Sub-Fund (Refer to <u>Auditor's Report for ILP Sub-Fund</u>)	Within 3 months from the close of the financial year of the fund.
b) Annual external auditor's report on operations relating to insurance policies of CPF members (Refer to <u>Auditor's Report for Insurer</u>)	Within 3 months from the close of the financial year of the insurer.
c) (i) Notification of Breach of the <u>CPF Investment Guidelines</u> (ii) Notification of Trustee's approval to extend deadline for breach (iii) Notification of rectification of the breach (The Board has to be informed of rectification of all breaches, not only those breaches whereby the Trustee has given an extension of deadline.) Refer to para 9.3 of the <u>CPF Investment Guidelines</u>	(i) Within 14 days of the occurrence of the breach. (ii) Within 7 days of the agreement. (iii) Within 7 days of the rectification of the breach.

Amended on
2 May 2002

2.3 FMCs appointed by Insurers to manage ILP sub-funds as a separate account from a CIS that is already included under CPFIS should forward their returns listed in D 2.2(a) and D 2.2(c) to the Board through the Insurer. Insurers that feed 100% into a CIS that is included under CPFIS need not submit D 2.2(a) and 2.2(c) as the submission would be made by the FMC for the CIS.

3. **UPON INCLUSION UNDER CPFIS**

3.1 FMCs and Insurers included under CPFIS, or the Singapore-registered Representatives or Agents of FMCs domiciled outside Singapore, need to ensure they have in place the appropriate compliance, internal control and operational systems which meet the Board's minimum delivery standards, record keeping and audit requirements as set out in the relevant terms & conditions, guidelines, notices and correspondence.

Amended on
1 Sept 2002

3.2 They are also expected to link up electronically with the Board so that they could receive and submit payments electronically and adopt the established standard operational procedures for submission of data through the *CPF Generic Data Exchange Centre (GDEC)*, if they would be offering products under CPFIS-SA. Likewise, they are expected to adopt the established standard operational procedures for processing of transactions through the Agent Banks, if they offer products under CPFIS-OA.

3.3 FMCs and Insurers, or the Singapore-registered Representative or Agent for FMCs domiciled outside Singapore, must inform the Board or confirm their Funds' official launch for subscription by CPF members, at least three days before their launch. Otherwise, they would not be able to withdraw members' CPF monies through the Agent Banks for CPFIS-OA products, or from the Board directly for CPFIS-SA products.

Amended on
1 Sept 2002

3.4 FMCs and Insurers, or the Singapore-registered Representative must inform the Board any changes in the portfolio managers, investment mandate, structure and/or other material changes to the funds included under CPFIS. Thereafter the funds may be subject to a re-evaluation at the Board's discretion.

3.5 FMCs and Insurers, or the Singapore-registered Representative must ensure the sales charges of existing funds do not exceed 3% (with effect from 1 July 2007) and monitor if the TER of the funds included under CPFIS can comply with the cap on expense ratio (with effect from 1 Jan 2008¹). Otherwise, the funds will not be allowed to accept new CPF monies.

3.6 With effect from 1 January 2011, all CPFIS funds have to meet the following stricter criteria in order to take in new CPF monies:

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Jan 2011

- i) Top 25 percentile of funds in their global peer group.
- ii) Total Expense Ratio lower than the median of existing CPFIS funds in its risk category.
- iii) Sales charge not exceeding 3%; and
- iv) Preferably track record of 3 years.

For details on (ii), please refer to the press release by CPF Board on 29 December 2005 and 28 December 2006.

¹ Those funds which are evaluated to be top quartile in its global peer group will need to comply with the cap on expense ratio by 1 Jan 2009.

E. OTHERS

1. TREATMENT OF REBATES

1.1 Rebates given for purchases of funds under CPFIS should only be in cash or bonus units that could be credited back into members' CPFIS Investment Accounts or Special Accounts.

Added on
2 May 2002

1.2 CPFIS investors should not be disadvantaged relative to cash investors. If cash investors are given a rebate such that the net sales charge applicable to cash investors is lower than the sales charge applicable to CPFIS investors, the difference in sales charge should be refunded to CPFIS investors in the form of cash or bonus units that are credited to their Investment or Special Accounts.

Added on
27 Nov 2007

2. CPF INTEREST RATE MESSAGE

2.1 While mentioning the CPF interest rate is not a mandatory requirement, product providers are encouraged to make available this information where appropriate so that members are able to make informed decisions on whether they should withdraw their CPF savings for investment purposes.

Added on
2 May 2002

2.2 The message that could be used is as follows –

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27 Nov 2007

"The CPF interest rate for the Ordinary Account (OA) is based on the 12-month fixed deposit and month-end savings rates of the major local banks. Under the CPF Act, the Board pays a minimum interest of 2.5% per annum when this interest formula yields a lower rate.

From 1 Jan 2008, the new interest rate for the Special, Medisave and Retirement Accounts (SMRA) will be pegged to the yield of 10-year Singapore government bond plus 1%. For 2008 and 2009, the minimum interest rate for the SMRA will be 4.0% per annum. After 2009, the 2.5% per annum minimum interest rate, as prescribed by the CPF Act, will apply to the SMRA.

In addition, from 1 January 2008, the CPF Board will pay an extra interest rate of 1% per annum on the first \$60,000 of a CPF member's combined balances, including up to \$20,000 in the OA. From 1 April 2008, the first \$20,000 in both the Ordinary and Special Accounts will not be allowed to be invested under the CPF Investment Scheme."

From 1 May 2009, CPF members must first set aside \$30,000 in their Special Account (SA) before they can invest their SA monies under CPFIS.

3. **STATUS OF INCLUSION UNDER CPFIS**

The phrase ‘CPF-approved’ should not be used in any public material when product providers refer to themselves and the products or services they offer to members. This is because the Board has only included the product providers under CPFIS to enable them to provide their products or services to members. Members make their own assessment and decide whether it is in their best interest to invest in the providers’ products or to use the providers’ services.

Added on
2 Mar 2005

Instead, use phrases like ‘*included under CPFIS*’ or ‘*CPFIS registered*’.

4. **WITHDRAWALS AND REFUNDS**

Withdrawals from or refunds to CPF Investment Account or CPFIS-Special Account have to be in Singapore dollars. FMCs and Insurers or their appointed agents are required to effect currency conversion of foreign currency denominated Funds at the prevailing market rates and according to generally accepted commercial practices, before settling any withdrawals and refunds to members’ CPF Investment or Special Accounts.

Added on
1 Sept 2002

5. **INCLUSION OF FUNDS CONSTITUTED OUTSIDE SINGAPORE**

5.1 Funds to be offered under CPFIS must be recognised by MAS under section 287(1) of the Securities and Futures Act 2001. At least 95% of the underlying assets of the Fund must be invested in compliance with the *CPF Investment Guidelines* at all times. Also, the Singapore-registered Representative/Agent of the Fund appointed by the FMC domiciled outside Singapore must be able to ensure that the Fund could comply with CPFIS Terms and Conditions.

Added on
1 Sept 2002

6. **PROPERTY FUNDS**

6.1 Property funds that invest directly in real estate or properties and are being listed do not have to comply with the *CPF Investment Guidelines (CPFIG)*.

Added on
1 Sept 2002

6.2 These property funds may be included under CPFIS-OA only if they satisfy the prevailing criteria for inclusion of shares or stocks:

- a) Must be incorporated in Singapore;
- b) Must be denominated in Singapore dollar; and,
- c) Must be listed on the Singapore Exchange (SGX).

As with all shares or stocks, members may invest in these property funds up to 35% of their investible savings limit.

7. **FUND OF FUNDS (FOF) / MULTI-MANAGER PRODUCTS**

7.1 Given that FOFs and multi-manager products may vary their investments in the underlying funds or with the underlying managers over time, the evaluation of such products for inclusion under the CPFIS will be on a case-by-case basis, depending on the specific structure of each product submitted.

8. **CHANGE IN NAME**

- 8.1 FMCs and Insurers that undergo change in name have to inform the Board of the effective date of the change. A copy of the document from the *Accounting & Corporate Regulatory Authority* (ACRA) [previously known as *Registry of Companies & Businesses* (RCM)], showing the change in name from the old to the new, should be submitted.
- 8.2 The FMC and Insurer should also inform the Board if the names of the company's range of products would be changed as well.

Amended on
27 Nov 2007

9. **MERGING / TERMINATION OF FUNDS**

- 9.1 FMCs and Insurers should write to the Board on the effective date of the merger or termination action, with a copy of their letter to unit-holders, after they have consulted their trustee. CPF unit-holders should be informed of transactional charges they may incur, including Agent Bank charges for switching of funds under CPFIS-OA, if any.
- 9.2 FMCs and Insurers would be required to perform reconciliation with Agent Banks for actions affecting funds under CPFIS-OA, and with the CPF Board for actions affecting funds under CPFIS-SA.

Added on
1 Sept 2002

Document Update Reference:

INV/Feb 2009/WYY

INV/Nov 2007/CY

INV/March 2005/DS /CPFIS Info Booklet for FMCs-Ins Cos

ISB/1 September 2002/ML/CPFISinfo~booklet3- superseded

INV/ Official Documents/ info-booklet (2 May 2002)/OHB – superseded