

## **IMPLEMENTATION OF WRAP FEE CAP FREQUENTLY ASKED QUESTIONS**

**1) What is wrap fee?**

Wrap fee is an ongoing fee charged by a financial adviser to an investor, for providing bundled investment services, including advisory, brokerage and administrative. The fee is usually charged as a percentage on the market value of asset under management of the financial adviser.

**2) What is the rationale of this wrap fee cap?**

Wrap fee is consumptive and erodes returns on investment funds. To prevent our members from paying excessive wrap fee using their CPF monies meant for retirement, CPF Board ('the Board') has capped wrap fees at 1% per annum with effect from 1 July 2012. This is also in line with the Board's continuing efforts to lower cost of investment for our members.

**3) What type of investor will be affected by the wrap fee cap?**

The wrap fee cap will only affect CPFIS investors, who have opened a wrap account with financial adviser firms, via any of the 3 CPFIS Investment Administrators (IAs) for their CPF-funded unit trust investment, before 1 Jul 2012.

**4) How will this wrap fee cap affect my investments?**

Wrap fee is typically paid by partial liquidation of your CPF-funded unit trust investment. With effect from 1 July 2012, you should not be paying more than 1% per annum in wrap fee from your CPF-funded investment.

**5) What should I do if my wrap account currently charges me a wrap fee of more than 1% per annum?**

With effect from 1 July 2012, your wrap fee payable will be capped at 1% per annum. You should contact your financial adviser or IA if you are continuing to pay more than the capped rate after 1 July 2012.