The Institute of Banking & Finance Singapore

RES 3 – Rules, Ethics and Skills for Fund Management

<u>Summary of Updates</u>
(November 2024 – Version 1.1
***effective for January 2025 exams onwards*)**

The updates made to the RES 3 (February 2024 – Version 1.0) are summarized as follows:

**Additions / updates / corrections are indicated in blue italics.*
Deletions are indicated in strikethrough.
Section and page references relate to the updated study guide.

Chapter	Section	Page No.	Update / Amendment
Chapter 8	Whole Chapter		All content related to Fund Management Account (FMA) is deleted.
	8.2.2	209 -210	Removal of section on Foreign Funds – CPFIS Admission Requirements for Representatives of Recognised CIS Seeking Inclusion into the CPFIS.
	8.3.5	215	Consideration for ~~Special Funds.~~ *Other Types of Funds.*
	8.4	216 -217	Removal of section on Fund Management Accounts.
	8.5	217 -219	*Updates made to the section 8.5 on Risk Classification for CIS Included under the CPFIS. Section updated to section 8.4.* ***8.4 Risk Classification for CIS Included under the CPFIS*** *The CPF Board has classified unit trusts included under the CPF Investment Scheme (CPFIS) under different categories of risk. The Risk Classification System splits the investment risk associated with a unit trust into two axes: Equity risk and Focus risk.* ***8.4.1 Equity Risk*** ***Equity risk** is related to the proportion of the "riskier' types of investments in the unit trust. The greater the proportion of assets invested in stocks, the higher the equity risk. Conversely, the greater the proportion of investments in bonds and cash, the lower the equity risk. There are four categories of equity risk:* • *Higher risk – equity funds;* • *Medium to high risk – balanced funds;* • *Low to medium risk – bond funds; and* • *Lower risk – cash funds.* ***8.4.1 Focus Risk*** ***Focus risk** reflects how focused the investments of the unit trust are in one particular geographical region, country, industry, or individual company. There are two categories of focus risk: broadly diversified or narrowly focused:*

Chapter	Section	Page No.	Update / Amendment
			• *A **broadly diversified** unit trust will tend to have investments that are spread across relatively more geographical regions, countries, industries, and individual companies.* • *A **narrowly diversified** unit trust will tend to have investments that may be focused in particular geographical regions, countries, industries, or individual corporations.* *In general, a unit trust will have a higher level of focus risk because it is relatively less diversified. For example, a unit trust that invests in shares of companies from around the world would have lower focus risk (i.e.; more broadly diversified) than a unit trust that invests in shares of Japanese corporations only. The Japan-only unit trust would have higher focus risk because it is less diversified (invests in one foreign country only).* *Within the focus risk category, CPFIS-included unit trusts have been further divided into the following sub-groups:* • ***Regional** – Unit trusts that have a regional exposure e.g., Europe, Asia or Emerging Markets* • ***Sector –** Unit trusts with specific industry exposure e.g., healthcare, and biotechnology* • ***Country –** Unit trusts that are country-specific e.g., Japan, China* *These broad sub-groups have been provided to make it easier for CPF members to perform comparisons across unit trusts that are roughly similar in terms of geographic focus.*
	8.6.3.5	221	Removal of section on Sales charges and expense ratios.