

**FREQUENTLY ASKED QUESTIONS ON CPFIS CHANGES**  
**FOR CPF MEMBERS**

**REVISION OF CAP ON SALES CHARGE FOR FUNDS UNDER CPFIS**

**1. What is sales charge?**

Sales charge<sup>1</sup> are upfront fees paid to intermediaries (e.g. financial advisors, distributors) upon the purchase of funds i.e. unit trust or Investment-Linked Policies (ILPs). Sales charge is payable upfront as a percentage of the value of the transaction.

**2. Why is MOM/CPFIS disallowing sales charge for the sale of CPFIS products?**

Disallowing sales charges for the sale of CPFIS products is part of MOM/CPFIS's review on the CPFIS, as per the CPF Advisory Panel's recommendation in 2016 to better target CPFIS at knowledgeable investors who are confident of investing on their own and have the time to do so.

Removing sales charge reduces the cost of investing for CPFIS members.

Investors can already purchase unit trusts on online platforms without paying any sales charge. Sales charge is a layer of cost which erodes members' investment returns. This move is in line with other countries such as Australia, the Netherlands, U.K and the U.S which have banned commissions for financial investments.

**3. How will CPFIS members benefit from the removal of sales charge?**

Removing sales charge eliminates upfront fees paid to intermediaries which in turn increases the eventual amount invested into the funds, i.e. the CPFIS member will get more units of his investments with the sales charge removed.

The following example illustrates the impact of 0% sales charge:

		<b>Sales Charge = 3%</b>	<b>Sales Charge = 0%</b>
(a)	Initial Investment	\$10,000	\$10,000
(b)	Upfront amount deducted (due to sales charge)	\$300	\$0
(c) = (a) – (b)	Eventual amount invested after deduction of sales charge	<b>\$9,700</b>	<b><u>\$10,000</u></b>

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<sup>1</sup> Sales charges can also be in the form of back-end load which is being paid at the point of redemption of units by investors.

#### 4. When will the sales charge be removed?

The removal of sales charge under CPFIS will take place in two phases:

Phase 1 (with effect from 1 October 2018):	Reduce from the current sales charge cap of 3% to 1.5%
Phase 2 (with effect from 1 October 2019):	Removal of sales charge i.e. 0%.

*Update: Sales charge under CPFIS will be removed with effect from 1 October 2020 instead.*

#### 5. I have invested my CPF monies in funds whereby the sales charge exceed the revised caps of 1.5% and 0% which are effective from 1 October 2018 and 1 October 2019 respectively. What should I do?

CPF members' existing investments are not affected as the sales charge would already have been paid at the point of purchase of the investment product.

CPF members can only invest new CPF monies into funds complying with the revised sales charge caps of 1.5% or 0% effective 1 October 2018 and 1 October 2019 respectively. Members can also refer to the links below for the list of CPFIS funds:

*Update: Sales charge under CPFIS will be removed with effect from 1 October 2020 instead.*

##### List A Unit Trusts:

[https://www.cpf.gov.sg/Assets/members/Documents/RCSUT\\_ListA.pdf](https://www.cpf.gov.sg/Assets/members/Documents/RCSUT_ListA.pdf)

##### List A Investment Link Products (ILPs) Sub-funds:

[https://www.cpf.gov.sg/Assets/members/Documents/RCSILP\\_ListA.pdf](https://www.cpf.gov.sg/Assets/members/Documents/RCSILP_ListA.pdf)

#### 6. With the revised sales charge cap of 1.5%/ eventual removal of sales charge, am I required to pay any excess sales charge in cash?

Removing sales charge reduces the cost of investing for CPFIS members. Product providers should not collect any excess sales charge from you in cash.