How to Read
Product Key Facts Statements

Unlisted structured investment products
Investment-linked assurance schemes
Funds
www.thechinfamily.hk
About The Chin Family

The Chin Family is an independent and impartial financial education platform providing free information, resources and programmes. We help people in Hong Kong plan and manage their finances by making financial learning simple and enjoyable. The Chin Family is managed by the Investor Education Centre, which is supported by the Education Bureau and all four financial regulators.
Contents

Why is Key Facts Statement (KFS) important? 1
What is common to KFS of different products? 2
How does KFS vary from one product to another? 3
What is in a general fund’s KFS? 5
What is in a guaranteed fund’s or structured fund’s KFS? 9
What is in an index fund’s or exchange-traded fund’s KFS? 11
What is in an investment-linked assurance scheme’s KFS? 13
What is in a structured investment product’s KFS? 23
Check the offering document for further information 27
Why is Key Facts Statement important?

Understanding the features and risks of a product is crucial to making an informed investment decision.

To help investors grasp the key issues of a product before investing, the Securities and Futures Commission (SFC) has enhanced the disclosure requirements for a range of investment products marketed to the public in Hong Kong, namely funds, investment-linked assurance schemes (ILAS) and unlisted structured investment products (SIP).

Product issuers must provide investors with offering documents, including Product Key Facts Statements (KFS), to meet with the enhanced requirements for the above-mentioned products.

A KFS gives a prospective investor a concise and user-friendly summary, in plain language, of the key features and risks of a product.

Standardised templates are provided by the SFC, and product issuers are required to refer to the template that is applicable to their products. This way, it should be easier for investors to compare among products of the same type and to comprehend the salient features and risks of a product.

A KFS is no substitute for the full set of the offering documents. Do not rely solely on a KFS to make an investment decision. You must read the offering documents before deciding whether or not to invest in a product.
What is common to KFS of different products?

Be it a fund, an investment-linked assurance scheme, or an unlisted structured investment product, the following sections can generally be found in the respective Product KFS:

- **Name and type of product**
- **Name of issuer**
- **Quick facts**
- **What is this product (and how does it work)?**
- **What are the key risks?**
- **What are the fees and charges?**
- **Additional information**

The KFS templates are for illustration only. The information and form of presentation of an actual KFS may vary from product to product, and issuer to issuer.

A KFS may be longer if the product issuer finds it necessary to provide more explanation or include illustrations (such as graphics, charts and diagrams) to help investors understand the product.
How does KFS vary from one product to another?

Different investment products have their unique features and risk profile. Therefore, while all Product KFS provide certain types of information as mentioned in the previous section, the KFS of each type of investment products must also contain information that is specific to its product class.

Funds

Investment-linked assurance schemes

Unlisted structured investment products
The KFS of a fund, an investment-linked assurance scheme (ILAS) and an unlisted structured investment product (SIP) will mainly differ in the following aspects:

- Ongoing charges figure
- Objectives and investment strategy
- Investment mix (optional, except for certain fund types with complex investment strategies)
- Past performance
- Guarantee, if any
- Fees and charges

- Fees and charges at policy level and underlying/reference funds level
- Long-term features
- How intermediaries’ remuneration will be disclosed
- Cooling-off period
- Insurance company’s information

- Key features
- Guarantee or collateral, if any
- Scenario analysis
- How to buy the product
- Mode of settlement
- Adjustments to the terms and conditions upon the occurrence of extraordinary events
- Cooling-off period, if any
- Whether you can sell the product before expiry
- Continuing disclosure obligations
What is in a general fund’s KFS?

In the Product KFS of a general fund, you will find:

1. **Quick facts**
   - Listing out names of fund manager (including internal or external delegates, if any) and trustee and/or custodian, the ongoing charges figure of the fund and the computation basis, how frequently the fund deals, the minimum investment amount, dividend policy, financial year end and base currency

2. **Product profile**
   - Telling you whether the fund is a unit trust or mutual fund, its domicile and home regulator

3. **Objectives and investment strategy**
   - Describing the objectives and investment strategy of the fund, and whether it will invest in financial derivatives for investment purposes (including the extent of use of financial derivatives)

4. **Investment mix (optional)**
   - Showing the fund’s asset allocation by country, sector or asset type
What is in a general fund’s KFS?

5. **Key risks**
   - Disclosing the major risk factors based on the fund’s investment strategy and the types of assets invested (including key risks relating to investments in financial derivatives)

6. **Past performance**
   - Showing how much the fund (or its representative share class) (and the fund’s benchmark, if applicable) has (have) changed in value over the period being shown and the computation basis

7. **Guarantee, if any**
   - Setting out whether the fund guarantees to pay you back the full amount or any portion of the money you invested, and the conditions under which the guarantee will be terminated
8. Fees and charges

- Listing out fees payable when dealing in the fund’s units, including subscription fee, switching fee and redemption fee
- Also setting out the ongoing fees deducted directly from the fund, including management fee and performance fee (if any) charged by the fund manager, and fees charged by the custodian, trustee and/or administrator, etc

9. Additional information

- Indicating the dealing cut-off time for the subscription or redemption of the fund (also check with your intermediary the deadline to submit the subscription or redemption application, since this deadline may be earlier than the dealing cut-off time)
- Telling you where to find the fund price
- Telling you where to obtain information about the past performance of other share classes of the fund (if any) offered to Hong Kong investors
- Any other additional important information
What is in a guaranteed fund’s or structured fund’s KFS?

A guaranteed fund’s minimum return is usually guaranteed at a pre-determined percentage of the investment sum subject to certain pre-determined conditions.

Structured funds seek to achieve their investment objectives by investing substantially in financial derivative instruments. These funds are passively managed and offer structured payouts when certain pre-determined conditions are met.

KFS template of a guaranteed/structured fund
The Product KFS provides additional information that explains the specific features relevant to these funds.

1. **Product profile**

   - **Guaranteed funds**: You will find what financial instruments the fund may invest in, level of the capital guarantee, and guaranteed coupon, if any.
   - **Structured funds**: You will find the type(s) of financial derivatives that the fund may invest in, and the fact that the fund is passively managed and offers structured payouts if certain pre-determined conditions are met.

2. **Objectives and investment strategy**

   - Depending on the fund’s investment strategy, this section may provide details of its structure, for example, if the fund’s exposure to a particular index is achieved through a swap arrangement, then the details of that index as well as the swap counterparties and types of collateral (or other investments serving similar purposes) will be included.

3. **Key terms of the guarantee (only applicable to guaranteed funds)**

   - Identifying the name of the guarantor
   - Describing scope of the guarantee
   - Indicating condition(s) under which the fund or guarantee will be terminated

4. **Scenarios analysis**

   - For funds offering structured payouts, this section tells you the potential payouts under the worst-case, base-case and best-case scenarios where appropriate.
What is in an index fund’s or exchange-traded fund’s KFS?

Since an index fund or exchange-traded fund (ETF) is to track or replicate the performance of an underlying index, the details of the underlying index and the index tracking strategies adopted must be described in the KFS.

1. Quick facts

- Apart from certain key facts, this section also sets out the tracking difference of the last calendar year of the ETF or index fund (which is the return difference between the ETF or index fund and its underlying index over that year.)

2. Objectives and investment strategy

- This section tells you the details of the underlying index and what investment strategy that the fund adopts to replicate the performance of the index.
- If the index fund or ETF adopts a synthetic replication strategy, you will also find the selection criteria of the counterparties issuing the financial derivatives that the fund invests in and the nature of collateral (or other investments serving similar purposes), if any.
KFS template of an Index fund/ETF

3. Past performance

- This section shows how much both the ETF or index fund (or its representative share class) and its underlying index have changed in value over the period and the computation basis.

4. Fees and charges

- Besides ongoing fees payable by the fund, this section also sets out charges incurred when trading the ETF on the Stock Exchange of Hong Kong.

5. Additional information

Listing the fund’s website address for you to access the following information:

- Offering document
- Latest financial reports
- Last closing net asset value (NAV) and estimated NAV (for ETF)
- Counterparty exposure and collateral arrangement for ETF adopting synthetic replication strategy
- List of participating dealers (for ETF)
What is in an investment-linked assurance scheme’s KFS?

An investment-linked assurance scheme (ILAS) is a life insurance policy with policy value (and, if applicable, death benefits) linked to the performance of the underlying/reference funds*. It is not a fund authorised by the SFC under the Code on Unit Trusts and Mutual Funds (UT Code). Certain important information are required to be disclosed prominently in the KFS to help the public better understand the product.
Quick facts

- Name of the insurance company
- Single or regular premium and its payment frequency
- Minimum premium payment term
- Minimum and maximum investment
- Policy currency
- Death benefit
- Period with surrender charge
- Governing law of policy

Important

- ILAS is a long-term investment-cum-life insurance product.
- It is only suitable for investors who have both investment and estate planning objectives as it is a packaged product that includes both investment and insurance element with death benefits payable to third-party beneficiaries.
- It is not suitable for investors with short- or medium-term liquidity needs.

Important – Fees and charges paid to ILAS issuers

- A disclosure (expressed as a percentage of the total premium(s) to be paid by a policyholder) on all the fees and charges at the ILAS policy level payable to the issuer.
- The percentage is calculated based on certain assumptions for illustration purposes.
- The actual percentage of your premiums for covering the fees and charges may vary depending on individual circumstances of each case, eg your circumstances and the premium amount and the sum insured of your policy.

* If the insurance company invests the net premium received in the funds corresponding to the investment options selected by the participants for its own asset liability management purpose, the term “underlying funds” will be used; otherwise, the insurance company should adopt the term “reference funds”.
What is in an investment-linked assurance scheme’s KFS?

2c Important – Long-term features

- Upfront charges: Certain percentage of your premiums may be deducted upfront as charges and this may reduce the amount available for investment in early policy years.

- Early surrender / withdrawal charges: There may be a charge of up to a certain percentage of the policy value (or other basis depending on the feature of the ILAS) in case of policy termination / surrender / partial withdrawal / suspension of or reduction in premium payment.

- Loyalty bonuses: You may be entitled to a loyalty or special bonus up to a certain percentage of the policy value if you keep your policy for a certain number of years.

2d Important – Intermediaries’ remuneration

- Although you may pay nothing directly to the intermediary who sells/distributes the ILAS policy to you, your intermediary will receive remuneration which, in effect, will be borne out of the charges you pay.

- Your intermediary should disclose to you in writing at the point-of-sale information about intermediary remuneration. You should ask for more details before taking up your ILAS policy. If you ask, your intermediary should disclose the requested information to you.

- The amount of remuneration actually receivable by your intermediary may vary from year to year and may be higher in the early policy years.
Important Facts:

- Fees and charges (cont’d):
  Please note that the tabled figures are calculated based on the following assumptions: if the Annual Premium is £1,000, the annual maintenance fee is £100, and the minimum required annual premium is £500. For policies that have been active for more than 12 months, the annual maintenance fee will be prorated. The annual premium will be calculated as the product of the Annual Premium and the number of years the policy has been active. If the policy is cancelled, the annual maintenance fee will be prorated based on the number of months the policy has been active.

- Long-term features –
  - Higher charges:
  a) (1) 1% of the Annual Premium on the first (1) policy year will not be included in the initial premium payable. This amount will be refunded if the policy is cancelled within the first year of the policy.
  b) (2) The annual premium payable for each subsequent policy year will be adjusted to reflect the impact of higher charges.

- Early surrender/withdrawal charges:
  a) No early surrender/withdrawal charges will apply if the policy has been in force for at least 12 months. If the policy is surrendered within the first 12 months, an early surrender/withdrawal charge will be payable.

- Intermediaries’ commission:
  Although insurers pay nothing directly to the intermediaries who redistribute the insurance policies to you, your intermediary will receive a commission on the premium paid, which is a significant incentive for them to promote this product.

What is a product and how does it work?

- This product is an investment-linked assurance scheme. It is a life insurance policy issued by ILAS Insurance. It is a fund that is invested in various stocks and bonds that are managed by a fund manager. The fund manager’s objective is to earn returns on the investments and pass those returns on to policyholders.

- To subscribe to ILAS Insurance, you will need to provide personal information such as your name, address, and contact details. Once you have subscribed, you will receive an annual statement that details your policy’s performance and any changes to its terms and conditions.

- The performance of your ILAS Insurance policy is linked to the performance of various funds. The funds’ performance is measured by their net asset value (NAV) and the returns on the investments they hold.

- You can choose from various investment options, such as stocks, bonds, cash, and property. The performance of your ILAS Insurance policy will depend on the performance of the funds you have selected.

- Your premium payments will be invested in the selected funds, and the returns on these investments will be added to your policy’s value.

- The performance of your ILAS Insurance policy will be monitored on a regular basis, and any changes to the performance of the funds will be reflected in your policy’s value.

- You can withdraw from your ILAS Insurance policy at any time, and the value of your policy will be calculated based on the performance of the funds and the number of years your policy has been active.

- Any withdrawal will be subject to a withdrawal charge, which will be calculated based on the number of years your policy has been active and the value of your policy.

- The withdrawal charge will be calculated as a percentage of the value of your policy at the time of withdrawal, and the amount will be deducted from your policy’s value.

- The value of your ILAS Insurance policy will increase or decrease based on the performance of the funds and the impact of any charges or fees that may apply.

- Your ILAS Insurance policy will continue to be managed by ILAS Insurance, and any changes to the performance of the funds will be reflected in your policy’s value.

- You can choose to withdraw from your ILAS Insurance policy at any time, and the value of your policy will be calculated based on the performance of the funds and the number of years your policy has been active.

- Any withdrawal will be subject to a withdrawal charge, which will be calculated based on the number of years your policy has been active and the value of your policy.

- The withdrawal charge will be calculated as a percentage of the value of your policy at the time of withdrawal, and the amount will be deducted from your policy’s value.
What is in an investment-linked assurance scheme’s KFS?

3. Product profile

- The policy value (and, if applicable, death benefits) is determined by the insurance company, based on the performance of the underlying/reference funds* you selected. It is also subject to ongoing policy fees and charges which will be deducted from the policy value.
- The underlying/reference funds* may include funds authorised by the SFC under the UT code or other discretionary portfolios internally managed by the insurance company.
- The insurance premiums you paid and the investments in the underlying/reference funds* will become and remain part of the insurance company’s assets. You do not have any right or ownership over these assets. As such, your recourse is against the insurance company only.
- Due to fees and charges levied by the insurance company, the return on your policy may be lower than the return of the underlying/reference funds* you selected.
- For ILAS with upfront premium charge, the remaining amount of premium paid available for investment, after deducting the premium charge, may be as low as 0% of your premium paid, especially in the early years of your policy.
- Your death benefit is typically linked to performance of your selected underlying/reference funds* and subject to investment risks and market fluctuations. Therefore, the actual death benefit amount may not be sufficient for your needs.

* Refer to the footnote on P.14
Important Call:

- Long-term investments (5 years or more)
- Legally breasts

(2) You will be entitled to a liquidity or cash benefit up to 10% of the policy value (value of (i))
- Access (i) to your premiums paid and final policy fees paid if you keep your ILAS policy for (ii) years.

- Intermediary's remuneration

Although you pay nothing directly to the intermediary who administers the ILAS policy to you, your intermediary will receive remuneration which, in effect, will be borne out of the charges you pay. Your intermediary should disclose to you in writing at the point of sale information about intermediary remuneration. The amount of remuneration actually receivable for your intermediary may vary from new to new and may be higher in the early policy years. You should ask your intermediary before taking up your ILAS policy to know more about the remuneration that your intermediary will receive in respect of your ILAS policy. If you ask, your intermediary should disclose the requested information to you.

What is the product and how does it work?

- This product is an investment linked annuity scheme. It is a life assurance policy issued by AIG Insurance. This is not a tied insurance advised by AIG Insurance.
- The premiums you pay, the deduction of any applicable fees and charges of your ILAS policy, will be invested in the underlying funds as you select below and will accordingly go towards acquisition of the value of your ILAS policy. Your ILAS policy value will be calculated by AIG Insurance based on the performance of your selected underlying funds from time to time and the ongoing fees and charges will continue to be deducted from your ILAS policy value.
- Note, however, that all premiums you pay towards your ILAS policy, and any investments made by AIG Insurance in the underlying funds you selected, will include and remain the assets of AIG Insurance. Your liability is against AIG Insurance only.
- Due to the various fees and charges levied by AIG Insurance on your ILAS policy, the return on your ILAS policy as a whole may be lower than the values of the underlying fund(s) you selected. Please see page(s) for details of the fees and charges payable by you.
What is in an investment-linked assurance scheme’s KFS?

4. Key risks

- Your investment is subject to the credit and insolvency risks of the insurance company. Your policy’s return is contingent on the performance of the underlying/reference funds*. As such, there is a risk of capital loss.

- The investment options available for selection have different risk profiles. Some may be of high risks.

- Early surrender or withdrawal of the insurance policy, or suspension of or reduction in premium may result in a significant loss of principal and/or bonuses awarded.

- While no premium contributions are required to be made during an applicable premium holiday period, your ILAS’s value may still decline as fees and charges would normally remain deductible. Your entitlements to bonuses may also be affected.

- Foreign exchange risk is an additional risk, if your policy or some of the underlying/reference funds* are denominated in different currencies.

- For ILAS with minimum policy value requirements, your policy may terminate if the policy value falls below a minimum amount.

* Refer to the footnote on P.14
4. **What is this product and how does it work? (cont.)**

- *Underlying funds* available for selection are the funds listed in the investment option brochure.
- These funds (which are mutual funds) are subject to management fees (0.5% per annum) and an exit fee of 0%.
- Although your ILAS policy is a life insurance policy, (and as such, your death benefit is linked to the performance of the underlying funds)* you selected at time of entry, your death benefit is subject to investment risks and market fluctuations. The death benefit payable under the policy is significantly less than your premiums paid and may not be sufficient for your future needs.
- *Annuity benefits*: You will receive a return of the following on the death benefit and the cost of insurance:
  - Part of the fees and charges you pay which will be deducted from the value of your ILAS policy will be used to cover insurance charges for the first year and any additional premiums you may choose.
  - The insurance charges will reduce the amount that may be applied towards investment in the underlying funds.*
  - The insurance charges may increase significantly during the term of your ILAS policy due to fees such as age and investment losses, etc. These may result in non-recoverable losses of your premiums paid.
  - If the value of your ILAS policy becomes insufficient to cover all the ongoing fees and charges, including the insurance charges, your ILAS policy may be terminated and you will lose all your premiums paid and benefits.
  - You should consult your independent financial advisor for details, such as how the charges may increase and could impact the value of your ILAS policy.

4. **What are the key risks?**

**Investment involves risks. Please refer to the principal brochure for details**! **Including the risk factors:**

- **Credit and currency risks**: This product is an insurance policy issued by AES Insurance. Your investments are subject to the credit risks of AES Insurance.
- The investment options available under this product may vary from time to time and may not be suitable for all investors. Each investor’s strategy must be designed to maximize the benefits of the underlying funds available.
- **Early surrender/discharge penalty**: The ILAS policy is designed to be held for a long-term period. Early surrender or withdrawal of the policy may result in a significant loss of principal and interest earned. Poor performance of underlying funds may further reduce your investment losses, while all charges are still deductible.

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**ILAS U.S. Plan**

**What are the key risks?** (cont.)

- **Premium holiday** - with no premium contributions during premium holidays, the value of this ILAS policy may be significantly reduced due to fees and charges, which are still deductible during a premium holiday, and your entitlement to bonuses may also be affected.
- **Market data** - Factors of this ILAS policy are dependent upon the performance of the underlying funds* which are subject to the risk of adverse movements.
- **Early surrender/discharge penalty**: The ILAS policy is designed to be held for a long-term period. Early surrender or withdrawal of the policy may result in a significant loss of principal and interest earned. Poor performance of underlying funds may further reduce your investment losses, while all charges are still deductible.

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**Is there any guarantee?**

- **(This product does not come with any guarantee of the repayment of principal. You may not get back the full amount of premium you pay as returns may fall below investment returns.)**
- **(Where the guarantee is effective, one scheme participants will not be able to get the guarantee.)**

**Guarantee conditions**

- **Whether this is a with-profit plan and whether there is NIVA**
- **Factors that will affect the guarantee**

**[Other features]**

- **Maximum benefits**

**What are the fees and charges?**

AES Insurance reserves the right to vary the policy charges or impose new charges with not less than 1 month prior written notice at any time in accordance with the relevant regulatory requirements.
What is in an investment-linked assurance scheme’s KFS?

5. Fees and charges

• At scheme level: In general, these fees and charges eg early surrender or withdrawal charge, policy fee, administration charge, account maintenance charge and cost of insurance, are charged by the insurance company.

• At underlying/reference funds* level: These fees, eg management fee, performance fee, bid-offer spread, and switching fee, are deductible from the underlying funds and such reduction will be reflected in the unit price of the underlying/reference funds. In general, they are charged by the management companies of the underlying funds.

* Refer to the footnote on P.14

6. Changing your mind

• This section describes how you can exercise your right to unwind or cancel your policy during the cooling-off period, according to the cooling-off initiative issued by the Hong Kong Federation of Insurers from time to time.

• You may get back your investment capital subject to market value adjustment within the cooling-off period.
**What are the key risks?**

- **Premium flexibility:** With no premium commission during premium holidays, the value of this ILAS policy may be significantly reduced due to fees and charges, which are still deductible during premium holidays, and your entitlement to bonuses may also be affected.
- **Market risks:** Fluctuations of the ILAS policy can significantly impact the performance of the underlying fund(s) and therefore there is a risk of capital loss.
- **The surrender value of this ILAS policy (after the premium payment and any other unclaimed interest) is only equal to the lesser of your ILAS policy value or surrender charge. This means that the unclaimed premium will not receive any additional payment from ILAS Insurance Ltd at the surrendering value of your ILAS policy.
- **Foreign exchange risks:** The investment return of your ILAS policy may be subject to foreign exchange risks, and some of the underlying fund(s) may be denominated in a currency which is different from the currency of your ILAS policy.
- **Market value adjustment (MVA):** For with-profit ILAS, your surrender value may be significantly reduced by an MVA imposed by ILAS Insurance and the maximum amount deducted by MVA can be up to 100% of the surrender value. You should ask your intermediary for the underlying MVA rate.

**Is there any guarantee?**

- This product does not provide any guaranteed rate of return. You may not get back the full amount of your premium or any intermediary surrender charge.
- [State the guarantee] [State that if the guarantee condition is not satisfied, scheme participants will not be able to get the guarantee.]

**Guarantee conditions**

- Whether this is a with-profit plan and whether there is MVA:
- Factors that will affect the guarantee:
  - [Non-exhaustive list of items]

**What are the fees and charges?**

- ABC Insurance reserves the right to vary the policy charges or impose new charges with set less than 1% of each policy written on each calendar period of notice in compliance with the relevant regulatory requirements.

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**ARTILAS Plus**

**What are the fees and charges?**

<table>
<thead>
<tr>
<th>Scheme level</th>
<th>Announced rate</th>
<th>Description</th>
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<td>[value]</td>
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<tr>
<td>Early surrender/withdrawal charge</td>
<td>[value]</td>
<td>[value]</td>
</tr>
</tbody>
</table>

Please refer to section [page to page] of the principal brochure of ABC ILAS Plus for details of the charges.

**Underlying fund(s) in excess of $25,000**

- [Please refer to the offering document of the underlying fund(s) and/or the principal brochure of ABC ILAS Plus for details of the underlying fund(s).]

**Additional information**

- [Please refer to the offering document of the underlying fund(s) and/or the principal brochure of ABC ILAS Plus for details of the underlying fund(s).]

**What if you change your mind?**

- [Please refer to the offering document of the underlying fund(s) and/or the principal brochure of ABC ILAS Plus for details of the underlying fund(s).]

- **Exit option:**
  - [Please refer to the offering document of the underlying fund(s) and/or the principal brochure of ABC ILAS Plus for details of the underlying fund(s).]

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**ILAS**

22
What is in a structured investment product’s KFS?

Unlisted structured investment products (SIP) involve derivatives arrangements. Popular SIP include equity-linked investments, equity-linked deposits and commodity-linked deposits. Their potential payouts are linked to the performance of the respective reference assets.

An SIP’s KFS can give you a quick guide on how the structured product works and what the key risks are.

Key risks

Where applicable, an SIP’s KFS usually contains the following risk factors:

• The product is not principal protected. You may lose all your investment in the worst-case scenario.
• You have no first priority to claim the proceeds from realisation of the collateral (if any).
• SIP are not time deposits. They are not covered by the Deposit Protection Scheme.
• The maximum potential gain is capped.
• There is usually no liquid secondary market or just limited market making arrangement. That means you may not be able to sell an SIP before maturity or the sale price could be much lower than the amount you invested.
• When you buy an SIP, you will be relying on the creditworthiness of the issuer or ultimate counterparty.
• Investing in the product is not the same as investing in the reference assets to which the product is linked.
1. Explaining special features such as call and airbag, if any
2. Telling you the maximum potential gain and the conditions for this to be achieved
3. Describing different payout scenarios, including any coupon in the worst-case scenario, and whether the product will be physically settled by delivery of the reference assets

3. Any guarantee or collateral

- Disclosing details of guarantee or collateral, if any
- Explaining your rights and exposures, e.g., you may not have the first priority to claim proceeds from realisation of the collateral and get back the amount of money you invested
What is in an SIP’s KFS?

What is in a structured investment product’s KFS?

Setting out the best, middle-of-the-road and, at the very least, the worst-case scenarios

Scenario analysis

Setting out the best, middle-of-the-road and, at the very least, the worst-case scenarios

Mode of settlement

Setting out cash or physical settlement upon maturity, if applicable
6. Adjustments to product’s terms and conditions

Showing if certain terms and conditions, including some of the key dates, can be adjusted upon the occurrence of extraordinary events

7. Cooling-off period

This section sets out if there is a post-sale cooling-off period for the product. If so, get to know the details of your cooling-off rights, including:

- How long the cooling-off period will last after placing an order
- How to exercise your cooling-off right
- How the amount of refund is calculated and the possibility of a less-than-full refund

8. Whether you can sell the product before expiry

- Whether there is any market-making arrangement
- If so, how frequent the market-making will be and who to contact to obtain indicative bid prices
- The possibility of a sell-back price being substantially lower than your initial investment

9. Continuing disclosure obligations

This section explains the ongoing disclosure obligations of the issuer, eg under the circumstances where:

- the issuer or guarantor (as the case may be) ceases to meet any of the eligibility requirements;
- there are any material adverse changes regarding the ability of the issuer (or, if applicable, guarantor or counterparty) to fulfil its obligations; or
- there is any failure of a material portion of the collateral.
Check the offering document for further information

A KFS is no substitute for the offering document which contains information necessary for prospective investors to be able to make an informed judgment of the investment. For example, a fund’s offering document lists the investment objectives and restrictions, its characteristics, risk disclosure, fees, dealing procedures, conditions leading to deferral, suspension or even termination of the fund, as well as sources of further information.

Don’t rely solely on a KFS, you must check the offering document for further information before deciding whether or not to invest in a product.
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