



Monetary Authority of Singapore

**FINANCIAL ADVISERS ACT
(CAP. 110)**

**GUIDELINES ON STANDARDS OF CONDUCT FOR
FINANCIAL ADVISERS**

Guideline No : FAA-G04
Issue Date : 1 October 2002 (Last revised on 1 July 2005)

GUIDELINES ON STANDARDS OF CONDUCT FOR FINANCIAL ADVISERS

Persons to whom the Guidelines on Standards of Conduct for Financial Advisers [“these Guidelines”] Apply

1 These Guidelines are issued pursuant to section 64 of the Financial Advisers Act (Cap. 110) [“the Act”]. They set out conduct requirements for persons acting as financial advisers under the Act, including, where appropriate, conduct requirements for representatives who perform any financial advisory service on behalf of financial advisers.

[Amended on 1 July 2005]

Purpose of these Guidelines

2 These Guidelines set out the standards of conduct expected of financial advisers and their representatives. They provide general guidance and are not intended to replace or override any legislative provisions or written directions issued under the Act in respect of conduct requirements specifically applicable to financial advisers and their representatives.

3 The Monetary Authority of Singapore [“The Authority”] expects all financial advisers and their representatives to have regard to these Guidelines, so as to help foster professional standards and enhance confidence in the financial services industry.

4 The Authority is cognizant of the fact that specific situations may require appropriate modifications to these Guidelines. Given the differences among financial advisers, each financial adviser may need to adapt these Guidelines to its particular circumstances.

5 These Guidelines should be read in conjunction with the provisions of the Act, subsidiary legislation made under the Act, as well as written directions, notices, codes and other guidelines that the Authority may

issue from time to time. The Authority will be guided by these Guidelines in considering whether a financial adviser or any of its representatives satisfy the business conduct requirements that are set out in the Act or any of its subsidiary instruments, or is a fit and proper person to be engaged in financial advisory services in Singapore.

[Amended on 1 July 2005]

Definitions

6 For the purposes of these Guidelines:

“client” includes a prospective client;

“financial adviser” means a licensed financial adviser or a person exempt from holding a financial adviser’s licence under section 23(1)(a), (b), (c), (d) or (e) of the Act;

[Amended on 1 July 2005]

“financial advisory service” has the same meaning as in section 2(1) of the Act;

[Amended on 1 July 2005]

“investment product” has the same meaning as in section 2(1) of the Act; and

[Amended on 1 July 2005]

“representative” has the same meaning as in section 2(1) of the Act.

1 Integrity

- 1.1 A financial adviser should conduct its business with honesty, fairness, integrity and professionalism in order to maintain good faith and to preserve public trust in the financial services industry.
- 1.2 A financial adviser should not engage in any conduct involving fraud or dishonesty, or commit any act that reflects adversely on its honesty or trustworthiness or that compromises its integrity.

2 Objectivity

- 2.1 A financial adviser should exercise reasonable care and judgment to achieve and maintain objectivity in conducting its business.
- 2.2 A financial adviser should avoid situations that might impair its ability to make objective recommendations.

3 Confidentiality

- 3.1 A financial adviser should implement and maintain proper procedures to preserve confidentiality of information it receives from a client or which relates to a client.
- 3.2 A financial adviser should not disclose to any person any information given by a client unless:
 - (a) the information obtained from the client is given to the Authority or any other government agencies in accordance with any relevant law; or
 - (b) the client has given his consent to the financial adviser to disclose the information.

4 Competence

- 4.1 A financial adviser should act with competence and strive to maintain the necessary knowledge and expertise in its business activities.
- 4.2 A financial adviser should provide advice only in those areas in which it has the necessary competence and skills. Where the financial adviser is not professionally competent in a specific area, it should consult other qualified professionals or advise clients to seek the advice of other qualified professionals.
[Amended on 1 July 2005]
- 4.3 A financial adviser should ensure that any person it employs or appoints to conduct business for or with clients is suitably qualified and competent, and that the person possesses the relevant professional training or experience to act in the capacity so employed or appointed.
- 4.4 A financial adviser should provide its representatives with relevant training so as to enhance their competence, knowledge and skills.
- 4.5 A representative of a financial adviser should keep abreast of advances in the financial services industry and participate in continuing education throughout his professional career in order to maintain the necessary competence, knowledge and skills in all the business activities he is engaged in.
- 4.6 Where a financial adviser operates a multi-tier structure, it should put in place arrangements to enable it to properly supervise its representatives at every tier.

5 Due Care And Diligence

- 5.1 A financial adviser should act with due care and diligence in conducting its business activities.

Prompt and Best Execution

- 5.2 A financial adviser should take all reasonable steps to process client orders promptly, in accordance with the instructions of clients and on the best available terms.

- 5.3 A financial adviser should provide its clients with prompt written confirmation or documentation that the clients' orders have been executed.

Supervision of Representatives

- 5.4 A financial adviser should have adequate systems and processes in place to ensure proper supervision of its representatives and their activities.

Cessation of Business

- 5.5 Prior to the cessation of its business of providing financial advisory services, a financial adviser should ensure that its liabilities and obligations to all clients have been fully discharged or provided for, and that proper arrangements have been put in place to ensure that its clients continue to be serviced by another financial adviser.

6 Disclosure to Client

General Information about the Financial Adviser

- 6.1 A financial adviser should provide clients with adequate information about its business, including its business address and telephone number. It should also disclose the types of financial advisory service it is authorised to provide, including the type of investment products it is allowed to give advice on or market to clients.

- 6.2 In the case where a financial adviser is part of a financial services group and its representative also acts for one or more related companies, the representative should inform the client of the capacity in which he is acting.

Key Features of Products

- 6.3 When making a recommendation on an investment product, a financial adviser should make adequate disclosure of all material facts relating to the key features of the product, including:
- (a) the nature of the investment, including the underlying financial instruments and how these instruments work, if applicable;
 - (b) the benefits of investing in the product;
 - (c) the risks involved¹;
 - (d) the salient terms and conditions of the product;
 - (e) the fees and charges the client will have to pay, including any recurring charges or fees, if applicable;
 - (f) early termination clauses, including, in the case of funds deposited by a client with a deposit-taking institution, the procedures, charges and restrictions on early withdrawal by the client, or early redemption by the deposit-taking institution, as well as any other material information associated with early withdrawal or redemption;
 - (g) any pecuniary or other disadvantages that the client will or may suffer (temporarily or otherwise) as a result of switching from the original product to the replacement product, if applicable.

[Amended on 1 July 2005]

¹ In the case of futures contracts, contracts or arrangement for the purposes of foreign exchange trading, contracts or arrangements for the purposes of leveraged foreign exchange and other complex product transactions, the financial adviser should assure itself that the client understands the risks related to investing in such products and that the client has sufficient financial resources to assume the risks and bear the potential loss of investing in such products.

Warnings, Exclusions and Disclaimers

- 6.4 A financial adviser should draw the client's attention to the warnings, exclusions and disclaimers in all documents, advertising materials and literature relating to an investment product it is recommending to the client.

Clear, Adequate and Not False or Misleading

- 6.5 A financial adviser should ensure at all times that any representation made and information provided to the client is clear, adequate and not false or misleading.

Fact and Opinion

- 6.6 A financial adviser should distinguish between facts and opinion in its presentation of recommendations to the client.

Remuneration

- 6.7 A financial adviser should disclose, in writing, to its client all remuneration, including any commission, fee and other benefit that it has received or will receive for making any recommendation in respect of an investment product, or executing a purchase or sale contract relating to an investment product on the client's behalf.
- 6.8 If a financial adviser charges a fee, it should disclose to the client details of the charges at the outset.
- 6.9 If a financial adviser receives commissions from a product provider on investment products sold on behalf of the product provider, it should disclose to the client the amount of commissions it receives on the investment products it recommends.
- 6.10 Where a financial adviser receives trailer commissions, soft commissions or such other benefits from a product provider, it should disclose to the client the amount of such commissions and benefits.

- 6.11 Where the amount of remuneration, commission, fee or benefit is not quantifiable, a financial adviser should furnish its client with a description of how it will be remunerated.
- 6.12 If the precise rate of remuneration or value of commission is not known in advance, the financial adviser should estimate the rate likely to apply in such description.
- 6.13 In the case of a life policy, a financial adviser should disclose to its client the “distribution cost” item in the Benefit Illustration and will not be required to disclose the amount and type of remuneration stated at paragraphs 6.7 to 6.12.

7 Know Your Client

General

- 7.1 When making a recommendation on an investment product to a client, a financial adviser should take all reasonable steps to determine the client's financial objectives, risk tolerance, financial situation, investment experience and particular needs.

Reasonable Basis

- 7.2 A financial adviser should ensure that its recommendations are suitable for the client, taking into account the information it has obtained from the client. It should ensure that its recommendations are based on thorough analysis and take into account alternative investment options.
- 7.3 A financial adviser should explain to the client the basis for its recommendation and why the investment product it is recommending is suitable for the client.
- 7.4 A financial adviser should not use any rebate of commissions as the basis for its recommendation.

Record-keeping

- 7.5 A financial adviser should keep records of all information it has obtained from its client, the recommendation made to the client and the basis of its recommendation.
- 7.6 Management should regularly review these records to evaluate the suitability of the recommendations made by their representatives.

Prevention of Money Laundering

- 7.7 A financial adviser should take all reasonable steps to establish the true and full identity of its clients and should ensure it complies with the “know your client” due process outlined in the Notice on Prevention of Money Laundering issued by the Authority (Notice No. FAA-N06).

[Amended on 1 July 2005]

8 Conflicts of Interest

- 8.1 A financial adviser should act in the best interests of its clients when providing financial advisory services to its clients. It should disclose in writing to the client any actual or potential conflicts of interest arising from any connection to or association with any product provider, including any material information or facts that might compromise its objectivity or independence in the carrying on of financial advisory services.
- 8.2 In assigning duties, a financial adviser should not place its staff in situations where conflicts of interest may arise. The financial adviser should ensure that there is proper segregation of duties to minimise any possible conflicts of interest.

9 Complaints Handling

- 9.1 A financial adviser should have in place adequate procedures and processes for handling complaints relating to its financial advisory business.
- 9.2 It should ensure that:

- (a) complaints are handled in a fair, timely and appropriate manner;
- (b) complaints are promptly investigated and responded to; and
- (c) an officer is designated to handle all complaints.

9.3 A financial adviser should maintain a register of complaints, containing details of complaints received and how they have been dealt with. Management should review the register regularly.

10 Compliance with Laws

10.1 A financial adviser should maintain adequate knowledge of and comply with all applicable laws, rules and regulations relevant to its business activity, including these Guidelines.

10.2 A financial adviser should take all reasonable steps, including the establishment of internal procedures, to ensure that any person it employs or appoints to conduct business for or with clients is conversant and comply with all applicable laws, rules and regulations relevant to its business activity.