



Monetary Authority of Singapore

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

**NOTICE ON APPOINTMENT AND USE OF
INTRODUCERS BY FINANCIAL ADVISERS**

Notice No : FAA-N02

Issue Date : 1 October 2002 (Last revised on 1 July 2005*)

**NOTICE ON APPOINTMENT AND USE OF INTRODUCERS
BY FINANCIAL ADVISERS**

Introduction

1 This Notice is issued pursuant to section 58 of the Financial Advisers Act (Cap. 110) [“the Act”].

2 Subject to paragraph 2A, this Notice shall apply to all licensed financial advisers and persons who are exempt from holding a financial adviser’s licence under section 23(1)(a), (b), (c), (d), or (e) of the Act.

[FAA-N02 (Amendment) 2003]

[FAA-N02 (Amendment) 2005]

2A This Notice shall not apply to the appointment and use of introducers by –

(a) persons specified in regulation 5 of the Financial Advisers (Structured Deposits – Prescribed Investment Product and Exemption) Regulations 2004 in relation to the provision of any financial advisory service relating to any structured deposit as defined in those Regulations;

(b) persons specified in regulation 3 of the Financial Advisers (Exemption from Sections 25 to 29 and 36) Regulations 2004 in respect of the provision of any financial advisory service relating to the investment products referred to in regulation 3 of those Regulations.

[FAA-N02 (Amendment) 2005]

3 This Notice sets out the standards to be maintained by licensed financial advisers and persons who are exempt from holding a financial adviser’s licence under section 23(1)(a), (b), (c), (d), or (e) of the Act with respect to their appointment and use of persons carrying out introducing activities.

[FAA-N02 (Amendment) 2003]

[FAA-N02 (Amendment) 2005]

Definitions

4 For the purposes of this Notice:

“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;

[FAA-N02 (Amendment) 2005]

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

[FAA_N-02 (Amendment) 2005]

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

[FAA-N02 (Amendment) 2003]

“introducee” has the same meaning as in regulation 31 of the FAR;

[FAA-N02 (Amendment) 2005]

“introducer” means any person exempt under regulation 31(1), (3), (4) or (7) of the FAR who is appointed by a financial adviser to perform introducing activities on behalf of the financial adviser;

“introducing activities” has the same meaning as in regulation 31 of the FAR and “introduce” shall be construed accordingly;

[FAA-N02 (Amendment) 2005]

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

Requirements for Financial Advisers Appointing Introducers

5 Where a financial adviser appoints a person as an introducer, it should take reasonable steps not to appoint an introducer whose carrying out of introducing activities is:

- (a) if the introducer is a corporation, its sole business activity; and
- (b) if the introducer is an individual, his full-time occupation,
as the case may be.

6 A financial adviser shall ensure that none of its employees or representatives enters into any arrangement with an introducer to carry out introducing activities other than on behalf of the financial adviser.

7 A financial adviser which engages the services of an introducer shall institute adequate control systems and procedures to ensure the proper conduct of the introducer, including ensuring that the introducer does not get involved in the provision of any financial advisory service other than to the extent of carrying out introducing activities. In engaging an introducer to carry out introducing activities, the financial adviser shall comply with the following requirements:

- (a) Written Agreement
The financial adviser shall enter into a written agreement with the introducer. It shall ensure that the agreement so entered into spells out clearly the scope of introducing activities to be carried out by the introducer. It shall also monitor the conduct of the introducer to satisfy itself that the introducer operates within the terms and conditions of the agreement.
- (b) Disclosure by Introducer
The financial adviser shall require the introducer to disclose to all clients the following information that the introducer is required to disclose under regulation 31 of the FAR:
 - (i) that the introducer, when carrying out introducing activities, is not permitted to give advice or provide

recommendations on any investment product to the client, market any collective investment scheme, or arrange any contract of insurance in respect of life policies, other than to the extent of carrying out introducing activities;

- (ii) whether or not the introducer is or will be remunerated by the financial adviser for carrying out introducing activities; and
- (iii) where the introducer is or will be remunerated by the financial adviser, the amount of remuneration if so requested by the client.

In addition, the financial adviser shall require the introducer to disclose to all clients that the introducer is carrying out introducing activities for the financial adviser.

(c) Provision of Script for Use by Introdurers

The financial adviser shall provide a script to the introducer to provide guidance to the introducer in its or his introducing activities. The financial adviser shall ensure that the script specifies:

- (i) the information that the introducer is required to disclose to clients in accordance with regulation 31 of the FAR;
- (ii) the factual information that the introducer is to provide to clients on the financial adviser; and
- (iii) the factual information on the investment products to which its or his introducing activities relate.

(d) Prohibition on Handling of Client's Money or Property by Introdurers

The financial adviser shall ensure that the introducer does not receive or deal with client's money or property in relation to its or his carrying out of introducing activities.

(e) Maintenance of Register of Introducers

The financial adviser shall maintain a register containing the following particulars of the introducers appointed by the financial adviser:

- (i) their names;
- (ii) their places of business;
- (iii) their contact numbers;
- (iv) their business registration numbers or, in the case of individuals, their identity card numbers; and
- (v) their dates of appointment and, where applicable, their dates of termination.

In addition, the financial adviser shall ensure that each of these introducers comply with the conditions specified in regulation 31(1)(d), 31(4)(b) and 31(7)(b).

[FAA-N02 (Amendment) 2003]

8 A financial adviser shall ensure that the following requirements are complied with where introducing activities are carried out by its employees or representatives on its own behalf:

(a) Disclosure

The financial adviser shall require the employee or representative to disclose to all clients the following information that he is required to disclose under regulation 31 of the FAR:

- (i) that the representative or employee, when carrying out introducing activities, is not permitted to give advice or provide recommendations on any investment product to the client, market any collective investment scheme, or arrange any contract of insurance in respect of life policies, other than to the extent of carrying out introducing activities;
- (ii) whether or not the representative or employee is or will be remunerated by the financial adviser for carrying out introducing activities; and

- (iii) where the representative or employee is or will be remunerated by the financial adviser, the amount of remuneration if so requested by the client.

In addition, the financial adviser shall require the representative or employee to disclose to all clients that the representative or employee is carrying out introducing activities for the financial adviser.

(b) Provision of Script

The financial adviser shall provide a script to the representative or employee to provide guidance to him in his introducing activities. The financial adviser shall ensure that the script specifies:

- (i) the information that the representative or employee is required to disclose to clients in accordance with regulation 31 of the FAR;
- (ii) the factual information that the representative or employee is to provide to clients on the financial adviser; and
- (iii) the factual information on the investment products to which his introducing activities relate.

(c) Prohibition on Handling of Client's Money or Property

The financial adviser shall ensure that the representative or employee does not receive or deal with client's money or property in relation to his carrying out of introducing activities.

[FAA-N02 (Amendment) 2003]

Note:

Under section 58(5) of the Act, any person who contravenes any requirement specified in written directions issued by the Authority (which includes this Notice), shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

Notes on History of Amendments

1. FAA-N02 (Amendment) 2003 with effect from 22 December 2003
2. FAA-N02 (Amendment) 2005 with effect from 1 July 2005