

CONSULTATION PAPER

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Draft Securities and Futures (Amendment) Bill 2007 & Draft Financial Advisers (Amendment) Bill 2007

MAS

Monetary Authority of Singapore

TABLE OF CONTENTS

PREFACE **i**

INTRODUCTION **iii**

PART I:

DRAFT SECURITIES AND FUTURES
(AMENDMENT) BILL 2007

ANNEX 1: DRAFT SECURITIES AND FUTURES
(AMENDMENT) BILL 2007 COMPARATIVE TABLE

PART II:

DRAFT FINANCIAL ADVISERS
(AMENDMENT) BILL 2007

ANNEX 2: DRAFT FINANCIAL ADVISERS
(AMENDMENT) BILL 2007 COMPARATIVE TABLE

PART III:

DRAFT SECURITIES AND FUTURES (LICENSING AND
CONDUCT OF BUSINESS) (AMENDMENT) REGULATIONS 2007

ANNEX 3: DRAFT SECURITIES AND FUTURES (LICENSING AND
CONDUCT OF BUSINESS) (AMENDMENT) REGULATIONS 2007
COMPARATIVE TABLE

PART IV:

DRAFT FINANCIAL ADVISERS (AMENDMENT NO. 2)
REGULATIONS 2007

ANNEX 4: DRAFT FINANCIAL ADVISERS (AMENDMENT NO. 2)
REGULATIONS 2007 COMPARATIVE TABLE

PART V:

DRAFT SECURITIES AND FUTURES (FINANCIAL
AND MARGIN REQUIREMENTS FOR HOLDERS OF
CAPITAL MARKETS SERVICES LICENCES)
(AMENDMENT) REGULATIONS 2007

ANNEX 5: DRAFT SECURITIES AND FUTURES (FINANCIAL
AND MARGIN REQUIREMENTS FOR HOLDERS OF
CAPITAL MARKETS SERVICES LICENCES)
(AMENDMENT) REGULATIONS 2007 COMPARATIVE TABLE

PREFACE

The MAS has been reviewing the Securities and Futures Act, Cap. 289 (“SFA”) and the Financial Advisers Act, Cap. 110 (“FAA”) with a view to achieving greater consistency in our regulations, facilitating new business activities and products, and refining our supervisory and enforcement toolkit.

2 We have carried out the consultation for the proposed changes to the SFA in stages. So far, we have issued two consultation papers on 25 September 2006 and 5 December 2006 on policy reforms and amendments that were being considered for the SFA and the FAA. MAS’ response to the comments received during the two prior policy consultation was released on our website on 11 October 2007. We have also just released the third policy consultation paper on 11 October 2007.

3 MAS is now publishing the legislative consultation paper that presents the draft legislation for comments and feedback from the industry. There are four sets of legislative drafts in all, comprising two Amendment Bills and two Amendment Regulations which reflect the policy positions expressed in the three policy consultation papers and MAS’ response to feedback from the industry. The relevant legislative drafts are:

- (i) the Draft Securities and Futures (Amendment) Bill 2007;
- (ii) the Draft Financial Advisers (Amendment) Bill 2007;
- (iii) the Draft Securities and Futures (Licensing and Conduct of Business) Regulations; and
- (iv) the Draft Financial Advisers (Amendment No. 2) Regulations.

4 This legislative consultation paper also includes the Draft Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences)(Amendment) Regulations 2007. The regulations set out, *inter alia*, the proposed capital requirements for holders of a capital markets services licence trading only in commodity futures. The regulations reflect the

policy proposals expressed in MAS' consultation paper "*Capital Requirements for Brokers Trading only in Commodity Futures Contracts*" dated 27 August 2007.

5 MAS invites interested parties to forward their views and comments on the draft Amendment Bills, as well as the draft Amendment Regulations.

6 Parties who do not wish to comment on all of the issues may confine their responses to the specific sections that are of interest. Written comments should be submitted to:

Market Conduct Policy Division
Capital Markets Department
Monetary Authority of Singapore
10 Shenton Way
MAS Building
Singapore 079117
Email: sfa_faa06@mas.gov.sg
Fax: (65) 6225-4063

MAS would like to request for all comments and feedback to be submitted by 9 November 2007.

7 Please note that all submissions received may be made public unless confidentiality is specifically requested for the whole or part of the submissions.

INTRODUCTION

This consultation paper is divided into five Parts which present a total of five sets of draft legislation for comments and feedback from the industry.

2 Part I sets out the draft Securities and Futures (Amendment) Bill 2007 [“**SF(A) Bill**”] and a comparative table that tracks the amendments in **Annex 1**. Part II sets out the draft Financial Advisers (Amendment) Bill 2007 [“**FA(A) Bill**”] with its corresponding comparative table in **Annex 2**.

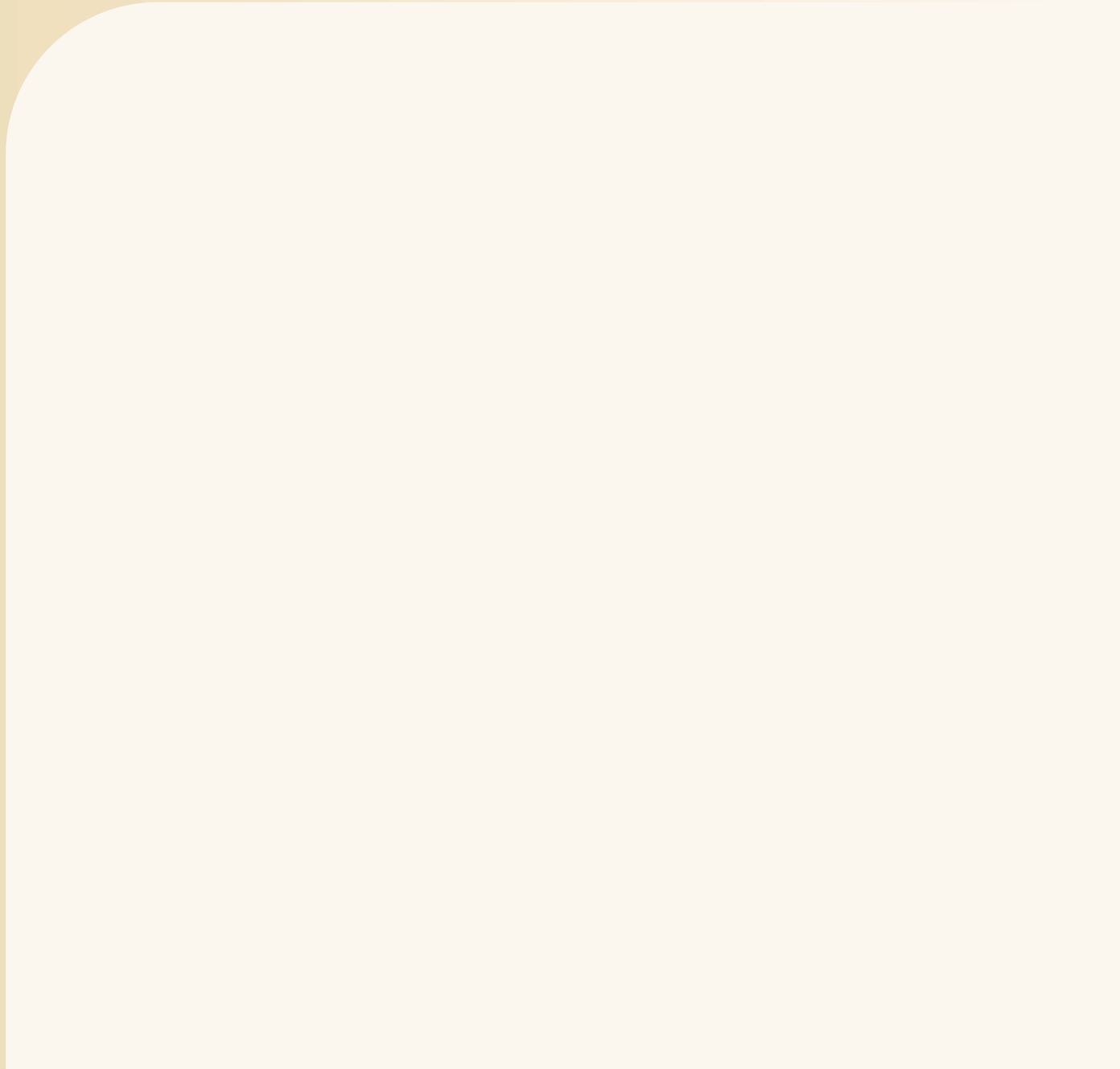
3 The SF(A) Bill and the FA(A) Bill contain our proposed legislative amendments to effect the policy proposals set out in the MAS’ 25 September 2006, 5 December 2006 and the 11 October 2007 consultation papers, and in MAS’ responses issued on 11 October 2007.

4 Part III of this legislative consultation paper sets out the draft Securities and Futures (Licensing and Conduct of Business) (Amendment) Regulations 2007 [“**SF(LCB)(A)Regs**”]. The comparative table that tracks the changes for the SF(LCB)(A)Regs is in **Annex 3**. The amendments to the SF(LCB)(A)Regs relate to the proposed amendments reflected in Sections 5, 6 and 12 of the consultation paper on the amendments to the Securities and Futures Act and the Financial Advisers Act dated 11 October 2007. In particular, these amendments relate to proposals to:

- (i) Enhance the meaning of “qualified investor” to ensure exempt fund managers solicit business from a restricted type of clientele that pose lower supervisory risk;
- (ii) Extend the fit and proper requirements to certain exempt persons; and
- (iii) Clarify that the exempt provisions under the SFA are meant to be extended only to persons who conduct regulated activity in Singapore.

5 Part IV of this legislative consultation paper presents the draft Financial Advisers (Amendment No. 2) Regulations 2007 [**“FA(A)Regs”**] with its corresponding comparative table in **Annex 4**. These draft regulations set out the conditions under which foreign research houses shall be exempted from the licensing requirements under the FAA in respect of the distribution of their research reports in Singapore. This is to effect the policy proposal reflected in Chapter 2, Section E of the 5 December 2006 consultation paper on the amendments to the Securities and Futures Act and the Financial Advisers Act, and also in MAS’ response to feedback to the said consultation paper issued on 3 October 2007.

6 Part V of this legislative consultation paper presents the draft Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) (Amendment) Regulations 2007 with its corresponding comparative table in **Annex 5**. These draft regulations set out the base capital requirements for holders of a capital markets services licence trading only in commodity futures, and other related amendments to effect the policy proposals expressed in MAS’ consultation paper *“Capital Requirements for Brokers Trading only in Commodity Futures Contracts”* published on 27 August 2007.



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