

**FINANCIAL ADVISERS (AMENDMENT)
REGULATIONS 2010**

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No. S 000 -

FINANCIAL ADVISERS ACT
(CHAPTER 110)
FINANCIAL ADVISERS
(AMENDMENT) REGULATIONS 2010

In exercise of the powers conferred by sections 23(1)(f) and 104 of the Financial Advisers Act, the Monetary Authority of Singapore hereby makes the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Financial Advisers (Amendment) Regulations 2010 and shall come into operation on 2010.

New regulation 18B

2. The Financial Advisers Regulations (Rg 2) are amended by inserting, immediately after regulation 18A, the following regulation:

“Product due diligence

18B.—(1) A financial adviser shall carry out a due diligence exercise, before offering any new product in Singapore to any client, to ascertain whether the new product is suitable for the targeted clients.

(2) A due diligence exercise carried out under paragraph (1) shall include an assessment of all the following areas:

- (a) the type of client the new product is suitable for and whether the new product matches the client base of the financial adviser;
- (b) the investment objective of the new product;
- (c) the key risks that a client who invests in the new product potentially faces;
- (d) the costs and fees to be incurred by a client investing in the new product as compared to other products with similar features offered by the financial adviser;
- (e) the processes in place for representatives of the financial adviser to determine whether the new product is suitable for the targeted client, taking into consideration the nature, key risks and features of the new product;

- (f) how the new product is intended to be marketed or sold;
- (g) whether any additional measures are necessary to mitigate any conflicts of interest between the representatives of the financial adviser and their clients, arising from the remuneration of such representatives as a result of the sale of the new product to those clients;
- (h) the minimum qualifications or training required for representatives of the financial adviser before such representatives commence financial advisory services in respect of the new product;
- (i) whether the current systems of the financial adviser, including all relevant client sales documents, adequately support the sale of the new product to the targeted clients.

(3) No financial adviser shall offer any new product to any client unless every member of the senior management of the financial adviser has, on the basis of the result of the due diligence exercise carried out on the new product under paragraph (1) —

- (a) satisfied himself that the new product is suitable for the targeted client; and
- (b) approved the offer of the new product to the targeted client.

(4) A financial adviser shall maintain records of —

- (a) any due diligence exercise carried out under paragraph (1); and
- (b) any approval by the members of the senior management of the financial adviser referred to in paragraph (3),

for a period of not less than 5 years after the date on which such exercise or approval, as the case may be, is first carried out or obtained.

(5) For the avoidance of doubt, no financial adviser shall sell or offer any new product to any client if the due diligence exercise carried out under paragraph (1) indicates that the new product is not suitable for the targeted clients.

(6) In this regulation —

“key risk” means any risk to a client’s investment in a new product, and includes any market risk, liquidity risk and product-specific risk;

“member of the senior management”, in relation to a financial adviser, means a person for the time being holding the office of Chief Executive Officer or executive director or any person designated by the financial adviser to approve the offer of the new product to the targeted client, and includes any person carrying out the duties of any such office if the office is vacant;

“new product”, in relation to a financial adviser, means any investment product other than —

- (a) any contract or arrangement for the purpose of foreign exchange trading;
- (b) any futures contracts traded on a futures exchange, overseas futures exchange or recognised market operator; or
- (c) any securities quoted on a securities exchange, overseas securities exchange or recognised market operator,

that has not previously been sold or offered by —

- (i) the financial adviser; or
- (ii) any representative of the financial adviser;

“targeted client”, in relation to a financial adviser, means any client to whom the financial adviser intends to market any new product.

(7) Any financial adviser which, without reasonable excuse, contravenes this regulation shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.”.

Amendment of regulation 31

3. Regulation 31 of the Financial Advisers Regulations is amended —

- (a) by inserting, immediately after the word “representative” in paragraph (8), the words “(other than a teller referred to in paragraph (8A))”;
- (b) by inserting, immediately after paragraph (8), the following paragraph:

“(8A) A teller shall be exempt from holding a representative’s licence in respect of all introducing activities he carries out on behalf of a person exempt under section 23(1)(a), (b), (c), (d) or (e) (referred to in this paragraph as the person), subject to the following conditions:

- (a) the introduction is done pursuant to an express request by the relevant client for information on investment products;
 - (b) the teller is not remunerated by the introducee or the person for carrying out introducing activities;
 - (c) in a case where the teller acts for the person when the person is carrying out introducing activities on its own behalf, the conditions specified in paragraph (2)(a)(i) and (iii) and (c) which shall apply as if every reference in those conditions to introducer were a reference to the person; and
 - (d) in a case where the teller acts for the person when the person is carrying out introducing activities for one or more introducees, the conditions specified in paragraph (2)(a)(i), (ii) and (iii), (b) and (c) which shall apply as if every reference in those conditions to introducer were a reference to the person.”; and
- (c) by deleting the full-stop at the end of the definition of “introducing activity” in paragraph (12) and substituting a semi-colon, and by inserting immediately thereafter the following definition:

“ “teller” means an individual counter staff of a person exempt under section 23(1)(a), (b), (c), (d) or (e) who deals with clients for non-investment transactions, including —

- (a) renewal of fixed deposits;
- (b) update of bank books or statements;
- (c) cash deposits; and
- (d) cash withdrawals.”.