Annex 20

NEW GUIDELINES ON THE BALANCED SCORECARD FRAMEWORK, REFERENCE CHECKS AND PRE-TRANSACTION CHECKS

Disclaimer: This version of the Guidelines is in draft form and is subject to change.

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GUIDELINES ON THE BALANCED SCORECARD FRAMEWORK, REFERENCE CHECKS AND PRE-TRANSACTION CHECKS

Purpose of these Guidelines

1 These Guidelines are issued pursuant to section 64 of the Financial Advisers Act (Cap. 110) ["FAA"]. They apply to all licensed financial advisers and exempt financial advisers, other than a financial adviser in respect of the activities, recommendations or transactions set out under regulation 34A of the Financial Advisers Regulations ["FAR"].

2 The Notice on Requirements for the Balanced Scorecard Framework and Independent Sales Audit Unit [FAA-Nxx] ("the Notice") sets out the requirements for the Independent Sales Audit Unit and the design and operation of the balanced scorecard framework which financial advisers shall put in place in their remuneration structures for their representatives and supervisors. These Guidelines are intended to provide general guidance on some of the requirements in the Notice, such as the post-transaction checks and classification of infractions by the Independent Sales Audit Unit. In addition, these Guidelines set out the measures to be applied to existing and newly recruited representatives and supervisors who have been assigned a balanced scorecard grade E, as well as obtaining and sharing of information on the representatives' and supervisors' balanced scorecard grades during reference checks. The Guidelines also set out the Authority's expectation for financial advisers to conduct pre-transaction checks to minimise the impact of the balanced scorecard framework on representatives and supervisors. The Authority may rely on a financial adviser's failure to comply with these Guidelines to establish or negate any liability in question in relation to any proceeding under the Notice.

3 These Guidelines should be read in conjunction with the provisions of the FAA, the FAR, as well written directions, notices, codes and other guidelines that the Authority may issue from time to time.

Definition

4 For the purposes of these Guidelines:

"financial adviser" means a licensed financial adviser or an exempt financial adviser;

"selected client" means a client who meets any two of the following criteria –
(a) is 62 years of age or older;
(b) is not proficient in spoken or written English[1]; or

(c) has secondary education or below.

5 The terms used in these Guidelines shall, except where expressly defined in these Guidelines or the context otherwise requires, have the same meanings as defined in the FAA, FAR, the Notice on Recommendations on Investment Products [FAA-N16] and the Notice.

Guidance on post-transaction checks carried out by the ISA Unit

6 Paragraph 4.4.1 of the Notice provides that a financial adviser has to require its ISA Unit to carry out and complete post-transaction checks on sampled transactions in every calendar quarter. Annex 1 and Annex 2 to these Guidelines set out the minimum standards expected of the ISA Unit when carrying out post-transaction checks.

7 The ISA Unit may incorporate other assessment criteria in the documentation review or additional questions in the client surveys.

8 The ISA Unit should conduct client surveys via phone calls, face-to-face interactions with a client or in a written or electronic form ("written surveys") which is sent to a client. In respect of phone calls with a client, a financial adviser may treat a client survey as being closed if the financial adviser is unable to reach the client after three unsuccessful call attempts. In respect of written surveys, a financial adviser may treat a written survey as being closed if the financial adviser does not receive any response from the client within one month from the date the written survey is sent.

9 Every financial adviser should strongly encourage its clients to participate in client surveys. Where a client of a representative refuses to participate in a client survey, the representative should not be penalised for the client's non-participation. On the other hand, a financial adviser should be vigilant and put in place controls and processes to guard against its representatives advising their clients or acting in a manner in which may cause their clients, to not participate in client surveys.

Classification of infractions

10 Paragraph 4.5 of the Notice provides that a financial adviser shall ensure that the ISA Unit classifies every infraction committed by a representative as either a Category 1 infraction or Category 2 infraction. Examples of Category 1 infractions in relation to each non-sales KPI are as set out in Annex 3 to these Guidelines. For the avoidance of doubt, these examples are illustrative and are not exhaustive.

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[1] Paragraph 4(b) does not apply if the representative provided the financial advisory services to the client in a language (other than English) which the representative and the client are proficient in and all sales documentation provided to the client is written in that language.

11 A financial adviser should ensure that the ISA Unit assesses every infraction based on its own merits and circumstances (including any aggravating or mitigating factors) in determining whether the infraction should be classified as a Category 1 infraction or Category 2 infraction. Where the ISA Unit uncovers minor lapses or administrative oversights in relation to a sampled transaction, a finding from a mystery shopping exercise or a complaint, which do not affect clients' interest, the ISA Unit should not consider such minor lapses or administrative oversights as infractions.

12 Notwithstanding that infractions uncovered will affect the remuneration of representatives and supervisors, a financial adviser should also review whether to take appropriate disciplinary action against such representatives who have committed infractions or against the supervisors of such representatives.

Representatives and supervisors assigned balanced scorecard grade E under the balanced scorecard framework

13 A financial adviser should place every representative who is assigned a balanced scorecard grade E in a calendar quarter (the "E representative") under close supervision. The chief executive officer of a financial adviser or any person designated by the chief executive officer (other than a supervisor) should have oversight of the close supervision of every E representative.

14 For the purposes of paragraph 13 of these Guidelines, the close supervision of an E representative should include:

(a) placing the E representative under the supervision of a supervisor who has been assigned a balanced scorecard grade A in the preceding two consecutive calendar quarters, and having the supervisor accompany the E representative during the advisory and sales process for a minimum period of three months; and

(b) ensuring the ISA Unit conducts full-scale independent checks on every recommendation made to or transaction effected with (as the case may be), a client by the E representative for a minimum period of three months.

15 A financial adviser should not allow an E representative to perform any supervisory or managerial role for a period of at least one year from the date he was assigned the balanced scorecard grade E.

16 Where a supervisor has been assigned a balanced scorecard grade E in any calendar quarter by a financial adviser, the financial adviser should conduct a review

to ascertain whether the supervisor's oversight of the representatives under his supervision or management is adequate, and if necessary, reduce the number of representatives under the supervisor's supervision or management. A financial adviser should also not allow a supervisor who has been assigned a balance scorecard grade E for two consecutive calendar quarters to perform any supervisory or managerial role for a period of at least one year from the date of which the supervisor was assigned his second consecutive balanced scorecard grade E.

17 Where a supervisor has been assigned a balanced scorecard grade E in any calendar quarter, the chief executive officer or a designated person is also responsible for the review of the adequacy of the supervisor's oversight of the representatives under his supervision or management. For the avoidance of doubt, the chief executive officer remains ultimately responsible for the oversight of the close supervision of every E representative or every supervisor who is assigned a balanced scorecard grade E. In addition, a financial adviser should assess the fitness and propriety of E representatives or supervisors who are assigned a balanced scorecard grade E and if necessary, take appropriate disciplinary action against such E representatives and supervisors.

Reference checks on representatives and supervisors

18 When a financial adviser conducts reference checks on an individual whom the financial adviser intends to recruit as a representative or supervisor and who had previously been a representative or supervisor for another financial adviser, the financial adviser should request from the individual's previous principal, the balanced scorecard grades which were assigned to the individual in the final 4 calendar quarters of his tenure with his previous principal.

19 When a financial adviser ("first-mentioned adviser") receives a request for a reference check from another financial adviser ("second-mentioned adviser") in respect of an individual, the first-mentioned adviser should disclose to the second mentioned adviser the balanced scorecard grades which were assigned to the individual when he was a representative of or supervisor for the first-mentioned adviser. For the avoidance of doubt, where an individual was acting as a representative of and supervisor for a financial adviser and assigned balanced scorecard grades in both capacities, the financial adviser should disclose both sets of balanced scorecard grades when responding to reference checks requests by prospective principals of the individual.

Recruitment of representatives and supervisors assigned balanced scorecard grade E under the balanced scorecard framework

20 As part of the recruitment process of a representative or supervisor, a financial adviser should take into consideration the balanced scorecard grades which were

assigned by the previous principal of an individual in his capacity as a representative or supervisor, and should satisfy itself that the individual is fit and proper to carry out his duties as a representative or supervisor.

21 Where a financial adviser intends to recruit or recruits an individual with a balanced scorecard grade E in the final 4 calendar quarters of the individual's tenure with his previous principal as a representative, the financial adviser should observe paragraphs 14 and 15 of these Guidelines, and ensure that the individual does not perform any supervisory or managerial role for a period of at least one year from date of his appointment as a representative. A financial adviser should not recruit any individual with a balanced scorecard grade E in the final 4 calendar quarters of his tenure with his previous principal, as a supervisor.

Pre-transaction checks by supervisors

22 A financial adviser should instil a strong culture of fair dealing where representatives conduct proper fact-finds and risk profiling analysis, so as to provide their clients with quality advice and appropriate recommendations. Besides carrying out and completing post-transaction checks under the balanced scorecard framework, a financial adviser should institute controls to check that its representatives have followed through the financial adviser's prescribed advisory and sales process, including the proper collection of information from customers and documentation of the representatives' basis of recommendation, and that the representatives' recommendations meet the needs of the clients before a transaction is submitted to product manufacturers for processing and execution ("pre-transaction stage").

23 In this regard, a financial adviser should require its supervisors to review all the documentation and basis of every recommendation made or transaction handled by their representatives during the pre-transaction stage ("pre-transaction checks"). Pre-transaction checks would help to minimise the impact of the balanced scorecard framework on representatives as any infraction uncovered by a supervisor during pre-transaction checks are not factored into the balanced scorecard framework and will not affect the remuneration of the representatives as well as that of the supervisors.

24 Pre-transaction checks should include:

(a) Documentation review
A supervisor should review all documentation, including fact-find, needs analysis and basis of every recommendation made by a representative under the supervisor's supervision or management.

(b) Client call-back

(i) Where a representative has made a recommendation to any selected client, a supervisor should conduct client call-backs with the selected client in respect to the recommendation.

(ii) Where a representative is a selected representative, the supervisor should conduct client call-backs with every client to whom the selected representative made any recommendation.

25 A financial adviser may –

(a) engage a staff who does not make recommendations or effect transactions for clients ("non-sales staff") or a third party provider to conduct pre-transaction checks; or

(b) implement systems to check whether the recommended product is suitable for the client ("system-based method"),

subject to the condition that the financial adviser should be able to demonstrate and ensure that the non-sales staff, third party provider or system-based method is as effective and robust as pre-transaction checks conducted by a supervisor.

26 Where a supervisor, or the non-sales staff or third party provider referred to under paragraph 25(a), or a financial adviser who implements and uses a system-based method referred to under paragraph 25(b), is unable to complete the pre-transaction checks in relation to any recommendation made by a representative to a client on an investment product before a transaction is effected in relation to the investment product, the financial adviser should complete the pre-transaction checks within the free-look or cancellation period of the investment product.

27 Where a recommendation is made by a representative to a client in relation to an investment product which is time-sensitive and does not have a free-look or cancellation period, the financial adviser should complete the pre-transaction checks in relation to the recommendation within 5 calendar days from the date on which the transaction in relation to the investment product is effected. The Authority considers only the following investment products as time-sensitive in nature:

(a) contracts or arrangements for purposes of foreign exchange trading or leveraged foreign exchange trading;
(b) bonds;
(c) structured deposits (such as a dual-currency investment); and
(d) structured notes (such as an equity-linked note).

28 Where an investment product is found to be unsuitable for the client under the pre-transaction checks, a financial adviser should allow the affected client to elect to modify or cancel its transaction in relation to the investment product and the financial adviser should not require the affected client to bear any difference in the value of the

investment product and any other relevant cancellation or modification fees and charges (if any). The financial adviser should also give a new recommendation to the client, if so requested.

29 A financial adviser should ensure that every infraction uncovered by a supervisor, the non-sales staff or third party, or pursuant to the system-based methods, referred to in paragraph 25, during the pre-transaction checks, are rectified by the representative concerned.

Annex 1

Guidance for documentation reviews

Non-sales KPI 1: Understanding a client's needs -	**Yes**	**No**	**Not applicable**
Did the representative document all of a client's personal particulars? (Name, age or date of birth, education qualifications, language proficiency)			
Did the representative document the following client information:			
a) Financial objectives (Including the client's protection, savings, investments, or heath needs. Time horizon information should be indicated with the financial objectives)			
b) Risk tolerance or profile			
c) Occupation or employment status			
d) Financial situation (Including assets, liabilities, cash flow and annual income)			
e) Source and amount of regular income			
f) Financial commitments of the client			
g) Current investment portfolio, including any life policies or collective investment schemes			
h) Proportion of amount to be invested to total assets (i.e. whether the amount to be invested is a substantial portion of the client's assets)			
i) For any recommendation made in respect of any life policy, the number of dependants of the client and the extent and duration of financial support required for each of the dependants			
Where the client has a joint investment application, did the representative conduct the Client Knowledge Assessment for both account owners?			
If the information referred to in the sections above is not collected and documented, is there a valid reason? If yes, please specify the reason:			

Non-sales KPI 2: Suitability of product recommendations -	**Yes**	**No**	**Not Applicable**
Did the representative document the assumptions used for his recommendation (e.g. return on investment, inflation rate, education costs, or retirement age of the client) and are these assumptions reasonable?			
Did the representative conduct a risk profiling for the client?			
Did the representative document the basis of recommendation for the investment product recommended?			
Did the representative recommend an investment product which –			
a) meets the financial objectives of the client;			
b) is affordable to the client;			
c) is aligned with the client's investment horizon;			
d) matches the client's risk profile;			
e) takes into account the client's concentration risk; or			
f) takes into consideration the particular needs of the client (e.g. the number and age of the client's dependants)			
FOR SELECTED CLIENTS ONLY			
Is there a file note, call-log or document annotation (whichever is applicable) on the client call-back by the supervisor?			
Depending on whether there are facts and circumstances in a transaction which warrant a closer scrutiny, was the client call-back adequately performed by the supervisor and did the supervisor ask the client relevant questions in relation to the transaction (e.g. if the client is an elderly person who has invested his CPF monies, did the supervisor ask if the client was aware on how the returns offered by the investment product compared with the interest rates earned by monies in the different CPF accounts held by the client?)			

Non-sales KPI 3: Adequacy of information disclosure –	**Yes**	**No**	**Not Applicable**
Did the client sign the risk disclosure statement accompanying the investment product?			
Did the client acknowledge receipt of the following documents:			
a) Financial Needs Analysis (Fact-find form, the specific recommendations of the representative and the basis for the recommendation)			

b) Prospectus, fund factsheet, Product Summary or Product Highlight Sheet of the investment product			
c) Benefit Illustration (for life policies)			
Is there a written acknowledgement from the client, that the following information, has been explained to the client: (Note: A financial adviser should refer to the Notice on Information to Clients and Product Information Disclosure [Notice No. FAA N03] on its disclosure requirements)			
a) Nature and objective of the investment product			
b) Details of the product provider			
c) Party against whom the client may take action to enforce his rights with respect to the investment product purchased by the client			
d) Intended client profile of the investment product			
e) Frequency of the reports and source from which the client could reasonably be expected to receive the reports on the investment product			
f) Amount of, frequency with which, and period over which payment is to be made by the client in respect of the investment product			
g) Benefits of the investment product, including the amount and timing for payment of benefits by the product provider and whether the benefits are guaranteed or non-guaranteed. For example: • Whether capital or return is guaranteed • Where the investment product is a life policy, reasons why any benefit is excluded by the life insurer in respect of the life policy			
h) Risk factors of the investment product			
i) Amount, frequency of payment, and nature, of fees and charges to be borne by the client			
j) Procedures, charges and restrictions on withdrawal or surrender of, or claim on, the investment product			
k) Warnings, exclusions and caveats in relation to the investment product			
l) Free-look period for life policies or cancellation period for unit trusts (whichever is applicable)			

Non-sales KPI 4: Standards of professionalism and ethical conduct in relation to the provision of financial advisory services	**Yes**	**No**
Based on documentation reviewed, are there any indications that a representative has conducted himself unprofessionally or unethically? For example, are there any indications that the documentation has been tampered with (e.g. use of correction-pens on material information and the correction made has not been acknowledged by client)?		

Annex 2

Guidance for client surveys
Non-sales KPI 1: Understanding a client's needs

1) Did the representative ask you questions in order to understand your financial situation, investment objective and risk appetite before recommending an investment product?

☐ Yes ☐ No ☐ Cannot Recall

2) Was there any instance during the financial advisory process where you felt that your representative had influenced you to provide an answer or influenced you to modify your original answer to an answer that you are uncomfortable with as it is inaccurate or does not represent your intention?

☐ Yes ☐ No ☐ Cannot Recall

If yes, please explain how the representative had influenced you:

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____

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Non-sales KPI 2: Suitability of product recommendations

3) Did you understand the representative's explanation as to why an investment product is suitable for you?

☐ Yes ☐ No ☐ Cannot Recall

Non-sales KPI 3: Adequacy of information disclosure

4) Did the representative inform you that you have purchased a …..<u>(Please refer to type of investment product as set out in the first column of the table below)</u>, and are you aware that …..<u>(Please refer to corresponding brief description of the investment product as set out in the second column of the table below)</u>?

☐ Yes ☐ No ☐ Cannot Recall

Type of investment product	Brief description of investment product
Structured Deposit	i) …you will <u>not</u> get back the full amount you have invested if you withdraw before the Maturity Date; AND ii)…structured deposits are <u>not</u> fixed deposits or savings deposits, and are not covered under the deposit insurance scheme.
Insurance or Investment-linked Insurance Plans	i) …you will <u>not</u> get back the full amount paid if you terminate the plan early; (Note: This brief description is only intended for traditional insurance plans and may not be applicable to investment-linked insurance plans); Or i)….you will be subject to investment risk on the premium paid for investment-linked insurance plans; AND ii)…there is a 14-day free look period, or you may cancel this insurance plan or investment-linked insurance plan (as the case may be) within 14 days from the date on which you receive the policy from the insurance company, and if so, you would be returned your money or premiums.
Unit Trusts	i)…an investment in unit trusts is subjected to investment risk; AND ii)…there is a 7-day cancellation period and you would be returned your money, including the sales charge.

Type of investment product	Brief description of investment product
Treasury Flow Products (For example: Dual currency returns, Equity-linked convertible investment)	i)…an investment in treasury flow products is subject to investment risks and you will incur a premature termination penalty if you terminate your investment before the Maturity Date; AND ii)…you may or may not receive your original investment amount if you terminate the investment before its Maturity Date.
Bonds	i)…an investment in bonds is subject to investment risk; AND ii)… if the bond is prematurely sold prior to maturity, the sale price of the bond will depend on prevailing market prices and may be higher or lower than the initial purchase price of the bond.
Structured Note	i) …an investment in a structured note is subject to investment risks and you will incur a premature termination penalty if you withdraw before its Maturity Date; AND ii) …there is a 7-day cancellation period where you would be returned your money.

Non-sales KPI 4: Standards of professionalism and ethical conduct in relation to the provision of financial advisory services

5) Were there any aspects of the sales process that you were dissatisfied with?

☐ Yes If yes, please elaborate: ______________________

☐ No ______________________

Note: If the ISA Unit has reasons to believe there may be a potential infraction in relation to a sampled transaction, the ISA Unit may consider asking more specific questions, for example:

(i) Were you asked to sign blank or incomplete forms; or

(ii) Were you asked to sell part of your current investment portfolio and purchase another investment product without a clear explanation from the representative for the basis for so doing?

Annex 3

Examples of Category 1 infractions

Example 1 - KPIs 1 & 2
The information collected by the representative was insufficient to enable the representative to have a good understanding of a client's profile, risk appetite and financial objectives, and the investment product recommended by the representative was not suitable for the client.

Scenarios:

(a) A representative recommended an investment product to a client before collecting pertinent information from the client on his profile, risk appetite and financial objectives. As a result, the investment product recommended by the representative to the client does not meet the risk appetite, financial objectives or particular needs of the client.

(b) A representative did not conduct the Customer Knowledge Assessment on a client and the client did not have the knowledge and experience to understand the risks and features of a specified investment product ("SIP"), but the SIP was recommended to the client nonetheless.

(c) A representative influenced a client's answers to the risk profiling questions so that the client's risk profile matched the investment product that the representative was trying to sell to the client.

(d) During the fact-find, a client indicated that he wanted bonds with fixed coupon payments. The representative assumed that the client was referring to bond funds (unit trusts) and sold $250,000 of a global bond fund to the client, instead of a pure vanilla bond.

(e) A client took up a mortgage loan with the bank. During the presentation, the representative recommended a mortgage reducing term assurance ("MRTA") policy to the client without finding out from the client if he already has a term insurance policy which can provide adequate coverage for the tenor of the mortgage loan. In actual fact, the client did not need to purchase the MRTA policy.

(f) A representative failed to collect information on a client's source of income in the fact-find form. The representative assumed that the client was currently employed as the client was dressed in business attire. As such, representative ticked "employment" as the client's source of income. The representative sold a monthly investment plan for unit trusts to the client, which required the client to contribute a fixed amount for a minimum of 12 months. In fact, the client is a retiree with no regular source of income.

Example 2 - KPI 2
Having conducted the necessary fact-find, a representative recommended an investment product to a client without taking into account the client's financial objectives, investment horizon, risk profile, financial situation and particular circumstances and needs. Relying on the representative's recommendation, the client bought the recommended investment product. During the post-transaction checks carried out by the ISA Unit, the ISA Unit found that the representative did not have a reasonable basis for his recommendation and the investment product recommended by the representative to the client did not meet the client's financial objectives, investment horizon, risk profile, financial situation or particular needs.

Scenarios:

(a) A client requested that a representative recommends an investment product that is capital guaranteed as he did not wish to risk losing his retirement savings. However, the representative recommended and sold a non-capital guaranteed investment product to the client.

(b) A representative identified a client's need for high protection coverage. However, the representative recommended an investment product to the client which did not have any protection coverage. The representative did not provide any justification for recommending an investment product that did not address the client's need for high protection coverage.

(c) A representative recommended an insurance plan where the monthly premium payment was more than the client's monthly disposable income. The representative did not provide the client any justification for his recommendation.

(d) A representative insisted that a client should cancel an existing investment product to purchase another new investment product without providing any justification. The recommended investment product offered a lower level of benefit at a higher cost to the client and it did not meet the financial objectives of the client.

(e) A representative told a client that he could gain higher returns if the client does a partial withdrawal from his existing policy and purchases another new policy. The representative had no basis to suggest that the new policy offered better returns than the existing policy, as the investment returns of the two policies were of different nature. The representative benefitted from the commission from these transactions.

(f) A representative recommended a client to do a partial withdrawal from an investment-linked insurance policy to purchase another similar investment-linked insurance policy, without providing a reasonable basis. The client had incurred additional transaction cost for the second investment-linked insurance policy which the client could have avoided if he did a fund switch.

(g) A representative recommended a client to take up a new policy rather than to reinstate his lapsed policy, which was on premium holiday, without a reasonable basis. The representative was aware that it was a better choice for the client to reinstate the lapsed policy as it has a higher allocation rate than the new policy.

(h) A representative recommended a structured note to a client on the basis that the client had understood the product. However, neither the client's education, employment status, investment background supported this conclusion.

(i) A client has indicated to the representative that he has medium to long term savings needs to accumulate $50,000 in 10 years. However, the representative recommended a 15-year savings plan and insisted that it was suitable for the client's profile.

Example 3 - KPI 3
A representative failed to disclose or omitted to provide information on the key features, key risks or mechanics of an investment product which was recommended to a client, and the client would not have bought the investment product if the abovementioned information had been provided to him by the representative.

Scenarios:

(a) A representative recommended a dual currency investment product to a client but failed to inform the client that he may end up holding an alternative currency at maturity of the dual currency investment product, and the client would not have bought the recommended dual currency investment product if the abovementioned information had been provided to him by the representative.

(b) A representative failed to inform a client that the benefits or returns relating to a recommended insurance plan are not guaranteed and subject to the performance of the insurer's participating funds, and the client would not have bought the recommended insurance plan if the abovementioned information had been provided to him by the representative.

(c) A representative failed to inform a client that cancellation fees would apply for the premature withdrawal or termination of a recommended structured product or the capital of a structured product is not guaranteed unless the recommended structured product is held to maturity. The client would not have bought the recommended structured product if the abovementioned information had been provided to him by the representative.

(d) A representative recommended a client to invest using his CPF monies to purchase an investment product but failed to inform the client of the current interest rates payable under the CPF Ordinary Account and Special Account, and the minimum interest rate guaranteed under the CPF Act (Cap.36), and the client would not have bought the investment product if he had known that the potential returns from the investment product may be lower than the interest rates he would earn under his CPF account.

(e) A client has a risk adverse profile and indicated to the representative that he would not want to lock in his monies at all. The representative sold the client a structured product and did not inform him that he would not get back the full invested amount if he terminates the investment earlier than the stipulated period. The client would not have bought the product if this information had been provided to him by the representative.

Example 4 - KPIs 3 & 4
A representative provided misleading statements to a client which resulted in the client believing that the recommended investment product is suitable for him. However, the recommended investment product was unsuitable for the client and did not meet the client's particular circumstances and needs.

Scenarios:

(a) A client purchased an insurance policy based on a representative's misrepresentation that it was a savings account that allowed him to deposit or withdraw funds at any point of time without incurring any charges or penalties.

(b) A representative misled a client to believe that a recommended insurance investment-linked product is a unit trust.

(c) A representative guaranteed a client that the client would receive the maturity value or cash value of a recommended investment product in six months' time but this promise did not materialise. The client had informed the representative before he recommended the investment product that he needed the funds for a property purchase in six months' time.

(d) A representative documented in the fact-find form that the cashback of the insurance policy would be paid out starting from the second year although he was fully aware that the yearly cashback of the insurance policy is only payable from the third year onwards.

(e) A representative misrepresented that the insurance policy he has recommended also provides terminal illness coverage, when the policy only provides financial protection against death. As a result, the client bought the policy on the understanding that he would receive a payout under the policy if he was diagnosed with a terminal illness.

(f) A client was told that he had made a gain of $1,000 from his investment in an investment-linked insurance policy. When the client surrendered his policy, he had actually made a loss of $20,000.

(g) A representative told the client that the structured note was of very low risk and is a low risk alternative to fixed deposits, which was inconsistent with the prospectus and pricing statement of the structured note.

(h) A representative misrepresented an endowment insurance plan as a savings plan with free insurance for the deposit and the client bought the product thinking that he was opening a fixed deposit account.

Example 5 - KPI 4

A representative provided financial advisory services to a client in an unprofessional or unethical manner, which impinge on the representative's honesty, integrity or reputation.

Scenarios:

(a) A representative falsified the client's responses in the fact-find form to place the client into a higher risk bucket so that the client was able to purchase an investment product that was more risky than his actual risk profile.

(b) A representative failed to execute a transaction for a client based on the client's instructions without valid cause, as the representative intended to accumulate his sales revenue based on his volume of closed sales for the following quarter, resulting in the client incurring losses.

(c) A representative asked a client to pre-sign a blank fact-find form without going through the fact-find and the representative completed the fact-find form in the absence of the client.

(d) A representative persistently harassed a client notwithstanding that the client said that he was not interested in purchasing any investment product.

(e) A representative allowed unauthorised persons to meet and provide financial advice to his client on his behalf without him meeting the clients. In this regard, the representative had failed to meet his clients to conduct proper fact-find and explain the basis of recommendation in respect of investment products regulated under the FAA.

(f) A representative misrepresented to a retiree who is illiterate, that an equity fund was a capital-guaranteed product that is similar to a fixed deposit.