

CONSULTATION PAPER

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Guidelines on provision of financial advisory service and design of advisory and sales forms

MAS

Monetary Authority of Singapore

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1 Preface

1.1 As part of the financial advisory process, financial advisers will need to engage clients to better understand their personal and financial situation, risk tolerance and financial objectives. It is important for clients to be fully engaged in this process and to understand that providing full disclosure of material information enables suitable recommendations to be made to them.

1.2 The Monetary Authority of Singapore (“MAS”) proposes to issue guidelines to provide greater clarity on what would constitute the provision of financial advisory service under the Financial Advisers Act (Cap. 110) (“FAA”). The guidelines set out the context and circumstances which MAS considers when assessing if a person is acting as a financial adviser.

1.3 To facilitate clients’ understanding of the financial advisory process and improve the readability of forms typically used during the advisory and sales process, MAS also proposes to issue guidelines that set out the key principles financial advisers should incorporate in the design of their forms used to conduct fact-finding and needs-analysis, and to make suitable product recommendations.

1.4 MAS invites comments on the proposed guidelines on provision of financial advisory service as well as the guidelines on the design of advisory and sales forms. Please submit your written comments to:

Markets Policy and Infrastructure Department
Monetary Authority of Singapore
10 Shenton Way, MAS Building
Singapore 079117
Fax: (65) 62203973

Email: FASForm-Consultation@mas.gov.sg

1.5 Electronic submission is encouraged. Please submit your comments by Thursday, 5 July 2018 using the response [template](#).

1.6 Please note that all submissions received will be published and attributed to the respective respondents unless they expressly request MAS not to do so. Respondents who would like (i) their whole submission or part of it, or (ii) their identity, or (iii) both, to be kept confidential, must expressly state so in their submission to MAS. In addition, MAS reserves the right not to publish any submission where MAS considers it not in the public interest to do so, such as where the submission appears to be libellous or offensive.

2 Guidelines on Provision of Financial Advisory Service

2.1 A person is required to hold a financial adviser's licence and comply with the relevant provisions under the FAA if he is carrying on a business of providing financial advisory service, unless he is exempted¹. This ensures that consumers only receive financial advice from individuals who are qualified to provide it, and enjoy the safeguards accorded under the FAA. It also upholds the credibility and reputation of the financial advisory profession.

2.2 Given the proliferation of online activity in investments and financial product seminars, MAS has received feedback that there is ambiguity on the form of communication that could be construed as provision of financial advisory service. MAS thus proposes to issue Guidelines on Provision of Financial Advisory Service to provide clarity to the industry and the general public on how MAS assesses whether a person is deemed to be carrying on a business of providing financial advisory service.

2.3 The proposed guidelines set out a two-stage test as follows:

- (a) The first stage is to determine whether the activity in question amounts to providing financial advice. While a recommendation or an opinion on the merits of buying, selling or holding a particular investment product or class of investment product would be considered as providing financial advice, the provision of factual information in an unbiased manner would not.
- (b) The second stage is to determine whether the person is carrying on a business in such activity. Any activity which is conducted systematically and with continuity is likely to be considered as carrying on of a business. This applies whether or not the person receives any remuneration for providing the financial advisory service. The absence of remuneration is indicative but not essential in deciding whether a person is carrying on a business of providing financial advice.

2.4 MAS seeks comments on the proposed guidelines set out in Annex A.

¹ Section 6 of the FAA requires any person acting as a financial adviser in Singapore in respect of any financial advisory service to hold a financial adviser's licence, unless exempted under section 23 of the FAA. The Second Schedule to the FAA sets out the types of financial advisory service.

3 Guidelines on the design of advisory and sales forms

3.1 The form used by a financial adviser to conduct fact-finding and needs-analysis is an integral element of the advisory and sales process. A poor design can affect the flow, clarity, and readability of forms, and ultimately how well clients understand the advisory process and the importance of providing financial advisers with accurate and complete information. Conversely, a well-designed form can enhance the client's experience and facilitate the provision of suitable product recommendations by financial advisers. This will, in turn, raise the level of trust clients place in their advisers.

3.2 MAS has observed variability in the quality of forms used by financial advisers. To facilitate clients' understanding of the advisory and sales process, the guidelines aim to :

- (a) highlight good practices in the design of forms;
- (b) improve the readability of forms; and
- (c) facilitate clients' understanding of the advisory and sales process as well as key information to be disclosed in forms.

3.3 MAS seeks comments on the proposed guidelines set out in Annex B.

4 Annex A

GUIDELINES ON PROVISION OF FINANCIAL ADVISORY SERVICE

1 OBJECTIVE

1.1 These Guidelines are issued by the Monetary Authority of Singapore (“MAS”) pursuant to section 64 of the Financial Advisers Act (Cap. 110) (“FAA”). The Second Schedule to the FAA sets out the types of financial advisory services regulated under the FAA. These Guidelines provide greater clarity on what constitutes the provision of financial advisory service under paragraphs 1 and 2 of the Second Schedule, namely:

- (a) Advising others, either directly or through publications or writings, whether in electronic, print or other form, concerning any investment product, other than advising on corporate finance within the meaning of the Securities and Futures Act (Cap. 289); and
- (b) Advising others by issuing or promulgating analyses or reports, whether in electronic, print or other form, concerning any investment product.

1.2 These Guidelines should be read in conjunction with the provisions of the FAA, the Financial Advisers Regulations (“FAR”), as well as written directions, notices, codes and other guidelines that MAS may issue from time to time.

1.3 All terms used in these Guidelines shall, except where the context otherwise requires, have the same meaning as defined in the FAA.

2 OVERVIEW

2.1 A person is required to hold a financial adviser’s licence and comply with the relevant provisions under the FAA if he is carrying on a business of providing any financial advisory service, unless he is exempted². This ensures that consumers only receive financial advice from individuals who are qualified to provide it, and enjoy the safeguards accorded under the FAA. It also upholds the credibility and reputation of the financial advisory profession.

² Section 23 of the FAA sets out the persons exempt from the requirement to hold a financial adviser’s license.

2.2 MAS applies a two-stage test in assessing if a person is carrying on a business of providing a financial advisory service. Section 3 provides details on the two-stage test, including examples to illustrate its application. Section 4 explains MAS' position on the distribution or reproduction of research reports and portfolio allocation advice. Section 5 provides a flowchart summarising the application of these Guidelines.

2.3 These Guidelines are not intended to be comprehensive or exhaustive. MAS will consider the specific circumstances surrounding any particular activity in assessing if the activity constitutes providing financial advisory service under the FAA.

3 ASSESSING IF AN ACTIVITY CONSTITUTES PROVIDING FINANCIAL ADVISORY SERVICE

3.1 These Guidelines set out a two-stage test to assess if a person is carrying on a business of providing financial advisory service, and hence subject to regulation under the FAA. This involves determining firstly, whether the activity amounts to providing financial advice, and secondly, whether a person is carrying on business in such activity. It is not the intent of MAS to regulate all communication in relation to investment products.

Stage 1 – Does the activity amount to providing financial advice?

3.2 The first stage involves determining if the activity under assessment amounts to providing financial advice. One consideration is whether it involves provision of factual information, or if it involves an expression of opinion. Generally, MAS considers a particular communication, whether oral, online or in print, to be financial advice if it expresses an opinion on the merits of buying, selling or holding a particular investment product or a class of investment products.

3.3 The provision of *factual information*, i.e. information which is objective, verifiable, and whose accuracy cannot be reasonably questioned, is generally not considered financial advice. This includes information that is general in nature and commonly known to most investors. However, the provision of factual information may be considered financial advice if the information is presented in a selective or biased manner with the intention of influencing a person's decision on whether to buy, sell or hold a particular investment product or a class of investment products.

3.4 Notwithstanding the preceding paragraph, persons providing factual information concerning investment products are encouraged to include disclaimers to the effect that

the information is meant purely for informational purposes and should not be relied upon as financial advice. This provides clarity to those receiving the information that the information is not provided by persons regulated under the FAA. However, the use of a disclaimer does not, of itself, determine whether the activity amounts to providing financial advice.

3.5 Even if a person expresses an opinion on investment products, in determining whether such communication amounts to financial advice, MAS considers the overall impression created by the communication, as well as the context and surrounding circumstances in which it is communicated. Generally, an opinion that is provided in a situation where the recipient is not given the impression that the information provided to him is financial advice, or is not reasonably expected to rely on it in making an investment decision, is less likely to be considered financial advice.

3.6 Examples where such an impression or expectation of reliance is reduced are when:

- (a) the opinion is generic and not tailored to take into account the unique circumstances of a particular individual. For example, generic opinion on the benefits and/or risks of an investment product expressed to an audience attending courses relating to financial literacy or investor education without considering the personal needs and circumstances of each particular individual, is not considered financial advice;
- (b) the communication does not recommend that the recipient take or not take a course of action in relation to a clearly identifiable investment product or a class of investment products; or
- (c) the provider of the opinion does not purport to be in the business of providing financial advice, by claiming, for example, to be a “financial analyst”, “professional” or “research house”.

3.7 However, even if these mitigating factors are present, MAS may still deem the communication to amount to provision of financial advice as the entire context of the communication has to be taken into consideration. The following examples illustrate how the factors in paragraph 3.6 may be considered.

EXAMPLES: Stage 1 – Does the activity amount to providing financial advice?

Example 1 – Finance courses

X, a lecturer in a tertiary institution, provides information on the benefits of diversification and the relative risks of different classes of investment products (e.g. bonds versus shares), as part of a finance module. As this is considered factual information, X is not deemed to be providing financial advice.

X may use case studies to illustrate the use of tools and methods, such as analyses of financial statements, charting of trends, financial projections etc. X is less likely considered to be providing financial advice if he does not tailor his communication to the specific circumstances of a particular student or recommend that his students buy, sell or hold a particular investment product or a class of investment products.

Example 2 – Commercial financial seminars

X conducts a commercial financial seminar, which seeks to provide participants with information on investment products. Examples of such information include the risks of investment products, historical rate of return of investments, minimum investment sums, how the returns will be generated, and how to read financial charts and financial reports. X is less likely to be considered to be providing an opinion if he limits himself to providing objective information, his opinion is generic, and he does not tailor his advice for a particular participant.

If X also suggests or recommends that the participants invest in a particular investment product, X is more likely to be considered to be providing an opinion which amounts to financial advice.

Example 3 – Trading software

X sells a trading software to A, who is keen to invest in companies with low price to earnings (P/E) ratios. The software is able to calculate the P/E ratios of companies based on the latest share prices and the historical or consensus earnings estimates. The software allows A to set a certain figure as the threshold P/E and then shortlists companies with P/E ratios above or below that threshold. The software also helps A keep track of his investment portfolio by calculating his investment returns to date so long as A enters the relevant parameters (e.g. entry prices).

X is less likely to be providing financial advice as the thresholds and parameters are determined by the user A. The software provided by X simply performs mathematical calculations based on inputs by A and does not provide an opinion on whether to buy, sell or hold an investment product or class of investment products.

Example 4 – Aggregator tools facilitating comparison of products

Scenario 1

X has on his website an aggregator tool which is accessible by the public. It summarises certain details (such as premiums payable, extent of coverage, or projected rates of return included in the product distributor's product literature) of products offered by different product providers to facilitate comparison. The user is able to filter the list of products by specific parameters, such as ascending order of premiums payable. X's aggregator tool is less likely to be construed as providing financial advice because it is not tailored to the specific circumstances of the user and does not recommend that the user take any action in relation to the different investment products. It is merely collating and filtering information from other sources for users' convenience.

Scenario 2

Y also provides an aggregator tool on his website, but his aggregator requires users to key in their personal details (such as age, savings, income and expenses), which the aggregator uses to generate a shortlist of investment products that may suit the user. Y is more likely deemed to be providing financial advice through his aggregator tool. This is because the tool shortlists products based on personal financial details of the user, implicitly providing an opinion on the suitability or unsuitability of certain investment products for that particular user. The user may reasonably believe that the opinion (in the form of the shortlist) provided by the aggregator is tailored to his particular circumstances, and is thus likely to be perceived as financial advice.

Example 5 – Publications (e.g. books, websites, blogs and social media platforms)

Scenario 1

W has a website on financial matters. The website provides definitions of financial-related terms such as equities, dividends, and price to earnings ratio. It also explains basic financial concepts such as the relative risk of equities versus bonds and the benefits of diversification in a portfolio. W is unlikely to be considered as providing

financial advice because the content of his website consists of factual information that is objective and verifiable.

Scenario 2

X is a blogger who maintains a website on personal finance and investment-related topics. X compares products offered by different companies and provides reasons for investing in one particular product over another. For example, he explains that he only invests in funds with low expense ratios of not more than 0.5% because these funds allow investors to retain a larger portion of their return on investment. When his readers ask if they should discontinue their existing investments and invest in “funds with low expense ratios of not more than 0.5%”, he responds that he cannot comment as he is not a licensed financial adviser. X is less likely to be considered to be providing financial advice because the opinion he provides on investing in funds with low expense ratios is generic, and not tailored to take into account the unique personal circumstances of a particular reader. Additionally, he uses a disclaimer to inform his readers that he is not a licensed financial adviser.

Scenario 3

Y operates a website similar to X's, but Y responds to his readers' questions with recommendations that they buy, sell or hold specific investment funds. These readers often provide him with their personal details (such as age, nationality, tax residency, income and expenses) and/or details of their existing investments (such as monthly contributions, term to maturity and projected returns). Y is more likely to be providing financial advice because he responds to readers' questions individually, making it more likely that his readers expect his replies to be tailored financial advice and rely on them in making their investment decisions. This is particularly so if readers provide Y with their personal details and receive investment recommendations based on these details.

Scenario 4

Z publishes a book on financial investments. He advises readers to set aside a fixed portion of their income every month for investment purposes early in their careers, in order to take advantage of compounded returns over the long term. Z is less likely to be providing financial advice as he offers general suggestions that are not tailored to individual readers' circumstances.

Example 6 – Informal conversation

X and his friend are having an informal conversation about a particular investment product. X shares his personal investment strategy and describes his purchase of an investment product from which he profited. His friend is interested in X's strategy and asks for details of the investment product, which X provides. X does not tailor his responses to his friend's specific circumstances, and does not recommend that his friend invest in the product. Furthermore, in the context of this informal conversation, X does not purport to be a professional in the business of providing financial advice. He is thus less likely to be deemed to be providing financial advice.

Stage 2 – Is the person carrying on a business of providing financial advice?

3.8 Where the communication by a person is considered to amount to provision of financial advice under stage 1, MAS further applies a stage 2 test to determine if the person is carrying on a *business* of providing financial advice, and hence required to be licensed under the FAA.

3.9 Factors that MAS takes into consideration include:

- (a) whether the advice is given systematically and with continuity. A person is more likely to be considered by MAS to be carrying on a business if the person has an organised or structured method of conducting his activities, and does so with sufficient regularity. In contrast, one-off or random activities are less likely to be considered carrying on a business.
- (b) whether the person is remunerated for the advice. The carrying on of a business may be more readily inferred when a person is remunerated or stands to receive remuneration for the provision of advice, or as a result of a decision made by the client to buy, sell or hold an investment product based on the provision of that advice. However, the absence of remuneration does not automatically mean that the person providing financial advice is not carrying on a business.

EXAMPLES: Stage 2 – Is the person carrying on a business of providing financial advice?

Example 7 – Commercial financial seminars

X, who conducts a financial seminar as described in Example 2, has an arrangement with distributors of a specific investment product, under which X receives a fixed commission when any of the participants in his seminars invest in that product. If X provides these recommendations systematically and regularly, and stands to be compensated as a result of making these investment recommendations to his audience, X is more likely to be considered to be carrying on a business of providing financial advice.

Example 8 – Aggregator tools facilitating comparison of products

X, Y and Z have aggregators similar to those mentioned under Scenario 2 in Example 4. X charges each user a fee for use of the aggregator. Y does not charge users any fee but receives a commission from the product distributor whenever a user makes a purchase through the aggregator. Z neither charges users of the aggregator any fee nor receives any commission for products sold through the aggregator.

The aggregators are available to the public on a continuous basis and the advice is made in a systematic manner. X is remunerated for the provision of financial advice. Y is not directly remunerated for providing financial advice, but reaps a benefit on the basis of his users' decision to buy a specific investment product. Hence, both X and Y are likely to be considered to be carrying on a business of providing financial advice.

Z does not derive any benefit from the provision of financial advice or from the investment decisions of his users. Z's lack of remuneration is indicative that the aggregator is not being provided as part of carrying on a business and Z is thus less likely than X or Y to be considered to be carrying on a business of providing financial advice.

Example 9 – Publications (e.g. books, websites, blogs and social media platforms)

X, Y and Z have websites with content similar to that under Scenario 3 in Example 5, in that they amount to providing financial advice.

X blogs as a hobby, and posts on wide-ranging topics including food and travel. He posts on finance-related matters only intermittently, and there are prolonged periods when he does not post any finance-related content. He does not derive any income from his website. X is less likely to be considered to be carrying on a business of providing financial advice given

that he does not provide such advice on a systematic and continuous basis and receives no remuneration from it.

Y posts more regularly and exclusively on finance-related matters. He is paid a monthly fee by an advertising provider for allowing the provider to place an advertisement on his website. The fee is determined by the number of clicks on Y's website during the past month, but Y has no control over which specific advertisement will be seen by his readers. Y receives no other form of remuneration from his blog. Although Y posts regularly and receives remuneration from his website, this is not derived as a result of his provision of financial advice or the investment decisions of his readers. Y is therefore less likely to be considered to be carrying on a business of providing financial advice.

Z has an arrangement with an investment product distributor, under which he is remunerated for recommending its products. Z is more likely considered to be carrying on a business of providing financial advice, as not only does he provide financial advice on a continuous and systematic basis, he is also remunerated for doing so.

4 MAS' POSITION ON SPECIFIC ACTIVITIES

Distribution or reproduction of research reports

4.1 MAS does not consider persons reproducing, publishing, distributing or otherwise disseminating analyses or reports not written by such persons, whether in electronic, print or other form, concerning investment products, to be providing financial advice. These are considered passive distribution conduits, and such persons merely act as distribution channels.

4.2 Passive distribution conduits may include publishers, information service providers or Internet portal operators. A passive distribution conduit should:

- (a) only reproduce or distribute reports that originate from licensed or exempt financial institutions regulated by MAS;
- (b) attribute the reports accurately;
- (c) not exercise editorial control over, or modify the contents of the reports;
and

- (d) not endorse or otherwise comment on the reports.

Portfolio allocation advice

4.3 Portfolio allocation advice refers to advice on the allocation of an investor's funds among asset types³ (for example, 10% in shares, 40% in bonds and 50% in tangible assets), or advice on allocation of funds among assets in different geographic markets (for example, 40% in assets from the US and 60% in assets from China).

4.4 MAS does not consider portfolio allocation advice, which does not involve recommendations on a specific investment product or class of investment products, to be financial advice. Notwithstanding this, persons providing portfolio allocation advice should:

- (a) ensure that the advice does not extend to a clearly identifiable investment product or a class of investment products. A class of investment product refers to the subset of an asset type, for example, shares of pharmaceutical companies or bond funds; and
- (b) inform the recipient of advice that the provision of such advice is not regulated under the FAA and that the recipient may wish to approach a financial adviser before relying on the advice provided to make any decision to buy, sell or hold any investment product.

PORTFOLIO ALLOCATION EXAMPLES

Example 10 – Robo-advisory services

X, a robo-advisory website, provides an interactive infographic on the relative historical returns of shares and bonds. The infographic allows website users to specify a particular time period in the past and generates a comparative analysis of the performance of shares and bonds over that period. Based on the infographic results, X states that investors should consider allocating a certain percentage of their portfolio

³ Examples of asset types are shares, debentures, collective investment schemes, options, futures contracts, insurance policies, deposits and tangible assets (such as property).

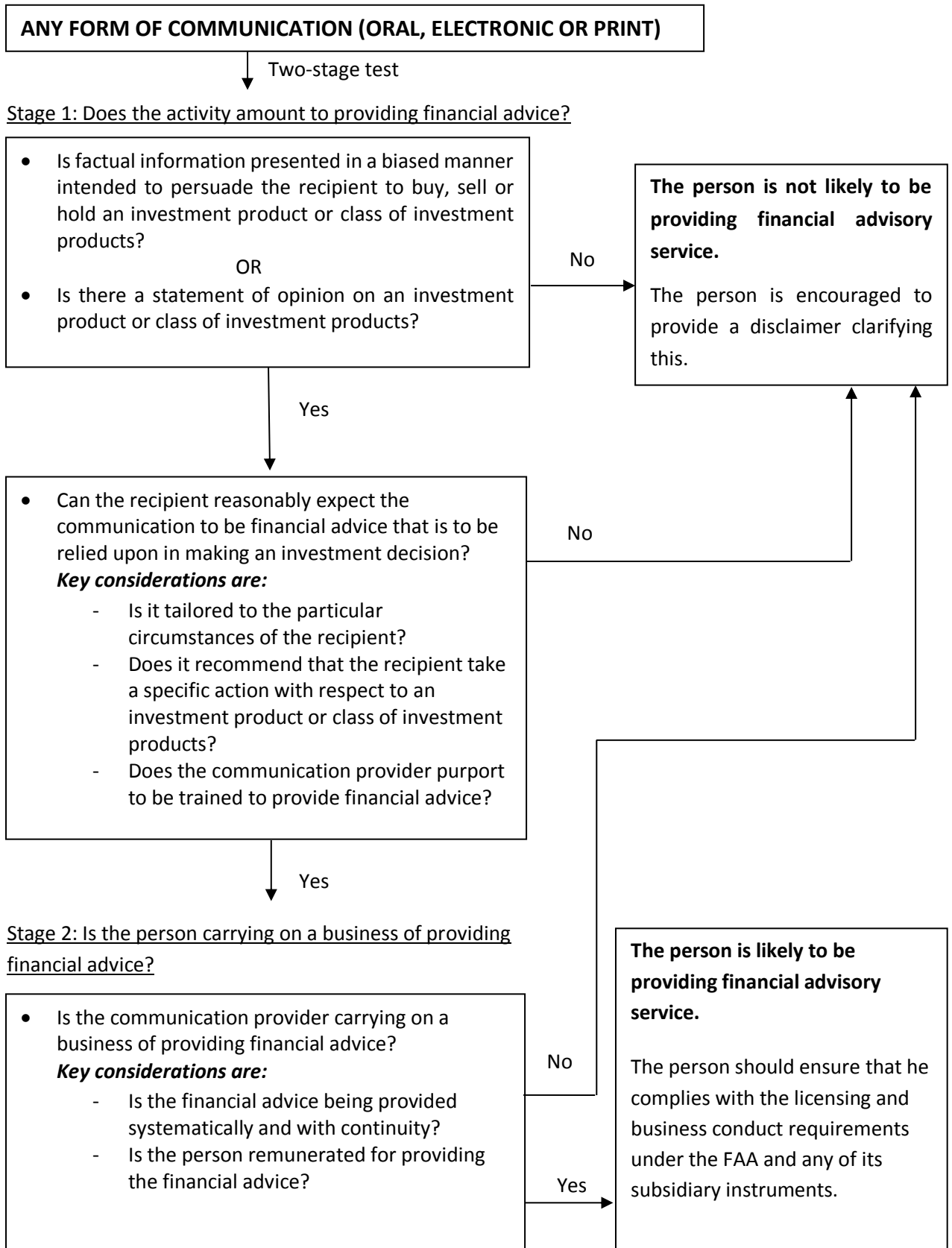
to shares. X carries a prominent disclaimer stating that users may wish to approach a financial adviser before relying on any advice provided by the website to make any decision to buy, sell or hold any investment product. In this case, X is less likely to be considered to be providing financial advice as it provides advice on the allocation of an investor's funds among broad asset types (shares versus bonds), but does not specify a clearly identifiable investment product or class of investment products.

Y, a separate robo-advisory website, requires users to provide information on their investment objective, financial situation and particular needs, which Y takes into account in making its investment recommendations. Based on the user's details and its financial market analysis, Y generates investment recommendations for the user. For instance, Y may suggest that the user allocates 90% of his principal sum to exchange-traded fund A and 10% of his principal sum to shares of Company B. Similar to X, Y carries a disclaimer asking users to approach a financial adviser before relying on the advice provided to make any decision to buy, sell or hold any investment product.

Despite the presence of the disclaimer, Y is more likely to be considered to be providing financial advice as it provides advice on the allocation of an investor's funds to clearly identifiable investment products (exchange-traded fund A and shares of Company B). This extends beyond portfolio allocation advice. Furthermore, Y tailors its investment recommendations to the personal details of the user. These recommendations are thus more likely to amount to financial advice.

4.5 In applying the two-stage test described in these Guidelines, MAS reviews the full context and circumstances of the activity, in assessing whether it amounts to a provision of financial advisory service. This allows an appropriate balance between facilitating a healthy and conducive environment for discussions on financial investments that will help enhance financial literacy and awareness, and ensuring sufficient safeguards for consumers, with only professionals qualified to provide financial advice doing so.

5 ILLUSTRATION OF THE APPLICATION OF THE GUIDELINES



5 Annex B

GUIDELINES ON THE DESIGN OF ADVISORY AND SALES FORMS

1 APPLICATION AND PURPOSE OF GUIDELINES

1.1 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 (henceforth referred to as “financial advisers”), other than persons exempted from complying with the Notice on Recommendations on Investment Products (“FAA- N16”) or the Notice on Information to Clients and Product Information Disclosure (“FAA-N03”). Each financial adviser should consider how best to apply these Guidelines to suit its own circumstances and business model.

1.2 Before a financial adviser provides financial advice or recommends any investment product to a client, it needs to first collect pertinent information on the client including his personal details, financial objectives, risk tolerance, and financial situation. This information must be analysed by the financial adviser in order to recommend an investment product that is suitable for the client. An integral element of this process is the advisory and sales form (henceforth referred to as “forms”), which is used to facilitate the dialogue between financial advisers and their clients and to document the advisory and sales process.

1.3 MAS has observed variability in the quality of forms used by financial advisers. Some key issues we have observed from a review of forms used in the industry include:

- (a) use of lengthy and complex sentences, for example in the disclosures of fees and charges, terms and conditions as well as customer declarations;
- (b) use of financial and legal jargon which clients might not fully understand;
- (c) important information being embedded in footnotes or presented in small font sizes;
- (d) repetitive questions seeking the same information from clients; and
- (e) unclear and/or disjointed structure that does not mirror a typical sequence of the advisory and sales process.

1.4 A poor design can affect the flow, clarity, and readability of forms, and ultimately affect how well clients understand the advisory process and the importance of providing financial advisers with accurate and complete information. If forms are poorly designed, the advisory and sales process might be viewed merely as a form-filling exercise to clients. Conversely, a well-designed form can enhance the client's experience and engagement with the process. This, in turn, will improve the suitability of products recommended by financial advisers and raise the level of trust clients place in their advisers.

1.5 When designing their forms, financial advisers should be guided by the objective of having well-designed forms that make the advisory and sales process more efficient and effective. Financial advisers should adopt a customer-centric approach that uses clear and concise language, presents information in a reader-friendly manner, and incorporates an efficient design. These principles are elaborated in the next three sections.

1.6 The principles, practices, and examples described in these Guidelines are not exhaustive. They are aimed at improving the rigor of the advisory process and are intended to provide financial advisers with general guidance on the features of a well-designed form. Financial advisers should consider their business models, suite of products and services, and client base when adopting the principles. It is also good practice for financial advisers to conduct consumer testing, such as focus group discussions, to identify whether clients understand their forms and ensure that their forms satisfy the principles set out in these Guidelines.

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

2 PRINCIPLE 1 - CLEAR AND CONCISE LANGUAGE

Financial advisers should use clear and concise language in their forms. This includes taking into account the choice of words and the structure of sentences. Financial advisers should pay particular attention to the language used in disclosures that clients need to understand in order to make informed decisions.

2.1 Using clear and concise language makes forms easier to read and understand. Clients will be more willing to read the forms if they can easily understand the contents at first reading. They will also better understand what the fact-finding and needs-analysis processes are about, the purpose of each question in the form, and how providing accurate and complete information on their personal particulars, financial objectives, risk tolerance, and financial situation is important to the advisory process. This, in turn, can improve the suitability of product recommendations made by financial advisers and help clients make more informed decisions.

2.2 In order to communicate in a clear and concise manner, financial advisers should put in place the following good practices:

- a) use plain English;
- b) use short sentences;
- c) use the active voice;
- d) write in the positive; and
- e) use active verbs.

2.3 Use plain English

2.3.1 Financial or legal jargon which are not commonly understood can complicate a simple message, resulting in misinterpretation and misunderstanding among clients.

2.3.2 Financial advisers should avoid using jargon when simpler substitutes are available. If the use of jargon is necessary, the meaning of the terms should be explained clearly in plain English. Financial advisers should consider providing a glossary of technical and legal terms for their clients' ease of reference. For example:

Jargon	Simplified alternative
"Terminal bonus" will be applicable to the policy.	At the maturity of the policy or the death of the life insured, an additional bonus sum will be added to the amount payable.
"Beneficial owner" is a legal term where specific property rights ("use and title") in equity belong to a person even though legal title of the property belongs to another person.	A beneficial owner is a person who owns an asset, even though the asset is held under another name.
Annualised premium	Total premium paid over a year.
Expected cash value of life policies	Cash you can expect from your insurer if you cancel your life insurance policy.
There is a 14-day free look/cancellation period	<p>You have up to 14 days to change your mind, cancel the purchase, and seek a refund. This starts from the day you receive your policy contract. However, you will have to bear any expenses already incurred by us, such as medical or processing costs.</p> <p>For investment-linked insurance policies, you will need to bear any losses caused by a fall in unit prices during this period. The unit price used will be the price when the policy takes effect or when you choose to cancel the product, whichever is lower.</p>
Risk of exchange rate fluctuations	Risk of loss from changes in exchange rates
Investment time horizon	Length of time you intend to hold your investment for

2.4 Use short sentences

2.4.1 Lengthy sentences that seek to convey too much information can lead to confusion. They require clients to remember multiple concepts or pieces of information while trying to make sense of the overall meaning of the sentence.

2.4.2 Financial advisers should use short sentences in their forms that express a limited number of concepts to avoid confusion among clients. Please refer to some examples below. If a longer sentence is necessary, financial advisers should ensure the sentences are well structured and not convoluted. Alternatively, financial advisers can present information in a tabulated form.

Long and complex sentence	Shorter and simplified sentence
The information that you provide on your investment objectives, financial situation and your particular needs will be the basis on which advice and recommendation will be given.	I will base my advice on the information that you give in this form about your investment goals, financial situation and needs.
I understand that, it being important to my financial health, I carry out a financial review and risk profiling at least once a year to ensure that any financial products recommended, inter alia, will take my updated information into account and therefore be more appropriate to my new circumstances and situation.	I should do a financial review and risk profiling at least once a year. This ensures that any recommendation will be based on updated information and will suit my needs.
I have not met the Customer Knowledge Assessment criteria and am deemed to not possess the knowledge or experience for transactions in a collective investment scheme or an investment-linked policy.	I do not have the relevant knowledge or experience to purchase a collective investment scheme or an investment-linked policy.
Save for where Financial Adviser A is specifically required to provide advice in connection with the Customer Knowledge Assessment of each joint account holder under the Notice on the Sale of Investment Products (SFA 04-N12) and/or the Notice on Recommendations On Investment Products (FAA-N16) (references to these notices include any amendments, variations or supplemental to such notices), Financial Adviser A's obligation to provide Formal Advice would be deemed to have been provided to all	Do you agree that if advice is provided to any of the joint account holders, Financial Adviser A is considered to have provided advice to all joint account holders?

Long and complex sentence	Shorter and simplified sentence
joint account holders if provided to any joint account holder.	
Your representative is issued with a Representative Number by the Monetary Authority of Singapore (MAS) to conduct regulated activities under the Financial Advisers Act (FAA)*; [*state if applicable] and is authorised to arrange contracts and provide advice on the following # _____	Your representative (rep. no.: XXXX) is appointed by Financial Adviser A to advise on the following products: <input type="checkbox"/> Life insurance policies <input type="checkbox"/> Collective investment schemes (such as unit trusts) <input type="checkbox"/> Securities (such as shares and bonds) <input type="checkbox"/> Structured deposits
Do you wish to proceed with the switch notwithstanding that the fees, charges and/or disadvantages that may arise from the switch could outweigh any potential benefits?	The fees and charges you bear and/or the disadvantages you suffer may be more than any potential benefits you get from the switch. Do you still wish to proceed with the switch?
Before switching from one investment product to another, investors should consider carefully whether any fees, charges and/or disadvantages that may arise from a switch would outweigh any potential benefits.	

2.5 Use the active voice

2.5.1 The use of passive voice often makes sentences unclear because it leaves out or hides the party who has acted or is required to act on something. As such, clients will need more effort to identify if they need to do or pay particular attention to something.

2.5.2 Financial advisers should use the active voice as it more closely resembles the way we speak. If the use of passive voice is necessary, it should be used sparingly. For example:

Passive Voice	Active Voice
<u>Financial products purchased based on partial or inaccurate information</u> may not be suitable.	<u>You should provide complete and accurate information</u> in order to <u>purchase suitable financial products</u> .
<u>Transaction costs may be incurred</u> from a switch without gaining real benefit.	<u>You may incur transaction costs</u> without gaining any real benefit from the switch.
The <u>information provided by me</u> will be used as the basis for advice and recommendations presented to me.	The <u>information I provide</u> will form the basis for the advice and recommendations I receive.

2.6 Use personal pronouns

2.6.1 Nouns, such as “the financial adviser” and “the customer”, make sentences abstract as the party acting is detached from the described situation. Similar to the passive voice, nouns often make sentences unclear and clients need more effort to identify if they need to do or pay particular attention to something.

2.6.2 Financial advisers should use personal pronouns, such as “we” and “you”, as they are more engaging and help clients relate to the message. Explanations should be provided to state clearly who the personal pronouns refer to. The usage of personal pronouns should also stay consistent throughout the form so that it does not create confusion as clients read through the different sections.

Noun	Personal pronoun
<u>Regulations require a financial adviser like Financial Adviser A</u> (“Financial Adviser A, which reference shall include its representatives unless inappropriate) to have a reasonable basis for any investment product recommendation made to a customer.	<u>We are required</u> to have a reasonable basis for any investment product recommendation we make to you.

Noun	Personal pronoun
Where <u>the investor</u> has purchased a unit trust through a switch, the investor shall be entitled to the right to cancel the units in the unit trust.	If <u>you</u> purchased the unit trust through a switch, you have the right to cancel the units in the unit trust.
The <u>recommendations</u> may not be appropriate in the event of a partial or inaccurate completion of this form.	<u>My recommendations</u> may not be appropriate if <u>you</u> do not fill in the entire form or if <u>you</u> give inaccurate information.
It is <u>the client's</u> responsibility to ensure the accuracy of the information stated in this form.	<u>You should</u> ensure that the information stated in this form is accurate.

2.7 Write in the positive

2.7.1 Multiple negatives make sentences appear the opposite of their meaning. They create complexity and ambiguity within sentences, and can confuse and mislead clients.

2.7.2 Financial advisers should write in the positive as it makes sentences more straightforward and therefore easier to understand. For example:

Negative Statement	Positive Statement
The regular investment amount <u>is not less than</u> or equal to your monthly surplus.	The regular investment amount <u>is greater than</u> or equal to your monthly surplus.
Understanding your risk profile <u>is not unimportant</u> to ensure we recommend suitable investments to you.	We need to understand your risk profile so that we can recommend suitable investments to you.
Investing is <u>not without</u> risks.	<u>There are</u> risks to investing.

2.8 Use active verbs

2.8.1 The use of hidden verbs often result in longer sentences as extra verbs need to be added to the sentence to make sense. Consequently, more words will be used to convey the same meaning. As sentences are unnecessarily longer, the actions clients should take will be less obvious to them.

2.8.2 Financial advisers should use active verbs to make sentences more efficient and direct. For example:

Hidden Verb	Active Verb
I am in full <u>acceptance</u> of the products recommended to me and have made the decision to proceed to take up the plan(s) as described below.	I <u>accept</u> the product recommendation and agree to purchase the following plan.
Remuneration <u>may be received</u> (including all fees, benefits and/or commissions) by your Representative directly related to your sale and purchase of investment/insurance product(s).	Your Representative <u>may be paid</u> (including receiving fees, benefits and/or commissions) for services directly related to your purchase or sale of investment products.
This is important in <u>making a recommendation</u> of suitable products that reflect your risk preferences.	This is important for us <u>to recommend</u> suitable products that reflect your risk preferences.

3 PRINCIPLE 2 - READER-FRIENDLY LAYOUT

Financial advisers should organize and present information in a reader-friendly manner. This includes taking into account the format of the form (e.g. font, size of text, spacing) and the flow, positioning, and prioritisation of content.

3.1 The manner in which information is organized and presented affects how clients respond to the form, and consequently, the advisory and sales process. A reader-friendly layout helps clients read the forms and grasp information more quickly and easily. A layout that takes into account behavioural science theories and has undergone consumer testing could also facilitate customer understanding.

3.2 In designing the layout of forms, use of visuals, such as graphs and tables, are helpful as long as the visuals do not compromise the intended meaning of the information. For example, a single checkbox should not be used for a client’s acknowledgement of receipt of multiple sales documents. Some good practices are set out below:

Practices	Rationale
Use readable font types and sizes	<p>The font type and size selected affects the readability of forms.</p> <p>Financial advisers should avoid font sizes which are too small. For electronic forms, financial advisers could have user interfaces that are friendly to different categories of clients, for example elderly clients.</p> <p>Financial advisers should also not embed important information in footnotes.</p>
Use tables, graphs, charts, diagrams, and other visuals.	<p>Information presented in visuals such as tables and charts are generally easier to read and understand. Visuals also reduce the text necessary to convey the same information.</p> <p>Financial advisers should use visuals that are simple, clearly labelled, accurate, and drawn to scale to facilitate fair comparisons.</p>

Practices	Rationale
Use bullet points	<p>Bullet points convey a long list of information more efficiently and clearly.</p> <p>Financial advisers should avoid presenting information in long and continuous paragraphs. They should also consider replacing proses with bullet points as long as it does not result in different interpretations.</p>
Use descriptive headings and sub-headings	<p>Meaningful headings and sub-headings help to organise information into sections, manage the flow of information, and highlight key information.</p> <p>Financial advisers should avoid presenting different information or concepts using a single heading.</p>
Use visual emphasis to highlight important information	<p>Visual emphasis helps draw the client’s attention to important information and disclosures. The following formatting tools help distinguish and emphasise important information:</p> <ul style="list-style-type: none"> • Font type and font size • Underline, bold and italics • Borders and shading • Colour

4 PRINCIPLE 3 - EFFICIENT DESIGN

Financial advisers should ensure that their forms facilitate an efficient and effective advisory and sales process. This includes ensuring that forms do not contain duplicate questions or disjointed sections.

4.1 Streamlined forms help to sharpen the focus of the advisory and sales process as the purpose of the form is clear and the information required from the customer is obtained efficiently. Enhancing the efficiency of the fact-finding and needs-analysis processes, in turn, enables financial advisers to devote more time to explaining the bases of their recommendations to clients. Streamlined forms can also enhance the engagement between financial advisers and their clients as each question and section will be purposeful.

4.2 To adopt this principle, financial advisers can consider the following good practices:

Practice	Rationale
Use information obtained in earlier sections to populate subsequent questions	Financial advisers should avoid unnecessary duplicate questions so that time is not spent obtaining the same information from the client. Financial advisers should also consider the objective and necessity of each question. This can reduce the time taken by the client to complete the process and improve the overall client experience.
Structure similar questions together	Grouping similar questions together can enhance the flow of forms, making the objective of the fact-finding process more obvious and meaningful to clients.
Use pre-set system parameters for electronic forms, which allows sections that are irrelevant to the customer to be skipped automatically	Certain sections of forms may not be relevant to a particular customer, e.g. information on dependents for purchase of investments. Skipping sections that are irrelevant to the customer can reduce the time spent by clients in the advisory and sales process.

Practice	Rationale
<p>Avoid unnecessary blank pages and provide clients with the option to receive electronic copies of documents⁴</p>	<p>With an electronic platform, financial advisers can be automatically prompted at the end of the advisory and sales process to provide electronic copies of documents to clients. This can greatly reduce the number of clients who do not receive sales documents as a result of oversight, as well as maintain a clear audit trail.</p> <p>Besides offering an alternative means to deliver documents to clients, such environmentally friendly practices and processes, reduce the ecological footprint of financial advisers.</p>

⁴ In accordance with the the Notice on Technology Risk Management, financial advisers shall implement IT controls to protect customer information from unauthorised access or disclosure.

