



Monetary Authority of Singapore

**SECURITIES AND FUTURES ACT (“SFA”) AND
FINANCIAL ADVISERS ACT (“FAA”)**

**FREQUENTLY ASKED QUESTIONS (“FAQs”) ON
SFA AND FAA ACTIVITIES VALIDATION
VIA THE DATA VALIDATION (“DV”) MODULE
IN THE REPRESENTATIVE NOTIFICATION SYSTEM (“RNS”)**

Disclaimer: These FAQs are meant to provide guidance to the industry on the review and validation of mappings of the current activities to those under the amended SFA and FAA following changes from the Securities and Futures (Amendment) Act 2017 (“SFAA”). The review and validation are performed via the DV Module in the RNS, on which industry briefings (Briefing A) have been conducted in May 2018. They do not constitute legal advice. MAS expects industry participants to retain their independent legal counsel to advise them on how their business operations should be conducted in order to satisfy legal and regulatory requirements, and to advise them on all applicable laws, rules and regulations of Singapore.

Please note that the changes under the SFAA have not been effected. MAS will inform the industry of the effective date in due course.

(I) Access to the Data Validation (“DV module”) and amendment of incorrect validations

Q1 Who will have access to the DV module? Is there a maker-checker function in the DV module?

A1 The current RNS users will be able to access the DV module. There is no maker-checker function in the DV module.

Q2 Are we able to rectify incorrect validations made in the DV module? Are these incorrect validations considered as breaches? Is there a limit to the number of times that we can perform the rectification? Will there be a system trail of the changes that have been made in the DV module?

A2 Financial institutions (“FIs”) will be able to re-perform the validation for an unlimited number of times as long as this is done within the period that the DV module is opened (“validation period”). Changes made during the validation period will not be tracked, and will not be considered as regulatory breaches.

For details on how the re-performance of the validation can be done, FIs can refer to slides no. 58 to 61 in the Briefing A slides which were circulated to the industry on 1 June 2018.

We strongly encourage FIs to start the review and validation exercise as soon as the DV module is opened so that any errors in the validation may be detected and corrected early. In any case, FIs should complete their validation within the validation period. FIs can refer to this set of FAQs or email BriefingA_Queries@mas.gov.sg should further clarification be required.

(II) Addition and removal of activities

Q3 We have representatives who are currently regulated for trading in futures contracts. However, these representatives also deal in over-the-counter derivatives (“OTCD”) contracts on interest rates or commodities, and would not have been appointed representatives in respect of the activity of dealing in capital markets products that are OTCD contracts given that the activity is currently not

regulated. Our FI would also not have dealing in capital markets products that are OTCD contracts as the FI's current activity. What should our next steps be?

A3 The FIs' and representatives' trading in futures contracts activity will be default mapped to dealing in capital markets products that are exchange-traded derivatives ("ETD") contracts and no further action is required of the FI.

As for the new activity of dealing in capital market products that are OTCD, the FI will need to submit the relevant forms to apply for a CMS or FA licence, or notify MAS that it or its representatives are conducting this activity when the SFAA takes effect ("T-date"), unless the FI or its representatives qualify for an exemption. FIs will be provided with a 24 months' period from T-date to add this activity for themselves and their representatives.

Q4 We are a bank dealing in leveraged foreign exchange trading and exempt from regulation under the SFA for this activity. When the SFAA takes effect, the carve-out for banks dealing in leveraged foreign exchange trading will be removed, and we will be regulated for this activity. Do we need to perform any validation in the DV module for this activity? What should our next steps be?

A4 The validation exercise, including the DV module, is for the purpose of migrating the current regulated activities of the FI and its representatives to the new regulated activities which correspond to the current regulated activities. As leveraged foreign exchange trading is not a current regulated activity of the bank, it is not part of the validation and will not appear in the bank's DV module.

The bank will need to submit the relevant forms to inform MAS of its dealing in leveraged foreign exchange trading for itself and its representatives after T-date. The bank has 24 months to do so after T-date. Dealing in leveraged foreign exchange trading will be reflected as a regulated activity for the bank and its representatives after the relevant notifications are accepted by MAS.

Q5 We would like to add a new regulated activity to our Capital Markets Services (“CMS”) or Financial Adviser’s (“FA”) licence, or notify MAS that we are conducting an additional regulated activity during the validation period. Should our new regulated activity be added based on the current regime?

A5 Yes, before the SFAA takes effect on T-date, any addition of SFA or FAA activity is based on the current regime. A CMS licensee or licensed financial advisor is required to submit the relevant forms to apply to add regulated activities to its CMS or FA licence. The CMS licensee or licensed financial advisor will have to perform the review and validation of the additional regulated activities in the DV module after its application is approved by MAS.

Banks, merchant banks and finance companies are required to submit the relevant forms to notify MAS of the additional regulated activities which they will be conducting. These FIs will need to perform the review and validation of the additional regulated activities in the DV module after their notifications have been accepted by MAS.

Similarly, the addition of regulated activities for representatives before T-date is based on the current regime. The FI will have to perform the review and validation of the additional regulated activities for its representatives in the DV module, starting from the next business day after it has submitted Form 6 to add activities for the representatives in RNS.

Q6 Our representatives are currently conducting the SFA regulated activities of advising on corporate finance and dealing in securities which is purely incidental to their advising on corporate finance activity. Are we required to map the dealing in securities activity to the dealing in capital markets products that are securities activity in the DV module?

A6 The dealing in securities activity will be default-mapped to the activity of “dealing in capital markets products that are securities” in the DV module. The FI should review the default mapping and make adjustments to reflect the specific capital markets products which the representatives are currently dealing in (e.g. shares and bonds should be mapped to “capital markets products that are securities”, OTC options should be mapped to “capital markets products that are OTCD contracts”).

Q7 While we currently only deal in shares and do not deal in derivatives, can we map our dealing in securities activity to the new activities of dealing in capital markets products that are ETD contracts and OTCD contracts, as we may deal in these derivatives contracts in the future? Can we also do the same for our representatives who are currently only dealing in shares?

A7 We would like to reiterate that this validation exercise is only for the existing activities of the FI and its representatives. The newly mapped activities should therefore not be broader in scope than the existing regulated activities of the FI and its representatives. In this example, if the FI or its representatives currently deal only in shares and will start dealing in ETD or OTCD which fall into the current definition of “securities” before T date, the FI may map its dealing in securities to dealing in capital markets products which are ETD or OTCD. The FI will have to ensure that its representatives have met the relevant examination requirements before they start dealing in ETD or OTCD.

Q8 Are we able to make use of the validation exercise to remove the activities that we no longer require?

A8 No, if the FI wishes to remove activities that it is no longer conducting, the FI should submit the relevant notification forms for cessation of activities in accordance with the current requirements under the SFA or FAA.

Q9 Do we have to submit forms to add or remove activities when we tick and un-tick the checkboxes in the DV module?

A9 This validation exercise applies to only the existing regulated activities of the FI and its representatives. As such, we do not expect the newly mapped activities to be broader than the scope of regulated activities that the FI and its representatives are currently conducting. Therefore, there is no need to submit any forms to add or cease activities when the FI makes changes in the DV module.

Q10 We are a CMS licensee and provide FA services under the FAA as an exempt FA. Do we have to perform the review and validation for our exempt activities under the FAA?

A10 Yes. The review and validation exercise applies to both SFA and FAA activities conducted by an FI (including a CMS licensee) and its representatives. However, not all the activities under the SFA and FAA require the FIs' review and validation. MAS has performed a default mapping for all current to new regulated activities under the SFA and FAA. FIs can refer to slides no. 25 to 47 in the Briefing A slides for the activities requiring FIs' review and validation. Please refer to slides no. 48 and 49 for the activities which do not require further actions by FIs.

Q11 We are a fund manager which also engages in marketing CIS as an exempt FA under the FAA. We only market our own CIS, which will be subsumed under dealing in CIS under the SFA in the new regime. Do we have to submit Form 28 under the FAA to notify of the cessation of our marketing CIS activity?

A11 No further action is required from fund managers who market their own CIS. There is no need for fund managers to submit any notification to cease the FAA activity of "marketing CIS". Fund managers who market their own CIS will be exempt from holding a CMS licence for "dealing in capital markets products that are units in a CIS" under the SFA. Their current "marketing CIS" activity under the FAA will be default-mapped to "fund management" under the SFA.

Q12 We are a fund manager and do not currently market third party funds. Can we nevertheless map our marketing collective investment scheme ("CIS") activity to dealing in capital markets products that are units in a CIS?

A12 A fund manager may map its marketing CIS activity to dealing in capital markets products which are CIS if it intends to start marketing third-party funds before T-date. The fund manager will have to ensure that its representatives have met the relevant examination requirements before they start marketing CIS.

Q13 We are currently under-going an internal approval to remove the dealing in securities activity. As we do not know how long the internal approval process will take, do we perform the review and validation exercise in the interim and submit the notification of cessation later?

A13 You should perform the review and validation if based on your internal timeline, you are likely able to submit the notification for cessation of activity only after T-date.

(III) Activities that require no validation

Q14 If we have activities such as trading in futures contracts or advising on investment products (structured deposits), what actions are required of us?

Q14 Not all the activities under the SFA and FAA require the FIs' review and validation. For example, trading in futures contract and advising on investment products (structured deposits) are default mapped to dealing in capital markets products that are ETD contracts and advising on investment products (structured deposits) respectively. No action is required of FIs in respect of these activities. For the full list of the SFA and FAA activities that are default mapped to new activities with no further action required of FIs, please refer to slides no. 48 and 49 in the Briefing A slides circulated to the industry on 1 June 2018.

Q15 For the validation checkboxes in the DV Module that are ticked and disabled, do we need to check for accuracy?

A15 No action is required of the FI in respect of the activities where the checkboxes are disabled.

(IV) Appointment of new representatives

Q16 If we have recruited a new representative during the validation period, do we submit a notification for the appointment of a new representative in RNS first before we validate his activities? Do we have to wait until his notification is approved before we can start to validate his activities? Is approval of his notification contingent on the completion of the validation of his activities?

A16 Yes, the FI should first submit the notification for appointment of the new representative in RNS in accordance with current process. The FI will be able to validate the new representative's activities starting from the next business day after the date of notification. There is no need to wait for the notification to be published on the Register of Representatives before validating the new representative's activities. The publication of the notification is also not contingent on the completion of the validation.

The above will similarly apply when the FI adds new activities for its current representatives.

Q17 We have staff who are currently not appointed representatives of the FI for any regulated activities but they are dealing in OTCD contracts on interest rates or commodities. What should our next steps be?

A17 Staff of the FI who are currently not appointed representatives of the FI for any regulated activities but who are currently dealing in OTCD contracts on interest rates or commodities will be allowed to continue dealing in these products after T-date. However, the FI will be required to notify MAS that it is appointing these individuals as representatives for dealing in capital markets products that are OTCD contracts within 24 months from T-date. This activity will be reflected as a regulated activity for the representative after the notification is accepted by MAS.

(V) Representatives who serve only accredited investors or institutional investors ("AI/II")

Q18 We note that MAS is proposing to streamline the Representative Notification Framework and apply the notification requirements only in respect of representatives who serve retail customers. Can we remove representatives who serve only non-retail customers as part of the review and validation exercise?

A18 We are still reviewing feedback received on the consultation paper on "Changes to the Notification Requirements in relation to Representatives serving only Non-Retail Customers". As such, those representatives serving only non-retail customers should continue to remain on the public register until the new requirement is effected. FIs should thus perform the review and validation exercise for these representatives.

(VI) Paragraph 9 and Paragraph 11 arrangements under the SFA and FAA respectively

Q19 What will happen to Paragraph 9 or Paragraph 11 (Para 9/11) arrangements approved before the effective date of the SFAA?

A19 Approvals granted for Paragraph 9 or Paragraph 11 arrangements prior to the effective date of the SFAA will not be affected. The approvals will be subject to the set of conditions set out in the original approval letters.

Q20 In view of the changes, will new applications for Paragraph 9 arrangements take a longer time to process? We envisage having to submit a new Paragraph 9 application due to Brexit.

A20 There will be no change to our service standards for processing applications.

Q21 How should existing Paragraph 9 or Paragraph 11 arrangements be considered when performing the review and validation of the activities in the DV Module?

A21 FIs should ensure that the products covered under their approved Paragraph 9 or Paragraph 11 arrangements are included when they are validating their new regulated activities in the DV Module. An illustrative example has been provided in slide no. 36 in the Briefing A slides circulated to the industry on 1 June 2018.

(VII) “Export to CSV” function in the DV Module

Q22 What are the data fields in the CSV file downloaded from the DV Module via the “Export to CSV” function?

A22 The CSV file will include information on the representatives’ names, representative numbers, current and new regulated activities, and the status of the FIs’ validation of the representatives’ activities.

Q23 Post the closure of the DV module, can such a feature for FIs to download the details of their representatives into an excel file be retained in the RNS?

A23 The DV module in the RNS is intended to facilitate FIs' review and validation of their current regulated activities, for the purpose of migrating these activities to the new activities. The DV module will be closed before T-date to facilitate data migration into the new CoRe system which is intended to replace the current RNS. There will be a report generation function in the new CoRe system which will allow FIs to download details of their representatives into an excel file. Further details on the features and functionalities of the new CoRe system will be shared with the industry close to the launch of the system.

(VIII) Deadline for validation and issuance of new licence

Q24 What is the deadline for the completion of the review and validation exercise? When will the CoRe System be launched? Will there be a "blackout" period just before the launch of the CoRe system?

A24 FIs will be able to review and validate their corporate and representatives' activities via the DV module from 13 June 2018. The DV module is expected to remain open until 31 July 2018. We will inform the industry of the exact date that the DV Module will be closed two weeks in advance. FIs are strongly encouraged to commence the review and validation exercise early.

The CoRe system is expected to be launched in Q3 2018. There will be a short "blackout" period, estimated to be a few days prior to the launch of CoRe, when FIs will not be able to access the RNS. We will provide more information on the "blackout" period prior to the launch of the new system and inform the industry of the launch date.

Q25 What happens if we do not complete the review and validation exercise by the deadline? Where we had not completed the validation of the activities of a representative, will the representative cease to be an appointed representative on T date?

A25 If the review and validation exercise is not completed by the deadline, the FI and its representatives will be migrated based on the default mappings, which may or may not be reflective of the regulated activities of the FI and its representatives. As such, FIs should commence the review and validation early and complete it before the deadline.

An exception to this is a representative who solely conducts the activity of marketing CIS. If his marketing CIS activity is not mapped to any new activities, he will cease to be an appointed representative on T-date.

Q26 Will MAS issue new corporate licences for in view of the changes to the regulated activities?

A26 Yes. CMS licensees or licensed financial advisors will be issued with an electronic corporate licence through the CoRe system. This electronic corporate licence will replace the existing hard copy licence, and reflect the licensee's new regulated activities and licence conditions. There is no need for licensees to return their existing hard copy licences to MAS.