

# CONSULTATION PAPER

P006 - 2020

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## **Draft Notices on the Competency Requirements for Representatives Conducting Regulated Activities under the Financial Advisers Act and Securities and Futures Act**

MAS

Monetary Authority of Singapore

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## 1 Preface

1.1 Currently, appointed representatives under the Financial Advisers Act (“**FAA**”) and the Securities and Futures Act (“**SFA**”) are required to meet minimum academic qualifications, pass relevant modules of the Capital Markets and Financial Advisory Services Examinations (“**CMFAS Examination**”), and fulfil Continuing Professional Development (“**CPD**”) requirements, depending on the regulated activities they undertake. These requirements are set out under FAA-N13 Notice on Minimum Entry and Examination Requirements for Representatives of Licensed Financial Advisers and Exempt Financial Advisers (the “**FAA Notice**”) and SFA 04-N09 Notice on Minimum Entry and Examination Requirements for Representatives of Holders of Capital Markets Services Licence and Exempt Financial Institutions (the “**SFA Notice**”).

1.2 On 12 December 2016, MAS published a consultation paper on “Review of Competency Requirements for Representatives Conducting Regulated Activities under the Securities and Futures Act and Financial Advisers Act” which proposed changes to the CMFAS Examination (the “**Consultation Paper**”). These changes are intended to raise the competency of appointed representatives, build a culture of high ethical standards in the financial industry, and offer greater customisation and flexibility to appointed representatives to fulfil the competency requirements. MAS published its response to the Consultation Paper on 25 September 2017<sup>1</sup>. MAS is now consulting on the legal amendments to the FAA Notice and SFA Notice (the “**revised Notices**”) to implement changes to the CMFAS Examination.

1.3 MAS invites interested parties to provide their feedback on the revised Notices.

**Please note that all submissions received will be published and attributed to the respective respondents unless they expressly request MAS not to do so. As such, if respondents would like:**

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<sup>1</sup> MAS’ proposals and response to the consultation feedback can be found at the following link:

<http://www.mas.gov.sg/News-and-Publications/Consultation-Paper/2016/Review-of-Competency-Requirements-for-Reps-under-SFA-and-FAA.aspx>.

On 8 October 2018, MAS amended both the FAA/SFA Notices to incorporate consequential amendments to the scope and definitions of regulated activities under the FAA/SFA, arising from the commencement of the Securities and Futures (Amendment) Act.

- (i) **their whole submission or part of it (but not their identity), or**
- (ii) **their identity along with their whole submission,**

**to be kept confidential, please expressly state so in the submission to MAS. MAS will only publish non-anonymous submissions. In addition, MAS reserves the right not to publish any submission received where MAS considers it not in the public interest to do so, such as where the submission appears to be libellous or offensive.**

1.4 Please submit written comments by 5 October 2020 to –

Capital Markets Intermediaries Department I  
Monetary Authority of Singapore  
10 Shenton Way, MAS Building  
Singapore 079117  
Fax: (65) 62203973  
Email: [cmfas@mas.gov.sg](mailto:cmfas@mas.gov.sg)

1.5 Electronic submission is encouraged. We would appreciate it if you could use this [template](#) for your submission to ease our collation efforts.

## 2 CMFAS Examination Requirements for Appointed Representatives

2.1 MAS will be making the following these key changes to the CMFAS Examination:

- (i) introduce ethics and skills content into the existing rules and regulations modules to form the rules, ethics and skills (“RES”) modules;
- (ii) tailor the RES modules for appointed representatives trading on the respective securities and derivatives exchanges; and
- (iii) provide appointed representatives with the option to take new combined product knowledge modules.

2.2 Table 1 sets out the current and revised CMFAS Examination modules, comprising both RES and product knowledge modules administered by the Institute of Banking and Finance (“IBF”) and Singapore College of Insurance (“SCI”). Table 2 outlines the applicable RES modules for an individual whose principal is a member of an approved exchange.

**Table 1: List of current and revised CMFAS Examination modules**

Current CMFAS Examination			Revised CMFAS Examination		
Module	Examination	Exam Body	Module	Examination	Exam Body
<b>Rules, Ethics and Skills Modules</b>					
M1A	Rules and Regulations for Dealing in Securities (for members of SGX-ST)	IBF	RES1A	Rules, Ethics and Skills for Securities Exchange Dealers	IBF
M1B	Rules and Regulations for Dealing in Securities (Non SGX-ST members)		RES1B	Rules, Ethics and Skills for Securities Dealers of Non-Exchange Members	
			RES1BE1	Add-on Module for Singapore Exchange – Securities Trading Limited	
M2A	Rules and Regulations for Trading in Futures Contracts (for members of SGX-DT)	IBF	RES2A	Rules, Ethics and Skills for Derivatives Exchange Dealers	
			RES2B	Rules, Ethics and Skills for Derivatives Dealers of Non-Exchange Members	
			RES2BE1	Add-on Module for Singapore Exchange – Derivatives Trading Limited	
			RES2BE2	Add-on Module for Intercontinental Exchange (“ICE”) Futures Singapore	

Current CMFAS Examination			Revised CMFAS Examination		
Module	Examination	Exam Body	Module	Examination	Exam Body
			RES2BE3	Add-on Module for Asia Pacific Exchange (“APEX”)	
			RES12B	Rules, Ethics and Skills for Securities and Derivatives Dealers of Non-Exchange Members	
M3	Rules and Regulations for Fund Management	IBF	RES3	Rules, Ethics and Skills for Fund Management	
M4A	Rules and Regulations for Advising on Corporate Finance		RES4	Rules, Ethics and Skills for Corporate Finance	
M5	Rules and Regulations for Financial Advisory Services	SCI	RES5	Rules, Ethics and Skills for Financial Advisory Services	SCI
M10	Rules and Regulations for REIT Management, with Product Knowledge and Analysis	IBF	RESP10	Rules, Ethics and Skills and Product Knowledge for REIT Management	IBF
<b>Product Knowledge Modules</b>					
M6	Securities Products and Analysis	IBF	CM-EIP	Capital Markets – Excluded Investment Products – Securities, Collective Investment Schemes and Foreign Exchange	IBF
M6A	Securities and Futures Product Knowledge		CM-SIP	Capital Markets – Specified Investment Products – Derivatives and Collective Investment Schemes	
M8	Collective Investment Schemes	SCI	M8	Collective Investment Schemes	SCI
M8A	Collective Investment Schemes II		M8A	Collective Investment Schemes II	
M9	Life Insurance and Investment-Linked Policies		M9	Life Insurance and Investment-linked Policies	
M9A	Life Insurance and Investment-Linked Policies II		M9A	Life Insurance and Investment-linked Policies II	
<b>Combined Product Knowledge Modules</b>					
			CM-CMP (EIP + SIP)	Capital Markets – Securities, Derivatives, Collective Investment Schemes and Foreign Exchange	IBF
			CM-CIS (M8+ M8A)	Collective Investment Schemes	SCI

Current CMFAS Examination			Revised CMFAS Examination		
Module	Examination	Exam Body	Module	Examination	Exam Body
			CM-LIP (M9+M9A)	Life Insurance and Investment-linked Policies	
			CM-LIC (M8+M8A+M9+M9A)	Life Insurance, Investment-linked Policies and Collective Investment Schemes	

**Table 2: Applicable RES module for an appointed representative whose principal is a member of an approved exchange**

Principal is a member of the following approved exchange:	Applicable Rules, Ethics and Skills Module
SGX-ST	<ol style="list-style-type: none"> <li>1. RES1A; or</li> <li>2. RES1B + RES1BE1; or</li> <li>3. RES12B + RES1BE1</li> </ol>
SGX-DT	<ol style="list-style-type: none"> <li>1. RES2A; or</li> <li>2. RES2B + RES2BE1; or</li> <li>3. RES12B + RES2BE1</li> </ol>
ICE Futures Singapore	<ol style="list-style-type: none"> <li>1. RES2A; or</li> <li>2. RES2B + RES2BE2; or</li> <li>3. RES12B + RES2BE2</li> </ol>
APEX	<ol style="list-style-type: none"> <li>1. RES2A; or</li> <li>2. RES2B + RES2BE3; or</li> <li>3. RES12B + RES2BE3</li> </ol>

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### 3 Grandfathering and Transitional Arrangements

#### Grandfathering Arrangements

3.1 MAS will grandfather existing appointed representatives who are continuing their current regulated activities, from the need to take the revised CMFAS Examination modules. This takes into consideration the fact that these appointed representatives have already fulfilled the requirements of the existing CMFAS Examination and possess relevant knowledge and experience. Existing appointed representatives who intend to undertake additional regulated activities will have to pass the relevant revised CMFAS Examination modules for those activities.

#### Continued Exemption for Private Banking Representatives who only serve Accredited Investors

3.2 Currently, specialised units serving high net worth individuals (“s100(2) units”) that are exempted under section 100(2) of the FAA (“s100(2) Exemption”) are exempted from certain business conduct requirements under the FAA<sup>2</sup>. Private banking (“PB”) representatives of these s100(2) units who carry out regulated activities under the FAA or SFA are exempted from CMFAS Examination requirements. Instead, these PB representatives are subject to the Private Banking Code of Conduct and expected to pass the Client Advisory Competency Standards (“CACS”) examination.

3.3 With the adoption of the opt-in regime for accredited investors (“AI”), the s100(2) Exemption will be revoked on 8 January 2021<sup>3</sup>. PB representatives of existing s100(2) units serving only AI clients will not be subject to the applicable CMFAS Examination if they intend to continue conducting regulated activities under the FAA or SFA, as MAS will continue to exempt these representatives from the CMFAS Examination requirements. This takes into account that the PB representatives have passed CACS and

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<sup>2</sup> Refer to MAS Guidelines FAA-G07 at this link:

[https://www.mas.gov.sg/-/media/MAS/resource/legislation\\_guidelines/fin\\_advisers/fin\\_advisers\\_act/guidelines/100\\_2\\_hnwi.pdf](https://www.mas.gov.sg/-/media/MAS/resource/legislation_guidelines/fin_advisers/fin_advisers_act/guidelines/100_2_hnwi.pdf)

<sup>3</sup> Refer to Question 6 of Frequently Asked Questions on the Definition of Accredited Investor and Opt-In Process at this link:

[https://www.mas.gov.sg/-/media/MAS/Regulations-and-Financial-Stability/Regulations-Guidance-and-Licensing/Securities-Futures-and-Fund-Management/IID-FAQs/FAQs-on-the-Definition-of-Accredited-Investor-and-Opt-In-Process\\_4-Feb-2019.pdf](https://www.mas.gov.sg/-/media/MAS/Regulations-and-Financial-Stability/Regulations-Guidance-and-Licensing/Securities-Futures-and-Fund-Management/IID-FAQs/FAQs-on-the-Definition-of-Accredited-Investor-and-Opt-In-Process_4-Feb-2019.pdf)



are dealing with clients who are more sophisticated. In this regard, MAS will grandfather existing PB representatives who continue to serve only AI clients after 8 January 2021<sup>4</sup> from the CMFAS Examination requirements. MAS will also exempt PB representatives who are appointed after 8 January 2021 and only serve AI clients, from these requirements. These include PB representatives who provide financial advisory services to AI clients and whose dealing in capital markets products involve the passing or keying in of client orders, which are incidental to their provision of financial advisory services to their clients. As with CMFAS, MAS will similarly work with IBF and the industry to enhance the contents of CACS so as to raise industry standards.

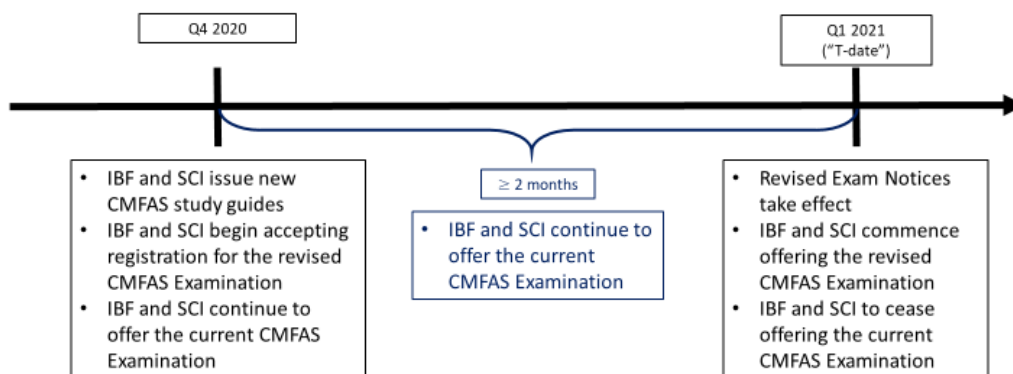
### Transitional Arrangements for Implementation of Revised CMFAS Examination

3.4 MAS will work with IBF and SCI to implement the revised CMFAS Examination in Q1 2021 (“T-date”). On T-date, IBF and SCI will cease to offer the existing CMFAS Examination and will only offer the revised CMFAS Examination. Individuals who are currently studying for the CMFAS Examination and who intend to take the current CMFAS Examination have until T-1 date to do so. For candidates taking the revised CMFAS Examination, IBF and SCI plan to make available the study guides for the revised modules and allow candidates to register for the revised CMFAS Examination at least two months before T-date.

3.5 The target implementation timeline is as follows:

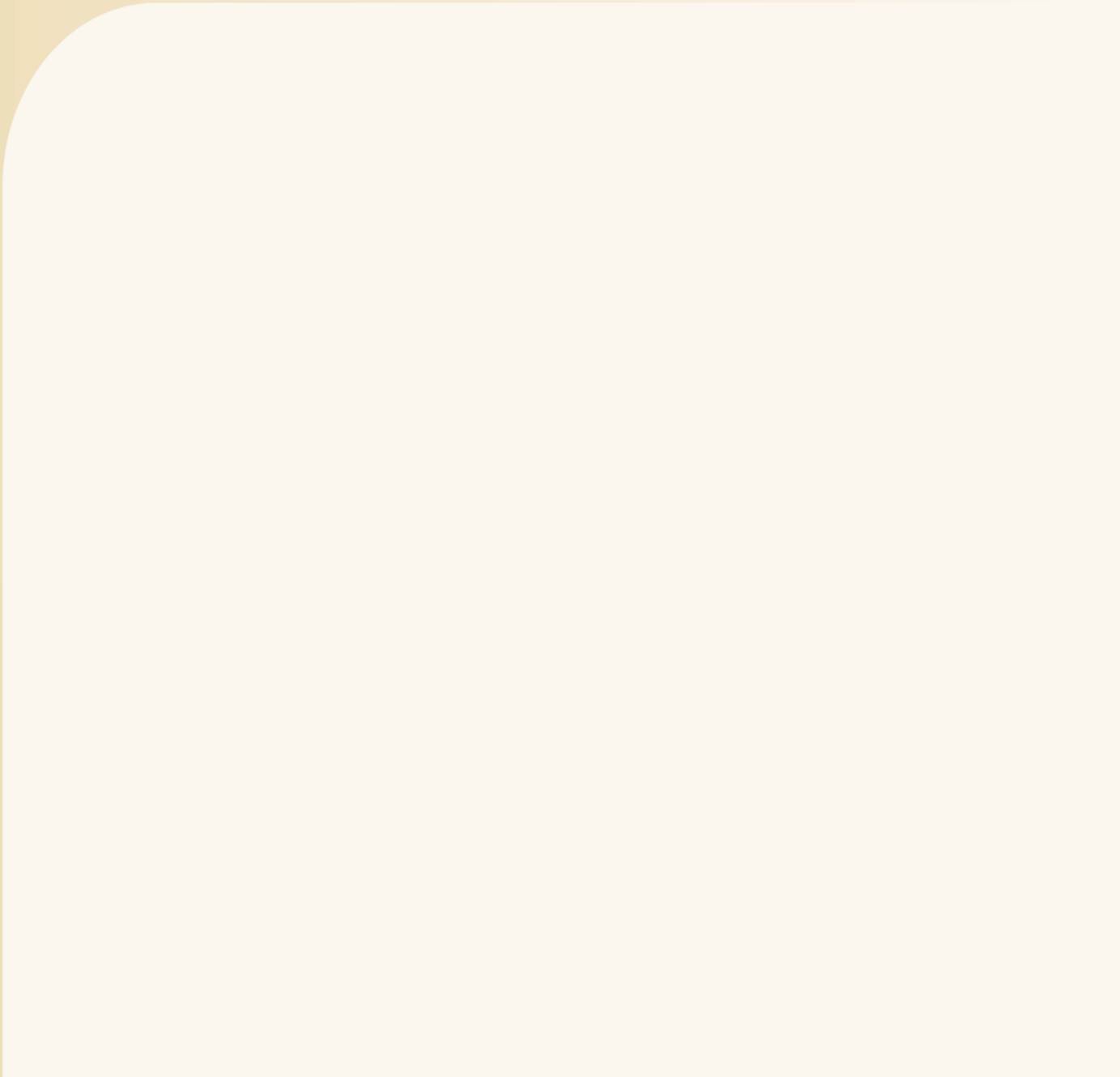
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<sup>4</sup> Existing representatives of s100(2) units who move on to serve non-AI clients, will have to pass the applicable CMFAS examinations for conducting regulated activities under the FAA/SFA.



**Question 1.** MAS seeks comments on the revised FAA Notice (Annex A).

**Question 2.** MAS seeks comments on the revised SFA Notice (Annex B).



Monetary Authority of Singapore