

**DRAFT AMENDMENTS TO THE
GUIDELINES ON CRITERIA FOR THE GRANT OF A FINANCIAL
ADVISER'S LICENCE, RENAMED AS THE GUIDELINES ON
CRITERIA FOR GRANT OF A FINANCIAL ADVISER'S LICENCE AND
MINIMUM STANDARDS FOR LICENSED FINANCIAL ADVISERS**

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Guidelines on Criteria for the Grant of a Financial Adviser's Licence and Minimum Standards for Licensed Financial Advisers

Guideline No : FAA-G01
Issue Date : 1 October 2002 (Last revised on **26 November 2010**[date])

GUIDELINES ON CRITERIA FOR THE GRANT OF A FINANCIAL ADVISER'S LICENCE AND MINIMUM STANDARDS FOR LICENSED FINANCIAL ADVISERS

Purpose of the Guidelines on Criteria for the Grant of a Financial Adviser's Licence and Minimum Standards for Licensed Financial Advisers ["these Guidelines"]

1 These Guidelines are issued pursuant to section 64 of the Financial Advisers Act (Cap. 110) ["the Act"]. They are intended to provide guidance on the licensing admission criteria for persons applying for a financial adviser's licence under the Act, and to set out the minimum financial requirements and conduct of business standards for licensed financial advisers.

[Amended on 26 November 2010]
[Amended on (date)]

2 These Guidelines should be read in conjunction with the provisions of the Act, subsidiary legislation made under the Act, as well as written directions, notices, codes and other guidelines that the Monetary Authority of Singapore ["the Authority"] may issue from time to time.

[Amended on 1 July 2005]

3 ~~[Deleted by revision on [date]]The Authority will update these Guidelines periodically to provide further guidance to applicants.~~

Definitions

4 For the purposes of these Guidelines:

"holding company" has the same meaning as in section 5 of the Companies Act (Cap 50).

[Amended on (date)]

~~“appointed representative” has the same meaning as in section 2(1) of the Act;~~

~~[Amended on 26 November 2010]~~

~~“collective investment scheme” has the same meaning as in section 2(1) of the Securities and Futures Act (Cap. 289);~~

~~“connected person” has the same meaning as section 2(1) of the Act;~~
~~[Amended on 1 July 2005]~~

~~“financial adviser’s licence” has the same meaning as in section 2(1) of the Act;~~

~~[Amended on 1 July 2005]~~

~~“financial advisory service” has the same meaning as in section 2(1) of the Act;~~

~~[Amended on 1 July 2005]~~

~~“foreign company” has the same meaning as in section 4(1) of the Companies Act (Cap. 50);~~

~~“investment product” has the same meaning as in section 2(1) of the Act;~~

~~“net head office funds”, in relation to a foreign company, has the same meaning as in regulation 2(1) of the Financial Advisers Regulations (Rg. 2);~~

~~[Amended on 26 November 2010]~~

~~“paid up capital” means ordinary shares and non-redeemable preference shares that have been fully paid for; and~~

~~“representative” has the same meaning as in section 2(1) of the Act.~~
~~[Amended on 26 November 2010]~~

4A The expressions used in these Guidelines, shall, except where expressly defined in these Guidelines, or where the context otherwise requires, have the meanings as in the Act and the Financial Advisers Regulations [“FAR”].

[Amended on 26 November 2009]

[Amended on (date)]

Who needs to apply for a financial adviser's licence?

5 Corporations which carry on a business of providing any financial advisory service are required to hold a financial adviser's licence under the Act unless they are exempt under section 23 of the Act. Individuals who are employed by or acting for a corporation which is licensed or exempt under sections 23(1)(a) to (e) of the Act to provide any financial advisory service are required to be an appointed or provisional representative under the Act.

[Amended on 26 November 2010]

6 The financial advisory services specified in the Second Schedule to the Act are as follows:

- (a) Advising others, either directly or through publications or writings, whether in electronic, print or other form, concerning any investment product, other than —
 - (i) in the manner set out in paragraph (b); or
 - (ii) advising on corporate finance within the meaning of the Securities and Futures Act (Cap. 289);
[Amended on 1 July 2005]
[Amended on (date)]
- (b) Advising others by issuing or promulgating research analyses or research reports, whether in electronic, print or other form, concerning any investment product;
[Amended on 1 July 2005]
- (c) Marketing of any collective investment scheme; and
- (d) Arranging of any contract of insurance in respect of life policies, other than a contract of reinsurance.

Criteria for grant of a financial adviser's licence

7 A financial adviser's licence will only be granted to a corporation. A corporation applying for a financial adviser's licence (referred to as the

“applicant” is required to establish a physical presence in Singapore. In assessing an application for a financial adviser's licence, the Authority takes into consideration the following factors:

[Amended on (date)]

Chief Executive Officer, Directors and Representatives of the Applicant

(a) whether the chief executive officer [“CEO”]¹ of the applicant has –

- (i) a minimum of 10 years of relevant working experience in respect of the financial advisory service(s) that the applicant is seeking to be licensed, of which at least 5 years must have been in a managerial capacity; and
- (ii) acceptable academic qualifications or professional qualifications, having regard to the nature of the duties the CEO has to perform in relation to the applicant's carrying on a business of providing financial advisory services.

[Amended on (date)]

(a)(b) whether the CEO of the applicant is resident in Singapore.

(b)(c) whether every executive director [“ED”] of the applicant has –

- (i) a minimum of 5 years of relevant working experience in respect of the financial advisory service(s) that the applicant is seeking to be licensed, of which at least 3 years must have been in a managerial capacity; and
- (ii) acceptable academic qualifications or professional qualifications.

(d) whether the applicant's board of directors comprises a minimum of 2 members, ~~with~~ of whom at least one of whom is resident in Singapore.

[Amended on (date)]

(e)(e) whether the CEO or EDs are placed in a position of conflict of interest.

[Amended on 26 November 2010]

¹ “chief executive officer” has the same meaning as in section 56(8) of the Act. The duties of the chief executive officer and directors are as set out in regulation 14 of the FAR.

[Amended on (date)]

- ~~(f) whether the applicant employs or appoints at least three full-time professionals, each of whom –~~
~~(i) is a resident in Singapore; and~~
~~(ii) has a minimum of 5 years of relevant² working experience.~~

~~The professionals may include the CEO, any ED or appointed representative of the applicant.~~

~~[Amended on (date)]~~

- ~~(i) whether the applicant employs or appoints at least two full time individuals as appointed representatives³ for the provision of financial advisory services which the applicant is seeking to be licensed to provide.~~

~~[Amended on 9 June 2009]~~

~~[Amended on 26 November 2010]~~

- ~~(ii) whether the Chief Executive Officer [“CEO”]⁴ and all Executive Directors [“EDs”] have a minimum of 5 years of relevant working experience in respect of the financial advisory services that the corporation is seeking to be licensed, with at least 3 years in a managerial capacity and whether such persons also have acceptable academic qualifications or professional qualifications.~~

~~whether the applicant's board of directors comprise a minimum of 2 members, with at least one of whom is resident in Singapore.~~

~~whether the CEO of the applicant is resident in Singapore.~~

~~whether the CEO or EDs are placed in a position of conflict of interest.~~

² ~~The relevance of an individual's working experience should be assessed in the context of the role that the individual will perform for the licensed financial adviser.~~

~~[Amended on (date)]~~

³ ~~An appointed representative has to satisfy the following minimum entry requirements:~~

- ~~(a) be at least 21 years old;~~
~~(b) satisfy the minimum academic qualification and examination requirements as prescribed in the Notice on Minimum Entry and Examination Requirements for Representatives of Licensed Financial Advisers and Exempt Financial Advisers [Notice FAA N13];~~
~~(c) satisfy the fit and proper criteria set out in the Guidelines on Fit and Proper Criteria issued by the Authority [Guidelines FSG-G01]; and~~
~~(d) any other criteria stipulated by the Authority.~~

⁴ ~~As defined in section 56 of the FAA. The duties of the chief executive officer and directors are spelt out in regulation 14 of the Financial Advisers Regulations.~~

~~[Amended on 26 November 2010]~~

~~[Amended on 26 November 2010]~~

8 An applicant for a financial adviser's licence must also meet the following requirements:

8.1 Minimum financial requirements

The minimum financial requirements that the applicant has to satisfy is as set out in regulation 15 of the FAR.

[Amended on (date)]

~~(a) Paid up capital of \$150,000⁵~~

~~In the case of an applicant which carries on a business of providing any or all of the following financial advisory services:~~

~~(i) advising others in the manner specified in paragraph 6(a) concerning investment products other than futures contracts, contracts or arrangements for the purposes of foreign exchange trading and contracts or arrangements for the purposes of leveraged foreign exchange trading;~~

~~[Amended on 1 July 2005]~~

~~(ii) advising others in the manner specified in paragraph 6(b) concerning investment products, other than futures contracts, contracts or arrangements for the purposes of foreign exchange trading and contracts or arrangements for the purposes of leveraged foreign exchange trading;~~

~~[Amended on 1 July 2005]~~

~~(iii) marketing of collective investment schemes;~~

~~(iv) arranging of contracts of insurance in respect of life policies, other than contracts of reinsurance.~~

⁵ ~~Net Head Office Funds of the same amount in the case of a foreign company.~~

~~(b) Paid-up capital of \$300,000⁶~~

~~In the case of an applicant which carries on a business of providing any or all of the following financial advisory services:~~

~~(i) advising others in the manner specified in paragraph 6(a) concerning futures contracts, contracts or arrangements for the purposes of foreign exchange trading, or contracts or arrangements for the purposes of leveraged foreign exchange trading;~~

~~[Amended on 1 July 2005]~~

~~(ii) advising others in the manner specified in paragraph 6(b) concerning futures contracts, contracts or arrangements for the purposes of foreign exchange trading, or contracts or arrangements for the purposes of leveraged foreign exchange trading.~~

~~[Amended on 1 July 2005]~~

~~(c) Paid-up capital of \$300,000⁷~~

~~In the case of an applicant which carries on a business of providing a combination of the financial advisory services referred to in sub-paragraphs (a) and (b) above.~~

~~[Amended on 1 July 2005]~~

~~The above financial requirements are spelt out in regulation 15 of the Financial Advisers Regulations ["FAR"].~~

8.2 *Professional Indemnity Insurance*

~~(a) Section 9(1)(c) read with regulation 17 of the FAR set out the requirements that an applicant which intends to carry on a business of providing any or all types of financial advisory services to a client who is not an accredited investor, an expert investor or an institutional investor, must comply with in relation to a professional indemnity insurance policy ["PII"]~~

⁶ See footnote 3 above.

⁷ See footnote 3 above.

[Amended on (date)]

(b) For the purposes of section 9(1)(c) of the Act, the Authority may at its discretion approve the following alternative PII in lieu of a PII which satisfies the requirements set out in regulation 17 of the FAR, subject to the applicant having adequately demonstrated that the alternative PII does not, directly or indirectly, undermine the interest of investors and fulfilled the following conditions specified for each type of alternative PII⁸:

~~An applicant must have in force a standalone non-hybrid professional indemnity insurance policy ["PII"] under which the limit of indemnity covered should be an amount of not less than \$500,000 and under which the deductible allowed must not be more than 20% of the applicant's net asset value⁹ at the end of its immediately preceding financial year. This requirement is stipulated in regulation 17 of the FAR. MAS may also consider the following alternative forms of PII, as long as the applicant has assessed that such a PII does not undermine the interest of investors, subject to the fulfilment of conditions specified for each type of PII:~~

<u>Types of Alternative PII</u>	<u>Conditions to be Satisfied</u>
<u>(A) Group PII</u>	<u>(i) Minimum coverage has to be at least 5 times the required quantum under a standalone non-hybrid PII.</u> <u>(ii) If the deductible of the Group PII is greater than 10% of the applicant's base capital / 20% of the applicant's net asset value / net head office funds at the end of its immediately preceding financial year, an undertaking from the applicant's holdingparent company to cover the excess in the event of a claim would be required.</u>

⁸ The Authority may, when the applicant is no longer able to demonstrate the alternative PII does not undermine the interest of investors or where the conditions specified for that type of alternative PII is no longer satisfied, withdraw its approval for the alternative PII and the applicant or the licensed financial adviser, as the case may be, will have to comply with requirements set out in regulation 17 of the FAR.

⁹ ~~Net Head Office Funds in the case of a foreign company.~~

<p><u>(B)</u> Hybrid PII¹⁰</p>	<p><u>(i)</u> Sub-limits have to be set for the non-PII sections of the hybrid PII.</p> <p><u>(ii)</u> Total coverage under the hybrid PII less the sub-limits for the non-PII sections has to be at least equivalent to the required quantum under a standalone non-hybrid PII.</p>
<p><u>(C)</u> Group Hybrid PII</p>	<p><u>(i)</u> Sub-limits have to be set for the non-PII sections of the Group hybrid PII.</p> <p><u>(ii)</u> Total coverage of the Group hybrid PII less the sub-limits for the non-PII sections has to be at least 5 times the required quantum under a standalone non-hybrid PII.</p> <p><u>(iii)</u> If the deductible of the Group hybrid PII is greater than <u>10% of the applicant's base capital</u>20% of the applicant's net asset value / net head office funds at the end of its immediately preceding financial year, an undertaking from the applicant's <u>holding parent</u> company to cover the excess in the event of a claim would be required.</p>

[Amended on 24 August 2010]

[Amended on (date)]

(c) The applicant should submit a copy of its PII policy to the Authority following the grant of in-principle approval of its application for a financial adviser's licence, and where the PII policy is renewed or replaced subsequently, within a month from the date on which the PII policy is renewed or replaced.

[Amended on (date)]

¹⁰ A hybrid PII is a PII policy which offers coverage on PII as well as other risks, such as crime and directors and officers' liability.

8.3 *Track Record*

An applicant should have a minimum 53-year proven track record in carrying on a business of providing the financial advisory service(s) for which the applicant is seeking a licence the financial advisory business.

[Amended on (date)]

8.4 *Shareholding*

Where an applicant is unable to satisfy the minimum 5-year proven track record guideline set out In the case of an applicant which does not satisfy the 3 year track record requirement stipulated in paragraph 8.3, the CEO should own hold not less than 20% of the total number of issued shares shareholding of the applicant. The CEO and EDs should, in the aggregate, own hold not less than 50% of the total number of issued shares shareholding of the applicant.

[Amended on (date)]

8.5 *Supervision by Home Regulatory Authority*

Where an applicant is a corporation which is incorporated or established outside Singapore ("foreign corporation") or a local company which is a subsidiary of a foreign corporation, the applicant as the foreign corporation or its foreign holding company, as the case may be, should be subject to proper supervision by recognised home regulatory authorities and possess the requisite track record.

[Amended on 1 July 2005]

[Amended on (date)]

8.6 *Systems and Processes*

An applicant should have adequate internal compliance systems and processes commensurate with the size and complexity of its business to ensure compliance with the law, good practices and professional standards. This would include access to research reports, financial planning tools and services, and investment capability.

8.7 *Fit and Proper*

An applicant as well as its officers, employees, representatives and substantial shareholders must satisfy the fit and proper criteria set out in the Guidelines on Fit and Proper Criteria issued by the Authority (Guideline No. FSG-G01).

[Amended on 9 June 2009]

[Amended on 26 November 2010]

8.8 *Letter of Responsibility*

Where appropriate, MAS may require the applicant to procure a letter of responsibility, in relation to financial or other commitments, from its holding company.

[Amended on (date)]

8.9 *Compliance Arrangements*

(a) An applicant should have in place compliance arrangements that are independent of its advisory and sales functions, staffed with suitably qualified individuals, and commensurate with the nature, scale and complexity of its business.

[Amended on (date)]

(b) An applicant which intends to have more than 20 appointed representatives or whose annual gross revenue is likely to exceed S\$5 million, should have a compliance function which is staffed by suitably qualified individuals who are independent from the applicant's advisory and sales functions and dedicated to their compliance role.

[Amended on (date)]

Minimum standards expected of licensed financial advisers

8A A licensed financial adviser should continue to satisfy the criteria as set out in paragraph 7 and the requirements as set out in paragraph 8, where appropriate.

[Amended on (date)]

8B As provided in regulations 15A and 16C of the FAR, a licensed financial adviser shall at all times maintain the financial requirements.

[Amended on (date)]

8C In reference to paragraph 8.4, a licensed financial adviser should seek MAS' prior approval for any reduction in the individual shareholding of its CEO or ED, or both, as the case may be.

[Amended on (date)]

Miscellaneous

9 Paragraphs 7 to 20 of FAA-G01 dated 1 October 2002 and last revised on 24 August 2010 are deleted on 26 November 2010.

[Amended on 26 November 2010]

10 For the avoidance of doubt, a licensed financial adviser which has employed or appointed a CEO ("existing CEO"), before [date which these Guidelines take effect] ("appointed date") need not observe the guidelines in relation to the CEO as set out in paragraph 7(a) from the appointed date. The licensed financial adviser should continue to observe the guidelines in relation to a CEO set out in paragraph 7(ii) of FAA-G01 dated 1 October 2002 in force immediately before the appointed date. Where a licensed financial adviser intends to change or replace, or changes or replaces, its existing CEO on or after the appointed date, the licensed financial adviser should observe the criteria as set out in paragraph 7(a) in relation to its new CEO.

[Amended on (date)]

11 A person which has been granted a financial adviser's licence under section 13 of the Act need not observe paragraphs 7(f), 8.8 and 8.9 before the appointed date ("existing holder"), for a period of 6 months from the appointed date ("specified period"); and the existing person should continue to observe paragraph 7(i) of FAA-G01 dated 1 October 2002 in force immediately before the appointed date in the specified period.

[Amended on (date)]

12 Any person which is –

(a) an existing holder; and

(b) a person which has made an application for the grant of a financial adviser's licence under section 8 of the Act for a licence before the appointed date and the financial adviser's

licence is granted under section 13 of the Act within 6 months from the appointed date ("new holder"), need not observe paragraph 8.2 for a period of 12 months from the appointed date ("notified period"); and the existing holder or the new holder, as the case may be, should continue to observe paragraph 8.2 of FAA-G01 dated 1 October 2002 in force immediately before the appointed date in the notified period.

[Amended on (date)]

13 Notwithstanding that an existing holder or new holder, as the case may be, should observe paragraph 8.2(b) after the notified period, an existing holder or new holder need not observe paragraphs 8.2(b)(A)(ii) and 8.2(b)(C)(iii) for a period of 12 months from the end of the notified period and ending on the expiry of 24 months from the appointed date ("relevant period"); and in the relevant period, in relation to any Group PII or Group hybrid PII, as the case may be, if the deductible of the Group PII or Group hybrid PII, as the case may be, is greater than 10% of the existing holder's or new holder's, as the case may be, paid-up capital, an undertaking from the existing holder's or new holder's, as the case may be, holding company to cover the excess in the event of a claim would be required.

[Amended on (date)]

14 An existing holder need not observe paragraphs 8.3, 8.4 and 8.5 from the appointed date and the existing holder should continue to observe paragraphs 8.3, 8.4 and 8.5 of FAA-G01 dated 1 October 2002 in force immediately before the appointed date.

[Amended on (date)]