

# CONSULTATION PAPER

P022-2014  
October 2014

Consultation on:

(1) Draft Legislation and Proposed Legislative Amendments to Effect the Policy Proposals under the Financial Advisory Industry Review; and  
(2) Proposed Legislative Amendments to Authorise Inspections by Foreign Regulatory Authorities under the Financial Advisers Act

MAS

Monetary Authority of Singapore

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## PREFACE

1 On 5 March 2013, the Monetary Authority of Singapore (“MAS”) released a consultation paper seeking feedback on the recommendations of FAIR. The consultation closed on 4 June 2013 and MAS published its response to the feedback on 30 September 2013.

2 MAS is now consulting on the following legislative provisions and amendments to effect the policy proposals under FAIR:

	<u>Annexes</u>
a) Draft Amendments to the Notice on Minimum Entry and Examination Requirements for Representatives of Licensed Financial Advisers and Exempt Financial Advisers (“Notice FAA-N13”);	1
b) the New Notice on Continuing Financial Requirements for Licensed Financial Advisers (“Notice FAA-NXXLFAXX”);	2
c) First Draft Amendments to the Financial Advisers Regulations (“FA Amendment (No. 1) Regs”);	3
d) Draft Amendments to Form 15 under the FAA and Financial Advisers Regulations (“FA Regs”) on Statement of Assets and Liabilities, Net Asset Value, and Insurance Broking Premium Account under Section 45(1), renamed as Statement of Assets and Liabilities, Financial Resources, and Insurance Broking Premium Account under Section 45(1) (“Form 15”);	4
e) Draft Amendments to the Guidelines on Criteria for the Grant of a Financial Adviser’s Licence (“Guideline FAA-G01”), renamed as the Guidelines on Criteria for Grant of a Financial Adviser’s Licence and Minimum Standards for Licensed Financial Advisers;	5
f) Second Draft Amendments to the Financial Advisers Regulations (“FA Amendment (No. 2) Regs”);	6
g) the New Form 29 under the FAA and FA Regs on Statement of Revenue under Regulation 37(1A)(a) by Registered Insurance Brokers Exempt from Holding a Financial Adviser’s	7

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	Licence under Section 23(1)(c), Read with Regulation 17(A)(1) (“Form 29”);	
h)	the New Form 30 under the FAA and FA Regs on Statement of Revenue under Regulation 37(1A)(b) by Registered Insurance Brokers Exempt from Holding a Financial Adviser’s Licence under Section 23(1)(c) (“Form 30”); and	8
i)	the New Form 31 under the FAA and FA Regs on Statement of Base Capital and Financial Resources under Regulation 37(1A)(b) by Registered Insurance Brokers Exempt from Holding a Financial Adviser’s Licence under Section 23(1)(c) (“Form 31”).	9
j)	Draft Amendments to Form 26 under the FAA and FA Regs on Notice of Commencement of Business / Additional Financial Advisory Service(s) Lodged Pursuant to Regulation 37(1) by Persons Exempt from Holding a Financial Adviser’s Licence under Section 23(1)(a), (b), (c), (d) and (e) (“Form 26”);	10
k)	Draft Amendments to Form 27 under the FAA and FA Regs on Notice of Change of Particulars Lodged Pursuant to Regulation 37(1) by Persons Exempt from Holding a Financial Adviser’s Licence under Section 23(1)(a), (b), (c), (d) and (e) (“Form 27”);	11
l)	the New Notice on Requirements for Registered Insurance Brokers Exempt from Holding a Financial Adviser’s Licence under section 23(1)(c) (“Notice FAA-NXXIBXX”);	12
m)	the New Guidelines on Minimum Standards for Registered Insurance Brokers Exempt from Holding a Financial Adviser’s Licence under section 23(1)(c) (“FAA-GXXIBXX”);	13
n)	Draft Financial Advisers (Amendment) Bill 2015;	14
o)	Draft Amendments to the Notice on Appointment and Use of Introducers by Financial Advisers (“Notice FAA-N02”);	15
p)	Draft Insurance (Amendment) Bill 2015;	16
q)	the New Financial Advisers (Remuneration and Incentive) Regulations (“FA(RI) Regs”);	17
r)	the New Insurance (Remuneration) Regulations (“I(R) Regs”);	18

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| s) the New Notice on Requirements for the Balanced Scorecard Framework and Independent Sales Audit Unit ("Notice FAA-NXXFAXX"); and | 19 |
| t) the New Guidelines on the Balanced Scorecard Framework, Reference Checks and Pre-Transaction Checks ("FAA-GXXFAXX").             | 20 |

3 In addition, as MAS' powers to allow foreign regulatory authorities ("FRAs") (or their appointed agents) to inspect financial institutions in Singapore do not currently extend to FA firms<sup>1</sup>, MAS is proposing to align the FAA with other Acts under MAS' purview by providing for such powers. Such inspections are intended for FRAs from the parent jurisdictions that have regulatory oversight of the FA firm in Singapore to carry out their supervisory functions. The proposed legislative amendments are presented in the Financial Advisers (Amendment) Bill 2015.

4 FA Amendment (No. 1) Regs, Notice FAA-NXXLFAXX, and the amendments to Notice FAA-N02, Notice FAA-N13, Guideline FAA-G01 and Form 15 are expected to come into effect ahead of the other legislative provisions and amendments.

5 MAS is also working to implement the other FAIR initiatives that are not set out in this paper, including those that do not require legislative provisions and amendments, as well as others for which we will be consulting with the industry separately. MAS aims to implement the full suite of FAIR initiatives in 2015.

6 MAS invites interested parties to provide their comments and feedback on the proposed legislative provisions and amendments to:

Capital Markets Intermediaries Department  
Monetary Authority of Singapore  
10 Shenton Way, MAS Building  
Singapore 079117  
Email: FA\_IA\_LegisConsult2014@mas.gov.sg  
Fax: 6225 9766

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<sup>1</sup> FA firms in this context refer to: (i) licensed financial advisers under the FAA; and (ii) financial advisers exempt under section 23(1) of the FAA from holding a financial adviser's licence.



Electronic submission is encouraged. MAS requests that all comments and feedback be submitted by 3 November 2014.

7 Please note that all submissions received may be made public unless confidentiality is specifically requested for the whole or part of the submission.

## INTRODUCTION

### SECTION 1: DRAFT LEGISLATION AND PROPOSED LEGISLATIVE AMENDMENTS TO EFFECT THE POLICY PROPOSALS UNDER THE FINANCIAL ADVISORY INDUSTRY REVIEW

1 On 26 March 2012, MAS launched FAIR to raise the standards and professionalism of the financial advisory (“FA”) industry and to enhance market efficiency in the distribution of life insurance and investment products in Singapore.

2 The following are the five key thrusts of FAIR:

- a) Raising the competence of FA representatives;
- b) Raising the quality of FA firms;
- c) Making financial advising a dedicated service;
- d) Lowering distribution costs by enhancing market efficiency; and
- e) Promoting a culture of fair dealing.

3 MAS released a consultation paper on the recommendations of FAIR on 5 March 2013 and issued its response to the public consultation on 30 September 2013. The FAIR initiatives that require legislative provisions and amendments are set out in the following paragraphs.

#### **A Raising the competence of FA representatives<sup>2</sup> - Continuing professional development (“CPD”)**

4 Currently, all FA representatives are required under Notice FAA-N13 to undergo CPD training. FAA-N13 also sets out the expectation for all FA representatives who sell life insurance products to observe the Guidelines on Continuing Professional Development Requirement issued by the Life Insurance Association, Singapore. To ensure consistency in the quality of CPD training for FA representatives who provide FA services in respect of life insurance and other investment products, a more structured CPD training framework will be put in place.

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<sup>2</sup> With effect from 1 February 2014, the minimum academic entry requirement for FA representatives has been raised from four GCE ‘O’ level credit passes to: (i) a full certificate in GCE ‘A’ level; (ii) an International Baccalaureate Diploma qualification; (iii) a diploma awarded by a polytechnic in Singapore; or their equivalent.

5 In this regard, Notice FAA-N13 will be amended to prescribe a minimum of 30 hours of CPD training for FA representatives annually. FA representatives who only advise on or arrange mortgage reducing term assurance and/or group life insurance policies will be required to undergo at least 16 hours of CPD training annually. Out of the applicable minimum CPD hours, at least four hours must be in Ethics and eight hours in Rules and Regulations. Only a training course that has been accredited by the Institute of Banking & Finance or the Singapore College of Insurance may be counted towards meeting the minimum CPD hours in Ethics as well as Rules and Regulations.

6 The CPD requirements will be applied on a calendar year basis. An individual will not be required to fulfil the CPD requirements for the first calendar year that he is an appointed representative.

7 The proposed amendments can be found in **Annex 1**.

## **B Raising the quality of FA firms - Financial and other requirements**

8 To ensure that licensed financial advisers (“LFAs”) are adequately staffed, properly managed and sufficiently resourced to better safeguard the interests of consumers, MAS will be enhancing the admission criteria and ongoing requirements for LFAs. The details are as follows:

- a) LFAs who only advise others by issuing or promulgating research analyses or research reports concerning investment products are required to maintain a minimum base capital of S\$250,000. All other LFAs are required to maintain a minimum base capital of S\$500,000, or a lower base capital of S\$300,000 if the LFA purchases an additional Professional Indemnity Insurance (“PII”) coverage of S\$500,000. For avoidance of doubt, the additional PII coverage is on top of the minimum PII requirements set out in regulation 17 of the FA Regs. The definition of “base capital” is set out in regulation 2 of the FA Amendment (No. 1) Regs;
- b) LFAs are required to maintain financial resources that are higher of (i) one-quarter of their relevant annual expenditure of the immediately preceding financial year; or (ii) S\$150,000. A new Notice FAA-NXXLFAXX, attached at

**Annex 2**, will be issued to set out the relevant definitions and computation methodology for financial resources; and

- c) LFAs with annual revenue of up to S\$5 million are required to obtain minimum PII coverage of S\$1 million, while LFAs with annual revenue of more than S\$5 million are required to obtain minimum PII coverage of 20% of their audited gross revenue of the immediately preceding year, subject to a cap of S\$10 million. LFAs who only advise others by issuing or promulgating research analyses or research reports concerning investment products are required to obtain minimum PII of S\$500,000. The amount of deductible for the PII policy will be capped at 10% of the LFA's base capital.

9 Regulations 2, 15, 16 and 17 of the FA Regs will be amended, together with the insertion of a Fourth Schedule to the FA Regs, to effect the above recommendations. Please refer to FA Amendment (No. 1) Regs.

10 Existing LFAs will be given a two-year transitional period to meet the new requirements on base capital and financial resources, and a one-year transitional period to meet the new PII requirement<sup>3</sup>. The proposed FA Amendment (No. 1) Regs and amendments to Form 15, to incorporate the new financial reporting requirements, are attached at **Annex 3** and **Annex 4** respectively.

11 In addition, MAS will be renaming the existing Guideline FAA-G01 as the Guidelines on Criteria for Grant of a Financial Adviser's Licence and Minimum Standards for Licensed Financial Advisers, and making the following amendments to provide guidance on the enhanced admission criteria and minimum standards for LFAs:

- a) An LFA applicant should have at least five years of proven track record in carrying on a business of providing any FA services;
- b) Its proposed CEO appointee should have at least 10 years of relevant working experience, of which at least five years should be at a managerial level;
- c) An LFA applicant should employ a minimum of three full-time, resident professionals with at least five years of relevant experience each;

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<sup>3</sup> Until the new requirements on base capital come into effect, LFAs should compute the cap on the deductibles using paid up capital, i.e. 10% of the LFA's paid-up capital.

- d) An LFA applicant should have a compliance function that is independent of the advisory and sales function. For LFAs with more than 20 FA representatives or a gross annual revenue of more than S\$5 million, the compliance function should be both independent and dedicated; and
- e) Where appropriate, the holding company of the LFA applicant should provide a Letter of Responsibility to MAS.

The revised Guideline FAA-G01 is attached at **Annex 5**.

12 Existing LFAs are expected to meet the new requirements in paragraphs 11(c), (d) and (e) within six months from the publication of the revised Guideline FAA-G01.

### **C Raising the quality of FA firms – FA activities of registered insurance brokers**

13 To ensure that registered insurance brokers which provide FA services are fully capable of managing their FA business, MAS will amend the FA Regs to specify the requirements that registered insurance brokers must meet if they wish to carry on the full range of FA activities as exempt financial advisers under section 23 (1)(c) of the FAA. Specifically, registered insurance brokers will be required to meet the same management expertise, financial and compliance requirements applicable to LFAs; failing which their FA activities will be restricted. The proposed FA Amendment (No. 2) Regs is attached at **Annex 6**. The FA Amendment (No. 2) Regs further set out the proposed requirements for annual financial reporting by registered insurance brokers via Forms 29, 30 and 31, attached at **Annex 7, Annex 8 and Annex 9**. Arising from the above requirements, MAS has also revised Forms 26 and 27, attached at **Annex 10 and Annex 11**, to include a separate section for registered insurance brokers. MAS will also issue a new Notice FAA-NXXIBXX, attached at **Annex 12**, to supplement the FA Amendment (No. 2) Regs in setting out the financial and conduct of business requirements for registered insurance brokers.

14 Further to the above, MAS will issue the new Guidelines FAA-GXXIBXX, attached at **Annex 13**, to provide guidance on the requirements that registered insurance brokers should meet to provide the full range of FA activities.

## **D Raising the quality of FA firms - Non-FA activities conducted by LFAs**

15 MAS will amend the FAA to vest itself with powers to restrict the types of non-FA activities which LFAs are allowed to conduct. This is to ensure that LFAs remain professional and dedicated to their role as FA firms. The proposed amendments can be found in the Financial Advisers (Amendment) Bill 2015, attached at **Annex 14**. MAS will also amend the FA Regs to specify that the non-FA activities of LFAs will be restricted to:

- a) Acting as introducers or making referrals in respect of non-FA activities to financial institutions licensed by MAS;
- b) Providing training and consultancy in respect of financial planning or financial literacy aimed at educating and empowering consumers; and
- c) Providing will writing, estate planning and tax planning services.

16 LFAs will be required to establish and maintain a register of representatives who carry out any non-FA activities described in paragraphs 15 (a) to (c). The gross revenue generated by LFAs from their non-FA activities will also be capped at 5% of their total annual revenue derived from their FA business, based on their last audited financial returns. The proposed amendments can be found in the FA Amendment (No. 2) Regs, attached at **Annex 6**.

17 In our response to the consultation feedback on 30 September 2013, we agreed to provide a transition period of one year for FA firms to review their activities and comply with the new requirements. In preparation for the implementation of these requirements, LFAs should commence the review of their existing activities and make appropriate arrangements to unwind any activities which do not fall within the scope of permitted non-FA activities. The new requirements are expected to take effect on 1 January 2016.

## **E Making financial advising a dedicated service - Non-FA activities conducted by FA representatives**

18 To ensure that FA representatives maintain a high level of professionalism and competence in their dealings with customers and to minimise possible conflicts of interest, FA firms should only recruit representatives whose professional focus is

primarily on their FA role. MAS will amend the FA Regs to specify that FA firms should assess the non-FA activities of their representatives to ensure that:

- a) The activities do not conflict with the FA firm's business;
- b) The activities do not tarnish the image of the FA industry; and
- c) The conduct of the activities by the representatives will not lead to a neglect of his or her FA role.

19 In addition, MAS will prohibit FA representatives from conducting the following non-FA activities:

- a) Carrying on moneylending business;
- b) Promoting junkets for casinos;
- c) Acting as real estate agents; and
- d) Marketing products that are not regulated under the FAA.

20 For prospective representatives with other gainful employment, FA firms shall require them to obtain the approval of their employers prior to appointing them as representatives. For existing representatives with other gainful employment which the FA firm has assessed as acceptable, the FA firm is required to ensure that these representatives disclose their representative status to their other employers. FA firms would need to maintain sufficient documentation to demonstrate that the assessment of non-FA activities conducted by their representatives have been properly carried out. In addition, FA firms must put in place processes to ensure that they are informed of any non-FA activity that their prospective or existing representatives conduct or intend to conduct, and have proper systems and controls to monitor their representatives' conduct of non-FA activities on an ongoing basis. The proposed amendments can be found in FA Amendment (No. 2) Regs, attached at **Annex 6**.

21 In our response to the consultation feedback on 30 September 2013, we agreed to provide a transition period of one year for FA firms to review their representatives' activities and comply with the new requirements. In preparation for the implementation of these requirements (which are expected to take effect on 1 January 2016), FA firms are advised to complete the assessment of the non-FA activities carried out by their representatives by 30 June 2015. FA firms should

ensure that these representatives make appropriate arrangements to unwind any activities that the FA firms have identified as being in conflict with the role of an FA representative before the new requirements take effect. FA firms should also keep their representatives informed of the outcome of their assessment and put in place communication plans to explain to their representatives the rationale behind the assessments and options available to them.

## **F Making financial advising a dedicated service - Use of introducers by FA firms**

22 To minimise the risk of persons that are not fit and proper acting as introducers, and to enable consumers to ascertain whether they are dealing with an introducer or an FA firm, MAS is proposing amendments to Regulation 31 of the FA Regs and FAA-N02. The proposed FA Amendment (No. 1) Regs and amendments to FAA-N02 are attached at **Annex 3** and **Annex 15** respectively.

23 The amendments encompass the following:

- a) Requiring FA firms to institute adequate policies and procedures to assess, and to be satisfied that, the appointment of introducers would not give rise to any conflicts of interest to the FA firms or their customers, and would not tarnish the image of the FA firm or the FA industry;
- b) Disallowing introducers from providing product information to customers;
- c) Prohibiting FA firms from acting as introducers in respect of investment products for which they are permitted to provide advice, unless a customer initiates an enquiry on that class of investment products or a specific product within that class; and
- d) Requiring FA firms to prepare a Client Acknowledgement Form ("CAF") containing all the information which the introducer is required to disclose to the customer, and which the introducer must use as a script when carrying out introducing activities. After the customer has provided his or her acknowledgement and consent on the CAF, the FA firm must ensure that the introducer provides a copy of the CAF to the customer for his or her retention. The FA firm is required to retain records of every customer's acknowledgement and consent obtained by the introducer.



## **G Promoting a culture of fair dealing - Commission payout structure of regular premium life insurance products**

24 MAS will be requiring the commissions for regular premium life policies paid by product manufacturers to FA firms, representatives and supervisors to be distributed over a minimum period of six years or the premium payment period of the policy, whichever is shorter. This will better align the interests of the FA industry with that of its customers and encourage good after-sales services to customers. First-year commissions will also be capped at 55% of total commissions. The remaining commissions of at least 45% will be paid out over the next five years or the remaining premium payment years, whichever is shorter.

25 MAS will amend the FAA and Insurance Act (“IA”) to vest itself with powers to make regulations with respect to the remuneration (including any commissions) of FA firms, representatives and supervisors. The proposed amendments can be found in the Financial Advisers (Amendment) Bill 2015 and the Insurance (Amendment) Bill 2015, attached at **Annex 14** and **Annex 16** respectively. Pursuant to the new powers under the respective Acts, MAS will issue the FA(RI) Regs, attached at **Annex 17**, and I(R) Regs, attached at **Annex 18**, to cap and spread the commissions of FA firms, representatives and supervisors.

## **H Promoting a culture of fair dealing - Balanced scorecard (“BSC”) framework for remuneration of FA representatives and supervisors**

26 MAS will amend the FAA to vest itself with powers to require FA firms to implement the BSC framework in the remuneration structures for representatives and supervisors. The proposed amendments can be found in the Financial Advisers (Amendment) Bill 2015, attached at **Annex 14**. This is to better align the interests of FA representatives and supervisors with that of their customers and minimise conflicts with customers’ interests that are inherent in volume-based remuneration arrangements. The classes of FA firms and types of FA activities that will be exempt from the requirements of the BSC framework are set out in the proposed FA Amendment (No. 2) Regs, attached at **Annex 6**.

27 MAS will issue a new Notice FAA-NXXFAXX, attached at **Annex 19**, to effect the BSC initiative. The Notice will set out the main components of the BSC

framework including the types of key performance indicators that are not related to sales, proportion of variable income subject to the BSC framework, type of infractions that will be subject to the review methodology, assignment of BSC grades, and the responsibilities of the Board and Senior Management of FA firms.

28 MAS will also issue a new set of Guidelines, FAA-GXXFAXX, attached at **Annex 20**, to provide guidance on the documentation review and customer surveys that FA firms are required to conduct as well as examples of infractions that will be taken into account under the BSC framework.

29 MAS has agreed with the industry that FA firms will implement the BSC framework on 1 January 2015. There will be no deductions from the variable income of representatives and supervisors for any infractions uncovered during the first year of implementation. This is to give the industry sufficient time to familiarise themselves with the framework, and for MAS to fine-tune the framework, if necessary, before we effect the requirements in legislation in January 2016.

### **I Promoting a culture of fair dealing - Banning of product-related incentives for FA firms, representatives and supervisors**

30 MAS will ban short-term product-related incentives that reward FA firms, representatives and supervisors for recommending specific investment products or a specific class of investment products as such incentives may encourage poor market conduct practices such as product pushing and improper switching. Such product-related incentives which are given for the sale of pure protection products will be excluded from the ban.

31 MAS will amend the FAA to vest itself with powers to prohibit or restrict the provision and receipt of product-related incentives and issue regulations under the FA(RI) Regs. These are attached at **Annex 14** and **Annex 17** respectively.

## **J Lowering distribution costs by enhancing market efficiency – Facilitating comparison of life insurance products and cheaper access to life insurance products**

32 MAS will be launching an online web aggregator to enhance the transparency of information in respect of life insurance products. The web aggregator will allow consumers to compare the premiums and other key features of life insurance products offered by various insurers so that they can make informed financial decisions.

33 MAS proposes to amend the IA to require participating life insurers to submit information on life insurance products to MAS, or such person as MAS may specify, for publication on the web aggregator, and to pay a fee for the hosting, operation and maintenance of, and system changes to, the web aggregator. The proposed amendments can be found in **Annex 16**.

34 Life insurers catering to the retail market will also be required to offer a class of life insurance products directly to consumers, without charging any commissions. This will provide consumers, who do not require financial advice, with access to a class of life insurance products that meet their basic protection needs at a lower cost. The features of such products will be broadly standardised to make them easier for consumers to understand and purchase without financial advice. MAS has issued a press release on the features of these products on 30 July 2014<sup>4</sup>. In this regard, MAS proposes to amend the IA, attached at **Annex 16**, to require all life insurers that serve the retail market to manufacture and offer such life insurance products in Singapore.

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<sup>4</sup> The link to the press release on “Buying Life Insurance Products Directly from Insurance Companies without Commissions” can be found at the following link:  
<http://www.mas.gov.sg/News-and-Publications/Media-Releases/2014/Buying-Life-Insurance-Products-Directly-from-Insurance-Companies-without-Commissions.aspx>

## **K Other FAIR-related amendments - Powers to provide for transitional arrangements and specify how existing contracts should be affected**

35 FA firms, representatives and supervisors, as well as insurers may need to amend their existing contracts in order to comply with the legislative requirements under FAIR. The types of existing contracts may include, but are not limited to:

- a) Employment contracts;
- b) Distributor contracts;
- c) Partnership contracts;
- d) Adviser agreements; and
- e) Outsourcing agreements.

36 To the extent that compliance with the FAIR recommendations may result in an insurer, FA firm, representative or supervisor breaching its or his existing contractual obligations, MAS is proposing to amend the FAA and IA to empower MAS to issue subsidiary legislation to provide for transitional arrangements. Such subsidiary legislation may provide, for example, that (i) a party shall comply with the FAIR requirements notwithstanding its duties imposed under any existing contract; or (ii) a party carrying out any act in compliance with the FAIR requirements shall not be treated as being in breach of any existing contract. The proposed amendments can be found in the Financial Advisers (Amendment) Bill 2015 and the Insurance (Amendment) Bill 2015, attached at **Annex 14** and **Annex 16** respectively.

Consultation questions:

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| <p>1. MAS seeks views on the legislative provisions and amendments set out in <b>Annexes 1 to 20</b> to effect the policy proposals under FAIR.</p> |
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2. With regard to paragraphs 35 and 36, MAS seeks views on:

- a) the types of existing contracts that will be affected; and
- b) how such existing contracts will be affected.

Please only include those existing contracts which do not contain clauses to allow the contractual parties to vary the terms of the contracts.

## SECTION 2: PROPOSED LEGISLATIVE PROVISIONS TO AUTHORISE INSPECTIONS BY FOREIGN REGULATORY AUTHORITIES

37 MAS is proposing to amend the FAA to allow MAS to grant permission to FRAs or their appointed agents to conduct inspections of FA firms in Singapore. This will align the supervisory cooperation powers relating to inspections under the FAA with those under other Acts under MAS' purview. Such inspections are intended for FRAs from the parent jurisdictions that have regulatory oversight of the FA firm in Singapore, to carry out their supervisory functions, subject to conditions as MAS may impose. These conditions may include:

- (i) The classes of information to which the FRA shall or shall not have access to in the course of the inspection;
- (ii) The scope of the inspection; and
- (iii) The use or disclosure of any information obtained in the course of the inspection.

38 In addition, for inspections of FA firms exempt under section 23(1)(a) or (b) of the FAA, the FRA will not be required to seek MAS' approval under the FAA, if the FRA has sought MAS' approval for such inspections pursuant to the relevant Act under which the exempt financial adviser holds a licence. For instance, where the FRA has been granted approval under the Banking Act to inspect a licensed bank in Singapore, the FRA will not need to seek separate approval under the FAA to inspect the FA activities of the licensed bank as an exempt financial adviser.

39 The proposed amendments can be found in the Financial Advisers (Amendment) Bill 2015, attached at **Annex 14**.

Consultation questions:

3. MAS seeks views on the proposal to provide legal certainty for MAS to grant permission to FRAs or their appointed agents to inspect FA firms in Singapore for the purpose of carrying out their supervisory functions.

4. MAS also seeks views on the proposed conditions under which FRAs or their appointed agents may conduct inspections of FA firms.



Monetary Authority of Singapore