



Monetary Authority of Singapore

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# **FINANCIAL ADVISERS ACT (CAP. 110)**

**GUIDELINES ON THE DESIGN OF  
ADVISORY AND SALES FORMS**

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## **GUIDELINES ON THE DESIGN OF ADVISORY AND SALES FORMS**

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### **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. These 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, clients might view the advisory and sales process merely as a form-filling exercise. Conversely, a well-designed form can enhance the client's experience and engagement with the advisory process.

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 ascertain 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 will, in turn, facilitate the role of financial advisers in making suitable product recommendations 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) use personal pronouns;
- e) write in the positive; and
- f) 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 also consider providing a glossary of technical and legal terms for their clients' ease of reference. For example:

<b>Jargon</b>	<b>Simplified alternative</b>
"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 the 14 days. The unit price used will be the price when the policy takes effect or</p>

<b>Jargon</b>	<b>Simplified alternative</b>
	when you choose to cancel the product, whichever is lower.
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.

<b>Long and complex sentence</b>	<b>Shorter and simplified sentence</b>
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	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.

<b>Long and complex sentence</b>	<b>Shorter and simplified sentence</b>
therefore be more appropriate to my new circumstances and situation.	
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 joint account holders if provided to any joint account holder.	Do you agree that if advice is provided to any of the joint account holders, we are considered to have provided advice to all joint account holders?
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	

Long and complex sentence	Shorter and simplified sentence
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.

<b>Noun</b>	<b>Personal pronoun</b>
<p><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.</p>	<p><u>We are required</u> to have a reasonable basis for any investment product recommendation we make to you.</p>
<p>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.</p>	<p>If <u>you</u> purchased the unit trust through a switch, you have the right to cancel the units in the unit trust.</p>
<p><u>The recommendations</u> may not be appropriate in the event of a partial or inaccurate completion of this form.</p>	<p><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.</p>
<p>It is <u>the client’s</u> responsibility to ensure the accuracy of the information stated in this form.</p>	<p><u>You should</u> ensure that the information stated in this form is accurate.</p>

## Write in the positive

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

2.6.4 Financial advisers should write in the positive as it makes sentences more straightforward and 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.	It is important that we 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.

## 2.7 Use active verbs

2.7.1 The use of hidden verbs often results 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.

2.7.2 Financial advisers should use active verbs to make sentences more direct. For example:

<b>Hidden Verb</b>	<b>Active Verb</b>
<p><u>I am in full acceptance</u> of the products recommended to me and have made the decision to proceed to take up the plan(s) as described below.</p>	<p><u>I accept</u> the product recommendation and agree to purchase the following plan.</p>
<p><u>Remuneration 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).</p>	<p>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.</p>
<p>This is important in <u>making a recommendation</u> of suitable products that reflect your risk preferences.</p>	<p>This is important for us <u>to recommend</u> suitable products that reflect your risk preferences.</p>

### 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.

3.3 Some good practices are set out below:

<b>Practices</b>	<b>Rationale</b>
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>

<b>Practices</b>	<b>Rationale</b>
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 and avoid risks of visual distortions.</p>
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 prose 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"><li>• Font type and font size</li><li>• Underline, bold and italics</li><li>• Borders and shading</li><li>• Colour</li></ul>

#### **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 client 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 should consider the following good practices:

<b>Practice</b>	<b>Rationale</b>
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 advisory 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.

<b>Practice</b>	<b>Rationale</b>
Use pre-set system parameters for electronic forms, which allows sections that are irrelevant to the client to be skipped automatically	<p>Certain sections of forms may not be relevant to a particular client, e.g. information on dependents for purchase of investments.</p> <p>Skipping sections that are irrelevant can save time for clients and allow them to spend more time on advisory session (e.g. understanding the client's financial objective, and explaining the product features and risks that the client will bear).</p>
Avoid unnecessary blank pages and provide clients with the option to receive electronic copies of documents <sup>1</sup>	<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>

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<sup>1</sup> 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.