



Monetary Authority of Singapore

SECURITIES AND FUTURES ACT (CAP. 289)

NOTICE ON MINIMUM ENTRY AND EXAMINATION REQUIREMENTS FOR REPRESENTATIVES OF HOLDERS OF CAPITAL MARKETS SERVICES LICENCE AND EXEMPT FINANCIAL INSTITUTIONS

FREQUENTLY ASKED QUESTIONS
(Reissued on 8 April 2020)

Disclaimer: The FAQs are meant to provide guidance to the industry on MAS' policy and administration of the Securities and Futures Act and regulations. 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 the legal/regulatory requirements and to advise them on all applicable laws, rules or regulations of Singapore.

**SECURITIES AND FUTURES ACT
(CAP. 289)**

**NOTICE ON MINIMUM ENTRY AND EXAMINATION
REQUIREMENTS FOR REPRESENTATIVES OF
HOLDERS OF CAPITAL MARKETS SERVICES LICENCE
AND EXEMPT FINANCIAL INSTITUTIONS**

**FREQUENTLY ASKED QUESTIONS
(Reissued on 8 April 2020)**

(A) Corporate Finance

Q1 Does a representative appointed to conduct the regulated activity of corporate finance need to pass the relevant CMFAS modules to deal in capital markets products in connection with his corporate finance activities?

A1 Prior to 8 October 2018, a representative who conducted corporate finance activities was not required to pass Modules 1A, 1B or 6 to conduct dealing in securities in connection with his corporate finance activities.

Currently, paragraph 11 of the Notice on Minimum Entry and Examination Requirements for Representatives of Holders of Capital Markets Services Licence and Exempt Financial Institutions (the “**SFA Exam Notice**”) states that a representative is not required to pass Modules 1A, 1B or 6 to conduct dealing in capital markets products that are securities in connection with his corporate finance activities.

For the purpose of paragraph 11 of the SFA Exam Notice, a representative who deals in the following capital markets products in connection with his corporate finance activities, is also not required to pass the relevant CMFAS Modules set out in paragraph 10 of the SFA Exam Notice:

- (i) Units in a collective investment scheme;
- (ii) Exchange-traded derivative contracts; or
- (iii) Over-the-counter derivatives contracts.

(B) Fund Management

Q2 Are existing fund management representatives required to pass Module 6A, in addition to Modules 3 and 6?

A2 A representative authorised to conduct fund management is only required to pass Modules 3 and 6. The SFA Exam Notice will be amended to remove reference to Module 6A for fund management representatives.

Q3 Does the exemption for fund management representatives who only serve accredited and/or institutional investors apply to fund management representatives who market funds?

A3 Yes, marketing representatives of fund management companies who meet the criteria set out in paragraph 28 of the SFA Exam Notice are exempted from the requirement to pass Modules 5, 8 and 8A.

Q4 Are fund management representatives who are portfolio managers required to pass Modules 5, 8 and/or 8A, in addition to Modules 3 and 6, if they accompany marketing representatives to speak at roadshows or meetings with investors?

A4 No, such portfolio managers are only required to pass Modules 3 and 6. They are not required to pass Modules 5, 8 and/or 8A.

(C) Dealing in capital markets products that are units in a collective investment scheme

Q5 What are the CMFAS Exam requirements for representatives of a fund management company who markets funds managed by third-parties and is appointed to conduct the regulated activity of dealing in capital markets products that are units in a collective investment scheme?

A5 Such representatives are required to pass Modules 5, 8 and/or 8A instead of Modules 1A/1B and Modules 6/6A.

Q6 What are the CMFAS Exam requirements for representatives who prior to 8 October 2018, were appointed for the regulated activity of marketing of collective investment schemes under the FAA?

A6 MAS will be providing savings and transitional provisions for representatives who were appointed for the regulated activity of marketing of collective investment schemes under the FAA prior to 8 October 2018, and thereafter are appointed for the regulated activity of dealing in capital markets products that are units in a collective investment scheme. Such representatives would be treated as having met the CMFAS Exam requirements. Newly appointed representatives on or after 8 October 2018 will have to pass Modules 5, 8 and/or 8A.

Q7 Are representatives of fund management companies who manage or market funds which are only offered to non-retail investors in Singapore exempted from

the CMFAS Exam and continuous professional development (“CPD”) requirements?

A7 Representatives who manage or market funds offered only to non-retail investors in Singapore are exempted from the CMFAS Exam and CPD requirements.

Q7A Are representatives of fund management companies who market funds to distributors (who are institutional investors) exempted from the CMFAS Exam and CPD requirements?

A7A Representatives who markets funds to distributors are exempted from CMFAS and CPD requirements.

[Added on 26 April 2019]

(D) Persons who work in a specialised unit serving high net worth individuals exempted under section 100(2) of the Financial Advisers Act (“FAA”)

Q8 Are persons who work in a specialised unit serving high net worth individuals exempted under section 100(2) of the FAA exempted from CMFAS Exam requirements?

A8 Persons who work in a specialised unit serving high net worth individuals exempted under section 100(2) of the FAA are exempted from CMFAS Exam and CPD requirements for the following regulated activities:

- (a) Dealing in capital markets products that are:
 - (i) Securities;
 - (ii) Units in a collective investment scheme;
 - (iii) Exchange-traded derivatives contracts;
 - (iv) Over-the-counter derivatives contracts;
 - (v) Spot foreign exchange contracts for the purposes for leveraged foreign exchange; and
- (b) Fund management.

(E) Representatives serving accredited investors and institutional investors (“AI/II”)

Q9 Are representatives serving AI/II only exempted from the CMFAS Exam and CPD requirements?

A9 Currently, representatives serving AI/II only (except representatives of fund management companies) are required to comply with the relevant requirements under the SFA and FAA Exam Notices.

There is a related proposal for representatives who only serve non-retail customers to be exempted from the CMFAS Exam requirements, which is not in force and will depend on the outcome of MAS' review and consultation on whether to exempt such representatives from the representative notification framework. MAS will respond to the consultation and provide further clarity in due course.

(F) **Representatives appointed for dealing in capital markets products that are over-the-counter derivative contracts**

Q10 Is a representative's overseas working experience recognised towards meeting the requirements set out in paragraph 43 for representatives appointed for dealing in capital markets products that are over-the-counter derivatives contracts?

A10 Yes, MAS will recognise overseas working experience that amounts to carrying out of dealing in capital markets products that are over-the-counter derivatives contracts.

(G) **New representatives of banks and merchant banks appointed for dealing in capital markets products that are over-the-counter derivatives contracts and spot foreign exchange contracts for the purposes of leveraged foreign exchange**

Q11 MAS has provided a two-year transition period for FIs to appoint representatives who were previously already conducting the regulated activity of dealing in capital markets products that are over-the-counter derivatives contracts and spot foreign exchange contracts for the purposes of leveraged foreign exchange. Does this transition period apply to newly appointed representatives?

A11 No, new representatives who join the industry are required to meet the relevant CMFAS Exam requirements and become appointed representatives before they can conduct dealing in capital markets products that are over-the-counter derivatives contracts and spot foreign exchange contracts for the purposes of leveraged foreign exchange.

(H) Relief measures during the COVID-19 pandemic

Q12 Due to the COVID-19 situation, prospective representatives are unable to take the CMFAS exams during this period. Will MAS be granting representatives a grace period to meet the CMFAS Exam requirements?

A12 In view of the COVID-19 situation, the Institute of Banking and Finance (IBF) and the Singapore College of Insurance (SCI) will be suspending the CMFAS exams from 9 April 2020 to 4 May 2020 (dates inclusive). This, together with other measures imposed locally and overseas (e.g. border controls, safe distancing), have impacted the ability of individuals to take the CMFAS exams in a timely manner. To minimise business disruptions, MAS will allow individuals to be appointed representatives and commence regulated activities, before fulfilling the CMFAS exam requirements, subject to safeguards. An appointed representative will be given a 6-month grace period from his date of appointment to pass the relevant CMFAS exams (“temporary relief measure”). For instance, an individual who is appointed as a representative for a regulated activity on 1 May 2020 (save for passing CMFAS exams) will have a 6 month grace period to fulfil his CMFAS exam requirements (i.e. he will only be required to complete the relevant CMFAS exams for that regulated activity by 31 October 2020).

Except for the CMFAS exam requirement, FIs will still have to perform proper due diligence to ensure that the representatives fulfil all other minimum entry requirements, the FIs’ internal recruitment criteria, and are fit and proper to be appointed representatives. MAS will review the temporary relief measure, taking into consideration the evolving situation.

[Added on 8 April 2020]

Q13 When will the CMFAS exams re-commence? What will happen if the CMFAS exams do not re-commence before the end of the grace period?

A13 MAS is monitoring the situation, and working with IBF and SCI to offer the CMFAS exams online. Individuals may refer to IBF’s and SCI’s websites for more details. In the event that the CMFAS exams are suspended for an extended period due to the evolving COVID-19 situation, MAS may extend the grace period, and will inform the industry of any such extension.

[Added on 8 April 2020]

Q14 Who is eligible for the temporary relief measure?

A14 Any individual who is appointed as a representative between 9 April 2020 and 30 September 2020 (dates inclusive) is eligible. Individuals who have previously registered to take the CMFAS exams at IBF/SCI but are now unable to do so, will enjoy the temporary relief measure if they are appointed as representatives during this period.

[Added on 8 April 2020]

Q15 The SFA and FAA Exam Notices state that the grace period for individuals to take the CMFAS exams will be subject to conditions. Can MAS provide more details?

A15 FIs are primarily responsible for ensuring their representatives have the knowledge and skills to provide financial services to clients. MAS expects FIs to exercise closer supervision and provide enhanced training to representatives who have yet to pass the CMFAS exams. Specifically, FIs are required to –

- (a) put in place measures including proper training, to ensure the representative understands all relevant rules and regulations applicable to his conduct of regulated activity, as well as relevant product knowledge; and
- (b) properly supervise the activities and conduct of the representative by ensuring that the representative -
 - i. is accompanied by a specified person (who should be an appointed representative of the FI, an approved director, or any officer responsible for the compliance function or the supervision of representatives in the FI), when meeting (including online meetings) clients or prospective clients;
 - ii. concurrently copies a specified person in all emails and communications with any client or member of the public; and
 - iii. does not communicate by telephone with any client or member of the public, without the presence of a specified person.

FIs should also subject the sales/transactions carried out by these representatives to greater scrutiny. For instance, FIs can impose a higher proportion of call-back verification checks to clients served by these representatives and review the sales documents and recommendations submitted by such representatives.

MAS will take supervisory action against FIs who fail to properly train, supervise and monitor the activities of such representatives.

[Added on 8 April 2020]

Q16 What will happen if a representative fails to satisfy the relevant CMFAS Exam requirements, after the 6-month grace period has passed?

A16 FIs should monitor the progress of their representatives and track their completion of the relevant CMFAS modules in a timely manner. Upon the expiry of the grace period, the representative is required to cease the conduct of regulated activities for which he has not passed the relevant CMFAS exams, unless a further extension is granted by MAS. The FI shall immediately lodge with MAS a notice of such cessation in Form 8 (Notification for the Cessation of a Representative in any or all of the Regulated Activities).

[Added on 8 April 2020]

Q17 What are the notification procedures, reporting and monitoring requirements for FIs/representatives, who have relied on the CMFAS exam temporary relief measure?

A17 Similar to the appointment of notified representatives, an FI is required to submit Form 3A (Notification for Appointment of an Appointed Representative) for any individual who is appointed under the CMFAS exam temporary relief measure via the Representative Notification System. The FI is required to declare (by indicating “Yes”) under the “Other Information” section that the representative is relying on the temporary relief measure during the COVID-19 situation in Form 3A. For the avoidance of doubt, where the representative has already passed all relevant CMFAS exam modules at the point of submission of Form 3A, the FI should indicate “No” for this question in Form 3A. At the end of the relief period, MAS will require FIs to provide a written confirmation that all representatives appointed under the CMFAS exam temporary relief measure have fulfilled the CMFAS exam requirements.

FIs are expected to keep a central register of all representatives that have not completed their CMFAS exams prior to being appointed as a representative, and make available this register upon MAS’ request. This register should contain details on when the representative was appointed, the CMFAS exams that he has yet to pass, and the subsequent date on which the representative passes the exams.

[Added on 8 April 2020]

Q18 Is an FI required to seek MAS’ written approval to grant a grace period to its representatives if they are unable to meet the CPD requirements in 2020, due to the COVID-19 situation?

A18 No, FIs are not required to seek MAS’ approval to do so. As set out under para 38F of the SFA Exam Notice and para 31F of the FAA Exam Notice, FIs are allowed to provide their appointed representatives a grace period of up to 12 months to meet CPD requirements should they be unable to do so due to circumstances beyond their control. For the avoidance of doubt, if the representative carries over any outstanding CPD hours to the following year, the representative will be required to fulfil both the “outstanding” CPD hours for 2020, as well as the CPD hours for 2021, by the end of 2021.

CPD training in the form of e-learning can be counted towards the fulfilment of the CPD requirements. MAS notes that training institutions, such as IBF and SCI are continuing to offer e-learning courses during this period. FIs are also conducting in-house e-learning training for their representatives. Representatives are encouraged to continue to attend these training sessions to update their skills and knowledge.

[Added on 8 April 2020]