

SFA04-N12 (AMENDMENT NO. 2) 2018

Issued on: 5 October 2018

NOTICE ON THE SALE OF INVESTMENT PRODUCTS

Introduction

1 For presentational purposes, the amendments in this document are compared against the version of MAS Notice No. SFA04-N12 issued on 28 July 2011, as last updated on 6 July 2018 (the “Original Notice”).

2 This document shall be interpreted as follows:

(a) Text which is coloured and struck through represents deletion which will not appear on the untracked version of MAS Notice No. SFA04-N12 revised on 5 October 2018, which is published on MAS’ website www.mas.gov.sg (the “Published Version”); and

(b) Text which is coloured and underlined represents insertion which will appear in the Published Version.

3 The amendments reflected in this document shall take effect on 8 October 2018.

4 This document is to be used for reference only. In the event of discrepancies between the amendments in this document and the Published Version, the Published Version shall prevail.



Monetary Authority of Singapore

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

NOTICE ON THE SALE OF INVESTMENT PRODUCTS

Notice No : SFA 04-N12
Issue Date : 28 July 2011 (last updated on 5 October 2018)

NOTICE ON THE SALE OF INVESTMENT PRODUCTS

Introduction

1 This Notice is issued pursuant to section 101 and section 293 of the Securities and Futures Act (Cap. 289) [“the Act”].

[SFA04-N12 (Amendment) 2012]

2 This Notice shall apply to:

- (a) a licensed person in respect of its dealing in ~~securities, trading in futures contracts, leveraged foreign exchange trading or any combination of these regulated activities~~ any capital markets products;
- (b) an exempt financial institution in respect of its dealing in ~~securities, trading in futures contracts, leveraged foreign exchange trading or any combination of these regulated activities~~ any capital markets products;
- (c) representatives of the persons referred to in sub-paragraphs (a) and (b); and
- (d) the responsible person for a collective investment scheme, the units of which are Excluded Investment Products.

[SFA04-N12 (Amendment) 2012]

[[SFA04-N12 \(Amendment No. 2\) 2018](#)]

3 This Notice sets out the requirements imposed on:

- (a) licensed persons, exempt financial institutions and their representatives in respect of:
 - (i) dealing in Specified Investment Products or Overseas-Listed Investment Products for a customer who is an

individual and who is not an accredited investor, institutional investor or expert investor (referred to in this Notice as “Customer”); and
(ii) dealing in units in a collective investment scheme, the units of which are Excluded Investment Products, for a Customer who is a participant of such collective investment scheme (referred to in this Notice as “Relevant Participant”); and

(b) responsible persons for collective investment schemes, the units of which are Excluded Investment Products.

[SFA04-N12 (Amendment) 2012]

Definitions

4 For the purposes of this Notice, unless the context otherwise requires:

“accredited investor” has the same meaning as in section 4A of the Act;

“approved exchange” has the same meaning as in section 2(1) of the Act;

“capital markets products” has the same meaning as in section 2(1) of the Act;

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

[SFA04-N12 (Amendment) 2012]

“connected person” has the same meaning as in section 2(1) of the Act;

“Customer Account Review” means a review of a Customer’s knowledge and experience in derivatives for the purpose of opening an account for the Customer to trade in a Listed Specified Investment Product;

[SFA04-N12 (Amendment) 2012]

[SFA04-N12 (Amendment) 2018]

“Customer Knowledge Assessment” means a review of a Customer’s knowledge and experience in any unlisted Specified Investment Product ~~other than a Listed Specified Investment Product~~;

[SFA04-N12 (Amendment) 2012]

[SFA04-N12 (Amendment) 2018]

[SFA04-N12 (Amendment No. 2) 2018]

~~“derivative”, in relation to a unit in a business trust, has the same meaning as in section 2(1) of the Act;~~

~~[SFA04-N12 (Amendment) 2012]~~

“exempt financial adviser” means a person who is exempt from holding a financial adviser’s licence under section 23(1)(a), (b), (c), (d) or (e) of the Financial Advisers Act (Cap. 110);

“exempt financial institution” means a person who is exempt from holding a capital markets services licence under section 99(1)(a) or (b) of the Act;

“Excluded Investment Product” means any product set out in Annex 1 to this Notice;

[SFA04-N12 (Amendment) 2018]

“expert investor” has the same meaning as in section 4A of the Act;

“financial adviser” means a holder of a financial adviser’s licence of the Financial Advisers Act (Cap. 110) or an exempt financial adviser;

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

“institutional investor” has the same meaning as in section 4A of the Act;

“issuer” means -

- (a) in relation to an offer of units in a collective investment scheme, the responsible person for the collective investment scheme; or

- (b) ~~in relation to an offer of any contract or arrangement in connection with leveraged foreign exchange, the holder of a capital markets services licence for leveraged foreign exchange trading that is the counterparty to that contract or arrangement;~~
- (c) in relation to an offer of any other capital markets products, the entity that issues or will issue the capital markets products being offered;

[SFA04-N12 (Amendment) 2012]

[\[SFA04-N12 \(Amendment No. 2\) 2018\]](#)

“licensed person” means a holder of a capital markets services licence of the Act;

“Listed Specified Investment Product” means a Specified Investment Product which is approved in-principle for listing and quotation on, or listed for quotation or quoted on, an organised securities or futures market;

[SFA04-N12 (Amendment) 2018]

[\[SFA04-N12 \(Amendment No. 2\) 2018\]](#)

“organised market” has the same meaning as in section 2(1) of the Act;

[\[SFA04-N12 \(Amendment No. 2\) 2018\]](#)

“overseas exchange” has the same meaning as in section 2(1) of the Act;

[\[SFA04-N12 \(Amendment No. 2\) 2018\]](#)

“Overseas-Listed Investment Product” means any capital markets products that is approved in-principle for listing and quotation only on, or listed for quotation or quoted only on, one or more overseas ~~securities~~ exchange(s) ~~or overseas futures exchange(s)~~;

[SFA04-N12 (Amendment) 2012]

[SFA04-N12 (Amendment) 2018]

[\[SFA04-N12 \(Amendment No. 2\) 2018\]](#)

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

“responsible person” has the same meaning as in section 2(1) of the Act;

[SFA04-N12 (Amendment) 2012]

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

~~“securities market” has the same meaning as section 2(1) of the Act;~~

“senior management” means any person holding the office of chief executive officer or executive director in the licensed person or the exempt financial institution;

[SFA04-N12 (Amendment) 2012]

“Specified Investment Product” means any capital markets products other than an Excluded Investment Product; ~~and~~

[SFA04-N12 (Amendment) 2012]

“third party” means a licensed person, an exempt financial institution, or a financial adviser;

[SFA04-N12 (Amendment No. 2) 2018]

“transact” means:

- (a) the purchase of any Specified Investment Product other than in connection with the creation of short positions; or
- (b) the sale of any Specified Investment Product in connection with the creation of short positions,

and “transacted”, “transacts” and “transacting” shall have a corresponding meaning; ~~and~~

[SFA04-N12 (Amendment) 2012]

“unlisted Specified Investment Product” means a Specified Investment Product other than a Listed Specified Investment Product.

[SFA04-N12 (Amendment No. 2) 2018]

4A For the avoidance of doubt, “transaction” referred to in paragraphs 29C, 30A and 30B of this Notice and paragraph 1(c) in Annex 3 to this Notice shall not have a corresponding meaning to the term “transact” as defined in paragraph 4.

[SFA04-N12 (Amendment) 2012]

[SFA04-N12 (Amendment) 2018]

Representatives of Licensed Persons or Exempt Financial Institutions

5 Unless otherwise specified, a representative shall comply with any requirement imposed on a licensed person or an exempt financial institution in this Notice when acting as a representative of that licensed person or exempt financial institution.

Customer Account Review

6 [Subject to paragraph 15, Aa](#) licensed person or an exempt financial institution shall conduct a Customer Account Review based on criteria set out in Annex 2 to this Notice before opening an account for a Customer to transact in any Listed Specified Investment Product (referred to in this Notice as “Listed Specified Investment Product trading account”).

[SFA04-N12 (Amendment) 2012]

[SFA04-N12 (Amendment) 2018]

[\[SFA04-N12 \(Amendment No. 2\) 2018\]](#)

7 For the purpose of the Customer Account Review, a licensed person or an exempt financial institution shall take into consideration information on a Customer’s educational qualifications, investment experience and work experience. Where a Customer does not provide information on his educational qualifications, investment experience or work experience, the licensed person or the exempt financial institution shall deem the Customer not to possess knowledge or experience in derivatives.

7A When conducting a Customer Account Review for a new Customer, or for a Customer whose previous Customer Account Review is no longer valid in accordance with paragraph 16, a licensed person or an exempt financial institution shall assess a Customer’s investment experience according to:

- (a) the classification of the capital markets products previously transacted by the Customer; and
- (b) the listing status of such capital markets products,

at the time that the Customer had transacted in such capital markets products.

[SFA04-N12 (Amendment) 2012]

[SFA04-N12 (Amendment) 2018]

8 A licensed person or an exempt financial institution shall highlight to the Customer in writing that any inaccurate or incomplete information provided by the Customer may affect the outcome of the Customer Account Review.

9 Subject to paragraph 14, a licensed person or an exempt financial institution shall not open a Listed Specified Investment Product trading account for a Customer, unless its senior management who ~~is~~ has not been involved in that particular account opening process and is not a connected person of that Customer:

- (a) is satisfied, on the basis of the outcome of the Customer Account Review referred to in paragraph 6 or 15, that the Customer has knowledge or experience in derivatives, as set out in Annex 2 to this Notice; and
- (b) has approved the opening of the Customer's Listed Specified Investment Product trading account²,

whether personally, or by means of any designated person or any written framework approved pursuant to paragraph 9A.

[SFA04-N12 (Amendment) 2011]

[SFA04-N12 (Amendment) 2018]

[SFA04-N12 (Amendment No. 2) 2018]

9A For the purpose of paragraph 9, the senior management of the licensed person or exempt financial institution may:

- (a) designate any person who is not its senior management, and who has not been involved in that particular account opening process and is not a connected person to that Customer (referred to in paragraphs 9 and 9A as “designated person”) to fulfil the requirements set out in paragraph 9(a) and (b) on behalf of its senior management, so long as its senior management ensures that the designated person fulfils those requirements; or
- (b) approve a written framework stipulating the circumstances under which approval for the opening of a Customer’s Listed Specified Investment Product trading account under paragraph 9(b) may be given by a designated person or by an automated process on behalf of its senior management, so long as its senior management ensures that the framework is sufficiently robust to fulfil the requirements set out in paragraph 9(a).

SFA04-N12 (Amendment No. 2) 2018]

10 Regardless of the outcome of the Customer Account Review, a licensed person or an exempt financial institution who is also an exempt financial adviser shall include a statement in its account opening form that a Customer can, at any time, request for advice concerning a Specified Investment Product. Upon such request, the licensed person or the exempt financial institution shall provide such advice to the Customer concerned.

[SFA04-N12 (Amendment) 2011]

Requirements where Customers are Assessed Not to Possess Knowledge or Experience in Derivatives

11 Where a licensed person or an exempt financial institution assesses a Customer not to possess knowledge or experience in derivatives pursuant to the Customer Account Review, it shall inform the Customer of the outcome of the Customer Account Review.

12 Where a Customer, after being informed of the outcome of the Customer Account Review in accordance with paragraph 11, nevertheless intends to proceed to open a Listed Specified Investment Product trading account, the licensed person or the exempt financial institution shall:

- (a) inform the Customer in writing of the outcome of the Customer Account Review;
- (b) obtain the Customer's written confirmation that he still intends to proceed with the opening of a Listed Specified Investment Product trading account despite not being in possession of knowledge or experience in derivatives;
- (c) explain to the Customer the general features and risks associated with investing in derivatives and provide the Customer a written statement of the explanation given; and
- (d) inform the Customer in writing that it is the Customer's responsibility to ensure that he understands any capital markets products that he intends to transact using the Listed Specified Investment Product trading account.

[SFA04-N12 (Amendment)2011]

[SFA04-N12 (Amendment)2012]

[SFA04-N12 (Amendment)2018]

13 For the avoidance of doubt, the licensed person or the exempt financial institution has to be exempted from holding a financial adviser's licence, for the purposes of providing any financial advisory services concerning any Specified Investment Product, including for the discharge of its obligations under paragraph 12(c).

[SFA04-N12 (Amendment) 2011]

14 A licensed person or an exempt financial institution shall not open a Listed Specified Investment Product trading account for a Customer referred to in paragraph 12, unless its senior management who has not been involved in [the particular account opening](#) process ~~of the opening of the account~~ and is not a connected person of that Customer:

- (a) has confirmed with the Customer that the Customer has been properly informed of all relevant facts as required under paragraph 12, and that the Customer is aware of the implications and consequences of proceeding with opening a Listed Specified Investment Product trading account;

- (b) is satisfied that the licensed person or the exempt financial institution has complied with the requirements set out in paragraph 12; and
- (c) has approved the opening of the Customer's Listed Specified Investment Product trading account,

whether personally, or by means of any designated person or any written framework approved pursuant to paragraph 14A.

[SFA04-N12 (Amendment) 2018]

[SFA04-N12 (Amendment No. 2) 2018]

14A For the purpose of paragraph 14, the senior management of the licensed person or exempt financial institution may:

- (a) designate any person who is not its senior management, and who has not been involved in that particular account opening process and is not a connected person to that Customer (referred to in paragraphs 14 and 14A as "designated person") to fulfil the requirements set out in paragraph 14(a), (b) and (c) on behalf of its senior management, so long as its senior management ensures that the designated person fulfils those requirements; or
- (b) approve a written framework stipulating the circumstances under which approval for the opening of a Customer's Listed Specified Investment Product trading account under paragraph 14(c) may be given by a designated person or by an automated process on behalf of its senior management, so long as its senior management ensures that the framework is sufficiently robust to fulfil the requirements set out in paragraphs 14(a) and (b).

[SFA04-N12 (Amendment No. 2) 2018]

Reliance on a Third Party Customer Account Review

15 ~~For the avoidance of doubt, w~~Where a Customer of a licensed person or an exempt financial institution has previously undergone a Customer Account Review ~~a Listed Specified Investment Product trading account with~~

another licensed person or exempt financial institution with a third party, paragraphs 6 to 14 shall still apply to the first mentioned the licensed person or exempt financial institution, as the case may be. may, instead of conducting a Customer Account Review, rely on the Customer Account Review previously conducted by the third party for such Customer, if the following conditions are met:

- (a) the licensed person or exempt financial institution is satisfied that the third party had complied with the criteria set out in Annex 2 to this Notice and the requirements set out in paragraphs 7 to 8 when the third party conducted the Customer Account Review for such Customer;
- (b) the third party is not one which the licensed person or exempt financial institution has been specifically precluded by the Authority from relying on; and
- (c) the third party is able and willing to provide, without delay, upon request of the licensed person or exempt financial institution, any data, documents, or information obtained by the third party with respect to the Customer Account Review conducted for such Customer, which the licensed person or exempt financial institution would be required or would want to obtain.

[SFA04-N12 (Amendment) 2012]

[SFA04-N12 (Amendment) 2018]

[SFA04-N12 (Amendment No. 2) 2018]

15A Before relying on the Customer Account Review previously conducted by a third party as referred to in paragraph 15, the licensed person or exempt financial institution shall –

- (a) document the basis for its satisfaction that the criteria and requirements referred to in paragraph 15(a) had been met; and
- (b) obtain from the third party the documentation for the Customer Account Review referred to in paragraph 28.

[SFA04-N12 (Amendment No. 2) 2018]

15B For the avoidance of doubt, notwithstanding its reliance on the Customer Account Review previously conducted by a third party, the licensed person or exempt financial institution shall remain responsible for its Customer Account Review obligations in this Notice.

[SFA04-N12 (Amendment No. 2) 2018]

Validity of the Outcome of Customer Account Review

16 No licensed person or exempt financial institution shall allow a Customer to transact in a Listed Specified Investment Product through the Customer's Listed Specified Investment Product trading account after 3 years has expired from the date of the conduct of the Customer Account Review for the Customer concerned, until and unless –

- (a) the licensed person or exempt financial institution has checked and is satisfied that –
 - (i) the Customer has transacted in a Listed Specified Investment Product through that account more than once during the preceding 3-year period; and
 - (ii) in every subsequent 3-year period, the Customer has transacted in a Listed Specified Investment Product through that account more than once during that 3-year period; or
- (b) the licensed person or exempt financial institution has conducted a new Customer Account Review for the Customer concerned, by repeating the steps in paragraphs 6 to 14, or the licensed person or exempt financial institution has relied on a new Customer Account Review conducted by a third party for the Customer concerned under paragraph 15.

[SFA04-N12 (Amendment) 2018]

[SFA04-N12 (Amendment No. 2) 2018]

Joint Trading Accounts

16A Where two or more Customers intend to open a joint Listed Specified Investment Product trading account, the requirements to conduct the Customer Account Review prior to opening such account as provided in

paragraphs 6 to 16 shall apply to the licensed person or exempt financial institution in respect of each of the Customers intending to open the joint Listed Specified Investment Product trading account.

[SFA04-N12 (Amendment) 2011]

[SFA04-N12 (Amendment) 2012]

[SFA04-N12 (Amendment) 2018]

Customer Knowledge Assessment

17 A licensed person or an exempt financial institution shall ensure that it has been informed by the issuer of a capital markets products that is not approved in-principle for listing and quotation on, or listed for quotation or quoted on, an organised securities market or a futures market, as to whether the capital markets products is a Specified Investment Product, before offering that capital markets products. The licensed person or the exempt financial institution shall keep proper records of such information and shall accordingly convey this information to a Customer who intends to transact in that capital markets products.

[SFA04-N12 (Amendment) 2012]

[SFA04-N12 (Amendment) 2018]

[SFA04-N12 (Amendment No. 2) 2018]

18 Subject to paragraph 25, Where the capital markets products is an unlisted Specified Investment Product ~~other than a Listed Specified Investment Product (referred to as an “unlisted Specified Investment Product”)~~, a licensed person or an exempt financial institution shall conduct a Customer Knowledge Assessment based on the criteria set out in Annex 3 to this Notice before transacting in the capital markets products for a Customer.

[SFA04-N12 (Amendment) 2011]

[SFA04-N12 (Amendment) 2012]

[SFA04-N12 (Amendment) 2018]

[SFA04-N12 (Amendment No. 2) 2018]

19 For the purpose of the Customer Knowledge Assessment, a licensed person or an exempt financial institution shall take into consideration information on a Customer’s educational qualifications, investment experience and work experience. Where a Customer does not provide

information on his educational qualifications, investment experience or work experience, the licensed person or the exempt financial institution shall deem the Customer not to possess knowledge or experience in the unlisted Specified Investment Product concerned.

19A When conducting a Customer Knowledge Assessment for a new Customer, or for a Customer whose previous Customer Knowledge Assessment is no longer valid in accordance with paragraph 26, a licensed person or exempt financial institution shall assess a Customer's investment experience according to:

- (a) the classification of the capital markets products previously transacted by the Customer; and
- (b) the listing status of such capital markets products,

at the time that the Customer had transacted in such capital markets products.
[SFA04-N12 (Amendment) 2012]
[SFA04-N12 (Amendment) 2018]

20 A licensed person or an exempt financial institution shall highlight in writing to the Customer that any inaccurate or incomplete information provided by the Customer may affect the outcome of the Customer Knowledge Assessment.

21 Subject to paragraph 24, a licensed person or an exempt financial institution shall not allow a Customer to transact in an unlisted Specified Investment Product unless it is satisfied, on the basis of the outcome of the Customer Knowledge Assessment referred to in paragraph 18 or 25, that the Customer client has knowledge or experience in the unlisted Specified Investment Product, as set out in Annex 3 to this Notice.

[SFA04-N12 (Amendment No. 2) 2018]

22 Notwithstanding a positive outcome of the Customer Knowledge Assessment, the licensed person or exempt financial institution who is also an exempt financial adviser shall offer to provide advice concerning the unlisted Specified Investment Product to the Customer. Where the Customer does not wish to receive advice, the licensed person or exempt financial institution shall document the decision of the Customer and highlight to the Customer in

writing that it is the Customer's responsibility to ensure the suitability of the product selected. The licensed person or exempt financial institution shall also warn the Customer in writing that the Customer has chosen not to receive advice and will therefore not be able to rely on section 27 of the Financial Advisers Act (Cap.110) to file a civil claim in the event he alleges he has suffered a loss, and confirm in writing if the Customer wishes to proceed without advice.

Requirements where Customers are Assessed Not to Possess Knowledge or Experience in Unlisted Specified Investment Products

23 Where a licensed person or an exempt financial institution assesses a Customer not to possess the knowledge or experience in an unlisted Specified Investment Product pursuant to the Customer Knowledge Assessment, it shall inform the Customer of the outcome of the Customer Knowledge Assessment.

24 Where a Customer, after being informed of the outcome of the Customer Knowledge Assessment in accordance with paragraph 23, nevertheless intends to proceed to transact in the unlisted Specified Investment Product, the licensed or exempt financial institution shall –

- (a) ~~the licensed person or exempt financial institution shall~~ inform the Customer in writing of the outcome of the Customer Knowledge Assessment;
- (b) ~~the licensed person or exempt financial institution shall~~ inform the Customer that it is unable to proceed to transact in the unlisted Specified Investment Product on behalf of the Customer unless it is also an exempt financial adviser; and
- (c) where ~~it the licensed person or exempt financial institution~~ is also an exempt financial adviser, ~~it shall~~ provide financial advisory services to the Customer in accordance with the standards set out in the Notice on Recommendations on Investment Products (Notice No. FAA-N16).

[SFA04-N12 (Amendment) 2011]

[SFA04-N12 (Amendment) 2012]

[SFA04-N12 (Amendment No. 2) 2018]

Reliance on a Third Party Customer Knowledge Assessment

25 ~~For the avoidance of doubt, w~~Where a Customer of a licensed person or an exempt financial institution has previously undergone a Customer Knowledge Assessment with ~~a third party another licensed person or exempt financial institution~~, ~~paragraphs 17 to 24 shall still apply where any the licensed person or an exempt financial institution transacts in an unlisted Specified Investment Product for the first time for such Customer.~~ may, instead of conducting a Customer Knowledge Assessment, rely on the Customer Knowledge Assessment previously conducted by the third party for such Customer, if the following conditions are met:

- (a) the licensed person or exempt financial institution is satisfied that the third party had complied with the criteria set out in Annex 3 to this Notice and the requirements set out in paragraphs 19 to 20 when the third party conducted the Customer Knowledge Assessment for such Customer;
- (b) the third party is not one which the licensed person or exempt financial institution has been specifically precluded by the Authority from relying on; and
- (c) the third party is able and willing to provide, without delay, upon request of the licensed person or exempt financial institution, any data, documents, or information obtained by the third party with respect to the Customer Knowledge Assessment conducted for such Customer, which the licensed person or exempt financial institution would be required or would want to obtain.

[SFA04-N12 (Amendment) 2012]

[SFA04-N12 (Amendment No. 2) 2018]

25A Before relying on the Customer Knowledge Assessment previously conducted by a third party as referred to in paragraph 25, the licensed person or exempt financial institution shall –

- (a) document the basis for its satisfaction that the criteria and requirements referred to in paragraph 25(a) had been met; and

(b) obtain from the third party the documentation for the Customer Knowledge Assessment referred to in paragraph 28.

[SFA04-N12 (Amendment No. 2) 2018]

25B For the avoidance of doubt, notwithstanding its reliance on the Customer Knowledge Assessment previously conducted by a third party, the licensed person or exempt financial institution shall remain responsible for its Customer Knowledge Assessment obligations in this Notice.

[SFA04-N12 (Amendment No. 2) 2018]

Validity of the Outcome of Customer Knowledge Assessment

26 Where a Customer is assessed to have the knowledge or experience to transact in an unlisted Specified Investment Product, the licensed person or the exempt financial institution may allow the Customer to transact in such unlisted Specified Investment Product for a period of one year from the date of the Customer Knowledge Assessment~~assessment~~. After a year has elapsed, the licensed person or the exempt financial institution shall conduct a new Customer Knowledge Assessment on the Customer, or rely on a new Customer Knowledge Assessment conducted by a third party for the Customer under paragraph 25, before it transacts on behalf of the Customer in any unlisted Specified Investment Product.

[SFA04-N12 (Amendment No. 2) 2018]

Jointly Transacting in Unlisted Specified Investment Products

26A Where two or more Customers intend to jointly transact in an unlisted Specified Investment Product, the requirements to conduct the Customer Knowledge Assessment as provided in paragraphs 17 to 26 shall apply to the licensed person or exempt financial institution in respect of each of the Customers before transacting in such unlisted Specified Investment Product for the Customers.

[SFA04-N12 (Amendment)2011]

[SFA04-N12 (Amendment)2012]

Documentation and Record Keeping

27 A licensed person or an exempt financial institution shall obtain information on a Customer's profile, which includes but is not limited to information on the Customer's educational qualifications, investment experience or work experience, at the time when the contractual relationship is first established with the Customer. The licensed person or the exempt financial institution shall update the customer profile at least once a year.

28 A licensed person or an exempt financial institution shall document every Customer Account Review and every Customer Knowledge Assessment conducted for each Customer. Such documentation shall include the following:

- (a) information collected from a Customer on his educational qualification, work experience and investment experience;
- (b) an assessment of the Customer's knowledge and experience in derivatives or unlisted Specified Investment Products, as the case may be;
- (c) the outcome of the Customer Account Review or the Customer Knowledge Assessment, [as the case may be](#); and
- (d) the approval of its senior management [or designated person](#) to open the Customer's Listed Specified Investment Product trading account, where applicable.

[SFA04-N12 (Amendment) 2018]

[\[SFA04-N12 \(Amendment No. 2\) 2018\]](#)

29 Where a licensed person or an exempt financial institution transacts in any Listed Specified Investment Product on behalf of a Customer (referred to in this paragraph as "relevant trade"), the licensed person or exempt financial institution shall maintain records of all communication between the licensed person or exempt financial institution and the Customer in respect of the relevant trade, including a record in the form of a file note or a tape recording of the telephone conversation.

[SFA04-N12 (Amendment) 2012]

[SFA04-N12 (Amendment) 2018]

Requirements on the Responsible Person for a collective investment scheme, the units of which are Excluded Investment Products

29A The responsible person for a collective investment scheme, the units of which are Excluded Investment Products (the “EIP-CIS”) shall, where the EIP-CIS holds units in another collective investment scheme, the units of which are Excluded Investment Products (the “underlying EIP-CIS”), and such units cease to be classified as Excluded Investment Products, elect to:

- (a) maintain the classification of the units in the EIP-CIS as Excluded Investment Products by disposing the units in the underlying EIP-CIS as soon as practicable and in any event:
 - (i) within 3 months from the date the units in the underlying EIP-CIS cease to be classified as Excluded Investment Products (hereinafter referred to as the “initial 3 months”); or
 - (ii) before the expiry of the initial 3 months, the responsible person satisfies the trustee of the EIP-CIS that such units should not be disposed within the initial 3 months on the basis that a longer period is in the best interests of the participants of the EIP-CIS, such longer period not exceeding 12 months from the date the units in the underlying EIP-CIS cease to be classified as Excluded Investment Products, provided that the responsible person continues to satisfy the trustee of the EIP-CIS at the end of each successive month after the initial 3 months that such longer period is in the best interests of the participants in the EIP-CIS; or
- (b) cause the units in the EIP-CIS to be classified as Specified Investment Products by continuing to hold on to the units in the underlying EIP-CIS and changing the investment objective, investment focus or investment approach of the EIP-CIS in accordance with paragraph 29B as soon as practicable and in any

event within 4 months from the date the units in the underlying EIP-CIS cease to be classified as Excluded Investment Products.

29B The responsible person for a EIP-CIS shall, prior to any change in investment objective, investment focus or investment approach of the EIP-CIS which would cause the units in the EIP-CIS to be classified as Specified Investment Products:

- (a) obtain, through an extraordinary resolution, approval of the participants of the EIP-CIS present and voting either in person or by proxy at a meeting, by way of a poll, for the proposed change; and
- (b) ensure that: -
 - (i) in the case where the units in the EIP-CIS are approved in-principle for listing and quotation on, or listed for quotation or quoted on, an organised securities-market, a Customer Account Review (including the procedures in paragraphs 6 to 14 of this Notice or paragraphs 27E to 27O of the Notice on Recommendations on Investment Products (Notice No. FAA-N16)) has been conducted by a licensed person or an exempt financial institution or a financial adviser, as the case may be, for every existing Relevant Participant of the EIP-CIS unless the licensed person or exempt financial institution for an existing Relevant Participant is able to demonstrate to the responsible person that it is unable to conduct such Customer Account Review in respect of any existing Relevant Participant for reasons beyond its reasonable control, including where it is unable to contact the existing Relevant Participant despite it having written to that existing Relevant Participant regarding the conduct of such Customer Account Review and having made repeated attempts thereafter to establish contact, or where the existing Relevant Participant refuses to undergo the aforementioned Customer Account Review; or

- (ii) in the case where the units in the EIP-CIS are not approved in-principle for listing and quotation on, or listed for quotation or quoted on, an [organised securities](#)-market, a Customer Knowledge Assessment (including the procedures in paragraphs 17 to 24 of this Notice or paragraphs 15 to 26 of the Notice on Recommendations on Investment Products (Notice No. FAA-N16)) has been conducted by a licensed person or an exempt financial institution or a financial adviser, as the case may be, for every existing Relevant Participant of the EIP-CIS unless the licensed person or exempt financial institution or financial adviser, as the case may be, for an existing Relevant Participant is able to demonstrate to the responsible person that it is unable to conduct such Customer Knowledge Assessment in respect of any existing Relevant Participant for reasons beyond its reasonable control, including where it is unable to contact the existing Relevant Participant despite it having written to that existing Relevant Participant regarding the conduct of such Customer Knowledge Assessment and having made repeated attempts thereafter to establish contact, or where the existing Relevant Participant refuses to undergo the aforementioned Customer Knowledge Assessment.

[SFA04-N12 (Amendment) 2012]

[SFA04-N12 (Amendment) 2018]

[\[SFA04-N12 \(Amendment No. 2\) 2018\]](#)

Requirements on licensed persons and exempt financial institutions dealing in units in a collective investment scheme, the units of which are Excluded Investment Products

29C Where –

- (a) a licensed person or exempt financial institution of an existing Relevant Participant is able to demonstrate to the responsible person concerned that it is unable to conduct a Customer Account Review or a Customer Knowledge Assessment as referred to in paragraph 29B(b)(i) or (ii) for reasons beyond its reasonable

control, including where it is unable to contact the existing Relevant Participant despite it having written to that existing Relevant Participant regarding the conduct of such Customer Account Review or Customer Knowledge Assessment and having made repeated attempts thereafter to establish contact, or where the existing Relevant Participant refuses to undergo a Customer Account Review or a Customer Knowledge Assessment as referred to in paragraph 29B(b)(i) or (ii); or

- (b) a licensed person or an exempt financial institution has conducted a Customer Account Review or a Customer Knowledge Assessment in accordance with paragraph 29B(b)(i) or (ii), and assesses an existing Relevant Participant of the EIP-CIS not to possess the adequate knowledge or experience pursuant to such Customer Account Review or Customer Knowledge Assessment, as the case may be, and is unable to allow such existing Relevant Participant to open a Listed Specified Investment Product trading account or to proceed to transact in the unlisted Specified Investment Product;

the licensed person or exempt financial institution may –

- (i) allow the existing Relevant Participant concerned to continue holding on to his existing position in the EIP-CIS; or
- (ii) on the instructions of the existing Relevant Participant concerned, execute a transaction or transactions on behalf of the existing Relevant Participant concerned to reduce his existing position in the EIP-CIS.

For the avoidance of doubt, the licensed person or exempt financial institution shall not count such transactions referred to in sub-paragraph (ii) towards “investment experience” for the purposes of conducting the Customer Account Review or the Customer Knowledge Assessment for the existing Relevant Participant concerned.

[SFA04-N12 (Amendment) 2012]

[SFA04-N12 (Amendment) 2018]

Requirements on licensed persons and exempt financial institutions dealing in Overseas-Listed Investment Products

29D A licensed person or an exempt financial institution shall provide the risk warning statement set out in Annex 4 to this Notice to its Customer before allowing the Customer to transact in any Overseas-Listed Investment Product for the first time on or after 28 February 2013.

[SFA04-N12 (Amendment) 2012]

29E The licensed person or exempt financial institution shall obtain the Customer's acknowledgement of the risk warning statement, in written form or otherwise, before allowing the Customer to transact in any Overseas-Listed Investment Product for the first time on or after 28 February 2013.

[SFA04-N12 (Amendment) 2012]

29F For the purposes of paragraphs 29D and 29E, "transact" means:

- (a) the purchase of any Overseas-Listed Investment Product other than in connection with the creation of short positions; or
- (b) the sale of any Overseas-Listed Investment Product in connection with the creation of short positions.

[SFA04-N12 (Amendment) 2012]

29G The licensed person or exempt financial institution shall maintain records of the Customer's acknowledgement referred to in paragraph 29E for the duration specified in section 102(3) of the Act.

[SFA04-N12 (Amendment) 2012]

29H Where a licensed person or exempt financial institution offers an Overseas-Listed Investment Product to its Customers, the licensed person or exempt financial institution may implement a system to identify and determine that the Overseas-Listed Investment Product is to be classified as an Excluded Investment Product.

[SFA04-N12 (Amendment) 2012]

29I Where a licensed person or an exempt financial institution does not implement a system to identify and determine that an Overseas-Listed

Investment Product is to be classified as an Excluded Investment Product in accordance with paragraph 29H, the Overseas-Listed Investment Product shall be classified as a Specified Investment Product, and the requirements [set out in paragraphs 6 to 16A with respect to ~~conduct~~](#) the Customer Account Review, ~~including the procedures in paragraphs 6 to 14~~, shall apply to a licensed person or an exempt financial institution dealing in the Overseas-Listed Investment Product for a Customer.

[SFA04-N12 (Amendment) 2012]

[\[SFA04-N12 \(Amendment No. 2\) 2018\]](#)

29J Where a licensed person or an exempt financial institution has classified an Overseas-Listed Investment Product as an Excluded Investment Product, it shall ensure the classification of the Overseas-Listed Investment Product concerned remains accurate and current at all times.

[SFA04-N12 (Amendment) 2012]

29K A licensed person or exempt financial institution may outsource the identification and classification of an Overseas-Listed Investment Product as an Excluded Investment Product to another party. Where the identification and classification of an Overseas-Listed Investment Product has been outsourced, the licensed person or exempt financial institution shall be responsible for the implementation of the classification system, including but not limited to, the accuracy of the classification.

[SFA04-N12 (Amendment) 2012]

Transition

30 A licensed person or an exempt financial institution shall conduct a Customer Account Review, including the procedures in paragraphs 6 to 14, on all its existing Customers before allowing any such Customer to commence or continue to transact in a Listed Specified Investment Product.

[SFA04-N12 (Amendment) 2011]

[SFA04-N12 (Amendment) 2012]

[SFA04-N12 (Amendment) 2018]

30A With effect from 1 January 2012, a licensed person or exempt financial institution that has not conducted a Customer Account Review, in accordance with paragraphs 6 to 14, on an existing Customer, may –

- (a) allow the existing Customer concerned to continue holding on to his existing position in a listed Specified Investment Product; or
- (b) on the instructions of the existing Customer concerned, execute a transaction or transactions on behalf of the existing Customer concerned to reduce his existing position in a listed Specified Investment Product,

and, for the avoidance of doubt, the licensed person or exempt financial institution shall not count such transactions referred to in sub-paragraph (b) towards “investment experience” for the purposes of conducting the Customer Account Review for the existing Customer concerned.

[SFA04-N12 (Amendment) 2011]

[SFA04-N12 (Amendment) 2012]

30B With effect from 1 January 2012, a licensed person or exempt financial institution that has not conducted a Customer Knowledge Assessment, in accordance with paragraphs 17 to 22, on an existing Customer who, immediately prior to 1 January 2012, has an existing position in an unlisted Specified Investment Product, may at the instructions of the existing Customer, execute a transaction or transactions on behalf of the existing Customer concerned to reduce his existing position in the unlisted Specified Investment Product, but the licensed person or exempt financial institution shall not count such transactions towards “investment experience” for the

purposes of conducting the Customer Knowledge Assessment for the Customer concerned.

[SFA04-N12 (Amendment) 2011]

31 This Notice shall take effect on 1 January 2012.

Note:

Under section 101(3) of the Act, any person who contravenes any direction issued by the Authority (which would include this Notice), shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$50,000 and, in the case of a continuing offence, to a further fine not exceeding \$5,000 for every day or part thereof during which the offence continues after conviction.

*Notes on History of Amendments:

1. SFA04-N12 (Amendment) 2011 with effect from 1 January 2012
2. SFA04-N12 (Amendment) 2012 with effect from 11 December 2012
3. SFA04-N12 (Amendment) 2015 with effect from 29 April 2015
4. SFA04-N12 (Amendment) 2018 with effect from 9 July 2018
5. [SFA04-N12 \(Amendment No. 2\) 2018 with effect from 8 October 2018](#)

ANNEX 1 - EXCLUDED INVESTMENT PRODUCTS

1 Any capital markets products that belong to a class of capital markets products listed in the Schedule to the Securities and Futures (Capital Markets Products) Regulations 2018.

[SFA04-N12 (Amendment) 2018]

ANNEX 2 – CRITERIA FOR THE ASSESSMENT OF A CUSTOMER ACCOUNT REVIEW

1. A Customer who satisfies any of the following may be assessed as possessing the knowledge or experience in derivatives for the purpose of opening of a Listed Specified Investment Product trading account:

- (a) the Customer holds a diploma or has higher qualifications in accountancy, actuarial science, business/business administration/business management/business studies, capital markets, commerce, economics, finance, financial engineering, financial planning, computational finance and insurance;
 - (b) the Customer has a professional finance-related qualification¹;
 - (c) the Customer has transacted in Listed Specified Investment Products at least 6 times in the preceding 3 years; or
 - (d) the Customer has a minimum of 3 consecutive years of working experience ² in the past 10 years, in the development of, structuring of, management of, sale of, trading of, research on or analysis of investment products³, or the provision of training in investment products. Work experience in accountancy, actuarial science, treasury or financial risk management activities will also be considered relevant experience.
2. Where a Customer is assessed to not possess knowledge or experience in derivatives, but subsequently demonstrates sufficient understanding of the features and risks of derivatives through a learning module provided by an independent body as set out in the Practice Note on the Sale of Investment Products [SFA PN-01], the Customer may be

¹ Examples of this would include the Chartered Financial Analyst Examination conducted by the CFA Institute, USA and the Association of Chartered Certified Accountants (ACCA) Qualifications.

² Such working experience would also include the provision of legal advice or possession of legal expertise on the relevant areas listed in limb (d).

³ As defined in section 2 of the Financial Advisers Act (Cap. 110).

deemed to possess the knowledge to transact in Listed Specified Investment Products.

[SFA04-N12 (Amendment) 2011]

[SFA04-N12 (Amendment) 2012]

[SFA04-N12 (Amendment) 2018]

ANNEX 3 – CRITERIA FOR THE SATISFACTION OF THE CUSTOMER KNOWLEDGE ASSESSMENT

1. A Customer who satisfies any of the following may be assessed as possessing the knowledge or experience in the unlisted Specified Investment Product for the purpose of the satisfaction of the Customer Knowledge Assessment in the Specified Investment Product concerned:

- (a) The Customer holds a diploma or has higher qualifications in accountancy, actuarial science, business/business administration/business management/business studies, capital markets, commerce, economics, finance, financial engineering, financial planning, computational finance and insurance;
- (b) The Customer has a professional finance-related qualification⁴;
- (c) The Customer has invested in the following unlisted Specified Investment Products:
 - (i) For transactions in collective investment schemes (referred to as “CIS”) and investment-linked life insurance policies (referred to as “ILPs”), the Customer has transacted in CIS or ILPs at least 6 times in the preceding 3 years; or
 - (ii) For transactions in unlisted Specified Investment Products (other than CIS and ILPs), the Customer has transacted in any unlisted Specified Investment Products (other than CIS and ILPs) at least 6 times in the preceding 3 years; or
- (d) The Customer has a minimum of 3 consecutive years of working experience⁵ in the past 10 years in the development of, structuring of, management of, sale of, trading of, research on and analysis of investment products or the provision of training in investment products. Work experience in accountancy,

⁴ Examples of this would include the Chartered Financial Analyst Examination conducted by the CFA Institute, USA and the Association of Chartered Certified Accountants (ACCA) Qualifications.

⁵ Such working experience would also include the provision of legal advice or possession of legal expertise on the relevant areas listed in limb (d).

actuarial science, treasury or financial risk management activities will also be considered relevant experience.

2. Where a Customer is assessed to not possess the knowledge or experience to understand an unlisted Specified Investment Product, but subsequently demonstrates sufficient understanding of the features and risks of that unlisted Specified Investment Product through a learning module provided by an independent body as set out in the Practice Note on Recommendations on Investment Products [FAA PN-02], the Customer may be deemed to possess the knowledge to transact in that unlisted Specified Investment Product.

[SFA04-N12 (Amendment) 2011]

[SFA04-N12 (Amendment) 2012]

[SFA04-N12 (Amendment) 2018]

**ANNEX 4 - RISK WARNING STATEMENT FOR
OVERSEAS-LISTED INVESTMENT PRODUCTS****OVERSEAS-LISTED INVESTMENT PRODUCTS****RISK WARNING**

An overseas-listed investment product* is subject to the laws and regulations of the jurisdiction it is listed in. Before you trade in an overseas-listed investment product or authorise someone else to trade for you, you should be aware of:

- The level of investor protection and safeguards that you are afforded in the relevant foreign jurisdiction as the overseas-listed investment product would operate under a different regulatory regime.
- The differences between the legal systems in the foreign jurisdiction and Singapore that may affect your ability to recover your funds.
- The tax implications, currency risks, and additional transaction costs that you may have to incur.
- The counterparty and correspondent broker risks that you are exposed to.
- The political, economic and social developments that influence the overseas markets you are investing in.

These and other risks may affect the value of your investment. You should not invest in the product if you do not understand or are not comfortable with such risks.

**An “overseas-listed investment product” in this statement refers to a capital markets products that is approved in-principle for listing and quotation only on, or listed for quotation or quoted only on, one or more overseas securities exchange(s) or overseas futures exchanges (collectively referred to as “overseas exchanges”).*

1. This statement is provided to you in accordance with paragraph 29D of the Notice on the Sale of Investment Products [SFA04-N12].

2. This statement does not disclose all the risks and other significant aspects of trading in an overseas-listed investment product. You should undertake such transactions only if you understand and are comfortable with the extent of your exposure to the risks.

3. You should carefully consider whether such trading is suitable for you in light of your experience, objectives, risk appetite, financial resources and other relevant circumstances. In considering whether to trade or to authorise someone else to trade for you, you should be aware of the following:

Differences in Regulatory Regimes

- (a) Overseas markets may be subject to different regulations, and may operate differently from approved exchanges in Singapore. For example, there may be different rules providing for the safekeeping of securities and monies held by custodian banks or depositories. This may affect the level of safeguards in place to ensure proper segregation and safekeeping of your investment products or monies held overseas. There is also the risk of your investment products or monies not being protected if the custodian has credit problems or fails. Overseas markets may also have different periods for clearing and settling transactions. These may affect the information available to you regarding transaction prices and the time you have to settle your trade on such overseas markets.
- (b) Overseas markets may be subject to rules which may offer different investor protection as compared to Singapore. Before you start to trade, you should be fully aware of the types of redress available to you in Singapore and other relevant jurisdictions, if any.
- (c) Overseas-listed investment products may not be subject to the same disclosure standards that apply to investment products listed for quotation or quoted on an approved exchange in Singapore. Where disclosure is made, differences in accounting, auditing and financial reporting standards may also affect the quality and comparability of information provided. It may also be more difficult to locate up-to-date information, and the information published may only be available in a foreign language.

Differences in legal systems

- (d) In some countries, legal concepts which are practiced in mature legal systems may not be in place or may have yet to be tested in courts. This would make it more difficult to predict with a degree of certainty the outcome of judicial proceedings or even the quantum of damages which may be awarded following a successful claim.
- (e) The Monetary Authority of Singapore will be unable to compel the enforcement of the rules of the regulatory authorities or markets in other jurisdictions where your transactions will be effected.
- (f) The laws of some jurisdictions may prohibit or restrict the repatriation of funds from such jurisdictions including capital, divestment proceeds, profits, dividends and interest arising from investment in such countries. Therefore, there is no guarantee that the funds you have invested and the funds arising from your investment will be capable of being remitted.
- (g) Some jurisdictions may also restrict the amount or type of investment products that foreign investors may trade. This can affect the liquidity and prices of the overseas-listed investment products that you invest in.

Different costs involved

- (h) There may be tax implications of investing in an overseas-listed investment product. For example, sale proceeds or the receipt of any dividends and other income may be subject to tax levies, duties or charges in the foreign country, in Singapore, or in both countries.
- (i) Your investment return on foreign currency-denominated investment products will be affected by exchange rate fluctuations where there is a need to convert from the currency of denomination of the investment products to another currency, or may be affected by exchange controls.
- (j) You may have to pay additional costs such as fees and broker's commissions for transactions in overseas exchanges. In some jurisdictions, you may also have to pay a premium to trade certain listed investment products. Therefore, before you begin to trade, you should

obtain a clear explanation of all commissions, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

Counterparty and correspondent broker risks

- (k) Transactions on overseas exchanges or overseas markets are generally effected by your Singapore broker through the use of foreign brokers who have trading and/or clearing rights on those exchanges. All transactions that are executed upon your instructions with such counterparties and correspondent brokers are dependent on their respective due performance of their obligations. The insolvency or default of such counterparties and correspondent brokers may lead to positions being liquidated or closed out without your consent and/or may result in difficulties in recovering your monies and assets held overseas.

Political, Economic and Social Developments

- (l) Overseas markets are influenced by the political, economic and social developments in the foreign jurisdiction, which may be uncertain and may increase the risk of investing in overseas-listed investment products.

ACKNOWLEDGEMENT OF RECEIPT OF THIS RISK WARNING STATEMENT

I acknowledge that I have received a copy of the Risk Warning Statement and understand its contents.

Signature of customer: _____

Name of customer: _____

Date: _____

[SFA04-N12 (Amendment) 2012]

[SFA04-N12 (Amendment) 2018]

[\[SFA04-N12 \(Amendment No. 2\) 2018\]](#)