Monetary Authority of Singapore

FINANCIAL ADVISERS ACT 2001

NOTICE ON COMPETENCY REQUIREMENTS FOR REPRESENTATIVES OF FINANCIAL ADVISERS

FREQUENTLY ASKED QUESTIONS

Disclaimer: The FAQs are meant to provide guidance to the industry on MAS' policy and administration of the Financial Advisers 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.

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FREQUENTLY ASKED QUESTIONS

(A) Minimum Academic Requirements

Q1 What are the minimum academic qualification requirements for appointed representatives?

With effect from 1 February 2014, the minimum academic qualification requirements for appointed representatives are as follows:

(i) a full certificate in GCE 'A' Level;
(ii) an International Baccalaureate Diploma qualification;
(iii) a diploma awarded by a polytechnic in Singapore; or
(iv) any other academic qualification which is equivalent to the qualifications set out in sub-paragraph (i), (ii) or (iii) above.

Q2 What qualification is considered equivalent to a full GCE 'A' Level certificate, an International Baccalaureate Diploma qualification, and a diploma awarded by a polytechnic in Singapore?

A full GCE 'A' Level certificate includes passes in at least three 'Higher 2' and two 'Higher 1' subjects. As the academic entry requirement is meant to test higher literacy and numeracy skills of representatives, the diplomas awarded by the polytechnics in Singapore (including those obtained under the Continuing Education and Training Framework) and the International Baccalaureate Diploma qualification are considered equivalent to a full GCE 'A' Level certificate as they carry similar academic rigour. Higher academic qualifications such as a degree in any discipline will also be acceptable.

Q3 Can the full GCE 'A' Level certificate required under the minimum academic qualification requirements be obtained from more than one sitting?

Yes.

Q4 Can MAS provide a list of equivalent academic qualifications?

As there are many possible equivalent qualifications, especially from foreign institutions, it is not MAS' intention, nor is it practicable, to provide an exhaustive list of such qualifications. In this regard, individual financial advisers should conduct their own due diligence assessment on whether a particular qualification may be deemed equivalent to the minimum academic qualification requirement. Financial advisers may use the following guiding criteria to determine whether a qualification could be considered as being equivalent to a full GCE 'A' Level certificate, International Baccalaureate Diploma qualification or diploma awarded by a polytechnic in Singapore:

(i) The total number of training hours of the course is at least 900 hours, or the course duration is at least 2.5 years on a part-time basis;
(ii) The assessment method is minimally 50% examination-based; and
(iii) The qualification allows for admission into a university.

"Training hours" refers to guided teaching hours that have clear learning objectives and outcomes that are clearly documented, and where the fulfilment of such training hours can be independently verified. Financial advisers should evaluate whether the course format allows candidates' attendance for the training hours to be effectively monitored[1] and whether the attainment of learning objectives is measured and assessed[2]. Time taken for self-study or to complete work assignments and further readings should not be counted as "training hours".

Q5 Can persons who do not satisfy the minimum academic requirement set out in paragraph 3.1(b) of the Financial Advisers Act 2001 ("FAA") Notice on Competency Requirements for Representatives of Financial Advisers ("FAA-N26") conduct regulated activities under the FAA?

All existing and former representatives who had conducted regulated activities under the FAA before 1 February 2014 will not be required to satisfy the minimum academic qualification requirement set out in paragraph 3.1(b) of FAA-N26 ("grandfathered representatives"). However, grandfathered representatives who leave or have left the financial advisory industry for a continuous period of more than one year, and who do not meet the academic requirement, will be required to re-take and pass the relevant rules, ethics and skills ("RES") and product knowledge modules under the Capital

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[1] Where the course contains online training or e-learning components, training hours can be independently verified if the course provider has features that prevent the skipping of course content. For example, synchronous session with a tutor instead of using pre-recorded online videos or ensuring that the full content of each segment must be completed without skipping before students can progress to the next one.

[2] Assessment of attainment of learning objectives may be graded and factored into the overall performance for the course programme, or used as a gauge for the candidate's progress and readiness to move on to next module or set of learning objectives.

Markets and Financial Advisory Services (“CMFAS”) Examination, if they wish to re-enter the financial advisory industry.

Grandfathered representatives who intend to conduct additional FAA activities after 1 February 2014 will not be required to satisfy the minimum academic requirement set out in paragraph 3.1(b) of FAA-N26. For the avoidance of doubt, these grandfathered representatives who wish to provide additional types of financial advisory services after 1 April 2024 are required to pass the relevant modules under FAA-N26 before they can commence the additional financial advisory activity. This is unless there are no applicable CMFAS Examination requirements for the conduct of the additional financial advisory services. Please refer to paragraph 1 in Annex A of FAA-N26 for the types of financial advisory services where CMFAS Examination requirements do not apply.

Q6 Does the minimum academic requirement under the FAA apply to representatives conducting regulated activities under the Securities and Futures Act 2001 (“SFA”)?

The minimum academic requirement under the FAA does not apply to representatives who only conduct regulated activities under the SFA. However, where the financial advisory representative is also an appointed representative under the SFA, the higher of the requirements under the FAA and SFA will apply. In this regard, an existing representative appointed under the SFA would need to meet the minimum academic entry requirement under the FAA should the individual wish to be appointed as a financial advisory representative concurrently.

(B) <u>Examination Requirements</u>

General Requirements

Q7 Some principal companies require their representatives to pass the relevant CMFAS Examination even though these representatives already have certain educational qualifications (e.g. a degree in finance) and/or relevant work experience that are recognised under FAA-N26 to be exempted from certain CMFAS modules. Are such representatives obliged to meet the requirements imposed by their principal company?

MAS places the onus on the principal companies to satisfy themselves and certify to MAS that their representatives are fit and proper. The principal companies have to ensure that their proposed representatives are fit and proper before appointing them as representatives under the SFA and FAA. The fit and proper criteria (i.e. integrity, competence and financial soundness) set out in MAS Guidelines on Fit and Proper Criteria (FSG-G01) are the minimum standards that representatives are expected to meet. Principal companies are encouraged to set standards that are higher than the minimum standards required by MAS, so as to adequately reflect the integrity, professionalism and conduct they expect of their representatives. Where a principal company takes the view that the educational and/or work experience of existing or prospective representatives are insufficient, it may require that these be supplemented by additional professional qualifications, such as certain CMFAS modules on top of what is required by MAS. Existing and potential representatives should check directly with the compliance officer of their principal company on the specific fit and proper requirements expected of them.

Q8 Is there any exemption under the CMFAS Examination requirements for a person who possess a degree, professional qualification or relevant work experience?

Persons who possess certain specified qualifications or work experience stipulated in FAA-N26 may be exempted from the requirement to pass certain product knowledge modules. Details are available in the Annexes of FAA-N26. However, there is no exemption in respect of qualifications or work experience for the RES modules.

Q9 For persons who intend to issue research reports concerning investment products, which modules of the CMFAS Examination do they have to pass?

Persons who issue or promulgate analyses or reports are not required to comply with the CMFAS Examination requirements. Details are available in paragraph 1 in Annex A of FAA-N26.

Q10 Are persons who intend to provide advice on foreign exchange and leveraged foreign exchange required to satisfy CMFAS Examination requirements?

Persons who provide advice (other than through issuing or promulgating research reports) on leveraged foreign exchange have to satisfy the CMFAS Examination requirements. The CMFAS Examination requirements do not apply to persons who provide advice on foreign exchange. Details are available in paragraph 1 in Annex A of FAA-N26.

Q11 Do the CMFAS Exam requirements apply to persons currently employed with a company that acts as a financial adviser in giving advice and issuing reports on any investment products (other than life policies), to not more than 30 accredited investors under regulation 27(1)(d) of the Financial Advisers Regulations?

No. As stated in paragraph 1.4 of FAA-N26, the CMFAS Examination requirements only apply to persons intending to provide financial advisory services on behalf of a licensed financial adviser or a person who is exempt from holding a financial adviser's licence under section 20(1)(a) to (e) of the FAA.

Q12 Are persons who provide advice on bonds to accredited investors subject to the CMFAS Examination requirements?

No.

Q13 Are persons employed by a bank to provide advice on Singapore Government securities subject to the CMFAS Examination requirements?

No.

Q14 Would a person who has passed the relevant CMFAS Examination more than three years ago, but did not commence any regulated activities, be required to re-take and pass the CMFAS Examination if he or she wishes to carry out the relevant financial advisory services now?

Such persons are required to re-take and pass RES5 of the CMFAS Examination before commencing the provision of financial advisory services. They are not required to re-take and pass the CMFAS module(s) on product knowledge. If they wish to provide advice on Specified Investment Products, they have to pass CM-SIP, M8A or M9A depending on the type of Specified Investment Products that they wish to provide advice on.

Q15 For persons who were required to complete a non-examinable course on Module 5 by the stipulated deadline in the cancelled Notice on Minimum Entry and Examination Requirements for Representatives of Licensed Financial Advisers and Exempt Financial Advisers (FAA-N04), if they left the company without completing the non-examinable course, can they take a non-examinable course now if they wish to re-commence the provision of financial advisory services?

No, they are required to pass RES5 of the CMFAS Examination.

Q16 For persons who completed the non-examinable course on Module 5 but subsequently ceased carrying out financial advisory services, are they required to retake and pass RES5 of the CMFAS Examination if they wish to join a financial adviser to conduct the same financial advisory service in future?

The completion of the non-examinable course is valid for 3 years following the cessation from carrying out the financial advisory service. Therefore, an individual will not be required to pass RES5 of the CMFAS Examination if he or she re-commences the provision of financial advisory services with a financial adviser within 3 years from the date of their cessation.

Q17 Will existing representatives intending to conduct additional financial advisory services be "exempted" from passing the CMFAS Examination?

They are required to pass the relevant product knowledge modules under FAA-N26 before they can commence the provision of the additional financial advisory services, unless there are no applicable CMFAS Examination requirements for the conduct of the additional financial advisory activity. Please refer to paragraph 1 in Annex A of FAA-N26 for the types of financial advisory services where CMFAS Examination requirements do not apply.

Q18 If an individual passes a combined product knowledge module, is he or she deemed to have satisfied the minimum CMFAS Examination requirements for passing the relevant single product knowledge module(s)?

Yes, this is set out in paragraph 4.4 of FAA-N26. An individual who is required to pass one or more of the single product knowledge modules stipulated in Table 1 of FAA-N26 may choose to pass the relevant combined product knowledge module listed in Table 2 of FAA-N26 in place of the single product knowledge module(s) to meet the minimum CMFAS Examination requirements.

Q19 If an individual provides financial advisory services that extend beyond those stipulated in paragraph 4.7(a)(ii) or 4.7(b)(ii), is he or she exempted from RES5 under paragraph 4.7(a) of FAA-N26?

No. Appointed representatives who provide financial advisory services that are not incidental to the representatives' dealing or fund management activities are not exempted from RES5. Such representatives are required to take RES5 even if they may have passed the applicable RES module(s) stipulated in paragraph 4.3 of SFA Notice on Competency Requirements for Representatives of Holders of Capital Markets Services Licence and Exempt Financial Institutions (SFA 04-N22) for dealing in capital markets products or fund management.

Examination requirements for providing financial advisory services on Specified Investment Products

Q20 For persons who intend to provide advice on and arrange life policies (including investment-linked policies), what examination requirements are they subject to?

They are required to pass RES5, M9 and M9A of the CMFAS Examination. They will be exempted from the requirement to pass M9A if they meet the criteria set out in Table B-1 in Annex B of FAA-N26.

Q21 If the principal company of the representative offers both life policies and investment-linked policies, does a representative who does not intend to provide advice on or sell investment-linked policies need to pass M9A?

While it is possible for a representative to provide advice on Excluded Investment Products only, the principal company should assess if there is a need for such a representative to pass M9A. We note that principal companies which offer life policies typically also offer investment-linked policies. As such, a representative would need to consider the full suite of products offered by his or her principal companies before recommending particular products that best meet his or her customers' needs. If a representative limits himself or herself to only advising on certain of his or her principal company's products, the representative may not be able to provide advice on the most suitable product(s) or to advise his or her customers against unsuitable products. In addition, a representative may be called on to provide advice on and/or arrange investment-linked policies for his or her principal company's customers who already have investment-linked policies in their portfolios. As such, we strongly encourage a representative who intends to provide advice on life insurance policies to pass M9A even if he or she intends to limit himself or herself to selling Excluded Investment Products only.

Q22 If a principal company sets up a specialised unit which deals in life insurance policies, excluding investment-linked policies, do the representatives within this specialised unit have to pass M9A?

If a principal company offers both life policies and investment-linked policies, but sets up a specialised unit within the company to deal only in life policies (excluding investment-linked policies), the representatives within this specialized unit are not required to pass M9A. This is subject to the company putting in place proper controls, including direct supervision and monitoring of the activities of these representatives, to ensure that they do not provide financial advisory services concerning investment-linked policies. In such cases, the representatives should inform their customers that they can only provide financial advisory services in life policies (excluding investment-linked policies). Nevertheless, the company may set standards that are higher than the minimum standards required by MAS, so as to reflect the professionalism and competency they expect of their representatives.

Q23 For existing appointed representatives providing financial advisory services and who wish to submit a notification to expand their activities to include advising on additional products, do they need to pass M6A, 8A or 9A (whichever is relevant) prior to expanding their activities?

If an existing appointed representative wishes to expand his or her scope of financial advisory services to include Specified Investment Products, the individual will be required to pass the relevant CMFAS Examination, i.e. M6A, 8A or 9A, before he or she can submit the notification for additional regulated activities. Nevertheless, the individual will be exempted from the requirement to pass the modules M6A, 8A or 9A if he or she meets the criteria set out in Table B-1 in Annex B of FAA-N26.

Q24 Do degrees which include finance-related content qualify for exemption from CM-SIP, M8A, M9A?

Only a degree or higher qualification majoring in or with emphasis in finance, financial engineering or computational finance will qualify for exemption as stated in Table B-1 in Annex B of FAA-N26. The exemption list for the new modules has been kept focused on the finance discipline to effectively raise minimum standards, in keeping with the intent of enhancing representatives' knowledge of complex products.

Examination requirements for providing financial advisory services on units in a collective investment scheme

Q25 Are individuals who intend to advise on units in collective investment scheme ("CIS") be required to take CM-EIP or CM-SIP if they have taken M8 or M8A, respectively?

No. An individual who only advises on units in CIS is required to pass the product knowledge module M8 or M8A, regardless of whether the CIS is listed or unlisted. Given that the contents of M8 and M8A in relation to CIS are incorporated in CM-EIP and CM-SIP respectively, an individual may pass CM-EIP in lieu of M8, or CM-SIP in lieu of M8A.

For avoidance of doubt, an individual who advises on both securities and units in CIS –

(i) who passed M8 or M8A, is still required to pass CM-EIP or CM-SIP respectively; or

(ii) who passed CM-EIP or CM-SIP, is not required to pass M8 or M8A respectively, as set out in paragraphs 4.8 and 4.9 in FAA-N26.

Q26 FAA-N26 does not distinguish between listed or unlisted CIS. What are the product knowledge modules to be taken by existing or former representatives who advise on listed or unlisted CIS under FAA-N26?

Existing and former representatives who passed or are deemed to have passed CM-EIP or CM-SIP are not required to pass M8 or M8A, respectively, in order to advise on listed or unlisted CIS. Similarly, those who passed or are deemed to have passed M8 or

M8A are not required to pass CM-EIP or CM-SIP, respectively, to advise on listed or unlisted CIS.

(C) Continuing Professional Development ("CPD") Requirements

Q27 MAS expects appointed representatives who engage in the provision of financial advisory services to undergo continuing education. Are there any guidelines on the types of courses these appointed representatives are required to attend and is there a requirement for them to undergo a certain number of hours of continuous education per year?

Appointed representatives who provide financial advisory services are required to undergo at least 30 hours of structured CPD training annually, with the exception of representatives who only advise on or arrange mortgage reducing term assurance policies and/or group term life insurance policies. The latter group is required to undergo 16 hours of CPD training instead. Out of the minimum 30 or 16 CPD hours as applicable, six hours of training must be on Ethics, Rules and Regulations or relating to the Central Provident Fund.

Q28 What courses does MAS recognise in fulfilling Supplementary CPD hours? Do courses have to be accredited by IBF or SCI in order to count towards fulfilling the Supplementary CPD hours?

MAS does not prescribe the contents for Supplementary CPD hours, and such training do not need to be accredited by IBF or SCI. Principal companies and their representatives may determine the relevance of training to fulfil the Supplementary CPD requirement.

(D) Maintenance of Records

Q29 FAA-N26 requires the financial adviser to maintain a register containing records for every appointed representative's academic qualifications and how the individual has met the minimum academic requirement. What details should be maintained in the records?

For qualifications listed in paragraphs 3.1(b)(i) to 3.1(b)(iii) of FAA-N26 or higher academic qualifications, the register should include details such as the certification type (e.g. bachelor's degree, diploma), discipline, name of institution, and date of conferment.

For qualifications that rely on paragraph 3.1(b)(iv) of FAA-N26, whereby the financial adviser has assessed the qualification to be equivalent to qualifications listed in paragraphs 3.1(b)(i) to 3.1(b)(iii) of FAA-N26, the financial adviser should include additional details of how the qualification has fulfilled the guiding criteria set out in Q2 of this FAQ document.

Q30 FAA-N26 requires the financial adviser to maintain a register containing records for every appointed representative's fulfilment of the relevant minimum examination requirements. What details should be maintained in the records?

The register should state whether a particular representative is subject to the CMFAS Examination requirements for each regulated activity he/she performs, and the dates on which he/she passed the relevant CMFAS Examination modules.

For representatives who are exempted from specific CMFAS Examination modules, the financial adviser should include the details of the exemption (e.g. qualifications listed in Annexes C, D, E).