

**NEW NOTICE ON
CONTINUING FINANCIAL REQUIREMENTS FOR LICENSED
FINANCIAL ADVISERS**

Notice No : FAA-NXXLFAXX
Issue Date : [date]

NOTICE ON CONTINUING FINANCIAL REQUIREMENTS FOR LICENSED FINANCIAL ADVISERS

PART I: INTRODUCTION

1.1.1 This Notice is issued pursuant to regulations 2A, 16 and 16C of the Financial Advisers Regulations and applies to all licensed financial advisers.

1.1.2 This Notice establishes the methodology which a licensed financial adviser shall use for calculating its financial resources or adjusted net head office funds, whichever is applicable.

1.1.3 This Notice shall take effect on [date].

PART II: DEFINITIONS

2.1.1 The expressions used in this Notice are defined in the Glossary at Annex 2A.

2.1.2 The expressions used in this Notice shall, except where defined in this Notice or where the context otherwise requires, have the same meanings as in section 2 of the Financial Advisers Act (Cap. 110) (the “Act”), section 2 of the Securities and Futures Act (Cap. 289) and regulation 2 of the Financial Advisers Regulations (the “Regulations”). In case of conflict between the Act, the Securities and Futures Act and the Regulations, the Regulations shall prevail.

2.1.3 Any reference to a paragraph, Sub-division, Division, Part or Annex is a reference to a paragraph, Sub-division, Division, Part or Annex in this Notice unless otherwise specified.

Annex 2A

GLOSSARY

Accounting Standards	has the same meaning as in section 4(1) of the Companies Act (Cap. 50);
associate	has the same meaning as “associate” under the Accounting Standards;
Authority	means the Monetary Authority of Singapore;
banking institution	means – (a) any bank licensed under the Banking Act (Cap. 19); or (b) any entity which is approved, licensed, registered or otherwise regulated by a banking regulatory authority in a foreign jurisdiction to carry on banking business as defined in the Banking Act (Cap 19);
banking regulatory authority	in relation to a foreign jurisdiction, means an authority in the foreign jurisdiction exercising any function that corresponds to a regulatory function of the Authority under the Banking Act (Cap. 19);
capital investments	in relation to a LFA, means all exposures of a capital nature, including – (a) any ordinary share; (b) any preference share; (c) any instrument treated as regulatory capital in relation to any financial institution approved, licensed, registered or otherwise regulated by a regulatory authority; (d) any lending on non-commercial terms or which is not at arm’s length; and (e) any guarantee issued to third parties for the benefit of subsidiaries or associates on non-commercial terms or which is not at arm’s length;
CFD	means a contract for differences;
charged asset	means an asset which is subject to a charge under which a third party has a right of retention or sale of the asset upon default of the LFA;
commodity	in relation to a derivative contract, means – (a) a financial instrument; or

	(b) a physical commodity;
derivative contract	includes any warrant, convertible security, forward contract, futures contract, swap, CFD and option;
financial institution	means an entity or a limited liability partnership the principal activity of which is to carry on business in one or more of the following activities ¹ : (a) banking business; (b) insurance business; (c) dealing or trading in securities, exchange-traded derivative contracts or over-the-counter derivative contracts, whether as an agent or on a proprietary basis; (d) foreign exchange trading and leveraged foreign exchange trading, whether as an agent or on a proprietary basis; (e) advising on corporate finance; (f) fund management; (g) real estate investment trust management; (h) securities financing; (i) providing custodial services; (j) operating an exchange, trading system or market; (k) providing central counterparty services; (l) operating a payment system, securities depository, securities settlement system or trade repository; (m) providing financial advisory services; (n) insurance broking; (o) trust business; (p) money broking; (q) money-changing business; (r) remittance business; (s) lending; (t) factoring; (u) leasing; (v) provision of credit enhancements; or (w) securitisation;
financial instrument	includes any currency, currency index, interest rate instrument, interest rate index, share, share index, stock, stock index, debenture, bond index, a group or groups of such instruments, any right or interest in such instruments, and any derivative contract;

¹ This includes a financial holding company which is a non-operating company holding a subsidiary that is a banking institution or a subsidiary that carries on insurance business as an insurer. For avoidance of doubt, this includes any entity that is approved, licensed, registered or otherwise regulated by the Authority, or any foreign entity that carries out activities which, if carried out in Singapore, would have to be approved, licensed, registered or otherwise regulated by the Authority.

forward contract	means a contract the effect of which is that one party to the contract agrees to deliver a specified commodity, or a specified quantity of a specified commodity, to another party to the contract at a specified future time and at a specified price payable at that time, and includes an option on a forward contract but does not include a futures contract;
futures contract	has the same meaning as in regulation 2 of the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations;
LFA	licensed financial adviser;
over-the-counter derivatives contract	means a derivative contract which is not traded on an approved exchange or an overseas exchange;
overseas exchange	means a person operating a market outside Singapore which is regulated by a financial services regulatory authority of a country or territory other than Singapore;
physical commodity	means gold or any produce, goods, article or item other than cash, including any freight or energy products and any index, right or interest in such physical commodity;
real estate investment trust	means a collective investment scheme – (a) that is a trust; (b) that invests primarily in real estate and real estate-related assets specified by the Authority in the Code on Collective Investment Schemes; and (c) all or any units of which are listed for quotation on a securities exchange;

PART III: CONTINUING FINANCIAL REQUIREMENTS

Division 1: General Requirements

3.1.1 Under regulation 16C of the Regulations, a LFA shall –

- (a) at all times maintain its financial resources or adjusted net head office funds, whichever is applicable, of not less than the stipulated amount in the Regulations; and
- (b) if the LFA fails to comply with the continuing financial requirements or becomes aware that it will fail to comply with the continuing financial requirements, the LFA shall immediately notify the Authority.

3.1.2 A LFA shall provide a calculation of its financial resources or adjusted net head office funds, whichever is applicable, as at any given date, to the Authority upon request and within such time as may be specified by the Authority.

Division 2: Financial Resources or Adjusted Net Head Office Funds

3.2.1 Financial resources or adjusted net head office funds, whichever is applicable, in relation to a LFA shall be less the sum of the items in paragraph 3.2.2 in the latest accounts of the LFA.

3.2.2 For the purpose of paragraph 3.2.1, the items are –

- (a) intangible assets;
- (b) future income tax benefits;
- (c) pre-paid expenses;
- (d) charged assets, except to the extent that the LFA has not drawn down on the credit facility if the charge is created to secure a credit facility, as permitted by the Authority;
- (e) unsecured amounts due from every director, officer, employee or representative, or any combination of the foregoing, of the LFA;
- (f) unsecured amounts owed by every related corporation of the LFA;
- (g) unsecured loans and advances made by the LFA, unless a deduction has already been made pursuant to sub-paragraphs (e) or (f) above; and

(h) capital investments in every subsidiary or associate of the LFA.

3.2.3 A LFA shall include its redeemable preference share capital in its financial resources only if the redeemable preference share has a redemption period of not less than 2 years when the redeemable preference share is issued and paid up.