

**SECOND DRAFT AMENDMENTS TO THE
FINANCIAL ADVISERS REGULATIONS**

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No. S XXX

FINANCIAL ADVISERS ACT
(CHAPTER 110)

FINANCIAL ADVISERS
(AMENDMENT NO. 2) REGULATIONS 2015

In exercise of the powers conferred by sections 10, 23, 23C, 23D, 44A, 44B, 55A, 55B, and 104 of the Financial Advisers Act, the Monetary Authority of Singapore hereby makes the following Regulations:

Citation and commencement

1.— (1) These Regulations may be cited as the Financial Advisers (Amendment) Regulations 2015 and shall (with the exception of regulations 4 and 6) come into operation on [date the Regulations come into effect].

(2) Regulations 4 and 6 shall come into operation on 1st January 2016.

Amendment of regulation 2

2. Regulation 2(1) of the Financial Advisers Regulations (referred to in these Regulations as the principal Regulations) is amended –

(a) by deleting the definition of “base capital” and substituting with the following:

“ “base capital” in relation to an applicant for grant of a financial adviser’s licence, a licensed financial adviser or registered insurance broker (as the case may be), means the sum of—

- (a) the following items in the latest account of the applicant, the licensed financial adviser or registered insurance broker (as the case may be):
 - (i) paid-up ordinary share capital; and
 - (ii) paid-up irredeemable and non-cumulative preference share capital; and
- (b) any unappropriated profit or loss in the latest audited accounts of the applicant, the licensed financial adviser or registered insurance broker (as the case may be),

less any interim loss in the latest accounts of the applicant, the licensed financial adviser or registered insurance broker (as the case may be) and any dividend that has been declared since the latest audited accounts of the applicant, the licensed financial adviser or registered insurance broker (as the case may be);”;

(b) by inserting, immediately before “expert investor”, the following definition:

“existing product” has the same meaning as in regulation 2 of the Financial Advisers (Exemption from Sections 25 to 29 and 36) Regulations;”;

(c) by inserting, immediately after “net head office funds”, the following definitions:

“new product” has the same meaning as in regulation 2 of the Financial Advisers (Exemption from Sections 25 to 29 and 36) Regulations;

“non-financial advisory activity” means —

- (a) in relation to a licensed financial adviser, any activity referred to in section 55A(1)(b) to (d) of the Act; and
- (b) in relation to an appointed or provisional representative, any activity referred to in section 55B(1)(ii) to (iv) of the Act;”;

(d) by inserting, immediately after the definition of “Registered Fund Management Company”, the following definition:

“registered insurance broker” has the same meaning as in section 1A of the Insurance Act (Cap. 142);”.

3. The principal Regulations are amended by inserting, immediately after regulation 17, the following new Part IIIA:

“PART IIIA

FINANCIAL REQUIREMENTS FOR EXEMPT FINANCIAL ADVISERS

Non-application of regulations 17B to 17G

17A.— (1) Regulations 17B to 17G shall apply to a registered insurance broker who is an exempt financial adviser, unless —

- (a) the registered insurance broker carries on a business of providing any or all of the following types of financial advisory services –
 - (i) advising others (other than in the manner specified in sub-paragraph

(ii)), either directly or through publications or writings, and whether in electronic, print or other form, concerning any group life policies or incidental individual life policies, other than a contract of reinsurance;

(ii) advising others by issuing or promulgating research analyses or research reports, whether in electronic, print or other form, concerning any group life policies or incidental individual life policies, other than a contract of reinsurance; or

(iii) arranging of any contract of insurance in respect of any group life policies or incidental individual life policies, other than a contract of reinsurance;

(b) if applicable, the revenue of the registered insurance broker earned from carrying on a business concerning or in respect of incidental individual life policies in a financial year does not at any time exceed \$200,000; and

(c) the revenue of the registered insurance broker earned from carrying on a business of providing the types of financial advisory services referred to in sub-paragraph (a) in a financial year does not at any time exceed 25% of the total revenue of the registered insurance broker from its business as an insurance broker and of providing financial advisory services in its immediately preceding financial year.

(2) For the purposes of paragraph (1)(c), in the case where the registered insurance broker does not have an immediately preceding financial year, the revenue of the registered insurance broker earned from carrying on a business of providing the types of financial advisory services referred to in paragraph 1(a) in a financial year shall not at any time exceed 25% of the applicable minimum financial requirements under regulation 17B.

(3) For the purpose of this regulation—

“corporate client” in relation to a registered insurance broker, means any client or prospective client which is not an individual, for whom the registered insurance broker acts as an agent in respect of –

(a) policies relating to general business and long-term accident and health policies, other than insurance policies relating to reinsurance business; or

(b) reinsurance of liabilities under insurance policies relating to life business or general business;

“general business” means the insurance business referred to in section

2(1)(b) of the Insurance Act (Cap.142);

“group life policy” means any life policy which a policy owner enters into or intends to enter into for and on behalf of two or more persons who are named as the insured under the life policy;

“incidental individual life policy” in relation to a registered insurance broker, means any life policy in respect of which the registered insurance broker provides the types of financial advisory services referred to in paragraph (1)(a) to –

- (a) any shareholder of the corporate client;
- (b) any director of the corporate client; or
- (c) any person by whatever name described, who is in the direct employment of, or acting for or by arrangement with, the corporate client;

“life business” means the insurance business referred to in section 2(1)(a) of the Insurance Act;

“long-term accident and health policy” has the same meaning as in paragraph 4D of the First Schedule to the Insurance Act;

“revenue” in relation to a registered insurance broker, means the fees, brokerage, commissions and income earned in the ordinary course of business of the registered insurance broker.

Minimum financial requirements for registered insurance broker acting as financial adviser

17B.— (1) For the purposes of section 10 read with section 23(4A) of the Act, a registered insurance broker who is an exempt financial adviser shall meet the following minimum financial requirements at the time it commences carrying on a business of providing any financial advisory service –

- (a) in the case of the registered insurance broker which intends to carry on a business of providing the financial advisory service of advising others by issuing or promulgating research analyses or research reports, whether in electronic, print or other form, concerning any investment product, its base capital is not less than \$250,000; or
- (b) in any other case, the base capital of the registered insurance broker is not less than –

- (i) \$500,000; or
- (ii) \$300,000, subject to the condition that the registered insurance broker provides a professional indemnity insurance policy –
 - (A) which is in addition to the professional indemnity insurance policy required under regulation 17G;
 - (B) which covers a limit of indemnity of an amount not less than \$500,000; and
 - (C) which amount of deductible does not exceed 10% of the base capital of the registered insurance broker.

(2) The Authority may vary the minimum financial requirements applicable to the registered insurance broker at the time it commences carrying on a business of providing any financial advisory service, by notice in writing, if the Authority considers it appropriate to do so in the circumstances of the case.

Where base capital of registered insurance broker acting as financial adviser falls below minimum financial requirements

17C.— (1) For the purposes of section 10 read with section 23(4A) of the Act, a registered insurance broker who is an exempt financial adviser and has commenced the business of providing financial advisory services shall not cause or permit its base capital to fall below the minimum financial requirements applicable to the registered insurance broker under regulation 17B, paragraph (2) or paragraph (3), as the case may be.

(2) For the purposes of section 10 read with section 23(4A) of the Act, if a registered insurance broker, who is an exempt financial adviser, at any time during the period of its carrying on a business of providing financial advisory services, intends to commence or cease business of providing any financial advisory service or change the scope of its business of providing any financial advisory service, such that a different minimum financial requirement shall apply to it, it shall comply with the new minimum financial requirement applicable to it.

(3) The Authority may vary the minimum financial requirements applicable to the registered insurance broker, at any time during the period it carries on a business of providing financial advisory services, by notice in writing, if the Authority considers it appropriate to do so in the circumstances of the case.

(4) If the registered insurance broker fails to comply with paragraph (1) or becomes aware that it will fail to comply with that paragraph, the registered insurance broker shall immediately notify the Authority.

(5) If the Authority is notified by the registered insurance broker under paragraph (4) or becomes aware that the registered insurance broker has failed to comply with paragraph (1), the Authority may –

- (a) direct the registered insurance broker to immediately do one or more of the following:
 - (i) operate its business of providing any or all financial advisory services in such manner and on such conditions as the Authority may impose;
 - (ii) cease carrying on business of providing any or all financial advisory services until such time the registered insurance broker complies with paragraph (1); or
- (b) withdraw the exemption granted to the registered insurance broker under section 23(10) of the Act.

Financial resources and variation of financial resources

17D.— Regulations 16, 16A(a) and 16B shall apply to a registered insurance broker who is an exempt financial adviser and has commenced the business of providing financial advisory services as if every reference in those regulations to a licensed financial adviser were a reference to the registered insurance broker and every reference in regulation 16 to regulations 16A to 16D were a reference to regulations 16A, 16B, 17E and 17F.

Financial resources of registered insurance broker not to fall below continuing financial requirements

17E.—(1) For the purposes of section 10 read with section 23(4A) of the Act, a registered insurance broker who is an exempt financial adviser and has commenced the business of providing financial advisory services, shall at all times maintain financial resources of not less than —

- (a) in the case where it does not have an immediately preceding financial year, \$150,000; or
 - (b) in any other case —
 - (i) one-quarter of its relevant annual expenditure of the immediately preceding financial year; or
 - (ii) \$150,000,
- whichever is the higher.

(2) For the purposes of paragraph (1)(b)(i), the relevant annual expenditure of the registered insurance broker for the immediately preceding financial year means the total expenditure of the registered insurance broker for that year less the following:

- (a) staff bonuses (except to the extent that they are guaranteed);
- (b) employees' and directors' shares in profits (except to the extent that they are guaranteed); and
- (c) any commission or fee paid to its representatives which is directly related to the commission or fee received by the registered insurance broker.

(3) The registered insurance broker shall compute its financial resources (if applicable) in accordance with regulation 16 read with regulation 17D —

- (a) at such time and frequency as may be specified by the Authority by notice in writing; or
- (b) where the Authority does not so specify, at such time and frequency as may be necessary for determining whether at any time its financial resources fall below its continuing financial requirements as set out in paragraph (1).

(4) The registered insurance broker shall compute its financial resources in accordance with the MAS notice that applies to him, any notice referred to in regulation 16A(a) read with regulation 17D given to the registered insurance broker, or both (whichever is applicable).

(5) If the registered insurance broker fails to comply with paragraph (1) or (3) or becomes aware that it will fail to comply with that paragraph, the registered insurance broker shall immediately notify the Authority.

(6) If the Authority is notified by the registered insurance broker under paragraph (5) or becomes aware that the registered insurance broker has failed to comply with paragraph (1) or (3), the Authority may withdraw the exemption granted to the registered insurance broker under section 23(10) of the Act.

Where financial resources of registered insurance broker fall below 120% of continuing financial requirements

17F.—(1) For the purposes of section 10 read with section 23(4A) of the Act, a registered insurance broker who is an exempt financial adviser and has commenced the business of providing financial advisory services, shall immediately notify the Authority, if its financial resources fall below 120% of its continuing financial requirements.

(2) If the Authority is notified by the registered insurance broker under paragraph (1) or becomes aware that the financial resources of the registered insurance broker have fallen below 120% of its continuing financial requirements, the Authority may —

- (a) direct the registered insurance broker to immediately do one or more of the following:
 - (i) operate its business of providing any or all of financial advisory services in such manner and on such conditions as the Authority may impose;
 - (ii) cease carrying on business of providing any or all of the financial advisory services until such time that the registered insurance broker has demonstrated that its financial resources are not less than 120% of the continuing financial requirements of the registered insurance broker; or
- (b) withdraw the exemption of the registered insurance broker under section 23(10) of the Act.

Professional indemnity insurance

17G. – (1) For the purposes of section 10 read with section 23(4A) of the Act and subject to paragraph (4), a registered insurance broker who is an exempt financial adviser and intends to carry on or carries on a business of providing any or all types of financial advisory services to a client who is not an accredited investor, an expert investor or an institutional investor, shall have in force, at all times during the period the registered insurance broker carries on business in any or all financial advisory services, a professional indemnity insurance policy in respect of all types of financial advisory service to be provided or provided by the registered insurance broker.

(2) The professional indemnity insurance policy referred to in paragraph (1) shall –

- (a) have a limit of indemnity to be covered which is not less than the minimum professional indemnity insurance coverage requirements; and
- (b) have an amount of deductible which is not more than the maximum professional indemnity insurance deductible requirements,

applicable to the registered insurance broker under the Fourth Schedule.

(3) The registered insurance broker shall not, during the period it carries on business in any or all financial advisory services, cause or permit the limit of indemnity to be covered and amount of deductible to be allowed under the professional indemnity insurance policy to fall below the minimum professional indemnity insurance coverage requirements and to be more than the maximum

professional indemnity insurance deductible requirements applicable to it under paragraph (2) respectively.

(4) The Authority may vary the minimum professional indemnity insurance coverage requirements or maximum professional indemnity insurance deductible requirements, or both, as the case may be, applicable to the registered insurance broker at any time during the period it carries on a business of providing any or all financial advisory services, by notice in writing, if the Authority considers it appropriate to do so in the circumstances of the case.”.

New regulation 34A

4. The principal Regulations are amended by inserting, immediately after regulation 34, the following regulation:

“Non-application of sections 44A and 44B of Act for certain persons

34A.—(1) Sections 44A and 44B of the Act shall not apply to –

- (a) a licensed financial adviser or an exempt financial adviser –
 - (i) who is exempt from section 27 of the Act under regulations 27A, 31, 32B, 34 or 36, or to whom section 27 of the Act does not apply under regulation 18A, in respect of the activity or activities for which the licensed financial adviser or exempt financial adviser is exempt under those regulations or section 27 of the Act is not applicable to; or
 - (ii) who is also a dealer in respect of its carrying on a business of providing execution-related advice;
- (b) a licensed financial adviser or an exempt financial adviser, in respect of –
 - (i) any financial advisory service provided to a client who is a high net worth individual, an accredited investor, an expert investor or an institutional investor;
 - (ii) any recommendation made with respect to life policies which are sold as an ancillary product to loans with a simple payment basis for the insurance cover (including policies that cover outstanding loans through personal loans, car loans and credit card balances, but excluding mortgage reducing term assurance plans); or

(iii) any transaction where only factual information has been provided to clients with respect to any excluded investment products (including the marketing of any designated investment products through the use of direct response, advertising, or communications through any medium), and prior to such transaction, no advice or recommendation has been provided by the licensed financial adviser, exempt financial adviser or their representatives, to the clients; and

(c) a bank licensed under the Banking Act (Cap. 19) or merchant bank approved as a financial institution under the Monetary Authority of Singapore Act (Cap. 186) which is exempt under the Financial Advisers (Exemption from Sections 25 to 29 and 36) Regulations in respect of the provision of any financial advisory service relating to an existing product or a new product.

(2) In this regulation –

“asset-backed securities” has the same meaning as in in section 262(3) of the Securities and Futures Act (Cap. 289);

“business trust” has the same meaning as in section 2 of the Business Trusts Act (Cap. 31A);

“collective investment scheme” has the same meaning as in section 2(1) of the Securities and Futures Act (Cap. 289);

“dealer” means a person exempt from holding a financial adviser’s licence under section 23(1)(a), (b) or (d) of the Act and its representatives in respect of their carrying on a business of providing execution-related advice;

“debenture” has the same meaning as in section 2(1) of the Securities and Futures Act (Cap. 289);

“deposit” has the same meaning as in section 4B(4) of the Banking Act (Cap. 19);

“derivative” in relation to a unit in a business trust, has the same meaning as in section 2 of the Business Trusts Act (Cap. 31A);

“designated investment product” has the same meaning as in section 25(6) of the Act;

“excluded investment product” means –

- (a) any stock or share issued or proposed to be issued by a corporation or body unincorporate, other than where such corporation or body unincorporate is a collective investment scheme;
- (b) any unit of a share which represents ownership of the underlying share, where –
 - (i) the underlying share is held on trust for the unit-holder by a custodian; and
 - (ii) no additional consideration (other than administrative fees) is payable by the unit-holder in the event that he converts the unit of share into the underlying share;
- (c) any right, option or derivative issued or proposed to be issued by a corporation or body unincorporate in respect of its own stocks or shares;
- (d) any unit in a business trust;
- (e) any derivative of units in a business trust;
- (f) any unit in a collective investment scheme, such collective investment scheme being an arrangement –
 - (i) that is a trust;
 - (ii) that invests primarily in real estate and real estate-related assets specified by the Authority in the Code on Collective Investment Schemes; and
 - (iii) all or any units of which are listed for quotation on a securities exchange;
- (g) any unit in a collective investment scheme, where the constitutive documents of the scheme contain covenants that bind the manager of the scheme, or where the prospectus of the collective investment scheme or any document issued in connection with an offer of units in the collective investment scheme (being an offer that is not required to be made in or accompanied by a prospectus under section 296(1) of the Securities and Futures Act (Cap. 289)), contains restrictions that bind the manager of the collective investment scheme:
 - (i) to invest only in –

- (A) deposits; or
- (B) any products specified in sub-paragraphs (a) to (l); and
- (ii) not to engage in securities lending or repurchase transactions for the collective investment scheme;
- (h) any debenture, other than –
 - (i) asset-backed securities; or
 - (ii) structured notes;
- (i) any life policy, other than an investment-linked policy (except where the investment-linked policy has units in an ILP sub-fund as referred to in sub-paragraph (j));
- (j) any unit in an ILP sub-fund, where the investment objectives and investment focus of the ILP sub-fund, and investment approach of the manager are stated in the product summary of the investment-linked life insurance policy –
 - (i) to invest only in:
 - (A) deposits; or
 - (B) any product specified in sub-paragraphs (a) to (l); and
 - (ii) not to engage in securities lending or repurchase transactions for the ILP sub-fund;
- (k) any contract or arrangement the effect of which is that one party agrees to exchange currency at an agreed rate of exchange with another party, where such currency exchange is effected immediately; or
- (l) two or more products specified in sub-paragraphs (a) to (k) that are linked together in a stapled manner such that one product may not be transferred or otherwise dealt without any of the other product(s);

“execution activities” means either or both of the following activities as defined in Part II of the Second Schedule to the Securities and Futures Act (Cap. 289) –

- (a) dealing in securities (other than collective investment schemes) that is listed for quotation or quoted on a securities exchange, overseas

securities exchange or recognised market operator; and

(b) trading in futures contracts;

“execution-related advice” means advice provided which is solely incidental to the execution activities of a dealer with no discrete fee charged by the dealer for the advice rendered;

“high net worth individual” means an individual –

(a) who has at least S\$1 million in value (or its equivalent in a foreign currency), in any or all of the following assets:

(i) bank deposits;

(ii) structured deposits; or

(iii) investment products;

(b) whose net assets exceed S\$2 million in value (or its equivalent in a foreign currency);

(c) whose annual income is not less than S\$300,000 (or its equivalent in a foreign currency); or

(d) who is assessed by the licensed or exempt financial adviser to have the potential to become a person described in (a) within a period of 2 years;

“ILP sub-fund” means each separate sub-fund within an investment-linked life insurance policy to which a policy holder can choose to allocate his or her premiums under the policy;

“investment-linked policy” has the same meaning as in the First Schedule to the Insurance Act (Cap.142);

“manager” means –

(a) an insurer, if the insurer fully or partly manages the ILP sub-fund itself; or

(b) a fund manager, other than the insurer, if the fund manager fully manages the ILP sub-fund or the underlying collective investment schemes in which the ILP sub-fund is fully invested in;

“prospectus” has the same meaning as in section 283(1) of the Securities and Futures Act (Cap.289);

“securities exchange” has the same meaning as in section 2(1) of the Securities and Futures Act (Cap.289);

“structured notes” has the same meaning as in regulation 2(1) of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005.

Amendment of regulation 37

5. Regulation 37 of the principal Regulations is amended –

(a) by deleting the word “20” in paragraph (1)(d)(i) and substituting with the number “26”;

(b) by inserting, immediately after paragraph (1), the following paragraphs:

“(1A) Notwithstanding paragraph (1), a registered insurance broker who is an exempt financial adviser, shall lodge with the Authority –

(a) where the registered insurance broker meets the requirements under regulation 17A(1), a statement of revenue derived from carrying on business of providing any or all types of the financial advisory services referred to in regulation 17A(1)(a) in Form 29 within 5 months after the end of its financial year or such longer period as the Authority may approve; and

(b) in any other case, a statement of revenue derived from carrying on a business of providing financial advisory services in Form 30 and a statement of base capital and financial resources in Form 31 within 5 months after the end of its financial year or such longer period as the Authority may approve;”;

(c) by inserting, immediately after the words “paragraph (1)” in paragraph (4), the words “, (1A)”.

6. The principal Regulations are amended by inserting, immediately after regulation 38, the following new Part IVA:

“PART VIA PRESCRIBED NON-FINANCIAL ADVISORY ACTIVITIES

Definitions of this Part

38A. In this Part –

“associate” in relation to a licensed international market agent or an applicant for an international market agent licence, has the same meaning as in regulation 2(2) of the Casino Control (Casino Marketing Arrangements) Regulations 2013;

“client” includes prospective client;

“estate agency work” has the same meaning as in section 3(1) of the Estate Agents Act (Cap. 95A);

“estate agent” has the same meaning as in section 3(1) of the Estate Agents Act (Cap. 95A);

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

“revenue” refers to fees, brokerage, commissions and income earned in the ordinary course of business of the licensed financial adviser;

“international market licensee” has the same meaning as in regulation 2(1) of the Casino Control (Casino Marketing Arrangements) Regulations 2013;

“licensed estate agent” has the same meaning as in section 3(1) of the Estate Agents Act (Cap. 95A);

“licensed moneylender” means a person who is authorised to carry on the business of moneylending in Singapore under section 5 of the Moneylenders Act (Cap. 188);

“principal”, in relation to an appointed or provisional representative, means a licensed financial adviser or an exempt financial adviser, whom the appointed or provisional representative is in direct employment of, is acting for or is acting by arrangement with, and on behalf of whom the appointed or provisional representative provides or will provide any non-financial advisory activity;

“referral activity” means –

- (a) referring any client to a relevant person (referred to in regulation 38B(1)(a)) for the provision of any product or service in relation to any specified activity conducted by the relevant person; or
- (b) the activity referred to in sub-paragraph (a) and either or both of the following:

- (i) recording the particulars of any client and forwarding such particulars to a relevant person with the client's consent;
- (ii) providing factual information to any client on any product or service in relation to any specified activity conducted by the relevant person, including (where applicable) information on —
 - (A) the name of the product or service;
 - (B) the product or service provider; or
 - (C) any fee or charge which may be imposed,

and “refer” shall be construed accordingly;

“salesperson” has the same meaning as in section 3(1) of the Estate Agents Act (Cap. 95A);

“specified activity” means any activity which is not the provision of financial advisory services.

Application of section 55A(1)(c) of Act

38B.—(1) For the purposes of section 55A(1)(c) of the Act, the Authority hereby prescribes the following activities as activities that a licensed financial adviser may carry on a business of conducting, or enter into any partnership, joint venture or other arrangement with any person to carry on a business of conducting:

- (a) carrying out referral activities (whether through any of its representatives or otherwise) in respect of a specified activity for one or more of the following persons (referred to in this regulation as the relevant person) –
 - (i) any bank licensed under the Banking Act (Cap. 19);
 - (ii) any finance company licensed under the Finance Companies Act (Cap. 108);
 - (iii) any money-changer licensed to conduct money-changing business, or any remitter licensed to conduct remittance business, under the Money-changing and Remittance Businesses Act (Cap. 187);
 - (iv) any insurer licensed or regulated under the Insurance Act (Cap. 142);
 - (v) any insurance intermediary registered or regulated under the Insurance Act (Cap. 142);

- (vi) any holder of a capital markets services licence under the Securities and Futures Act (Cap. 289);
- (vii) any licensed trust company under the Trust Companies Act (Cap. 336); or
- (viii) any person who carries on a business of providing will writing services, estate or tax planning services, or any combination of the foregoing services,

subject to the following conditions —

- (A) the licensed financial adviser shall, when carrying out referral activities (whether through any of its representatives or otherwise), disclose in writing to every client —
 - (AA) that the licensed financial adviser is carrying out referral activities for one or more relevant persons;
 - (AB) that, when carrying out referral activities, the licensed financial adviser and its representatives shall not give advice or provide recommendations on any product or service in relation to any specified activity to the client;
 - (AC) whether the licensed financial adviser or any of its directors or shareholders, is a substantial shareholder of the relevant person, or whether the licensed financial adviser has any other relationship with the relevant person or any of its representatives (as the case may be);
 - (AD) whether the licensed financial adviser has any other actual or potential conflict of interests that may arise from carrying out referral activities for the client;
 - (AE) whether or not the licensed financial adviser or any of its representatives is or will be remunerated by one or more relevant persons for carrying out referral activities;
 - (AF) where the licensed financial adviser or any of its representatives is or will be remunerated by one or more relevant persons, the amount of remuneration and the basis of remuneration received; and
 - (AG) such other information as the Authority may specify;

- (B) the licensed financial adviser shall not, when making any referrals (whether through its representatives or otherwise), give advice or provide recommendations on any product or service in relation to any specified activity to the client;
- (C) the licensed financial adviser shall ensure effective controls and segregation of duties to mitigate actual or potential conflicts of interest that may arise from the licensed financial adviser carrying out referral activities;
- (D) the licensed financial adviser shall ensure that its carrying out of referral activities does not cause any reputational damage to itself or the financial advisory industry, or both;
- (E) where the licensed financial adviser carries out referral activities for more than one relevant person, the licensed financial adviser (whether through any of its representatives or otherwise) shall, with the consent of the client, refer that client to every relevant person that provides the specified activity that the client has enquired about;
- (F) the licensed financial adviser shall not receive or deal with client's money or property in relation to referral activities; and
- (G) where the licensed financial adviser carries out referral activities for the relevant person referred to in paragraph (a)(viii), before the licensed financial adviser refers the client to the relevant person referred to in paragraph (a)(viii) –
 - (GA) the licensed financial adviser shall conduct due diligence to ensure that the relevant person providing the will writing services, estate or tax planning services, or any combination of the foregoing services, is competent and suitably qualified to do so;
 - (GB) the licensed financial adviser shall provide a written document to the client which clearly sets out the services that the licensed financial adviser provides which are financial advisory services and the activities which are referral activities, and the role and responsibilities of the relevant person in respect of its provision of will writing services, estate or tax planning services, or any combination of the foregoing services; and
 - (GC) the licensed financial adviser shall obtain from the client a confirmation in writing that the client understands the written disclosure referred to in sub-paragraph (GB);

- (b) providing training and consultancy in respect of financial planning or financial literacy which are aimed at educating and empowering the public in Singapore, subject to the following conditions —
 - (i) where the training and consultancy relates to any product, the product shall be limited to investment products; and
 - (ii) the licensed financial adviser shall, when providing training or consultancy (whether through any of its representatives or otherwise), disclose in writing to every client whether any advice will be provided in the course of the training or consultancy; and
 - (c) providing will writing services, estate or tax planning services, or any combination of the foregoing services, subject to the condition that before the licensed financial adviser provides will writing services, estate or tax planning services, or any combination of the foregoing services (whether through any of its representatives or otherwise) for a client –
 - (i) the licensed financial adviser shall conduct due diligence to ensure that every of its officers or employees who provides will writing services, estate or tax planning services, or any combination of the foregoing services, to the client, is competent and suitably qualified to do so;
 - (ii) the licensed financial adviser shall provide a written document to the client which clearly sets out the services that the licensed financial adviser provides which are financial advisory services and the services which are will writing services, estate or tax planning services, or any combination of the foregoing services, and the respective roles and responsibilities of the licensed financial adviser in its capacity as a financial adviser and its provision of will writing services, estate or tax planning services, or any combination of the foregoing services; and
 - (iii) obtain from the client a confirmation in writing that the client understands the written disclosure referred to in sub-paragraph (c)(ii).
- (2) A licensed financial adviser shall establish and maintain a register of its representatives and employees that conduct or provide the activities or services (as the case may be) referred to in sub-paragraph (1).
- (3) The revenue generated by the licensed financial adviser from its conduct or provision of the activities or services (as the case may be) referred to in paragraph (1) shall not exceed 5% of the licensed financial adviser's annual revenue derived from its provision of financial advisory services in a financial year, based on the latest audited financial statements of the licensed financial

adviser.

(4) For the purposes of paragraph (1), the licensed financial adviser shall notify the Authority of its intention to commence the conduct or provision of any activity or service (as the case may be) referred to in paragraph (1) at least 14 days prior to the commencement of such activity or service (as the case may be).

Application of section 55B(1)(iii) of Act

38C.—(1) For the purposes of section 55B(1)(iii) of the Act and subject to paragraph (2), an appointed or provisional representative may conduct any activity where the principal of the appointed or provisional representative is satisfied that all of the following conditions are fulfilled –

- (a) the conduct of the activity by the appointed or provisional representative will not give rise to any conflicts of interest;
- (b) the conduct of the activity by the appointed or provisional representative will not cause any reputational damage to the licensed financial adviser, exempt financial adviser, or financial advisory industry, or any combination of the foregoing, as the case may be;
- (c) the conduct of the activity by the appointed or provisional representative will not lead to the appointed or provisional representative's neglect of his provision of financial advisory services, as the case may be; and
- (d) the activity is not any of the following types of activities:
 - (i) carrying on or holding himself out in any way as carrying on the business of moneylending, or investing in any licensed moneylender;
 - (ii) organising, promoting or conducting a casino marketing arrangement in or with respect to any casino, or acting as an associate of an international market agent or an applicant for an international market agent licence, or investing in any international market licensee;
 - (iii) exercising or carrying on the business of doing estate agency work as an estate agent, or holding himself out or acting as an estate agent, or investing in any licensed estate agents, or acting or holding himself out as a salesperson for any licensed estate agent;
 - (iv) marketing any product which is not an investment product; or
 - (v) any other activity as the Authority may, by notice in writing, prohibit for purposes of this regulation, subject to such conditions as the Authority may impose.

(2) No appointed or provisional representative shall conduct any activity referred to in paragraph (1) for any person (other than on behalf of his principal), unless the appointed or provisional representative has –

- (a) disclosed to that person that he is an appointed or provisional representative of the principal in respect of the type of financial advisory service; and
- (b) informed his principal that he intends to conduct that activity for that person and his principal is satisfied that the conditions referred to in paragraph (1) are fulfilled before he commences that activity for that person.

(3) The principal shall have in place the following measures to assess that the conditions in paragraph (1) are fulfilled to its satisfaction –

- (a) in a manner that is commensurate with the nature, scale and complexity of its business, monitoring systems and controls to ensure that the conditions in paragraph (1) are fulfilled; and
- (b) processes in place to maintain records of every assessment carried out by the principal in relation to any activity referred to in paragraph (1) which its appointed or provisional representative conducts or intends to conduct.

Appointment of individual who conducts non-financial advisory activities as appointed or provisional representative

38D. For the purposes of sections 23C(1)(*ea*) and 23D(1)(*ha*) of the Act, the following requirements must be satisfied by the individual before the individual can conduct any non-financial advisory activity–

- (a) the individual has informed his principal that he conducts or intends to conduct a non-financial advisory activity for another person; and
- (b) where the non-financial advisory activity is an activity referred to under section 55B(1)(iii) of the Act –
 - (i) the individual has obtained the prior approval of every person for whom the individual conducts non-financial advisory activities to be an appointed representative or a provisional representative, as the case may be, of his principal in respect of the relevant type of financial advisory service; and
 - (ii) his principal is satisfied that the conditions in regulation 38C(1) are fulfilled in respect of the non-financial advisory activity conducted by the individual.

Duties of principal in relation to appointed or provisional representative conducting non-financial advisory activities

38E. – (1) A principal shall not permit or cause:

(a) any individual who conducts or intends to conduct any specified activity for any person (other than the principal) to be appointed as its appointed or provisional representative in respect of any type of financial advisory service unless –

(i) the specified activity is a non-financial advisory activity; and

(ii) where the non-financial advisory activity is an activity referred to under section 55B(1)(iii) of the Act, regulation 38C(1) shall apply to the individual as if every reference in that regulation to the appointed or provisional representative were a reference to the individual, and –

(A) the individual has obtained the prior approval of that person (other than the principal) to be an appointed or provisional representative of the principal in respect of the type of financial advisory service; and

(B) the principal is satisfied that the conditions referred to in regulation 38C(1), which apply as if every reference in those conditions to the appointed or provisional representative were a reference to the individual, are fulfilled; and

(b) any of its appointed or provisional representative to conduct any specified activity for any person (other than the principal) unless–

(i) the specified activity is a non-financial advisory activity; and

(ii) where the non-financial advisory activity is an activity referred to under section 55B(1)(iii) of the Act –

(A) its appointed or provisional representative has disclosed his status as an appointed or provisional representative of the principal in respect of the type of financial advisory service to that person; and

(B) the principal is satisfied that the conditions referred to in regulation 38C(1) are fulfilled before its appointed or provisional representative commences that non-financial advisory activity for that person.

(2) The Authority may require the principal to furnish the Authority with such

information or documents as the Authority considers necessary in relation to the non-financial advisory activities conducted by the principal or any of its appointed or provisional representatives, and the principal shall comply with such a request.”

Deletion and substitution of Fourth Schedule

7. The Fourth Schedule of the principal Regulations is deleted and the following schedule substituted therefor:

Regulation 17 and 17G

“FOURTH SCHEDULE

MINIMUM PROFESSIONAL INDEMNITY INSURANCE COVERAGE REQUIREMENTS AND MAXIMUM PROFESSIONAL INDEMNITY INSURANCE DEDUCTIBLE REQUIREMENTS FOR AN APPLICANT FOR GRANT OF A FINANCIAL ADVISER LICENCE, A LICENSED FINANCIAL ADVISER OR A REGISTERED INSURANCE BROKER WHO IS AN EXEMPT FINANCIAL ADVISER

1. Subject to paragraph 2, the minimum professional indemnity insurance coverage requirement applicable to an applicant to be granted a financial adviser’s licence, a licensed financial adviser or a registered insurance broker who is an exempt financial adviser (as the case may be), in respect of the type of financial advisory service in the first column of the table below, shall not be less than that set out opposite thereto in the second column of the table below.
2. Where more than one minimum professional indemnity insurance coverage requirement is applicable to the applicant, the licensed financial adviser or the registered insurance broker referred to in paragraph 1 (as the case may be), the minimum professional indemnity insurance coverage requirement applicable to the applicant, the licensed financial adviser or the registered insurance broker (as the case may be) shall be the higher of the applicable minimum professional indemnity insurance coverage requirement.

<i>First column</i>	<i>Second Column</i>
Type of Financial Advisory Service	Minimum Professional Indemnity Insurance Coverage Requirement
(a) Advising others by issuing or promulgating research analyses or research reports, whether in electronic, print or other form, concerning any investment product; or	\$500,000

<p>(b) Any other type of financial advisory service –</p> <p>i. where the total annual revenue of the applicant, the licensed financial adviser, or the registered insurance broker in respect of its business of providing financial advisory services (as the case may be), in the immediately preceding financial year, based on the applicant's, the licensed financial adviser's or registered insurance broker's (as the case may be) latest audited financial statements, is \$5 million or less; or</p>	<p>\$1 million</p>
<p>ii. where the total annual revenue of the applicant, the licensed financial adviser, or registered insurance broker in respect of its business of providing financial advisory services (as the case may be), in the immediately preceding financial year, based on the applicant's, the licensed financial adviser's or registered insurance broker's (as the case may be) latest audited financial statements, is more than \$5 million; or</p>	<p>The lower of –</p> <p>(i) 20% of the total annual revenue derived from the financial advisory business in the immediately preceding financial year, based on the applicant's, the licensed financial adviser's or registered insurance broker's (as the case may be) latest audited financial statements; or</p> <p>(ii) \$10 million.</p>
<p>ii. Where the applicant, the licensed financial adviser or registered insurance broker (as the case may be) does not have an immediately preceding year.</p>	<p>\$1 million</p>

3. The amount of deductible allowed for any professional indemnity insurance policy maintained by an applicant, licensed financial adviser or registered insurance broker, as the case may be, shall not exceed 10% of the applicant's, licensed financial adviser's or registered insurance broker's, as the case may be, base capital.

Savings and transitional provisions for existing persons

8.—(1) Subject to paragraph (4), regulations 17A to 17F of the principal Regulations (as amended by these Regulations) shall not apply to an existing person for a period

of 24 months from the date which the Financial Advisers (Amendment No. 1) Regulations 2015 come into operation (“specified period”).

(2) Subject to paragraph (4), regulation 17G of the principal Regulations (as amended by these Regulations) shall not apply to an existing person for a period of 12 months from the date which the Financial Advisers (Amendment No. 1) Regulations 2015 come into operation (“notified period”).

(3) Subject to paragraph (4) and notwithstanding that regulation 17G of the principal Regulations (as amended by these Regulations) shall apply to an existing person from the end of the notified period or such earlier period as may be notified to the Authority under paragraph (4) (“earlier period”), paragraph 3 of the Fourth Schedule to the principal Regulations (as amended by these Regulations) shall not apply to an existing person for a period of 12 months from the end of the notified period or earlier period, as the case may be, and ending on the expiry of 24 months from the date which the Financial Advisers (Amendment No. 1) Regulations 2015 come into operation (“relevant period”), and the amount of deductible allowed for any professional indemnity insurance policy maintained by an existing person in the relevant period shall not exceed 10% of the existing person’s paid-up capital.

(4) An existing person to which paragraph (1), (2) or (3) applies may at any time before the expiry of the specified period, notified period or relevant period, as the case may be, elect to comply with regulations 17A to 17F of, 17G of or paragraph 3 of the Fourth Schedule to the principal Regulations (as amended by these Regulations) by giving written notice of this intention to the Authority at least 14 days before the intended date of compliance as specified in the notice, and as from the intended date of compliance, regulations 17A to 17F of, 17G of or paragraph 3 of the Fourth Schedule to the principal Regulations (as amended by these Regulations) as the case may be, shall apply to the existing person.

(5) In this regulation—

“existing person” means a registered insurance broker who is –

(a) carrying on a business of providing any or all types of financial advisory services; and

(b) an exempt financial adviser,

before [date the Regulations come into effect (with the exception of regulations 4 and 6)]