Monetary Authority of Singapore

Response to Feedback Received
P005-2024 – 28 March 2025

Response to Feedback Received on Proposed Legislative Amendments to the Requirements for Enhancing Pre and Post-Transaction Safeguards for Retail Clients

Contents

1. Preface

1.1. On 31 July 2024, MAS issued a consultation paper to seek feedback on proposed legislative amendments to the requirements for enhancing pre and post-transaction safeguards for retail clients (the "Consultation Paper").

1.2. The Consultation Paper proposed draft legal amendments to the following Notices and Guidelines to effect the proposals to enhance pre and post-transaction safeguards for retail clients[1]:

(a) Notice on Recommendations on Investment Products ["FAA-N16"];

(b) Notice on Requirements for the Remuneration Framework for Representatives and Supervisors ("Balanced Scorecard Framework") and Independent Sales Audit Unit ["FAA-N20"]; and

(c) Guidelines on the Remuneration Framework for Representatives and Supervisors ("Balanced Scorecard Framework"), Reference Checks and Pre-Transaction Checks ["FAA-G14"].

1.3. The consultation closed on 30 August 2024. MAS would like to thank all respondents for their feedback. MAS has considered the feedback received and incorporated them where feasible. Comments that are of wider interest, together with MAS' responses, are set out in Sections 2 to 5 of this paper. The list of respondents and their full submissions are provided in the Annexes at the end of this paper.

[1] MAS' proposals and response to the consultation feedback can be found at the following link: *https://www.mas.gov.sg/publications/consultations/2021/consultation-paper-on-enhancing-pre-and-post-transaction-safeguards-for-retail-clients*

2. Amendments to the Notice on Recommendations on Investment Products [“FAA-N16”]

Clarification on the scope of the proposed requirements to enhance pre and post-transaction safeguards for retail clients

2.1. A respondent proposed to exclude all transactions that are performed based on execution-related advice, from the proposed requirements to enhance pre and post-transaction safeguards for retail clients.

MAS’ Response

2.2. MAS agrees with the feedback. Under the revised FAA-N16[2], a dealer providing execution-related advice will not need to comply with the proposed requirements. Notwithstanding this, all dealers should ensure that they implement processes to deliver fair dealing outcomes for their clients, such as in the case of clients who are not proficient in English, ensuring that information is clearly provided in relation to the execution-related advice or other products and services offered. MAS will also be publicly consulting on a set of enhancements to the complex products regime in the coming months, which may include proposals relating to transaction safeguards for selected clients and have implications on transactions that are performed based on execution-related advice. Relevant parties should take note accordingly.

[2] The exemptions applicable to dealers providing execution-related advice are set out in paragraphs 41O and 41W of the revised FAA-N16.

Clarifications on classifying a client as a selected client ("SC")

2.3. Paragraph 10A of the draft FAA-N16 states that a financial adviser must, before starting any sales and advisory process with a client, ascertain the following:

(a) whether the client is under 62 years of age;

(b) whether the client is proficient in spoken and written English, or in such other language in which

(i) the sales and advisory process will be carried out; and
(ii) all documents provided to the client in that process will be written;

(c) whether the client has at least GCE 'O' Level or 'N' Level certifications or equivalent academic qualifications,

and if at least two of the above are answered in the negative, the client must be treated as an SC unless the financial adviser has reasons to conclude that the client possesses adequate knowledge and experience in any class of investment product and any recommendations made by the financial adviser is limited to such investment products.

2.4. Paragraph 10C of the draft FAA-N16 further states that a financial adviser must document its determination whether the client is an SC and declare that this assessment has been done.

2.5. A few respondents shared that the definition of "sales and advisory process" encapsulates the "collection and documentation of any requisite information from a client" and this information collected, which is typically part of the Customer Knowledge Assessment (CKA), is used to ascertain whether a client is an SC. Therefore, it would not be practical for a financial adviser to ascertain a client's SC status "before starting any sales and advisory process".

2.6. Respondents also sought guidance on assessing a client's SC status, including:

(a) how to determine the client's language proficiency; and

(b) whether the "equivalent academic qualifications" for the SC assessment refer to those set out in the FAQs for Minimum Entry and Examination Requirement for Representatives of Licensed Financial Advisers and Exempt Financial Advisers[3].

2.7. Some respondents further sought MAS' guidance on when a client would be considered to possess "adequate knowledge and experience". Specifically, respondents asked whether the following would suffice:

(a) a client with a pass in CKA;

(b) a client who declares to have the relevant knowledge or experience in the product that he/she is transacting in; or

(c) a client with 3 years of experience to meet the "experience" limb.

MAS' Response

2.8. On the identification of a client's SC status, MAS agrees with the feedback that it would typically be done as part of the sales and advisory process. MAS will accordingly amend the requirement to "A financial adviser must, as part of the know your client process, ascertain the following" in paragraph 10A of the revised FAA-N16.

2.9. The determination of whether a client is an SC is not new and the definition of an SC is currently set out in FAA-G14. Regarding the clarifications sought on assessing an SC's status, a financial adviser should exercise reasonable judgement:

(a) For language proficiency, a financial adviser should make an assessment based on the interaction with the client as part of the know your client process. The client must be able to understand and communicate effectively in that language.

(b) As the academic threshold for determining SCs is different from the minimum qualification requirement for representatives, the FAQs for Minimum Entry and Examination Requirement for Representatives of Licensed Financial Advisers and Exempt Financial Advisers are not applicable to SCs. Equivalent academic qualifications for SCs will have to be assessed based on the SC criterion of having below GCE 'O' or 'N' level certifications.

[3] On 1 April 2024, this set of FAQs has been cancelled and replaced with the FAQs on Notice of Competency Requirements for Representatives of Financial Advisers.

2.10. With the publication of the Guidelines on Fair Dealing in May 2024 [“FSG-G04”], MAS would like to reiterate that it is imperative that financial advisers duly consider the needs and interests of customers, and offer products and services that are suitable for their target customer segment. Therefore, in determining if the client possesses “adequate knowledge and experience”, the expectation is for the financial adviser to avoid a checklist approach and make a holistic assessment, taking into consideration all relevant factors and the product that the client wishes to transact in. The financial adviser should make appropriate enquiries with the client to gather relevant information on the client’s academic qualifications, working experience and investment experience in the product. As an example, a financial adviser may assess that an elderly client or a client with secondary education, who is a professional trader or possesses vast investment experience, has the relevant knowledge or experience in the transacted product, and choose not to treat such a client as an SC. To avoid doubt, the financial adviser should not solely rely on the result of the CKA or the client’s self-declaration to consider a client as meeting either the "knowledge" or "experience" limb. The financial adviser should, for example, also consider its initial or past dealings with the customer and satisfy itself that the client does not indeed need to be accorded additional safeguards. We have also clarified this in Q7 of the FAQs on FAA-N16[4].

Other clarifications relating to SC requirements

2.11. A few respondents sought guidance on whether it would be a mandatory requirement for a financial adviser to have the sales process conducted or policy documents made available in a different language other than English, based on the SC’s preference.

2.12. A few respondents sought clarification on whether it is a regulatory requirement to notify a client of his or her SC status at the end of the fact-find process. One of the respondents further queried if a financial adviser should use the term “selected client” in their communication to the SC.

2.13. A respondent sought clarification on what is required of the formal declaration that the assessment of a client’s SC status has been duly performed. Another asked whether a system-based rule to classify an SC (e.g. if the client is above 62 years old and Chinese speaking, the system will flag the client as an SC) is acceptable, and whether formal declaration is still required when such a system-based rule is adopted.

[4] Consequently, Qn 6 of the FAQs on the Balanced Scorecard (BSC) Framework is deleted.

MAS' Response

2.14. MAS is not mandating the sales process to be conducted or documents to be made available in languages other than English. The carve-out for an SC who is proficient in a non-English language is to provide a financial adviser with the flexibility of not applying the safeguards for an SC in instances where the sales process is conducted and documents are provided in the non-English language that the SC is proficient in.

2.15. On notifying a client of his or her SC status, as set out in paragraph 2.6[5] of the Response to Feedback received on Enhancing Pre and Post-Transaction Safeguards for Retail Clients, a financial adviser should inform the SC of the additional safeguards that are to be accorded. MAS will not specify how this communication should be made to the SC or the exact terms to be used.

2.16. MAS would also like to clarify that the intent of the formal declaration is to put the onus on the financial adviser to properly identify whether a client is an SC. MAS will not prescribe how the formal declaration on the assessment should be made. A financial adviser may choose to incorporate the formal declaration as part of its fact-find forms. Where system-based checks are instituted, the step of making a formal declaration serves to ensure that the details reflected in the system accurately represent the client's status, and as a prompt for additional safeguards where warranted.

Clarifications on the identification of a trusted individual ("TI")

2.17. Paragraph 10D of the draft FAA-N16 states that a financial adviser must not proceed with the sales and advisory process for an SC unless:

(a) the SC –

(i) has identified a TI who meets all the following criteria, to accompany the client in the sales and advisory process:
(A) the individual is 21 years of age or older;
(B) the individual is proficient in spoken and written English, or in such other language that the sales and advisory process will be carried out in and that any documents provided to the client in that process will be written in;

[5] The financial adviser should notify clients of their SC status at the end of the fact-find process, and the additional safeguards accorded to SCs such as the requirement for a trusted individual to be present during the sales and advisory process.

(C) the individual has at least GCE 'O' Level or 'N' Level certifications or equivalent academic qualifications;
(D) the individual is able to communicate effectively with the SC;

(ii) has consented in writing to permit the TI to be privy to his/her personal information; and

(iii) is accompanied by the TI in the sales and advisory process; or

(b) the SC provides a written statement that he/she declines to have any TI present during the sales and advisory process and is fully able to make decisions in the absence of a TI.

2.18. There were a few clarifications relating to the TI criteria, specifically:

(a) Whether there is any age cap for a TI, given that age might be a sign of mental faculty e.g. an individual who is aged 62 and above but not an SC;

(b) How the financial adviser should assess whether a TI has potential conflicts of interest with the SC, especially since there may be information not shared by the SC with the financial adviser[6]; and

(c) The criteria to assess that the TI is able to communicate effectively with the SC.

2.19. Other clarifications relating to the TI include:

(a) Whether the TI needs to be subject to Anti-Money Laundering (AML) checks, or whether verification needs to be performed to ascertain that the individual present during the sales and advisory process is the TI identified by the SC. A few respondents also queried whether the financial adviser or representative is required to verify that the individual identified by the SC meets the TI criteria;

(b) On the requirement for the SC to provide a written statement should he/she decline to have a TI present during the sales and advisory process, a few respondents asked how this should be operationalised. One respondent queried whether a checkbox acknowledgement by the SC would be sufficient, while another asked if it would be acceptable to incorporate the statement into the sales documents signed by the SC;

(c) On the requirement for the SC to consent in writing to permit the TI to be privy to his/her personal information, a respondent shared that financial advisers leverage on tele-communication technology to conduct their sales and advisory processes, especially when dealing with clients

[6] The guidance that a TI should not be someone who presents potential conflicts of interest to the SC is set out in paragraph 3.8 of the Response to Feedback received on Enhancing Pre and Post-Transaction Safeguards for Retail Clients.

domiciled in other jurisdictions. Flexibility to allow other means (e.g. phone or video conference recording) of obtaining consent was suggested; and

(d) For joint transactions where both clients are SCs, whether there is a need for documentation to demonstrate that the option to have a TI present has been offered to both clients.

2.20. Under paragraphs 41T and 41Y of the draft FAA-N16, the financial adviser is required to offer the client the option of having a TI present during a call-back or meeting where the call-back is not audio-recorded. One respondent suggested that the TI present for the call-back or meeting should be the same TI that was present during the sales and advisory process. This is given that a TI who was not present during the sales and advisory process may not be privy to what was discussed.

MAS' Response

2.21. MAS would like to clarify the following:

(a) MAS will not set an age cap for the TI role, as age by itself should not be a limiting factor. An individual who is aged 62 and above and is not an SC can still carry out the duties of a TI to convey key information in a way or language that the SC is familiar with, seek clarification from the financial adviser on questions that the SC may have, and if possible, identify potential inconsistencies in the financial adviser's explanations or sales documents. However, where the financial adviser observes signs that a TI may be unable to carry out the required duties (e.g. lacking in mental capacity), the financial adviser should not proceed with the sales and advisory process and ask if the SC would like to have another person to serve as his or her TI.

(b) The requirement for a TI to be present is to help the SC better understand the key features and risks of investment products and reduce the likelihood or prevent the SC from making ill-informed investment decisions. A financial adviser should satisfy itself that the TI is able to perform these responsibilities, as well as ensure that the TI is not an individual who poses a conflict of interest to the SC. Non-exhaustive examples where there could be a potential conflict of interest are where the TI is a staff, representative or supervisor of the representative of the financial adviser, or a beneficiary of the SC's investment decision. A financial adviser should assess whether there is a conflict of interest based on the information available to the adviser.

(c) MAS will not define what constitutes effective communication between the SC and TI. A financial adviser should exercise its discretion and where practical[7], observe the communication between

[7] For example, where the representative is proficient in the language that is used between the SC and TI.

the SC and TI to ensure that the information being conveyed by the TI is accurate and that the SC is able to understand what the TI is saying.

2.22. On the other clarifications relating to the TI,

(a) MAS will not require AML checks to be conducted on the TI, given that the TI's role is mainly for communication and translation purposes, and the TI is not party to the contract. MAS will also not require a financial adviser to verify that the identified TI meets the TI criteria. Instead, the financial adviser should inform the SC that he/she should identify a TI who meets the TI criteria, confirm with the SC that the individual present during the sales and advisory process is the TI whom the SC identified, and exercise reasonable judgement on whether the TI meets the TI criteria during the sales and advisory process.

(b) On obtaining a written statement from the SC that he/she declines to have a TI present during the sales and advisory process, MAS does not intend to specify how this should be operationalised. Financial advisers should assess the appropriate way to implement this. Generally, having a checkbox or incorporating the statement into fact-find forms is acceptable. To monitor adherence to the measure, a financial adviser will be required to include questions in relation to having a TI in its pre-transaction call-backs to SCs.

(c) On the consent to permit a TI to be privy to the SC's personal information, MAS agrees that consent can be provided through other modes of communication, provided that there is a proper record of the consent obtained. MAS has amended paragraph 10D(a)(ii) of the revised FAA-N16 to remove the requirement for the consent to be provided in writing. Instead, the requirement will be for the financial adviser to ensure that the consent has been properly documented.

(d) For joint transactions where both clients are SCs, all the required safeguards in relation to dealing with SCs are applicable to each individual, and there should be documentation to demonstrate this. Specifically in relation to having a TI, the SCs may opt to have either the same TI or different TIs.

2.23. MAS acknowledges that there are benefits to having the same TI present for both the sales and advisory process and the subsequent call-back. On the other hand, a new TI could serve as an additional check that the information conveyed during the sales and advisory process has been understood by the SC. On balance, MAS will not specify if the same or a different TI should be present during the call-back.

Clarifications on conducting checks before executing transactions for recommended investment products

2.24. Paragraph 41P of the draft FAA-N16 requires a financial adviser to rectify any failure by a representative to meet any of the non-sales key performance indicators (KPIs)[8]. Where the failure is related to the suitability of the recommended investment product, a financial adviser is required to provide an option for the client to cancel or modify the transaction. A respondent asked if it was acceptable not to provide such an option where the recommended investment has been assessed to be suitable for the client.

2.25. On the conduct of checks prior to executing transactions in recommended investment products, a few respondents sought clarification if the respective requirements under paragraphs 41N, 41P and 41Q of the draft FAA-N16 on the party to conduct the checks, rectification of failures identified from the checks, and record keeping only apply to transactions made by an SC or a client of a selected representative (SR) (i.e. not applicable to transactions made by other clients).

MAS' Response

2.26. The requirement to provide an option for a client to cancel or modify the transaction will only apply where the recommended investment product is assessed to be unsuitable for the client during pre-transaction checks. For other failures by a representative in meeting non-sales KPIs, the financial adviser should decide on the appropriate rectification measures.

2.27. To clarify, the requirements under paragraphs 41N, 41P and 41Q of the draft FAA-N16 on the party to conduct checks, rectification of failures identified from checks, and record keeping apply to all clients. Amendments have been made to FAA-N16 to make it clear that these paragraphs apply to both the checks for SCs/clients of SRs specified under paragraph 41K of FAA-N16, and other groups of clients specified under paragraph 41L of FAA-N16.

[8] The principles relating to the non-sales KPIs that a representative has to meet are set out in Annex 1 of FAA-N20.

Clarifications on how pre-transaction call-backs should be performed

2.28. MAS sought views on two possible approaches to conduct call-backs – the prescriptive approach set out in paragraphs 41S(b) and 41S(c) of the draft FAA-N16, and the principles-based approach. Two respondents supported the principles-based approach, with one of them requesting further guidance on the call-back questions to ensure a level-playing field across the industry. One respondent agreed with the prescriptive approach, but suggested for MAS to provide the industry with the flexibility to choose between the approaches. Another respondent similarly supported the flexibility to choose between the approaches.

2.29. In addition, two respondents did not state their preferences, but suggested that under the prescriptive approach, it is not necessary to reiterate key information such as the basis of recommendation, and main features, risks or limitations of the product during the call-back if the client confirms that he/she has understood the explanation provided by the representative during the sales and advisory process. One of them commented that reiteration might extend the duration of the call-back, and it might be more operationally viable to frame call-back questions to elicit "yes" or "no" replies. One respondent also sought guidance on the follow-up actions in a situation where a client is not able to respond appropriately or accurately to the call-back questions.

2.30. The following queries and suggestions on call-backs were also raised by respondents:

(a) Whether a financial adviser is required to conduct a call-back if the supervisor was present during the sales and advisory process;

(b) Where a financial adviser offers the client (who is not an SC or a client of an SR) the option of having a TI, whether the financial adviser is required to conduct call-backs to such a client in accordance with paragraph 41S of the draft FAA-N16;

(c) Whether a financial adviser can adopt alternative modes of communication (e.g. email) in lieu of a call-back, if this is requested by the client; and

(d) Suggestion for the call-back to be kept simple and straightforward, and in line with the guidance provided for client surveys in Annex 2 of FAA-G14.

2.31. On providing a copy of the audio-recording of the call-back upon the client's request, a respondent suggested not to make it mandatory, and to allow a financial adviser to assess such a request on a case-by-case basis. Another respondent commented that the audio files tend to be too large to be sent via email and the recording could be tampered with. Hence, an alternative of providing a copy of the summary transcript of the call-back was suggested.

MAS' Response

2.32. Given that most respondents preferred the principles-based approach, or flexibility to choose among the approaches, MAS will set out the principles-based approach in the Notice and issue further guidance via the FAQs on FAA-N16[9]. This will allow a financial adviser to design its own call-back questions, while providing clarity on the regulatory expectation.

2.33. We would like to reiterate that call-back questions should not be framed to elicit "yes" or "no" replies. This is because such questions may not be effective in assessing whether the client has understood the key elements of the product or basis for recommending the product. MAS has also received feedback that some financial advisers will tell clients to "just say yes" in response to the call-back questions, thus circumventing the purpose of call-backs.

2.34. For the scenario where a client is unable to respond appropriately or accurately to the call-back questions, the financial adviser should take appropriate rectification actions to ensure that the client fully understands the product that he/she is purchasing. The financial adviser should only proceed with the transaction when it has assessed that the client understands the product to be purchased and the client reaffirms his/her decision to purchase the product. Otherwise, the financial adviser should not proceed with the transaction.

2.35. MAS would also like to clarify the following on call-backs:

(a) Call-backs will not be required in instances where the supervisor was present with the representative throughout the entire sales and advisory process. This has been set out in paragraphs 41K and 41V of the revised FAA-N16. To avoid doubt, the exemption will not apply if the supervisor was only present for part of the sales and advisory process with the client;

(b) Where the financial adviser offers a client (who is not an SC or a client of an SR) the option of having a TI present, there is no requirement for the financial adviser to conduct call-backs for such clients. Nonetheless, offering clients an option to have a TI and conducting call-backs to clients are good practices. MAS encourages all financial advisers to adopt these practices where feasible.

(c) MAS disagrees with the suggestion to allow other forms of communication such as emails to be used in lieu of call-backs. Call-backs and face-to-face meetings are more effective forms of

[9] This has been set out in paragraph 41S of the revised FAA-N16 and Qn 13 of the FAQs on FAA-N16.

communication, because they allow for a more interactive engagement (e.g. the client can easily ask questions, and the supervisor can quickly adjust his or her follow-up questions based on the client's responses or observe other verbal or non-verbal cues that may indicate the client's emotions or state of mind).

(d) MAS disagrees with the suggestion to align the call-back requirement with that of client surveys in Annex 2 of FAA-G14. A key purpose of the call-back is to assess if the SC has understood the product to be purchased and was offered the TI option. Hence, the questions posed during the call-back, and the manner of conducting the call-back should be designed to achieve this objective.

2.36. On the provision of the audio-recording of the call-back upon a client's request, MAS disagrees with the proposal for a financial adviser to be allowed to assess such requests on a case-by-case basis. As set out in paragraph 7.6 of the Response to Feedback received on Enhancing Pre and Post-Transaction Safeguards for Retail Clients, this requirement is to accord adequate protection to clients, allowing clients to review what transpired during the call-back, especially in situations where there is a dispute or complaint. Balancing this with the feedback on large file sizes and the risk of tampering, MAS will allow financial advisers to provide a full transcript of the call-back, in lieu of a copy of the audio-recording.

Clarifications on when a recorded call-back is not possible

2.37. Paragraphs 41T and 41Y of the draft FAA-N16 allow, where audio-recording is not possible, a non-recorded call-back or meeting to be conducted, subject to certain conditions. One of the conditions is that the key points of the non-recorded call-back or meeting is written in a summary document, and this summary document is signed by the person conducting the call-back and the client. A respondent commented that it is not operationally viable for a supervisor to obtain the client's signature on the summary document as the sales and advisory process was conducted between the representative and the client. A few respondents also asked if MAS will allow other forms of acknowledgement (e.g. via email, instant messaging) from the client.

MAS' Response

2.38. To clarify, the purpose of the summary document is not to summarise the sales and advisory process. Instead, the summary document serves to document the discussion of the call-back between the supervisor and the client when audio-recording is not possible.

2.39. MAS agrees with the suggestion to allow the acknowledgement of the summary document to be obtained from the client via email or other telecommunication modes. A financial adviser should have the necessary controls to verify the client's identity (e.g. via the email address and/or mobile number of the client, depending on the mode used). It should also retain a record of the acknowledgement obtained for proper audit trial.

Clarifications on conducting checks before executing transactions in non-recommended investment products

2.40. Under paragraph 41V of the draft FAA-N16, a financial adviser will be required to conduct checks (e.g. call-backs) where the client does not accept the financial adviser's recommendation and decides to purchase another non-recommended product, before the transaction in that non-recommended product is executed. Paragraph 41V(b) sets out the scope of call-backs for transactions involving SCs or clients of SRs. A respondent suggested to include additional questions in the call-backs, such as how the client came to know about the product he/she selected, and why he/she decided to purchase the product (instead of the recommended one).

MAS' Response

2.41. MAS would like to clarify that financial advisers can incorporate additional questions in the call-backs if they assess that it is useful to do so.

3. Proposed Amendments to the Notice on Requirements for the Remuneration Framework for Representatives and Supervisors ("Balanced Scorecard

Framework") and Independent Sales Audit Unit ["FAA-N20"]

3.1. Another respondent sought clarification on whether the Independent Sales Audit (ISA) Unit can be exempted from conducting post-transaction client surveys for cases where pre-transaction call-backs are recorded and where questions required for the post-transaction client surveys have been incorporated into the pre-transaction call-backs.

3.2. Several respondents sought clarification on the implications in situations where pre-transaction checks had uncovered infractions by the representative, or where such checks had not been conducted properly by the supervisor. Respondents also requested for guidance on the regulatory consequences if the call-backs performed by the supervisor was assessed not to have been properly conducted. For situations where the infraction by a representative has been satisfactorily rectified prior to the effective date of transaction, with no impact to the client, a respondent sought clarification on whether the financial adviser has the discretion not to take the infraction into account when assessing the representative's BSC grade.

MAS' Response

3.3. As set out in sections 3.1 and 4.4.1 of FAA-N20, the post-transaction checks should be conducted by an independent party. Hence, MAS agrees that the post-transaction client survey may be deemed to have been completed if (i) the pre-transaction call-backs had been conducted by an independent party, and (ii) the questions of the client survey had been incorporated into the pre-transaction call-backs. To avoid doubt, the independent party can be the ISA Unit, a third party provider or compliance/risk management function of the financial adviser. We have also clarified this in Qn 12 of the FAQs on the BSC Framework.

3.4. Failure to conduct or adequately conduct pre-transaction checks, including call-backs, as required in the revised FAA-N16 will be deemed as a regulatory breach by both the supervisor and financial adviser. The financial adviser should take the appropriate disciplinary action against the supervisor in accordance with its disciplinary action framework[10]. MAS may also take regulatory action against the

[10] Financial advisers are encouraged to adopt the good practices in the MAS' information paper on good practices relating to the disciplinary action framework in the FA industry, accessible at the following link: *https://www.mas.gov.sg/publications/monographs-or-information-paper/2021/information-paper-on-good-practices-relating-to-disciplinary-action-framework-in-the-fa-industry*.

financial adviser and/or supervisor for the breach. Please refer to the Enforcement Monograph[11] on the approach that MAS takes towards enforcement.

3.5. Infractions uncovered during pre-transaction checks are not required to be factored into the Balanced Scorecard Framework and will not affect the remuneration of representatives or supervisors. However, the financial adviser should have a disciplinary action framework and process to mete out the appropriate disciplinary action for such lapses. The financial adviser should also assess whether a misconduct report should be filed in accordance with the Notice on Reporting of Misconduct of Representatives by Financial Advisers [FAA-N14].

4. Proposed Amendments to the Guidelines on the Remuneration Framework for Representatives and Supervisors (“Balanced Scorecard Framework”), Reference Checks and Pre-Transaction Checks [“FAA-G14”][12]

4.1. Annex 1 of FAA-G14 sets out guidance for post-transaction documentation reviews by the ISA Unit. Among others, the ISA Unit is expected to review if the representative had conducted the sales and advisory process in the presence of the identified TI. A respondent sought guidance on how the ISA Unit can perform this check.

4.2. The ISA Unit is also expected to review if the supervisor had offered the SC the option of having a TI present during a recorded call-back. One respondent commented that this conflicts with paragraph 41T(b) of the draft FAA-N16, where the financial adviser is required to offer a TI only where audio-recording is not possible.

[11] This can be found at the following link: *https://www.mas.gov.sg/-/media/mas/news-and-publications/monographs-and-information-papers/enforcement-monograph-final-revised-apr-20221.pdf*.

[12] As the proposed requirements relating to pre-transaction checks have been moved from FAA-G14 to the revised FAA-N16, we will rename FAA-G14 as “Guidelines on the Remuneration Framework for Representatives and Supervisors (“Balanced Scorecard Framework”), and Reference Checks [FAA-G14]”.

MAS' Response

4.3. Considering the feedback, MAS has included another question under the pre-transaction call-back requirements in paragraph 41S(c)(i)(B) of the revised FAA-N16, such that in the case where the SC had opted for a TI to be present, the supervisor conducting the pre-transaction call-back will have to ask if the TI was indeed present during the sales and advisory process. As the post-transaction documentation review by the ISA Unit includes the review of the recording of the pre-transaction call-backs (or summary document where there is no recording), the ISA Unit can rely on the SC's confirmation during the call-back to ascertain that the TI was indeed present.

4.4. MAS acknowledges the feedback that for recorded call-backs, it is not a requirement to offer the SC the option of having a TI. MAS has removed the corresponding expectation for the ISA Unit to check if this option was offered to the SC for a recorded call-back from Annex 1 of revised FAA-G14. Nonetheless, it is good practice for a financial adviser to ask the SC if he/she would like to have a TI present for the recorded call-back, and all financial advisers are encouraged to do so. This was set out in paragraph 5.10[13] of the Response to Feedback received on Enhancing Pre and Post-Transaction Safeguards for Retail Clients.

5. Transition Period

5.1. As set out in the Response to Feedback Received on Enhancing Pre and Post-Transaction Safeguards for Retail Clients, MAS will provide a transition period of 9 months. The revised Notices and Guidelines will come into effect on 29 December 2025. MAS strongly encourages financial advisers to consider early implementation of the revised requirements where possible.

[13] For non-recorded call-backs/meetings, financial advisers would have to offer an SC the option to have a TI present. For recorded call-backs, financial advisers are encouraged to make the same offer to the SC.

Annex A

List of Respondents to the Consultation Paper on Proposed Legislative Amendments to the Requirements for Enhancing Pre and Post-Transaction Safeguards for Retail Clients

1. AIA Singapore Private Limited

2. IQEQ Regulatory Compliance (Singapore) Pte. Ltd., which requested for confidentiality of submission

3. Manulife (Singapore) Pte Ltd

4. Securities Association of Singapore[14], which requested for confidentiality of submission

5. St. James's Place (Singapore) Pte Ltd

6. Respondent A, which requested for confidentiality of identity

7. Respondent B, which requested for confidentiality of identity

Fifteen other respondents requested for confidentiality of both identity and submission.

Please refer to Annex B for the submissions.

[14] On behalf of CGS International Securities Singapore Pte Ltd, Maybank Securities Pte Ltd, Phillip Securities Pte Ltd, Saxo Markets and UOB Kay Hian Pte Ltd

Annex B

Submission from Respondents to the Consultation Paper on Proposed Legislative Amendments to the Requirements for Enhancing Pre and Post-Transaction Safeguards for Retail Clients

S/N	Respondent	Responses from Respondent
1	AIA Singapore Private Limited	**Question 1:** With reference to paragraph 10A (b)(ii) of the revised FAA-N16, we would like to seek clarification if it is the policy intent for FAs to only provide clients with policy documents in the language where the client is proficient in (e.g. client is only proficient in written/spoken mandarin, thus the FHR/Application Form/Quotation/Product Summary/Policy Illustration that is provided to the client has to be in mandarin). This may not be practical and may create additional risk and complexity in the endorsement process. In addition, we would like to clarify if in the event that the client is not proficient in English and has an accompanying TI and is aware of the risk that the documents are written in English, would it still be compulsory for the policy documents to be written in the client's preferred language? With reference to paragraph 41U of the revised FAA-N16, it would be more practical to allow FA firms to assess the client's request on a case-by-case basis instead of being mandatory upon the client's request. This will allow the company to more effectively allocate resources to address client's request by assessing if there is indeed a need for the client to access the recording or summary document. **Question 2:** Nil **Question 3:** Nil **Question 4:** Noted under Section 4.4.1.1 (b)(i) of the revised FAA-N20 that ISA unit must review all documentation required under FAA-N16, including the documentation required for compliance with the sections “Needs Analysis” and “Know Your Client”, and where applicable, the recording of the client call-back or summary document mentioned in paragraph 41T of FAA-N16. We

		would like to understand MAS's expectations on the review of the pre-transaction call recording: (1) Should there be adverse client responses, and the transaction was rectified satisfactorily (i.e there is no impact on client's interest) prior to policy inception/policy issuance/risk commencement, we still have the discretion to not take the finding in consideration in the assessment of the rep's BSC grade? (2) Should there be adverse findings on the call back conducted by the supervisor (e.g. supervisor failed to comply with sections 41S(b)&(c) of the revised FAA N16), will the findings be considered as out of BSC scope as a. the finding is not related to the provision of financial advisory services by the rep, hence the rep's BSC grade should not be affected by the finding? b. there is no change to supervisor's BSC grading methodology, hence supervisor's BSC grade should not be affected by the finding? **Question 5:** Noted under Annex 1 of the revised FAA G14 on Guidance for documentation reviews KPI 2, the checklist items for selected clients and clients of selected reps includes the assessment on how the supervisor had performed the client call backs. As per our comments in Question 4, should there be any adverse finding(s) on the call back conducted by the supervisor, can we confirm that the supervisor's BSC grade should not be affected by the finding as there is no change to the supervisor's BSC grading methodology? We have the discretion to implement disciplinary measures on the supervisor for the failure to perform the pre-transaction call back adequately.
2	Manulife (Singapore) Pte Ltd	**Question 1:** 1. Paragraph 10A(b) allows sales and advisory to be carried out in a language other than English that a client is proficient in. While it is clear that "all documents provided in that process will be written" in the language that the client is proficient in ("Client's Preferred Language"), we seek clarification whether that necessarily requires a representative to record the information obtained and the advice provided under the sales and advisory process in the Client's Preferred Language. In addition, does it also follow that the policy contract and any post-sales documentation (such as monthly statements for ILPs) to the client would also need to be presented in the Client's Preferred Language? We note that paragraph 10A(b) only refers to documents provided in the sales and advisory process. If carriers are required to provide policy document in the Client's Preferred Language, this will require an industry-wide acceptance and change. For local financial advisers who advise on products underwritten by different carriers, they will need to know what languages are supported for the different products. There may be instances where there is no suitable product due to language preferences at the conclusion of a sales and advisory

		process. Such an outcome is not favourable to both a client and the financial adviser. While we applaud the ability to promote more inclusive financial advisory services, we propose for MAS to clarify the intent. If the intent is to broaden the reach of financial advisory services for consumers who are not necessarily proficient in English, we suggest a broader industry forum to coordinate such a move, especially since financial advisers are able to advise on insurance solutions from multiple carriers. Pending that, we propose to retain the existing three factors to identify a selected client, that is, age, proficiency in spoken and written English and education level. 2. Paragraph 10B allows a financial adviser to treat a client who meets the criteria of a selected client as a non-selected client. When that election is made, we seek to clarify that the Pre-Transaction Checks under paragraph 41K would therefore not apply to such a client. If so, we propose to amend paragraph 41K to read as follows: "41K: Where a financial adviser executes a transaction in a recommended product on behalf of a selected client (not including those who are not treated by financial advisers as selected client under paragraph 10B) or a client of a selected representative …." 3. For call-back that is mandated under paragraph 41K(b), can a Financial Adviser apply other alternatives (such as email) especially if the client insists on such other alternative forms of communication? 4. Paragraph 41K requires Pre-Transaction Checks to be completed before the effective date of the transaction. There may be circumstances that a client remains uncontactable for a period of time. If so, such a client's interest may be compromised because the intended purchase has not taken effect. With this in mind, we propose a qualifier to paragraph 41K(b) regarding the obligation of conducting a call-back. "41K: Where a financial adviser executes a transaction in a recommended investment product on behalf of a selected client ….. ("Pre-Transaction Checks"): (a) Documentation Review: A financial adviser must review all documentation, required under this notice, to verify if the Non-sales KPIs were met, including the documentation required for compliance with the sections "Needs Analysis" and "Know Your Client"; and (b) Call-back: Additionally, a financial adviser must conduct a call-back that complied with paragraph 41S through reasonable efforts of making at least three attempts at contacting the client at different times of a working

		day and on different working days. For the avoidance of doubt, this call-back requirement is deemed fulfilled if the client remains uncountable after three failed attempts." 5. Paragraphs 41K and 41L provide that the required form of Pre-Transaction Checks (that is, Documentation Review and/or call-back) may possibly be performed by one of the three parties under paragraph 41N (namely, supervisor, employee of financial adviser or third party vendor). In the event of a joint field work where an individual financial adviser representative is accompanied by his/her supervisor in carrying out the financial advisory services to a client, we propose that the documentation of the advice provided during the joint field work and the supervisor's endorsement of the advice be accepted as fulfilling the new Pre-Transaction Checks requirements. We therefore propose adding the following new sub-para (d) to paragraph 41O: "41O: Paragraphs 41K and 41L do not apply where – (a) the recommendation was made …. (b) ….; or (c) ….; or (d) the recommendation was made by a representative and endorsed by the representative's supervisor who accompanied that representative in conducting a joint field work with the client." 6. With reference to paragraph 41S(c)(v) which requires a call-back to ask a client if the representative had been professional and ethical in conducting the sales and advisory, we recommend removing this question. This factor should be ascertained based on objective factors such as the quality of the documentation, the completeness of the FNA, the application of FNA information and the product recommendation. Questions on quality of service may be asked to the client, but we are of the view that a client's judgment on whether a representative had been professional would not add much value as a form of pre-transaction check safeguard because the judgment of professional conduct potentially differs broadly from one client to another. Alternatively, would MAS be providing additional guidance on good practices that financial advisers can adopt to demonstrate the fulfilment of non-sales KPI4 on standards of professionalism and ethical conduct which needs to be checked under the new Pre-Transaction Checks requirements? 7. In the instance where an ILP is recommended and the client did not agree to any of the ILP sub-fund(s) recommended by the financial adviser representative, we seek clarification as to whether MAS intends for paragraph 41V to apply even though the recommended insurance solution has been accepted by the client.

		Where paragraph 41V applies, we seek clarification as to whether the checks that must be performed under paragraph 41V are in addition to the applicable checks under paragraphs 41K (for selected clients and clients of selected representatives) or 41L (that is, Documentation Review for client who is neither a selected client or client of selected representatives). 8. It is not clear if the verification required under paragraph 41V applies to the instances where paragraph 41L applies (that is, where the required Pre-Transaction Checks have been postponed for completion within 5 business days of the effective date of the transaction). The fact that the verification under paragraph 41V needs to be completed before the effective date of the transaction effectively eliminates the possibility of applying paragraph 41L to postpone the completion of applicable Pre-Transaction Checks. We therefore propose to amend paragraph 41V to read as follows: “41V: Where a financial adviser makes a recommendation to a client which is not accepted and, …. the financial adviser must, before the effective date of the transaction, or before the end of the 5 business days after the effective date of the transaction where paragraph 41L applies – (a) verify that the decision of the client is documented in accordance with paragraph 32 …..” 9. An insurer’s products may be distributed by its affiliated and other non-affiliated financial advisers. How would an insurer determine if submissions made by non-affiliated financial advisers would have fulfilled the new Pre-Transaction Checks requirements? We seek MAS’ clarification as to whether an insurer can assume that submissions received from non-affiliated financial advisers have completed the relevant pre-transaction checks, or to alternatively, rely upon a confirmation from such non-affiliated financial advisers that those checks have been completed for their submissions? **Question 2:** There may be clients who prefer not to be engaged in call-backs to verify the quality of the financial advisory services. We therefore suggest the following alternate approaches to call-backs: A. Joint fieldwork : if a leader had conducted a joint fieldwork with his/her representative either for a selected client or a client of a selected representative, we suggest for the call-back requirement to be deemed completed as long as the supervisor confirms in writing that the relevant requirements under paragraphs 10A, 10D and 41K are complied with. The supervisor being present during the sales and advisory process should ensure that the representative had explained the prescribed information during the

		sale and advisory process and obtained the client's confirmation before endorsing the application. B. Alternative mode to call-back: there may be instances where a client is uncontactable after several attempts (e.g. no answer, client is busy, client does not wish to take part in the call etc.). In such instances, there may be a delay in the application of the policy in which such client would not receive the necessary coverage. Hence, we suggest an alternative approach for a client to provide his/her acknowledgement via a questionnaire sent via email, and for the supervisor to review and sign-off, before endorsing the application. The supervisor's review of a client's response to the questionnaire will substitute the call-back in that instance. C. The need for an alternative mode to call-back is necessary because consumers are more wary about answering calls from numbers that are not in their contact lists due to the proliferation of scams and a greater public awareness of scams (such as through the Act-Check-Tell education blitz). Financial advisers therefore need an alternative mode to conduct call-backs. **Question 3:** We seek to clarify whether the obligation under paragraph 41V(b) is in addition to the obligation under paragraph 41K. In the context of investment products, we are of the view that a more relevant demarcation of customers at risk should be those who are selected clients or clients of selected reps AND who fail CKA. We therefore propose to modify paragraph 41V(b) to read as follows: "41V…. (b) where the client is a selected client or a client of a selected representative and who did not pass Customer Knowledge Assessment, conduct a recorded call-back to –". Customers who pass CKA are deemed to have relevant investment experience and knowledge, and should not be subject to additional checks before their transactions are allowed for processing. **Question 4:** We are supportive of the changes to FAA-N20 to review the quality of the Pre-Transaction Checks and/or Documentation Review from the sampled transactions. **Question 5:** We are supportive of the changes to FAA-G14 to bring consistency to the changes to FAA-N16.

3	St. James's Place (Singapore) Pte Ltd	**Question 1:** No comments. **Question 2:** No comments. **Question 3:** No comments. **Question 4:** No comments. **Question 5:** No comments.
4	Respondent A	**Question 1:** Section 41S To keep the customer experience pleasant, the bank proposes to keep the call-back simple and straightforward and in line with the guidance for client surveys as per the BSC framework. **Question 2:** As per Q1, we propose to keep the call-backs simple, straightforward and in line with the guidance for client surveys as per the BSC framework, to avoid affecting the customer experience. **Question 3:** While we understand MAS' policy intent behind the proposals in 41S(b) and (c), in actual practice, a lengthy call back may be counter productive as it places stress on the customer. As per Q1, we propose to keep the call-backs simple and straightforward and in line with the guidance for client surveys as per the BSC framework, to avoid affecting the customer experience. Safeguards such as the cancellation period, cooling off period and option to free-look provide the clients ample opportunity to carefully consider their purchases. **Question 4:** Nil **Question 5:** Nil

5	Respondent B	**Question 1:** No comments. **Question 2:** We would like to seek clarification on whether call-backs are still required if the supervisor is present throughout the entire sales process. **Question 3:** No comments. **Question 4:** No comments. However, with this approach, we would like to seek clarification whether the ISA unit can be exempted from conducting client survey for cases where call-back recording is available and if the questions required for client survey are incorporated into the call-back. **Question 5:** No comments.