Monetary Authority of Singapore

GUIDELINES ON STANDARDS OF CONDUCT FOR DIGITAL PROSPECTING AND MARKETING ACTIVITIES

Guideline No : FSG-G03
Issue Date : [Issue Date]

GUIDELINES ON STANDARDS OF CONDUCT FOR DIGITAL PROSPECTING AND MARKETING ACTIVITIES

INTRODUCTION

1 The Monetary Authority of Singapore ("MAS") has issued the *Guidelines on Standards of Conduct for Digital Prospecting and Marketing Activities* ("the Guidelines") to emphasise our expectations for financial institutions and their representatives to conduct digital prospecting and marketing activities in a responsible and professional manner. The Guidelines apply to all financial institutions and their representatives[1] who prospect and market financial products and services to customers via digital media.

2 Financial institutions and their representatives are increasingly using social media and other digital platforms for prospecting and marketing activities. While the use of such platforms can increase the reach of financial institutions and their representatives, it also means that misleading content posted on these platforms can propagate more widely and rapidly. Certain specificities of social media also pose heightened risks to consumers, and conduct issues may arise, if the risks are not properly managed. For example, social media platforms may have format constraints such as word or character limits. Consequently, advertisements on social media may truncate or omit key information on features and risks as well as terms and conditions, and thereby present a misleading or unbalanced view of financial products or services. MAS has also observed various conduct issues such as representatives' inappropriate use of certain digital platforms for prospecting, and their use of third-party service providers or tools for generating leads without their financial institutions' authorisation. These issues highlight the need for financial institutions to exercise stronger governance and oversight of digital prospecting and marketing activities.

3 The Guidelines set out safeguards that financial institutions should put in place and adhere to when conducting digital prospecting and marketing activities. These are aimed at addressing conduct risks and issues relating to the use of digital media, especially social media. The Guidelines also set out MAS' expectations that the Board and Senior Management of financial institutions are accountable and responsible for ensuring that

[1] "Representatives" refer to employees, agents and any other person acting on behalf of an FI, including but not limited to representatives appointed by the FI to conduct regulated activities under the Financial Advisers Act 2001, and Securities and Futures Act 2001.

there are proper controls in place for their financial institution's digital prospecting and marketing activities.

4 The Guidelines are principles-based and the safeguards set out in the Guidelines are not product-specific. Hence, financial institutions are expected to apply the Guidelines to digital prospecting and marketing of all financial products, as well as services related to these products[2]. Each financial institution should consider how best to apply the safeguards in the context of its business model, the level of sophistication of the target customer base[3], and in a manner commensurate with the associated risks.

5 The Guidelines complement the requirements set out in the Financial Advisers Regulations ("FAR") and the Securities and Futures (Licensing and Conduct of Business) Regulations ("SF(LCB)R"), which apply to advertisements disseminated via traditional (e.g. print media) as well as digital media (e.g. websites, social media platforms)[4]. Specifically –

(a) Regulations 22 to 22D of the FAR, and regulations 46 and 46AA to 46AD of the SF(LCB)R ("the advertisement regulations") require financial institutions and representatives to ensure, inter alia, that their advertisements[5]:

(i) are not false and misleading;

(ii) provide a fair and balanced view of the product to which the advertisement relates;

(iii) present information in a clear manner;

(iv) are clearly legible;

(v) disclose the identity of the financial institution and the representative; and

[2] Examples of financial products include investment products (i.e. capital market products and life policies), and other products such as banking, health insurance and general insurance products.

[3] Unless an exemption applies, all advertisements (i.e. not limited to those targeted at retail investors should be fair and balanced, and clear and legible.

[4] This is reflected in the definition of "advertisement" in the FAR and SF(LCB)R, and the Frequently Asked Questions on Fair and Balanced Advertising and Other Advertising Restrictions.

[5] Sponsored content promoting financial products or services which are disseminated by third parties (e.g. social media influencers) engaged by financial institutions, are advertisements and are subject to the advertisement requirements (e.g. must not be misleading, must be approved by the financial institution), and financial institutions will be held accountable and responsible for such sponsored content.

(vi) have been approved by the financial institution's senior management or by the persons appointed by senior management to grant approval on their behalf.

(b) The Sixth Schedule of the FAR, and the Fourth Schedule of the SF(LCB)R set out a non-exhaustive list of examples of advertisements which are not in compliance with the advertisement regulations, such as advertisements which present only benefits but not risks, and advertisements which present historical performance but do not state that past performance is not indicative of future performance[6].

(c) Frequently Asked Questions ("FAQs") on Fair and Balanced Advertising and Other Advertising Restrictions published by MAS.

6 The Guidelines also complement standards published by the Advertising Standards Authority of Singapore ("ASAS"), including the Singapore Code of Advertising Practice, and Guidelines on Interactive Marketing Communication and Social Media. Financial institutions should refer to the relevant standards published at ASAS' website[7].

7 The Guidelines should be read with the relevant Acts, and their subsidiary legislation, written directions, notices, codes and other guidelines that MAS may issue from time to time. MAS will take into account a financial institution's ability or failure to observe the Guidelines in assessing whether a financial institution or any of its representatives satisfies the business conduct requirements set out in the relevant Acts and subsidiary instruments, and whether they continue to be fit and proper to provide financial services.

8 The Guidelines shall take effect on [effective date].

---

[6] Similar requirements are set out in the Securities and Futures (Offers of Investments) (Collective Investment Schemes) 2005 and its Ninth Schedule, Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 and its Twenty First Schedule.

[7] Refer to https://asas.org.sg/About/Code and https://asas.org.sg/About/Social-Media.

DEFINITION

9 For the purposes of the Guidelines,

"digital media" refers to the Internet or other digital applications and platforms that enable the dissemination or conveyance of information, including:

(a) electronic mail and websites, including blogs and forums; and

(b) social media platforms, including image and video sharing platforms (e.g. Facebook, Instagram, TikTok, Twitter, YouTube).

"customer" includes a prospective customer.

10 The terms used in these Guidelines shall, except where expressly defined in these Guidelines or where the context otherwise requires, have the same meanings as defined in the relevant Acts.

1 BOARD AND SENIOR MANAGEMENT RESPONSIBILITIES

1.1 MAS expects the Board and Senior Management of financial institutions to set the right tone, by conducting digital prospecting and marketing activities to customers in a responsible and professional manner. MAS will hold the Board and Senior Management accountable for ensuring that their financial institution's business conduct practices are in line with the standards set out in the Guidelines.

1.2 The Board and Senior Management should ensure that the safeguards elaborated in the subsequent sections are incorporated into the financial institution's policies and procedures, systems and processes relating to its digital prospecting and marketing activities, where relevant. They should also ensure that the risks posed by their financial institution's digital prospecting and marketing activities are properly assessed and addressed. Should issues arise that may compromise the interests of customers, the financial institution should institute measures beyond those set out in the Guidelines, as appropriate.

2 GOVERNANCE AND OVERSIGHT

2.1 Financial institutions should exercise strong governance and close oversight of digital prospecting and marketing activities, including any such activity conducted by their representatives and third-party service providers.

2.2 Financial institutions should establish comprehensive policies and procedures, and institute robust systems and processes, to ensure that their digital prospecting and marketing activities are conducted in a responsible and professional manner. Financial institutions' policies and procedures, as well as systems and processes, should cover all relevant practices and controls relating to digital prospecting and marketing, including the following:

(a) Selecting appropriate digital media for prospecting and marketing financial products and services;

(b) Assessing specificities and limitations of digital media, and addressing risks associated with its use, including by providing important and prominent disclosures;

(c) Providing clear guidance and proper training to representatives on appropriate digital prospecting and marketing practices;

(d) Monitoring digital prospecting and marketing activities conducted by representatives and third-party service providers; and

(e) Deterring errant conduct by taking appropriate disciplinary actions against representatives and their supervisors for malpractices.

2.3 Financial institutions should continuously monitor new developments and trends, and review the effectiveness of their policies and procedures as well as systems and processes, to ensure that these remain effective and relevant in the context of new developments and trends. Financial institutions should tighten measures as necessary, to ensure proper conduct of digital prospecting and marketing activities. They should also ensure compliance with the advertising regulations, the Guidelines, the Notice on Appointment and Use of Introducers by Financial Advisers (FAA-N02), and other relevant standards such as those published by ASAS (collectively, "the relevant rules").

3 MARKET CONDUCT SAFEGUARDS

<u>Safeguard 1</u>

Financial institutions should assess and ensure that their choice of digital media is appropriate for prospecting and marketing financial products and services to customers.

3.1 Financial institutions should be selective in their choice of digital media for conducting prospecting and marketing activities, given the reputational risks associated with the use of inappropriate digital applications and platforms.

3.2 Financial institutions should assess whether a particular digital medium is appropriate for prospecting and marketing financial products and services, before they use or allow their representatives and third-party service providers to use the particular digital medium. In making this assessment, financial institutions should consider whether the digital medium is suitable for prospecting and marketing financial products and services, taking into account compatibility with the intended purpose of the application or platform and its user base. For example, the use of online dating applications is inappropriate, given the misalignment with the intended purpose of such applications and their users.

3.3 Financial institutions should also set out an approved list of digital media which they have assessed to be appropriate. This will be useful for apprising their representatives and third-party service providers of the digital applications and platforms that they have approved to be used for prospecting and marketing purposes.

Safeguard 2

Financial institutions should assess the specificities and limitations of digital media, and address the risks associated with its use, including by providing important and meaningful disclosures and presenting these prominently and clearly.

3.4 Financial institutions should assess the specificities and limitations of digital media, and address the associated risks. For example, a specific feature of digital media is that advertisements can propagate widely through re-posting or sharing of content across users' social networks. This poses the risk of the content being disseminated to users who are not the intended recipients. A particular limitation of digital media is format constraints such as word or character limits. This poses risk of truncation or omission of important information on key features and risks, as well as terms and conditions, which could cause advertisements to be misleading or provide an unbalanced view of financial products or services.

3.5 Where the financial product or service advertised is intended only for a particular segment of consumers, financial institutions should label the advertisement to indicate the target consumer segment. This will help recipients to discern whether the financial product or service advertised is intended for them.

3.6 Financial institutions are responsible for content that they re-post or share, as the act of re-posting or sharing content posted by a customer or other third party (e.g. customer's testimonial, social media influencer's endorsement) constitutes dissemination of an advertisement. Re-posting or sharing content related to a financial product or service constitutes disseminating a product advertisement or non-product advertisement, respectively.

3.7 Where there are word or character limits, financial institutions should consider providing more information in accompanying images. On the other hand, financial institutions should not place information in other webpages in a manner that hampers viewers' understanding of the financial product or service advertised, e.g. key information on risks should not be split across multiple webpages. Financial institutions should ensure that each advertisement is not misleading when viewed on its own. Each post on digital media cannot rely on information presented elsewhere to clarify misleading aspects or provide balance to its content. For instance, it is inappropriate to highlight only the benefits of a financial product or service in an advertisement while mentioning risks in a separate webpage, as this could provide a misleading or an unbalanced view of the financial product or service. The availability of information in a separate webpage does not excuse inadequacies in the advertisement.

3.8 Financial institutions should ensure that advertisements do not truncate or omit key information on salient risks, terms and conditions, and other caveats. For example, where advertised returns are contingent on holding the product for a specified minimum period, this caveat should be displayed in the advertisement. The advertisement should include information on contributory or explanatory factors for advertised returns which are high[8], such as higher volatility, concentration, illiquidity and other underlying risks. Where advertisements include illustrative examples, financial institutions should ensure that these are realistic[9], and accompanied by appropriate caveats to avoid any misunderstanding that they are expected or guaranteed outcomes.

3.9 Financial institutions should also ensure that important disclosures on risks, terms and conditions, and other caveats are presented clearly and displayed prominently in terms of size[10], position, colour, and other aspects. Examples of good practices are as follows:

(a) Risks and other important disclosures are displayed in similar font size as benefits, positioned in the main body of the advertisement instead of the fine print, and presented using clear visuals, e.g. clear contrast in colours and shades between the background and text or graphics.

(b) For advertisements in video format, text disclosures should remain visible for a reasonable duration to allow sufficient time for the disclosure to be read fully (i.e. the duration should be commensurate with the length of the disclosure).

[8] For example, high advertised returns of 7% or more per annum exceed the typical range of long-term market risk premiums, and hence should be appropriately contextualised with plausible reasons for excess returns.

[9] For example, using high figures such as returns of 7% or more per annum to illustrate the effect of compounding is unrealistic, as such figures do not comport with long-term market risk premiums.

[10] Regulation 22, regulation 22D, and paragraph 4 of the Sixth Schedule of the FAR, require financial institutions to ensure that information presented in any footnote is in a font size no smaller than half the font size of the word or statement to which the footnote relates.

Safeguard 3

Financial institutions should provide clear guidance and proper training to their representatives, to ensure adherence to appropriate digital prospecting and marketing practices.

3.10 Financial institutions should set out clear "Dos and Don'ts" in their policies and advisories, to inculcate in their representatives a proper understanding of the relevant regulatory requirements and the financial institution's own policies and procedures relating to proper conduct of digital prospecting and marketing activities[11]. Examples of good practices include providing supplementary checklists and illustrative guidance to aid representatives' understanding, and pre-approved advertisement templates and marketing materials for representatives' use.

3.11 Financial institutions should provide representatives with the necessary training and conduct an assessment of their competency, to ensure that they are familiar with the relevant rules, before allowing them to commence digital prospecting and marketing activities. Financial institutions should train supervisors to be competent in exercising day-to-day supervision to ensure that their representatives' digital prospecting and marketing activities are in compliance with the relevant rules.

3.12 Financial institutions should provide periodic reminders to representatives on the "Dos and Don'ts" and conduct regular training for representatives on an ongoing basis, to refresh their understanding and ensure that they are kept abreast of any updates to the relevant rules. Examples of good practices include regularly providing case studies and examples of acceptable and unacceptable practices, to guide representatives and foster appropriate use of digital media for prospecting and marketing.

[11] Examples of misconduct include representatives posting unapproved and/or misleading advertisements, and representatives' unauthorised use of lead generation firms, which are prohibited under regulation 22 of FAR, and paragraph 6 of the Notice on Appointment and Use of Introducers by Financial Advisers (FAA-N02), respectively. Such misconduct, if not wilful, could be due to inadequate understanding of the advertisement regulations and the requirements in FAA-N02.

Safeguard 4

Financial institutions should monitor digital prospecting and marketing activities conducted by their representatives and third-party service providers, to ensure effective oversight of these activities.

3.13 Financial institutions should subject representatives' set up of social media accounts for digital prospecting and marketing activities to authorisation by the financial institution, prior to the use of such accounts. Financial institutions should also maintain a register containing information on all digital prospecting and marketing activities conducted by their representatives and third-party service providers such as lead generation firms. This will enable financial institutions to exercise effective oversight of such activities. The register should minimally include the following records:

(a) Identities of representatives who conduct digital prospecting and marketing activities;

(b) Usernames of accounts, as well as the applications or platforms, used for conducting digital prospecting and marketing; and

(c) Types of financial products and services marketed on these applications or platforms.

3.14 Financial institutions should maintain records of other relevant information or more granular details than those listed in paragraph 3.13, where these are necessary for effective oversight of their digital prospecting and marketing activities.

3.15 Financial institutions should monitor content posted on digital media by their representatives or third parties (e.g. advertising firms, social media influencers) engaged by them, to ensure compliance with the relevant rules. They should also check that their representatives and third parties are not posting advertisements that have not been approved by the financial institution, and not making unauthorised modifications to previously approved advertisements.

3.16 Financial institutions should also monitor the digital prospecting and marketing activities conducted on their behalf by lead generation companies[12], to ensure compliance with the relevant rules.

[12] Financial institutions typically engage the services of lead generation firms to introduce customers to them. Lead generation firms typically post advertisements to attract interest from prospective customers and collect their particulars and contact details for financial institutions. Where financial institutions engage the services of lead generation firms, they must comply with the requirements in the Notice on Appointment and Use of Introducers by Financial Advisers (FAA-N02).

3.17 Financial institutions should deploy a range of surveillance methods to monitor advertisements and content posted online, and to detect instances of non-compliance and errant conduct by representatives and third-party service providers. Examples of surveillance methods include online media monitoring (e.g. use of web crawls and social media listening tools), and online mystery shopping exercises.

3.18 Financial institutions should also regularly review and enhance their surveillance (e.g. expand the scope of surveillance to new forms of digital media used by their representatives or third-party service providers, and update their surveillance parameters based on trends and findings from complaints and misconduct cases).

<u>Safeguard 5</u>

Financial institutions should take appropriate disciplinary actions against representatives and their supervisors, to deter malpractices and errant conduct relating to digital prospecting and marketing.

3.19 Financial institutions should implement a robust disciplinary action framework[13], and mete out stern disciplinary actions against representatives who commit misconduct relating to digital prospecting and marketing.

3.20 In addition, financial institutions should escalate the severity of disciplinary actions meted out against recalcitrant representatives. Imposing more severe actions such as a suspension or prohibition from digital prospecting and marketing activities on recalcitrant representatives, strengthens deterrence against malpractices and errant conduct.

3.21 Financial institutions should also hold supervisors accountable for misconduct committed by representatives under their supervision in cases where the misconduct resulted from dereliction of supervisory duties.

[13] Financial institutions should refer to MAS' Information Paper on Good Practices Relating to Disciplinary Action Framework in the Financial Advisory Industry.