

CONSULTATION PAPER

P002-2023

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Enhancing Safeguards for Proper Conduct of Prospecting Activities at Public Places and Telemarketing

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1 Preface

1.1 This consultation paper sets out proposed measures to enhance safeguards for proper conduct of prospecting activities at public places. It also sets out proposals to apply these measures, where relevant, to other modes of prospecting such as telemarketing. The proposed measures seek to address conduct risks and issues associated with these activities.

1.2 Alongside this consultation paper, MAS has also published a consultation paper on proposals to enhance safeguards for proper conduct of digital prospecting and marketing activities.

1.3 MAS invites comments from financial institutions, consumers, and other interested parties.

Please note that all submissions received will be published and attributed to the respective respondents unless they expressly request MAS not to do so. As such, if respondents would like:

- (a) their whole submission or part of it (but not their identity), or**
- (b) their identity along with their whole submission,**

to be kept confidential, please expressly state so in the submission to MAS. MAS will only publish non-anonymous submissions. In addition, MAS reserves the right not to publish any submission received where MAS considers it not in the public interest to do so, such as where the submission appears to be libellous or offensive.

1.4 Please submit your comments by 30 June 2023 using the following link – <https://go.gov.sg/MAS-Public-Prospecting>.

1.5 Should you encounter any technical difficulties in your submission, please send your enquiry to Public_Prospecting@mas.gov.sg.

2 Introduction

2.1 Some financial institutions (“FIs”) and their representatives¹ conduct prospecting activities at public places², i.e. public prospecting activities (“PPAs”). There are a variety of PPAs, ranging from roadshows to street canvassing and door-to-door prospecting³. If not properly managed, these activities may give rise to conduct issues, including causing customers⁴ to feel harassed or pressuring them to make impulse purchases.

2.2 On 23 December 2016, the Monetary Authority of Singapore (“MAS”) issued the Guidelines on Standards of Conduct for Marketing and Distribution Activities (“Guidelines”)⁵, to address conduct risks associated with PPAs. The Guidelines set out MAS’ expectations on FIs to put in place safeguards to ensure that PPAs are conducted in a responsible and professional manner. Please refer to Annex A for a summary of the safeguards set out in the Guidelines.

2.3 However, MAS has continued to observe various conduct issues related to PPAs⁶. These include FIs and/or their representatives:

- (a) Failing to be upfront with their identities and motive when conducting prospecting activities;
- (b) Engaging in pressure selling and other poor sales practices, such as using offers of gifts to unduly influence customers’ purchase decisions; and
- (c) Harassing consumers, pestering them or being overly persistent in getting them to purchase financial products.

¹ “Representatives” refers 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 (“FAA”) and Securities and Futures Act 2001 (“SFA”).

² “Public places” refers to any location outside FIs’ premises, such as malls, exhibition halls, and other event venues and spaces.

³ “Street canvassing” refers to FIs’ representatives or promoters approaching passers-by at pedestrian areas, including in the vicinity of MRT stations, bus interchanges and malls. “Door-to-door prospecting” refers to FIs’ representatives approaching consumers at their residence to market financial products or services.

⁴ The term “customers” includes prospective customers.

⁵ Refer to the Guidelines at <https://www.mas.gov.sg/regulation/guidelines/guidelines-on-standards-of-conduct-for-marketing-and-distribution-activities-fsg-g02>.

⁶ These were observed from mystery shopping exercises conducted by MAS in 2018 and 2019, as well as complaints received from members of the public.

2.4 Such issues are exacerbated in certain PPAs such as street canvassing and door-to-door prospecting. These activities pose higher risks, as they take place in uncontrolled settings such as pedestrian and residential areas, and are more difficult for FIs to manage and ensure proper conduct. While FIs have been allowed to resume prospecting events such as roadshows, talks and seminars following the easing of COVID-19 restrictions, street canvassing and door-to-door prospecting remain prohibited in view of the conduct issues associated with these activities.

2.5 Section 3 of this consultation paper sets out proposed measures to enhance safeguards⁷ and address conduct risks and issues associated with PPAs. In particular, MAS proposes to:

- (a) Strengthen the safeguards set out in the Guidelines, by legislating them as requirements in new Notice(s).
- (b) Introduce additional safeguards to ensure that FIs and their representatives:
 - (i) Inform customers of their motive and obtain their consent before commencing the prospecting activity;
 - (ii) Provide adequate time for customers to make properly considered purchase decisions;
 - (iii) Do not use or mention gift offers to entice customers to purchase financial products or make larger purchases; and
 - (iv) Conduct PPAs in proper and conducive settings, and in a responsible and professional manner.

2.6 Section 4 sets out proposals to apply these measures, where relevant, to telemarketing⁸. Section 5 discusses proposals to address the influence that gift offers pose on consumers' decisions to purchase financial products. Section 6 provides details of the proposed implementation timeline, and seeks feedback on other possible measures to ensure that FIs and their representatives conduct prospecting activities at public places and telemarketing in a responsible and professional manner.

⁷ These safeguards will apply to all FIs that conduct marketing and distribution activities that target retail customers, and to the representatives who act on behalf of these FIs.

⁸ "Telemarketing" refers to prospecting and marketing financial products and services to customers over the telephone.

3 Proposed Measures to Address Conduct Risks and Issues

Measure 1: Strengthen the safeguards in the Guidelines by legislating them as requirements in new Notice(s)

3.1 The Guidelines set out safeguards for proper conduct of PPAs. However, there have been instances where FIs and their representatives have not adhered to the safeguards. For example, while Safeguard 6 of the Guidelines sets out that FIs should ensure that their representatives clearly disclose upfront their identities and the FIs they represent when they prospect for customers, MAS has received complaints from members of the public that FIs and representatives have not been upfront with their identities and intentions (see also paragraph 3.7).

3.2 To strengthen adherence to the safeguards, MAS proposes to legislate them as requirements in new Notice(s). Given that the conduct issues observed were mainly in relation to the marketing and distribution of investment products⁹ (such as capital market products and life policies), and long-term accident and health (“LT A&H”) policies¹⁰, MAS proposes to apply the new Notices to these products only.

3.3 For other financial products such as banking¹¹ and general insurance¹² products, where similar issues have not been reported or were observed to a lesser extent, the Guidelines will continue to apply.

Question 1 MAS seeks comments on the proposal to strengthen the safeguards in the Guidelines, by legislating them as requirements in new Notice(s), for investment products and LT A&H policies.

3.4 For avoidance of doubt, the rest of the proposals in this consultation paper apply to all financial products, unless otherwise specified. For investment products and LT A&H policies, the additional safeguards proposed in this consultation paper will be set out in new Notices. For other financial products (e.g. banking and general insurance products), the additional safeguards proposed in this consultation paper will be added to the Guidelines.

⁹ “Investment product” is defined in section 2(1) of the FAA, “capital markets products” is defined in section 2(1) of the SFA, and “life policy” is defined in section 2(1) of the FAA.

¹⁰ “LT A&H policy” is defined in the First Schedule to the Insurance Act 1966.

¹¹ For example, secured loans (e.g. mortgages, motor vehicle loans) and unsecured credit products (e.g. credit cards, unsecured loans).

¹² For example, travel, motor, and home insurance.

3.5 The Guidelines set out MAS' expectations that the Board and Senior Management of FIs are accountable and responsible for ensuring that there are proper controls in place, and setting the right tone in conducting marketing and distribution activities in a responsible and professional manner.

3.6 In addition, the Guidelines on Individual Accountability and Conduct ("IAC Guidelines")¹³ specify that FIs should clearly identify the senior managers responsible for managing and conducting their core functions. For FIs that regularly conduct marketing and distribution activities (including PPAs), these activities would be part of their core functions, and MAS expects them to identify senior managers to exercise oversight and responsibility for these activities. MAS will hold the Board and Senior Management accountable for ensuring that their FI's conduct practices are in line with the requirements in the Notices and Guidelines.

Question 2 MAS seeks comments on whether our expectations on the responsibilities of FIs' Board and Senior Management are clear and well-understood, or if there is a need to clarify any of these expectations in respect of marketing and distribution activities in the Guidelines, Notices, and/or IAC Guidelines.

Measure 2: Inform customers of motive and obtain consent before commencing any prospecting activity

3.7 A common complaint from members of the public is that FIs' representatives would approach them on the pretext of conducting surveys or offering gifts, instead of informing them upfront of their intention to market financial products and services. This is misleading and causes annoyance to the public.

3.8 MAS proposes to require FIs and their representatives to inform customers upfront of their intention to market financial products and services to them, and obtain customers' consent, which could be either verbal or written, before commencing the prospecting engagement¹⁴.

¹³ Refer to the IAC Guidelines at <https://www.mas.gov.sg/regulation/guidelines/guidelines-on-individual-accountability-and-conduct>.

¹⁴ Other major jurisdictions such as the United Kingdom and Australia have similar rules to ensure that consumers are informed of the purpose of the engagement and have consented to being prospected.

3.9 There are prospecting events such as scheduled talks and seminars where customers register their interest with the FIs before attending the event. Such pre-event registration may be deemed as consent obtained from customers.

Question 3 MAS seeks comments on the proposal to require FIs and their representatives to inform customers upfront of their intention to market financial products and services to them, and obtain customers' verbal or written consent, before commencing the prospecting engagement.

Measure 3: Provide adequate time for customers to make properly considered purchase decisions

3.10 Initial prospecting engagements¹⁵ tend not to be ideal for conducting a proper advisory and sales session, as customers may not be adequately prepared to provide the necessary information for a comprehensive fact-find to be completed, especially as they did not anticipate the engagement. In addition, the duration of these engagements might be insufficient for customers to gain a good understanding of the financial products marketed and properly consider their purchase decisions. Consequently, customers face heightened risk of purchasing products which are not suitable for their financial situation and needs.

3.11 Poor marketing and sales practices have also been observed at PPAs. MAS' mystery shopping exercises found cases of representatives providing inappropriate advice at roadshows (e.g. they did not attempt to establish whether customers could afford the products, or highlight mismatches between the product's features and the customer's needs). There were also instances of representatives using offers of gifts to unduly influence customers' purchase decisions (see further discussion at paragraph 3.20). Such issues were more prevalent at roadshows compared to appointment-based meetings with customers arising from referrals.

¹⁵ This refers to the first engagement between a representative and prospective customer, where an appointment was not made beforehand.

3.12 To address these issues, MAS proposes to require FIs and their representatives to offer customers at the initial prospecting engagement, the option of taking more time to properly consider their purchases. In particular, MAS proposes that no sale of financial products shall be concluded by FIs and their representatives at the initial prospecting engagement¹⁶, unless:

- (a) The FI and its representatives have offered the customer the option of taking more time to consider the purchase before subsequently completing the transaction (see also paragraph 3.14);
- (b) The customer has made an explicit request to purchase the product at the initial prospecting engagement, after having considered and rejected the offer of more time to review the purchase; and
- (c) The FI and its representatives have documented the customer's explicit request, and this documentation has been acknowledged by the customer.

3.13 This proposal is designed to provide safeguards to all consumers, while minimising inconvenience to those who do not need more time to properly consider their purchases and wish to complete the transaction at the initial prospecting encounter.

3.14 MAS would like to seek views on the minimum duration that should be provided for customers to consider their purchases, before the FI and its representatives are allowed to complete the transaction subsequently¹⁷.

3.15 MAS intends to apply Measure 3 to initial prospecting engagements of all financial products, except in the case where sales of general insurance products are made in connection with the customer's primary purchase of a non-insurance product or service at the same prospecting event, in view that the risks of an unsuitable purchase are generally lower in such cases. Examples of such exceptions are travel insurance sold in relation to holiday packages purchased at travel fairs, and home insurance sold in relation to properties purchased at show flats. For avoidance of doubt, mortgage loans¹⁸ and motor vehicle loans do not fall within these exceptions.

¹⁶ Other major jurisdictions have imposed measures of similar effect, e.g. Hong Kong and Australia prohibit sales from unsolicited prospecting encounters.

¹⁷ For example, at least 3 to 5 days from the date of the initial prospecting engagement.

¹⁸ Note that the issuing of mortgage loan in-principle approvals ("IPAs") would not be considered as a 'purchase', as it does not constitute a finalised mortgage loan agreement, and the intent of IPAs is to allow prospective borrowers to better assess their financial situation before committing to a property purchase.

3.16 Measure 3 does not apply to in-person meetings with customers made on an appointment basis, as these customers would be better prepared for the advisory and sales engagement given that the appointment was made beforehand.

3.17 Another possible measure is to extend the 14-day free-look period for life policies and 7-day cancellation period for collective investment schemes (“CIS”). This provides customers more time to re-consider their purchase decision, by allowing them to exercise the free-look option or cancel the purchase without penalties.

3.18 MAS would like to seek views on whether this ex-post measure should be applied in addition to the ex-ante measure proposed in paragraph 3.12, as well as the appropriate duration by which the free-look and cancellation periods should be extended¹⁹.

Question 4 MAS seeks comments on the proposals to provide adequate time for customers to make properly considered purchase decisions, including the minimum duration that should be provided, and the ex-post measure of extending the free-look and cancellation periods.

Measure 4: Prohibit use or mention of gift offers to entice customers to purchase financial products or make larger purchases

3.19 The Guidelines set out safeguards against poor marketing and sales practices such as pressure selling. Safeguard 5 of the Guidelines states that FIs and representatives should not place undue pressure on members of the public to purchase financial products or services. Safeguard 10 of the Guidelines states that FIs should ensure that any gift offered to customers does not unduly influence their decisions to purchase financial products, and that the details of gifts are not displayed or promoted in such a manner as to inappropriately influence the purchase decisions of customers²⁰.

¹⁹ For example, the 14-day free-look period for life policies and 7-day cancellation period for CIS could both be extended by an additional 7 days.

²⁰ Paragraph 2.2.18 of the Guidelines also states that financial institutions should ensure that their representatives do not actively promote or draw customers’ attention to the gifts being offered as this may influence customers to purchase a financial product or service that does not meet their needs or which they do not need.

3.20 However, instances of pressure selling have been observed at prospecting engagements. MAS' mystery shopping exercises found cases of representatives using gift offers to unduly influence customers' purchase decisions. For example, representatives mentioned gift offers to entice customers to purchase financial products or make a larger purchase. Some representatives also highlighted that the offers were only available for a limited period, to sway customers' decisions. Such acts increase the risk of consumers making impulse purchases, or purchasing more than they need.

3.21 To enhance the existing safeguards, MAS proposes to specify that FIs and their representatives shall not use or mention gift offers to entice customers to purchase a financial product or make a larger purchase.

3.22 While this proposal addresses the risk of representatives using gift offers to unduly influence customers' purchase decisions when conducting PPA, MAS is also concerned about the broader issue relating to the inherent influence that gift offers exert on customers' decisions. As the relevance of this broader issue is not limited to the context of PPAs, the proposals to address this are set out separately in Section 5.

Question 5 MAS seeks comments on the proposal to disallow FIs and their representatives from using or mentioning offers of gifts to entice customers to purchase financial products or make larger purchases.

Measure 5: Conduct PPAs in proper and conducive settings, and in a responsible and professional manner

3.23 Safeguard 11 of the Guidelines states that FIs should ensure that the venue for their marketing and distribution activities is conducive for representatives to conduct a proper sales and advisory session²¹. The Guidelines also set out examples of unconducive environments such as open spaces with high foot traffic.

²¹ Paragraph 2.3.4 of the Guidelines also states that FIs should ensure that the space allocated and the environment where their marketing and distribution arrangements are located are suitable for the type and scale of activities involved. For example, FIs should ensure that there are adequate tables and chairs to facilitate a comfortable and conducive sales and advisory session. Distractions should also be minimised, by ensuring that the location is not too congested or noisy.

3.24 To ensure that PPAs are conducted in proper and conducive settings, MAS proposes the following additional safeguards:

- (a) Proper and conducive venue: Require FIs to ensure that any prospecting activities held outside their own premises, are conducted only at commercial premises²². This would exclude locations such as public streets²³ and private residential areas which are unconducive for prospecting.
- (b) Proper and conducive set-up: Require FIs to ensure that at least 25 square meters of space is demarcated for prospecting events. This would exclude cramped set-ups which are unconducive for a proper sales and advisory session.

3.25 To ensure that PPAs are conducted in a responsible and professional manner, MAS proposes the following additional safeguards:

- (a) Limiting prospecting activities to the immediate vicinity of the demarcated event space: Require FIs to ensure that prospecting activities be kept within a 5-meter radius of the demarcated event space. This will help to ensure that FIs are able to maintain effective oversight and control of representatives' prospecting activities.
- (b) Establishing a channel for consumers to provide feedback: Require FIs to establish a feedback channel such as a telephone hotline or website form, for consumers to report issues regarding the conduct of PPAs. Information on how to access the feedback channel should be displayed clearly and prominently at the event venue. This will help to ensure that issues encountered by consumers are promptly reported and addressed.
- (c) Designating a person to oversee proper conduct of PPAs: Require FIs to designate an individual as a Public Prospecting Management Officer ("PPMO") to help oversee conduct at prospecting events²⁴. The PPMO's role includes assisting FIs to supervise representatives' conduct at prospecting events, check that safeguards are put in place and adhered to, and prevent

²² This refers to premises owned and/or operated by a third person or entity for commercial purposes, such as malls and exhibition halls.

²³ This refers to any street, including any path, footway, passage, open court, or open alley, over which the public has a right of way.

²⁴ Each prospecting event must have at least one PPMO. FIs can choose to designate one PPMO to oversee multiple prospecting events, or multiple PPMOs each overseeing one prospecting event.

and rectify any non-compliance. MAS will hold FIs responsible for ensuring that PPMOs carry out their role properly.

3.26 MAS would like to seek views on whether conditions should be set on who may be designated as PPMOs. For example, whether the designated person should be of a higher level of seniority than the representatives being overseen, or whether the designated person should be independent from the group of representatives conducting the PPA²⁵. We would also like to seek views on whether there are other possible conditions aside from seniority and/or independence, which could be applied to ensure that persons designated as PPMOs exercise effective supervision over representatives' conduct at prospecting events, as well as comments on other implementation aspects of the proposals (e.g. whether PPMOs need to be on-site for the entire duration of the PPA in order for them to carry out their duties effectively or whether there are other ways to achieve similar outcomes).

Question 6 MAS seeks comments on the proposals to ensure that PPAs are conducted in proper and conducive settings, and in a responsible and professional manner, including the conditions to be set on PPMOs, and other implementation aspects.

3.27 Another issue is the use of promoters by FIs and their representatives. While promoters can help pull in crowds to prospecting events, there have been instances where members of the public felt harassed by promoters. Such issues arise as promoters tend to be less cognisant of, or pay less heed to, proper standards of conduct. In addition, promoters could be hired directly by representatives without their FIs' knowledge, which leads to lack of oversight and control by FIs. To address these conduct issues and ensure that FIs exercise proper oversight and control of promoters, MAS proposes to require FIs to (i) subject their representatives' use of promoters to their approval, and (ii) apply similar safeguards to promoters as that applied to representatives, where relevant²⁶.

Question 7 MAS seeks comments on the proposal to require FIs to subject their representatives' use of promoters to their approval, and to apply relevant safeguards in the Guidelines and the new Notice(s) to promoters.

²⁵ This condition would exclude the leader of the team or agency conducting the prospecting activity, but would include corporate staff from the business function (e.g. business development, distribution and marketing) and other functions such as risk and compliance.

²⁶ The Guidelines and the new Notices will be updated to specify the relevant safeguards that will apply to promoters. Generally, most of the safeguards are applicable to promoters as well, except for certain safeguards such as Measure 3, as it relates to sales but promoters are not allowed to conduct sales.

3.28 Street canvassing and door-to-door prospecting are conducted at uncondusive settings such as public streets and private residential areas, and are difficult for FIs to effectively manage and control²⁷.

3.29 Consequently, these activities pose higher conduct risks, and members of the public have encountered harassment or unprofessional conduct, e.g. pedestrians had their passage obstructed by representatives conducting street canvassing, and residents have provided feedback that representatives conducting door-to-door prospecting infringed their private space.

3.30 Such conduct issues adversely impact not only consumers, but also the reputation of FIs and the financial advisory profession. For these reasons, several FIs have chosen to prohibit such activities on their own accord.

3.31 As it is not practicable to apply Measure 5 to higher-risk PPAs such as street canvassing and door-to-door prospecting, these will continue to remain prohibited. Other than street canvassing and door-to-door prospecting, there are multiple channels available to FIs and their representatives for engaging prospective customers. These range from in-person meetings made on an appointment basis at the FI's or customers' premises, to events at physical venues (e.g. roadshows, talks, and seminars), and digital channels for prospecting and marketing.

Question 8 MAS seeks comments on the continued prohibition of street canvassing and door-to-door prospecting, and whether there are other measures in lieu of Measure 5²⁸ that could ensure that such activities are conducted in proper and conducive settings, and in a responsible and professional manner.

²⁷ It is not practicable for FIs to conduct site visits to monitor street canvassing and door-to-door prospecting, especially when representatives are dispersed across pedestrian and residential areas. Additional controls such as mystery shopping exercises cannot be applied on door-to-door prospecting.

²⁸ Such other measures must be able to effectively mitigate and address conduct risks and issues associated with street canvassing and door-to-door prospecting, and provide a similar level of safeguards to consumers as Measure 5.

4 Proposals to Apply Relevant Measures to Telemarketing Activities

4.1 Several of the measures proposed in Section 3 are also relevant to telemarketing activities²⁹. In this regard, MAS proposes to apply Measures 2 and 4 to telemarketing of financial products and services –

- (a) Measure 2: Clear and upfront disclosure of identity³⁰ and intention to consumers, and obtaining their consent before commencing prospecting, is a basic practice that should apply to all methods of prospecting, including telemarketing.
- (b) Measure 4: Offers of gifts should not be used to unduly influence customers' purchase decisions whether during in-person prospecting engagements or telemarketing calls. FIs' representatives and telemarketers should also not use or mention gift offers to entice customers to purchase financial products or make larger purchases during telemarketing calls.

4.2 Measure 5 is specific to prospecting at public places, and hence not applicable to telemarketing. Aside from Medisave-approved policies, for which additional safeguards are proposed below, MAS has not observed issues or received complaints regarding telemarketing of other financial products or services, and hence has not proposed to apply Measure 3 to telemarketing activities³¹.

<p>Question 9 MAS seeks comments on the proposal to apply Measures 2 and 4 to telemarketing of financial products and services.</p>
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²⁹ The Guidelines also set out that while the safeguards are aimed at addressing conduct risks arising from prospecting at public places, FIs should also apply the safeguards to other prospecting activities, where relevant.

³⁰ This is already set out in Safeguard 6 of the Guidelines, which states that FIs should ensure that their representatives clearly disclose upfront their identities and the FI they represent when prospecting.

³¹ For avoidance of doubt, the existing requirements on requests via telephone relating to credit card facilities will continue to apply. Please refer to regulation 20 of the Banking (Credit Card and Charge Card) Regulations 2013.

Additional safeguards for telemarketing of Medisave-approved policies

4.3 FIs are prohibited from soliciting and closing the sale of Medisave-approved policies (e.g. Integrated Shield Plans and CareShield Life supplements) over the telephone. This prohibition is set out in paragraph 24A of MAS Notice 120 on Disclosure and Advisory Process Requirements for Accident and Health Insurance Products (“Notice 120”), and was effected in 2015, in view of concerns regarding telemarketers’ improper sales tactics.

4.4 From 13 April 2020 to 30 September 2022, MAS granted a temporary exemption from the prohibition, to facilitate non-face-to-face engagements between FIs and their customers, in view of COVID-19 restrictions. The temporary exemption was subject to FIs putting in place the following safeguards³²:

- (a) Performing call-backs for all sales of Medisave-approved policies to Selected Clients³³ and clients of Selected Representatives³⁴, to ascertain that customers understand the product purchased; and
- (b) Maintaining records of all call-backs made, to facilitate audit checks where necessary (e.g. for investigation of complaints).

4.5 These safeguards have been assessed to be effective, as MAS did not receive complaints from consumers during the temporary exemption period. Hence, MAS is considering the possibility of lifting the prohibition, subject to the implementation of these safeguards along with Measures 2 and 4. MAS would like to seek views on whether this collective set of safeguards and measures would be sufficient to ensure proper conduct when FIs engage in telemarketing of Medisave-approved policies.

Question 10 MAS seeks comments on the possible lifting of the prohibition on soliciting and closing a sale of any Medisave-approved policies over the telephone, subject to the implementation of the safeguards in paragraph 4.4, as well as Measures 2 and 4.

³² These were modelled after similar safeguards under the Balanced Scorecard (“BSC”) framework. Please refer to paragraph 24BB of Notice 120.

³³ This refers to a client who meets any two of the following criteria — (i) is 62 years of age or older; (ii) is not proficient in spoken or written English; and (iii) has below GCE ‘O’ level or ‘N’ level certifications, or equivalent academic qualifications.

³⁴ This refers to a representative who has BSC grade B or worse, consecutively for two calendar quarters immediately preceding the quarter in which the representative closed the sale of the relevant Medisave-approved policy.

5 Proposals to Address Influence Posed by Gift Offers

5.1 Customers' purchase decisions should be based on consideration of their financial situation and needs, rather than gifts. While Measure 4 seeks to address the risk of representatives using gift offers to entice customers to purchase financial products or make larger purchases, it cannot address the inherent influence that gift offers exert on customers' purchase decisions.

5.2 The attraction of gift offers may cause customers to purchase a financial product that they do not need, or of larger amounts than they actually need. Customers may even choose products based on the most attractive or highest value of gift offered, instead of comparing the products' features, risks, and costs. Hence, MAS would like to seek views on possible measures to mitigate these risks.

5.3 One option is to disallow the practice of offering gifts that are contingent on customers making a purchase. This option will eliminate the influence of gift offers on customers' purchase decisions. For avoidance of doubt, FIs will continue to be allowed to present gifts to customers as a gesture of appreciation or for building relationships³⁵, and offer benefits that are part of the features and use of the financial product or service³⁶.

5.4 A second option is to restrict the form of any offers to only discounts and rebates. Instead of offering gifts, FIs can offer discounts of purchase price and rebates of fees and charges³⁷. Discounts and rebates are more beneficial to customers than gifts, as customers can use the cost savings whichever way they prefer, as opposed to being limited to specific gift items.

³⁵ For example, giving customers vouchers or other gifts on special occasions.

³⁶ For example, FIs will be allowed to continue offering benefits tagged to the use or spending on credit cards (e.g. cash back, miles, membership reward points) on an ongoing basis, but disallowed from offering benefits that are presented to customers as being activated due to the act of signing up for the product.

³⁷ For example, rebates of sales charge for collective investment schemes and distribution cost for insurance policies.

5.5 A third option is to limit the monetary value of the gifts offered³⁸. The Guidelines already set out safeguards that FIs should put in place such as setting a limit on the monetary value of gifts. MAS would like to seek views on the following proposals to strengthen and enhance the specificity of the safeguards:

- (a) Cap the monetary value of gift offers –
 - (i) To a specified nominal amount: For example, capping the monetary value of gifts at \$100.
 - (ii) To a specified percentage of the purchase amount: For example, capping the monetary value of gifts to 1% of the aggregate outlays for financial products requiring regular outlays³⁹, or 1% of the lump sum for financial products with one-time outlay⁴⁰.
- (b) Prohibit the tiering of gift offers: FIs cannot vary the monetary value of gifts based on the type or amount of financial product purchased. Any gifts offered must be of the same monetary value, regardless of the product type or amount purchased.

5.6 The nominal and percentage caps on monetary value can be applied together, i.e. the lower cap would be binding. The nominal cap and the prohibition on tiering are also not mutually exclusive measures.

5.7 MAS would like to seek views on which of the three options should be applied. For avoidance of doubt, the options set out in paragraphs 5.3 to 5.5 do not apply to gifts which are not contingent on customers purchasing a financial product.

5.8 For the third option set out in paragraph 5.5, MAS would like to seek views on each of the three measures (i.e. nominal cap, percentage cap, and tiering prohibition), including the appropriate quantum of the caps, as well as whether and which of these measures should be applied together (e.g. apply nominal and percentage caps, or nominal cap with tiering prohibition).

³⁸ For avoidance of doubt, these limits would not apply to discounts or rebates.

³⁹ For example, regular premium products, or scheduled periodic investments into collective investment schemes and structured deposits.

⁴⁰ For example, single premium products, or lump-sum investments into collective investment schemes and structured deposits.

5.9 For gift offers in relation to mortgage loans and motor vehicle loans⁴¹, MAS seeks views on whether these should also be subject to similar safeguards as those set out in paragraphs 5.3, 5.4, and 5.5. While customers' main considerations when taking out such loans are based on financing needs, and these loans tend to have standard repayment terms, customers' decisions on which loans to take should also be properly considered based on features and costs of the loan (e.g. considering the type of loan interest rates) instead of the attractiveness of the gift offered. In this regard, MAS would like to seek views on whether to apply the following to mortgage loans and motor vehicle loans –

- (a) Restrict the form of any offers to only discounts and rebates; or
- (b) Limit the monetary value of gifts offered, which could be a nominal cap (e.g. value of gift is not more than \$1000) or a percentage cap (e.g. value of gift is not more than 1% of total loan amount).

Question 11 MAS seeks comments on the proposals to address the inherent influence that gift offers pose on consumers' decisions to purchase financial products.

⁴¹ Gifts accompanying mortgage loans and motor vehicle loans include complimentary goods, vouchers, cash rewards, and insurance coverage. For avoidance of doubt, promotional interest rates, fee waivers, or reduced lock-in periods are not considered gifts for the purposes of this consultation paper.

6 Implementation Timeline and Other Feedback

Other possible measures

6.1 While the proposals set out in this consultation paper will enhance safeguards to ensure proper conduct of PPAs and telemarketing, MAS may consider imposing additional or stricter measures to address conduct risks and issues, especially if these persist. Examples of other possible measures include prohibiting the use of promoters at prospecting events, and limiting persons conducting PPAs to only FIs' appointed representatives.

Implementation timeline

6.2 MAS intends to issue new Notices and revise the Guidelines to implement the proposals, taking into account responses to this consultation paper. MAS will publish a subsequent consultation paper on the legal amendments to effect the enhanced safeguards.

6.3 MAS is considering to provide a transition period of six to nine months for FIs to comply with the enhanced safeguards, i.e. the new Notices and revised Guidelines will be effected six to nine months from their issuance date.

Question 12 MAS seeks comments on other possible measures which could be introduced to ensure responsible and professional conduct of PPAs and telemarketing.

Question 13 MAS seeks comments on the proposed transition period of six to nine months.

Annex A

SUMMARY OF CURRENT SAFEGUARDS IN THE GUIDELINES ON STANDARDS OF CONDUCT FOR MARKETING AND DISTRIBUTION ACTIVITIES

Safeguards	
1	Financial institutions should conduct call-backs or surveys for all customers prospected at retailers and public places before or within the free-look or cooling-off period, to ensure that customers have understood their purchases closed at such locations.
2	Financial institutions should conduct regular mystery shopping and site visits to monitor and ensure that the marketing, sales and advisory practices of representatives at retailers and public places are conducted in line with their internal standards and procedures as well as the Guidelines on Standards of Conduct for Marketing and Distribution Activities.
3	Financial institutions should separately track and monitor complaints arising from their marketing, sales and advisory activities at retailers and public places. Complaints statistics should also be reported to senior management on a regular basis.
4	Financial institutions should maintain a register containing information on their marketing and distribution arrangements at retailers and public places.
5	Financial institutions and their representatives should conduct themselves in a professional manner at all times when prospecting for and dealing with customers at retailers and public places. They must not cause annoyance by being unreasonably persistent or by placing undue pressure on members of the public to purchase any financial product or service.
6	Financial institutions should ensure that their representatives clearly disclose upfront their identities and the financial institution they represent when they prospect for customers. Where financial institutions market third-party products or services, they should ensure that their representatives disclose and explain to customers the relationship between the financial institution and the third-party product provider. Where there are tie-ups with retailers, financial institutions should ensure that their representatives clearly disclose to customers the tie-up between the financial institution and the retailer, and explain each party's roles and responsibilities.
7	Financial institutions should ensure that their representatives undergo training on proper sales and advisory conduct for their marketing and distribution activities at retailers and public places.

8	Financial institutions should ensure that their representatives who conduct marketing and distribution activities at retailers and public places have a good compliance record.
9	Financial institutions should ensure that the remuneration and incentives paid to their representatives do not lead to aggressive sales tactics and other inappropriate conduct.
10	Financial institutions should ensure that any gift offered to customers does not unduly influence the decisions of customers to purchase any financial product or service. Financial institutions should also ensure that the details of gifts are not displayed or promoted in such a manner as to inappropriately influence the purchase decisions of customers.
11	Financial institutions should ensure that the venue for their marketing and distribution activities are adequate and conducive for representatives to conduct a proper sales and advisory session.
12	Financial institutions should have adequate controls in place to ensure that payments collected from customers at retailers and public places are properly handled and securely kept.

Annex B

SUMMARY OF PROPOSALS TO ENHANCE SAFEGUARDS FOR PROPER CONDUCT OF PROSPECTING ACTIVITIES

Proposed measures for PPAs

Measures	Applies to:	
	Investment products and LT A&H policies	Other financial products (e.g. general insurance and banking products)
1: Strengthen the safeguards in the Guidelines by legislating them as requirements in new Notice(s) ⁴²	✓	
2: Inform customers of motive and obtain consent before commencing any prospecting activity	✓	✓
3: Provide adequate time for customers to make properly considered purchase decisions	✓	✓ (except for general insurance products that meet the conditions in paragraph 3.15)
4: Prohibit use or mention of gift offers to entice customers to purchase financial products or make larger purchases	✓	✓
5: Conduct PPAs in proper and conducive settings, and in a responsible and professional manner	✓	✓

⁴² For investment products and LT A&H policies, the additional safeguards proposed in this consultation paper will be set out in new Notice(s). For other financial products (e.g. banking and general insurance products), the additional safeguards proposed in this consultation paper will be added to the Guidelines.

7: Proposals to address influence posed by gift offers	✓	✓
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Proposed measures for telemarketing

Measures ⁴³	Applies to:	
	Investment products and LT A&H policies	Other financial products (e.g. general insurance and banking products)
2: Inform customers of motive and obtain consent before commencing telemarketing	✓	✓
4: Prohibit use or mention of gift offers to entice customers to purchase financial products or make larger purchases	✓	✓
Additional safeguards: Performing call-backs for sales of Medisave-approved policies to Selected Clients and clients of Selected Representatives, and maintaining records of the call-backs	Applies to Medisave-approved policies only	

⁴³ Similar to PPAs, for investment products and LT A&H policies, the additional safeguards proposed in this consultation paper will be set out in new Notice(s). For other financial products (e.g. banking and general insurance products), the additional safeguards proposed in this consultation paper will be added to the Guidelines.

LIST OF QUESTIONS

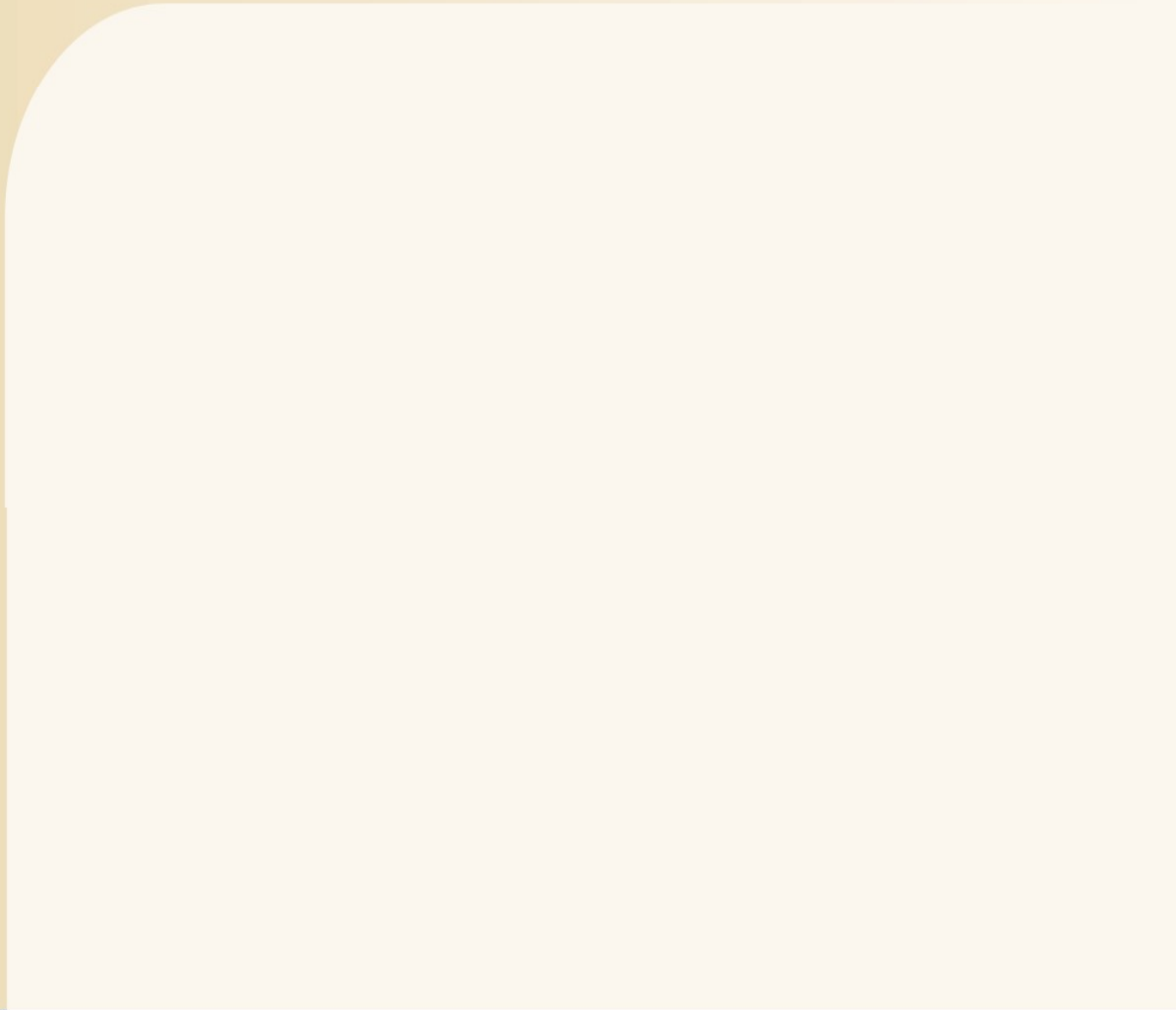
- Question 1** MAS seeks comments on the proposal to strengthen the safeguards in the Guidelines, by legislating them as requirements in new Notice(s), for investment products and LT A&H policies. 6
- Question 2** MAS seeks comments on whether our expectations on the responsibilities of FIs' Board and Senior Management are clear and well-understood, or if there is a need to clarify any of these expectations in respect of marketing and distribution activities in the Guidelines, Notices, and/or IAC Guidelines..... 7
- Question 3** MAS seeks comments on the proposal to require FIs and their representatives to inform customers upfront of their intention to market financial products and services to them, and obtain customers' verbal or written consent, before commencing the prospecting engagement..... 8
- Question 4** MAS seeks comments on the proposals to provide adequate time for customers to make properly considered purchase decisions, including the minimum duration that should be provided, and the ex-post measure of extending the free-look and cancellation periods..... 10
- Question 5** MAS seeks comments on the proposal to disallow FIs and their representatives from using or mentioning offers of gifts to entice customers to purchase financial products or make larger purchases..... 11
- Question 6** MAS seeks comments on the proposals to ensure that PPAs are conducted in proper and conducive settings, and in a responsible and professional manner, including the conditions to be set on PPMOs, and other implementation aspects. 13
- Question 7** MAS seeks comments on the proposal to require FIs to subject their representatives' use of promoters to their approval, and to apply relevant safeguards in the Guidelines and the new Notice(s) to promoters..... 13
- Question 8** MAS seeks comments on the continued prohibition of street canvassing and door-to-door prospecting, and whether there are other measures in lieu of Measure 5 that could ensure that such activities are conducted in proper and conducive settings, and in a responsible and professional manner..... 14
- Question 9** MAS seeks comments on the proposal to apply Measures 2 and 4 to telemarketing of financial products and services..... 15
- Question 10** MAS seeks comments on the possible lifting of the prohibition on soliciting and closing a sale of any Medisave-approved policies over the telephone, subject to the implementation of the safeguards in paragraph 4.4, as well as Measures 2 and 4..... 16

Question 11 MAS seeks comments on the proposals to address the inherent influence that gift offers pose on consumers' decisions to purchase financial products..... 19

Question 12 MAS seeks comments on other possible measures which could be introduced to ensure responsible and professional conduct of PPAs and telemarketing..... 20

Question 13 MAS seeks comments on the proposed transition period of six to nine months. 20

Note: Where implementation challenges are foreseen in relation to any of the proposals in this consultation paper, please provide details on the challenges as well as suggestions to address them, and/or alternative options to address the conduct risks and issues.



Monetary Authority of Singapore