



# Response to Feedback Received on Draft Notices on the Competency Requirements for Representatives Conducting Regulated Activities under the Financial Advisers Act and Securities and Futures Act



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# 1. Preface

- 1.1. On 4 September 2020, MAS published the Consultation Paper on Draft Notices on the Competency Requirements for Representatives Conducting Regulated Activities under the Financial Advisers Act and the Securities and Futures Act (“2020 Consultation Paper”).
- 1.2. The 2020 Consultation Paper proposed draft legal amendments to FAA-N13 Notice on Minimum Entry and Examination Requirements for Representatives of Licensed Financial Advisers and Exempt Financial Advisers (“FAA Notice”) and SFA 04-N09 Notice on Minimum Entry and Examination Requirements for Representatives of Holders of Capital Markets Services Licence and Exempt Financial Institutions (“SFA Notice”), to effect the enhancements to the Capital Markets and Financial Advisory Services (“CMFAS”) exams<sup>1</sup>, and continued exemption for private banking (“PB”) representatives who only serve accredited investors (“AIs”)<sup>2</sup>.
- 1.3. The consultation closed on 5 October 2020. MAS would like to thank all respondents for their feedback. The list of respondents is in **Annex A**, and the submissions are in **Annex B**.
- 1.4. MAS has carefully considered the feedback received. In sum, there was broad agreement from the industry on the draft legal amendments to the FAA Notice and SFA Notice (collectively, “the Notices”). Some respondents sought clarification on the requirements and exemptions applicable to their representatives, and a few respondents requested MAS to broaden the scope of exemptions for PB representatives. Feedback of wider interest and MAS’ responses are set out in the sections below.
- 1.5. Where appropriate, MAS has incorporated the feedback received into the revised Notices<sup>3</sup> –

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<sup>1</sup> These sought to raise the competency of appointed representatives, build ethical culture in the financial industry, and offer greater customisation and flexibility for representatives to fulfil the competency requirements. A policy consultation on the proposed enhancements had been conducted earlier. Refer to the Consultation Paper on Review of Competency Requirements for Representatives Conducting Regulated Activities under the Securities and Futures Act and Financial Advisers Act published on 12 December 2016 (“2016 Consultation Paper”), as well as MAS’ response to the feedback received on the 2016 Consultation Paper, which was published on 25 September 2017 (“2017 Response Paper”).

<sup>2</sup> This was a consequential amendment following the adoption of the opt-in regime for AIs (“AI opt-in regime”). Refer to paragraphs 3.2 and 3.3 of the 2020 Consultation Paper.

<sup>3</sup> MAS will also be updating the Frequently Asked Questions in relation to the revised Notices in due course.



- (a) FAA-N26 Notice on Competency Requirements for Representatives of Financial Advisers;  
and
- (b) SFA 04-N22 Notice on Competency Requirements for Representatives of Holders of  
Capital Markets Services Licence and Exempt Financial Institutions.

1.6. The revised Notices will take effect on 1 April 2024.



## 2. Clarification on CMFAS Exam Requirements for Appointed Representatives of Licensed Fund Management Companies

### Rules, Ethics and Skills (“RES”) modules for dealing representatives of a Licensed Fund Management Company (“LFMC”)

- 2.1. Respondents sought clarification on whether individuals appointed as dealing representatives of LFMCs are required to pass RES3<sup>4</sup> or the RES modules for dealing in capital markets products (“CMPs”). Such individuals include representatives appointed by an LFMC to deal for funds managed by the LFMC and its related corporations (“central dealers”).

#### **MAS’ Response**

- 2.2. As set out in paragraph 3.7 of the 2017 Response Paper, the applicable RES module for a representative should be aligned with the primary regulated activity of his/her principal company and the types of regulatory knowledge and skills he/she should be equipped with to perform his/her role effectively. In the case of appointed representatives of LFMCs who conduct central dealing, they should take RES3, which includes content on rules pertaining to LFMCs and content on dealing. Furthermore, MAS has updated the revised SFA Notice to provide individuals appointed as dealing representatives of LFMCs with the flexibility to pass either RES3 or the RES modules for dealing in CMPs<sup>5</sup>.

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<sup>4</sup> RES3 refers to the CMFAS exam module on Rules, Ethics and Skills for Fund Management.

<sup>5</sup> Refer to paragraphs 5.2.1 and 5.2.2 of the revised SFA Notice.



## Exemptions for dealing representatives of LFMCs which serve only AIs and/or institutional investors (“IIs”)

- 2.3. The SFA Notice exempted “person whose principal manages funds only for AIs and/or IIs” from the CMFAS exams for dealing in CMPs. Some respondents sought clarification on whether these exemptions are applicable to representatives of other financial institutions (“FIs”) aside from LFMCs.

### **MAS’ Response**

- 2.4. These exemptions do not apply to representatives of other FIs such as banks. The term “person whose principal manages funds”<sup>6</sup> in the SFA Notice refers to a representative whose principal is an LFMF. To avoid doubt, the term “person whose principal manages fund” has been amended to “individual whose principal is a Specified FMC”<sup>7</sup> in the revised SFA Notice.

## Requirements for LFMCs’ representatives who market funds

- 2.5. Respondents noted that while paragraphs 11A and 11B of the current SFA Notice set out that representatives who market collective investment schemes (“CIS”) are required to pass M5 and M8/M8A<sup>8</sup>, these paragraphs were not replicated in the draft revised SFA Notice. They asked whether such representatives will be required to pass RES5 and M8/8A going forward.

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<sup>6</sup> This term is used in the context of the exemptions from dealing modules, and has a different meaning from the term “person who manages funds” used in the context of the fund management module exemption, which refers to representatives conducting fund management whose principal could be either LFMFs or other FIs such as banks.

<sup>7</sup> A “Specified FMC” means a holder of a CMS licence for fund management, who carries on fund management as its principal business activity.

<sup>8</sup> M5 refers to the current CMFAS exam module on Rules and Regulations for Financial Advisory Services, and will be replaced by RES5 (Rules, Ethics and Skills for Financial Advisory Services). M8 and M8A refers to the product knowledge module on Collective Investment Schemes and Collective Investment Schemes II, respectively.



## MAS' Response

- 2.6. As “marketing of CIS” is no longer a regulated activity under the FAA and has been subsumed under the regulated activity of “dealing in CMPs – CIS” under the SFA, LFMCS’ representatives who market any CIS should pass RES3 and CM-EIP under the revised SFA Notice, unless exempted (see paragraphs 2.7 and 2.8 below). LFMCS’ representatives who only market CIS need not pass RES5 and M8/8A. However, if they also provide financial advisory services, they must, additionally pass RES5 and the relevant product knowledge module(s)<sup>9</sup> under the revised FAA Notice, unless exempted (see paragraphs 2.9 and 2.10 below).

## Exemptions for LFMCS’ representatives who only market funds to distributors

- 2.7. The FAQs on Minimum Entry and Examination Requirements for Representatives of Capital Markets Services Licence Holders and Exempt Financial Institutions set out exemptions for LFMCS’ representatives who limit their activities to marketing CIS to distributors. Respondents commented that these representatives have no direct dealings with retail investors, and asked whether they will continue to be exempted from CMFAS exams and Continuing Professional Development (“CPD”) requirements. One respondent asked whether the term “distributors” includes licensed financial advisers in Singapore.

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<sup>9</sup> Representatives are required pass the relevant product knowledge module(s) according to the type(s) of investment products they intend to provide financial advice on:

- i. CM-EIP for representatives who advise on Excluded Investment Products which are (a) securities, (b) units in a CIS or (c) exchange-traded derivatives contract that are not futures contracts;
- ii. CM-SIP for representatives who advise on Specified Investment Products which are (a) securities, (b) units in a CIS, (c) exchange-traded derivatives contract, or (d) spot foreign exchange contracts for the purposes of leveraged foreign exchange trading;
- iii. M8 for representatives who advise on units in a CIS that are Excluded Investment Products; and/or
- iv. M8A for representatives who advise on units in a CIS that are Specified Investment Products.

Representatives may opt to take the combination product modules such as CM-CMP in lieu of CM-EIP and CM-SIP, or CM-CIS in lieu of M8 and M8A.



## **MAS' Response**

- 2.8. LFMCS' representatives who limit their activities to marketing any CIS to distributors will continue to be exempted from CMFAS exams and CPD requirements, and "distributors" includes licensed financial advisers in Singapore. MAS will update the FAQs to incorporate this clarification.

## **Exemption from RES5 for LFMCS' representatives who limit their financial advisory activities**

- 2.9. It was proposed for LFMCS' marketing representatives to be exempted from RES5, if the representative limits his/her provision of financial advisory services to providing customised information on investment fund products managed by his/her LFMCS. Respondents suggested broadening the scope of this exemption, to cover investment fund products managed by the LFMCS's related corporations, in addition to funds managed by the LFMCS. Respondents also sought clarification on the meaning of "customised information".

## **MAS' Response**

- 2.10. MAS has incorporated this suggestion in the revised FAA Notice. LFMCS' marketing representatives will be exempted from RES5, if the representative limits his/her provision of financial advisory services to advising others on the investment fund products managed by his/her LFMCS and its related corporations. The term "customised information" refers to information that is customised to clients' financial situation and needs. That said, reference to this term has been dropped from paragraph 4.7(b) of the revised FAA Notice, as the scope of the exemption is already well-circumscribed.





### 3. Exemptions from the CMFAS Exam Requirements under the SFA Notice for PB Representatives

3.1. The 2020 Consultation Paper proposed to exempt representatives providing financial advisory services (“advisory representatives”) from the CMFAS exam requirements under the SFA Notice (“SFA CMFAS exams”), if they meet the following conditions –

- (a) Serve only AIs;
- (b) Conduct dealing activities that are incidental to their provision of financial advisory services (“incidental dealing activities”); and
- (c) Have passed (or are exempted from passing) the Client Advisor Competency Standards exams under the Singapore Private Banking Code of Conduct (“CACS exams”).

This exemption applies to existing advisory representatives as well as newly appointed advisory representatives who meet the above-mentioned conditions (“continuing exemption”).

3.2. The 2020 Consultation Paper also proposed to exempt representatives of specialised units serving high net worth individuals (“s100(2) units”)<sup>10</sup> who meet the following conditions –

- (a) Serve only AIs; and
- (b) Have passed (or are exempted from passing) the CACS exams.

This exemption applies to existing representatives from s100(2) units who meet the above-mentioned conditions (“grandfathering exemption”). It caters to all representatives from s100(2) units, including dealing representatives who are not eligible for the continuing exemption<sup>11</sup>.

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<sup>10</sup> These specialised units were previously exempted under section 100(2) of the FAA from certain business conduct requirements under the FAA. The s100(2) exemption was revoked on 8 January 2021, and the “high net worth individuals” class has been phased out with the adoption of the AI opt-in regime.

<sup>11</sup> Such dealing representatives are ineligible for the continuing exemption given that their dealing activities are not incidental dealing activities, as they do not provide financial advisory services.



## Request for continuing exemption to be extended to new dealing representatives who do not provide financial advisory services

- 3.3. One respondent requested MAS to consider extending the continuing exemption to newly appointed dealing representatives who execute trade orders from PB clients.

### **MAS' Response**

- 3.4. MAS does not agree to extend the continuing exemption after careful consideration. Newly appointed dealing representatives should pass the SFA CMFAS exams to ensure that they have the requisite competencies and knowledge of rules and regulations, as trading irregularities could pose adverse market-wide impact which affects not only their PB clients but other market participants as well. MAS has provided grandfathering exemption for existing dealing representatives of s100(2) units, and will broaden the scope of the grandfathering exemption (see paragraphs 3.5 to 3.8 below).

## Request to broaden the scope of the grandfathering exemption for existing representatives of s100(2) units

- 3.5. One respondent highlighted that some of its representatives from its s100(2) unit had not taken the CACS exams and were not required to do so under the Singapore Private Banking Code of Conduct. In addition, two respondents highlighted that representatives from their s100(2) unit also deal for IIs due to legacy reasons. These respondents requested MAS to consider broadening the scope of the grandfathering exemption to cover such representatives.
- 3.6. Some respondents sought clarification on whether the grandfathering exemption will continue to apply to representatives of s100(2) units if they move to another FI subsequently.



## MAS' Response

- 3.7. MAS agrees to broaden the scope of the grandfathering exemption to cover representatives from s100(2) units who did not take the CACS exams and/or those who serve IIs. The revised SFA Notice has been updated accordingly<sup>12</sup>.
- 3.8. The grandfathering exemption will continue to apply to representatives from s100(2) units if they move to another FI subsequently, so long as they continue to serve only PB clients. To operationalise the grandfathering exemption when representatives move between FIs, the FIs in the PB industry have agreed to –
- (a) Issue an attestation letter to representatives from their s100(2) unit, which must minimally include the following information (“minimum information”):
    - (i) the name of the representative;
    - (ii) the period of employment in the s100(2) unit; and
    - (iii) the type of regulated activities conducted by the representative when employed in the s100(2) unit;
  - (b) Provide responses to reference checks by other FIs which are seeking to verify the prospective hires’ employment history and ascertain their eligibility for the grandfathering exemption from the SFA CMFAS exams; and
  - (c) Keep a copy of the attestation letter or the minimum information stated in the letter, in the FI’s records, to facilitate responses to these reference checks.

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<sup>12</sup> Refer to paragraph 5.12.1 of the revised SFA Notice.



## Clarification regarding representatives serving clients who changed from AI to non-AI status

- 3.9. A few respondents requested MAS to consider broadening the grandfathering exemption for representatives serving clients who were previously classified as an AI but have either opted out of AI status or no longer meets the AI eligibility criteria. They commented that a longer period might be needed to conduct unwinding and divesting activities for some of these clients due to market and liquidity conditions.

### **MAS' Response**

- 3.10. FIs may continue to treat a client who was previously classified as an AI but who has opted out of AI status or no longer meets the AI eligibility criteria, as if the client was an AI in respect of the specific transactions which were made before the change in client's status to non-AI<sup>13</sup>. Accordingly, there is no need to modify the grandfathering exemption, as it applies to representatives serving such clients insofar as their activities pertain to the unwinding of transactions or divesting of investments which were made before the change to non-AI status.

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<sup>13</sup> Refer to Q25 of the FAQs on the Definition of Accredited Investor and Opt-in Process.



## 4. Minimum Academic Requirements and CPD Requirements

### Grandfathering exemption for PB representatives from minimum academic requirements under the FAA Notice

- 4.1. A few respondents highlighted that there are existing representatives from their s100(2) unit who do not meet the minimum academic requirements under the FAA Notice. They requested MAS to consider providing grandfathering exemption to these representatives.

#### **MAS' Response**

- 4.2. MAS agrees to provide grandfathering exemption to these representatives. Specifically, representatives who were from s100(2) units will be exempted from the minimum academic requirements under the FAA Notice<sup>14</sup>. The revised FAA Notice has been updated accordingly<sup>15</sup>.

### Exemptions from CPD requirements under the SFA Notice

- 4.3. Currently, representatives who serve only AIs and/or IIs are exempted from the CPD requirements under the SFA Notice, while the exemptions from the CPD requirements under the FAA Notice apply to representatives who serve only AIs, IIs and/or expert investors ("EIs"). Respondents suggested that MAS consider broadening the exemption in the SFA Notice to cover the same scope as the FAA Notice.

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<sup>14</sup> For avoidance of doubt, this grandfathering exemption will continue to apply to these representatives, if they move to a non-PB role subsequently. This takes into consideration that if such representatives move to a non-PB role, they will be required to pass CMFAS exams before providing financial advisory services to retail clients.

<sup>15</sup> Refer to paragraph 3.2(d) of the revised FAA Notice.



## MAS' Response

4.4. MAS agrees with the feedback. The revised SFA Notice has been updated to exempt representatives who serve only AIs, IIs and/or EIs from the CPD requirements<sup>16</sup>.

## Institute of Banking & Finance (“IBF”) Certification

4.5. IBF awards certification to practitioners who have successfully completed eligible IBF-accredited training courses and programmes, and attained the requisite technical skills and competencies under the Skills Framework for Financial Services. The three levels of certification for the industry segment of Financial Planning and Retail Banking are –

Level	IBF Certification
1	<ul style="list-style-type: none"> <li>• IBF Qualified (Level 1) Financial Planning (Personal)</li> <li>• IBF Qualified (Level 1) Retail Banking (Relationship &amp; Sales Management)</li> </ul>
2	<ul style="list-style-type: none"> <li>• IBF Advanced (Level 2) Financial Planning (Personal)</li> <li>• IBF Advanced (Level 2) Financial Planning (Agency Management)</li> <li>• IBF Advanced (Level 2) Retail Banking (Relationship &amp; Sales Management)</li> </ul>
3	<ul style="list-style-type: none"> <li>• IBF Advanced (Level 3) Financial Planning (Personal)</li> <li>• IBF Advanced (Level 3) Financial Planning (Agency Management)</li> <li>• IBF Advanced (Level 3) Retail Banking (Relationship &amp; Sales Management)</li> </ul>

4.6. While training hours undergone as part of IBF Certification may already be counted towards fulfilling the required annual CPD hours, IBF noted that representatives might not be able to count some of the training hours undergone. For example, as individuals who are appointed as representatives for the first time (“new entrants”) are not subject to CPD requirements in their first year, the training hours undergone by new entrants who obtained Level 1 Certification in their first year would not count towards fulfilling CPD hours. IBF also noted that while representatives who attained Level 2 or 3 Certification in Financial Planning or Retail Banking could have undergone more hours of training within a single year than the required annual CPD hours, the training hours undergone by these representatives in excess of the

<sup>16</sup> Refer to paragraph 9.3(a) of the revised SFA Notice.



required annual CPD hours (“excess training hours”) would not be counted towards fulfilling CPD hours.

## MAS’ Response

- 4.7. MAS recognises that IBF Certification provides a structured framework for skills training, and the courses and programmes that representatives must undergo are accredited by IBF which provides assurance of quality and rigour.
- 4.8. Having discussed the matter with IBF, MAS has made the following adjustments in the revised FAA Notice, to provide recognition of the training hours undergone by representatives as part of IBF Certification<sup>17</sup> –
- (a) MAS will allow representatives who attained Level 1 Certification to carry over training hours undergone to the next calendar year<sup>18</sup>, and representatives who attained Level 2 or 3 Certification to carry over excess training hours to subsequent years for up to the next two calendar years<sup>19</sup>.
  - (b) In the case where representatives managed to attain more than one certification in the same calendar year or within two consecutive calendar years, they will be allowed to carry over excess training hours undergone for the certifications for up to the aggregate of the applicable periods specified in sub-paragraph (a) above<sup>20</sup>.

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<sup>17</sup> Refer to paragraph 5.8 of the revised FAA Notice.

<sup>18</sup> For example:

- i. a new entrant who joined the industry and attained Level 1 Certification in 2024, will be allowed to carry over the training hours to 2025 to fulfil the required annual CPD hours in 2025.
- ii. an incumbent representative who attained Level 1 Certification in 2024, will be allowed to carry over the excess training hours to 2025 for counting towards the required annual CPD hours in 2025.

<sup>19</sup> For example, a representative who attained Level 2 Certification in 2024, will be allowed to carry over the excess training hours to 2025 to fulfil the required annual CPD hours in 2025, and if there remains excess training hours after fulfilling the required annual CPD hours in 2025 (“remaining excess hours”), then the remaining excess hours may be carried over to 2026 for counting towards the required annual CPD hours in 2026.

<sup>20</sup> For example, a representative who attained Level 1 and Level 2 Certifications in 2024 will be allowed to carry over excess training hours undergone for both certifications to subsequent calendar years up to and inclusive of 2027. In the case of a representative who attained Level 2 Certification in 2024 and Level 3 Certification in 2025, he or she will be allowed to carry over excess training hours undergone as part of both certifications to subsequent calendar years up to and inclusive of 2029.



- (c) The representatives must have attained the IBF Certification within two years from the date of completion of the most recent course undergone as part of that IBF Certification, to be eligible for the treatment specified in sub-paragraphs (a) and (b) above.

## Enhancements to support CPD training related to Central Provident Fund (“CPF”)

- 4.9. MAS has worked with CPF Board, IBF and Singapore College of Insurance (“SCI”) to enhance CPF-related content in the CMFAS exams and CPD training. This will help to equip financial advisory representatives with the relevant knowledge to incorporate CPF schemes into holistic financial advice and better assist consumers with retirement planning (e.g. top-ups to CPF Special Account). As part of these broader efforts, training hours from relevant CPD courses that are conducted by CPF Board will be recognised as Core CPD hours (i.e. can be counted towards fulfilling the minimum 6 hours of Core CPD training)<sup>21</sup>. The revised FAA Notice has been updated accordingly<sup>22</sup>. CPF Board will provide details of the CPD courses in due course.

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<sup>21</sup> For the avoidance of doubt, representatives who have already fulfilled the minimum 6 hours of Core CPD training may count training hours from relevant CPD courses that are conducted by CPF Board towards fulfilling Supplementary CPD hours.

<sup>22</sup> Refer to paragraph 5.4 of the revised FAA Notice.





## 5. Transition Period

- 5.1. Several respondents requested a transition period of four to six months to cater time for FIs to make updates to systems and processes, and for individuals who intend to re-attempt the current CMFAS exams to do so.

### **MAS' Response**

- 5.2. MAS agrees to provide a transition period of six months. The revised Notices will come into effect on 1 April 2024. IBF and SCI will start registrations for the new CMFAS exams and make available the new study guides, at least two months before the new exams commence on 1 April 2024.



# Annex A

## List of Respondents

*Note: This list only includes the names of respondents who did not request that their identity and/or submission be kept confidential. Fourteen respondents requested confidentiality of identity and/or submission.*

1. AAM Advisory Pte Ltd
2. Aon Singapore Pte Ltd
3. Asia Securities Industry and Financial Markets Association
4. CFA Society Singapore
5. Citibank Singapore Limited
6. Eastspring Investments (Singapore) Limited
7. Investment Management Association of Singapore
8. Mizuho Bank, Ltd.
9. Professional Investment Advisory Services Pte Ltd
10. Schroder Investment Management (Singapore) Ltd
11. Securities Association of Singapore
12. United Overseas Bank
13. VP Bank Ltd

Please refer to Annex B<sup>23</sup> for the submissions.

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<sup>23</sup> Please refer to the attachment uploaded separately.