



Monetary Authority of Singapore

**FINANCIAL ADVISERS ACT
(CAP. 110)**

NOTICE ON DUAL CURRENCY INVESTMENTS

Notice No : FAA-N11
Issue Date : 2 December 2005
Last revised on 28 June 2021*
(Refer to endnote for history of amendments)

NOTICE ON DUAL CURRENCY INVESTMENTS

1 This Notice is issued pursuant to section 58 of the Financial Advisers Act (Cap. 110) [“the Act”]

2 This Notice applies to any licensed or exempt financial adviser or its representative, who advises on any dual currency investment, except —

- (a) where advice is given to an accredited investor, expert investor or institutional investor, as defined in regulation 2(1) of the Financial Advisers Regulations (Rg 2);
- (b) [Deleted by FAA-N11 (Amendment) 2021]
- (c) [Deleted by FAA-N11 (Amendment) 2021]

Definitions

3 The expressions used in this Notice shall, except where expressly defined in this Notice or where the context otherwise requires, have the same meanings as in the Act.

4 For the purposes of this Notice:

“alternate currency”, in relation to a dual currency investment, means the currency (other than the base currency) in which the principal sum could be repaid;

“bank” means —

- (a) a bank licensed under the Banking Act (Cap. 19); or
- (b) a merchant bank licensed under the Banking Act;

[FAA-N11 (Amendment) 2021]

“base currency”, in relation to a dual currency investment, means the currency in which the initial investment is made;

“client” includes a prospective client;

“deposit” has the same meaning as in the Financial Advisers (Structured Deposits - Prescribed Investment Product and Exemption) Regulations;

[FAA-N11 (Amendment) 2021]

“deposit-taking institution” means —

(a) a bank; or

(b) a finance company licensed under the Finance Companies Act (Cap. 108);

“dual currency investment” has the same meaning as in the Financial Advisers (Structured Deposits - Prescribed Investment Product and Exemption) Regulations;

[FAA-N11 (Amendment) 2021]

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

“maturity date” means the date on which the principal sum due on a dual currency investment is repaid;

“rate-fixing date” means the date on which a deposit-taking institution that offered a dual currency investment determines whether to pay the interest and principal sum due on the dual currency investment in the base currency or the alternate currency;

“rate-fixing time” means the time on the rate-fixing date at which the prevailing exchange rate between the base currency and the alternate currency used to determine whether the interest and principal sum due on a dual currency investment will be paid in the base currency or the alternate currency;

“spot rate” means the prevailing exchange rate between the base currency and the alternate currency at the time of investment;

“strike rate” means the exchange rate at which the principal sum due on a dual currency investment is converted into the alternate currency if the principal sum is to be repaid in the alternate currency at maturity; and

“value date” means the date from which interest on a dual currency investment accrues.

Use of the term “Deposit” and “Structured Deposit”

5 “Deposit” is defined in the Banking Act, and has a generally understood meaning. Labeling a dual currency investment as a deposit may be misleading as investors may misconstrue that the product is principal guaranteed in terms of the base currency.

6 No financial adviser or its representative shall, when describing or referring to a dual currency investment in any marketing material or product disclosure document, use the term “deposit”, or any of its derivatives in any language, or “structured deposit”, or any of its derivatives in any language, in the name or description or any representation of that dual currency investment.

Additional Product Information Disclosure

7 In addition to the Notice on Information to Clients and Product Information Disclosure (Notice No. FAA–N03), every financial adviser and its representative providing any financial advisory service to a client concerning a dual currency investment shall provide the client with a fair and adequate description of all material information, including the following:

- (a) a description of the nature and mechanics of the dual currency investment, including a statement or statements to the following effect:
 - (i) a dual currency investment involves a currency option which confers on the deposit-taking institution the right to repay the principal sum at maturity in either the base or alternate currency; and
 - (ii) part or all of the interest earned on this investment represents the premium on this option;
- (b) appropriate illustrations to show how foreign exchange rate movements could result in the principal amount being repaid in the alternate currency which could in turn result in the client receiving less than the principal amount initially invested, when the amount in the alternate currency is converted back to the base currency;
- (c) in relation to sub -paragraph (b), the assumptions that are made, including hypothetical examples to show what the client would receive in the event that the prevailing exchange rate at the rate- fixing time is

- higher than, equal to, or lower than, the strike rate;
- (d) the potential benefits of investing in the dual currency investment and for whom such investments would be appropriate;
- (e) any minimum investment amount in relation to the dual currency investment;
- (f) the currencies from which the client can select at the time of investment;
- (g) the investment duration offered by the deposit-taking institution in relation to the dual currency investment;
- (h) a statement on whether the withdrawal of the principal or any part thereof is permitted prior to maturity. If early withdrawal is permitted, the details on the procedures and charges applicable and where applicable, a statement to the effect that the client may incur a loss on the principal amount upon withdrawal;
- (i) a statement on whether the investment could be terminated by the deposit-taking institution prior to maturity. If early termination is permitted, the details on the events that would trigger such termination, how payments to the client will be determined at the time of termination and where applicable, a statement to the effect that the client may incur a loss on the principal amount upon termination;
- (j) an explanation on how foreign exchange control restrictions imposed by the home country of a foreign currency could impact the investment held by the client;
- (k) a summary of the foreign exchange control restrictions applicable to the dual currency investment held by the client (including the payment of interest and principal amounts) or details on how the client could obtain such information in respect of each foreign currency offered in relation to the dual currency investment;
- (l) all other relevant risk factors.

Warnings

8 Every financial adviser and its representative shall provide appropriate risk warnings to all clients in relation to a dual currency investment. At the minimum, the warnings shall convey the following message, which shall be provided in all marketing material and product disclosure documents, and shall be clearly legible.

- (a) By purchasing this dual currency investment you are giving the issuer of this product the right to repay you at a future date in an alternate currency that is different from the currency in which your initial investment was made, regardless of whether you wish to be repaid in this currency at that time.
- (b) Dual currency investments are subject to foreign exchange fluctuations which may affect the return of your investment. Exchange controls may also be applicable to the currencies your investment is linked to. You may incur a loss on your principal sum in comparison with the base amount initially invested.
- (c) You may wish to seek advice from a licensed or an exempt financial adviser before making a commitment to purchase this product. In the event that you choose not to seek advice from a licensed or an exempt financial adviser, you should carefully consider whether this product is suitable for you.”

Guidelines on Structured Deposits

9 Unless otherwise stated, every financial adviser and its representatives advising on dual currency investments should also observe all relevant provisions in the Guidelines on Structured Deposits.

10 This Notice shall take effect on 1 March 2006.

***Note on History of Amendments**

1. FAA-N11 (Amendment) 2021 dated 28 June 2021 with effect from 1 July 2021