

ANNEX A

# Regulatory Regime for Listed & Unlisted Investment Products

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Overview of Current Measures & New Measures  
to Further Safeguard Retail Customers

*Updated on 28 Jul 2011*

**Objectives**

Transparent and fair dealing intermediaries and offerors

Well-informed and empowered consumers

**Focus**

Improved Product Suitability & Recommendations	Raised Competency Standards of Representatives	More Effective Disclosure	Further Safeguards
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**New Measures**

1. Enhanced product due diligence with sign-off by senior management prior to distribution of new products	4. Additional CMFAS exams on advanced product knowledge	6. Product Highlights Sheet in plain language	9. Assessment of customers' knowledge or experience for complex products
2. Enhanced documentation of basis of recommendation	5. Representatives to undergo training on new product prior to sale	7. Fair and balanced advertisements	10. Policies and Procedures on sale of products
3. Enhanced quality of information collected		8. Timely and meaningful ongoing disclosure for unlisted debentures	11. Prohibition of referrals by bank tellers
			12. Cooling off period for unlisted debentures

**Current Measures**

<ul style="list-style-type: none"> <li>'Know Your Client' process for Clients</li> <li>Documentation and Record Keeping</li> </ul>	<ul style="list-style-type: none"> <li>Representatives are required to take the CMFAS exams before they can sell investment products</li> </ul>	<ul style="list-style-type: none"> <li>Disclosure of product information through prospectus</li> <li>No false or misleading statements in advertisements</li> </ul>	<ul style="list-style-type: none"> <li>FAs are encouraged to adopt good practices when sales are conducted with customers with limited knowledge</li> <li>Cooling off period for CIS and life policies</li> </ul>
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- Fair Dealing: Board and Senior Management of FIs to deliver fair dealing outcomes when providing financial advisory services to customers. Five fair dealing outcomes are set out in MAS' Fair Dealing Guidelines.
- Financial Education: MAS works with various stakeholders to bring educational programmes on basic money management, financial planning and investment know-how to consumers.

*MAS is introducing stronger measures and enhanced requirements to further safeguard retail customers' interests.*

*Together with the current measures provided in various MAS' regulations, guidelines, and other legislations, these measures aim to:*

- (i) ensure that financial institutions ("FIs") offer and recommend suitable investment products;*
- (ii) enhance competency standards for FI representatives who sell investment products to retail customers;*
- (iii) ensure that product features and risks are conveyed effectively; and*
- (iv) further safeguard retail customers, particularly those who may not have the relevant knowledge or experience.*

**OVERVIEW OF NEW MEASURES TO FURTHER SAFEGUARD  
RETAIL CUSTOMERS**

MAS consulted the public on the following proposals in March 2009 and in January 2010, and received extensive feedback from consumers and the industry. After careful review and consideration, MAS has decided to proceed with the following.

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## Improved Product Suitability & Recommendations

### 1. Enhanced product due diligence, with sign-off by senior management of the financial institution before new investment products are distributed

Financial institutions (“FIs”) must put in place formal policies and procedures to assess the nature of each new investment product and its suitability for its targeted customer segments before distributing the product. MAS has specified the areas that FIs should at least consider as part of their due diligence. The due diligence must be formally approved by the senior management of the FI.

MAS has on 28 Jul 2011 issued the Financial Advisers (Amendment) Regulations 2011. The Regulations can be accessed at: [http://www.mas.gov.sg/resource/legislation\\_guidelines/fin\\_advisers/fin\\_advisers\\_act/sub\\_legislation/financialadvisersreg.pdf](http://www.mas.gov.sg/resource/legislation_guidelines/fin_advisers/fin_advisers_act/sub_legislation/financialadvisersreg.pdf).

*For more information, please refer to MAS’ consultation paper on 12 Mar 2009 (section 4.1) and MAS’ response to the feedback received as issued on 8 Sep 2009 (section 4.1).*

- [http://www.mas.gov.sg/resource/publications/consult\\_papers/2009/MAS%20consult%20paper%20structured%20ppt%20review.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2009/MAS%20consult%20paper%20structured%20ppt%20review.pdf)
- [http://www.mas.gov.sg/resource/publications/consult\\_papers/2009/Response%20to%20FB%20Received%20Phase1.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2009/Response%20to%20FB%20Received%20Phase1.pdf)

### 2. Enhanced documentation of the basis of recommendation

Under the Financial Advisers Act (“FAA”), FIs and their representatives are required to have a reasonable basis for their recommendations on investment products, having regard to the customer’s investment objectives, financial situation and particular needs.

They are now required to also give the customer a document setting out in further detail the representative’s basis for a recommendation. The basis must at least state the customer’s objectives and needs, explain the reasons why the product is suitable for the customer having regard to the information obtained from the customer, and explain any possible disadvantages of the investment to the customer.

MAS has on 26 Nov 2010 amended the Notice on Recommendations on Investment Products [Notice No. FAA-N01]. The Notice can be accessed at: [http://www.mas.gov.sg/resource/legislation\\_guidelines/fin\\_advisers/fin\\_advisers\\_act/notices/FAAnoticeonrecommendationsoninvestmentproductsB.pdf](http://www.mas.gov.sg/resource/legislation_guidelines/fin_advisers/fin_advisers_act/notices/FAAnoticeonrecommendationsoninvestmentproductsB.pdf).

*For more information, please refer to MAS’ consultation paper on 12 Mar 2009 (section 4.2) and MAS’ response to the feedback received as issued on 8 Sep 2009 (section 4.2).*

- [http://www.mas.gov.sg/resource/publications/consult\\_papers/2009/MAS%20consult%20paper%20structured%20ppt%20review.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2009/MAS%20consult%20paper%20structured%20ppt%20review.pdf)
- [http://www.mas.gov.sg/resource/publications/consult\\_papers/2009/Response%20to%20FB%20Received%20Phase1.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2009/Response%20to%20FB%20Received%20Phase1.pdf)

### 3. Enhanced quality of information to be collected from customers

Under the FAA, FIs and their representatives are required to collect and document key information such as the customer's financial objectives, risk tolerance, financial situation and current investment portfolio.

FIs and their representatives are now required to collect additional key information, including information on the source and extent of the customer's regular income and whether the amount to be invested is a substantial portion of the customer's assets. Representatives should make reasonable enquiries to obtain such key information from their customers. FIs are required to put in place effective systems and internal controls to ensure that their representatives fulfill these obligations.

MAS has on 28 Jul 2011 issued the Financial Advisers (Amendment) Regulations 2011. The Regulations can be accessed at:

[http://www.mas.gov.sg/resource/legislation\\_guidelines/fin\\_advisers/fin\\_advisers\\_act/sub\\_legislation/financialadvisersreg.pdf](http://www.mas.gov.sg/resource/legislation_guidelines/fin_advisers/fin_advisers_act/sub_legislation/financialadvisersreg.pdf).

*For more information, please refer to MAS' consultation paper issued on 12 Mar 2009 (section 4.2) and MAS' response to the feedback received as issued on 8 Sep 2009 (section 4.2).*

- [http://www.mas.gov.sg/resource/publications/consult\\_papers/2009/MAS%20consult%20paper%20structured%20pdf%20review.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2009/MAS%20consult%20paper%20structured%20pdf%20review.pdf)
- [http://www.mas.gov.sg/resource/publications/consult\\_papers/2009/Response%20to%20FB%20Received%20Phase1.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2009/Response%20to%20FB%20Received%20Phase1.pdf)

## **Raised Competency Standards of Representatives**

### 4. Additional CMFAS exams on advanced product knowledge

Representatives of FIs are currently required to pass the relevant modules of the Capital Markets Financial Advisory Services ("CMFAS") Examination pertaining to the regulated activity that they intend to carry out. To raise the overall competency of FI representatives, MAS will introduce three additional CMFAS modules on product knowledge. MAS intends to implement the new CMFAS modules in 3Q 2011.

*Additional CMFAS modules on:*

- a) securities and futures
- b) Collective Investment Schemes
- c) Investment-Linked Life Insurance Policies

Representatives who intend to sell investment products that are not in the list of Excluded Investment Products ("EIP"), collectively called Specified Investment Products ("SIPs"), will have to pass the relevant additional CMFAS module(s).

*MAS' prescribed list of Excluded Investment Products*

- a) Shares

- b) Fully-paid depository receipts representing shares
- c) Subscription rights pursuant to rights issues
- d) Company warrants
- e) Units in business trusts
- f) Units in real estate investment trusts
- g) Debentures (other than asset-backed securities & structured notes)
- h) Life insurance policies (other than investment-linked life insurance policies)
- i) Contracts or arrangements for the purpose of foreign exchange trading (other than derivatives of foreign exchange contracts and leveraged foreign exchange trading)

The key consideration in deciding whether an investment product should be an EIP is the complexity of its terms and features. Only investment products that are less complex and generally well-understood will be prescribed as EIPs.

*For more information, please refer to MAS' consultation paper issued on 28 Jan 2010 (section 4.2) and MAS' response to the feedback received as issued on 21 Oct 2010 (section 4)*

- o [http://www.mas.gov.sg/resource/publications/consult\\_papers/2010/Response\\_Feedback\\_List\\_ed\\_and\\_Unlisted\\_Investment\\_Products.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2010/Response_Feedback_List_ed_and_Unlisted_Investment_Products.pdf)

Besides having to pass the additional CMFAS modules, FIs and their representatives will have to implement additional safeguards when offering SIPs. Details are in proposal 9 below.

#### 5. Representatives to undergo training on a new SIP prior to sale

Besides meeting the minimum entry and examination requirements, FIs must ensure that representatives have undergone training on a new SIP before they are allowed to sell it.

*For more information, please refer to MAS' consultation papers on 12 Mar 2009 (section 5.5) and 28 Jan 2010 (section 4) and MAS' respective response to the feedback received as issued on 8 Sep 2009 (section 5) and 21 Oct 2010 (section 4).*

- o [http://www.mas.gov.sg/resource/publications/consult\\_papers/2009/MAS%20consult%20paper%20structured%20pdf%20review.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2009/MAS%20consult%20paper%20structured%20pdf%20review.pdf)
- o [http://www.mas.gov.sg/resource/publications/consult\\_papers/2010/Regulatory%20Regime%20for%20Listed%20and%20Unlisted%20Investment%20Products.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2010/Regulatory%20Regime%20for%20Listed%20and%20Unlisted%20Investment%20Products.pdf)
- o [http://www.mas.gov.sg/resource/publications/consult\\_papers/2009/Response%20to%20FB%20Received%20Phase1.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2009/Response%20to%20FB%20Received%20Phase1.pdf)
- o [http://www.mas.gov.sg/resource/publications/consult\\_papers/2010/Response\\_Feedback\\_List\\_ed\\_and\\_Unlisted\\_Investment\\_Products.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2010/Response_Feedback_List_ed_and_Unlisted_Investment_Products.pdf)

## More Effective Disclosure

### 6. Product Highlights Sheet with key information in plain language

The Product Highlights Sheet (“PHS”) will provide key information about an exchange traded fund, unlisted unit trust, investment-linked life insurance policy fund, asset-backed security or structured note.

Written in plain language in a “Question & Answer” format prescribed by the MAS, the PHS will describe the profile of customers the product is suitable for, what the product invests in, what the risk areas that could cause a customer to incur a loss are, etc. The PHS must be provided to investors together with the prospectus before the sale of an investment product.

MAS has on 21 Oct 2010 issued the Guidelines on the Product Highlights Sheet [Guideline No. SFA 13-G10]. The Guidelines can be accessed at:

[http://www.mas.gov.sg/resource/legislation\\_guidelines/securities\\_futures/sub\\_legislation/GuidelinesOnPHS.pdf](http://www.mas.gov.sg/resource/legislation_guidelines/securities_futures/sub_legislation/GuidelinesOnPHS.pdf).

*For more information, please refer to MAS’ response to feedback on public consultation issued on 8 Sep 2009 (section 3.1) and 21 Oct 2009 (section 5).*

- [http://www.mas.gov.sg/resource/publications/consult\\_papers/2009/Response%20to%20FB%20Received%20Phase1.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2009/Response%20to%20FB%20Received%20Phase1.pdf)
- [http://www.mas.gov.sg/resource/publications/consult\\_papers/2010/Response\\_Feedback\\_Listed\\_and\\_Unlisted\\_Investment\\_Products.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2010/Response_Feedback_Listed_and_Unlisted_Investment_Products.pdf)

### 7. Fair and balanced advertising and marketing materials for investment products

FIs will be required to ensure that advertising and marketing materials give a fair and balanced view of the investment product. The materials should clearly set out both the potential upside and downside of the investment, and all material benefits and risks. They should not give the impression that a customer can profit without risk.

To ensure that statements on the downsides or risks are legible and not downplayed, information and footnotes contained in advertisements appearing in any document would be subject to a minimum font size requirement <sup>1</sup>.

*For more information, please refer to MAS’ consultation paper issued on 12 Mar 2009 (section 3.3) and MAS’ response to the feedback received as issued on 8 Sep 2009 (section 3.3).*

- [http://www.mas.gov.sg/resource/publications/consult\\_papers/2009/MAS%20consult%20paper%20structured%20pdf%20review.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2009/MAS%20consult%20paper%20structured%20pdf%20review.pdf)
- [http://www.mas.gov.sg/resource/publications/consult\\_papers/2009/Response%20to%20FB%20Received%20Phase1.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2009/Response%20to%20FB%20Received%20Phase1.pdf)

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<sup>1</sup> Information contained in advertisements in any document should be in a font size of at least 10-point Times New Roman. Where information is contained in a footnote, the footnote should also be in a font size which is at least half the font size of the word or statement which it relates to, subject to a minimum of 10-point Times New Roman.



## 8. Timely and meaningful ongoing disclosure requirements for unlisted debentures

To provide investors timely and meaningful ongoing disclosures on their unlisted investment products, MAS will require all issuers of unlisted debentures with tenures of 12 months or longer to issue semi-annual and annual reports to inform investors about developments concerning their investments. In cases where a product has pre-determined pay-outs, MAS will require product issuers to explain any significant deviations from the expected returns. MAS will also require issuers to make available, publicly and regularly, bid or redemption prices of each product to give investors an indication of the price at which they can exit the investment.

MAS has on 21 Oct 2010 issued the Guidelines on Ongoing Disclosure Requirements for Unlisted Debentures [Guideline No. SFA 13-G11]. The Guidelines can be accessed at:

[http://www.mas.gov.sg/resource/legislation\\_guidelines/securities\\_futures/sub\\_legislation/GuidelinesOnOngoingDisclosure.pdf](http://www.mas.gov.sg/resource/legislation_guidelines/securities_futures/sub_legislation/GuidelinesOnOngoingDisclosure.pdf).

*For more information, please refer to MAS' consultation paper issued on 12 Mar 2009 (section 3.2) and MAS' response to the feedback received as issued on 8 Sep 2009 (section 3.2).*

- [http://www.mas.gov.sg/resource/publications/consult\\_papers/2009/MAS%20consult%20paper%20structured%20ppt%20review.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2009/MAS%20consult%20paper%20structured%20ppt%20review.pdf)
- [http://www.mas.gov.sg/resource/publications/consult\\_papers/2009/Response%20to%20FB%20Received%20Phase1.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2009/Response%20to%20FB%20Received%20Phase1.pdf)

## **Further Safeguards**

### 9. Mandatory safeguards for customers without the relevant knowledge or experience

#### a) Mandatory safeguards for customers purchasing unlisted SIPs

##### i. FIs must assess if customers have the necessary knowledge or experience

MAS will require FIs to conduct a Customer Knowledge Assessment before selling unlisted SIPs to retail customers. Under the Customer Knowledge Assessment framework, FIs are required to obtain information from the customer to enable them to assess if a customer has the relevant knowledge or experience to understand the risks and features of the specific investment product. The information to be collected includes whether the customer has:

- finance-related background relevant to the product or similar products, which includes relevant educational qualifications;
- investment experience in the product or similar products; or
- work experience directly related to the product or similar products.



Where a customer is assessed under the Customer Knowledge Assessment as not having the necessary knowledge or experience in an unlisted SIP, the FI must inform the customer of the outcome of the Customer Knowledge Assessment and confirm with the customer whether the customer still wishes to proceed with the transaction to purchase the unlisted SIP. If so, the FI will be required to give advice to the customer, taking into account the outcomes of the Customer Knowledge Assessment and the fact-finding process.

FIs should still offer to provide advice to a customer who has been assessed to have the necessary knowledge or experience, before selling an unlisted SIP to the customer. The customer may decide if he wishes to take up the offer of advice.

b) Mandatory safeguards for customers opening accounts to trade listed SIPs

i. FIs must assess if customers have the necessary knowledge or experience in derivatives

MAS will require FIs to conduct a Customer Account Review before selling listed SIPs to retail customers. Under the Customer Account Review framework, FIs are required to obtain information from the customer to enable them to assess if a customer has the relevant knowledge or experience in derivatives. Generally, listed SIPs would be derivatives or contain embedded derivatives.

The information to be collected includes whether the customer has:

- finance-related background relevant to derivative products. This may include relevant educational qualifications, professional certifications or attendance at courses organised or accredited by approved exchanges or industry associations;
- investment experience in derivative products; or
- work experience directly related to derivative products.

ii. Account opening must be approved by senior management of FI

The approval of an account to trade listed SIPs should be granted by at least one senior management staff of the FI who is not involved in that particular account opening process and is not a connected person to the customer.

Where a customer has been assessed under the Customer Account Review as not having the relevant knowledge and experience in derivatives, there are additional safeguards.

- the representative must inform the customer of the outcome of the Customer Account Review and ask if the customer would want to undergo an internet-based learning module developed by the Singapore Exchange (“SGX”) on derivatives;
- should the customer demonstrate an understanding of the features and risks of derivatives after going through the learning module, the FI may

then consider the customer as having obtained relevant knowledge in derivatives and approve the opening of the account;

- The opening of the account must be approved by a member of senior management of the FI.

### iii. Opening of Account with Safeguards

If the customer refuses to take the SGX learning module, or has failed to demonstrate sufficient understanding of the features and risks of derivatives after going through the learning module, but still wishes to open a trading account to purchase listed SIPs, he may decide to do so.

However, the FI may proceed to open the account only if all of the conditions below are met.

The representative must:

- inform the customer in writing that the customer has been assessed as not having derivatives knowledge or experience under the Customer Account Review;
- seek the customer's confirmation in writing that the customer still wishes to proceed with the account opening;
- inform the customer that it is the customer's responsibility to ensure that he understands the investment products that he has chosen to purchase; and
- verbally explain to the customer the features and risks associated with investing in derivative products and provide the customer with a written statement of the explanation given.

The representative could also impose a lower limit on the customer's trading of listed SIPs as a safeguard.

A member of the FI senior management who is not involved in the particular account opening process and who is not a connected person to the customer must:

- confirm with the customer that the customer has been properly informed of all the above by the representative;
- be satisfied that the representative has fulfilled the necessary requirements before deciding whether to approve the opening of the trading account;
- decide whether to proceed with approve the opening of the trading account based on whether the customer understands the implications and consequences of proceeding with opening the trading account; and
- document and sign off on his decision where he approves the opening of the trading account.

As an added safeguard, the FI would be required at the point of purchase to obtain the customer's confirmation that he was assessed as not having the relevant knowledge or experience in derivatives and that he is

responsible for ensuring that he understands the features and risks of the listed SIP that he wishes to purchase. These requirements will apply to the customer's initial trades of listed SIPs.

MAS has on 28 Jul 2011 issued the Notice on the Sale of Investment Products [Notice No. SFA 04-N12] and the Notice on Recommendations on Investment Products [Notice No. FAA-N16]. The Notices can be accessed at: [http://www.mas.gov.sg/resource/legislation\\_guidelines/securities\\_futures/sub\\_legislation/noticeonthesaleofinvestmentproducts.pdf](http://www.mas.gov.sg/resource/legislation_guidelines/securities_futures/sub_legislation/noticeonthesaleofinvestmentproducts.pdf) and [http://www.mas.gov.sg/resource/legislation\\_guidelines/fin\\_advisers/fin\\_advisers\\_act/sub\\_legislation/noticeonrecommendationsoninvestmentproducts.pdf](http://www.mas.gov.sg/resource/legislation_guidelines/fin_advisers/fin_advisers_act/sub_legislation/noticeonrecommendationsoninvestmentproducts.pdf).

*For more information, please refer to MAS' response to the feedback received as issued on 21 Oct 2010 (section 3.1)*

- [http://www.mas.gov.sg/resource/publications/consult\\_papers/2010/Response\\_Feedback\\_Listed\\_and\\_Unlisted\\_Investment\\_Products.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2010/Response_Feedback_Listed_and_Unlisted_Investment_Products.pdf)

## 10. Policies and Procedures for sale of products

If a customer chooses to receive advice, the FI / representative must have a reasonable basis for the investment product recommended to the investor. Where a customer wishes to purchase an investment product even after the FI advises that it is not suitable, he may decide to do so. However, the sale can be completed only if all of the conditions below are met.

The representative must:

- inform the customer in writing that the product is not suitable for the customer and the reasons for such an assessment;
- seek the customer's confirmation in writing that the customer still wishes to proceed with the transaction to purchase the product; and
- inform the customer that if he proceeds, he will not be able to rely on section 27 of the FAA to file a civil claim in the event he alleges he has suffered a loss.

A member of senior management of the FI, who is not involved in that particular sales transaction and not a connected person to the customer must:

- confirm with the customer that the customer has been properly informed of the outcomes of the suitability assessment confirm that the customer is aware of the implications and consequences of proceeding with the sale, but still wants to proceed;
- be satisfied that the representative has fulfilled the necessary requirements before deciding whether to approve the sale; and
- document and sign off on his decision where he approves the sale.

MAS has on 28 Jul 2011 issued the Notice on the Sale of Investment Products [Notice No. SFA 04-N12] and the Notice on Recommendations on Investment Products [Notice No. FAA-N16]. The Notices can be accessed at: [http://www.mas.gov.sg/resource/legislation\\_guidelines/securities\\_futures/sub\\_legislation/noticeonthesaleofinvestmentproducts.pdf](http://www.mas.gov.sg/resource/legislation_guidelines/securities_futures/sub_legislation/noticeonthesaleofinvestmentproducts.pdf) and

[http://www.mas.gov.sg/resource/legislation\\_guidelines/fin\\_advisers/fin\\_advisers\\_act/sub\\_legislation/noticeonrecommendationsoninvestmentproducts.pdf](http://www.mas.gov.sg/resource/legislation_guidelines/fin_advisers/fin_advisers_act/sub_legislation/noticeonrecommendationsoninvestmentproducts.pdf).

*For more information, please refer to MAS' response to feedback on public consultation issued on 21 Oct 2010 (sections 1.2)*

- [http://www.mas.gov.sg/resource/publications/consult\\_papers/2010/Response\\_Feedback\\_Listed\\_and\\_Unlisted\\_Investment\\_Products.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2010/Response_Feedback_Listed_and_Unlisted_Investment_Products.pdf)

## 11. Restrictions on bank teller activities

Bank and finance company tellers are prohibited from referring customers to representatives for the purchase of investment products. Tellers will be allowed to refer customers to representatives for the purchase of investment products only when the customer has approached the teller with an explicit request for information on investment products.

MAS has on 28 Jul 2011 issued the Financial Advisers (Amendment) Regulations 2011. The Regulations can be accessed at:

[http://www.mas.gov.sg/resource/legislation\\_guidelines/fin\\_advisers/fin\\_advisers\\_act/sub\\_legislation/financialadvisersreg.pdf](http://www.mas.gov.sg/resource/legislation_guidelines/fin_advisers/fin_advisers_act/sub_legislation/financialadvisersreg.pdf).

*For more information, please refer to MAS' consultation paper issued on 12 Mar 2009 (section 4.4) and MAS' response to the feedback received as issued on 8 Sep 2009 (section 4.4).*

- [http://www.mas.gov.sg/resource/publications/consult\\_papers/2009/MAS%20consult%20paper%20structured%20ppt%20review.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2009/MAS%20consult%20paper%20structured%20ppt%20review.pdf)
- [http://www.mas.gov.sg/resource/publications/consult\\_papers/2009/Response%20to%20FB%20Received%20Phase1.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2009/Response%20to%20FB%20Received%20Phase1.pdf)

## 12. Cooling off period for unlisted debentures

Cooling off periods are currently mandated for unit trusts and life policies. For unit trusts, the investor is given seven days from the purchase date to consider the investment decision (cancellation period). For life policies, a policyholder is given 14 days from the date of receipt of policy document (free-look period) to decide if the insurance policy is suitable for his needs. A cooling off period of seven days will be implemented for unlisted debentures with tenures longer than three months. This would allow investors to exit the investment without having to incur sales charges or commissions.

MAS has on 19 Apr 2011 issued the Notice on the Cancellation Period of Unlisted Debentures [SFA 04/13-N02], the Notice on the Cancellation Period of Unlisted Debentures [Notice No. FAA-N15] and the Guidelines on the Cancellation Period of Unlisted Debentures [Guidelines No. SFA 13-G12]. The Notices can be accessed at:

[http://www.mas.gov.sg/resource/legislation\\_guidelines/securities\\_futures/sub\\_legislation/SFAnoticeoncancellationperiodforunlisteddebentures.pdf](http://www.mas.gov.sg/resource/legislation_guidelines/securities_futures/sub_legislation/SFAnoticeoncancellationperiodforunlisteddebentures.pdf) and [http://www.mas.gov.sg/resource/legislation\\_guidelines/fin\\_advisers/fin\\_advisers\\_act/notices/FAAnoticeoncancellationperiodforunlisteddebenturesB.pdf](http://www.mas.gov.sg/resource/legislation_guidelines/fin_advisers/fin_advisers_act/notices/FAAnoticeoncancellationperiodforunlisteddebenturesB.pdf).

The Guidelines can be accessed at:

[http://www.mas.gov.sg/resource/legislation\\_guidelines/securities\\_futures/sub\\_legislation/SFAGuidelinesonCancellationPeriodforUnlistedDebentures.pdf](http://www.mas.gov.sg/resource/legislation_guidelines/securities_futures/sub_legislation/SFAGuidelinesonCancellationPeriodforUnlistedDebentures.pdf).

*For more information, please refer to MAS' consultation paper issued on 12 Mar 2009 (section 6.1) and MAS' response to the feedback received as issued on 8 Sep 2009 (section 6.1).*

- [http://www.mas.gov.sg/resource/publications/consult\\_papers/2009/MAS%20consult%20paper%20structured%20pdt%20review.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2009/MAS%20consult%20paper%20structured%20pdt%20review.pdf)
- [http://www.mas.gov.sg/resource/publications/consult\\_papers/2009/Response%20to%20FB%20Received%20Phase1.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2009/Response%20to%20FB%20Received%20Phase1.pdf)

## **Other Measures**

### 13. Appointment of trustee for debentures

MAS will require issuers of debentures, where the offers require a prospectus to be issued, to appoint a trustee. This will ensure that, in the event of a default by the debt issuer, there is an independent party vested with the legal right and obligation to take timely collective action on behalf of multiple debtholders who may individually not be well-organized or even aware that a default has occurred.

*For more information, please refer to MAS' consultation paper issued on 12 Mar 2009 (section 6.2) and MAS' response to feedback on public consultation issued on 28 Jan 2010 (section 6, page 9).*

- [http://www.mas.gov.sg/resource/publications/consult\\_papers/2009/MAS%20consult%20paper%20structured%20pdt%20review.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2009/MAS%20consult%20paper%20structured%20pdt%20review.pdf)
- [http://www.mas.gov.sg/resource/publications/consult\\_papers/2010/Response%20to%20Feedback%20Received%20-%20Phase2.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2010/Response%20to%20Feedback%20Received%20-%20Phase2.pdf)

### 14. Power for MAS to apply for injunctions under the FAA

MAS will amend the FAA to include more comprehensive powers to enable MAS to apply to court for certain orders and injunctions under the FAA. The provisions are intended to allow MAS to apply to the court to prohibit payments or transfer of monies, and for injunctions to restrain persons from engaging in conduct that constitute or would constitute a contravention of the FAA.

*For more information, please refer to MAS' consultation paper issued on 12 Mar 2009 (section 7.3) and MAS' response to the feedback received as issued on 28 Jan 2010 (section 7, page 15).*

- [http://www.mas.gov.sg/resource/publications/consult\\_papers/2009/MAS%20consult%20paper%20structured%20pdt%20review.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2009/MAS%20consult%20paper%20structured%20pdt%20review.pdf)
- [http://www.mas.gov.sg/resource/publications/consult\\_papers/2010/Response%20to%20Feedback%20Received%20-%20Phase2.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2010/Response%20to%20Feedback%20Received%20-%20Phase2.pdf)

## 15. Wider scope of provision on false or misleading statements in the FAA

Under the FAA, FAs are prohibited from making false or misleading statements in relation to amounts payable in respect of the contract, or the effect of a provision of the contract.

MAS will widen the scope of the FAA to make it clear that it would be an offence for FAs to make false or misleading statements in relation to a wider range of issues. This would reinforce to FAs that special care should be taken when communicating and dealing with their customers.

*For more information, please refer to MAS' consultation paper issued on 12 Mar 2009 (section 7.3) and MAS' response to the feedback received as issued on 28 Jan 2010 (section 7, page 16).*

- [http://www.mas.gov.sg/resource/publications/consult\\_papers/2009/MAS%20consult%20paper%20structured%20pdt%20review.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2009/MAS%20consult%20paper%20structured%20pdt%20review.pdf)
- [http://www.mas.gov.sg/resource/publications/consult\\_papers/2010/Response%20to%20Feedback%20Received%20-%20Phase2.pdf](http://www.mas.gov.sg/resource/publications/consult_papers/2010/Response%20to%20Feedback%20Received%20-%20Phase2.pdf)

### **Implementation**

MAS intends to implement these proposals as expeditiously as possible. Proposals that do not require substantive legislative amendments will be implemented first. Proposals that require more substantive legislative amendments, such as those to the SFA and the FAA, will be implemented subsequently.

For some proposals, MAS will issue guidelines prior to legislative amendments being effected to facilitate the industry's understanding of MAS' expectations. Financial institutions will be expected to adopt all these proposals even before legislative implementation as good practice in conducting business with their customers.

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