



Monetary Authority of Singapore

FINANCIAL ADVISERS ACT (CHAPTER 110)

FREQUENTLY ASKED QUESTIONS
(Updated on 26 July 2019)

Disclaimer: The FAQs are meant to provide guidance to the industry on MAS' policy and administration of the FAA regime. They do not constitute legal advice. MAS expects industry participants to retain their independent legal counsel to advise them on how their business operations should be conducted in order to satisfy the legal/regulatory requirements and to advise them on all applicable laws of Singapore.

FINANCIAL ADVISERS ACT (CAP 110) ["FAA"]
FINANCIAL ADVISERS REGULATIONS 2002 ["FAR"]
FREQUENTLY ASKED QUESTIONS

I General Questions on the Financial Advisers Act (FAA) and the Financial Advisers Regulations (FAR)

1 What is the impetus to enacting the FAA?

With the increasing convergence of investment products and common distribution channels, there is a need to harmonise the regulatory regime for similar activities across investment products. The FAA streamlines the laws governing the provision of financial advisory services in respect of investment products, including securities, any units in a collective investment scheme (CIS), futures contract and life insurance, into a single piece of legislation. It provides a more flexible and integrated regulatory framework for entities engaging in financial advisory activities. In addition, having a common set of requirements and regulations that is applicable for all market intermediaries engaging in financial advisory services will help maintain consistent professional standards across the industry.

[Updated on 8 October 2018]

2 What types of activities are regulated under the FAA?

The types of financial advisory service regulated under the FAA are as follows:

- (a) Advising others concerning any investment product¹, other than advising on corporate finance;

¹ "Investment product" means (a) any capital markets product as defined in section 2(1) of the Securities and Futures Act 2001 (e.g. Securities, units in a CIS, exchange traded derivatives contracts, over-the-counter derivatives contracts, and spot foreign exchange contracts for the purposes of leveraged foreign exchange trading); (b) spot foreign exchange contracts other than for the purposes of leveraged foreign exchange trading; (c) any life policy as defined in the First Schedule to the Insurance Act (Cap. 142); (d) structured deposits; and (e) any other product as may be prescribed.

- (b) Issuing or promulgating analyses or reports concerning any investment product; and
- (c) Arranging of any contract of insurance in respect of life policies

[Updated on 8 October 2018]

3 *Why does MAS regulate certain aspects of financial planning and not the full range of financial planning activities? What is the distinction between a Financial Adviser and a Financial Planner?*

The types of services provided by financial planners vary widely. Some planners assess every aspect of their clients' financial profile, including savings, investments, insurance, tax, retirement and estate planning, and help them develop detailed strategies to meet their financial objectives. Others may call themselves financial planners, but only provide advice on a limited range of products and services.

MAS regulates all financial planning activities related to investment products. Tax and estate planning activities do not come under our regulatory ambit. Hence, only financial planners who conduct activities regulated under the FAA are required to be licensed as a financial adviser. A financial planner may conduct other activities such as tax planning, but these are not subject to supervision by MAS.

[Updated on 8 October 2018]

4 *Why are the following products not covered under the FAA?*

- (a) *general insurance policies;*
- (b) *deposit-taking products; and*
- (c) *loans and mortgages*

The objective of the FAA is to regulate mainly products with an investment element. General insurance policies are not considered investment products as they are consumption-based. Deposit-taking products offered by banks are excluded as such products are at the low end of the risk spectrum and are generally well understood. Loans and mortgages do not have any investment element.

Notwithstanding the above, MAS has the power under the FAA to regulate additional products where necessary, so that the regulatory framework has the flexibility to cater to new product development.

5 Are structured deposits regulated under the FAA?

Yes, structured deposit had been prescribed as an investment product under the FAA with effect from 1 June 2005. Structured deposit is defined under the FAA to mean –

- (a) a deposit under which any interest or premium is payable, or is at risk, in accordance with a formula which is based on —
 - (i) the performance of any financial instrument, securities, any units in a CIS, or specified securities-based derivatives contracts, as defined in the Second Schedule of the Securities and Futures Act (SFA); or
 - (ii) the occurrence of any credit event in respect of a credit derivative —
 - (A) to which the bank or the finance company, as the case may be, is a contracting party; or
 - (B) from which the bank or the finance company, as the case may be, would enjoy a benefit or incur a loss; or
- (b) a dual currency investment.

Dual currency investment means a deposit which is accepted in one currency and which may be repayable in another currency. Deposit is as defined in section 4B of the Banking Act in a case where the deposit is accepted by a bank or in section 2 of the Finance Companies Act in a case where the deposit is accepted by a finance company.

Please refer to the Financial Advisers (Prescribed Investment Products and Exemption) Regulations 2005 for more details.

[Updated on 8 October 2018]

6 Are activities involving life reinsurance regulated under the FAA or the Insurance Act?

Advising on life reinsurance policies and arranging of contracts of life reinsurance are regulated under the Insurance Act.

7 Who is permitted to conduct financial advisory services regulated under the FAA?

Only licensed financial advisers and exempt financial advisers who are exempt under section 23(1) of the FAA are allowed to conduct financial advisory services under the FAA. Individuals providing financial advisory service(s) on behalf of licensed financial advisers and exempt financial advisers under section 23(1)(a) to (e) of the FAA are required to be appointed or

provisional representatives in respect of that type of financial advisory service(s). Please refer to Part III below on the Representative Notification Framework for more information on the appointment of appointed or provisional representatives.

[Updated in November 2010]

8 *Who is exempt from holding a financial adviser's licence?*

Banks, merchant banks, finance companies, insurance companies, insurance brokers registered under the Insurance Act, holders of a capital markets services licence under the Securities and Futures Act (Cap 289) are exempt from holding a financial adviser's licence to act as a financial adviser in Singapore in respect of any financial advisory services. Nonetheless, exempt financial advisers and their appointed and provisional representatives are required to comply with the business conduct requirements stipulated in the FAA.

[Updated in November 2010]

9 *Under section 2 of the FAA, “financial adviser” means a person who carries on a business of providing any financial advisory service. If a person provides advice on securities, any units in a CIS, and specified securities-based derivative contracts which is incidental to his dealing in capital markets products that are securities, any units in a CIS, and specified securities-based derivative contracts, will he be deemed as carrying on a business of providing financial advisory services?*

The term “carrying on a business” is not defined in the FAA. MAS would regard any activity which is conducted with system, repetition and continuity as carrying on of a business. Accordingly, a person would be considered by MAS to be carrying on a business of providing financial advisory services if advice is given or recommendations are made systematically, regularly and in a continuous manner, whether or not the person receives any remuneration for providing the financial advisory service. In respect of giving of advice or making recommendations on a one-off basis, MAS’ view is that such activities are less likely to amount to carrying on of a business.

[Updated on 8 October 2018]

10 Why does MAS restrict the use of the term "Financial Adviser" to only holders of a financial adviser's licence and exempt financial advisers? Are representatives of a financial adviser allowed to call themselves "Financial Advisers"? How about the use of similar titles?

MAS believes that restricting the use of the term "financial adviser" will enable investors to identify whether they are receiving financial advice from an entity that is licensed by MAS or an entity that is unregulated.

As the regulatory framework of the FAA draws a distinction between "Financial Adviser" and "Representative", MAS does not permit representatives to call themselves "Financial Advisers". However, representatives are allowed under section 21(2) of the FAA to use the words "Financial Adviser" together with the word "representative".

There is no restriction on the use of titles and designations like "financial planner", "financial analyst" or "financial consultant", as such designations are currently adopted by a number of professional bodies, both internationally and within Singapore. However, the investing public should be aware that persons who use such titles may or may not be regulated by MAS, depending on the services they offer. If there is any doubt, the public may check the Financial Institutions Directory to ascertain if an entity is regulated by MAS for the provision of financial advisory services, and the MAS Register of Representatives ("**Public Register**") to ascertain whether an individual is an appointed or provisional representative under the FAA. The public can access information on their representative from the Public Register by keying in his/her name or representative number, which can be requested from the representative or financial adviser. You may refer to section IV below for more information on the Public Register. Both the Financial Institutions Directory and the Public Register are available on the MAS website at <http://www.mas.gov.sg>.

[Updated on 8 October 2018]

11 Would financial advisory services provided by a person outside Singapore using the Internet medium be caught under the FAA?

A person outside Singapore who engages in any activity through the Internet which is intended to or likely to induce the public (or any section of the public) in Singapore to use any financial advisory service provided by him will be deemed to be acting as a financial adviser in Singapore. Such a person would contravene section 6(1) of the FAA unless he holds a financial adviser's licence.

12 [Deleted on 8 October 2018]

II Licensing Requirements for Financial Advisers

1 What are the admission criteria for the grant of a licence under the FAA?

Applicants for a financial adviser's licence are required to satisfy certain criteria, including but not limited to the following:

- (a) have adequate financial resources to perform the proposed activities;
- (b) have the relevant competence and expertise; and
- (c) satisfy MAS that they would discharge their duties efficiently, honestly and fairly.

Details of the licensing admission criteria may be found in the Guidelines on Criteria for the Grant of a Financial Adviser's Licence (Guideline No. FAA-G01). The Guidelines are available on the MAS website at <http://www.mas.gov.sg>. Please refer to Q7A below for more information on the enhanced admission criteria proposed under the Financial Advisory Industry Review.

[Updated in November 2010]

2 What are the procedures for application for a licence?

To apply for a financial adviser's licence, applicants have to submit the application form (Form 1) under the FAA, which is accessible at MAS website at <http://www.mas.gov.sg>.

Please refer to the Guidelines on Licence Applications, Representative Notification and Payment of Fees (Guideline No. CMG-G01) for more details. The Guidelines are available on the MAS website at <http://www.mas.gov.sg>.

[Updated on 8 October 2018]

2A Is there a need for a licensed financial adviser to renew its licence?

A licensed financial adviser will be issued an electronic licence (e-licence), which is accessible via CoRe system within MASNET (under "Corporate Lodgment" section). There is no need for a licensed financial adviser to renew its licence. The licence is valid until –

- (i) the licensed financial adviser ceases to act as a financial adviser (pursuant to the Financial Advisers Regulations ("FAR"), the licensed financial adviser would need to notify MAS within 14 days of its cessation by submitting Form 5);

- (ii) its licence is revoked by MAS; or
- (iii) its licence lapses in accordance with section 19 of the FAA.

[Updated on 8 October 2018]

2B *[Deleted on 8 October 2018]*

3 ***What is the amount of licence fees under the FAA?***

The annual licence fees payable is the sum of \$2,000 and a variable fee of \$5 per representative from the 101st representative onwards, based on the total number of unique individuals who are representatives under the FAA, as at 1 January of each calendar year. Please refer to the Second Schedule to the FAR for details. MAS will inform applicants of the payment details should the application for the grant of a financial adviser's licence be approved. Please refer to the Guidelines on Licence Applications, Representative Notification and Payment of Fees (Guideline No. CMG-G01) for more details. The Guidelines are available on the MAS website at <http://www.mas.gov.sg>.

[Updated on 8 October 2018]

4 ***What do licensed financial advisers need to do if they wish to expand the scope of their financial advisory services beyond those authorised under their licence?***

To expand the scope of financial advisory services provided, a licensed financial adviser will need to submit an application for providing additional types of financial advisory service. The application form (Form 2) may be found at MAS' website at <http://www.mas.gov.sg>. Licensed financial advisers will also have to pay an application fee of \$250 when they submit applications to provide additional types of financial advisory service. Upon approval, MAS will issue to the licensed financial adviser a new e-licence to reflect the additional types of financial advisory service. The new e-licence, which is accessible via CoRe system within MASNET (under "Corporate Lodgment" section), will supersede the e-licence issued previously. The previous version of the e-licence is cancelled with immediate effect from the date on which the new e-licence is issued. The licensed financial adviser shall commence the new types of financial advisory service only after the new e-licence is issued. You may refer to the Guidelines on Licence Applications, Representative Notification and Payment of Fees (Guideline No. CMG-G01) on MAS website at <http://www.mas.gov.sg> for more details.

[Updated on 7 Jun 2019]

5 ***What is the rationale for restricting the grant of a financial adviser's***

licence to corporations only?

The financial adviser's licence is granted only to corporations as they have stronger financial resources and are better able to establish proper checks and balances as well as maintain proper records and audit trails.

6 What is the minimum paid-up capital requirement for a financial adviser's licence?

Applicants advising on and/or issuing analyses and reports on futures contracts, OTC derivatives contracts where the underlying thing is a currency or currency index, spot foreign exchange contracts for the purposes of leveraged foreign exchange trading or spot foreign exchange contracts other than for the purposes of leveraged foreign exchange trading are required to have a minimum paid-up capital of \$300,000. In all other cases, the minimum paid-up capital requirement is \$150,000. Applicants which are foreign companies are required to have net head office funds of a similar amount. The above requirements are set out in regulation 15 of the FAR. Please also refer to Q7A below for more information on the enhanced financial requirements proposed under the Financial Advisory Industry Review.

[Updated on 8 October 2018]

7 What continuing financial requirements would a licensed financial adviser be subject to?

A licensed financial adviser which is not a foreign company must, at all times, maintain a net asset value of not less than:

- (a) $\frac{1}{4}$ of its relevant annual expenditure of the preceding financial year; or
- (b) $\frac{3}{4}$ of the minimum paid-up capital required under regulation 15, whichever is the higher.

A licensed financial adviser which is a foreign company must, at all times, maintain net head office funds of not less than:

- (a) $\frac{1}{4}$ of its relevant annual expenditure of the preceding financial year; or
- (b) the minimum net head office funds required under regulation 15, whichever is the higher.

The above is set out in regulation 16 of the FAR. Please also refer to Q7A below for more information on the enhanced financial requirements proposed under the Financial Advisory Industry Review.

[Updated on 8 October 2018]

7A One of the proposals under the Financial Advisory Industry Review (FAIR) conducted by MAS in 2012 was to enhance the admission criteria and ongoing requirements for licensed financial advisers. What are these enhanced requirements?

The key enhanced requirements under FAIR for licensed financial advisers or applicants for financial adviser's licence are summarized in the table below:

	Item	Criteria
1	Requirement for Chief Executive Officer (CEO)	<ul style="list-style-type: none"> • Resident in Singapore • Min 10 years of relevant working experience, of which at least 5 years must have been in a managerial capacity • Acceptable academic or professional qualifications
2	Board of Directors	<ul style="list-style-type: none"> • Min 5 years of relevant working experience for Executive Director (ED), of which at least 3 years must have been in a managerial capacity • Acceptable academic or professional qualifications • Min 2 members, of whom at least one is resident in Singapore
3	CEO and EDs	Not placed in a position of conflict of interest
4	Management expertise	At least three full-time professionals, each of whom – <ul style="list-style-type: none"> • is a resident in Singapore • has a min of 5 years of relevant working experience
5	Base capital requirement	<ul style="list-style-type: none"> • Min base capital of \$500,000, or • Min base capital of \$300,000 plus an additional PII of \$500,000
6	Financial resources	The higher of: <ul style="list-style-type: none"> • One-quarter of relevant annual expenditure of immediate preceding financial year; or • \$150,000
7	Professional Indemnity Insurance (PII)	<p>(a) For applicant intending to conduct the financial advisory service of advising others by issuing or promulgating of research analyses or reports on any investment product(s):</p> <ul style="list-style-type: none"> • PII limit is \$500,000 <p>(b) For applicant intending to conduct all other types of financial advisory service(s):</p> <ul style="list-style-type: none"> • Revenue \leq \$5m – PII limit is \$1m;

	Item	Criteria
		<ul style="list-style-type: none"> • Revenue > \$5m – PII limit is lower of: (i) 20% of gross revenue or (ii) \$10m; or • Where the applicant does not have an immediately preceding financial year, the minimum PII coverage required is \$1 million. <p>Deductible of the PII policy under (a) and (b) must not be more than 10% of applicant's base capital.</p>
8	Track record	<p>Min 5 years' proven track record in financial advisory</p> <p>If applicant does not meet the track record criteria, the CEO should hold not less than 20% of the issued capital. In addition, the CEO and ED in the aggregate must hold not less than 50% of the issued capital.</p>
9	Compliance function	<ul style="list-style-type: none"> • Must be independent of advisory and sales functions • Must be staffed with suitably qualified individuals • Must have dedicated compliance staff if there are more than 20 reps or annual gross revenue likely to exceed \$5m
10	Internal compliance systems and processes	Should have adequate internal compliance systems and processes
11	Letter of Responsibility	Holding company to provide the Letter of Responsibility

Please refer to the various consultation papers published on the FAIR recommendations available at the MAS website at <http://www.mas.gov.sg>, including the Consultation on the Draft Legislations to effect the policy proposals under FAIR dated 2 October 2014 and our Response to the Consultation dated 11 May 2015. To ensure a smooth transition for new entrants when the enhanced requirements come into effect, MAS expects all new FA licence applicants to meet the enhanced requirements.

[Updated on 26 July 2019]

8 Are financial advisers required to have in force a professional indemnity insurance policy?

MAS may refuse an application for the grant of a financial adviser's licence if the applicant does not have in force a professional indemnity insurance policy, under which the limit of indemnity covered is not less than \$500,000. In addition, the deductible under the policy should not exceed 20% of its paid-up capital or net head office funds, as the case may be. This is set out in regulation 17 of the FAR. Please also refer to Q7A above for more information on the enhanced admission criteria proposed under the Financial Advisory Industry Review.

[Updated on 8 October 2018]

9 [Deleted on 8 October 2018]

10 What are the procedures for the cessation of business by a licensed financial advisers? When would MAS cancel the licence?

A licensed financial adviser should ensure an orderly winding down of its business prior to cessation. This includes but not limited to:

- (i) putting in place communication plans to ensure sufficient notice period has been given to its clients, business partners and other relevant stakeholders regarding its cessation; and
- (ii) discharging all client obligations and liabilities before it ceases.

The licensed financial adviser is required to lodge a notice of cessation of business in Form 5 of the FAR no later than 14 days after the cessation of its business. When submitting Form 5, the licensed financial adviser should also provide MAS with an auditor's certification that the licensee has fully discharged all clients obligations and liabilities before ceasing its business. Where the licensed financial adviser is not able to provide an auditor's certification, it should engage MAS before filing the cessation, and provide adequate reasons for its inability to secure an auditor's certification.

Upon receipt of Form 5 and the auditor's certification, MAS will review the submissions to ensure that all client obligations have been properly discharged or provided for. Upon completion of MAS' review, MAS will inform the licensed financial adviser via email of the effective date of the licence cancellation. The licensed financial adviser will be removed from the Financial Institutions Directory on MAS' website on the day immediately after the date of the licence cancellation. For the avoidance of doubt, even after the submission of Form 5 to notify MAS that the licensed financial adviser had ceased conducting financial advisory services, the licensed financial adviser continues to hold a valid financial adviser's licence, and will be required to comply with all relevant regulatory requirements,

including being liable for all licence and MASNET fees¹, until such time when MAS issues the notification of cancellation of the licence to the licensed financial adviser.

The licensed financial adviser's MASNET account will also be terminated within 7 day of the effective date of the licence cancellation. Please be reminded to retrieve all MASNET notices or invoices prior to the submission of Form 5.

Please refer to regulation 12 of the FAR for more details.

[Updated on 7 Jun 2019]

10A A licensed financial adviser is licensed to (i) provide financial advice on investment products and life policies; and (ii) issue research reports on investment products. What does the licensed financial adviser need to do if (i) it wishes to cease the issuance of research reports; or (ii) it had not commenced the activity of issuing research reports within 6 months from the date of its licence?

The licensed financial adviser is required to either:

- (i) lodge a notice in Form 5 of the FAR no later than 14 days after it has ceased to provide financial advisory services in respect of issuing and promulgating research reports on investment products; or
- (ii) lodge a notice in Form 5 of the FAR immediately upon the expiry of the 6 months to cease the financial advisory services in respect of issuing and promulgating research reports on investment products,

as the case may be.

MAS will issue to the licensed financial adviser a new e-licence in respect of the remaining type(s) of financial advisory services. The new e-licence, which is accessible via CoRe system within MASNET (under "Corporate Lodgment" section), will supersede the e-licence issued previously. The company should take appropriate measures to retain the most current version of its e-licence.

Please refer to regulation 12 of the FAR for more details.

[Updated on 7 Jun 2019]

11 Under what circumstances will the financial adviser's licence lapse?

¹ Annual fees for corporate licences and representatives are charged, so long as the licence remains valid as at 1 January of the calendar year, and are non-refundable.

A financial adviser's licence will lapse if the financial adviser:

- (a) is wound up or otherwise dissolved, whether in Singapore or elsewhere;
- (b) has not commenced business in any financial advisory service within 6 months of being granted a licence; or
- (c) has ceased to provide all of the types of financial advisory services to which the licence relates for a continuous period of 2 months and has not notified MAS of its cessation of business.

Please refer to section 19(1) of the FAA and regulation 8 of the FAR for details.

[Updated on 7 Jun 2019]

12 Does a licensed financial adviser need to seek MAS' prior approval for the appointment of its CEO or director, or change in the nature of its director's appointment?

A licensed financial adviser is required to seek MAS' prior approval for -

- (a) the appointment of a CEO who is principally responsible for the licensed financial adviser's business operations in Singapore, regardless of the place of his residence;
- (b) the appointment of a director of a licensed financial adviser which is incorporated in Singapore;
- (c) the appointment of a director of a licensed financial adviser that operates in Singapore as a branch office of a foreign company, who resides or is to reside in Singapore and/or is directly responsible for the business of the licensed financial adviser in Singapore; and
- (d) the change in nature of appointment from a non-executive director to an executive director of the following persons:
 - (i) a director of a licensed financial adviser which is incorporated in Singapore; and
 - (ii) a director of a licensed financial adviser that operates in Singapore as a branch office of a foreign company who, at the time of change, resides or is to reside in Singapore and/or is directly responsible for the business of the licensed financial adviser in Singapore.

In addition, a licensed financial adviser is required to inform MAS of the resignation of its CEO or director.

[Updated in November 2010]

12A What are the procedures for the acquisition of a licensed financial adviser?

MAS' prior approval is required before a person obtains effective control of a licensed financial adviser.

A person is deemed to have obtained effective control of a licensed financial adviser if he, whether acting alone or acting together with any connected person, (a) acquires or holds, directly or indirectly, 20% or more of the issued share capital of the licensed financial adviser; or (b) controls, directly or indirectly, 20% or more of the voting power of the licensed financial adviser.

Such a person is required to submit an application form to MAS. The application form, "Application for Approval to obtain Effective Control of a Licensed Financial Adviser under Section 57A(2) of the Financial Advisers Act", is accessible at the MAS website at <https://www.mas.gov.sg>.

[Updated on 7 Jun 2019]

13 Are licensed and exempt financial advisers required to hold a CMS licence for dealing in capital market products for facilitating the execution of investments on behalf of its clients?

Licensed and exempt financial advisers (collectively known as "financial advisers") typically assist clients to pass their orders to buy or sell any specified products (e.g. CIS, bonds and stocks) to brokerage firms for execution.

The passing of such orders to brokerage firms for execution constitutes dealing in specified products under the SFA. However, MAS recognises that the risks posed by facilitating the execution of specified products other than over-the-counter derivatives contracts are low. In view of this, financial advisers are exempted from the need to hold a CMS licence for dealing in specified products other than OTC derivative contract if they merely assist clients to pass on their orders concerning any specified products to brokerage firms for execution, provided that such dealing is incidental to their financial advisory activities. This exemption is set out in paragraph 2(1)(j) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations ("SF(LCB)R").

Dealing is considered incidental only if the financial adviser has provided advice to a client on the specified products other than OTC derivatives contracts

and subsequently assist the client to pass on the order, regardless whether the client chooses to accept the financial adviser's recommendation. Where clients choose not to rely on the advice provided, financial advisers may help clients only after meeting the existing safeguards set out in the FAA Notice on Recommendations on Investment Products ("FAA-N16").

[Updated on 8 October 2018]

14 Are licensed and exempt financial advisers required to hold a CMS licence for fund management for portfolio rebalancing activities?

Licensed and exempt financial advisers may rebalance clients' portfolios to address portfolio drift. This entails bringing the portfolios back to their original recommended asset allocation. Financial advisers are exempted from the need to hold a CMS licence in fund management for rebalancing of clients' portfolios comprising solely collective investment schemes, provided that such rebalancing is incidental to the advice provided. Portfolio rebalancing is considered incidental to the advice provided where it is solely for the purpose of aligning the portfolio back to its original recommended allocation and there is no change to the constituents of the portfolio. This exemption is set out in paragraph 5(1)(g) of the Second Schedule to the SF(LCB)R.

To ensure that clients agree with and understand what the rebalancing involves, financial advisers relying on this exemption are required to meet certain safeguards. These safeguards include a one-time prior written authorization from the client to periodically rebalance the constituent units of the portfolio, written disclosure to clients on the fees and terms of their discretionary portfolio rebalancing services, and prior notification to clients before every and each rebalancing transaction. The exemption conditions can be found in paragraph 5(1A) of the Second Schedule to the SF(LCB)R.

[Updated on 8 October 2018]

III Representative Notification Framework (“RNF”)

1 To whom does the RNF apply?

The RNF applies to individuals who conduct regulated activities under the SFA and the FAA on behalf of holders of capital markets services licence, licensed financial advisers or financial institutions exempted from licensing under section 23(1)(a) to (e) of the FAA or section 99(1)(a) to (d) of the SFA, as the case may be.

[Updated in November 2010]

2 How is a provisional representative different from an appointed representative?

Appointed representatives are required to satisfy the minimum entry and examination requirements set out in the Notice on Minimum Entry and Examination Requirements for Representatives of Licensed Financial Advisers and Exempt Financial Advisers (Notice No. FAA-N13). The status as appointed representative is valid until it ceases under the circumstances described in Q8 below.

Provisional representatives are given a grace period of three months to pass the requisite examinations applicable to appointed representatives stipulated in MAS’ Notice FAA-N13. During the three months grace period, they are allowed to provide financial advisory services. The objective of the provisional representative scheme is to facilitate the relocation of experienced professionals to Singapore and allow them to begin working as soon as possible. In addition to educational and work experience-related admission criteria, a provisional representative must be currently or previously licensed, authorised or otherwise regulated for at least 12 months (and not more than 12 months ago) in relation to a comparable type of financial advisory service in an overseas jurisdiction with a regulatory regime that is comparable to that of Singapore. The principal is also required to undertake to properly supervise the provision of financial advisory services by the provisional representative.

The appointment of a provisional representative is valid for a period of up to three months after his name is entered into the Public Register as a provisional representative. The provisional representative can continue to provide financial advisory services as an appointed representative after –

- (i) his principal has notified MAS (within the three-month grace period) of the representative’s fulfilment of the relevant examination requirements via a one-time lodgment of Form 3D; and
- (ii) his name has been entered in the Public Register as an appointed representative.

Please refer to sections 23C and 23D of the FAA, regulations 4A and 4B of the FAR, and the FAA Notice on Entry Requirements of a Provisional Representative (Notice No. FAA-N12) for details.

[Updated in November 2010]

3 *What documents must a licensed or exempt financial adviser lodge with MAS if it wishes to appoint an individual as an appointed or provisional representative?*

The licensed or exempt financial adviser needs to lodge a notice of intent to appoint the individual as an appointed or provisional representative in Form 3A or Form 3B respectively via the Corporations and Representatives System (“CoRe system”), and certify that the individual is fit and proper.

For details on the applicable fees for RNF, please refer to the Second Schedule to the FAR and the Guidelines on Licence Applications, Representative Notification and Payment of Fees (Guideline No. CMG-G01).

Please refer to sections 23F and 23H of the FAA and regulation 4A of the FAR for details.

[Updated in November 2010]

4 *What documents must a licensed or exempt financial adviser lodge with MAS if it wishes to appoint a provisional representative as an appointed representative after he has satisfied the relevant examination requirements?*

The licensed or exempt financial adviser needs to lodge Form 3D via the CoRe system after the provisional representative has satisfied the examination requirements for the type(s) of financial advisory services he has been appointed.

Form 3D shall only be submitted once for the provisional representative by the end of the three month grace period (i.e. before the expiry of the provisional representative status) regardless of how many types of financial advisory services he intends to provide as an appointed representative. The provisional representative should ensure that he has passed all the relevant examinations in respect of the types of financial advisory service he intends to provide as an appointed representative, prior to the submission of Form 3D by his principal to MAS.

Please refer to section 23D of the FAA, regulation 4B of the FAR and Notice on the Entry Requirement for a Provision Representative (FAA-N12) for details.

[Updated in November 2010]

5 *How would I know whether an individual is an appointed or provisional representative under the FAA?*

The Public Register on MAS' website lists the status of a representative (as appointed or provisional representative), and the type of financial advisory service each representative is allowed to provide.

[Updated in November 2010]

6 *Do appointed or provisional representatives need to pay annual fees to MAS?*

Yes. The amount of annual fees payable by an appointed or provisional representative is \$100 as stated in the Second Schedule to the FAR. Please refer to the Second Schedule to the FAR and the Guidelines on Licence Applications, Representative Notification and Payment of Fees (Guideline No. CMG-G01) for more details. The Guidelines are available on the MAS website at <http://www.mas.gov.sg>.

[Updated on 8 October 2018]

7 *What does a licensed or exempt financial adviser need to do if it wants its appointed representative to provide additional types of financial advisory services or financial advisory services in respect of additional types of investment products?*

The licensed or exempt financial adviser will need to lodge a notice to add additional type of financial advisory service(s) or investment products to the appointed representative's existing type of financial advisory services or existing type of investment products in Form 7 via the CoRe system.

Please refer to section 23I of the FAA and regulation 10 of the FAR for details.

[Updated in November 2010]

8 Under what circumstances will an appointed or provisional representative cease to be one?

An appointed representative will cease to be one in respect of any type of financial advisory service where:

- a) the principal notifies MAS of such cessation. Such notification should be made in Form 10 via the CoRe system to MAS no later than the next business day;
- b) the appointed representative has ceased to act as such representative for a continuous period of one month, and his principal has not notified MAS of his cessation as such a representative;
- c) MAS has revoked the status of the appointed representative;
- d) his principal ceases to provide that type of financial advisory service. The principal needs to notify MAS of such cessation via Form 5; or
- e) the licence of his principal lapses, the licence is revoked by MAS, or a prohibition order is issued by MAS against his principal with regard to that type of financial advisory service.

The above also apply to provisional representatives, with the necessary modifications and adaptations. In addition, the status of a provisional representative is only valid for a maximum of 3 months from the date his name is entered into the Public Register.

Please refer to section 23C(3) to 23C(8), 23D(3), 23D(4) and 23J of the FAA as well as regulations 4B, 8A and 12 of the FAR for details.

[Updated in November 2010]

9 Who are responsible for notifying MAS of any change in personal particulars of appointed or provisional representatives?

Appointed or provisional representatives are required to notify their principals of any change in particulars specified in Form 18, within 7 days of

such change. The principals are in turn required to lodge Form 18 via the CoRe system to notify MAS of any change in particulars of their appointed or provisional representatives, within 14 days after the occurrence of such change.

Please refer to section 23F(5) of the FAA and regulation 10 of the FAR for more details.

[Updated on 8 October 2018]

10 I ceased to act as an appointed representative to provide financial advisory services and my principal company has notified MAS of my cessation. If I were to join another principal company to conduct the same types of financial advisory services, is my new principal company required to notify MAS of my appointment as an appointed representative?

Yes, your new principal company has to notify MAS of its intent to appoint you as its appointed representative. It can only do so after the cessation of your appointment with your previous principal company has taken effect.

[Updated in November 2010]

IV Public Register

1 How do I find information on a representative on the Public Register?

Information relating to a representative will be displayed when his name or representative number is keyed into the search field of the Public Register. Consumers should check against the Public Register for the representative's status and his regulated activities. The Public Register can be accessed at <https://masnet.mas.gov.sg/drr/>.

[Updated on 8 October 2018]

V Business Conduct Requirements

1 [Deleted in November 2010]

2 [Deleted in November 2010]

3 [Deleted in November 2010]

4 *What are some of the business conduct requirements in the FAA?*

The FAA spells out certain business conduct requirements which licensed financial advisers and exempt financial advisers are required to comply with. These may be found in Part III of the FAA. Some of them are highlighted below and not exhaustive:

- (a) Section 25 requires a financial adviser to disclose to its clients information relating to an investment product that is recommended by the financial adviser.
- (b) Section 26 makes it an offence for a financial adviser to make, with intent to deceive, certain false and misleading statements, or material omissions, regarding a contract or a proposed contract in respect of any investment product.
- (c) Section 27 prohibits a financial adviser from making a recommendation with respect to an investment product when it does not have a reasonable basis for doing so.
- (d) Section 29 requires a financial adviser to provide information about any matter related to its business carried on in Singapore or elsewhere to the MAS when requested.
- (e) Section 32 regulates the use of insurance broking premium accounts to be established by a financial adviser which provides financial advisory services in respect of life policies.
- (f) Section 33 prohibits a financial adviser from negotiating any contract of insurance with an insurer, whether directly or indirectly, except with a registered insurer.

[Updated in October 2009]

5 *What are the business conduct requirements that exempt financial advisers have to comply with?*

Section 23(4) of the FAA lists out the relevant sections of the FAA that apply to exempt financial advisers. The applicable sections are sections 25 to 29, 32, 33, 34 and 36 of the FAA.

In addition, exempt financial advisers are required to adhere to sections 70 and 70A of the FAA, the applicable relevant provisions of the FAR and the Notices issued pursuant to the FAA. They are also expected to adhere to the Guidelines issued pursuant to the FAA which are applicable to them.

[Updated in November 2010]

5a *What are the business conduct requirements that appointed or provisional representatives have to comply with?*

The relevant sections that apply to appointed or provisional representatives are listed in section 37(1) of the FAA. They are: sections 25, 26, 27, 29, 33, 34, and 36 of the FAA.

In addition, appointed or provisional representatives are required to adhere to the relevant provisions of the FAR as well as the Notices issued pursuant to the FAA which are applicable to them. They are also expected to adhere to the Guidelines issued pursuant to the FAA which are applicable to them.

[Updated in November 2010]

6 *Pursuant to Section 36 of the FAA, are financial advisers required to disclose their interests in all securities, units in a CIS, and specified securities-based derivative contracts (“specified products”) in all circulars or other similar written communications sent to customers?*

That is not the case. Section 36 of the FAA only requires financial advisers to disclose their interests in specific specified products in circulars or other similar written communications, such as marketing brochures, sent to customers if the circulars or written communications contain recommendations on those specified products. Therefore, where the circulars or written communications merely provide factual information such as name of the specified products, the product provider and fees charge, financial advisers are not required to disclose their interests. In addition, where the circular or written communication made a recommendation on a particular specified product, financial advisers only need to disclose their interests in that specified product and not their holdings in other specified products.

[Updated on 8 October 2018]

7 Pursuant to Section 36 of the FAA, are financial advisers required to preserve a copy of all circulars or other similar written communications sent to customers for 5 years?

Financial advisers are not required to preserve a copy of all circulars or written communications sent to customers for 5 years. Only circulars or written communications sent to customers which contain recommendations on specified products need to be preserved for a period of 5 years.

[Updated on 8 October 2018]

8 *[Deleted on 8 October 2018]*

9 When a client of the financial adviser loses his mental capacity but has financial donee under the Mental Capacity Act if so authorized by the client under the Lasting Power of Attorney ("LPA") to act and/or make decisions on his behalf, is the financial adviser allowed to provide financial advisory services to the client?

Under the Notice on Recommendations on Investment Products [Notice No. FAA-N16] issued under the FAA, a financial adviser is required to conduct a needs analysis on its clients which entails gathering information on the client's investment objective, financial situation and risk profile before recommending an investment product that suits the client's needs and personal circumstances.

In the event of a client losing his mental capacity, and a financial donee having been appointed to make investment decisions on behalf of the client, the financial adviser should re-evaluate the client's personal situation and ascertain if there are material changes to the client's investment objective, financial situation and risk profile with the input and assistance of the financial donee. The financial adviser is required to take into consideration any change in the client's personal circumstances, in providing financial advice to the client. This includes changes to the client's employment status, income, and financial commitments in respect of living and medical expenses.

[Updated on 8 October 2018]

10 Are licensed financial advisers allowed to handle clients' money or property?

Licensed financial advisers generally should not handle clients' money or property in their provision of financial advisory services to clients.

Where a licensed financial adviser, in connection with passing an order to purchase or sell any specified product (other than an OTC derivatives contract) on behalf of a client to whom it provides advice on, receives any client's money or property (other than money for advice rendered by it), the licensed financial adviser must hand over such client's money or property to:

- (a) (where the specified products are units in a CIS) the manager or trustee of the CIS or any person who is authorised by the manager or the trustee of the CIS to receive client's money or property on the manager's or trustee's behalf;
- (b) the holder of a capital markets services licence under the Securities & Futures Act to provide custodial services who is authorised by the client to receive the client's money or property; or
- (c) a person exempt under paragraph 6 of the Second Schedule to the Securities & Futures (Licensing and Conduct of Business) Regulations ("SF(LCB)R") from holding a capital markets services licence for providing custodial services who is authorised by the client to receive the client's money or property,

no later than the business day immediately following the day on which the licensed financial adviser receives the money or property.

A licensed financial adviser is only permitted to hand over its client's money or property to the persons specified above after the specified date provided that it has the client's prior written consent to do so.

In addition, in connection with passing an order to purchase or sell any specified product (other than an OTC derivatives contract) on behalf of a client to whom it provides advice on, a licensed financial adviser shall not receive client's money or property in the form of cash or any cheque made out in its name except where the cash or cheque is for services rendered by the financial adviser.

Please refer to paragraph 2(2)(c) and (d) of the Second Schedule to the SF(LCB)R.

[Updated on 8 October 2018]

10A How should financial advisers handle clients' money received for arranging contract of life policies?

Where the client's money is received in connection with the financial adviser arranging contract of life policies, the financial adviser must establish and maintain an insurance broking premium account and pay such money into the account in the manner set out in section 32 of the FAA and regulation 20 of the FAR.

[Updated on 8 October 2018]

11 [Deleted on 8 October 2018]

12 What is the purpose of the Guidelines on Standards of Conduct for Financial Advisers?

The Guidelines set out the general standards expected of financial advisers and their representatives in their conduct of financial advisory services. They do not have the force of law but MAS expects all financial advisers and their representatives to adhere to the Guidelines, so as to help foster professional standards and maintain confidence in the financial services industry.

13 Can an appointed or provisional representative act for more than one financial adviser?

MAS' policy is to disallow individuals listed on the Public Register to concurrently act for more than one principal company, except in the case where appointed representatives act for principal companies which are related corporations.

The objectives of the one-representative-one-financial adviser rule are two-fold:

- (a) to secure clarity for investors about the status of representatives, the financial advisers they represent, and more importantly, where responsibility rests for complaints and redress; and
- (b) to ensure that the financial advisers closely monitor and supervise their representatives at all times.

The one-representative-one-financial adviser rule does not restrict the product range that a financial adviser can market or give advice on. Financial advisers such as banks, fund managers, securities firms and insurance companies that distribute life insurance products and unit trusts are free to enter into contracts to sell one another's products and, hence, expand the range of products they can market or give advice on.

[Updated in November 2010]

14 Under the FAA, life insurance companies are allowed to sell one another's products. How does this benefit consumers? Does this go against the one-representative-one-financial adviser provision under section 23G of the FAA?

Life insurance companies, especially the smaller ones, may see value in cross selling one another's products. Since not all life insurers offer all types of life insurance products, allowing them to cross sell one another's products will broaden their product offering, thus giving consumers a wider range of products to choose from.

The one-representative-one-financial adviser requirement will not be compromised as an appointed or provisional representative can only have one financial adviser (which is the life insurer with whom he has a representative contract), and can only distribute those products authorised by that life insurer. As an exempt financial adviser, a life insurance company must closely monitor and supervise its appointed or provisional representatives, and be responsible for the conduct of its appointed or provisional representatives in respect of their provision of advice and distribution of investment products offered by other financial institutions.

[Updated in November 2010]

15 Financial advisers arranging life insurance contracts are not allowed to place domestic business with unregistered overseas insurers without MAS' prior approval. What is the rationale for this rule?

Financial advisers are required to seek MAS' prior approval on a case-by-case basis should they wish to place their clients' life insurance risks with unregistered overseas insurers. This is to ensure that no financial adviser is being used by unregistered overseas insurers to assist them in writing domestic Singapore risks. This is because unregistered overseas insurers are not allowed to carry on insurance business in Singapore as an insurer.

Generally, the life insurance needs of our domestic market are adequately met by registered life insurers in Singapore. However, where there are special needs that cannot be met by our local insurance industry, MAS is prepared to permit such risks to be placed directly with unregistered overseas insurers on a case-by-case basis.

16 What are the rules governing the use of the term "Independent" by financial advisers?

The use of the term "independent" is restricted under regulation 21 of the FAR. Regulation 21 states that no licensed financial adviser or exempt financial adviser is permitted to use the word "independent" or any similar term in its name, description or title, or to promote or advertise its services, or in respect of any of its advice or recommendation, unless it:

- (a) does not receive any commission or other benefit from a product provider which may create product bias and does not pay any commission to or confer other benefit upon its representatives which may create product bias;
- (b) operates free from any direct or indirect restriction relating to any investment product which is recommended; and
- (c) operates without any conflict of interest created by any connection to or association with any product provider.

A financial adviser must inform all of its representatives, in writing, as to whether it may or may not use the word "independent". No representative is allowed to use the word "independent" in acting as a representative of the financial adviser if the financial adviser has informed him that it may not do so.

MAS has issued the Guidelines on the Use of the Term "Independent" by Financial Advisers to provide guidance to financial advisers on the circumstances they may use the term "independent". The Guidelines set out that:

- (a) only financial advisers which can clearly demonstrate that they do not have financial or commercial links with product providers that are capable of influencing their recommendations should use the term "independent"; and
- (b) before using the term "independent", financial advisers should be satisfied in light of their own particular circumstances that they are in compliance with regulation 21 of the FAR.

17 *[Deleted on 8 October 2018]*

18 *How does MAS work with the industry associations to improve standards and professionalism in the financial advisory industry?*

There are currently several industry associations or societies in Singapore whose objects relate to the financial advisory industry. MAS engages these industry bodies where appropriate and seeks their views on regulatory issues affecting the financial advisory market. In addition, MAS also facilitates the development of the market and work with industry bodies to improve professional standards.

19 *[Deleted in April 2017]*

20 *Regulation 20A(1) of the FAR requires certain licensed financial advisers and their representatives to maintain a register of interests in listed specified products . Will we be required to maintain the register of interests in listed specified products in a prescribed format?*

All licensed financial advisers should have in place internal systems and controls to monitor proprietary or staff trading to mitigate any potential conflicts of interest. The licensed financial adviser is permitted to maintain the register of interest in listed specified products in any appropriate format. Such registers are to be made available to MAS upon request.

[Updated on 8 October 2018]

VI Reporting Requirements

1 What are some of the reporting requirements for licensed financial advisers?

Licensed financial advisers are required to prepare and lodge with MAS a true and fair profit and loss account and a balance sheet made up to the last day of its financial year in accordance with the provisions of the Companies Act (Cap. 50), where applicable. The above documents are to be lodged together with an auditor's report in Form 17. In addition, they are required to submit Forms 14, 15, and 16, where applicable. The forms can be found at MAS' website at <http://www.mas.gov.sg> (under "Regulations & Licensing", "Financial Advisers"). These documents are to be lodged within 5 months, or within such extension of time as may be permitted by MAS, after the end of the financial adviser's financial year.

[Updated in November 2010]

2 What are the reporting requirements for exempt financial advisers?

Under the FAR, a financial adviser which is exempt from holding a financial adviser's licence under section 23(1)(a) to (e) of the FAA has to lodge with MAS:

- (a) a notice of commencement of business in any financial advisory service or any additional financial advisory service in Form 26 not later than 14 days prior to the commencement of business in that financial advisory service;
- (b) a notice of change of particulars in Form 27 providing any change in the particulars required to be notified under (a) above (or under Form 20 for the same purpose under the FAR in force immediately before 26 November 2010), not later than 14 days after the date of change; and
- (c) a notice of cessation of business in any or all the financial advisory services in Form 28 not later than 14 days after the cessation of business in the financial advisory service.

Under the FAR, a financial adviser which is exempt from holding a financial adviser's licence under regulation 27(1)(d) of the FAR has to lodge with MAS:

- (a) a notice of commencement of business in Form 20 not later than 14 days after the commencement of business;
- (b) a notice of change of particulars in Form 21 providing any change in the particulars required to be notified under (a), not later than 14

days after the date of the change;

- (c) a notice of cessation of business in any or all the financial advisory services in Form 22 not later than 14 days after the cessation of business; and
- (d) a declaration in Form 23 within 14 days after the end of its financial year, confirming that:
 - (i) he acted as a financial adviser to not more than 30 accredited investors;
 - (ii) he has complied with all written directions, conditions and restrictions imposed by MAS pursuant to sections 58 and 23(9) of the FAA respectively; and
 - (iii) he has maintained proper records of all documents providing evidence that each client is an accredited investor.

A financial adviser exempt under section 23(1)(a) to (e) of the FAA which arranges contracts of insurance in respect of life policies is also required to lodge Form 16 [Statement of placement of direct life insurance business handled under section 45(1) and regulation 37(1)] and Form 24 [Audited statement of insurance broking premium account of exempt financial adviser under regulation 37(1)] within 5 months from the end of its financial year, where applicable. This requirement is not applicable to an exempt financial adviser which is an insurer which arranges contracts of insurance in respect of life policies on its own behalf.

The forms may be found at MAS' website at <http://www.mas.gov.sg>.

[Updated in November 2010]

3 What requirements are spelt out in the Notice on Reporting of Misconduct of Representatives by Financial Advisers [Notice No. FAA-N14]?

Financial advisers are responsible for the conduct of their representatives. They are required to lodge a report with MAS, within 14 days, upon discovery of any misconduct committed by their representatives. The types of reportable misconduct are set out in the Notice. They should also take disciplinary action against their representatives for any misconduct and ensure consistency in their application of disciplinary action for the same type of misconduct committed by their representatives. In addition, financial advisers should have an internal process for addressing the appeals made by their representatives with respect to the disciplinary action taken against them.

[Updated on 8 October 2018]

VII Exemptions

1 What does the exemption under regulation 27(1)(d) of the FAR cover?

Under regulation 27(1)(d) of the FAR, a person resident in Singapore who acts, whether directly or indirectly, as a financial adviser in giving advice, or in issuing or promulgating analyses or reports, concerning any investment product (other than life policies), to not more than 30 accredited investors on any occasion is exempt from holding a financial adviser's licence under section 23(1)(f) of the FAA.

An "accredited investor" is defined in regulation 2 of the FAR.

[Updated on 8 October 2018]

2 Can a person exempt under regulation 27(1)(d) of the FAR also register to be exempt from the requirement to hold a capital markets services licence to carry on business in fund management under paragraph (5)(1)(i) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations 2002 ("SFR")?

Given the significant change in the business operations, such an exempt person should carefully assess if it intends to conduct business in fund management instead of providing financial advisory services. Where in doubt, the exempt person should consult with the Authority to determine the need to concurrently be exempt under the FAR and the SFR.

[Updated on 7 August 2012]

3 What happens when a person exempt under regulation 27(1)(d) of the FAR act as financial advisers to any person outside the scope of the exemption granted?

A person exempt under regulation 27(1)(d) of the FAR shall not be, or shall cease to be, exempt from holding a financial adviser's licence if he also carries on a business of providing any financial advisory service other than in accordance with regulation 27(1)(a) to (h) of the FAR.

[Updated on 8 October 2018]

4 What is the nature of the exemption given to financial advisers or corporations who give advice or analysis on bonds to an accredited investor, or a person whose business involves the acquisition and disposal of or the holding of capital markets products?

A corporation (not being a licensed financial adviser or exempt financial adviser under section 23(1)(a) to (e) of the FAA), which carries on the business of giving advice, or issuing or promulgating analyses or reports, concerning bonds to an accredited investor, or a person whose business involves the acquisition and disposal of or the holding of capital markets products (whether as principal or as agent), is exempt from holding a financial adviser's licence in respect of such activity.

Licensed financial advisers and exempt financial advisers under section 23(1)(a) to (e) of the FAA which carry out this activity are exempt from sections 26 to 29 and 36 of the FAA in respect of such activity.

Please refer to regulation 28 of the FAR for more details.

5 *Under what circumstances will section 25 of the FAA not apply?*

Section 25 of the FAA will not apply to licensed financial advisers, exempt financial advisers and their appointed or provisional representatives when they provide any financial advisory service in respect of any designated investment product (which refers to collective investment schemes and life policies) to an accredited investor, or in respect of any designated investment product that is a capital markets product to a person whose business involves the acquisition or disposal of or the holding of capital markets products (whether as principal or as agent).

Please refer to regulation 33 of the FAR for more details.

[Updated in November 2010]

6 *Under what circumstances will section 27 of the FAA on recommendations made by licensees not apply?*

Section 27 of the FAA will not apply to licensed financial advisers, exempt financial advisers and their appointed or provisional representatives when they make a recommendation in respect of:

- (a) any investment product by way of a research report intended for general circulation, where the report is not made with regard to (and it is so stated in the report) the specific investment objectives, financial situation and the particular needs of any person who may receive the report;
- (b) any capital markets product to an accredited investor or a person whose business involves the acquisition or disposal of or the holding of capital markets products (whether as principal or as agent);

- (c) any life policy to an accredited investor; or
- (d) any Government securities.

In addition, section 27 of the FAA will not apply to banks and merchant banks and their representatives when they make a recommendation with respect to spot foreign exchange other than for the purposes of leveraged foreign exchange trading to an accredited investor; a corporation; or a person whose business involves the acquisition or disposal of or the holding of capital markets products (whether as principal or as agent).

Please refer to regulations 18A and 34 of the FAR for more details.

[Updated on 8 October 2018]

7 *[Deleted on 8 October 2018]*

8 *Under what circumstances would provision of financial advisory services in respect of spot foreign exchange contracts other than for the purposes of leveraged foreign exchange trading be excluded from the requirements of the FAA?*

A bank or merchant bank which is an exempt financial adviser under section 23(1) is exempt from the requirements of the FAA in respect of its provision of giving advice, or issuing or promulgating analyses or reports, on spot foreign exchange contracts other than for the purposes of leveraged foreign exchange trading arranged by it or by any bank licensed under the Banking Act or any merchant bank approved as a financial institution under the MAS Act.

[Updated on 8 October 2018]

9 *Under what circumstances will section 36 of the FAA on the disclosure of certain interests in specified products by licensees not apply?*

Section 36 of the FAA will not apply to licensed financial advisers, exempt financial advisers and their appointed or provisional representatives when they send a circular or other similar written communication in which a recommendation is made in respect of Government securities; or specified products to an accredited investor or a person whose business involves the acquisition or disposal of or the holding of capital markets products (whether as principal or as agent).

Please refer to regulation 35 of the FAR for more details.

[Updated on 8 October 2018]

10 Why is MAS allowing the use of introducers by financial advisers? Who may be appointed as an introducer?

Prospecting for clients is an essential part of a financial adviser's business. The use of introducers by financial advisers to generate business leads would allow financial advisers to spend less time prospecting for clients. This will enable financial advisers to focus their resources on providing higher value-added financial advisory services to clients. The use of introducers or mere referral arrangement by financial advisory service providers is also allowed in other jurisdictions.

An introducer may be a corporation, an individual, a licensed financial adviser or an exempt financial adviser. Employees and representatives of a corporation, a licensed financial adviser or an exempt financial adviser (other than bank tellers of a bank) are also allowed to conduct introducing activities if such activities are carried out on behalf of their principals.

11 Are introducers required to be licensed under the FAA? What requirements are they subject to under the FAA?

Introducers who confine their financial advisory services to introducing activities (as defined under the FAR) only are exempt from the need to hold a financial adviser's licence or the need to be appointed as an appointed or provisional representative of a licensed or exempt financial adviser, and to comply with certain business conduct requirements under the FAA. This is because introducers are only allowed to effect introduction of clients to financial advisers and are not permitted to provide advice on investment products or arrange contracts of insurance with respect to life policies, other than to the extent of carrying out introducing activities.

Regulation 31 of the FAR sets out the requirements for introducers in their carrying out of introducing activities for financial advisers. These include the requirement to disclose to clients-

- (a) that they are not allowed to give advice or provide recommendations on investment products or arrange life policies; and
- (b) whether they will be remunerated by the financial adviser for carrying out the introducing activities, and if so, the amount of remuneration if the information is requested by the client.

Introducers are also prohibited from handling client's money and property with respect to their carrying out of introducing activities. They are also required to maintain a register of their employees or representatives who conduct introducing activities on their behalf.

12 Should introducers be used where the clients do not receive any advice or recommendation concerning any investment product?

Introducers should be used only in situations where financial advisers are providing advice or recommendation(s) to the clients concerning any investment product. It is an improper use of the introducing regime if the financial advisers do not provide advice for referrals from introducers.

Where the introducer himself is authorised to provide financial advisory services (e.g. as an appointed or provisional representative of a licensed or exempt financial adviser), he should properly disclose that he is not permitted to give advice on the suitability of the investment product as an introducer and make clear to clients that the financial adviser being referred to is the party giving advice.

[Updated in November 2010]

13 Can representatives of financial advisers appoint introducers to conduct introducing activities on their behalf?

Only licensed financial advisers and exempt financial advisers are allowed to appoint introducers to carry out introducing activities on their behalf. Employees or appointed or provisional representatives of licensed financial advisers and exempt financial advisers are not permitted to enter into any arrangement on their own with an introducer to carry out introducing activities on their behalf.

[Updated in November 2010]

14 What measures has MAS put in place to ensure that the use of introducers by financial advisers will not give rise to conduct problems?

Financial advisers which appoint introducers to conduct introducing activities on their behalf are required to comply with the Notice on Appointment and Use of Introducers by Financial Advisers (Notice No FAA-N02). The Notice requires financial advisers to institute adequate control systems and procedures to ensure the proper conduct of introducers, and comply with the following requirements:

- (a) enter into a written agreement with an external introducer;
- (b) monitor the conduct of the introducer so as to satisfy itself that the introducer provides the necessary disclosures to clients in accordance with regulation 31 of the FAR;
- (c) ensure that the introducer does not handle client's money or property in relation to his introducing activities;

- (d) provide a script for the use by the introducer in his introducing activities; and
- (e) maintain a register of introducers appointed.

Details of the requirements are set out in the Notice on Appointment and Use of Introducers by Financial Advisers (Notice No. FAA-N02).

15 Is there any rule governing the payment of remuneration to introducers by financial advisers?

MAS does not regulate how an introducer should be remunerated by a financial adviser as this is a commercial matter between a financial adviser and the introducer it appoints. The introducer is, however, required to disclose to clients whether he is or will be remunerated by the financial adviser for carrying out the introducing activities, and if so, the amount of remuneration if the information is requested by the clients.

16 When must introducers disclose information on remuneration to a client? How should such information be disclosed?

An introducer is required to disclose to the client information on whether he will be remunerated by the financial adviser at the point of conducting introducing activities. Such information may either be put across verbally or in writing. Where the information is disclosed in writing, it should be stated prominently and clearly, and a copy of the document that contains the information should be provided to the client.

Below are illustrative examples of written communications that may be used by introducers. Introducers may, in consultation with the financial advisers that appoint them, adopt appropriate changes to suit their circumstances.

For in-house introducing activity carried out by staff of a financial adviser

“[Name of FA] may remunerate its staff for each referral made by them to [a financial adviser representative] of [Name of FA]. [Name of FA] will disclose the amount of the referral remuneration paid to its staff in respect of your referral if requested by you”.

For introducing activity carried out by staff of an institution that has been appointed as external introducer by a financial adviser

“[Name of introducer] may be remunerated by [Name of financial adviser] for each referral and may share the referral remuneration with its staff who conduct the referral activity. [Name of Introducer] will disclose the amount of the referral remuneration it receives from [Name of FA] in respect of your referral if requested by you”.

17 What is the rationale for discouraging financial advisers from appointing introducers who carrying out introducing activities as their sole business activity or full-time occupation?

MAS expects financial advisers engaging introducers to exercise proper control over introducers they have appointed. Any improper conduct on the part of introducers could potentially give rise to market conduct problems and cause public nuisance. This may tarnish the image of the financial adviser and affect public confidence in the financial advisory industry.

MAS believes that one of the main reasons for financial advisers to appoint introducers is to tap the clientele base of the primary business activity of the introducers. Introducers who are not conducting introducing activities as their sole business activity or full-time occupation are less likely to engage in aggressive business tactics when soliciting prospects for financial advisers, as it is in their interest to protect their reputation and build good relationships with their clients. MAS will monitor developments in the market and review our policy where necessary.

VIII Outsourcing Arrangements

1 How should a licensed financial adviser (LFA) assess the suitability of its service provider's employees, or its sub-contractors?

MAS recognises that there could be operational difficulties in assessing sub-contractors for the purpose of meeting the expectations in MAS' Guidelines on Outsourcing. MAS does not expect LFAs to directly assess all sub-contractors, as they may not necessarily have direct contractual nexus. Nonetheless, an LFA is expected to satisfy itself that its main service providers have acceptable governance process when appointing and relying on sub-contractors, especially when the outsourcing arrangement between the LFA and the main service provider is material. Some relevant factors to consider could be whether there is proper monitoring of service standards of sub-contractors, and the service providers' track record of dealing with sub-contractors when service standards fall below specified thresholds.

An LFA should also satisfy itself that its service providers have suitable hiring and screening policies for its employees. This may require a higher degree of screening for employees in material outsourcing arrangements and/or in positions where they handle sensitive information. For example, if the compliance function is outsourced, it is in the LFA's interest to understand how the service provider performs checks on the credentials and relevant experience of its employees. The LFA is not expected to subject its service provider's employees to MAS' Guidelines on Fit and Proper Criteria, nor directly conduct screening checks on its service providers' employees.

[Updated on 8 October 2018]

2 Are the Outsourcing Guidelines applicable to intra-group outsourcing?

Yes. All financial institutions including LFAs are expected to retain ownership and responsibility over their outsourced functions, regardless of whether the function has been outsourced to external service providers or intra-group entities. LFAs that are part of a group can leverage on group-wide risk control and governance functions, such as the group internal audit function, to assist in their assessment of the areas outsourced to the head office or related companies. For example, if compliance and/or other support functions are outsourced to the head office/parent company or its related entity, the LFA can rely on the work of centralised internal auditors in the group that cover these functions. The LFA is not expected to commission a separate audit on these outsourced functions.

[Updated on 8 October 2018]

3 *Are LFAs required to submit their outsourcing registers to MAS on a yearly basis? What about internal audit/external audit reports concerning the LFA's outsourced arrangements?*

LFAs are not required to submit their outsourcing registers to MAS on a yearly basis. MAS will give reasonable notice to LFAs when MAS requires the registers for our supervisory purposes, and LFAs are expected to promptly submit a copy of the register. As a matter of good practice, an LFA should include all outsourcing arrangements in its outsourcing register. This includes intra-group arrangements and material sub-contractors.

Similarly, audit reports on outsourced arrangements should be submitted upon MAS' request.

[Updated on 8 October 2018]

Disclaimer: The FAQs are meant to provide guidance to the industry on MAS' policy and administration of the FAA regime. They do not constitute legal advice. MAS expects industry participants to retain their independent legal counsel to advise them on how their business operations should be conducted in order to satisfy the legal/regulatory requirements and to advise them on all applicable laws of Singapore.