



Monetary Authority of Singapore

**SECURITIES AND FUTURES ACT
(CAP. 289)
FINANCIAL ADVISERS ACT
(CAP. 110)**

**GUIDELINES ON PROVISION OF DIGITAL ADVISORY
SERVICES**

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GUIDELINES ON PROVISION OF DIGITAL ADVISORY SERVICES

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Purpose of these Guidelines

1. These Guidelines are issued pursuant to section 321 of the Securities and Futures Act (Cap. 289) (“SFA”) and section 64 of the Financial Advisers Act (Cap. 110) (“FAA”) (collectively, the “Acts”) to provide guidance on the regulatory requirements and expectations in relation to the provision of digital advisory services.

2. These Guidelines are applicable to all financial institutions offering or seeking to offer digital advisory services in Singapore (“digital advisers”). Where certain regulatory requirements or expectations are also applicable to conventional financial advisers¹ (“FAs”), they are specified in the Guidelines.

3. Digital advisers (also known as robo-advisers) provide advice on investment products through direct access to automated, algorithm-based tools by clients (“client-facing tools”), with limited or no human adviser interaction. In contrast, conventional FAs may rely on similar algorithm-based tools at the back-end to help their representatives advise and service their clients.

4. The digital advisory process typically begins with the client inputting an investment amount and answering a series of questions on his risk tolerance, investment objectives and investment time horizon. The digital adviser then analyses the client’s responses using algorithms and generates a recommended portfolio. If the client accepts the recommended portfolio, the digital adviser may relay the client’s trade orders directly to a brokerage firm for execution. Over time, due to market movements, the client’s portfolio may deviate from its original recommended asset allocation. When this happens, the digital adviser will adjust the client’s investments to maintain the target asset allocation (referred to as “rebalancing”). This rebalancing of portfolios is typically automated and performed periodically.

5. Digital advisers operating in Singapore will have to be licensed for fund management, dealing in capital markets products and/or providing financial advisory services under the relevant Acts. The type of licensing depends on the operating model of the digital adviser. A digital adviser may also qualify for exemption from licensing, if it meets the relevant exemption provisions in the Acts. Further guidance on licensing considerations is set out in Section I of these Guidelines.

¹ Conventional financial advisers refer to FA firms which use human advisers to provide financial advice on investment products to clients.

6. As algorithms are core components of a digital adviser’s client-facing tool², we have set out guidance on the governance and supervision of algorithms expected of digital advisers in Section II of the Guidelines. In addition, Section II highlights some of the pertinent requirements and provides clarity on the applicability of existing requirements to digital advisers, such as those relating to technology risk management, prevention of money laundering and countering the financing of terrorism, suitability of advice, disclosure of information, applicability of the balanced scorecard framework, as well as advertisements and marketing.

7. These Guidelines should be read with the relevant Acts and their subsidiary legislation, written directions, notices, codes and other guidelines that MAS may issue from time to time.

² This refers to automated, algorithm-based tools that clients can use directly, with limited or no human adviser interaction.

Definitions

8. For the purposes of these Guidelines,

"collective investment schemes that are in substance Excluded Investment Products" means collective investment schemes ("CIS") that comply with the investment restrictions set out in paragraph 2 of the Schedule of the Securities and Futures (Capital Market Products) Regulations 2018, regardless of whether such binding investment restrictions are stated in the CIS documents;

"digital adviser" means a person who provides digital advisory services;

"digital advisory services" means the provision of advice on investment products using automated, algorithm-based tools which are client-facing, with limited or no human adviser interaction in the advisory process³;

"exempt financial adviser" means a person who is exempt from holding a financial adviser's licence under section 23(1) or section 100 of the FAA;

"financial adviser" means a holder of a financial adviser's licence under the FAA or an exempt financial adviser;

"investment product" has the same meaning as in section 2(1) of the FAA; and

"specified products" has the same meaning as in section 2(1) of the SFA.

9. The terms used in the Guidelines shall, except where expressly defined in the Guidelines or the context otherwise requires, have the same meanings as defined in the relevant Acts.

³ Elements of human interaction is allowed only if it is providing technical assistance to clients, assisting clients on IT-related queries/issues or clarifying with clients on their responses if inconsistencies are noted.

Section I: Licensing Requirements and Exemptions

Licensing requirements

10. There is no separate authorisation regime for digital advisers. The licensing framework embodied in the SFA and FAA is technology agnostic and is applicable to digital advisers. Financial institutions (“FIs”) that carry on regulated activities under these Acts are required to be appropriately licensed, unless they qualify for the relevant exemptions in the Acts. This is regardless of the channel used to deliver such regulated activities (i.e. whether via human advisers or digital advisory tools).

11. We have observed a range of business models for the offering of digital advisory services. In Singapore, the relevant regulatory framework applicable to a digital adviser would depend on the operating model of, and specific activities carried out by, the digital adviser. Please refer to **Annex A** for a summary of the licensing considerations for digital advisers.

12. The provision of financial advisory services is regulated under the FAA. Digital advisers carrying out such services are required to hold a financial adviser’s licence, unless otherwise exempted. Digital advisers which are FAs can carry out limited SFA-regulated activities that are incidental to the provision of advice, without the need for additional licensing under the SFA. These include passing on their clients’ orders to a brokerage firm⁴ for execution after advising them, or rebalancing their portfolios comprising CIS back to the most recent advice provided based on the agreed asset allocation. However, digital advisers which are FAs are not allowed to handle or have control over clients’ assets or moneys, or operate an omnibus account for clients.

13. Besides the provision of financial advisory services, some digital advisers also offer a platform for the execution of capital markets products beyond the passing of such orders to brokerage firms for execution. These digital advisers are required to hold a Capital Markets Services (“CMS”) licence for dealing in capital markets products.

14. Some digital advisers have discretion over the management of clients’ investment portfolios beyond portfolio rebalancing. Such digital advisers are required to hold a CMS licence in fund management.

⁴ In the case of CIS, clients’ orders will be passed on to fund management companies for processing.

15. Some digital advisers may choose to outsource the development and maintenance of their client-facing tools to a third party provider⁵. For the avoidance of doubt, the third party provider is not required to be licensed by MAS if it does not carry out financial advisory services, fund management or dealing activities directly for clients⁶. Digital advisers should nonetheless subject the third party provider to appropriate due diligence processes in order to assess the risks associated with the outsourcing⁷ arrangement.

Digital advisers operating as FAs: Licensing exemption for dealing in capital markets products that are specified products other than OTC derivatives contracts

16. As mentioned in paragraph 12, some digital advisers typically assist clients to pass their buy or sell orders (e.g. CIS, bonds and stocks) to brokerage firms for execution. The passing of such orders to brokerage firms for execution constitutes dealing in capital markets products under the SFA. However, MAS recognises that the risks posed by facilitating the execution of clients' buy or sell orders are low. To allow FAs to provide better services to clients, digital advisers which are FAs are exempted from the need to hold a CMS licence for dealing in capital markets products if they merely assist to pass on clients' buy or sell orders to brokerage firms for execution, provided that such dealing is incidental to their financial advisory activities ("Dealing Exemption")⁸.

17. Dealing is considered incidental only if the digital adviser has provided advice to a client and subsequently assists the client to pass on the order to a brokerage firm for execution. For avoidance of doubt, the Dealing Exemption is independent of whether the specific recommendation is accepted by the client. For instance, if the client decides on an alternative product or CIS which is different from the digital adviser's advice and recommendation, the digital adviser may still rely on the Dealing Exemption to execute the order for the client. Where clients choose not to rely on the advice provided, digital advisers are additionally required to meet the safeguards set out in the FAA Notice on

⁵ This refers to a situation where a third party provider offers white labelling services for the use of its platforms or algorithms to a financial institution under a business-to-business arrangement.

⁶ Examples include arrangements whereby the third party provider is simply providing white-label technology to the digital adviser, where the advice is provided to clients through the digital adviser.

⁷ The Guidelines on Outsourcing set out MAS' expectations of an FI that has entered into any outsourcing arrangement or is planning to outsource its business activities to a service provider.

⁸ The Dealing Exemption is prescribed under paragraph 2(1)(j) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations.

Recommendations on Investment Products (“FAA-N16”). These safeguards include documenting the decision of the client and highlighting to the client in writing that it is the client’s responsibility to ensure the suitability of the products purchased.

18. For the avoidance of doubt, the Dealing Exemption is applicable to:
- (a) all FAs i.e. both digital advisers and conventional FAs; and
 - (b) execution of specified products other than OTC derivatives contracts.
- FAs which rely on the Dealing Exemption to facilitate clients’ buy or sell orders are required to meet the relevant conduct requirements⁹ set out in paragraph 2(2) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations (“SF(LCB)R”).

Digital advisers operating as FAs: Licensing exemption for fund management

19. It is common for digital advisers to offer rebalancing of clients’ portfolios to address portfolio drift. This entails bringing the clients’ portfolios back to the most recent advice provided to the clients on the recommended asset allocation. This rebalancing of portfolios is automated and performed periodically.

20. Such portfolio rebalancing activities are deemed as fund management under the SFA and persons who conduct such activities are required to hold a CMS licence in fund management unless otherwise exempted. That said, MAS recognises that there are merits to exempt digital advisers from holding a CMS licence in fund management to carry out rebalancing activities for portfolios that comprise solely of listed and unlisted CIS (“Fund Management Exemption”)¹⁰. Portfolio rebalancing is considered incidental to the advice provided where it is solely for the purpose of aligning the portfolio back to its last recommended allocation as agreed or chosen by the client, and there is no change to the constituents of the portfolio. The scope of the Fund Management Exemption is limited to CIS as rebalancing of portfolios comprising individual securities requires FAs to advise clients on which securities to invest in, and the client’s consent should be obtained for this purpose.

⁹ These include keeping proper records of orders received from clients and how the order is executed, and other requirements relating to priority of clients’ orders, dealing in specified products as a principal, and prohibition from holding clients’ moneys or assets.

¹⁰ The Fund Management Exemption is prescribed under paragraph 5(1)(g) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations.

21. Digital advisers relying on the Fund Management Exemption will be required to:

- (a) ensure that the rebalancing activity is carried out only for portfolios comprising solely listed and unlisted CIS;
- (b) obtain a one-time prior written authorisation from the client to periodically rebalance the constituent units of the portfolio;
- (c) provide a written disclosure to the client on the following, prior to obtaining the client's written authorisation referred in sub-paragraph (b) and as and when there are any changes in any of the following:
 - (i) the scope of rebalancing activities, including frequency and methodology of rebalancing;
 - (ii) fees payable and any other material terms and conditions associated with periodic rebalancing;
 - (iii) advance notice period that will be provided prior to carrying out any rebalancing activities; and
- (d) notify the client prior to each and every rebalancing transaction.

22. Similar to the Dealing Exemption, the Fund Management Exemption is applicable to all FAs, i.e. both digital advisers and conventional FAs.

Digital advisers operating as fund managers: Track record and minimum assets under management requirements

23. The licensing criteria for fund management are set out in the Guidelines on Licensing, Registration and Conduct of Business for Fund Management Companies ("SFA04-G05"). Digital advisers that seek to offer their services to retail clients, but are unable to meet the requirement for a five-year corporate track record or minimum assets under management ("AUM") of S\$1 billion, can apply to be licensed for fund management, if they are able to meet additional safeguards, as follows:

- (a) key individuals of the digital adviser (e.g. chief executive officer, directors, and management members who are responsible for the design, operation and/or oversight of the digital advisory platform) have relevant experience in fund management and technology;
- (b) the digital adviser only offers to retail clients, portfolios that comprise all CIS that are in substance Excluded Investment Products ("EIPs"); and

- (c) the digital adviser undergoes a post-authorisation audit¹¹ conducted by an independent third party at the end of its first year of operations.

These safeguards seek to enable digital advisers that have the relevant competency and good control and compliance arrangements, to offer digital advisory services on simple and diversified investment products to retail clients.

24. Digital advisers that do not meet the five-year corporate track record or minimum AUM criteria should not manufacture the underlying CIS used to build the model portfolios offered on their digital advisory platforms. In addition, the client-facing tools operated by such digital advisers should be fully automated, to avoid undue influence on the advisory and portfolio construction process or the client's investment decision.

25. Firms seeking to apply for a CMS licence or FA licence to provide digital advisory services in Singapore may refer to the following guidelines.

- (a) Guidelines on Criteria for the Grant of a Capital Markets Services Licence Other Than for Fund Management and Real Estate Investment Trust Management (“SFA04-G01”);
- (b) Guidelines on Licensing, Registration and Conduct of Business for Fund Management Companies (“SFA04-G05”); and
- (c) Guidelines on Criteria for the Grant of a Financial Adviser's Licence (“FAA-G01”).

¹¹ The post-authorisation audit should minimally cover the governance and controls over the development and maintenance of algorithms, handling of client moneys and assets, suitability of advice, technology risk, and prevention of money laundering and countering the financing of terrorism.

Section II: Other Regulatory Requirements Applicable to Digital Advisers

26. A digital adviser is required to comply, on an ongoing basis, with all the applicable business conduct requirements set out in the SFA and/or FAA, and the accompanying Regulations, Notices and Guidelines issued under these Acts, as the case may be. Some of these requirements are highlighted below. The requirements in this section are not intended to be comprehensive or exhaustive.

27. Client-facing tools are primarily algorithm-driven. A fault or bias in the algorithms could adversely affect a large number or all of the digital advisers' clients who relied on the recommendations generated by the algorithms. Considering these additional risks, it is important that digital advisers put in place adequate governance and supervisory arrangements to effectively mitigate these risks. Our expectations on the governance and supervision of algorithms are set out below.

Governance and supervision of algorithms

28. It is the responsibility of the Board¹² and Senior Management of the digital adviser to maintain effective oversight and governance of the client-facing tool. Given the potential detriment to a significant number of clients arising from a fault or bias in the algorithms, whether due to oversight or as a result of poor design, the Board and Senior Management should ensure that there are sufficient resources to monitor and supervise the performance of algorithms. The digital adviser should be adequately staffed with persons who have the competency and expertise to develop and review the methodology of the algorithms. Adequate training should also be provided to all staff who use the client-facing tool.

29. The Board and Senior Management should also put in place systems and processes to ensure a sound risk management culture and environment in their firms, as well as compliance with the relevant rules and regulations. These include:

- (a) approving the design and methodology development of the client-facing tool and ensuring its proper maintenance;

¹² The duties and responsibilities of a director and CEO are set out in regulations 13 to 13C of the Securities and Futures (Licensing and Conduct of Business) Regulations and regulations 14 to 14AA of the Financial Advisers Regulations.

- (b) approving the policies and procedures that apply to the systems and processes of the client-facing tool;
- (c) maintaining oversight over the management of the client-facing tool, such as designating appropriate personnel to approve changes to the algorithms, and having security arrangements to identify and prevent unauthorised access to the algorithms;
- (d) ensuring that the requirements set out in the Notice and Guidelines on Technology Risk Management are adhered to; and
- (e) maintaining proper documentation on the design and development of the algorithms.

30. While the Board and Senior Management may delegate the day-to-day operational oversight and governance of the client-facing tools to other personnel, they remain ultimately responsible and accountable for the proper development, monitoring and testing of the client-facing tools.

Developing the client-facing tool

31. In developing the client-facing tools, digital advisers should:
- (a) ensure that the methodology of the algorithms behind the client-facing tool is sufficiently robust;
 - (b) ensure that the tool collects all necessary information and sufficiently analyses the information to make a suitable recommendation, including have proper mechanisms to identify and resolve contradictory or inconsistent responses from clients¹³;
 - (c) have controls in place (e.g. knock-out questions) to identify and eliminate clients who are unsuitable for investing¹⁴;
 - (d) perform sufficient testing, prior to the launch of the tool and when changes are made to the tool, to detect any error or bias in the algorithms and to consistently and reliably achieve the following key outcomes:
 - (i) The algorithms correctly classify clients according to their risk profiles based on inputs provided by them. In particular, the digital

¹³ For instance, digital advisers can alert a client to inconsistencies in his responses through pop-up boxes and suggest for the client to reconsider the information provided. Digital advisers may also resolve contradictory or inconsistent responses from the client by asking additional questions or through other means such as by contacting the client to obtain further clarification on his response.

¹⁴ Digital advisers can implement the use of “knock-out” or threshold questions to identify and eliminate clients who are not suitable to participate in the digital advisory platform and may need to consider seeking investment advice from a human adviser. Examples include clients who indicate the need for capital preservation or who state that they cannot afford to lose their principal investment sum.

adviser is expected to conduct back-testing using hypothetical inputs to ensure that the risk profiles generated by the algorithms are in line with its risk profiling methodology. The testing should ensure that the algorithm scores and assigns risk profiles to clients correctly and consistently; and

- (ii) The algorithms produce the intended asset allocation and investment recommendation according to the digital adviser’s risk profiling methodology.

Monitoring and testing of the client-facing tool

32. Digital advisers should also have policies, procedures and controls in place to monitor and test their algorithms on a regular basis to ensure that they are performing as intended. Digital advisers should, at a minimum, have the following processes in place:

- (a) access controls to manage changes to the algorithms whenever necessary;
- (b) controls to detect any error or bias in the algorithms;
- (c) controls to suspend the provision of advice if an error or bias within the algorithms is detected; and
- (d) compliance checks on the quality of advice provided by the client-facing tool. Such checks should be conducted regularly and when there are changes to the algorithms. This should include post-transaction sample testing, and should be reviewed by an independent and qualified human adviser¹⁵ to ensure compliance with the requirements under the FAA. The frequency of such review should commensurate with the size and complexity of the digital adviser’s operations.

Technology risk management

33. It is an existing obligation for all FIs, including digital advisers, to implement internal policies and procedures to address technology risks. As digital advisers principally interact with their clients, transmit, store and process client information, and generate and deliver investment recommendations electronically, they may be more prone to malicious cyber-attacks.

34. It is therefore imperative that digital advisers meet the requirements set out in FAA Notice on Technology Risk Management (“FAA-N18”) and SFA Notice on Technology Risk Management (“CMG-N02”). Digital advisers

¹⁵ The individual should have the relevant competency and experience in providing FA services in order to carry out his or her role, and is not involved in the design, development and monitoring of algorithms.

should also refer to the Technology Risk Management Guidelines (“TRM Guidelines”) for industry best practices which FIs are expected to adopt.

35. Digital advisers should also perform a gap analysis against the requirements set out in the Notices FAA-N18 and CMG-N02, as the case maybe, and TRM Guidelines and ensure that all gaps are adequately mitigated prior to the launch of the client-facing tools and when changes are made to these tools.

Prevention of money laundering and countering the financing of terrorism

36. Similar to other FIs, digital advisers are required to have in place adequate policies, procedures and controls to mitigate money laundering and terrorism financing risks. This is set out in the FAA Notice on Prevention of Money Laundering and Countering the Financing of Terrorism (“FAA-N06”) and SFA Notice to Capital Markets Intermediaries on Prevention of Money Laundering and Countering the Financing of Terrorism (“SFA04-N02”) respectively.

37. Given the online business model of digital advisers, they must also take steps to address specific risks associated with non-face-to-face (“NFTF”) business relations with a client. In this regard, digital advisers are expected to employ additional checks to manage the risk of impersonation when onboarding clients through NFTF means. Further guidance is set out in MAS’ Circular on Use of MyInfo and Customer Due Diligence Measures for NFTF Business Relations (“AMLD 01/2018”).

Disclosure of pertinent information

38. As a general disclosure principle, digital advisers should provide sufficient information to their clients to allow them to make informed investment decisions. Disclosures should also be presented in plain English and in a clear, simple and easily understandable manner.

Information on algorithms

39. Specifically, on information relating to algorithms, MAS expects digital advisers to minimally disclose in writing, the following to their clients:

- (a) assumptions, limitations and risks of the algorithms;
- (b) circumstances under which the digital advisers may override the algorithms or temporarily halt the digital advisory service; and
- (c) any material adjustments to the algorithms.

Conflicts of interest

40. Digital advisers operating as FAs are required to comply with the existing disclosure requirement on conflicts of interest set out under the FAA Notice on Information to Clients and Product Information Disclosure (“FAA-N03”). In particular, they must disclose in writing to their clients, any actual or potential conflict of interest arising from any connection to or association with any product provider, including any material information or facts that may compromise their objectivity or independence.

41. In the context of their business model, digital advisers should disclose situations where their algorithms are designed to direct clients to invest into investment products managed by their head office or affiliates or which pay higher commissions.

Risk warning statement for overseas-listed investment products

42. FAs are allowed to pass clients’ orders concerning specified products other than OTC derivatives contracts (such as overseas-listed exchange-traded funds) to brokerage firms for execution. As such, it is important for FAs to highlight to clients that the level of protection afforded to them may differ for such overseas-listed investment products, which operate under a different regulatory regime. All FAs, whether they are digital advisers or conventional FAs, are required to furnish such a risk warning statement to their clients at the point of account opening when advising them on overseas-listed investment products. Similarly, brokerage firms are required to provide a risk warning statement to clients before allowing them to transact in any overseas-listed investment product for the first time. The risk warning statement is set out in Annexes 4 of FAA-N16 and SFA04-N12.

43. When advising on overseas-listed investment products, all FAs are required to properly assess the merits of the overseas listed investment products, as well as the client’s investment objectives, financial situation and particular needs. They are also required to ensure that they are not in violation of any applicable laws and regulations, including section 285(1) of the SFA which prohibits any person from making an offer of units in a CIS if the CIS has not been authorised or recognised for distribution in Singapore. In this regard, all FIs are prohibited from acting as principals or agents of foreign fund houses, if the CIS offered by these foreign fund houses are neither authorised nor recognized for distribution in Singapore. MAS considers an FI as acting as an agent of a foreign fund house when the former has a distribution arrangement with the latter.

Suitability of Advice

44. As set out under section 27 of the FAA, digital advisers operating as FAs must have a reasonable basis for recommending any investment product to a person who may reasonably be expected to rely on the recommendation.

45. Paragraph 11 of the FAA-N16 sets out the following information that digital advisers are required to take reasonable steps to collect and document to ensure that the recommendation takes into account a client's investment objectives, financial situation and particular needs:

- (a) the financial objectives of the client;
- (b) the risk tolerance of the client;
- (c) the employment status of the client;
- (d) the financial situation of the client, including assets, liabilities, cash flow and income;
- (e) the source and amount of the client's regular income;
- (f) the financial commitments of the client;
- (g) the current investment portfolio of the client, including any life policy;
- (h) whether the amount to be invested is a substantial portion of the client's assets; and
- (i) for any recommendation made in respect of life policies, the number of dependants of the client and the extent and duration of the financial support required for each of the dependants.

Exception to collecting full information under paragraph 11 of FAA-N16

46. MAS recognizes that the risk of clients being subject to undue influence or active solicitation on their investment amounts during a fully-automated advisory process is considerably lower compared to when they are dealing with conventional FAs. Clients who utilize the services of digital advisers are typically self-directed and have discretion on the amount they wish to invest. For the avoidance of doubt, fully-automated digital advisers refer to digital advisers with no human adviser intervention in the entire advisory process¹⁶. In view of the above, it is less crucial for fully-automated digital advisers to collect the information set out in limbs (c) to (i) of paragraph 11 of FAA-N16.

¹⁶ Elements of human interaction to assist with non-advisory related matters, such as IT or technical support, or clarifying with clients on inconsistencies in their responses to fact-find, etc. do not disqualify an adviser from being deemed a fully-automated digital adviser.

47. In view of the above, fully-automated digital advisers are not required to collect full information on a client’s financial circumstances as prescribed under paragraphs 11(c) to (i) of FAA-N16 (“FAA-N16 Exception”) provided that **all** of the following conditions are met:

- (a) the advice is fully-automated, with no human adviser intervention in the advisory process. Human interactions are limited to providing technical assistance to clients, such as assisting clients on IT-related issues or clarifying with clients on their responses when inconsistencies are noted;
- (b) there are in-built “knock-out” or threshold questions to effectively identify and eliminate unsuitable clients (e.g. clients who cannot afford to lose their principal investment sums);
- (c) there are controls in place to identify and follow up on inconsistent responses provided by clients;
- (d) a risk disclosure statement is provided to clients to alert them that the recommendation does not take into consideration their financial circumstances, at the point when the recommendations are provided to them; and
- (e) the advice is limited to CIS that are in substance EIPs.

48. The FAA-N16 Exception is provided for under paragraph 11A of FAA-N16. For the avoidance of doubt, digital advisers relying on the FAA-N16 Exception must still take reasonable steps to collect information on the client’s financial objectives and risk tolerance to satisfy themselves that the investment recommendation is suitable.

Assessing clients’ knowledge and experience

49. FIs are required to assess if a client possesses the relevant knowledge and experience to invest in Specified Investment Products (“SIPs”) through the Customer Knowledge Assessment (“CKA”) or Customer Account Review (“CAR”). The same applies to digital advisers, regardless of whether the client is self-directed or not. These requirements are set out in SFA04-N12 and FAA-N16 respectively.

50. As such, it is important for digital advisers to have the relevant framework to collect information from clients to enable them to conduct CAR or CKA assessments for product suitability. If self-directed clients are assessed not to have the knowledge and experience to invest in SIPs, digital advisers are required to appropriately warn them and/or offer to provide advice to them. MAS would ordinarily not expect to exempt digital advisers from complying with the CAR and CKA requirements, unless a digital adviser is able to satisfy

MAS that it has an alternative but equivalent framework that will achieve the same effect and policy objectives as the CAR and CKA requirements in substance.

Balanced scorecard (“BSC”) framework

51. The BSC framework is only applicable to FAs and representatives that provide recommendation or advice directly to clients. Digital advisers that operate without any representatives that provide recommendation or advice directly to clients, are not subject to the BSC requirements.

52. Persons who are appointed to design the FI’s algorithms or review the suitability of recommendations generated by the client-facing tools and who do not provide recommendations or advice directly to clients are also not be subject to the BSC requirements. Digital advisers can refer to the FAQs on the BSC Framework Requirements for further guidance.

Advertisements and Marketing

53. Digital advisers are reminded of their obligations to comply with the advertisement requirements set out under regulations 46 to 46AD of the SF(LCB)R and regulations 22 to 22D of the Financial Advisers Regulations. This includes abiding by the principle that advertisements are not false or misleading. Advertisements including disclosures should also be fair and balanced, as well as clear and eligible. In instances where, for example, digital advisers disclose projected returns, they should highlight the probability of losses so as to provide a fair and balanced view. If past performance is disclosed, digital advisers should highlight visibly in writing to clients that past performance is not necessarily indicative of future performance.

54. Digital advisers may advertise their financial advisory services generally. However, given that digital advisers need to give due consideration to a client’s investment objectives, financial situation and particular needs, where relevant, before recommending any model portfolio, digital advisers should not advertise specific model portfolios that they may recommend or provide on their digital platforms.

Licensing Considerations for Digital Advisers

Annex A

