

CONSULTATION PAPER

P015 - 2016

December 2016

Review of Competency Requirements for Representatives Conducting Regulated Activities under the Securities and Futures Act and Financial Advisers Act

MAS

Monetary Authority of Singapore

Contents

1. PREFACE.....	3
2. INTRODUCTION	4
3. ENHANCING CMFAS.....	5
4. CONTINUING PROFESSIONAL DEVELOPMENT	16
Annex A	18
Annex B	20
Annex C	21
Annex D.....	23
Annex E	26

1. PREFACE

1.1 In 2002, the Monetary Authority of Singapore (“MAS”) introduced minimum entry and examination requirements for appointed representatives under the Securities and Futures Act (“SFA”) and Financial Advisers Act (“FAA”) so that appointed representatives have the requisite competencies and skills before they are allowed to perform regulated activities.

1.2 Given changes in the regulatory landscape for the capital markets and financial advisory industries, MAS has conducted a review of the examination framework for appointed representatives under the SFA and FAA. MAS is now consulting on the proposed revisions to enhance the framework. Please refer to Annex A for the list of questions for public feedback.

1.3 MAS invites comments and feedback on the proposals.

Please note that all submissions received will be published and attributed to the respective respondents unless they expressly request MAS not to do so. As such, if respondents would like (i) their whole submission or part of it, or (ii) their identity, or both, to be kept confidential, please expressly state so in the submission to MAS. In addition, MAS reserves the right not to publish any submission received where MAS considers it not in the public interest to do so, such as where the submission appears to be libellous or offensive.

1.4 Please submit your written comments by 13 January 2017 to:

Capital Markets Intermediaries Department I
Monetary Authority of Singapore
10 Shenton Way, MAS Building
Singapore 079117

Fax: (65) 62203973

Email: cmfas@mas.gov.sg

1.5 Electronic submissions are encouraged. Please use this template ([link to consultation feedback submission document](#)) for your submission to ease our collation efforts.

2. INTRODUCTION

2.1 Financial advisers and capital markets intermediaries are expected to uphold high professional standards when dealing with customers. MAS expects representatives appointed by these financial institutions to be fit and proper and competent in providing financial services. In this regard, MAS has set out minimum competency standards for appointed representatives who conduct regulated activities under the SFA and FAA.

2.2 Currently, appointed representatives are required to meet minimum academic qualifications and pass the relevant modules under the Capital Markets and Financial Advisory Services Examination (“CMFAS”). In addition, MAS has specified Continuing Professional Development (“CPD”) training requirements for appointed representatives to ensure they keep abreast of evolving regulatory and market developments. These requirements are set out in Notice SFA 04-N09 and Notice FAA-N13 for appointed representatives under the SFA and FAA respectively.

2.3 MAS has reviewed the current framework given regulatory and market developments. In this review, MAS is guided by the following principles and considerations: (i) raising the competency of appointed representatives, (ii) building a culture of high ethical standards in the financial industry, and (iii) offering greater customisation and flexibility to appointed representatives to fulfil their competency requirements.

2.4 The proposals to enhance the CMFAS framework and CPD requirements are set out in Sections 3 and 4 of this paper.

3. ENHANCING CMFAS

3.1 CMFAS seeks to ensure that appointed representatives have a good understanding of the financial markets which they operate in and the products that they deal with. For each regulated activity under the SFA and FAA, appointed representatives have to pass relevant modules on rules and regulations, as well as product knowledge. The CMFAS modules are administered by the Institute of Banking and Finance (“IBF”) and the Singapore College of Insurance (“SCI”).

3.2 Over the years, IBF and SCI have raised the standards and rigour of CMFAS by enhancing the contents of the various modules to ensure these keep pace with industry developments. They have also refined the assessment approach of CMFAS by moving away from questions that test knowledge and comprehension, and placing greater emphasis on higher order questions that test the ability of appointed representatives to evaluate and apply their understanding of rules and products, and how they respond to different scenarios.

3.3 MAS has, in consultation with IBF and SCI, undertaken a fundamental review of the current CMFAS structure (see Annex B), and proposes several enhancements as set out in paragraphs 3.4 to 3.7. In this current round of revisions, IBF and SCI will also conduct further reviews to raise the standard and rigour of CMFAS. The proposed new CMFAS structure is set out in Annex C.

3.4 INTRODUCTION OF ETHICS AND SKILLS CONTENTS INTO RULES AND REGULATIONS MODULES

3.4.1 Currently, the CMFAS curriculum covers rules and regulations as well as product knowledge. To raise the professional standards of appointed representatives and better align the CMFAS framework with best practices in other leading jurisdictions, MAS proposes to introduce contents on ethics and skills.

3.4.2 MAS recognises the importance of promoting ethical behaviour among appointed representatives, and for appointed representatives to better understand the principles behind their regulatory obligations. The additional contents on ethics will test their understanding of ethical principles and response to situations where there may not be explicit rules but which nevertheless present potential conflicts of interest. This will reinforce the importance of ethics among appointed representatives and help them better appreciate the spirit, and not just the letter of the law, and guide them in their conduct of regulated activities.

3.4.3 In addition to product knowledge, appointed representatives should also acquire basic skills to perform their respective roles effectively. MAS recognises that many skills

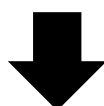
are learnt on the job, and it would be difficult to assess this in a paper-based examination setting alone. Nevertheless, the additional skills-related contents will equip appointed representatives with some understanding of core processes and skills, particularly with regard to regulatory obligations. For example, the FAA requires appointed representatives to have a reasonable basis for any recommendation made on an investment product, giving due consideration to a customer's investment objectives, financial situation and particular needs. In this regard, additional contents would be included where appointed representatives under the FAA will learn how to analyse information provided by the customer, and assess and recommend suitable products based on the information furnished by the customer.

3.4.4 Under the SFA, appointed representatives are required to comply with rules on handling of customer orders to safeguard the interests of their customers. In this regard, additional contents on best trade execution and fair dealing practices will be included to better prepare SFA appointed representatives for their duties to customers. Besides contents on meeting regulatory obligations, the skills-related contents will also cover the basic skills required to perform core processes, including how to execute the different types of customer orders.

3.4.5 The ethics and skills contents will be added to the current CMFAS modules on rules and regulations, to form a Rules, Ethics and Skills module ("RES module"). The RES modules will be role-based (i.e. tailored according to the job function of the appointed representatives, such as securities dealing and derivatives dealing) (see section 3.5). They will also allow appointed representatives to better appreciate the policy intent and principles behind their regulatory obligations, as well as acquire relevant skills to perform their roles effectively. Incorporating contents on ethics and skills into the RES modules as opposed to product knowledge modules, will also provide flexibility for appointed representatives to switch roles without having to re-take the same product knowledge module. For example, appointed representatives who are moving between roles in financial advisory and securities dealing would only need to take the corresponding RES module, and need not re-take the product knowledge modules which they are already qualified in, if they are advising on or dealing in the same products in their new role. The changes to the CMFAS curriculum and the list of RES modules are set out in Figure 1 and Table 1 below. Annex D sets out examples of the ethics and skills content for each role-based RES module.

Figure 1: Changes to the CMFAS curriculum

Current CMFAS modules



Revised CMFAS modules

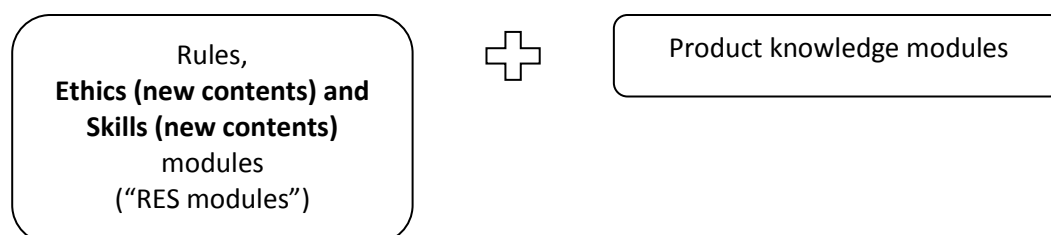


Table 1: List of RES modules which will replace the current Rules modules

Current Rules modules		Revised RES modules	
M1A	Rules and Regulations module for Dealing in Securities (SGX–ST Members)	RES1A ¹	RES module for securities dealers of SGX member companies
M1B	Rules and Regulations module for Dealing in Securities (Non-SGX–ST Members)	RES1B ¹	RES module for securities dealers of Non-SGX member companies
M2A ²	Rules and Regulations module for Trading in Futures Contracts (SGX- DT Members)	RES2A	RES module for derivatives dealers of Exchange member companies (i.e. SGX-DT and/or ICE Futures members)
		RES2B	RES module for derivatives dealers of Non-Exchange member companies
M3	Rules and Regulations module for Fund Management	RES3	RES module for fund managers
M4A	Rules and Regulations module for Advising on Corporate Finance	RES4	RES module for corporate finance advisers

¹ Appointed representatives who deal in derivatives which are traded on SGX, such as structured warrants, will take RES1A (for SGX member companies) or RES1B (for non-SGX member companies).

² Under the current CMFAS framework, M2B was discontinued following the cessation of Singapore Mercantile Exchange in 2014.

M4B ³	Rules and Regulations module for Advising on Corporate Finance (Solely Debt Securities)		
M5	Rules and Regulations module for Financial Advisory Services	RES5	RES module for financial advisers
M10	Rules and Regulations module for REIT Management, with Product Knowledge and Analysis	RES10	RES and product knowledge module for REIT managers

Question 1. MAS seeks views on the proposal to enhance CMFAS by introducing ethics and skills contents into the rules and regulations curriculum.

3.5 CUSTOMISATION OF CONTENTS FOR APPOINTED REPRESENTATIVES TO FOCUS ON JOB ROLES

3.5.1 Currently, appointed representatives are required to pass the relevant CMFAS module based on the type of regulated activities under the SFA and FAA which they will be conducting. Such an approach has the advantage of providing clarity on the type of CMFAS modules an appointed representative is required to take. For example, a Capital Markets Services (“CMS”) appointed representative who intends to conduct the SFA regulated activity of dealing in securities is required to pass M1A/B on securities dealing rules. Similarly, an FAA appointed representative is required to pass M5 on rules and regulations for financial advisory services. However, MAS has received feedback that certain groups of industry professionals, such as dealers, bank relationship managers or corporate finance advisers, whose roles involve more than one regulated activity, are required to pass more than one CMFAS module on rules and regulations.

3.5.2 In this regard, MAS notes that while an appointed representative may be conducting more than one regulated activity under the SFA or FAA, some of the additional regulated activities are undertaken to complement an appointed representative’s primary activity. For example, a securities dealer could be conducting financial advisory activities, such as providing execution-related advice on investment products⁴, to

³ M4B will be discontinued as the number of candidates taking the module has been very low in recent years.

⁴ Dealers who provide execution-related advice on listed Excluded Investment Products (EIPs) need not be notified as an FAA appointed representative and accordingly will be exempted from taking CMFAS examinations on financial advisory rules (M5). However, dealers who provide execution-related advice on

complement his primary securities dealing activity. In such a situation, the securities dealer is required to pass two different CMFAS rules and regulations modules, on securities dealing rules as well as the full suite of rules for providing financial advisory services. While some contents in the financial advisory services rules module, such as guidelines on conduct of business for execution-related advice, are relevant to the dealer, a significant amount of contents may not be applicable to him.⁵

3.5.3 To streamline the requirements and ensure that the CMFAS modules remain relevant to appointed representatives, MAS proposes to customise the contents of each RES module to the job requirements rather than by regulated activity. As such, if a job role requires an appointed representative to conduct additional regulated activities to complement his primary regulated activity, the relevant rules of the additional regulated activities will be incorporated into the RES module of the primary regulated activity, so that the appointed representatives need not take separate modules for each regulated activity.

3.5.4 Table 2 shows a list of job roles which encompass a primary regulated activity and other additional regulated activities which are complementary to the primary activity, so that appointed representatives have clarity on what modules they need to take.

Table 2

Current Rules Modules	Proposed RES Modules
1) Dealers whose primary role is to deal in securities/collective investment schemes but may also be providing execution-related advice⁶	
<ul style="list-style-type: none"> • M1A/1B (Dealing rules for SGX-ST members/ non-SGX-ST members); and • M5 (Financial advisory rules) 	<ul style="list-style-type: none"> • Required to take RES1A for securities dealer (exchange members)/ RES1B for Securities dealer (non-exchange members); • Not required to take RES5 for financial adviser as relevant content on execution-related advice will be

listed EIPs as well as other capital markets products such as specified investment products or non-listed EIPs will be subject to the applicable requirements under the FAA and therefore are required to pass M5.

⁵ For example, contents relating to the MAS Notice on Dual Currency Investments or MAS Notices 302 and 307 relating to Product Development and Pricing of Life Insurance Products as well as Investment-linked Insurance Policies.

⁶ "Execution-related advice" means advice provided by a person exempt from holding a financial adviser's licence under section 23(1)(a), (b) or (d) of the Act or any of its representatives which is solely incidental to the execution activities of such person and where no discrete fee is charged for the advice rendered. "Execution activities" means any or all of the following activities as defined in section 2(1) of the SFA:(a) dealing in securities (other than collective investment scheme) quoted on a securities exchange, overseas securities exchange or recognized market operator; and(b) trading in futures contracts.

	included in the RES module for securities dealer
2) Dealers whose primary role is to deal in derivative contracts but may also be providing execution-related advice	
<ul style="list-style-type: none"> • M2A (Dealing rules for SGX-DT members); and • M5 (Financial advisory rules) 	<ul style="list-style-type: none"> • Required to take RES2A for derivatives dealer (exchange members)/ RES2B for derivatives dealer (non-exchange members); • Not required to take RES5 for financial adviser as relevant content on execution-related advice will be included in the RES module for derivatives dealer
3) Corporate Finance Advisers conducting corporate finance activity and dealing in securities for the purpose of underwriting and placement of securities that are in relation to the corporate finance activities of the principal company	
<ul style="list-style-type: none"> • M4A/4B (Rules on Corporate Finance advisory); and • M1A/1B (Dealing rules for SGX-ST members/ non-SGX-ST members) 	<ul style="list-style-type: none"> • Required to take RES4 for corporate finance adviser; • Not required to take RES1A/ RES1B for securities dealer as relevant content on underwriting and placement of securities will be included in the RES module for corporate finance adviser
4) Financial advisers conducting financial advisory services but are notified for dealing in securities as they take and pass orders to dealers for execution	
<ul style="list-style-type: none"> • M5 (Financial advisory rules); and • M1A/1B (Dealing rules for SGX-ST members/ non-SGX-ST members); and/or • M2A (Dealing rules for SGX-DT members and non SGX-DT members) 	<ul style="list-style-type: none"> • Required to take RES5 for financial adviser; • Not required to take RES1A/RES1B or RES2A/RES2B for securities dealer or derivatives dealer as relevant content on dealing rules for taking and passing orders to dealers for execution will be included in the RES module for financial adviser

5) Fund managers who may be deemed to be providing financial advisory services when they provide customised information on investment fund products⁷

- | | |
|--|--|
| <ul style="list-style-type: none"> • M5 (Financial advisory rules); and • M3 (Rules and Regulations for Fund Management) | <ul style="list-style-type: none"> • Required to take RES3 for fund manager; • Not required to take RES5 for financial adviser as relevant content on engaging and providing financial advice to end investors will be included in the RES module for fund manager |
|--|--|

Question 2. MAS seeks views and suggestions on:

- (i) The proposal to customise the RES module according to a representative’s job role; and
- (ii) Whether there are representatives, other those identified in Table 2, who are required to pass more than one rules and regulations module under the current CMFAS framework, and should have a customised RES module given that a significant proportion of the representative’s job scope is related to just one primary regulated activity?

3.6 STREAMLINING OF SECURITIES AND DERIVATIVES EXCHANGE RULES CONTENTS

3.6.1 Under the current CMFAS framework, appointed representatives who are dealing in securities or derivatives for principal companies which are members of exchanges (“exchange member firms”), are required to take CMFAS rules modules which comprise rules governed by both the MAS and Singapore Exchange (“SGX”), in particular, CMFAS M1A (Securities dealing rules for SGX-ST members) or M2A (Futures trading rules for SGX-DT members). Appointed representatives of non-exchange member firms can take a more limited scope CMFAS M1B (Securities dealing rules for non-SGX-ST members) which does not cover exchange-related contents.

3.6.2 MAS proposes two key changes to streamline exchange-related contents. First, MAS proposes to offer two add-on modules, which cover only securities exchange-related and derivatives exchange-related contents. In this regard, an appointed representative who moves from a non-exchange member firm to an exchange member firm, can have

⁷ The provision of factual information on investment products managed by a fund manager or its related companies is not considered to be a financial advisory activity. Fund managers who manage funds only for accredited or institutional investors are not required to take any CMFAS modules.

the option to take the add-on modules and need not repeat contents applicable to non-exchange members, for which he had previously been assessed on.

3.6.3 Second, to provide appointed representatives with the flexibility to trade on different exchanges without taking additional examinations, MAS proposes that the exchange-related contents in the CMFAS curriculum be principle-based so that an appointed representative who conducts the same regulated activity but trades on a number of exchanges would only be required to pass a single examination. To this end, the proposed RES2A will replace the existing M2A by incorporating the common exchange rules content of the current derivatives exchanges in Singapore, namely ICE Futures Singapore and SGX-Derivatives Trading. These exchange rules may cover common regulatory requirements relating to business operations such as proper margining and record keeping practices, and prohibited activities such as front running.

Question 3. MAS seeks views on the proposals to:

- (i) Introduce add-on modules which cover securities exchange-related and derivatives exchange-related contents only; and
- (ii) Assess appointed representatives on common, principle-based exchange rules so that appointed representatives who trade on multiple exchanges are only required to pass a single RES module on exchange-related content.

3.7 REDESIGNING OF PRODUCT KNOWLEDGE MODULES

3.7.1 The current CMFAS structure offers six product knowledge modules, namely M6 (Securities Products and Analysis), M6A (Securities and Futures Product Knowledge), M8 (Collective Investment Schemes), M8A (Collective Investment Schemes II), M9 (Life Insurance and Investment-linked Policies) and M9A (Life Insurance and Investment-linked Policies II). Appointed representatives are required to take the relevant product knowledge modules based on the type of regulated activity they will be conducting and the products they will be dealing in. Appointed representatives who conduct more than one regulated activity or wish to deal in more than one category of products have to take more than one module.

Changes in relation to Proposed Amendments to SFA

3.7.2 In 2015, MAS proposed to expand the scope of the SFA to regulate over-the-counter (“OTC”) derivatives contracts and to introduce other amendments to the SFA⁸ as

⁸ The consultation paper on these amendments and the response to feedback received on the consultation paper can be found at the following link:
<http://www.mas.gov.sg/News-and-Publications/Consultation-Paper/2015/Consultation-Paper-on-Proposed-Amendments-to-the-SFA.aspx>

part of a comprehensive review to ensure that the SFA remains current, in view of market and international developments.

3.7.3 Under the proposed amendments to the SFA, the definition of “derivatives contract”⁹ and “securities”¹⁰ will be revised. Accordingly, the current regulated activities of “dealing in securities”, “trading in futures contracts” and “leveraged foreign exchange trading”, plus the new activity of “dealing in OTC derivatives contracts”, will be collapsed under a new regulated activity called “dealing in capital markets products” in respect of the following classes of capital markets products : i) Securities; ii) CIS; iii) Exchange-traded derivatives contracts; iv) OTC derivatives contracts; and v) Spot Foreign Exchange (FX) contracts for the purposes of leveraged FX trading.

3.7.4 In line with the proposed SFA amendments, the CMFAS product knowledge module M6A which currently covers futures and other securities-based derivatives contracts (such as equity options, structured notes and structured funds) will be revised to include new contents on commodity, credit, FX and rate-based derivatives contracts. Appointed representatives dealing in capital markets products in respect of exchange-traded derivatives contracts and/or OTC derivatives contracts will be required to take the revised M6A under the new regime.

3.7.5 Currently, M6 includes contents on both securities and CIS, in view that the existing definition of “securities” includes CIS and that trading representatives may trade in CIS (such as exchange-traded funds and real estate investment funds) besides equities.¹¹ Going forward, while CIS will no longer fall within the revised definition of “securities”, MAS proposes to retain CIS contents in M6 so that trading representatives who deal in both securities (as re-defined) and CIS can continue to take a single M6 module. Further, the CIS contents in M6 will be made comparable to M8 so that appointed representatives who are dealing or advising in both securities and CIS can take a single M6 module, which covers the CIS contents in M8. Please refer to Table 3 below

⁹ MAS proposed to introduce a principles-based definition of “derivatives contract”, with two main elements (a) the discharge of obligations at some future time by a party to the contract; and (b) the value of such obligations are determined with reference to any underlying asset (i.e. equity, interest rate, foreign exchange, credit or commodity). Such an approach would provide flexibility for MAS to regulate OTC derivatives which may evolve in complexity and structure.

¹⁰ The current definition of “securities” in the SFA follows a list-based approach i.e. shares, debentures, CIS, and certain derivatives of these products. As securities-based derivatives will come under the proposed new definition of “derivatives contract”, MAS proposed to simplify the definition of “securities” to conform to a simple understanding of “securities”, comprising solely of either equity or debt instruments. CIS will no longer fall within the definition of “securities” and will be defined separately. In addition, “marketing of CIS” which is currently an activity regulated under the FAA will be removed as “marketing of CIS” may be regarded as a sub-set of “dealing in CIS” under the SFA.

¹¹ Financial advisory representatives offering CIS would take M8 and M8A (if dealing with specified investment products).

for a comparison of the product knowledge module requirement before and after the proposed SFA amendments.

Table 3: Comparison of product knowledge module requirement before and after the proposed SFA amendments

Before Proposed SFA amendments		Products	After Proposed SFA amendments	
Current CMFAS Modules	Regulated activities under the SFA for appointed representatives dealing in the respective products		Regulated activities under the SFA for appointed representatives dealing in the respective products	Revised CMFAS Modules
M6	Dealing in Securities	Shares, debentures, units in a business trust	Dealing in Capital Markets Products (CMP) in respect of Securities	M6
		CIS	Dealing in CMP in respect of CIS	M6 or M8
M6A	Dealing in Securities	Securities-based derivatives traded OTC	Dealing in CMP in respect of OTC Derivatives Contracts	M6A
		Non-futures securities-based derivatives traded on exchange	Dealing in CMP in respect of Exchange-traded Derivatives Contracts	M6A
M6A	Trading in Futures Contracts	Futures		
Not applicable	Not applicable	Exchange-traded derivatives contracts other than securities-based (commodity, credit, rate, FX*) and futures contracts *FX Derivatives not traded on margin	Dealing in CMP in respect of Exchange-traded Derivatives Contracts	M6A
M6A	Leveraged FX trading	FX derivatives traded on margin	Dealing in CMP in respect of OTC Derivatives Contracts	M6A
		Spot FX traded on margin	Dealing in CMP in respect of Spot FX for the purpose of leveraged FX trading	M6A

Combined Product Modules

3.7.6 To provide greater flexibility, MAS proposes to introduce four additional modules, which are a combination of the existing product knowledge modules:

Table 4: Combined Product Modules

	Contents	To be named as
(a)	Collective Investment Schemes (“M8 + M8A”)	CM-CIS
(b)	Life Insurance and Investment-linked Policies (“M9 + M9A”)	CM-LIP
(c)	Life Insurance, Investment-linked Policies & Collective Investment Schemes (“M8 + M8A + M9 + M9A”)	CM-LIC
(d)	Securities, Collective Investment Schemes, Derivatives, Collective Investment Schemes (SIP) & Foreign Exchange (“M6+ M6A”)	CM-CMP

3.7.7 Appointed representatives who wish to deal in multiple products have the option to take the relevant combined modules, sit for fewer examinations and potentially complete their CMFAS requirements in a shorter period of time. For instance, an appointed representative conducting financial advisory services under the FAA would only need to take one single module (CM-LIC) to offer the full range of CIS, life insurance and investment-linked insurance policies to his customers, instead of four separate modules (i.e. M8, M8A, M9, M9A) currently. Similarly, a bank relationship manager who intends to deal in all classes of capital market products can take a single module (CM-CMP). This however, does not mean that taking the combined modules would be easier than taking the underlying modules separately. MAS will be working with IBF and SCI to ensure that the standard of the combined modules will be as rigorous as the individual modules. Introducing the combined modules also encourages more broad-based learning as appointed representatives can learn about other products, and provide more product options to customers.

3.7.8 Notwithstanding the offering of new combined product knowledge modules, MAS intends to retain the current single product knowledge modules so that the framework remains flexible in allowing appointed representatives who wish to target a niche market or do not wish to deal in complex or multiple products, to continue taking the single product knowledge modules. Annex E shows the current and proposed CMFAS product knowledge modules.

Question 4. MAS seeks views on the proposals to introduce four new combined product knowledge modules which cover a wider range of investment products, to allow appointed representatives the option to complete the CMFAS product knowledge examinations in fewer sittings.

3.8 APPLICABILITY OF THE REVISED CMFAS FRAMEWORK

3.8.1 MAS proposes to implement the revised CMFAS requirements when the proposed amendments to the SFA take effect. Only new entrants i.e. representatives appointed after the date of implementation of the revised framework will be subject to the revised CMFAS requirements. For existing appointed representatives, they will only need to take the revised CMFAS if they undertake new or additional regulated activities¹², or if there is a change in the scope of their regulated activities arising from the SFA amendments. For individuals who are already dealing in or advising on OTC derivative products before such activities fall within the regulatory ambit under the revised SFA, these individuals will be grandfathered and exempted from the revised CMFAS requirements.¹³

Question 5. MAS seeks views to grandfather all existing appointed representatives, and individuals dealing in or advising on OTC derivative contracts, from the revised CMFAS, as set out in paragraph 3.8.1.

4. CONTINUING PROFESSIONAL DEVELOPMENT

4.1 Currently, FAA appointed representatives are required to undergo 30 hours of mandatory structured CPD training annually.¹⁴ Out of the 30 hours, 4 hours of training must be on ethics and 8 hours on rules and regulations. In contrast, there is no mandatory CPD requirement imposed on CMS appointed representatives.

4.2 MAS is of the view that a more structured CPD training framework is necessary to ensure consistency in the quality of CPD training received by CMS appointed representatives. In this regard, MAS proposes to align the CPD training requirement for CMS appointed representatives with that for FAA appointed representatives i.e. CMS

¹² For example, if a grandfathered representative changes job from being a trading representative in a brokerage firm (i.e. conducting the primary regulated activity of dealing in securities and providing execution-related advice) to a relationship manager in a bank (i.e. conducting the primary regulated activity of providing financial advisory services and the additional regulated activity of dealing in securities), the individual would be considered as a new entrant to the financial advisory industry and would be required to take the RES Module for financial advisory representatives, and the applicable product knowledge modules which have not been fulfilled previously.

¹³ The grandfathering arrangement for CMFAS exams was previously consulted on under the “Policy Consultation on Regulatory Framework for Intermediaries Dealing in OTC Derivative Contracts, Execution-Related Advice and Marketing of Collective Investment Schemes”. The policy consultation paper is in the following link:

<http://www.mas.gov.sg/~media/MAS/News%20and%20Publications/Consultation%20Papers/Consultation%20Paper%20on%20Regulatory%20Framework%20for%20OTC%20Intermediaries%20ERA%20and%20Marketing%20of%20CIS%203%20Jun%2015.pdf>

¹⁴ Representatives who only advise on or arrange mortgage reducing term assurance policies and/or group term life insurance policies, are subject to 16 hours of structured CPD training annually.

appointed representatives will also have to undergo 30 hours of CPD training, with 4 hours on ethics and 8 hours on rules and regulations. Appointed representatives who conduct both SFA and FAA activities will however, not be required to take on additional hours of CPD training beyond the 30-hour requirement, which can be met with a combination of SFA and FAA training. MAS recognises the diverse nature of the CMS industry which comprises various sectors, and will provide sufficient time for CMS appointed representatives to move towards 30 hours of CPD training.

Question 6. MAS seeks views and suggestions on the following:

- (i) Proposal to align the CPD training requirement for CMS appointed representatives with FAA appointed representatives ;
- (ii) Proposal not to require appointed representatives who conduct both SFA and FAA activities to take on additional CPD training hours beyond the 30-hour requirement; and
- (iii) What is a reasonable timeline for implementing CPD requirements for CMS appointed representatives?

Annex A

LIST OF QUESTIONS

Question 1. MAS seeks views on the proposal to enhance CMFAS by introducing ethics and skills contents into the rules and regulations curriculum.8

Question 2. MAS seeks views and suggestions on:11

(i) The proposal to customise the RES module according to a representative's job role; and

(ii) Whether there are representatives, other those identified in Table 2, who are required to pass more than one rules and regulations module under the current CMFAS framework, and should have a customised RES module given that a significant proportion of the representative's job scope is related to just one primary regulated activity?

Question 3. MAS seeks views on the proposals to:12

(i) Introduce add-on modules which cover securities exchange-related and derivatives exchange-related contents only; and

(ii) Assess appointed representatives on common, principle-based exchange rules so that appointed representatives who trade on multiple exchanges are only required to pass a single RES module on exchange-related content.

Question 4. MAS seeks views on the proposals to introduce four new combined product knowledge modules which cover a wider range of investment products, to allow appointed representatives the option to complete the CMFAS product knowledge examinations in fewer sittings.15

Question 5. MAS seeks views to grandfather all existing appointed representatives, and individuals dealing in or advising on OTC derivative contracts, from the revised CMFAS, as set out in paragraph 3.8.1.16

Question 6. MAS seeks views and suggestions on the following:17

(i) Proposal to align the CPD training requirement for CMS appointed representatives with FAA appointed representatives ;

(ii) Proposal not to require appointed representatives who conduct both SFA and FAA activities to take on additional CPD training hours beyond the 30-hour requirement; and

(iii) What is a reasonable timeline for implementing CPD requirements for CMS appointed representatives?

Annex B

CURRENT CMFAS STRUCTURE

		Rules & Regulations modules								Product Knowledge modules					
		1A	1B	2A	3	4A	4B	10	5	6	6A*	8	8A*	9	9A*
SFA Activities	Dealing in Securities (SGX-ST members)	√								√	√				
	Dealing in Securities (Non SGX-ST members)	√ (either)								√	√				
	Trading in Futures Contracts (DT/non-DT members)			√							√				
	Fund Management				√					√					
	REIT Management							√							
	Advising on Corporate Finance					√									
	Advising on Corporate Finance – Solely Debt Securities						√								
	Leveraged Foreign Exchange Trading	√ (either)									√				
FAA Activities	Advising on Securities [(excluding collective investment schemes (CIS))]							√	√	√					
	Advising on Futures Contracts							√		√					
	Advising on Foreign Exchange Trading							√		√					
	Advising on / Marketing of CIS							√			√	√			
	Advising on/ Arranging of Life Policies							√					√	√	

(*These are Specified Investment Product related product knowledge modules)

Annex C

REVISED CMFAS STRUCTURE

SFA Activities	RES Module									Applicable Product Knowledge modules (Note: Representatives have the option to take either the single product knowledge module or combined product knowledge module)								Add-On Exchange Modules		
	1A	1B	2A	2B	3	4	5	10	6	6A	8	8A	9	9A	CM-CMP	CM-CIS	CM-LIP	CM-LIC	Securities Exchange	Derivatives Exchange
Dealing in Securities	√(either)								√						√				√	
Dealing in Exchange Traded Derivatives			√(either)							√					√					√
Dealing in OTC Derivatives			√(either)							√					√					
Dealing in CIS	√(either)								√		√	√ (if dealing in CIS that are SIPs)			√	√				
Dealing in Spot FX for the purposes of leveraged FX trading			√(either)							√					√					
Fund Management					√				√						√					

	REIT Management							√														
	Advising on Corporate Finance						√															
FAA Activities	Advising on Securities						√		√						√							
	Advising on CIS						√		√		√	√ (if advising on CIS that are SIPs)			√	√			√			
	Advising on Exchange Traded Derivatives						√			√					√							
	Advising on OTC Derivatives						√			√					√							
	Advising on Spot FX for the purposes of leveraged FX trading						√			√					√							
	Advising on/ Arranging of Life Policies							√							√	√				√		

Annex D

Examples of Ethics and Skills contents for each RES Module

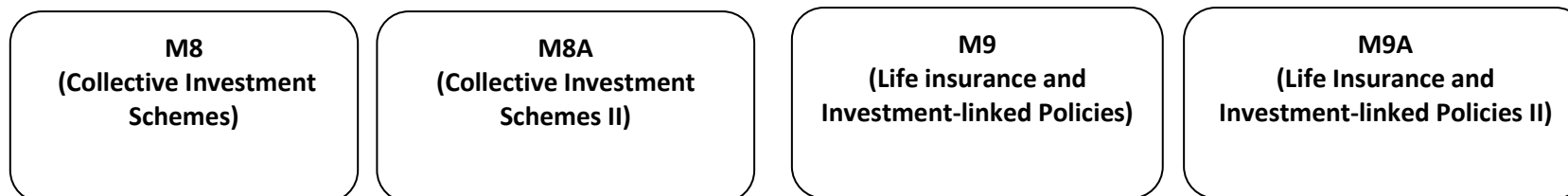
Module 1A/1B/2A (for appointed representatives performing broker-dealer activities)	
Ethics	Skills
<ul style="list-style-type: none"> • Definition and importance of ethics • Ethical framework, identifying ethical dilemmas and how to resolve them • Honesty and fairness in representation to customers • Duties to employers (eg. soliciting former employers' customers) • Duties to customers (eg. exercise care, diligence, fair dealing) • Preservation of confidential information • Independence and objectivity misrepresentation • Disclosure of conflicts of interests • Separation of customer and proprietary trading • Responsibilities of supervisors • Best trade execution practices 	<ul style="list-style-type: none"> • Acquire customers and perform acceptance review • Understand trade execution strategies, order types and limits, trading costs • Execute customers' trades and orders • Service customers' accounts (eg. updating customer's account information, providing periodic updates to customers on their holdings)
Module 3 (for appointed representatives performing fund management activity)	
Ethics	Skills
<ul style="list-style-type: none"> • Definition and importance of ethics • Ethical framework, identifying ethical dilemmas and how to resolve them • Independence and objectivity, misrepresentation • Honesty and fairness in representation to customers • Duties to customers (eg. exercise prudence and care, Fair Dealing, Suitability and performance presentation) • Duties to employers (eg. additional compensation arrangements) 	<ul style="list-style-type: none"> • Understand customers' return, risk tolerance and constraints • Customer profiling (eg. Investment Policy Statement) • Investment manager selection (qualities of a good fund manager) • Market funds and CIS • Execute trades (eg. order types, trading costs) • Review portfolio performance and portfolio monitoring

<ul style="list-style-type: none"> • Ethical issues pertaining to investment analysis, recommendation, customer due diligence, reasonable basis, communication with current and prospective customers • Preservation of confidential information • Disclosure of conflicts of interests • Responsibilities of supervisors • Best execution and priority of transactions 	
Module 4 (for appointed representatives performing corporate finance activity)	
Ethics	Skills
<ul style="list-style-type: none"> • Definition and importance of ethics • Ethical framework, identifying ethical dilemmas and how to resolve them • Independence and objectivity (eg. sell side firms may exert pressure on research analysts) • Duties to customers (loyalty, prudence, care, fair dealing, preservation of confidential information) • Ethical issues arising during due diligence • Responsibilities of supervisors • Disclosure of conflicts of interest 	<ul style="list-style-type: none"> • Conduct pre-planning for Merger and Acquisition (M&A), corporate restructuring, equity capital markets fund raising • Execute M&A, corporate restructure and equity market transactions • Conduct customer due diligence, evaluation, advice, structure, price assessment, organisation of road shows • Manage post deal activities • Acquire and apply corporate finance industry knowledge
Module 5 (for appointed representatives performing financial advisory services)	
Ethics	Skills
<ul style="list-style-type: none"> • General ethical principles • Guidelines on professionalism • Ethical and unethical practices (eg. unethical practices, conduct of agents related to CPF schemes) • Benefits of ethical behaviour 	<ul style="list-style-type: none"> • Develop customer - representative relationship • Conduct fact-finding • Analyse and evaluate financial status • Develop appropriate strategies and solutions • Presentation of analysis and solutions to customers

<ul style="list-style-type: none"> • Responsibilities of professionals • Conflicts of interest • Fair Dealing principles • Financial product marketing practices (eg. Sales presentation, full disclosure, use of illustrations, steps in ethically sound sales process, inappropriate replacement of policies, giving rebates) 	<ul style="list-style-type: none"> • Conduct on-going services including review of customer's portfolio • Apply basic time value of money concepts
Module 10 (for appointed representatives performing real estate industry trust activity)	
Ethics	Skills
<ul style="list-style-type: none"> • Definition and importance of ethics • Ethical framework, identifying ethical dilemmas and how to resolve them • Duties to employers (eg. soliciting former employers' customers) • Duties to customers (eg. Loyalty, Prudence, Care, Confidentiality, additional compensation arrangements) • Disclosure of conflicts of interest 	<ul style="list-style-type: none"> • Conduct real estate investment analysis • Understand the factors affecting Initial Public Offer pricing • Conduct valuation benchmarking on similar property types

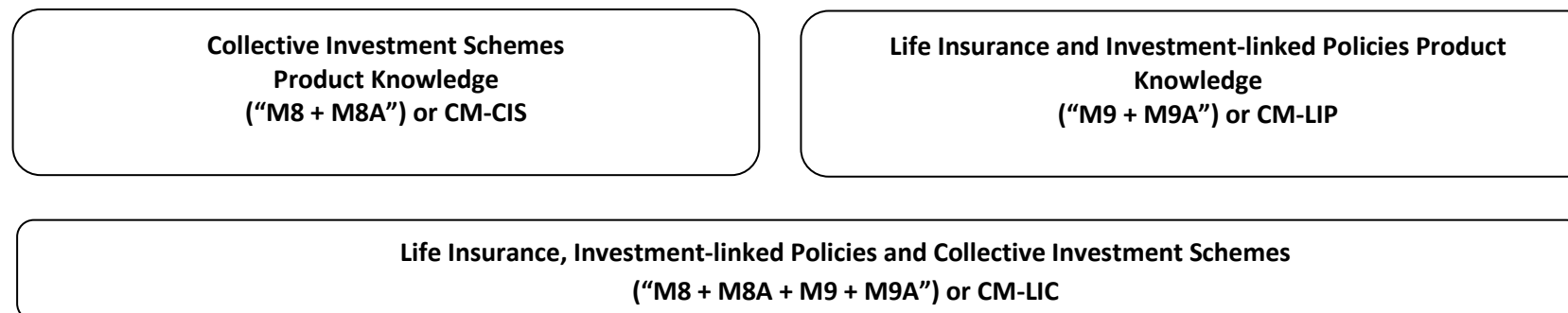
CURRENT AND PROPOSED PRODUCT KNOWLEDGE MODULES

Current product knowledge modules offered by SCI



Note: There will be no change to the contents of the 4 existing product knowledge modules (above).

Proposed additional product knowledge combined modules to be offered by SCI



Current product knowledge modules offered by IBF

M6
(Securities Products and Analysis)
Note: M6 will be renamed as “Securities and CIS Product knowledge”

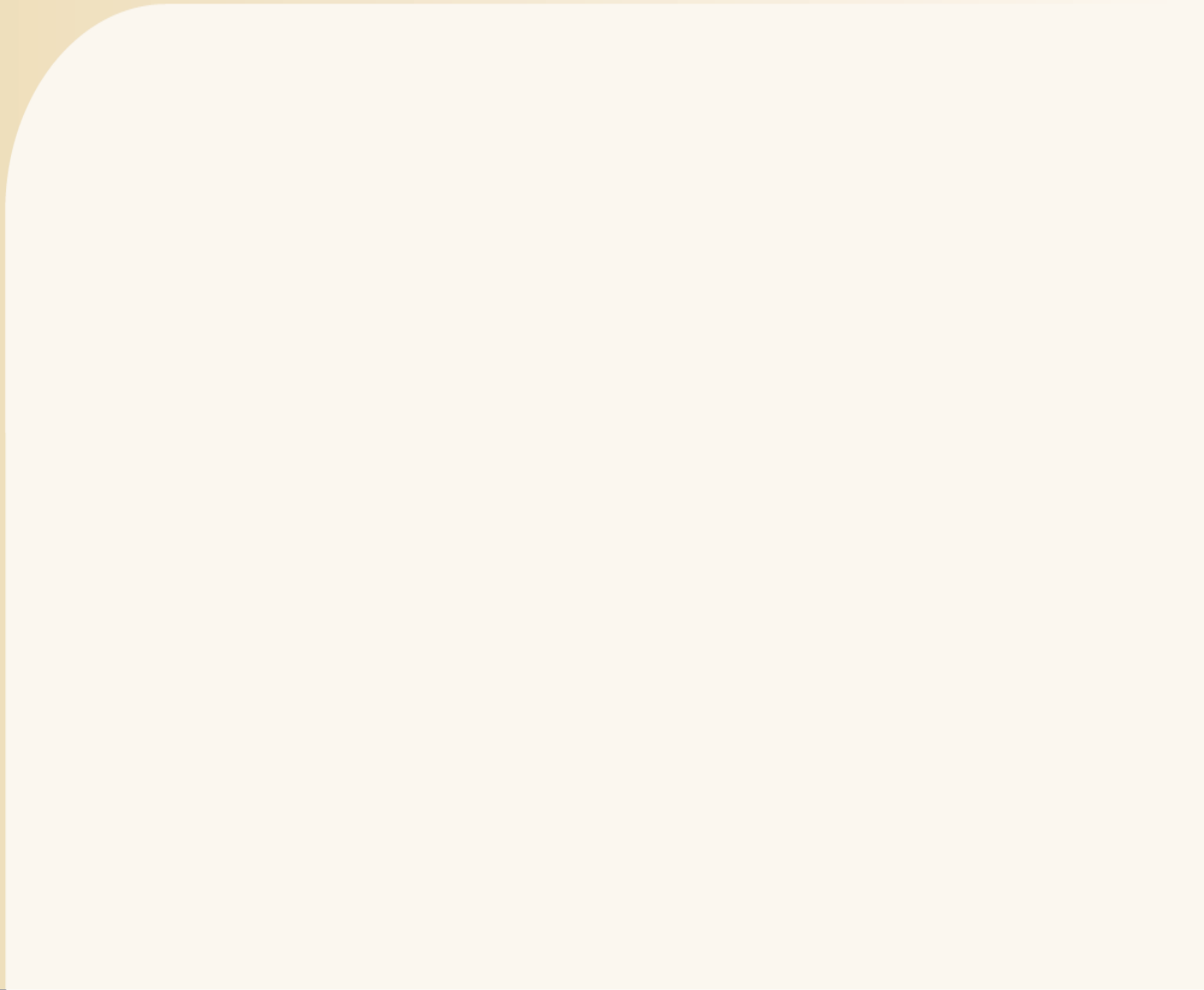
M6A
(Securities and Futures Product knowledge)
Note: M6A will be renamed as “Derivatives, CIS (SIP) and FX Product knowledge”

Note:

- i) As Collective Investment Schemes (CIS) are currently known as Securities, M6 also covers CIS contents. As the CIS contents will be retained in M6 and will be made comparable to M8, M6 will be renamed as “Securities and CIS Product knowledge”.
- ii) As M6A currently has contents on Structured Funds, the Structured Funds contents will be made comparable to M8A so that appointed representatives who are dealing in or advising on both derivative contracts and CIS (Specified Investment Products), can take a single M6A examination. M6A will be enhanced with new derivatives content and will be renamed as “Derivatives, CIS (SIP) and FX Product knowledge”.

Proposed additional product knowledge combined modules to be offered by IBF

Securities, Collective Investment Schemes, Derivatives, Collective Investment Schemes (SIP) & Foreign Exchange (“M6+ M6A”) or CM-CMP



Monetary Authority of Singapore