

Monetary Authority of Singapore

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

**GUIDELINES ON CRITERIA FOR THE GRANT OF A
FINANCIAL ADVISER'S LICENCE**

Guideline No : FAA-G01
Issue Date : 1 October 2002 (Last revised on 26 November 2010)

GUIDELINES ON CRITERIA FOR THE GRANT OF A FINANCIAL ADVISER'S LICENCE

Purpose of the Guidelines on Criteria for the Grant of a Financial Adviser's Licence ["these Guidelines"]

1 These Guidelines are issued pursuant to section 64 of the Financial Advisers Act (Cap. 110) ["the Act"]. They are intended to provide guidance on the licensing admission criteria for persons applying for a financial adviser's licence under the Act.

[Amended on 26 November 2010]

2 These Guidelines should be read in conjunction with the provisions of the Act, subsidiary legislation made under the Act, as well as written directions, notices, codes and other guidelines that the Monetary Authority of Singapore ["the Authority"] may issue from time to time.

[Amended on 1 July 2005]

3 The Authority will update these Guidelines periodically to provide further guidance to applicants.

Definitions

4 For the purposes of these Guidelines:

"appointed representative" has the same meaning as in section 2(1) of the Act;

[Amended on 26 November 2010]

"collective investment scheme" has the same meaning as in section 2(1) of the Securities and Futures Act (Cap. 289);

"connected person" has the same meaning as section 2(1) of the Act;

[Amended on 1 July 2005]

“financial adviser’s licence” has the same meaning as in section 2(1) of the Act;

[Amended on 1 July 2005]

“financial advisory service” has the same meaning as in section 2(1) of the Act;

[Amended on 1 July 2005]

“foreign company” has the same meaning as in section 4(1) of the Companies Act (Cap. 50);

“investment product” has the same meaning as in section 2(1) of the Act;

“net head office funds”, in relation to a foreign company, has the same meaning as in regulation 2(1) of the Financial Advisers Regulations (Rg. 2);

[Amended on 26 November 2010]

“paid-up capital” means ordinary shares and non-redeemable preference shares that have been fully paid for; and

“representative” has the same meaning as in section 2(1) of the Act.

[Amended on 26 November 2010]

4A The expressions used in these Guidelines, shall, except where expressly defined in these Guidelines, or where the context otherwise requires, have the meanings as in the Act.

[Amended on 26 November 2009]

Who needs to apply for a financial adviser’s licence?

5 Corporations which carry on a business of providing any financial advisory service are required to hold a financial adviser’s licence under the Act unless they are exempt under section 23 of the Act. Individuals who are employed by or acting for a corporation which is licensed or exempt under sections 23(1)(a) to (e) of the Act to provide any financial advisory service are required to be an appointed or provisional representative under the Act.

[Amended on 26 November 2010]

6 The financial advisory services specified in the Second Schedule to the Act are as follows:

- (a) Advising others, either directly or through publications or writings, whether in electronic, print or other form, concerning any investment product, other than —
 - (i) in the manner set out in paragraph (b); or
 - (ii) advising on corporate finance within the meaning of the Securities and Futures Act;
[Amended on 1 July 2005]
- (b) Advising others by issuing or promulgating research analyses or research reports, whether in electronic, print or other form, concerning any investment product;
[Amended on 1 July 2005]
- (c) Marketing of any collective investment scheme; and
- (d) Arranging of any contract of insurance in respect of life policies, other than a contract of reinsurance.

Criteria for grant of a financial adviser's licence

7 A financial adviser's licence will only be granted to a corporation. A corporation applying for a financial adviser's licence is required to establish a physical presence in Singapore. In assessing an application for a financial adviser's licence, the Authority takes into consideration the following factors:

Chief Executive Officer, Directors and Representatives of the Applicant

- (i) whether the applicant employs or appoints at least 2 full time individuals as appointed representatives¹ for the provision of

¹ An appointed representative has to satisfy the following minimum entry requirements:

- (a) be at least 21 years old;
- (b) satisfy the minimum academic qualification and examination requirements as prescribed in the Notice on Minimum Entry and Examination Requirements for Representatives of Licensed Financial Advisers and Exempt Financial Advisers [Notice FAA-N13];
- (c) satisfy the fit and proper criteria set out in the Guidelines on Fit and Proper Criteria issued by the Authority [Guidelines FSG-G01]; and
- (d) any other criteria stipulated by the Authority.

financial advisory services which the corporation is seeking to be licensed to provide .

[Amended on 9 June 2009]

[Amended on 26 November 2010]

- (ii) whether the Chief Executive Officer [“CEO”]² and all Executive Directors [“EDs”] have a minimum of 5 years of relevant working experience in respect of the financial advisory services that the corporation is seeking to be licensed, with at least 3 years in a managerial capacity and whether such persons also have acceptable academic qualifications or professional qualifications.
- (iii) whether the applicant’s board of directors comprise a minimum of 2 members, with at least one of whom is resident in Singapore.
- (iv) whether the CEO of the applicant is resident in Singapore.
- (v) whether the CEO or EDs are placed in a position of conflict of interest.

[Amended on 26 November 2010]

8. An applicant for a financial adviser’s licence must also meet the following requirements:

8.1 Minimum financial requirements

- (a) Paid-up capital of \$150,000³

In the case of an applicant which carries on a business of providing any or all of the following financial advisory services:

- (i) advising others in the manner specified in paragraph 6(a) concerning investment products other than futures contracts, contracts or arrangements for the purposes of foreign exchange trading and contracts or arrangements for the purposes of leveraged foreign exchange trading;

[Amended on 1 July 2005]

² As defined in section 56 of the FAA. The duties of the chief executive officer and directors are spelt out in regulation 14 of the Financial Advisers Regulations.

[Amended on 26 November 2010]

³ Net Head Office Funds of the same amount in the case of a foreign company.

- (ii) advising others in the manner specified in paragraph 6(b) concerning investment products, other than futures contracts, contracts or arrangements for the purposes of foreign exchange trading and contracts or arrangements for the purposes of leveraged foreign exchange trading;

[Amended on 1 July 2005]

- (iii) marketing of collective investment schemes;
- (iv) arranging of contracts of insurance in respect of life policies, other than contracts of reinsurance.

(b) Paid-up capital of \$300,000⁴

In the case of an applicant which carries on a business of providing any or all of the following financial advisory services:

- (i) advising others in the manner specified in paragraph 6(a) concerning futures contracts, contracts or arrangements for the purposes of foreign exchange trading, or contracts or arrangements for the purposes of leveraged foreign exchange trading;

[Amended on 1 July 2005]

- (ii) advising others in the manner specified in paragraph 6(b) concerning futures contracts, contracts or arrangements for the purposes of foreign exchange trading, or contracts or arrangements for the purposes of leveraged foreign exchange trading.

[Amended on 1 July 2005]

(c) Paid-up capital of \$300,000⁵

In the case of an applicant which carries on a business of providing a combination of the financial advisory services referred to in sub-paragraphs (a) and (b) above.

[Amended on 1 July 2005]

⁴ See footnote 3 above.

⁵ See footnote 3 above.

The above financial requirements are spelt out in regulation 15 of the Financial Advisers Regulations [“FAR”].

8.2 Professional Indemnity Insurance

An applicant must have in force a standalone non-hybrid professional indemnity insurance policy [“PII”] under which the limit of indemnity covered should be an amount of not less than \$500,000 and under which the deductible allowed must not be more than 20% of the applicant's net asset value⁶ at the end of its immediately preceding financial year. This requirement is stipulated in regulation 17 of the FAR. MAS may also consider the following alternative forms of PII, as long as the applicant has assessed that such a PII does not undermine the interest of investors, subject to the fulfilment of conditions specified for each type of PII:

Type of PII	Conditions to be Satisfied
Group PII	<ul style="list-style-type: none"> • Minimum coverage has to be at least 5 times the required quantum under a standalone non-hybrid PII. • If the deductible of the Group PII is greater than 20% of the applicant's net asset value / net head office funds at the end of its immediately preceding financial year, an undertaking from the applicant's parent company to cover the excess in the event of a claim would be required.
Hybrid PII ⁷	<ul style="list-style-type: none"> • Sub-limits have to be set for the non-PII sections of the hybrid PII. • Total coverage under the hybrid PII less the sub-limits for the non-PII sections has to be at least equivalent to the required quantum under a standalone non-hybrid PII.
Group Hybrid PII	<ul style="list-style-type: none"> • Sub-limits have to be set for the non-PII sections of the Group hybrid PII. • Total coverage of the Group hybrid PII less the sub-limits for the non-PII sections has to be at least 5 times the required quantum under a

⁶ Net Head Office Funds in the case of a foreign company.

⁷ A hybrid PII is a PII policy which offers coverage on PII as well as other risks, such as crime and directors and officers' liability.

	<p>standalone non-hybrid PII.</p> <ul style="list-style-type: none">• If the deductible of the Group hybrid PII is greater than 20% of the applicant's net asset value / net head office funds at the end of its immediately preceding financial year, an undertaking from the applicant's parent company to cover the excess in the event of a claim would be required.
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[Amended on 24 August 2010]

8.3 *Track Record*

An applicant should have a minimum 3-year proven track record in the financial advisory business.

8.4 *Shareholding*

In the case of an applicant which does not satisfy the 3-year track record requirement stipulated in paragraph 8.3, the CEO should own not less than 20% shareholding of the applicant. The CEO and EDs should in the aggregate own not less than 50% shareholding of the applicant.

8.5 *Supervision by Home Regulatory Authority*

Where an applicant is a foreign company, it should be subject to proper supervision by recognised home regulatory authorities and possess the requisite track record.

[Amended on 1 July 2005]

8.6 *Systems and Processes*

An applicant should have adequate internal compliance systems and processes commensurate with the size and complexity of its business to ensure compliance with the law, good practices and professional standards. This would include access to research reports, financial planning tools and services, and investment capability.

8.7 Fit and Proper

An applicant as well as its officers, employees, representatives and substantial shareholders must satisfy the fit and proper criteria set out in the Guidelines on Fit and Proper Criteria issued by the Authority (Guideline No. FSG-G01).

[Amended on 9 June 2009]

[Amended on 26 November 2010]

9 Paragraphs 7 to 20 of FAA-G01 dated 1 October 2002 and last revised on 24 August 2010 are deleted on 26 November 2010.

[Amended on 26 November 2010]