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GUIDELINES ON THE REMUNERATION FRAMEWORK FOR REPRESENTATIVES AND SUPERVISORS ("BALANCED SCORECARD FRAMEWORK"), REFERENCE CHECKS AND PRE-TRANSACTION CHECKS

Purpose of these Guidelines

1 These Guidelines are issued pursuant to section 64 of the Financial Advisers Act (Cap. 110) ("FAA"). They apply to all licensed financial advisers and exempt financial advisers, other than a financial adviser in respect of the activities, recommendations, or transactions set out under regulation 34A of the Financial Advisers Regulations ("FAR").

2 The Notice on Requirements for the Remuneration Framework for Representatives and Supervisors ("Balanced Scorecard Framework") and Independent Sales Audit Unit (FAA-N20) ("the Notice") sets out the requirements for the independent sales audit unit ("ISA Unit") and the design and operation of the balanced scorecard framework, which financial advisers shall put in place in their remuneration structures for their representatives and supervisors. These Guidelines are intended to provide general guidance on some of the requirements in the Notice, such as the post-transaction checks and classification of infractions by the ISA Unit. In addition, these Guidelines set out the measures to be applied to all existing and newly recruited representatives who have been assigned a balanced scorecard grade of "E" and all supervisors who have been assigned a balanced scorecard grade of "Unsatisfactory" under the balanced scorecard framework, as well as obtaining and sharing of information on the representatives' and supervisors' balanced scorecard grades during reference checks. The Guidelines also set out the Authority's expectation for financial advisers to conduct pre-transaction checks to minimise the impact of the balanced scorecard framework on representatives and supervisors. The Authority may rely on a financial adviser's failure to comply with these Guidelines to establish or negate any liability in question in relation to any proceeding under the Notice.

3 These Guidelines should be read in conjunction with the provisions of the FAA, the FAR, as well as written directions, notices, codes and other guidelines that the Authority may issue from time to time.

Definition

4 For the purposes of these Guidelines,

"effective date" in relation to a transaction refers to the date –

(a) in the case of a life policy –

(i) the policy is issued;
(ii) the policy takes effect; or
(iii) the cover has commenced,

whichever is the latest, and

(b) in the case of an investment product other than a life policy, a client's application for a transaction has been accepted by a product manufacturer;

"selected client" in relation to a financial adviser, means any client of the financial adviser who meets any two of the following criteria –

(a) is 62 years of age or older;
(b) is not proficient in spoken or written English[1];
(c) has below GCE 'O' level or 'N' level certifications, or equivalent academic qualifications,

other than a client who meets any two of the criteria and has been assessed by the financial adviser (such assessment to be documented in writing) to possess adequate investment experience and knowledge to transact in the investment product recommended.

5 The terms used in these Guidelines shall, except where expressly defined in these Guidelines or the context otherwise requires, have the same meanings as defined in the FAA, FAR, the Notice on Recommendations on Investment Products (FAA-N16), the Notice on Information to Clients and Product Information Disclosure (FAA-N03), the Notice on Dual Currency Investments (FAA-N11), the Guidelines on Structured Deposits (FAA-G09) and the Notice.

Adoption of higher standards by financial advisers

6 The Notice sets out the minimum requirements for the Balanced Scorecard Framework and the ISA Unit. A financial adviser may adopt a higher standard in relation to the Balanced Scorecard Framework and the ISA Unit. The financial adviser should communicate its adoption of such higher standard to its representatives and supervisors. If a financial adviser does adopt higher standards than that provided under the Act, the FAR and this Notice, the financial adviser should not attribute its adoption of higher standards to the Authority.

Guidance on post-transaction checks carried out by the ISA Unit

7 Paragraph 4.1.1 read with paragraph 4.4.1.1 of the Notice, provides that a financial adviser shall require its ISA Unit to carry out and complete post-transaction

[1] Paragraph (b) in relation to the definition of "selected client" does not apply if the representative provided the financial advisory services to the client in a language (other than English) which the representative and the client are proficient in and all sales documentation provided to the client is written in that language.

checks on sampled transactions in every calendar quarter. Annex 1 (Guidance for documentation reviews) and Annex 2 (Guidance for client surveys) to these Guidelines set out the minimum standards expected of the ISA Unit in respect of its carrying out post-transaction checks.

8 The ISA Unit may -

(a) incorporate any other assessment criteria in the documentation review or additional questions in the client surveys; or

(b) modify the assessment criteria in the documentation review or questions in the client surveys to suit the business needs of the financial adviser without changing the substance of each assessment criteria or question.

9 The ISA Unit should conduct both documentation review and client survey on each sampled transaction. The Authority is of the view that conducting client survey would serve as an additional tool for a financial adviser to –

(a) uncover infractions which may not be detected based solely on documentation reviews; and

(b) complement documentation reviews in the assessment of potential cases of infraction.

10 The ISA Unit should conduct client surveys via phone calls, face-to-face interactions with the client or in a written form ("written surveys") or electronic form ("electronic surveys") which is sent to the client. A financial adviser may treat a client survey done through phone calls as being closed if the financial adviser is unable to reach the client after three unsuccessful call attempts. A financial adviser may treat written surveys or electronic surveys as being closed if the financial adviser does not receive any response from the client within two weeks (in the case of an electronic survey) or one month (in the case of a written survey) from the date the survey is sent.

11 Every financial adviser should strongly encourage its clients to participate in client surveys. Where a client of a representative refuses to participate in a client survey, the representative should not be penalised for the client's non-participation. Nevertheless, a financial adviser should be vigilant and put in place controls and processes to guard against its representatives advising their clients or acting in a manner which may cause their clients to not participate in client surveys.

Classification of infractions

12 Paragraph 4.5 of the Notice provides that a financial adviser shall ensure that its ISA Unit classifies every infraction committed by a representative as either a Category 1 infraction or Category 2 infraction. Examples of Category 1 infractions in relation to each non-sales key performance indicators are as set out in Annex 3 (Examples of Category 1 infractions) to these Guidelines. For the avoidance of doubt, these examples are illustrative and not exhaustive.

13 A financial adviser should ensure that the ISA Unit assesses every infraction based on its own merits and circumstances (including any aggravating or mitigating factors) in determining whether the infraction should be classified as a Category 1 infraction or Category 2 infraction.

14 Notwithstanding that infractions uncovered will affect the remuneration of representatives and supervisors, a financial adviser should also review whether to take appropriate disciplinary action against such representatives who have committed infractions or against the supervisors of such representatives.

Representatives assigned a balanced scorecard grade of "E" and supervisors assigned a balanced scorecard grade of "Unsatisfactory" under the balanced scorecard framework

15 A financial adviser should place every representative who is assigned a balanced scorecard grade of "E" in a calendar quarter (the "E representative") under close supervision. The chief executive officer of a financial adviser or any person designated by the chief executive officer (other than a supervisor) should have oversight of the close supervision of every E representative.

16 For the purposes of paragraph 15 of these Guidelines and subject to paragraph 17, the close supervision of an E representative should include:

(a) having the supervisor of an E representative accompany the E representative during the advisory and sales process for a minimum of five closed sales[2]; and

(b) ensuring that the ISA Unit conducts full-scale independent post-transaction checks on every transaction effected with a client by the E representative for a minimum period of three months.

17 Where a direct supervisor of an E representative has been assigned a balanced scorecard grade of "Unsatisfactory" in the same calendar quarter as the E representative, a financial adviser should ensure that the role of the supervisor under paragraph 16(a) is performed by a supervisor in a higher tier who has not been assigned a balanced scorecard grade of "Unsatisfactory" in the same calendar quarter. If every supervisor in a higher tier is assigned a balanced scorecard grade of "Unsatisfactory", the financial adviser should –

(a) designate a person who is independent and suitably qualified to be responsible for conducting the supervisory role under paragraph 16(a);

[2] A closed sale is one where the representative has performed a fact-find, a needs analysis and provided a recommendation on an investment product to the client, and the client has accepted the recommendation to purchase the investment product.

and

(b) submit a remedial plan to the Authority on the steps the financial adviser intends to take to improve the performance of the relevant team comprising the E representative and the supervisors assigned a balanced scorecard grade of "Unsatisfactory".

18 A financial adviser should not allow an E representative to perform any supervisory or managerial role for a period of at least one year from the date he was assigned the balanced scorecard grade of "E".

19 Where a supervisor has been assigned a balanced scorecard grade of "Unsatisfactory" in any calendar quarter by a financial adviser, the financial adviser should conduct a review to ascertain whether the supervisor's oversight of the representatives under his supervision or management is adequate, and where appropriate, reduce the number of representatives under the supervisor's supervision or management or impose a moratorium on the recruitment of new representatives by the supervisor. A financial adviser should also not allow a supervisor who has been assigned a balanced scorecard grade of "Unsatisfactory" for two consecutive calendar quarters to perform any supervisory or managerial role for a period of at least one year from the date the supervisor was assigned his second consecutive balanced scorecard grade of "Unsatisfactory".

20 Where a supervisor has been assigned a balanced scorecard grade of "Unsatisfactory" in any calendar quarter, the chief executive officer or a person designated by the chief executive officer is also responsible for the review of the adequacy of the supervisor's oversight of the representatives under his supervision or management. For the avoidance of doubt, the chief executive officer remains ultimately responsible for the oversight of the close supervision of every E representative and every supervisor who is assigned a balanced scorecard grade of "Unsatisfactory". In addition, a financial adviser should assess the fitness and propriety of every E representative and every supervisor who is assigned a balanced scorecard grade of "Unsatisfactory" and if necessary, take appropriate disciplinary action against such E representative and supervisor who is assigned a balanced scorecard grade of "Unsatisfactory".

Reference checks on representatives and supervisors

21 When a financial adviser conducts reference checks on an individual whom the financial adviser intends to recruit as a representative or supervisor and who had previously been a representative or supervisor for other financial advisers, the financial adviser should request the last four balanced scorecard grades assigned to the individual by his previous principal(s) within the past 10 years.

22 When a financial adviser ("first-mentioned adviser") receives a request for a reference check from another financial adviser ("second-mentioned adviser") in

respect of an individual, the first-mentioned adviser should disclose to the second-mentioned adviser the balanced scorecard grades which were assigned to the individual when he was a representative of or supervisor for the first-mentioned adviser. For the avoidance of doubt, where an individual was a representative of and supervisor for a financial adviser and assigned respective balanced scorecard grades in each capacity, the financial adviser should disclose both sets of balanced scorecard grades when responding to reference checks requests by prospective principals of the individual.

Recruitment of representatives assigned a balanced scorecard grade of "E" and supervisors assigned a balanced scorecard grade of "Unsatisfactory" under the balanced scorecard framework

23 As part of the recruitment process of a representative or supervisor, a financial adviser should take into consideration the balanced scorecard grades which were assigned by the previous principal to the individual in his capacity as a representative or supervisor, and should satisfy itself that the individual is fit and proper to carry out his duties as a representative or supervisor.

24 Where a financial adviser intends to recruit or recruits an individual who has been assigned a balanced scorecard grade of "E" in the most recent balanced scorecard assessment performed by his previous principal, the financial adviser should observe paragraph 16 of these Guidelines, and ensure that the individual does not perform any supervisory or managerial role for a period of at least one year from the date of his appointment as a representative. A financial adviser should not recruit any individual with a balanced scorecard grade of "Unsatisfactory" in the final calendar quarter of his tenure with his previous principal, as a supervisor.

Pre-transaction checks by supervisors

25 A financial adviser should instill a strong culture of fair dealing where representatives conduct proper fact-find and needs analysis, so as to provide its clients with quality advice and appropriate recommendations. Besides carrying out and completing post-transaction checks under the balanced scorecard framework, a financial adviser should institute controls to check that its representatives have followed through the financial adviser's prescribed advisory and sales process, including the proper collection of information from clients and documentation of the representatives' basis of recommendation, and that the representatives' recommendations meet the needs of the clients before a transaction is submitted to product manufacturers for processing and execution ("pre-transaction stage").

26 In this regard, a financial adviser should require its supervisors to review all the documentation and basis of every recommendation made or transaction handled by its representatives during the pre-transaction stage, other than a recommendation in respect of or a transaction which is a rollover of any dual currency investment or

structured note relating to equities or commodities, or such other product as the Authority may approve on an exceptional basis ("pre-transaction checks"). Pre-transaction checks would help to minimise the impact of the balanced scorecard framework on representatives as any infraction uncovered by a supervisor during pre-transaction checks will not be factored into the balanced scorecard framework and will not affect the remuneration of the representatives as well as that of their supervisors.

27 Pre-transaction checks should include:

(a) Documentation review:
A supervisor should review all documentation, including fact-find, needs analysis and basis of every recommendation made by each representative under his supervision or management; and

(b) Client call-back:

(i) Where a representative has made a recommendation to any selected client, a supervisor should conduct client call-backs with the selected client in respect of the recommendation; and

(ii) Where a representative is a selected representative, the supervisor should conduct client call-backs with every client to whom the selected representative made any recommendation. Such client call-backs should be conducted as soon as practicable but in any event no later than the end of the next quarter after the assignment of the second balanced scorecard grade of "B" or worse to the representative.

28 A financial adviser may –

(a) engage a staff who does not make recommendations or effect transactions for clients ("non-sales staff") or a third party provider to conduct pre-transaction checks; or
(b) implement systems to check whether the recommended product is suitable for the client ("system-based method"),

subject to the condition that the financial adviser should be able to demonstrate and ensure that the non-sales staff, third party provider or system-based method is as effective and robust as pre-transaction checks conducted by a supervisor.

29 Where a supervisor, or the non-sales staff or third party provider referred to in paragraph 28(a), or a financial adviser who implements and uses a system-based method referred to in paragraph 28(b), is unable to complete the pre-transaction checks in relation to any recommendation made by a representative to a client on an investment product before the effective date of the transaction in relation to the investment product, the supervisor, non-sales staff or third party provider referred to in paragraph 28(a), or the financial adviser who implements and uses a system-based method referred to in paragraph 28(b), should complete the pre-transaction checks

within the free-look or cancellation period of the investment product.

30 Where a recommendation is made by a representative to a client in relation to an investment product which is time-sensitive and does not have a free-look or cancellation period, the supervisor, non-sales staff or third party provider referred to in paragraph 28(a), or the financial adviser who implements and uses a system-based method referred to in paragraph 28(b), should complete the pre-transaction checks in relation to the recommendation within 5 business days from the effective date of the transaction in relation to the investment product.

31 Where an investment product is found to be unsuitable for the client during the pre-transaction checks, a financial adviser should allow the affected client to elect to modify or cancel his transaction in relation to the investment product and the financial adviser should not require the affected client to bear any difference in the value of the investment product and any other relevant cancellation or modification fees and charges (if any). The financial adviser should also provide a new recommendation on another investment product to the client, if so requested.

32 A financial adviser should ensure that every infraction uncovered by a supervisor, the non-sales staff or third party, or pursuant to the system-based methods, referred to in paragraph 28(b), during the pre-transaction checks, is rectified.

33 A financial adviser should keep records of its processes and methods undertaken, and every assessment and determination made for pre-transaction checks under or in relation to the balanced scorecard framework for a period of not less than five years.

34 These Guidelines shall take effect on 1 January 2016.

Annex 1

Guidance for documentation reviews

Non-sales KPI 1: Understanding a client's needs	**Yes**	**No**	**Not applicable**
Did the representative document all of a client's personal particulars? (Name, age or date of birth, education qualifications, language proficiency)			
Did the representative document the following client information:			
a) Financial objectives (Including the client's protection, savings, investments, or heath needs. Time horizon information should be indicated with the financial objectives)			
b) Risk tolerance or profile			
c) Occupation or employment status			
d) Financial situation (Including assets, liabilities, cash flow and annual income)			
e) Source and amount of regular income			
f) Financial commitments of the client			
g) Current investment portfolio, including any life policies or collective investment schemes			
h) Proportion of amount to be invested to total assets (i.e. whether the amount to be invested is a substantial portion of the client's assets)			
i) For any recommendation made in respect of any life policy, the number of dependants of the client and the extent and duration of financial support required for each dependant			
Where the client has a joint investment application with another investor, did the representative conduct the Customer Knowledge Assessment for both the client and that investor?			
If the information referred to in the sections above is not collected and documented, is there a valid reason? If yes, please specify the reason:			

Non-sales KPI 2: Suitability of product recommendations	**Yes**	**No**	**Not Applicable**
Did the representative document the assumptions used for his recommendation (e.g. return on investment, inflation rate, education costs, or retirement age of the client) and are these assumptions reasonable?			
Did the representative conduct a risk profiling for the client?			
Did the representative document the basis of recommendation for the investment product recommended?			
Did the representative recommend an investment product which –			
a) meets the financial objectives of the client;			
b) is affordable to the client;			
c) is aligned with the client's investment horizon;			
d) matches the client's risk profile;			
e) takes into account the client's concentration risk; or			
f) takes into consideration the particular needs of the client (e.g. the number and age of the client's dependants)			
FOR SELECTED CLIENTS ONLY[3]			
Is there a file note, call-log or document annotation (whichever is applicable) on the client call-back by the supervisor?			
Depending on whether there are facts and circumstances in a transaction which warrant a closer scrutiny, was the client call-back adequately performed by the supervisor and did the supervisor ask the client relevant questions in relation to the transaction (e.g. if the client is an elderly person who has invested his CPF monies, did the supervisor ask if the client was aware on how the returns offered by the investment product differ compared with the interest rates earned by monies in the relevant CPF accounts held by the client?)			

[3] This section highlights the need for the ISA Unit to check that the supervisor has conducted pre-transaction client call-backs with selected clients. The Authority does not regard a non-adherence to this section as an infraction commited by a representative.

Non-sales KPI 3: Adequacy of information disclosure	**Yes**	**No**	**Not Applicable**
Did the client sign the risk disclosure statement accompanying the investment product?			
Did the client acknowledge receipt of the following documents:			
a) Financial Needs Analysis (Fact-find form, the specific recommendations of the representative and the basis for the recommendation)			
b) Prospectus, Product Summary or Product Highlight Sheet of the investment product			
c) Benefit Illustration (for life policies)			
Is there a written acknowledgement from the client, that the following information, has been explained to the client: (Note: A financial adviser should refer to FAA-N03 on its disclosure requirements)			
a) Nature and objective of the investment product			
b) Details of the product provider			
c) Party against whom the client may take action to enforce his rights with respect to the investment product purchased by the client			
d) Intended client profile of the investment product			
e) Frequency of the reports and source from which the client could reasonably be expected to receive the reports on the investment product			
f) Amount of, frequency with which, and period over which payment is to be made by the client in respect of the investment product			
g) Benefits of the investment product, including the amount and timing for payment of benefits by the product provider and whether the benefits are guaranteed or non-guaranteed. For example: • Whether capital or return is guaranteed • Where the investment product is a life policy, reasons why any benefit is excluded by the life insurer in respect of the life policy			
h) Risk factors of the investment product			
i) Amount, frequency of payment, and nature, of fees and charges to be borne by the client			
j) Procedures, charges and restrictions on withdrawal or surrender of, or claim on, the investment product			
k) Warnings, exclusions and caveats in relation to the			

investment product			
l) Free-look period for life policies or cancellation period for unit trusts (whichever is applicable)			

Non-sales KPI 4: Standards of professionalism and ethical conduct in relation to the provision of financial advisory services	**Yes**	**No**
Based on documentation reviewed, is there any indication that a representative has conducted himself unprofessionally or unethically? For example, is there any indication that the documentation has been tampered with (e.g. use of correction-pens on material information and the correction made has not been acknowledged by the client)?		

Annex 2

Guidance for client surveys

Non-sales KPI 1: Understanding a client's needs

1) Did the representative ask you questions in order to understand your financial situation, investment objective and risk appetite before recommending an investment product?

☐ Yes ☐ No ☐ Cannot Recall ☐ Others: (Please specify)

2) Was there any instance during the financial advisory process where you felt that your representative had influenced you to provide an answer or influenced you to modify your original answer to an answer that you are uncomfortable with as it is inaccurate or does not represent your intention?

☐ Yes ☐ No ☐ Cannot Recall ☐ Others: (Please specify)

If yes, please explain how the representative had influenced you:

____
____
____

Non-sales KPI 2: Suitability of product recommendations

3) Did you understand the representative's explanation as to why an investment product is suitable for you?

☐ Yes ☐ No ☐ Cannot Recall ☐ Others: (Please specify)

Non-sales KPI 3: Adequacy of information disclosure

4) Did the representative inform you that you have purchased a …..<u>(Please refer to type of investment product as set out in the first column of the table below)</u>, and are you aware that …..<u>(Please refer to corresponding brief description of the investment product as set out in the second column of the table below)</u>?

☐ Yes ☐ No ☐ Cannot Recall ☐ Others: (Please specify)

Type of investment product	**Brief description of investment product**
Structured Deposit	i) …you will not get back the full amount you have invested if you withdraw before the Maturity Date; AND ii)…structured deposits are not fixed deposits or savings deposits, and are not covered under the deposit insurance scheme. Where the structured deposit is a dual currency investment, the following questions should also be raised: i)…an investment in dual currency investments is subject to investment risks and you will incur a premature termination penalty if you terminate your investment before the Maturity Date; AND ii)…you may or may not receive your original investment amount if you terminate your investment before its Maturity Date.
Insurance or Investment-linked Insurance Plans	i) …you will not get back the full amount paid if you terminate the plan early; (Note: This brief description is only intended for traditional insurance plans and may not be applicable to investment-linked insurance plans); OR i)….you will be subject to investment risk on the premium paid for investment-linked insurance plans; AND ii)…there is a 14-day free look period, or you may cancel this insurance plan or investment-linked insurance plan (as the case may be) within 14 days from the date on which you receive the policy from the insurance company, and if so, you would be returned your monies or premiums.
Unit Trusts	i)…an investment in unit trusts is subject to investment risk;

Type of investment product	Brief description of investment product
	AND ii)…there is a 7-day cancellation period and you would be returned your monies, including the sales charge.
Bonds	i)…an investment in bonds is subject to investment risk; AND ii)… if the bond is prematurely sold prior to maturity, the sale price of the bond will depend on prevailing market prices and may be higher or lower than the initial purchase price of the bond.
Structured Note	i) …an investment in a structured note is subject to investment risks and you will incur a premature termination penalty if you withdraw your investment before the Maturity Date of the structured note; AND ii) …there is a 7-day cancellation period where you would be returned your monies.

Non-sales KPI 4: Standards of professionalism and ethical conduct in relation to the provision of financial advisory services

5) Were there any aspects of the sales process that you were dissatisfied with?

☐ Yes If yes, please elaborate:

☐ No ____

____

Note: If the ISA Unit has reasons to believe there may be a potential infraction in relation to a sampled transaction, the ISA Unit may consider asking more specific questions, for example:

(i) Were you asked to sign blank or incomplete forms; or

(ii) Were you asked to sell part of your current investment portfolio and purchase another investment product without a clear explanation from the representative on the basis for so doing?

Annex 3

Examples of Category 1 infractions

Example 1 - KPIs 1 & 2
The information collected by the representative was insufficient to enable the representative to have a good understanding of a client's profile, risk appetite and financial objectives, and the investment product recommended by the representative was not suitable for the client.

Scenarios:

(a) A representative recommended an investment product to a client before collecting pertinent information from the client on his profile, risk appetite and financial objectives. As a result, the investment product recommended by the representative to the client does not meet the risk appetite, financial objectives or particular needs of the client.

(b) A representative did not conduct the Customer Knowledge Assessment on a client and the client did not have the knowledge and experience to understand the risks and features of a specified investment product ("SIP"), but the SIP was recommended to the client nonetheless.

(c) A representative influenced a client's answers to the risk profiling questions such that the client's risk profile is suitable for the investment product that the representative was trying to sell to the client.

(d) During the fact-find, a client indicated that he wanted bonds with fixed coupon payments. The representative assumed that the client was referring to bond funds (unit trusts) and sold $250,000 of a global bond fund to the client, instead of a pure vanilla bond.

(e) A client took up a mortgage loan with the bank. During the presentation, the representative recommended a mortgage reducing term assurance ("MRTA") policy to the client without finding out from the client if he already has a term insurance policy which can provide adequate coverage for the tenor of the mortgage loan. In actual fact, the client did not need to purchase the MRTA policy.

(f) A representative failed to collect information on a client's source of income in the fact-find form. The representative assumed that the client was currently employed as the client was dressed in business attire. As such, the representative ticked "employment" as the client's source of income. The representative sold a monthly investment plan for unit trusts to the client which required the client to contribute a fixed amount for a minimum of 12 months. In fact, the client is a retiree with no regular source of income.

<u>Example 2 - KPI 2</u>

Having conducted the necessary fact-find, a representative recommended an investment product to a client without taking into account the client's financial objectives, investment horizon, risk profile, financial situation and particular circumstances and needs. Relying on the representative's recommendation, the client bought the recommended investment product. During the post-transaction checks carried out by the ISA Unit, the ISA Unit found that the representative did not have a reasonable basis for his recommendation, and the investment product recommended by the representative to the client did not meet the client's financial objectives, investment horizon, risk profile, financial situation or particular needs.

Scenarios:

(a) A client requested that a representative recommends an investment product that is capital guaranteed as he did not wish to risk losing his retirement savings. However, the representative recommended and sold a non-capital guaranteed investment product to the client.

(b) A representative identified a client's need for high protection coverage. However, the representative recommended an investment product to the client which did not have any protection coverage. The representative did not provide any justification for recommending an investment product that did not address the client's need for high protection coverage.

(c) A representative recommended an insurance plan where the monthly premium payment was more than the client's monthly disposable income. The representative did not provide the client any justification for his recommendation.

(d) A representative insisted that a client cancels an existing investment product to purchase another new investment product without providing any justification. The recommended investment product offered a lower level of benefit at a higher cost to the client and it did not meet the financial objectives of the client.

(e) A representative told a client that he could gain higher returns if the client does a partial withdrawal from his existing policy and purchases another new policy. The representative had no reasonable basis to suggest that the new policy offered better returns than the existing policy, as the investment returns of the two policies were of different nature. The representative benefitted from the commissions arising from these transactions.

(f) A representative recommended a client to do a partial withdrawal from an investment-linked insurance policy to purchase another similar investment-linked insurance policy, without providing a reasonable basis. The client had incurred additional transaction cost for the second investment-linked insurance policy which the client could have avoided if he did a fund switch.

(g) A representative recommended a client to take up a new policy rather than to reinstate his lapsed policy, which was on premium holiday, without a reasonable basis. The representative was aware that it was a better choice for the client to reinstate the lapsed policy as it has a higher allocation rate than the new policy.

(h) A representative recommended a structured note to a client on the basis that the client had understood the product. However, neither the client's education background, employment status, nor investment background supported this conclusion.

(i) A client has indicated to the representative that he has medium to long term savings needs to accumulate $50,000 in 10 years. However, the representative recommended a 15-year savings plan and insisted that it was suitable for the client's profile.

Example 3 - KPI 3

A representative failed to disclose or omitted to provide information on the key features, key risks or mechanics of an investment product which was recommended to a client, and the client would not have bought the investment product if the abovementioned information had been provided to him by the representative.

Scenarios:

(a) A representative recommended a dual currency investment product to a client but failed to inform the client that he may end up holding an alternative currency at maturity of the dual currency investment product, and the client would not have bought the recommended dual currency investment product if the abovementioned information had been provided to him by the representative.

(b) A representative failed to inform a client that the benefits or returns relating to a recommended insurance plan are not guaranteed and subject to the performance of the insurer's participating funds, and the client would not have bought the recommended insurance plan if the abovementioned information had been provided to him by the representative.

(c) A representative failed to inform a client that cancellation fees would apply for the premature withdrawal or termination of a recommended structured deposit or the capital of a structured deposit is not guaranteed unless the recommended structured depositis held to maturity. The client would not have bought the recommended structured deposit if the abovementioned information had been provided to him by the representative.

(d) A representative recommended a client to invest using his CPF monies to purchase an investment product but failed to inform the client of the current interest rates payable under the CPF Ordinary Account and Special Account, and the minimum interest rate guaranteed under the CPF Act (Cap.36), and the client would not have bought the investment product if he had known that the potential returns from the investment product may be lower than the interest rates he would earn under his CPF account.

Example 4 - KPIs 3 & 4

A representative provided misleading statements to a client which resulted in the client believing that the recommended investment product is suitable for him. However, the recommended investment product was unsuitable for the client and did not meet the client's particular circumstances and needs.

Scenarios:

(a) A client purchased an insurance policy based on a representative's misrepresentation that it was a savings account that allowed him to deposit or withdraw funds at any point of time without incurring any charges or penalties.

(b) A representative misled a client to believe that a recommended insurance investment-linked product is a unit trust.

(c) A representative guaranteed a client that the client would receive the maturity value or cash value of a recommended investment product in six months' time but this promise did not materialise. The client had informed the representative before he recommended the investment product that he needed the funds for a property purchase in six months' time.

(d) A representative documented in the fact-find form that the cashback of the insurance policy would be paid out starting from the second year although he was fully aware that the yearly cashback of the insurance policy is only payable from the third year onwards.

(e) A representative misrepresented that the insurance policy he has recommended also provides terminal illness coverage, when the policy only provides financial protection against death. As a result, the client bought the policy on the understanding that he would receive a payout under the policy if he was diagnosed with a terminal illness.

(f) A client was told that he had made a gain of $1,000 from his investment in an investment-linked insurance policy. When the client surrendered his policy, he had actually made a loss of $20,000.

(g) A representative told the client that the structured note was of very low risk and is a low risk alternative to fixed deposits, which was inconsistent with the prospectus and pricing statement of the structured note.

(h) A representative misrepresented an endowment insurance plan as a savings plan with free insurance for the deposit and the client bought the product thinking that he was opening a fixed deposit account.

Example 5 - KPI 4

A representative provided financial advisory services to a client in an unprofessional or unethical manner, which impinges on the representative's honesty, integrity or reputation.

Scenarios:

(a) A representative falsified the client's responses in the fact-find form to place the client into a higher risk bucket so that the client was able to purchase an investment product that was more risky than his actual risk profile.

(b) A representative failed to execute a transaction for a client based on the client's instructions without valid cause, as the representative intended to accumulate his sales revenue based on his volume of closed sales for the following quarter, resulting in the client incurring losses.

(c) A representative asked a client to pre-sign a blank fact-find form without going through the fact-find and the representative completed the fact-find form in the absence of the client.

(d) A representative persistently harassed a client notwithstanding that the client had said that he was not interested in purchasing any investment product.

(e) A representative allowed unauthorised persons to meet and provide financial advice to his clients on his behalf without him meeting the clients. In this regard, the representative had failed to meet his clients to conduct proper fact-find and explain the basis of recommendation in respect of investment products regulated under the FAA.

(f) A representative misrepresented to a retiree who is illiterate, that an equity fund was a capital-guaranteed product that is similar to a fixed deposit.