



Monetary Authority of Singapore

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

**NOTICE ON RECOMMENDATIONS ON INVESTMENT
PRODUCTS**

Notice No : FAA-N16

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NOTICE ON RECOMMENDATIONS ON INVESTMENT PRODUCTS

Introduction

1 This Notice is issued pursuant to section 58 of the Financial Advisers Act (Cap. 110) ["the Act"]. The earlier notice ("FAA-N01") issued on 1 October 2002 and last updated on 19 April 2011 on the same subject is cancelled.

2 Subject to paragraph 3, this Notice shall apply to -

- (a) licensed financial advisers;
- (b) exempt financial advisers;
- (c) representatives of financial advisers;
- (d) persons who are exempt under regulation 29 of the Financial Advisers Regulations (Rg 2) ["FAR"]; and
- (e) representatives of persons who are exempt under regulation 29 of the FAR.

3 This Notice shall not apply to persons specified in paragraph 2 who are exempted from complying with section 27 of the Act under regulations 18A, 27A, 28, 31(4), 31(5), 31(7), 31(8), 32B, 33A, 34 and 36 of the FAR only in respect of the activities for which they are exempt under these regulations.

[FAA-N16 (Amendment) 2017]

4 This Notice shall not apply:

- (a) to any recommendation made with respect to simple life policies sold as an ancillary product to loans with a simple payment basis for the insurance cover. These include policies that cover outstanding loans through personal loans, car loans and credit card balances, but exclude mortgage reducing term assurance plans; and
- (b) to any transaction where –

- (i) only factual information is provided with respect to any Excluded Investment Product, including the marketing of any designated investment products through the use of direct response advertising communications through any medium, including mail, print, TV, radio, and electronic media referred to in paragraph 29 of the Notice on Information to Clients and Product Information Disclosure [Notice No. FAA-N03], and
- (ii) prior to such transaction no advice or recommendation is made by the licensed financial adviser, exempt financial adviser or their representatives to the client.

5 This Notice sets out the standards to be maintained by financial advisers and their representatives with respect to recommendations made on investment products.

Definitions

6 For the purposes of this Notice, unless the context otherwise requires:

“approved exchange” has the same meaning as in section 2(1) of the Securities and Futures Act (Cap. 289);

[FAA-N16 (Amendment No. 3) 2018]

“bundled product” has the same meaning as in paragraph 2 of the Notice on Market Conduct Standards for Direct Life Insurer as a Product Provider [MAS Notice 318];

[FAA-N16 (Amendment) 2018]

“bundled product disclosure document”, in relation to a bundled product”, has the same meaning as in paragraph 2 of the Notice on Market Conduct Standards for Direct Life Insurer as a Product Provider [MAS Notice 318];

[FAA-N16 (Amendment) 2018]

“capital markets products” has the same meaning as in section 2(1) of the Securities and Futures Act (Cap. 289);

“CIS documents”, in relation to a collective investment scheme, has the same meaning as in paragraph 4 of the Schedule to the Securities and Futures (Capital Markets Products) Regulations 2018;

[FAA-N16 (Amendment No. 3) 2018]

“client” includes a prospective client;

“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 in section 2(1) of the Act;

“cover page”, in relation to a life policy, has the same meaning as in paragraph 2 of the Notice on Market Conduct Standards for Direct Life Insurer as a Product Provider [MAS Notice 318];

[FAA-N16 (Amendment) 2018]

“Customer Account Review” means a review of a client’s knowledge and experience in derivatives for the purpose of making a recommendation to the client on, or allowing the client to transact in, a Listed Specified Investment Product;

[FAA-N16 (Amendment No. 3) 2018]

“Customer Knowledge Assessment” means a review of a client’s knowledge and experience in any unlisted Specified Investment Product;

[FAA-N16 (Amendment) 2012]

[FAA-N16 (Amendment No. 2) 2018]

“dealer” has the same meaning as in regulation 34A(2) of the FAR;

[FAA-N16 (Amendment) 2017]

“debenture” has the same meaning as in section 2(1) of the Securities and Futures Act (Cap. 289);

“designated investment product” has the same meaning as in section 25(6) of the Act;

“Excluded Investment Product” means any investment product set out in Annex 1 to this Notice;

“execution-related advice” has the same meaning as in regulation 34A(2) of the FAR;

[FAA-N16 (Amendment) 2017]

“exempt financial adviser” means a person who is exempt from holding a financial adviser’s licence under section 23(1)(a), (b), (c), (d), or (e) of the Act;

[FAA-N16 (Amendment) 2012]

“exempt financial institution” means a person who is exempt from holding a capital markets services licence under section 99(1)(a) or (b) of the Securities and Futures Act (Cap. 289);

[FAA-N16 (Amendment No. 3) 2018]

“financial adviser” means a holder of a financial adviser’s licence of the Act or an exempt financial adviser;

[FAA-N16 (Amendment) 2012]

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

“investment-linked policy” has the same meaning as in the First Schedule to the Insurance Act (Cap. 142);

[FAA-N16 (Amendment) 2012]

“investment-linked policy sub-fund” or “ILP sub-fund” has the same meaning as in paragraph 4(e) of the Notice on Investment-Linked Policies [MAS Notice 307];

[FAA-N16 (Amendment) 2012]

[FAA-N16 (Amendment) 2018]

“issuer” means -

- (a) in relation to an offer of units in a collective investment scheme, the responsible person for the collective investment scheme; or
- (b) in relation to an offer of any other investment products, the entity that issues or will issue the investment product being offered;

[FAA-N16 (Amendment) 2012]

[FAA-N16 (Amendment No. 3) 2018]

“life policy” has the same meaning as in the First Schedule to the Insurance Act (Cap. 142);

[FAA-N16 (Amendment) 2012]

“Listed Specified Investment Product” means a Specified Investment Product which is approved in-principle for listing and quotation on, or listed for quotation or quoted on, an organised market;

[FAA-N16 (Amendment No. 3) 2018]

“manager” has the same meaning as in paragraph 4(f) of the Notice on Investment-Linked Policies [MAS Notice 307];

[FAA-N16 (Amendment) 2012]

[FAA-N16 (Amendment) 2018]

“organised market” has the same meaning as in section 2(1) of the Securities and Futures Act (Cap. 289);

[FAA-N16 (Amendment No. 3) 2018]

“overseas exchange” has the same meaning as in section 2(1) of the Securities and Futures Act (Cap. 289);

[FAA-N16 (Amendment No. 3) 2018]

“Overseas-Listed Investment Product” means any capital markets product that is approved in-principle for listing and quotation only on, or listed for quotation or quoted only on, one or more overseas exchange(s);

[FAA-N16 (Amendment No. 3) 2018]

“policy illustration”, in relation to a life policy, has the same meaning as in paragraph 2 of the Notice on Market Conduct Standards for Direct Life Insurer as a Product Provider [MAS Notice 318];

[FAA-N16 (Amendment) 2018]

“product highlights sheet” means a product highlights sheet prepared by issuers or insurers in accordance with the MAS Guidelines on the Product Highlights Sheet (SFA 13-G10) or the Notice on Investment-Linked Policies [MAS Notice 307] respectively;

[FAA-N16 (Amendment) 2012]

[FAA-N16 (Amendment) 2018]

“prospectus” has the same meaning as in section 283(1) of the Securities and Futures Act (Cap. 289);

[FAA-N16 (Amendment) 2012]

“product summary”, in relation to a life policy, has the same meaning as in paragraph 2 of the Notice on Market Conduct Standards for Direct Life Insurer as a Product Provider [MAS Notice 318];

[FAA-N16 (Amendment) 2018]

“Relevant Participant” has the same meaning as in paragraph 3(a)(ii) of the Notice on the Sale of Investment Products [Notice No. SFA 04-N12];

[FAA-N16 (Amendment) 2012]

“Relevant Policyholder” has the same meaning as in paragraph 4(ka) of the Notice on Investment-Linked Policies [MAS Notice 307];

[FAA-N16 (Amendment) 2012]

[FAA-N16 (Amendment) 2018]

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

“responsible person” has the same meaning as in section 2(1) of the Securities and Futures Act (Cap. 289);

[FAA-N16 (Amendment) 2012]

“senior management” means any person holding the office of chief executive officer, or executive director in the financial adviser;

“Specified Investment Product” means any investment product other than an Excluded Investment Product;

“Switching” includes a situation where a client disposes of, or reduces his interest in, all or part of an investment product to acquire, or increase his interest in, all or part of another investment product, and “switch” shall be construed accordingly;

[FAA-N16 (Amendment) 2012]

“third party” means a financial adviser, a holder of a capital markets services licence under the Securities and Futures Act (Cap. 289) or an exempt financial institution;

[FAA-N16 (Amendment No. 3) 2018]

“transact” means:

- (a) the purchase of any Specified Investment Product other than in connection with the creation of short positions; or
- (b) the sale of any Specified Investment Product in connection with the creation of short positions,

and “transacted” and “transacts” shall have a corresponding meaning;

[FAA-N16 (Amendment) 2012]

“unit” has the same meaning as in section 2(1) of the Securities and Futures Act (Cap. 289); and

“unlisted Specified Investment Product” means a Specified Investment Product other than a Listed Specified Investment Product.

[FAA-N16 (Amendment No. 2) 2018]

[FAA-N16 (Amendment No. 3) 2018]

6A For the avoidance of doubt, “transaction” referred to in paragraphs 4(b), 12, 32(b), 36(ii), 41A, 41B and 42(b) of this Notice, paragraph 2(a) in Annex 1 to this Notice and paragraph 1(c) in Annex 2 to this Notice shall not have a corresponding meaning to the term “transact” as defined in paragraph 6.

[FAA-N16 (Amendment) 2012]

[FAA-N16 (Amendment No. 2) 2018]

Representatives of Financial Advisers

7 Unless otherwise specified, a representative shall comply with any requirement imposed on a financial adviser in this Notice when acting on its behalf.

Recommendations on Investment Products

8 Section 27 of the Act requires licensed financial advisers to have a reasonable basis for any recommendation made, with respect to any investment product, to a person who may reasonably be expected to rely on the recommendation¹. In particular, the licensed financial adviser shall give due consideration to the person's investment objectives, financial situation and particular needs.

9 Where the investment product recommended is a Specified Investment Product, the financial adviser shall also give due consideration to the person's knowledge or experience in the Specified Investment Product.

10 A financial adviser that is involved in making recommendations on investment products to clients shall comply with the requirements set out in this Notice in relation to the following aspects:

- (a) know your client;
- (b) needs analysis; and
- (c) documentation and record keeping.

Know Your Client

11 In order for a financial adviser to make a recommendation that takes into account a client's investment objectives, financial situation and particular needs, the financial adviser, except in the circumstances provided in paragraph 11A, shall take reasonable steps to collect and document the following information from the client:

¹ Sections 23(4) and 37 of the Act provides that section 27 also applies to exempt financial advisers, appointed and provisional representatives.

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

[FAA-N16 (Amendment No. 3) 2018]

11A A financial adviser who makes a recommendation on investment products to a client through a digital advisory platform, may elect not to collect and document any of the information referred to in paragraph 11(c) to (i) from the client, provided that:

- (a) the entire process by which the recommendation is made to the client is electronically automated on the platform, and there is no intervention by any person in the process, except to the extent that intervention is necessary to provide technical assistance to the client or to resolve any inconsistent responses which are detected pursuant to paragraph (c);
- (b) the platform is programmed with compulsory questions, which are answered by the client, to effectively identify and preclude the making of a recommendation to any client whose financial

objectives or risk tolerance is unsuitable for the investment products;

- (c) the platform is programmed to be able to detect any inconsistent responses provided by the client, and all inconsistent responses are resolved before any recommendation is made to the client;
- (d) at the point when the recommendation is made to the client, the recommendation is accompanied by a risk disclosure statement to alert the client that the recommendation does not take into account the client's financial situation and particular needs, as may be determined from the information referred to in paragraph 11(c) to (i), insofar as the financial adviser has elected not to collect and document such information; and
- (e) the recommendation is limited to units in a collective investment scheme in which the manager of the collective investment scheme complies with all the investment restrictions referred to in paragraph 2 of the Schedule to the Securities and Futures (Capital Markets Products) Regulations 2018, even if the CIS documents of the collective investment scheme do not require this.

[FAA-N16 (Amendment No. 3) 2018]

12 For the purpose of collecting and documenting information referred to in paragraph 11, a financial adviser may rely on information previously provided by the client to the financial adviser only if the client confirms at the time of the transaction that there are no material changes to the information.

13 Paragraph 11 does not apply to a financial adviser who is also a dealer in respect of his carrying on the business of providing execution-related advice, provided that –

- (a) the information referred to in paragraph 11 shall already have been collected from the client and documented by the financial adviser at the time when the relationship was first established with the client; and
- (b) the financial adviser shall update the client's profile in respect of the information referred to in paragraph 11 at least on an annual basis

or as and when informed by the client of any change in the client's profile.

- 14 A financial adviser shall highlight the following in writing to its client:
- (a) the information provided by the client will be the basis on which the recommendation will be made; and
 - (b) any inaccurate or incomplete information provided by the client may affect the suitability of the recommendation.

Customer Knowledge Assessment

15 A financial adviser shall ensure that it has been informed by the issuer of an investment product which is not approved in-principle for listing and quotation on, or listed for quotation or quoted on, an organised market, as to whether the investment product is a Specified Investment Product, before making any recommendation on that investment product. The financial adviser shall keep proper records of such information and shall accordingly convey this information to a client who intends to transact in that investment product.

[FAA-N16 (Amendment) 2012]
[FAA-N16 (Amendment No. 2) 2018]
[FAA-N16 (Amendment No. 3) 2018]

16 Subject to paragraph 27, where the investment product is an unlisted Specified Investment Product, a financial adviser shall conduct a Customer Knowledge Assessment based on the criteria set out in Annex 2 to this Notice before making a recommendation on the unlisted Specified Investment Product concerned to a client.

[FAA-N16 (Amendment) 2012]
[FAA-N16 (Amendment No. 2) 2018]
[FAA-N16 (Amendment No. 3) 2018]

17 For the purpose of the Customer Knowledge Assessment, a financial adviser shall take into consideration information on a client's educational qualifications, investment experience and work experience. Where a client does not provide information on his educational qualifications, investment experience or work experience, the financial adviser shall deem the client not to possess knowledge or experience in the unlisted Specified Investment Product concerned.

17A When conducting a Customer Knowledge Assessment for a new client, or for a client whose previous Customer Knowledge Assessment is no longer valid in accordance with paragraph 26, a financial adviser shall assess a client's investment experience according to:

- (a) the classification of the investment product(s) previously transacted by the client; and
- (b) the listing status of such investment product(s),

at the time that the client had transacted in such investment product(s).

[FAA-N16 (Amendment) 2012]

18 A financial adviser shall highlight in writing to the client that any inaccurate or incomplete information provided by the client may affect the outcome of the Customer Knowledge Assessment.

19 Subject to paragraphs 24 and 25, a financial adviser shall not allow a client to transact in an unlisted Specified Investment Product unless it is satisfied, on the basis of the outcome of the Customer Knowledge Assessment referred to in paragraph 16 or 27, that the client has knowledge or experience in the unlisted Specified Investment Product, as set out in Annex 2 to this Notice.

[FAA-N16 (Amendment No. 3) 2018]

20 Notwithstanding a positive outcome of the Customer Knowledge Assessment, the financial adviser shall offer to provide advice concerning the unlisted Specified Investment Product to the client.

21 Where the client does not wish to receive advice concerning the unlisted Specified Investment Product from the financial adviser, the financial adviser shall document the decision of the client and highlight to the client in writing that it is the client's responsibility to ensure the suitability of the unlisted Specified Investment Product selected. The financial adviser shall also warn the client in writing that the client has chosen not to receive advice and will therefore not be able to rely on section 27 of the Act to file a civil claim in the event he alleges he has suffered a loss, and confirm in writing if the client wishes to proceed without advice.

[FAA-N16 (Amendment) 2011]

Requirements where Clients are Assessed Not to Possess Knowledge or Experience in Unlisted Specified Investment Products

22 Where a financial adviser assesses a client not to possess knowledge or experience in an unlisted Specified Investment Product pursuant to the Customer Knowledge Assessment, it shall inform the client of the outcome of the Customer Knowledge Assessment.

23 Where a client, after being informed of the outcome of the Customer Knowledge Assessment in accordance with paragraph 22, nevertheless intends to proceed to transact in the unlisted Specified Investment Product, the financial adviser shall provide advice to the client, taking into account the client's investment objectives, financial situation and particular needs, as well as the outcome of the Customer Knowledge Assessment.

[FAA-N16 (Amendment) 2011]
[FAA-N16 (Amendment) 2012]

24 If a client, who is assessed as not possessing the knowledge or experience in the unlisted Specified Investment Product pursuant to the Customer Knowledge Assessment, nevertheless chooses to transact in an unlisted Specified Investment Product which is not recommended by the financial adviser, the financial adviser shall:

- (a) inform the client in writing of the outcome of the Customer Knowledge Assessment;
- (b) obtain the client's written confirmation that the client still intends to proceed to transact in the unlisted Specified Investment Product despite the outcome of the Customer Knowledge Assessment; and

inform the client in writing that it is the client's responsibility to ensure the suitability of the product selected.

[FAA-N16 (Amendment) 2011]
[FAA-N16 (Amendment) 2012]

25 In respect of such a client as referred to in paragraph 24 who has confirmed that he intends to proceed to transact in the unlisted Specified Investment Product (referred to in paragraphs 25 and 25A as "relevant trade"), the financial adviser shall not allow the client to proceed with the relevant trade unless its senior

management, who is not involved in that relevant trade and is not a connected person to the client:

- (a) has confirmed with the client that the client has been properly informed of all relevant facts as required under paragraphs 22 and 24, and that the client is aware of the implications and consequences of proceeding with that relevant trade;
- (b) is satisfied that the financial adviser has complied with the requirements set out in paragraphs 22 and 24; and
- (c) has given approval for the financial adviser to proceed with the client's request,

whether personally, or by means of any designated person or any written framework approved pursuant to paragraph 25A.

[FAA-N16 (Amendment) 2012]
[FAA-N16 (Amendment No. 3) 2018]

25A For the purpose of paragraph 25, the senior management of the financial adviser may:

- (a) designate any person who is not its senior management, and who is not involved in that relevant trade and is not a connected person to the client (referred to in paragraphs 25 and 25A as “designated person”) to fulfil the requirements set out in paragraph 25(a), (b) and (c) on behalf of its senior management, so long as its senior management ensures that the designated person fulfils those requirements; or
- (b) approve a written framework stipulating the circumstances under which approval for the financial adviser to proceed with a client's request under paragraph 25(c) may be given by a designated person or by an automated process on behalf of its senior management, so long as its senior management ensures that the framework is sufficiently robust to fulfil the requirements set out in paragraph 25(a) and (b).

[FAA-N16 (Amendment No. 3) 2018]

Validity of the Outcome of Customer Knowledge Assessment

26 Where a client is assessed to have the knowledge or experience to transact in an unlisted Specified Investment Product, the financial adviser may allow the client to transact in such unlisted Specified Investment Product for a period of one year from the date of the Customer Knowledge Assessment. After a year has elapsed, the financial adviser shall conduct a new Customer Knowledge Assessment on the client, or rely on a new Customer Knowledge Assessment conducted by a third party for the client under paragraph 27, before it provides any recommendation on any unlisted Specified Investment Product to the client.

[FAA-N16 (Amendment No. 3) 2018]

Reliance on a Third Party Customer Knowledge Assessment

27 Where a client of a financial adviser has previously undergone a Customer Knowledge Assessment with a third party, the financial adviser may, instead of conducting a Customer Knowledge Assessment, rely on the Customer Knowledge Assessment previously conducted by the third party for such client, if the following conditions are met:

- (a) the financial adviser is satisfied that the third party had complied with the criteria set out in Annex 2 to this Notice and the requirements set out in paragraphs 17 to 18 when the third party conducted the Customer Knowledge Assessment for such client;
- (b) the third party is not one which the financial adviser has been specifically precluded by the Authority from relying on; and
- (c) the third party is able and willing to provide, without delay, upon the financial adviser's request, any data, documents, or information obtained by the third party with respect to the Customer Knowledge Assessment conducted for such client, which the financial adviser would be required or would want to obtain.

[FAA-N16 (Amendment) 2011]

[FAA-N16 (Amendment) 2012]

[FAA-N16 (Amendment No. 3) 2018]

27A For the purposes of conducting the Customer Knowledge Assessment provided in paragraphs 15 to 26 and 27D, the reference to a “client” in those paragraphs only refers to a natural person.

[FAA-N16 (Amendment) 2011]
[FAA-N16 (Amendment No. 3) 2018]

27B Before relying on the Customer Knowledge Assessment previously conducted by a third party as referred to in paragraph 27, the financial adviser shall –

- (a) document the basis for its satisfaction that the criteria and requirements referred to in paragraph 27(a) had been met; and
- (b) obtain from the third party the documentation for the Customer Knowledge Assessment referred to in paragraph 40.

[FAA-N16 (Amendment No. 3) 2018]

27C For the avoidance of doubt, notwithstanding its reliance on the Customer Knowledge Assessment previously conducted by a third party, a financial adviser shall remain responsible for its Customer Knowledge Assessments obligations in this Notice.

[FAA-N16 (Amendment No. 3) 2018]

Jointly Transacting in Unlisted Specified Investment Products

27D Where two or more clients intend to jointly transact in an unlisted Specified Investment Product, the requirements to conduct the Customer Knowledge Assessment as provided in paragraphs 15 to 27C shall apply to the financial adviser in respect of each of the clients before making a recommendation on such unlisted Specified Investment Product.

[FAA-N16 (Amendment No. 3) 2018]

Customer Account Review

27E Subject to paragraph 27Q, a financial adviser shall conduct a Customer Account Review based on criteria set out in Annex 3 to this Notice before making a recommendation on any Listed Specified Investment Product.

[FAA-N16 (Amendment No. 3) 2018]

27F For the purpose of the Customer Account Review, a financial adviser shall take into consideration information on a client's educational qualifications, investment experience and work experience. Where a client does not provide information on his educational qualifications, investment experience or work experience, the financial adviser shall deem the client not to possess knowledge or experience in derivatives.

[FAA-N16 (Amendment No. 3) 2018]

27G When conducting a Customer Account Review for a client for the first time, or for a client whose previous Customer Account Review is no longer valid in accordance with paragraph 27T, a financial adviser shall assess a client's investment experience according to:

- (a) the classification of the capital markets product(s) previously transacted by the client; and
- (b) the listing status of such capital markets product(s),

at the time that the client had transacted in such capital markets product(s).

[FAA-N16 (Amendment No. 3) 2018]

27H A financial adviser shall highlight to the client in writing that any inaccurate or incomplete information provided by the client may affect the outcome of the Customer Account Review.

[FAA-N16 (Amendment No. 3) 2018]

27I Subject to paragraphs 27N and 27O, a financial adviser shall not allow a client to transact in a Listed Specified Investment Product unless it is satisfied, on the basis of the outcome of the Customer Account Review referred to in paragraph 27E or 27Q, that the client has knowledge or experience in the Listed Specified Investment Product, as set out in Annex 3 to this Notice.

[FAA-N16 (Amendment No. 3) 2018]

27J Notwithstanding a positive outcome of the Customer Account Review, the financial adviser shall offer to provide advice concerning the Listed Specified Investment Product to the client.

[FAA-N16 (Amendment No. 3) 2018]

27K Where the client does not wish to receive advice concerning the Listed Specified Investment Product from the financial adviser, the financial adviser

shall document the decision of the client and highlight to the client in writing that it is the client's responsibility to ensure the suitability of the Listed Specified Investment Product selected. The financial adviser shall also warn the client in writing that the client has chosen not to receive advice and will therefore not be able to rely on section 27 of the Act to file a civil claim in the event he alleges he has suffered a loss, and confirm in writing if the client wishes to proceed without advice.

[FAA-N16 (Amendment No. 3) 2018]

Requirements where Clients are Assessed Not to Possess Knowledge or Experience in Derivatives

27L Where a financial adviser assesses a client not to possess knowledge or experience in derivatives pursuant to the Customer Account Review, it shall inform the client of the outcome of the Customer Account Review.

[FAA-N16 (Amendment No. 3) 2018]

27M Where a client, after being informed of the outcome of the Customer Account Review, in accordance with paragraph 27L, nevertheless intends to proceed to transact in a Listed Specified Investment Product, the financial adviser shall provide advice to the client, taking into account the client's investment objectives, financial situation and particular needs, as well as the outcome of the Customer Account Review.

[FAA-N16 (Amendment No. 3) 2018]

27N If a client, who is assessed as not possessing knowledge or experience in derivatives pursuant to the Customer Account Review, nevertheless chooses to transact in a Listed Specified Investment Product which is not recommended by the financial adviser, the financial adviser shall:

- (a) inform the client in writing of the outcome of the Customer Account Review;
- (b) obtain the client's written confirmation that the client still intends to proceed to transact in the Listed Specified Investment Product despite the outcome of the Customer Account Review; and

inform the client in writing that it is the client's responsibility to ensure the suitability of the product selected.

[FAA-N16 (Amendment No. 3) 2018]

27O In respect of such a client as referred to in paragraph 27N who has confirmed that he intends to proceed to transact in the Listed Specified Investment Product (referred to in paragraphs 27O and 27P as "relevant trade"), the financial adviser shall not allow the client to proceed with the relevant trade unless its senior management, who is not involved in that relevant trade and is not a connected person to the client:

- (a) has confirmed with the client that the client has been properly informed of all relevant facts as required under paragraphs 27L and 27N, and that the client is aware of the implications and consequences of proceeding with that relevant trade;
- (b) is satisfied that the financial adviser has complied with the requirements set out in paragraphs 27L and 27N; and
- (c) has given approval for the financial adviser to proceed with the client's request,

whether personally, or by means of any designated person or any written framework approved pursuant to paragraph 27P.

[FAA-N16 (Amendment No. 3) 2018]

27P For the purpose of paragraph 27O, the senior management of the financial adviser may:

- (a) designate any person who is not its senior management, and who is not involved in that relevant trade and is not a connected person to the client (referred to in paragraphs 27O and 27P as "designated person"), to fulfil the requirements set out in paragraph 27O(a), (b) and (c) on behalf of its senior management, so long as its senior management ensures that the designated person fulfils those requirements; or
- (b) approve a written framework stipulating the circumstances under which approval to proceed with a client's request under paragraph 27O(c) may be given by a designated person or by an automated process on behalf of its senior management, so

long as its senior management ensures that the framework is sufficiently robust to fulfil the requirements set out in paragraph 27O(a) and (b).

[FAA-N16 (Amendment No. 3) 2018]

Reliance on a Third Party Customer Account Review

27Q Where a client of a financial adviser has previously undergone a Customer Account Review with a third party, the financial adviser may, instead of conducting a Customer Account Review, rely on the Customer Account Review previously conducted by the third party for such client, if the following conditions are met:

- (a) the financial adviser is satisfied that the third party had complied with the criteria set out in Annex 3 to this Notice and the requirements set out in paragraphs 27F to 27H when the third party conducted the Customer Account Review for such client;
- (b) the third party is not one which the financial adviser has been specifically precluded by the Authority from relying on; and
- (c) the third party is able and willing to provide, without delay, upon the financial adviser's request, any data, documents, or information obtained by the third party with respect to the Customer Account Review conducted for such client, which the financial adviser would be required or would want to obtain.

[FAA-N16 (Amendment No. 3) 2018]

27R Before relying on the Customer Account Review previously conducted by a third party as referred to in paragraph 27Q, the financial adviser shall –

- (a) document the basis for its satisfaction that the criteria and requirements referred to in paragraph 27Q(a) had been met; and
- (b) obtain from the third party the documentation for the Customer Account Review referred to in paragraph 40.

[FAA-N16 (Amendment No. 3) 2018]

27S For the avoidance of doubt, notwithstanding its reliance on the Customer Account Review previously conducted by a third party, a financial adviser shall remain responsible for its Customer Account Review obligations in this Notice.

[FAA-N16 (Amendment No. 3) 2018]

Validity of the Outcome of Customer Account Review

27T No financial adviser shall make a recommendation to a client to transact in a Listed Specified Investment Product after 3 years has expired from the date of the conduct of the Customer Account Review for the client concerned, until and unless –

- (a) the financial adviser has checked and is satisfied that –
 - (i) the client has transacted in a Listed Specified Investment Product more than once during the preceding 3-year period; and
 - (ii) in every subsequent 3-year period, the client has transacted in a Listed Specified Investment Product more than once during that 3-year period; or
- (b) the financial adviser has conducted a new Customer Account Review for the client concerned by repeating the steps in paragraphs 27E to 27O, or the financial adviser has relied on a new Customer Account Review conducted by a third party for the client concerned under paragraph 27Q.

[FAA-N16 (Amendment No. 3) 2018]

Jointly Transacting in Listed Specified Investment Products

27U Where two or more clients intend to jointly transact in a Listed Specified Investment Product, the requirements to conduct the Customer Account Review as provided in paragraphs 27E to 27T shall apply to the financial adviser in respect of each of the clients before making a recommendation on such Listed Specified Investment Product.

[FAA-N16 (Amendment No. 3) 2018]

27V For the purposes of conducting the Customer Account Review provided in paragraphs 27E to 27U, any reference to a “client” in those paragraphs only refers to a natural person.

[FAA-N16 (Amendment No. 3) 2018]

Needs Analysis

28 Section 27 of the Act requires a financial adviser to analyse the information provided by the client and identify the product that is suitable for the client based on the information obtained from the client.

[FAA-N16 (Amendment) 2011]

29 A financial adviser shall put in place systems and processes for its representatives to determine whether the product recommended is suitable for the client based on the information obtained from the client. The financial adviser shall take into consideration the nature of the product, key risks and other features including the investment tenor, fees and liquidity required.

30 Where the financial adviser is unable to identify a suitable product, it shall inform the client accordingly.

31 A financial adviser shall explain to its client the basis for its recommendation. The basis on which the financial adviser is making the recommendation to the client shall be documented.

32 Where a client does not want:

- (a) to provide any information requested by the financial adviser in accordance with paragraph 11; or

- (b) to accept the recommendation of the financial adviser and chooses to proceed with the transaction in another investment product which is not recommended by the financial adviser,

the financial adviser may proceed with the client's request, but it shall document the decision of the client and highlight to the client in writing that it is the client's responsibility to ensure the suitability of the product selected.

[FAA-N16 (Amendment) 2011]

[FAA-N16 (Amendment) 2012]

33 Where a client chooses not to receive any recommendation from a financial adviser, the financial adviser shall ensure that there is proper documentation to demonstrate that this is so.

34 Where a financial adviser is:

- (a) making a recommendation on life policies;
- (b) arranging contracts of insurance in respect of life policies; or
- (c) carrying out both of the above activities,

it is expected to comply with the LIA Minimum Standard for Life Insurance Advisory Process issued by the Life Insurance Association of Singapore.

34A Notwithstanding paragraph 34(a), where a financial adviser is making a recommendation on a bundled product, it shall disclose to the client the option of purchasing a comparable term life insurance product as set out in the bundled product disclosure document.

[FAA-N16 (Amendment) 2018]

Documentation and Record Keeping

35 The financial adviser shall make reasonable efforts to document the basis for the recommendation referred to in paragraph 36(b), and such documentation shall include the following:

- (a) the client's statement of his investment objectives, financial situation and particular needs;
- (b) the financial adviser's reasonable basis for making the recommendation to the client having regard to the information obtained from the client; and
- (c) the financial adviser's assessment of the disadvantages of the investment product based on circumstances of the client.

36 A financial adviser shall furnish to its client a document containing the following when making a recommendation in respect of an investment product to the client:

- (a) a summary of the information gathered by the financial adviser pursuant to paragraph 11; and
- (b) any recommendation made to the client by the financial adviser and the basis for the recommendation,

and, where applicable, also furnish to its client a statement that the client does not want to:

- (i) provide any information requested by the financial adviser in accordance with paragraph 11;
- (ii) accept the recommendation of the financial adviser and has chosen to proceed with the transaction in another investment product which is not recommended by the financial adviser; or
- (iii) receive any recommendation from the financial adviser,

before the client signs on the application form for the purchase of an investment product or gives his consent to dispose of an investment product.

[FAA-N16 (Amendment) 2011]

[FAA-N16 (Amendment) 2012]

37 A financial adviser shall furnish the following documents to a client when making a recommendation:

- (a) in the case of a collective investment scheme or a debenture, a copy of the prospectus or profile statement and product highlights sheet (if applicable) issued in respect of the collective investment scheme or the debenture, or any other offer document, or both (as the case may be), as may be prescribed by the relevant laws, including:
 - (i) a supplementary prospectus or supplementary profile statement issued in respect of the collective investment scheme or the debenture; and
 - (ii) a replacement prospectus or replacement profile statement issued in respect of the collective investment scheme or the debenture.
- (b) in the case of a life policy (including a bundled product), a copy of the cover page, product summary, policy illustration, bundled product disclosure document and product highlights sheet in respect of that policy, as prepared and provided by the direct life insurer (where such documents are available in respect of that policy).

[FAA-N16 (Amendment) 2018]

38 The financial adviser may, with the client's written consent, give the client an abridged version of the document or statement referred to in paragraph 36. The financial adviser shall also maintain a copy of this document or statement and the abridged version of the document or statement, where applicable, for record keeping purposes.

39 A financial adviser who is also a dealer is not required to furnish to its client the document referred to in paragraph 36 when making recommendation in respect of an investment product to the client.

40 A financial adviser shall document every Customer Knowledge Assessment and every Customer Account Review conducted for each client. Such documentation shall include the following:

- (a) information collected from a client on his educational

qualification, work experience and investment experience;

- (b) an assessment of the client's knowledge and experience in derivatives or unlisted Specified Investment Products, as the case may be;
- (c) the outcome of the Customer Knowledge Assessment or the Customer Account Review, as the case may be; and
- (d) the approval of its senior management or designated person for the financial adviser to proceed with the client's request, where applicable.

[FAA-N16 (Amendment No. 3) 2018]

41 A financial adviser shall maintain records of all communication between the financial adviser and the client relating to the provision of financial advisory in respect of a Listed Specified Investment Product, including a record in the form of a file note or a tape recording of the telephone conversation.

[FAA-N16 (Amendment) 2012]

[FAA-N16 (Amendment No. 2) 2018]

[FAA-N16 (Amendment No. 3) 2018]

Requirements on a financial adviser providing financial advisory services in relation to units in a collective investment scheme, the units of which are Excluded Investment Products ("EIP-CIS")

41A Where the responsible person of the EIP-CIS is required to ensure that a Customer Account Review or a Customer Knowledge Assessment referred to in paragraph 29B(b)(i) or (ii) of the Notice on the Sale of Investment Products [Notice No. SFA 04-N12] is conducted by a financial adviser on every client who is an existing Relevant Participant as a result of any change in investment objective, investment focus or investment approach of the EIP-CIS which would cause the units in an EIP-CIS to be classified as Specified Investment Products, and -

- (a) a financial adviser of an existing Relevant Participant is able to demonstrate to the responsible person concerned that it is unable to conduct a Customer Account Review or a Customer

Knowledge Assessment as referred to in paragraph 29B(b)(i) or (ii) of the Notice on the Sale of Investment Products [Notice No. SFA 04-N12] for reasons beyond its reasonable control, including where it is unable to contact the existing Relevant Participant despite it having written to that existing Relevant Participant regarding the conduct of such Customer Account Review or Customer Knowledge Assessment and having made repeated attempts thereafter to establish contact, or where the existing Relevant Participant refuses to undergo a Customer Account Review or a Customer Knowledge Assessment as referred to in paragraph 29B(b)(i) or (ii) of the Notice on the Sale of Investment Products [Notice No. SFA 04-N12]; or

- (b) a financial adviser has conducted a Customer Account Review or a Customer Knowledge Assessment in accordance with paragraph 29B(b)(i) or (ii) of the Notice on the Sale of Investment Products [Notice No. SFA 04-N12], and assesses an existing Relevant Participant not to possess the adequate knowledge or experience pursuant to such Customer Account Review or Customer Knowledge Assessment, as the case may be, and is unable to allow such existing Relevant Participant to proceed to transact in the Listed Specified Investment Product or in the unlisted Specified Investment Product,

the financial adviser may –

- (i) allow the existing Relevant Participant concerned to continue holding on to his existing position in the EIP-CIS; or
- (ii) on the instructions of the existing Relevant Participant concerned, execute a transaction or transactions on behalf of the existing Relevant Participant concerned to reduce his existing position in the EIP-CIS.

For the avoidance of doubt, the financial adviser shall not count such transactions referred to in sub-paragraph (ii) as “investment experience” for the purposes of conducting the Customer Account Review or the Customer Knowledge Assessment for the existing Relevant Participant concerned.

[FAA-N16 (Amendment) 2012]

[FAA-N16 (Amendment No. 2) 2018]

[FAA-N16 (Amendment No. 3) 2018]

Requirements on a financial adviser providing financial advisory services in relation to units in an investment-linked policy sub-fund, the units of which are Excluded Investment Products (“EIP-ILP sub-fund”)

41B Where the insurer issuing an investment-linked policy (ILP) that has an EIP-ILP sub-fund within the ILP is required to ensure that a Customer Knowledge Assessment referred to in paragraph 47B of the Notice on Investment-Linked Policies [MAS Notice 307] is conducted by a financial adviser on every client who is a Relevant Policyholder as a result of any change in investment objective or investment focus of the EIP-ILP sub-fund, or investment approach of the manager which would cause the units in the EIP-ILP sub-fund to be classified as Specified Investment Products, and -

- (a) a financial adviser of an existing Relevant Policyholder is able to demonstrate to the insurer concerned that it is unable to conduct a Customer Knowledge Assessment as referred to in paragraph 47B of the Notice on Investment-Linked Policies [MAS Notice 307] for reasons beyond its reasonable control, including where it is unable to contact the existing Relevant Policyholder despite it having written to that existing Relevant Policyholder regarding the conduct of such Customer Knowledge Assessment and having made repeated attempts thereafter to establish contact, or where the existing Relevant Policyholder refuses to undergo a Customer Knowledge Assessment as referred to in paragraph 47B of the Notice on Investment-Linked Policies [MAS Notice 307]; or
- (b) a financial adviser has conducted a Customer Knowledge Assessment in accordance with paragraph 47B of the Notice on Investment-Linked Policies [MAS Notice 307], and assesses an existing Relevant Policyholder not to possess the adequate knowledge or experience pursuant to such Customer Knowledge Assessment, and is unable to allow such existing Relevant Policyholder to proceed to transact in the unlisted

Specified Investment Product,

the financial adviser may –

- (i) allow the existing Relevant Policyholder concerned to continue holding on to his existing position in the EIP-ILP sub-fund; or
- (ii) on the instructions of the existing Relevant Policyholder concerned, execute a transaction or transactions on behalf of the existing Relevant Policyholder concerned to reduce his existing position in the EIP-ILP sub-fund.

For the avoidance of doubt, the financial adviser shall not count such transactions referred to in sub-paragraph (ii) as “investment experience” for the purposes of conducting the Customer Knowledge Assessment for the existing Relevant Policyholder concerned.

[FAA-N16 (Amendment) 2012]

[FAA-N16 (Amendment) 2018]

Requirements on financial advisers providing financial advisory services in relation to Overseas-Listed Investment Products

41C A financial adviser shall provide the risk warning statement set out in Annex 4 to this Notice to its client before making a recommendation on any Overseas-Listed Investment Product where it is the first time on or after 8 October 2018 that the financial adviser makes such recommendation to the client.

[FAA-N16 (Amendment No. 3) 2018]

41D The financial adviser shall obtain the client’s acknowledgement of the risk warning statement, in written form or otherwise, before making a recommendation on any Overseas-Listed Investment Product, where it is for the first time on or after 8 October 2018 that the financial adviser makes such recommendation to the client.

[FAA-N16 (Amendment No. 3) 2018]

41E The financial adviser shall maintain records of the client's acknowledgment referred to in paragraph 41D for a period of not less than 5 years.

[FAA-N16 (Amendment No. 3) 2018]

41F Where a financial adviser makes a recommendation on an Overseas-Listed Investment Product to its client, the financial adviser may implement a system to identify and determine that the Overseas-Listed Investment Product is to be classified as an Excluded Investment Product.

[FAA-N16 (Amendment No. 3) 2018]

41G Where a financial adviser does not implement a system to identify and determine that an Overseas-Listed Investment Product is to be classified as an Excluded Investment Product in accordance with paragraph 41F, the Overseas-Listed Investment Product shall be classified as a Specified Investment Product, and the requirements set out in paragraphs 27D to 27U, with respect to the Customer Account Review, shall apply to a financial adviser making a recommendation on an Overseas-Listed Investment Product to its client.

[FAA-N16 (Amendment No. 3) 2018]

41H Where a financial adviser has classified an Overseas-Listed Investment Product as an Excluded Investment Product, it shall ensure the classification of the Overseas-Listed Investment Product concerned remains accurate and current at all times.

[FAA-N16 (Amendment No. 3) 2018]

41I A financial adviser may outsource the identification and classification of an Overseas-Listed Investment Product as an Excluded Investment Product to another party. Where the identification and classification of an Overseas-Listed Investment Product has been outsourced, the financial adviser shall be responsible for the implementation of the classification system, including but not limited to, the accuracy of the classification.

[FAA-N16 (Amendment No. 3) 2018]

41J For the purposes of the requirements provided in paragraphs 41C to 41E, any reference to a “client” in those paragraphs only refers to a natural person.

[FAA-N16 (Amendment No. 3) 2018]

Switching of Designated Investment Products

42 A financial adviser shall not make a recommendation to a client to switch from one designated investment product (referred to as “original product”) to another designated investment product (referred to as “replacement product”) in a manner that would be detrimental to the client. In considering whether a switch is detrimental, the Authority may have regard to a number of factors, including:

- (a) whether the client suffers any penalty for terminating the original product;
- (b) whether the client will incur any transaction cost without gaining any real benefit from such a switch;
- (c) whether the replacement product confers a lower level of benefit at a higher cost or same cost to the client, or the same level of benefit at a higher cost; and
- (d) whether the replacement product is less suitable for the client.

43 A financial adviser which makes a recommendation to a client to switch from one designated investment product to another designated investment product shall comply with the requirements set out in this Notice.

44 A financial adviser shall disclose, in writing, to a client any fee or charge the client would have to bear if he were to switch from one designated investment product to another, in order to ensure that the client is able to make an informed decision on whether to switch.

45 This Notice shall take effect on 1 January 2012.

Note:

Under section 58(5) of the Act, any person who contravenes any requirement specified in a written direction issued by the Authority (which would include this Notice), shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

*Notes on History of Amendments:

1. FAA-N16 (Amendment) 2011 with effect from 1 January 2012
2. FAA-N16 (Amendment) 2012 with effect from 11 December 2012
3. FAA-N16 (Amendment) 2015 with effect from 29 April 2015
4. FAA-N16 (Amendment) 2017 with effect from 1 April 2017
5. FAA-N16 (Amendment) 2018 with effect from 2 July 2018
6. FAA-N16 (Amendment No. 2) 2018 with effect from 9 July 2018
7. FAA-N16 (Amendment No. 3) 2018 with effect from 8 October 2018

ANNEX 1 – EXCLUDED INVESTMENT PRODUCTS

- 1 “Excluded Investment Product” means –
- (a) any capital markets products that belong to a class of capital markets products listed in the Schedule to the Securities and Futures (Capital Markets Products) Regulations 2018;
 - (b) any life policy excluding an investment-linked policy (other than an investment-linked policy where the units in an ILP sub-fund within the investment-linked policy are referred to in paragraph (c));
 - (c) any unit in an ILP sub-fund in the circumstances mentioned in paragraph 2; or
 - (d) two or more products specified in paragraphs (a) to (c) in this Annex that are linked together in a stapled manner such that one product may not be transferred or otherwise dealt without any of the other product(s).

[FAA-N16 (Amendment) 2012]

[FAA-N16 (Amendment) 2015]

[FAA-N16 (Amendment No. 2) 2018]

2. For the purpose of paragraph 1(c), the circumstances are all of the following:

- (a) the investment objectives and investment focus of the ILP sub-fund, and investment approach of the manager stated in the product summary as prescribed in Appendix A of the Notice on Investment-Linked Policies [MAS Notice 307] require that the manager of the ILP sub-fund must not engage in any securities lending transaction or securities repurchase transaction in relation to the scheme, except where —
 - (i) the securities lending transaction or securities repurchase transaction (as the case may be) is carried out

for the sole purpose of efficient portfolio management;
and

- (ii) the total value of securities subject to all the securities lending transactions and securities repurchase transactions entered into by the manager does not exceed 50% of the net asset value of the scheme at any time,

and the manager complies with the requirement;

- (b) the product summary as prescribed in Appendix A of the Notice on Investment-Linked Policies [MAS Notice 307] require that the manager of the ILP sub-fund must —

- (i) invest the property of the ILP sub-fund only in one or more of the following:

- (A) deposits as defined in section 4B(4) of the Banking Act (Cap. 19);
- (B) gold certificates, gold savings accounts or physical gold;
- (C) any investment product mentioned in paragraph 1(a) to (d);
- (D) any product, instrument, contract or arrangement (other than the investment products mentioned in paragraph 1(a) to (d)) if the investment in such product, instrument, contract or arrangement is solely for the purpose of hedging or efficient portfolio management; or

- (ii) invest the property of the ILP sub-fund as follows:

- (A) only in one or more products, instruments, contracts or arrangements mentioned in subparagraph (i); but
- (B) may invest in some other product, instrument, contract or arrangement if —
 - (BA) there is any change in any written law, regulation, direction, rule or non-statutory instrument of the jurisdiction where the

scheme is constituted, operating or investing; and

(BB) following such change, the manager is restricted or prohibited from investing in any of the products, instruments, contracts or arrangements mentioned in sub-paragraph (i),

and, in the case of either sub-paragraph (i) or (ii), the manager invests the property of the ILP sub-fund only in one or more of the products, instruments, contracts or arrangements mentioned in sub-paragraph (i).

[FAA-N16 (Amendment No. 2) 2018]

3. Where, under paragraph 2, the manager of the ILP sub-fund invests the property of the ILP sub-fund in any product, instrument, contract or arrangement not mentioned in paragraph 2(b)(i), whether or not in accordance with a requirement mentioned in paragraph 2(b)(ii)(B), then the unit in the ILP sub-fund ceases to be an Excluded Investment Product with effect from the date of the investment.

[FAA-N16 (Amendment No. 2) 2018]

ANNEX 2 – CRITERIA FOR THE SATISFACTION OF THE CUSTOMER KNOWLEDGE ASSESSMENT

1. A client who satisfies any of the following may be assessed as possessing the knowledge or experience in an unlisted Specified Investment Product for the purpose of the satisfaction of the Customer Knowledge Assessment in the Specified Investment Product concerned:
 - (a) The client holds a diploma or has higher qualifications in accountancy, actuarial science, business/business administration/business management/business studies, capital markets, commerce, economics, finance, financial engineering, financial planning, computational finance and insurance;
 - (b) The client has a professional finance-related qualification²;
 - (c) The client has invested in the following unlisted Specified Investment Products:
 - (i) For transactions in collective investment schemes (referred to as “CIS”) and investment-linked policies (referred to as “ILPs”), the client has transacted in CIS or ILPs at least 6 times in the preceding 3 years; or
 - (ii) For transactions in unlisted Specified Investment Products (other than CIS and ILPs), the client has transacted in any unlisted Specified Investment Products (other than CIS and ILPs) at least 6 times in the preceding 3 years;
 - (d) The client has a minimum of 3 consecutive years of working experience³ in the past 10 years in the development of, structuring of, management of, sale of, trading of, research on and analysis of investment products or the provision of training in investment products. Work experience in accountancy,

² Examples of this would include the Chartered Financial Analyst Examination conducted by the CFA Institute, USA and the Association of Chartered Certified Accountants (ACCA) Qualifications.

³ Such working experience would also include the provision of legal advice or possession of legal expertise on the relevant areas listed in limb (d).

actuarial science, treasury or financial risk management activities will also be considered relevant experience.

2. Where a client is assessed to not possess knowledge or experience in an unlisted Specified Investment Product, but subsequently demonstrates sufficient understanding of the features and risks of that Specified Investment Product through a learning module provided by an independent body as set out in the Practice Note on Recommendations on Investment Products [FAA PN-02], the client may be deemed to possess the knowledge to transact in that unlisted Specified Investment Product.

[FAA-N16 (Amendment) 2011]

[FAA-N16 (Amendment) 2012]

[FAA-N16 (Amendment No. 2) 2018]

ANNEX 3 – CRITERIA FOR THE ASSESSMENT OF A CUSTOMER ACCOUNT REVIEW

1. A client who satisfies any of the following may be assessed as possessing the knowledge or experience in derivatives for the satisfaction of the Customer Account Review in the Specified Investment Product concerned:
 - (a) the client holds a diploma or has higher qualifications in accountancy, actuarial science, business/business administration/business management/business studies, capital markets, commerce, economics, finance, financial engineering, financial planning, computational finance and insurance;
 - (b) the client has a professional finance-related qualification⁴;
 - (c) the client has transacted in Listed Specified Investment Products at least 6 times in the preceding 3 years; or
 - (d) the client has a minimum of 3 consecutive years of working experience⁵ in the past 10 years, in the development of, structuring of, management of, sale of, trading of, research on or analysis of investment products⁶, or the provision of training in investment products. Work experience in accountancy, actuarial science, treasury or financial risk management activities will also be considered relevant experience.

2. Where a client is assessed to not possess knowledge or experience in derivatives, but subsequently demonstrates sufficient understanding of the features and risks of derivatives through a learning module provided by an independent body as set out in the Practice Note on the Sale of Investment Products [SFA PN-01], the client may be

⁴ Examples of this would include the Chartered Financial Analyst Examination conducted by the CFA Institute, USA and the Association of Chartered Certified Accountants (ACCA) Qualifications.

⁵ Such working experience would also include the provision of legal advice or possession of legal expertise on the relevant areas listed in limb (d).

⁶ As defined in section 2 of the Financial Advisers Act (Cap. 110).

deemed to possess the knowledge to transact in Listed Specified Investment Products.

[FAA-N16 (Amendment No. 3) 2018]

ANNEX 4 - RISK WARNING STATEMENT FOR OVERSEAS-LISTED INVESTMENT PRODUCTS

OVERSEAS-LISTED INVESTMENT PRODUCTS

RISK WARNING

An overseas-listed investment product* is subject to the laws and regulations of the jurisdiction it is listed in. Before you trade in an overseas-listed investment product or authorise someone else to trade for you, you should be aware of:

- The level of investor protection and safeguards that you are afforded in the relevant foreign jurisdiction as the overseas-listed investment product would operate under a different regulatory regime.
- The differences between the legal systems in the foreign jurisdiction and Singapore that may affect your ability to recover your funds.
- The tax implications, currency risks, and additional transaction costs that you may have to incur.
- The counterparty and correspondent broker risks that you are exposed to.
- The political, economic and social developments that influence the overseas markets you are investing in.

These and other risks may affect the value of your investment. You should not invest in the product if you do not understand or are not comfortable with such risks.

**An “overseas-listed investment product” in this statement refers to a capital markets product that is approved in-principle for listing and quotation only on, or listed for quotation or quoted only on, one or more overseas exchange(s).*

1. This statement is provided to you in accordance with paragraph 41C of the Notice on Recommendations on Investment Products [FAA-N16].

2. This statement does not disclose all the risks and other significant aspects of trading in an overseas-listed investment product. You should undertake such transactions only if you understand and are comfortable with the extent of your exposure to the risks.
3. You should carefully consider whether such trading is suitable for you in light of your experience, objectives, risk appetite, financial resources and other relevant circumstances. In considering whether to trade or to authorise someone else to trade for you, you should be aware of the following:

Differences in Regulatory Regimes

- (a) Overseas markets may be subject to different regulations, and may operate differently from approved exchanges in Singapore. For example, there may be different rules providing for the safekeeping of securities and monies held by custodian banks or depositories. This may affect the level of safeguards in place to ensure proper segregation and safekeeping of your investment products or monies held overseas. There is also the risk of your investment products or monies not being protected if the custodian has credit problems or fails. Overseas markets may also have different periods for clearing and settling transactions. These may affect the information available to you regarding transaction prices and the time you have to settle your trade on such overseas markets.
- (b) Overseas markets may be subject to rules which may offer different investor protection as compared to Singapore. Before you start to trade, you should be fully aware of the types of redress available to you in Singapore and other relevant jurisdictions, if any.
- (c) Overseas-listed investment products may not be subject to the same disclosure standards that apply to investment products listed for quotation or quoted on an approved exchange in Singapore. Where disclosure is made, differences in accounting, auditing and financial reporting standards may also affect the quality and comparability of information provided. It may also be more difficult to locate up-to-date information, and the information published may only be available in a foreign language.

Differences in legal systems

- (d) In some countries, legal concepts which are practiced in mature legal systems may not be in place or may have yet to be tested in courts. This would make it more difficult to predict with a degree of certainty the outcome of judicial proceedings or even the quantum of damages which may be awarded following a successful claim.
- (e) The Monetary Authority of Singapore will be unable to compel the enforcement of the rules of the regulatory authorities or markets in other jurisdictions where your transactions will be effected.
- (f) The laws of some jurisdictions may prohibit or restrict the repatriation of funds from such jurisdictions including capital, divestment proceeds, profits, dividends and interest arising from investment in such countries. Therefore, there is no guarantee that the funds you have invested and the funds arising from your investment will be capable of being remitted.
- (g) Some jurisdictions may also restrict the amount or type of investment products that foreign investors may trade. This can affect the liquidity and prices of the overseas-listed investment products that you invest in.

Different costs involved

- (h) There may be tax implications of investing in an overseas-listed investment product. For example, sale proceeds or the receipt of any dividends and other income may be subject to tax levies, duties or charges in the foreign country, in Singapore, or in both countries.
- (i) Your investment return on foreign currency-denominated investment products will be affected by exchange rate fluctuations where there is a need to convert from the currency of denomination of the investment products to another currency, or may be affected by exchange controls.
- (j) You may have to pay additional costs such as fees and broker's commissions for transactions in overseas exchanges. In some jurisdictions, you may also have to pay a premium to trade certain

listed investment products. Therefore, before you begin to trade, you should obtain a clear explanation of all commissions, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

Counterparty and correspondent broker risks

- (k) Transactions on overseas exchanges or overseas markets are generally effected by your Singapore broker through the use of foreign brokers who have trading and/or clearing rights on those exchanges. All transactions that are executed upon your instructions with such counterparties and correspondent brokers are dependent on their respective due performance of their obligations. The insolvency or default of such counterparties and correspondent brokers may lead to positions being liquidated or closed out without your consent and/or may result in difficulties in recovering your monies and assets held overseas.

Political, Economic and Social Developments

- (l) Overseas markets are influenced by the political, economic and social developments in the foreign jurisdiction, which may be uncertain and may increase the risk of investing in overseas-listed investment products.

**ACKNOWLEDGEMENT OF RECEIPT OF THIS RISK WARNING
STATEMENT**

I acknowledge that I have received a copy of the Risk Warning Statement and understand its contents.

Signature of customer: _____

Name of customer: _____

Date: _____