



Monetary Authority of Singapore

**PRACTICE NOTE ON RECOMMENDATIONS ON
INVESTMENT PRODUCTS**

Practice Note No : FAA PN-02
Issue Date : 19 December 2011 (last updated on 4 January 2019)

PRACTICE NOTE ON RECOMMENDATIONS ON INVESTMENT PRODUCTS

Purpose

1 This Practice Note is issued pursuant to section 64 of the Financial Advisers Act (Cap. 110) [“FAA”] to provide guidance to financial advisers and their representatives in respect of their provision of recommendation on a Specified Investment Product that is neither listed for quotation nor quoted on a securities market or futures market (referred to in this Practice Note as “unlisted Specified Investment Product”) to a client.

[Amended on 11 December 2012]

2 This Practice Note is to be read in conjunction with the provisions of the Notice on Recommendations on Investment Products [FAA-N16] [“the Notice”] and is not intended to override or to replace any provisions in the Notice. In this regard, representatives of a financial adviser are reminded that unless otherwise specified, a representative shall comply with any requirement imposed on a financial adviser when acting on its behalf, as stated in paragraph 7 of the Notice. The expressions used in this Practice Note shall, except where expressly defined in this Practice Note or where the context otherwise requires, have the same respective meanings as in the Notice.

Customer Knowledge Assessment

Information on Clients’ Particulars

3 For the purpose of conducting the Customer Knowledge Assessment as required under paragraphs 16 and 17 of the Notice, a financial adviser should not rely solely on the client’s declaration that the client possesses the relevant knowledge or experience in unlisted Specified Investment Products. The financial adviser should make appropriate enquiries with the client to gather relevant information relating but not limited to the client’s educational qualifications, investment experience and working experience. In this regard,

the financial adviser should maintain documentation of the information collected and assessment concluded.

4 The financial adviser may conduct the Customer Knowledge Assessment as part of the Know Your Customer process referred to in paragraphs 11 to 14 of the Notice. The questions relating to the Customer Knowledge Assessment and the Know Your Customer process may be in a single document, and the Customer Knowledge Assessment and the Know Your Customer process can be conducted by the financial adviser during the same meeting with the client. Notwithstanding this, the outcome of the Customer Knowledge Assessment should be determined and recorded separately from the outcome of the Know Your Customer process, in accordance with the applicable requirements stated in the Notice.

4A For the purposes of paragraph 2 of Annex 2 to the Notice and subject to paragraph 4B of this Practice Note, a client may be deemed to possess knowledge to transact in an unlisted Specified Investment Product if the client is able to demonstrate sufficient understanding of the features and risks of that unlisted Specified Investment Product by passing:

- (a) the assessment at the end of the e-learning module in respect of that unlisted Specified Investment Product¹, being a learning module provided by The Association of Banks in Singapore and the Securities Association of Singapore (referred to in this Practice Note as “relevant ABS-SAS learning module”) on the E-learning Portal for Investors; or
- (b) the examination for Capital Markets and Financial Advisory Services (CMFAS) modules 6A, 8A or 9A (referred to in this Practice Note as “CMFAS module”).

[Amended on 2 March 2015]

[Amended on 4 January 2019]

¹ The Association of Banks in Singapore and the Securities Association of Singapore have different e-learning modules for different unlisted Specified Investment Products on the E-learning Portal for Investors. The client should elect to undergo and pass the assessment at the end of the e-learning module in respect of the particular unlisted Specified Investment Product which he intends to transact in.

4B Where a client has passed the assessment or examination at the end of the relevant ABS-SAS learning module or CMFAS module respectively and intends to proceed to transact in an unlisted Specified Investment Product, the financial adviser concerned should not deem the client as possessing knowledge or experience in that unlisted Specified Investment Product unless the financial adviser has obtained and considered:

- (a) the client's acknowledgement that the client has personally undergone and passed the assessment or examination at the end of the relevant ABS-SAS learning module or CMFAS module respectively;
- (b) the previous score(s) of every assessment or examination at the end of the relevant ABS-SAS learning module or CMFAS module taken by the client respectively, if any; and
- (c) information relating to the number of times the client has not been allowed to transact in that unlisted Specified Investment Product by another financial adviser, a licensed person or an exempt financial institution (as defined in the Notice on the Sale of Investment Products [SFA04-N12]).

[Amended on 2 March 2015]

[Amended on 4 January 2019]

5 Notwithstanding that a financial adviser has allowed its client to transact in an unlisted Specified Investment Product, the financial adviser should continue to provide product-specific information and investor education to the client to facilitate the client's understanding of the features and risks particular to the unlisted Specified Investment Product.

5A For the purposes of paragraph 2 of Annex 3 to the Notice on the Sale of Investment Products [SFA04-N12] –

- (a) paragraph 4A shall apply, with necessary modifications, to a Customer; and
- (b) paragraphs 4B and 5 shall apply, with the necessary modifications, to a licensed person or an exempt financial institution conducting a Customer Knowledge Assessment for a Customer.

For the avoidance of doubt, the expressions used in this paragraph have the same meaning as in the Notice on the Sale of Investment Products [SFA04-N12].

[Amended on 2 March 2015]

Validity of the Outcome of Customer Knowledge Assessment

6 For the purpose of paragraph 26 of the Notice, the Customer Knowledge Assessment should also be conducted by the financial adviser on the client in respect of the client's rollover transactions, the opening of a Regular Savings Plan or when a new unlisted Specified Investment Product is selected for a Regular Savings Plan. For the avoidance of doubt, "transaction" referred to in this paragraph shall not have a corresponding meaning to the term "transact" as defined in paragraph 6A of the Notice.

[Amended on 11 December 2012]

Policies and Procedures

7 MAS expects all financial advisers to put in place formal policies and procedures governing their sale of unlisted Specified Investment Products to a client. The policies and procedures should, at a minimum, contain and satisfy the requirements set out in the Notice.