

FINANCIAL ADVISERS ACT NOTE

**COE
Section (4)**

FPAS ETHICS WORKSHOP

FINANCIAL ADVISERS ACT NOTE

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CODE OF ETHICS

Financial Advisers Act

Operative Provisions

No person shall act as a financial adviser in Singapore in respect of any financial advisory service unless he :-

- is authorised to do so in respect of that financial advisory service by a financial adviser's licence; or
- is an exempt financial adviser

No person, other than a representative of an exempt financial adviser, shall act as or hold himself out to be a representative unless he holds a representative's licence.

“Financial Advisory Service” means all or any of the following:

- advising others concerning investment products, either directly or through written or other forms, other than advising on corporate finance;
- issuing or promulgating analyses or reports, whether in electronic, printed or other forms, concerning any investment product;
- marketing any Collective Investment Scheme (CIS); and
- arranging life insurance contracts.

What is an Investment Product?

“Investment Product” means:

- any capital markets product;
- any life policy; and
- any other product prescribed by the MAS

What is a capital markets product?

A **capital markets product** means any securities, futures contracts, contracts or arrangements for the purposes of foreign exchange trading, contracts or arrangements for the purposes of leveraged foreign exchange trading, and such other products as the Authority may prescribe as a capital markets products

Entities exempt from obtaining a FA licence include: -

- bank;
- merchant bank;
- insurance company or society;
- holder of CMS licence; and
- finance company

(Provided they satisfy any conditions set out in the FAA)

Entities excluded from obtaining a FA licence include:

- An advocate and solicitor;
- Public accountant;
- Company registered under the Trust Companies Act;
- Newspaper proprietor;
- information service provider;
- credit rating agencies;
- Statutory board;
- Approved trustee under the SFA; and
- A liquidator, receiver, judicial manager

FA Representative's licence

An individual who provides any financial advisory service on behalf of a FA licensee has to obtain a representative's licence

As a general rule, a Representative may only act for one FA

FA and Representative's licences are granted for periods of 3 years

The MAS may specify which type of financial advisory service may be provided by the licensee under the FA or Representative's licence

Representative to Act for Only One Financial Adviser

Under the FAA, a representative can only act for one financial adviser. The objectives of this provision are two-fold. Firstly, to provide clarity on the status of the representatives, the financial advisers they represent, and more importantly, where responsibility rests for complaints and redress. Secondly, to ensure that financial advisers monitor and supervise their representatives closely at all times.

The MAS may refuse an application for a FA licence where :

- the applicant does not meet prescribed financial requirements;
- the applicant does not have a professional insurance indemnity policy;
- the applicant's officers or employees have insufficient qualification or experience;
- the applicant's officers, employees and substantial shareholders are not fit and proper persons;
- the applicant or its substantial shareholders are not of good financial standing;
- the applicant has an unsatisfactory past record.

[other grounds]

Use of the Term "Independent"

As the investing public may have certain expectations of financial advisers who call themselves "independent", it is important to ensure that the term "independent" is used in a proper manner.

The Financial Advisers Regulations stipulate three requirements that a financial adviser has to meet to call itself "independent".

First, it does not receive any commission or other benefit from one or more product provider that may create a product bias.

Second, it operates free from any direct or indirect restriction relating to the product recommended.

Third, it operates without any conflict of interest created by a connection to or association with any product provider.

CODE