



Monetary Authority of Singapore

Response to Feedback Received

P007-2021 – 24 August 2023

Response to Feedback Received on Enhancing Pre and Post-Transaction Safeguards for Retail Clients



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1. Preface

- 1.1. On 22 June 2021, MAS issued a consultation paper on proposals to enhance pre and post-transaction safeguards for retail clients. The consultation followed from MAS' review of the effectiveness of the Balanced Scorecard ("BSC") framework and findings from a mystery shopping exercise ("MSE") to assess the standards of financial advisory ("FA") representatives' sales and advisory processes¹, which revealed weaknesses in the implementation of safeguards for Selected Clients ("SCs")².
- 1.2. The consultation closed on 3 August 2021, and MAS would like to thank all respondents for their feedback. MAS has carefully considered the feedback received and will incorporate them where it has agreed with the feedback. Comments that are of wider interest, together with MAS' responses, are set out under Sections 2 to 10 below. The list of respondents and their full submissions are provided in the Annexes at the end of this paper.

¹ <https://www.mas.gov.sg/news/media-releases/2021/mas-releases-results-of-third-mystery-shopping-exercise>

² A "Selected Client" is a client 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;

(c) Has below GCE "O" 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 to possess adequate investment experience and knowledge to transact in the investment product recommended.



2. Enhanced requirements to check for and document whether a client is an SC

- 2.1. MAS proposed to require FA representatives to check for and document a client's SC status and make a formal declaration that the assessment has been duly performed. MAS also proposed to strengthen the requirements for pre-transaction checks through documentary review and client call-backs, by moving them from the current MAS Guidelines³ into an MAS Notice⁴.
- 2.2. Majority of respondents were supportive of the proposals. Some respondents sought guidance on assessing an SC's status such as English proficiency, as well as MAS' expectations on the formal declaration and pre-transaction checks, to ensure compliance with requirements to be set out under the MAS Notice. A respondent asked whether a client should be explicitly notified of his SC status.
- 2.3. Another respondent suggested that if an Accredited Investor (AI) is a joint bank account holder with an SC, the proposed requirements should not apply to the SC.

MAS' Response

- 2.4. MAS will proceed with the proposed requirements. The determination of whether a client is an SC and the conduct of pre-transaction checks for SCs are not new and already set out in MAS Guidelines.
- 2.5. With regard to MAS' expectations on assessing a client's English proficiency and educational qualifications, FA representatives should take into consideration whether the client can read English and understand a sales advisory process that is conducted solely in English. FAs are not expected to obtain documentary evidence of clients' educational qualification and may rely on information shared by clients during the fact-find process.
- 2.6. FA representatives should document their assessment of clients' SC status and declare that they have performed such an assessment. MAS will not prescribe how the formal declaration on SC assessment should be made. FA firms may choose to incorporate the formal declaration as part of its existing fact-find form, which should be signed-off by both the client and the FA representative. The FA representative should notify clients of their SC status at the end of the fact-find process, and the

³ MAS Guidelines FAA-G14 on the Remuneration Framework for Representatives and Supervisors ("Balanced Scorecard Framework"), Reference Checks and Pre-Transaction Checks (paragraphs 25 to 33).

⁴ MAS Notice FAA-N16 on Recommendations on Investment Products



additional safeguards accorded to SCs such as the requirement for a trusted individual to be present during the sales and advisory process.

- 2.7. In the case of digital advisers, they are currently not required to collect full information on a client's financial circumstances, subject to certain conditions.⁵ This is in view that the risk of clients being subject to undue influence or active solicitation on their investments during a fully-automated advisory process is considerably lower, and that such clients tend to be self-directed. MAS will, at this time, exempt them from the requirements to: (i) determine whether a client is an SC; and (ii) conduct pre-transaction checks on documentary reviews and client call-backs. However, MAS will monitor the appropriateness of the exemption, and review where needed.
- 2.8. For accounts jointly held by an AI and an SC, the requirements for pre-transaction checks will apply as long as one of the account holders did not opt in for the joint account to be designated AI status. In such situations, the proposed requirements will apply whenever the FA firm deals with the SC account holder.

⁵ The conditions are set out under MAS Guidelines CMG-G02 on Provision of Digital Advisory Services and MAS Notice FAA-N16 on Recommendations on Investment Products. These include (i) the advice is fully-automated, with no human adviser intervention in the advisory process; (ii) there are in-built "knock-out" or threshold questions to effectively identify and eliminate unsuitable clients; (iii) there are controls in place to identify and follow up on inconsistent responses provided by clients; (iv) a risk disclosure statement is provided to clients to alert them that the recommendation does not take into consideration their financial circumstances; and (v) the advice is limited to collective investment schemes ("CIS") that are in substance not complex products.



3. Proposed requirement for a Trusted Individual to be present when investment recommendations are made to SCs

3.1. MAS proposed to require FA firms to ask the SC to have a trusted individual (TI), who is not an SC, to be present during the sales and advisory process. MAS sought comments on the proposed criteria to qualify as a TI, as follows⁶ –

- (a) At least aged 21;
- (b) Possess at least GCE 'O' or 'N' level certifications or equivalent academic qualifications;
- (c) Be proficient in spoken and written English; and
- (d) Be a person whom the SC trusts to be privy to the SC's personal information and be able to assist the SC in understanding the SC's financial decision. FA firms may wish to ascertain this by, for example, obtaining written acknowledgment from the SC that the SC agrees to the identified TI becoming aware of the SC's personal information during the course of the sales and advisory process.

3.2. Respondents were largely supportive of the proposal to require the presence of a TI. Some respondents were of the view that the requirement should not be mandatory, citing the inconvenience of only being able to provide FA services when the TI is around, and that SCs might prefer not to have a third party around for privacy reasons.

3.3. Respondents were generally supportive of the proposed criteria for TI. Some respondents suggested lowering the eligible age for TI to 18 years old, given that it is the legal age for entering into contracts in Singapore.⁷ One respondent suggested that an individual should be eligible as a TI so long as he is not an SC while another respondent highlighted the need to exclude persons who are employed by the representative's FA firm, from being a TI. Some respondents sought clarification on how the TI criteria should be assessed.

3.4. A respondent expressed concern that the requirement is difficult to implement in a digital advisory environment and may prevent SCs from using digital financial advisory services. One respondent sought

⁶ Adapted from the definition of a TI in the LIA Direct Purchase Insurance Guidelines.

⁷ According to Section 35 of the Civil Law Act 1909 – (1) Except as otherwise provided by this section or by any other written law, as from 1 March 2009, a contract entered into by a minor who has attained the age of 18 years shall have effect as if he were of full age.



clarification on whether a TI would only be required for the first time an investment product is sold, or every time a transaction involving the same product is made.

MAS' Response

- 3.5. MAS will proceed with the proposed requirement for a TI to be present for the entire sales and advisory process, unless the SC does not identify a TI, or is unwilling to be accompanied by a TI. In such situations, FA firms may proceed to make investment recommendations to the SC only if they obtain the SC's written acknowledgement that the SC: (i) does not wish to have a TI present, and (ii) confirms that he/she is fully able to make decisions on his/her own without a TI. MAS is of the view that inconvenience should not be a reason for not requiring the presence of a TI, given the potential vulnerability of an SC. MAS strongly recommends that all SCs opt for a TI to be present. As an additional safeguard for an SC who does not have a TI present during the sales and advisory process, MAS will require FA firms to include a specific question in their pre-transaction call-back (see section 4 below) to confirm that the SC was offered an opportunity to bring along a TI, but had confirmed that he/she did not want to have a TI present and is fully able to make a decision without a TI.
- 3.6. MAS will proceed with the proposed criteria for qualification as a TI. While an individual has legal capacity to enter into contracts at age 18, the TI will be acting in the interests of another person i.e. the SC. In this regard, TIs play an important role and should be sufficiently mature to be able to convey key information in a way or language that the SC is familiar with, seek clarification from the FA representative on questions that the SC may have, and identify potential inconsistencies in the FA representative's explanations or in the sales documents. These could serve to clarify an SC's understanding and deter potential mis-selling during the sales and advisory process. For these reasons, MAS is of the view that 21 years of age would be more appropriate for qualification as a TI, while recognising the limitations of using age as a proxy for maturity.
- 3.7. As TIs should not be SCs, FA firms can take into account the guidance provided for assessing SC criteria, in determining the eligibility of TIs.
- 3.8. MAS agrees that the TI should not be someone who presents potential conflicts of interests, such as the FA representative's supervisor, a beneficiary of the SC's investment decision, or any other relationship or circumstance where a potential conflict of interests could arise. MAS expects FA firms and their representatives to assess this.
- 3.9. TIs should be present for all sales and advisory transactions involving SCs, even if subsequent transactions are for the same or similar product(s) that the SC had previously transacted in. This is in view that the needs and financial situation of the SC may have changed, and that FA firms are still required to ensure the suitability of products recommended to the SC.



3.10. MAS acknowledges that the requirement for presence of TI would pose some challenges for digital advisers. As with the exemption from determining if clients are SCs and having to conduct pre-transaction checks, MAS will similarly, at this time, exempt digital advisers that operate without any representatives who provide recommendation or advice directly to clients, from the TI requirement. Digital advisers are still required to ensure the suitability of their product recommendations.⁸ MAS will continue to monitor the need for digital advisers to put in place additional safeguards in lieu of a TI for SC transactions, and review the exemption, if needed.

⁸ MAS Guidelines CMG-G02 on Provision of Digital Advisory Services set out expectations for digital advisers to have controls and processes in place to monitor their algorithms to ensure suitability of advice provided to clients. These controls include in-built “knock-out” or threshold questions to effectively identify and eliminate unsuitable clients (e.g. clients who cannot afford to lose their principal investment sums) as well as identify and follow up on inconsistent responses provided by clients.

4. Proposed requirements on type of information to be covered during the pre-transaction client call-backs performed by FA firms

- 4.1. FA firms generally have policies and procedures in place on what should be covered during the call-backs. However, the exact content that is covered during the call-backs varies among FA firms. MAS proposed that client call-backs should minimally cover a few key areas, comprising the basis of the recommendation, main features of product being recommended, key risks and limitations of the product, existence of a free-look period (if any), and whether the representative had been professional and ethical in his or her dealings with the client.
- 4.2. Respondents were supportive of the proposal. On the specific areas to be covered during the call-backs, majority of the respondents acknowledged that it was useful to ensure that the call-backs performed by FA firms covered the key areas, as listed in paragraph 5.4 of the consultation paper, particularly the basis of the representative's recommendation.
- 4.3. A few respondents raised the concern that the proposed content to be covered was too extensive and would increase the duration of the call-backs, resulting in client dissatisfaction.
- 4.4. Some respondents provided suggestions on how supervisors should communicate the content of call-backs to the SCs, and commented that the questions could be aligned to the phrasing of the questions in the post-transaction client survey⁹.
- 4.5. A few respondents sought clarification on whether it was necessary to include the question "*whether the representative had been professional and ethical in his or her dealings with the client (e.g. offer of unauthorised gifts and aggressive selling, etc.)*" since this was already covered in the firm's post-transaction client surveys.

⁹ Under MAS Notice FAA-N20 on Requirements for the Remuneration Framework for Representatives and Supervisors ("Balanced Scorecard Framework") and Independent Sales Audit Unit, the independent sales audit unit is required to conduct post-transaction client surveys on every sampled transaction. Guidance on the client surveys have been set out in FAA-G14.



MAS' Response

- 4.6. MAS will proceed with the proposal to require FA firms to cover the areas listed in paragraph 5.4 of the consultation paper, and to also include an additional question for cases where a sale was made to an SC without a TI. MAS is of the view that the proposed content to be covered in the call-back is essential information for clients purchasing investment products, and would help firms to ensure that clients have understood the products that they are purchasing. This will increase the effectiveness of the call-backs. While there are concerns expressed on the lengthened duration of call-backs, MAS notes that these call-backs should not lead to client dissatisfaction if they are properly conducted, with the supervisor clearly explaining that the purpose of the call is to safeguard the interests of the client. Moreover, MAS recognises that having a standard set of content to be covered during the call-back will help to ensure consistency, and raise the quality of call-backs across the FA industry.
- 4.7. MAS acknowledges that FA firms may have their own preferences on how supervisors should communicate the content of call-backs to SCs and that the actual nuancing and phrasing of the call-back contents could depend on the flow of the conversation. MAS will not prescribe a script on how the supervisors should communicate the content of the call-backs to the SCs, and will only mandate the areas to be covered. Each FA firm may also stipulate its own requirements beyond MAS' baseline set of content to ensure that the clients understand the key features of the product that was purchased.
- 4.8. MAS notes the suggestion to remove the question "*whether the representative had been professional and ethical in his or her dealings with the client (e.g. offer of unauthorised gifts and aggressive selling, etc.)*" because the question is already posed to the client as part of the FA firm's client surveys. We wish to clarify that majority of the FA firms only conduct post-transaction client surveys on a sample basis, whereas the call-backs under this proposal would apply to all transactions with an SC or conducted by a Selected Representative ("SR")¹⁰. Given the difference in scope, this question would therefore be relevant to be covered during the call-backs.
- 4.9. As set out in paragraph 3.5 above, MAS will also require FA firms to include an additional question for cases where a sale was made to the SC without a TI. Specifically, the call-back should include a question to confirm that the SC was offered an opportunity to bring along a TI, but had confirmed that he/she did not want to have a TI present, and is able to fully make his/her decision without a TI. This would serve as an additional safeguard for the SC.

¹⁰ This refers to a representative who has been assigned a balanced scorecard grade B or worse under the balanced scorecard framework consecutively for two calendar quarters immediately preceding the measurement quarter.



5. Proposed requirement to require FA firms to audio record call-backs to SCs and clients of SRs

- 5.1. Currently, FA firms are expected to conduct call-backs to SCs and clients of SRs, but there is no requirement for the call-backs to be audio recorded. To ensure better oversight of how supervisors conduct call-backs and to enhance safeguards for higher-risk clients, MAS proposed for FA firms to audio record call-backs to SCs and clients of SRs. Respondents were broadly supportive of the proposal but sought some clarifications.
- 5.2. Respondents clarified on the operationalisation of the audio recording requirement for the various possible modes of conducting a call-back. There were queries on whether the call-back has to be an audio call-back, whether face-to-face meetings are an acceptable alternative mode to conduct the call-back, as well as the retention period of the audio recordings. A few respondents also asked whether the call-back has to be successfully conducted, before the transaction can be put through, given that FA firms may not be able to contact the clients, even after several attempts.
- 5.3. Several respondents sought clarification on whether a TI needs to be present during call-backs. These respondents commented that requiring the TI who was present at the sales process to also be at the call backs would be unduly onerous for the TI, given the time commitments on the TI. Furthermore, it would be impractical to arrange for the TI to also be present at the call-back. One respondent suggested that it was not necessary to perform the call-backs if the TI was already present during the sales process.
- 5.4. A few respondents felt that the implementation of the proposal would result in increased costs, particularly in terms of costs incurred for recording functions, storage and archiving. Respondents also pointed out that there could be operational challenges arising from this proposal, such as supervisors having to travel back to office to conduct the call-back on recorded lines, and expressed concern that such a proposal could lead to greater unwillingness to serve SCs. Some also felt that the proposal may give rise to privacy concerns, and there may be cases where clients prefer not to have their conversations taped.

MAS' Response

- 5.5. MAS is of the view that there are merits to audio-recording the call-backs to SCs and clients of SRs. In doing so, FA firms would have better oversight of the quality and effectiveness of the client call-backs performed by supervisors, as checks could be conducted on how the calls were conducted. This will



also accord the clients better protection, and allow FA firms to carry out more timely and robust investigations when there are complaints or disputes.

- 5.6. On the conduct of a call-back, MAS intends to provide further guidance to the FA firms. We will clarify that the call-backs can be done by audio or video format, and that face-to-face meetings are permitted as an alternative to the call-backs. In instances where recording is not possible (e.g. the client does not provide consent for the call-back be recorded, or if a face-to-face meeting was held), FA firms should put in place proper controls to ensure that the interest of clients, particularly SCs, are adequately safeguarded.
- 5.7. In this regard, for non-recorded call-backs/meetings, MAS will require FA firms to at least put in place the following controls:
- (a) FA firms to ask the SC to have a TI¹¹ present during the call-back/meeting and document the SC's choice on this matter. This would be useful as the TI can act as a witness on what had transpired during the call-back.
 - (b) FA firms to require the supervisor to document the key points that were discussed during the call-back/meeting in a summary document. The summary document should include:
 - (i) The type of information to be covered in call-backs (as set out in section 4 above);
 - (ii) The reason(s) why the call-back/meeting was not recorded; and
 - (iii) Where the SC does not identify a TI, or is unwilling to be accompanied by a TI for the non-recorded call-back/meeting, the reason(s) for this.
 - (c) FA firms to require the client and the supervisor to sign an acknowledgement on the summary document.
 - (d) FA firms to put in place monitoring controls to ensure that FA representatives and supervisors do not circumvent the proposal for call-backs to be recorded (e.g. representatives or supervisors should not coach clients to decline the recording of a call-back). An example of such a control would be the monitoring of call-back statistics to assess if any supervisor has a high proportion of unrecorded call-backs. If so, the FA firms should perform additional reviews on these supervisors, assess the reasons for the high proportion of unrecorded call-backs, and take follow up action where appropriate.

¹¹ For avoidance of doubt, this need not be the same TI who was present when the sales recommendation was presented to the SC but the proposed criteria for TIs as set out under section 3 above would apply here as well.



- 5.8. On the retention period for the recordings, MAS acknowledges that existing data retention requirements in Singapore specify a record keeping period of not less than five years¹². To be consistent with existing record retention requirements in Singapore, MAS will set the retention period to be not less than five years. The same retention period will also apply to the summary document set out in paragraph 5.7 (b).
- 5.9. While there is concern that clients may not be contactable for a call-back, MAS notes that many firms already currently require the call-back to be successfully completed before the transaction can be put through. Further, as the call-back will be set out as a regulatory requirement in the revised Notice, the call-back must be successfully conducted for the transaction to be put through. To facilitate this, FA firms may wish to train their FA representatives to inform the clients of a call-back, and explain the purpose and necessity of the call-back to the clients.
- 5.10. On the clarification of whether a TI needs to be present during the call-backs, as set out in paragraph 5.7(a), for non-recorded call-backs/meetings, FA firms would have to offer an SC the option to have a TI present. For recorded call-backs, FA firms are encouraged to make the same offer to the SC. On the suggestion that there should be no requirement for a call-back if a TI is present at the sales and advisory process, MAS does not agree with this proposal. There are merits to having the call-back as this allows the supervisor to assess whether the SC has effectively understood his/her purchase. This is especially critical since client call-backs are conducted on all SCs and clients of SRs, who are more vulnerable or of higher risk.
- 5.11. MAS understands that many firms already have audio recording capabilities in place, including systems that allow for audio recording on the supervisors' mobile phones. This would mitigate concerns relating to operational challenges, such as supervisors having to travel to the office to conduct the call-backs.

¹² For instance, regulation 26(1) of the Financial Advisers Regulations ("FAR") sets out that, the statements of accounts of a licensed financial adviser, and the books and records referred to in regulation 25 (other than financial transaction documents), shall be retained for a period of not less than 5 years.



6. Proposed requirement to require call-backs and audio recording of call-backs, or provide recap of sales and advisory process for all retail clients

- 6.1. MAS proposed for FA firms to conduct call-backs and audio recording of call-backs for all retail clients and considered the alternative of requiring FA representatives to provide a recap of the sales and advisory process at the end of meetings and to audio record such a recap for retail clients (beyond SCs and clients of SRs).
- 6.2. MAS received extensive feedback from respondents who commented that the proposals were onerous. Most respondents commented that given the high volume of transactions, this proposal will be challenging to operationalise and will significantly increase operational costs.
- 6.3. Some respondents expressed concerns that the proposals will result in possible delays in processing or inception of clients' investments, and could lead to client dissatisfaction since the call-backs and sales recaps would take a material amount of time.
- 6.4. Several respondents proposed alternate ways of scoping the call-backs, such as adopting a risk-based approach to perform the call-backs for their higher risk clients, or performing call-backs to non-SCs on a sample basis. A respondent also suggested alternate channels to perform such checks, such as obtaining an email or SMS acknowledgement from the clients.

MAS' Response

- 6.5. MAS acknowledges the concerns raised by the industry. In view of the feedback received, MAS will not proceed with the proposal to require call-backs and audio-recording of call-backs, or to provide a recap of the sales and advisory process, for retail clients (beyond SCs and clients of SRs).
- 6.6. Nevertheless, MAS expects FA firms to have policies and procedures in place to identify higher risk clients and representatives (beyond those required by MAS) and encourages FA firms to also conduct audio-recorded call-backs on such transactions. MAS understands that some FA firms are already conducting additional call-backs on a risk-based approach for higher-risk clients and representatives such as sales by newly hired representatives, and we encourage this. For the call-backs performed on



retail clients (beyond SCs and clients of SRs), FA firms may also consider using other means, such as electronic channels, to perform the checks.

7. Proposed requirement to provide a copy of the audio recording to clients, and whether this should be proactively provided or on clients' request

- 7.1. MAS sought views on whether FA firms should provide a copy of the audio recording to their clients, and whether this should be proactively provided to clients or only upon clients' request, and how this should be operationalised.
- 7.2. MAS received mixed feedback on the proposal. Several respondents were supportive of the requirement to provide a copy of the audio recordings to their clients proactively, but a number of respondents suggested for firms to only provide a copy of the audio recordings upon clients' request. A few respondents proposed for these recordings to only be made available at the FA firms' premises.
- 7.3. Many respondents raised concerns that providing a copy of the audio recording proactively will lead to increased operational cost, particularly due to costs incurred in maintaining appropriate mediums for file transfers to the clients. Respondents also pointed out that there will be higher operational risks involved, for example, risk of sending recordings to the wrong email address, and risk that recordings sent to clients may be tampered with. A few respondents commented that there is no need to provide a copy of the recordings to clients on a proactive basis, as the details covered during the call-backs are also documented in the sales documents which are provided to all clients.
- 7.4. One respondent suggested that FA firms be allowed to charge a service fee to clients when providing them with a copy of the recording.

MAS' Response

- 7.5. As MAS has decided not to extend the audio recording requirements to all retail clients (beyond SCs and clients of SRs), this proposal will only apply to SCs and clients of SRs, and transactions deemed by the FA firms to be of higher risk as mentioned in paragraph 6.6. This is a much smaller group of clients, and it would be much less onerous for FA firms to provide a copy of the audio recording to such clients.



- 7.6. MAS acknowledges the challenges and concerns faced by FA firms in providing audio recordings proactively to clients. Therefore, MAS will not require FA firms to provide a copy of the audio recording on a proactive basis. However, MAS will require FA firms to provide a copy of the audio recording upon clients' request. To be clear, this requirement applies as long as a recording is available, regardless of the client's status as an SC or client of SR. This is to accord adequate protection to the clients, especially in situations where there is a dispute or complaint. On the feedback that recordings should only be made available at the firms' premises, MAS notes that FA firms may wish to first offer clients the option to listen to the audio recording at their premises. However, should clients request for a copy of the audio recording after listening to it, FA firms should thereafter provide clients with a copy of the audio recording.
- 7.7. MAS expects FA firms to deal fairly with their clients, and not put in place measures or steps that add friction to the process for client to listen to the audio recordings. Examples of such measures include charging fees in exchange for providing a copy of the audio recording to the client, or providing access to the recording only at their premises. FA firms should also conduct regular reviews of the recordings for training purposes, and derive learning points from the review of such recordings for the training and upskilling of their representatives.



8. Proposed requirement to set up an independent panel to review all product recommendations made to SCs

- 8.1. MAS proposed for FA firms to set up an independent panel to review all product recommendations made to SCs, sought comments on the size and suitable person(s) to form the panel, and whether the review by the panel should be conducted on a pre or post-transaction basis.
- 8.2. Many respondents disagreed with the proposal to set up an independent panel, citing duplicative efforts with pre-transaction checks conducted by supervisors¹³ and post-transaction checks by the independent sales audit (ISA) Unit¹⁴. Several respondents also commented that setting up an additional panel would increase resources required and operational costs. A few respondents suggested that the role of the independent panel could be subsumed under the ISA Unit's function.
- 8.3. Respondents largely expressed a preference for the review to be conducted on a post-transaction basis to prevent delays in processing transactions. Those who supported pre-transaction reviews noted that this approach allows FA firms to detect unsuitable recommendations early.

MAS' Response

- 8.4. MAS acknowledges respondents' concerns on duplicative efforts and additional resources required to set up an independent panel. Instead of a separate independent panel, MAS will require the ISA unit to review product recommendations made to SCs on a post-transaction basis, and will consult on the proposed sampling requirements for SC transactions in a separate consultation paper.¹⁵

¹³ Under FAA-G14, FA firms are expected to require supervisors to review all documentation and basis of every recommendation made or transaction handled by their representatives during the pre-transaction stage, except for 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 MAS may approve on an exceptional basis.

¹⁴ As required under the BSC framework.

¹⁵ MAS will engage the industry on the proposed sampling requirements for SC transactions before issuing a public consultation on this.



9. Proposed requirement for the ISA Unit to sample and review transactions involving higher risk clients

- 9.1. MAS sought views on requiring the ISA unit to perform additional sampling and review for transactions involving higher risk clients who meet at least one SC criterion, and on the proposed 10% sampling level for transactions involving such clients.
- 9.2. There were mixed responses to the proposal. Respondents who were supportive noted that the requirements would protect the interests of higher risk clients and would also help FA firms to focus their safeguards on these clients. Those who disagreed with the proposal commented that the sampling methodology would become complicated, and that the proposed criteria would capture too large a sample size, resulting in increased costs and resources. Some respondents suggested limiting the additional sampling to higher risk products or transactions above a certain threshold.

MAS' Response

- 9.3. MAS had intended to widen the sampling criteria to enhance safeguards for clients who may be more vulnerable, even though they have not been identified as SCs. After carefully considering the feedback received, MAS will not proceed with the proposal at this time, but will continue to monitor and review the need to do so, should there be concerns observed regarding transactions involving other client segments besides SCs. As part of ongoing supervision, MAS may also impose additional sampling requirements on entities which are found to have notable weaknesses or recurring lapses.



10. Transitional period

- 10.1. MAS proposed a transitional period of six months to implement the enhanced requirements proposed in the consultation paper.
- 10.2. Majority of the respondents shared that they would require a longer transitional period, given the time and effort needed to operationalise the audio recording of call-backs across all onsite and offsite agency offices, perform technological and system enhancements and process the changes, as well as hire additional resources.

MAS' Response

- 10.3. MAS notes that majority of the proposals would require a longer transitional period beyond 6 months due to the required system and process enhancements. MAS will extend the transitional period to 9 months for all adopted proposals.
- 10.4. MAS strongly encourages FA firms to consider early implementation of the proposed requirements, where possible. For example, the proposal on the mandated types of information to be covered in pre-transaction call-backs can be implemented early as it does not require significant system/process enhancements.



Annex A

List of respondents to the Consultation Paper on Enhancing Pre and Post-Transaction Safeguards for Retail Clients

1. AAM Advisory Pte Ltd
2. AIA Singapore Private Limited
3. Allen Lim
4. Aon Singapore Pte Ltd
5. Association of Financial Advisers Singapore
6. AXA Insurance
7. CFA Society Singapore¹⁶
8. ENDOW.US Pte Ltd
9. FWD Singapore Pte. Ltd.
10. HSBCI, which requested for confidentiality of submission
11. IFPAS Alliance STAR Team
12. IPP Financial Advisers Pte Ltd, which requested for confidentiality of submission
13. Manulife (Singapore) Pte Ltd

¹⁶ Submitted by Chan Fook Leong, CFA, Chong Li Min, CFA, Tan Lay Hoon, CFA.



14. Maybank Singapore Limited, which requested for confidentiality of submission
15. Professional Investment Advisory Services Pte Ltd
16. PromiseLand Independent Pte Ltd
17. Securities Association of Singapore¹⁷, which requested for confidentiality of submission
18. Tokio Marine Life Insurance Singapore Ltd
19. United Overseas Bank Limited

Please refer to Annex B for the submissions.

¹⁷ On behalf of: CGS-CIMB Securities (Singapore) Pte Ltd, IG Asia Pte Ltd, Lim & Tan Securities Pte Ltd, Maybank Kim Eng Securities Pte Ltd, OCBC Securities Pte Ltd, Phillip Securities Pte Ltd, Saxo Capital Markets Pte Ltd, UOB Kay Hian Pte Ltd



Annex B

Submissions from respondents to the Consultation Paper on Enhancing Pre and Post-Transaction Safeguards for Retail Clients

Note: The table below only includes submissions for which respondents did not request confidentiality

S/N	Respondent	Responses from Respondent
1	AAM Advisory Pte Ltd	<p>Question 1: No comments.</p> <p>Question 2i: No comments.</p> <p>Question 2ii: No comments.</p> <p>Question 3: No comments.</p> <p>Question 4: No comments.</p> <p>Question 5: No comments.</p> <p>Question 6: Are there any requirements to suggest a specific audio recording format from the additional resources to record the call-backs made and how long it must be kept?</p> <p>Question 7: Although extending the same call-back requirements provides safeguards to all retail clients, imposing them lengthens the existing sales and advisory process and an over control that inconveniences FAs and their clients.</p> <p>Additional resources are required to store and manage these audio recordings.</p> <p>Would recommend that related industry bodies (AFAS) to be consulted on the viability and impact for the proposed requirement.</p>



		<p>Question 8: Comparing to the call-back requirement on all retail clients in para 5.8 of the paper, the option to perform an audio recording to end the meeting or discussion recap by the representative is much preferred. Would there be any specific requirements for audio-recording in the work-from-home environment, such as restricting recording only by the use of company equipment?</p> <p>However, it still poses inconveniences to FAs and their clients for the added measure.</p> <p>Question 9: It is proposed to provide recordings upon request from clients.</p> <p>Question 10: Regarding the size of the independent panel reviewing all investment recommendations to SCs, it should be based on the size of the FA firm and its volume of transactions by SCs.</p> <p>Question 11: Proposed to have it post transaction so that ISA unit will cover the reviews. To suggest training can be provided to supervisors to ensure they pick up on unsuitable proposed transactions.</p> <p>Question 12: To clarify if the 10% sample is done on a representative level or total amount of transactions by higher risk clients for the quarter. If so, can the sample be counted as part of the existing sampling size for BSC transactions under the BSC framework?</p> <p>Question 13: No comments noted.</p>
2	AIA Singapore Private Limited	<p>Question 1: No comments.</p> <p>Question 2i: AIAS agrees with MAS' proposal.</p> <p>Question 2ii: AIAS would like to seek clarification if the declaration needs to be an express declaration that assessment of SC has been done; or would a general declaration that the agent had conducted the necessary due diligence as required in the guidelines as stipulated by AIA and with the SC checks in the FHR documents is sufficient.</p> <p>Question 3: AIAS agrees with MAS' proposal.</p> <p>Question 4: AIAS is agreeable with the education and language proficiency criteria.</p>



		<p>AIAS would like to propose for the age criteria to remain as age 18 as clients aged 18 and above are able to enter into insurance contract and would be also be consistent with the age of majority for general contracts.</p> <p>Additionally, we would like to propose not to have a separate written consent as client would have given his/her implied consent to disclose their personal information to the Trusted individual. Propose to align the information that the industry should obtain from TI. E.g. Name, Relationship and telephone number (if CCBS is to be conducted to TI).</p> <p>Question 5: AIAS agrees with MAS' proposal.</p> <p>For (iii), AIAS proposes to include a point relating to returns shown on product disclosures which are projected and not guaranteed, which is a source of complaints/misunderstanding by clients.</p> <p>For (v), AIAS proposes to phrase similar to the BSC survey question relating to Non-sales KPI 4 and leave the flexibility of the phrasing to FIs.</p> <p>Question 6: AIAS agrees with MAS' proposal. For sales appointments where leader is present at the point of sales, we would like to clarify if audio is required as the leader who is conducting the call-back is present.</p> <p>Question 7: AIAS disagrees as Company has its internal process on identifying higher risk groups which Company will follow accordingly eg, Welcome calls. Thus, we are of the view not to extend to retails clients. Operationally this will be challenging and will increase in operational costs.</p> <p>Question 8: AIAS disagrees as per Q7' replies.</p> <p>Question 9: AIAS would like to clarify on the intent of providing the recordings to clients.</p> <p>Clients, who are not subject to PDPA as individual persons, may misuse the recordings and make further disclosures in a manner that is not consistent with purpose for which recording was done. Such unauthorised disclosure/use may then result in litigation by persons who personal data is contained in such file. Operationally, this is onerous and costs might be high.</p> <p>AIAS would like to propose that call recordings should remain with FI to be used for audit, regulatory purposes or evidence in event of dispute. We also seek MAS advice on whether an FI may refuse to provide client with a copy of such recording if the client makes an access request pursuant to the PDPA.</p>
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		<p>Question 10: AIAS would like to clarify on the intent and the requirements of this panel as there are controls in the point of sales system to prevent unsuitable recommendations and leaders to conduct CCBS prior to endorsement.</p> <p>We would also like to clarify if the panel refers to a person or more than one person.</p> <p>Question 11: AIAS would like to propose for MAS to leave the flexibility to Company as subjected to clarification on Q10.</p> <p>Question 12: AIAS understand the benefits of the additional sampling for higher risk clients. However, we have concerns on operational constraints in view of the complexity of the sampling methodology. Currently, our system's infrastructure is built on sampling based on each representative's transactions with added filter on identification of SCs. Inclusion of 10% sampling based on high risk clients on top of the original 5% sampling on representatives' transactions will require a major change to the infrastructure. Hence, we propose to prioritise sampling of high-risk clients for the 5% sampling of representatives.</p> <p>Question 13: Due to the potential system enhancements, AIAS would like to propose for the transition period to be 12 months from the implementation date of the requirements.</p>
3	Allen Lim	<p>Question 1: As much as we protect the selected clients, advisers who hold the professional designation like ChFC, CLU, AFC, DPFP, FChFP should be given professional trust in conducting the transaction.</p> <p>Question 2i: Besides age, education level, spoken language, rep should also ask for the source of investible money, as well as the amount of such money. Because if the source is from insurance proceed of deceased spouse's estate, the risk capacity for investment products can be even lowered.</p> <p>Question 2ii: This is fair.</p> <p>Question 3: This is fair, therefore, when the FA do call back , they should do call back to such TI as well.</p> <p>Question 4: The TI should have some formal family relationship with the SC.</p> <p>Question 5: 1. Purpose of purchase 2. Amount to invest versus investible capital is reasonable 3. Name of TI who has heard the rep's presentation.</p>



		<p>Question 6: This is not necessary. Audio recording should be a best practice procedures rather than a forced requirement. Do we audio record the conversation between a doctor and a patient?</p> <p>Question 7: This is not necessary.</p> <p>Question 8: Personally, I am against this because a good rep will also cover some very sensitive area of client's finance. To tape down such conversations can cause future misunderstanding.</p> <p>Question 9: Unless client ask for it.</p> <p>Question 10: Isn't this a duplication of the responsibility of the rep's supervisor? This person has to be formally trained in financial planning (e.g. ChFC or AFC)</p> <p>Question 11: If this is set up, the panel should conduct both pre or post transaction.</p> <p>Question 12: This is fair.</p> <p>Question 13: One year.</p>
4	Aon Singapore Pte Ltd	<p>Question 1: No comments.</p> <p>Question 2i: Currently, the SC status is based on Client's declaration in the fact find. It is not clear what is MAS expectation of representative's assessment of a Client's SC status. Of the 3 criteria of SC status: 1) it is only possible to validate the age 2) English language proficiency is subjective 3) Education qualification, while may be validated through sighting of educational certificate, it is awkward to require the Client to produce educational certificate which is not relevant for financial advisory. If the Client decline to provide the information, then how should the assessment be completed by the representative.</p> <p>Question 2ii: Same comments as Question 2i.</p> <p>Question 3: No comments.</p> <p>Question 4: No comments.</p>



		<p>Question 5: None</p> <p>Question 6: None</p> <p>Question 7: No. Such retail clients are of lower risk of inappropriate advice or miss-selling. MAS should direct the efforts and consider such requirement for SC who purchases long A&H products – such as shield plans, for which such sales and advisory process is out of scope of FAA, but under IA.</p> <p>Question 8: As an alternative, we will suggest that the representative to be required to provide an email summary or a file note to these retail clients of their discussion in view that they are of less susceptible to inappropriate advice or miss-selling. Call-backs are resource draining and time consuming.</p> <p>Question 9: Only on Clients’ request. Extraction of such recordings on an individual basis presents challenge, and will put additional strain to resource.</p> <p>Question 10: No comments.</p> <p>Question 11: Post transaction basis, and to be conducted by ISA Unit. For small team set up there may limited personnel who can be considered independent from financial advisory to do the pre-transaction checks.</p> <p>Question 12: No comments.</p> <p>Question 13: If recordings are made compulsory to all clients, this will involve additional cost and time to identify suitable vendors and working out the process. Additional pre/post transaction checks also require additional resource, which is harder to come by during this pandemic. Transition period of 1 year may be more suitable.</p>
5	Association of Financial Advisers Singapore	<p>Question 1: It would be good for MAS to provide specific questions to ask SCs in the proposal stage so that representatives can perform their job effectively.</p> <p>Question 2i: Please note that the requirement to check and document SC status is already found in our KYC (Know Your Client) form.</p>



		<p>Question 2ii: If the intention of this is supposed to impose liability on the adviser if the declaration is made without making sufficient enquiry.</p> <p>Question 3: The requirement for the SC to have a TI present is already found in our KYC form and is at the discretion of the SC and is NOT mandatory. Sometimes SC would not like to reveal their “savings” to another individual and would like to maintain their privacy.</p> <p>Question 4: The criteria for a TI is that he / she must be at least 18 years of age and be proficient in English (spoken and written) and preferably an immediate family member.</p> <p>Question 5: Under the BSC, surveys to be conducted on a percentage of on-boarded clients. We can use these surveys to be sent to TI and SC and both of them need to sign the form if they so choose to answer. The rationale is that the TI has to explain the questions to the SC.</p> <p>Question 6: It will definitely increase the cost of compliance and operation for FA firms to do an audio call-back to SCs. In order for the SCs to take the call and answer the questions posed, the TI has to be present too.</p> <p>If this proposal is implemented, most representatives will avoid prospects who are in the SC category.</p> <p>Question 7: This proposal is impractical and will further increase the compliance costs of all FA firms. Clients will be irritated if they were to be contacted at their place of work and this will create anger on the financial advisory industry.</p> <p>Question 8: This is not necessary as all clients will get a soft copy of the KYC and proposal form upon on-boarding by the FA firm.</p> <p>Question 9: Please see our answer to Question 8. If audio recording is made mandatory for ALL clients, it will drive up the costs of compliance and operation exponentially</p> <p>Question 10: This is a duplication of work done by the Independent Audit Committee and the independent panel is not necessary</p> <p>Question 11: Please see our answer to Question 10.</p> <p>Question 12: This should be made as part of BSC review than to create another process. The current sampling percentage under BSC is sufficient.</p>
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6	AXA Insurance	<p>Question 1: If it is moved to FAA N16, what is FIs expected to do if there is a breach?</p> <p>Question 2i: What does “check for” mean? Is this referring to asking the questions or need to have some document from the SC for their education level? How could rep establish if client is truly proficient in spoken or written English as interpretation of proficiency may differ from person to person.</p> <p>Question 2ii: We will accept this suggestion that rep make a formal declaration that assessment was done.</p> <p>Question 3: SCs are allowed to opt not to have a TI with them. If so, then we cannot make it mandatory to have TI for SC as they have their rights not to be accompanied.</p> <p>Question 4: i) Agree to increase the age (ii) agree with education level (iii) interpretation of “proficient in spoken and written English” may be different for different individuals. For both the SC and TI, how is rep to ascertain such proficiency? (iv) By having the TI in the sales advisory process, the SC should be aware that the TI gets to hear all the personal information and proposals. Hence have additional acknowledgment may be redundant.</p> <p>Question 5: Our main concern is this will be a very long call as many details need to be covered. The SC or TI may not have the time and patience to stay through the call. Question we have is, when the call cannot be completed, must the supervisor do another call back till all points are covered before the application can be submitted? For time sensitive ILP, this may have consequences.</p> <p>Question 6: Instead of audio recordings, we suggest that a copy of the call-back form be provided to the SC/TI. The challenges we anticipate for recordings will be privacy, identification of each recording and storage security. Is permission from client needed before recording takes place? What if the client does not permit recording, how shall the supervisor proceed? If recording is done, is the ISA team expected to listen to recording when doing the BSC audit?</p> <p>Question 7: What support will the authority give in terms of infrastructure? Foresee challenges, so not supportive.</p> <p>Question 8: Similar to earlier comments, audio recording pose many challenges, not supportive.</p>



		<p>Question 9: Connected to questions 7 & 8 on challenges of audio recording. The audio file may be a big file, so sending it to client will be another challenge. The whole framework and infrastructure to execute this is going to be challenging, data protection and privacy, data security etc need to be considered.</p> <p>Question 10: Given that call backs are already made by the supervisors on the suitability of the recommendation, the value of the panel may be low. The onus is on the supervisor to perform the call back. Suggest that if call back is not performed by the supervisor, and this is picked up by ISA team, there will be penalty to the supervisor. Propose that the audit team picks up 20% of all SC per quarter for audit.</p> <p>Question 11: Related to question 10 – to do post transaction on a sampling basis.</p> <p>Question 12: (a) Based on the criteria, using Singapore consumers as the base, there will be lesser and lesser people not meeting GCE “N”/”O” nor not proficient in English, due to the robust education system in Singapore. So we are left with those aged 62 or older. Having to set up a whole new framework and system to cater to target audience due to age, we find that it is not viable. (b) does the 10% refer to per rep or company as a whole? (c) can this 10% count towards the normal BSC audit?</p> <p>Question 13: 6 months will not be possible as system set up and changes to framework, security etc must be done if this is to be implemented. A high level estimation will be at least 18 months.</p>
7	CFA Society Singapore	<p>Question 1: No comments.</p> <p>Question 2i: We welcome the proposed requirements.</p> <p>Question 2ii: No comments.</p> <p>Question 3: No comments.</p> <p>Question 4: 1) Comment on criteria (iii) Be proficient in spoken and written English: It may be useful to specify the criteria. For example, a pass grade obtained in both an English language oral examination and paper in the GCE ‘O’ or ‘N’ level certifications, or equivalent, is the minimum required criteria.</p> <p>MAS may wish to consider an additional requirement: the TI has an acceptable understanding of financial literacy and/or investments; or has experience in investing or equivalent.</p>



		<p>However, we are cognisant that specifying additional granular requirements involves additional steps and may be difficult to execute. Should the above be deemed too onerous, the suggested measures can be positioned as best practices as a start. When more data is available, a further decision can be made to ascertain if it is indeed necessary to adopt them as a requirement.</p> <p>Another option (should the above suggested measures not be incorporated) could be to require call-backs specified in Section 5 to be performed by an independent party (ie not supervisors or any other employee of the FA).</p> <p>2) Comment on 4.2: There may be instances of inducing a SC to give a written acknowledgment not to require the presence of a TI during the sales and advisory process. If this were to be the case, the issues mentioned in 4.1 would perpetuate.</p> <p>Hence, should proposal 4.2 stands as per consultation paper, we suggest call-backs specified in Section 5 to be performed by an independent party (ie not supervisors or any other employee of the FA).</p> <p>Question 5: 1) The TI should be present during client call-backs for interpretation and translation purposes. 2) Call-backs should include questioning techniques to check for understanding which are deemed far superior than re-iterating the features of the product. Asking the SC and TI to verbalise premium payment terms, key risks, guaranteed and non-guaranteed returns etc will give an accurate assessment of the SC’s understanding of the product. 3) Representatives and FA firms must not incentivise TIs to encourage SCs to transact on any proposal.</p> <p>Question 6: No comment.</p> <p>Question 7: No comment.</p> <p>Question 8: No comment.</p> <p>Question 9: No comment.</p> <p>Question 10: It may be useful to understand the scale of this proposal: what is the size of panel reviewing and number of product recommendations to be reviewed? Whilst we need to protect investors, in this case SCs, we also need to be cognisant of increased procedures and costs associated with more stringent and robust measures. Failing which, the unintended consequence would be representatives and FA firms choosing not to serve this segment of the market.</p>
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		<p>Instead of a full coverage of review, it may be better to have a detailed and thorough review of a sample of product recommendations. The sample can be selected based on a range of criteria (e.g. risk profile of client, risk level and quantum of investment recommendations, and a select sample on a random basis.)</p> <p>Question 11: While a pre-transaction review will provide a higher level of safeguard for the client, it may cause unnecessary red tape when the product recommendation cannot be executed due to delays in the review process. This is especially so when there are backlogs of review to be performed. In addition, these backlogs may cause reviews to be performed in a less detailed manner.</p> <p>Question 12: No comments.</p> <p>Question 13: No comment.</p>
8	ENDOW.US Pte Ltd	<p>Question 1: No comment. Please clarify if the proposed Notice will apply to digital advisors.</p> <p>Question 2i: Of the 3 criteria in determining a SC, the requirement on written or spoken proficiency is subjective and requires physical checks. For a digital advisory platform, it would be challenging to implement this check and collect documentation without making the client perform an unfair declaration. Thus, we propose that the proposed requirements are not applicable to investments taking place digitally by the client.</p> <p>Question 2ii: As mentioned above, for a digital advisor, the assessment of whether a client is an SC will be confined to only 2 of the 3 criteria thus unintentionally making an un-level playing for digital advisory platforms. Further, formal declarations of the assessment may in fact be incorrect and subject to complaints from prospective clients. Unlike the AI process where the assessments can be objective and factually based, the assessment on language proficiency is difficult to codify objectively.</p> <p>Question 3: This requirement is difficult to implement in a digital advisory environment. If the solution involves human intervention to ensure that the investment recommendation is made to SCs in the presence of a TI, this may also have a negative effect of excluding these clients from leveraging a digital advisory offering- which have its advantages of being more financially inclusive.</p> <p>Question 4: Similar to the criteria in assessing proficiency in English, the proposed criteria on written and spoken English proficiency is subjective and would the FI need evidence to support the assessment that the TI has fulfilled the proposed criteria. We would recommend clearer definitions to ensure the criteria is as objective as possible.</p>



		<p>Question 5: For digital advisory, as outlined in our responses in the earlier questions, we would seek for the MAS to also not apply this to the digital sales process.</p> <p>From the client's experience perspective, we would like to share the following. The free-look period and whether the financial adviser has been professional and ethical are important to be included in the call backs. However, while the intention is to protect the clients, the other types of information that should be covered appear to be repeating the entire content of the sales process which clients may perceive that the FI is protecting itself and being repetitive. This weakens the trust between a client and his/her financial adviser. We propose the content be revised to questions seeking confirmation that the client understands the features and risk of the product and their financial needs has led them to the decision to invest.</p> <p>Question 6: For digital advisory, as outlined in our responses in the earlier questions, we would seek for the MAS to also not apply this to the digital sales process.</p> <p>Question 7: This requirement should not be applicable to the digital sales process. From a client's experience perspective, the client should be given an option for the recording not to be made. However, it will then be difficult for FI to implement as it will then have to contend with obtaining documentation of the client's request.</p> <p>Question 8: This requirement should not be applicable to the digital sales process. The alternative will require financial representatives to trigger audio recording for non-SC retail clients. This will be difficult to consistently implement and thus gives rise to having to record all existing sales processes that are not recorded.</p> <p>Question 9: Even as we seek the MAS to make callback requirements not applicable to digital advisors, we would suggest that clients just be made aware of the existence of the audio recording without further offer on making it available.</p> <p>Question 10: As per our earlier feedback, we propose that this requirement not be made applicable to the digital sales process. In addition, should it be applicable, the client should be given an option to not require this.</p> <p>Question 11: As per our earlier feedback, we propose that this requirement not be made applicable to the digital sales process. In addition, should it be applicable, this should be done post-transaction only upon acceptance by the client of this added protection.</p> <p>Question 12: As per our earlier feedback, we propose that this requirement not be made applicable to the digital sales process. In addition, should it be applicable, the sampling criteria should just be on clients assessed as having fulfilled criteria (ii) (i.e. they are assessed to be</p>
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		<p>proficient in spoken or written English) given the judgement involved and sales process and material primarily being in English.</p> <p>Question 13: As some of the proposed requirements may involve system changes, we propose that the transitional period be extended to 9 months or a year.</p>
9	FWD Singapore Pte. Ltd.	<p>Question 1: No comments.</p> <p>Question 2i: No comments.</p> <p>Question 2ii: No comments.</p> <p>Question 3: There may be a risk of conflict of interest, or a TI may not act in the SC’s interest if the requirements of a TI are not robust enough.</p> <p>Question 4: Additional requirement(s) to ensure no conflict of interest for TI (e.g. does not receive remuneration from rep for being the TI; TI must be chosen by SC). For 4.3(iv), a written acknowledgement from SC may not be sufficient in some cases. Perhaps a declaration from the TI on his relation to the SC and how many years they have known each other.</p> <p>Question 5: -</p> <p>Question 6: To ensure a level playing field, we would appreciate MAS’ clarification on the following: <ul style="list-style-type: none"> • Whether MAS can provide guidance or set the minimum expectation on the retention period for audio-recording of call-backs. We propose 5 years, which is the same expected duration for other kinds of records (para 2.2). • For policies sold by distributors/financial advisers, can the product manufacturers/insurers request the audio-recording of call-backs to be provided? </p> <p>Question 7: The requirement to conduct call-backs for all retail clients is an onerous one, as it not just requires systems and infrastructure to do so but also manpower. We propose modifying the requirement to sample or random checks instead.</p> <p>Also, ideally, call-backs should be conducted by the representatives’ supervisors or an independent party rather than the representative themselves to minimize the risk of any potential conflict of interest.</p> <p>Question 8: -</p>



		<p>Question 9: We propose that audio-recordings should only be disclosed upon request in the event of any investigation or dispute, as it would be a challenge on operational teams to provide the audio-recordings to every client proactively, especially when the client may not have any need for it in most instances where the sales and advisory process was conducted in a fair and transparent manner.</p> <p>Question 10: No comments.</p> <p>Question 11: No comments.</p> <p>Question 12: No comments.</p> <p>Question 13: We propose a transitional period of 12 months.</p>
10	IFPAS Alliance STAR Team	<p>Question 1: We have no objection to the requirements for pre-transaction checks being moved to FAA-N16.</p> <p>Question 2i: We have no objection to the client’s SC status being checked and documented by the representative.</p> <p>Question 2ii: We have no objection to a formal declaration that the assessment of an SC has been performed.</p> <p>Question 3: We have no objection to the requirement for a TI for all investment recommendations made to SCs and a written acknowledgment, as proposed, by the SC should he/she decline to have a TI present.</p> <p>Question 4: The current criteria for a TI should remain status quo, including the minimal age of 18.</p> <p>Reason: Since the current legal age in Singapore to enter into an insurance policy is 18, implying that this person is deemed to be reasonably matured and knowledgeable enough to enter into a contract. Thus, any person of 18 and above should be eligible to be a TI so long as he/she satisfies the remaining criteria.</p> <p>Moreover, any increase in age requirement may narrow the range in finding a suitable TI in the event that none of age 21 or above is available. This will be even more evident in the years ahead as many couples are marrying late or have been having children at a later age (most SCs prefer TIs who are their immediate family members).</p>



		<p>Question 5: On Call-backs – Before we proceed to comment on the call-back contents to be covered, we are of the view that there should be no call-back if a TI is present at the sales and advisory process, else it is pure redundancy.</p> <p>Reason: Since the TI is only normally needed due to deficiencies in some areas and his/her key role is to ensure that any information as presented by the representative is accurately interpreted and duly conveyed to the SC to make an informed decision, the call-back by the supervisor (in the absence of a TI) would contradict the guidelines and may prove to be futile and ineffective. This may pose more complications and moreover, there is no certainty that the caller (supervisor), is able to converse more effectively with the SC than the representative, as he (supervisor) would be perceived as a stranger since the SC has not met him before.</p> <p>Overall, there are just too many checks that MAS is proposing – the representative has to call back to do a summary, the supervisor has to call SC to do the same and the insurer too has to do call-back. SC purchases are also picked up by the ISA for BSC sampling and may be in the form of a call-back. It will be overbearing for the client to have 3 or more different calls checking on his/her purchase. And these requirements are on top of the current BSC framework.</p> <p>Conversely, there must be call-backs to SCs who decline to have TIs.</p> <p>On Contents – We have no objection to the proposed contents of call-backs but they should be on a minimal basis. An exhaustive list will be onerous and time-consuming for both the SC and the caller.</p> <p>While a more comprehensive call-back list would no doubt enhance the overall standard, but it is felt that based on the minimum requirements as stated in the MAS proposal, it is already deemed to be quite onerous and tedious, not only for the caller (supervisor), but the SC as well, and possibly run the risk of botheration. Moreover, without the TI’s presence, the call-back may not be effective, given the language barrier. Thus, the call-back list should be simple, requiring either a ‘yes’ or ‘no’ answer.</p> <p>There should be a standard format across the industry.</p> <p>Question 6: We have no objection to call-backs to SCs and clients of SRs being audio recorded but only with consent given by these clients. It is not just out of courtesy or fear of infringement of privacy but rather, to minimise the chance for possible breach of confidence, as trust is the primary ingredient in any long-term relationship.</p> <p>The recordings are for the purpose of supervisory or investigation purposes and available only to these clients on request basis.</p> <p>Question 7: This proposal is not in line with MAS’ risk-based approach for insurance matters.</p> <p>To compel call-backs and audio recording for all retail clients is simply a broad stroke</p>
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		<p>approach, implying that all clients are alike and so are the practitioners. This will nullify all the professionalism attained from the strict enforcement of the Balanced Scorecard. The industry average is already in the high 90+ percentile. A perfect score, though desirable, is unlikely in practice.</p> <p>The proposal will only increase operation costs, which will eventually be passed to the consumers.</p> <p>We must acknowledge the existence of the majority of fit and proper practitioners with respectable market conduct and not assume otherwise. These professionals must not be penalised for doing right or seemed to be punished for the wrong-doing of a few rouses.</p> <p>Furthermore, we refer to the Singstat that Singapore has a literacy rate of 97.1% for age 15 and over in 2020 (attached).</p> <p>Source: https://www.tablebuilder.singstat.gov.sg/publicfacing/createDataTable.action?refId=12759</p> <p>In other words, most of the population should be able to comprehend a financial conversation with our representatives.</p> <p>We do not agree with this requirement for all retail clients.</p> <p>Question 8: We do not agree to the proposal for a recap of the sales & advisory process for retail clients at the end of the meeting. The current sales process is already tightly regulated by MAS and is time-consuming. Each meeting can last 2-3 hours or longer and sales are concluded after a couple of meetings. The clients should not be imposed upon further with a recap.</p> <p>Any practitioner who deviates from the BSC requirements of the non-sales KPIs will suffer financial penalty.</p> <p>In short, the BSC works. It weeds out recalcitrant practitioners. The compliant ones should not be 'punished'.</p> <p>Question 9: We do not agree to the recap, as per comments for Q8 above. Thus, there is no necessity for the audio recording.</p> <p>Question 10: Besides the BSC, there are other current measures such as call-backs by supervisors, audits by the ISA of the FA firm, 'happy' calls by customer service department, mystery shopping, etc. to safeguard the interests of SCs. These should suffice. The proposal comes across as mistrust for those who are enforcing the current system and will result in a longer turnaround time before the SCs' purchased coverage is in force.</p> <p>Thus, there is no real need for another independent panel. It will only increase operation costs, which will eventually be passed to the consumers.</p>
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		<p>Question 11: As per comments for Q10, there is no need for another independent panel.</p> <p>Question 12: The current categories of clients, namely Non-Selected Clients and Selected Clients, should suffice. There is no need for another category of higher risk as the current criteria are already deemed ‘over-killed’.</p> <p>We feel strongly that Age should not be included as a key factor in determining the criteria of SC. Knowledge and Communication ability should be the prime determining factors. How can one who has relatively high education (A level or tertiary) and able to communicate effectively be considered a SC just because he/she is aged 62 and above?</p> <p>The current sampling and review for transactions, including sampling level, under the BSC should be maintained. They were arrived at with reference to the theory of probability when the BSC was conceived in 2014. And they are still valid and relevant.</p> <p>The additional work for the proposed higher risk category will again, add to the operation cost which will be passed to the consumers.</p> <p>Question 13: For any transition, a minimum period of 12 months will be reasonable.</p>
11	Manulife (Singapore) Pte. Ltd.	<p>Question 1: We are supportive of this proposed change to level set this requirement for all financial adviser representatives.</p> <p>Question 2i: We are supportive of this proposed change. However, representatives do face difficulty in documenting English competency for clients and obtaining proof of education levels from clients. Assessing English competency is subjective. Clients typically would not have their education certificates with them at the sales closing, and may not be forthcoming in providing the representative with proof of education levels because they may find such documents irrelevant to insurance application.</p> <p>We propose that the 3 SC questions in the fact-find form be structured as follows:</p> <ol style="list-style-type: none"> 1) Questions and Declaration be provided in 4 languages 2) Clients to acknowledge that they understood the 3 SC questions and that they have declared their responses truthfully. 3) Representatives to declare and acknowledge that they have discussed all 3 SC questions with the SC. <p>Question 2ii: Please refer to the above response for Question 2.</p> <p>Question 3: We are supportive of this proposed change.</p>



		<p>Question 4: We would like to clarify on the age of TI. Extracted from LIA MU 68/18 dated 29 June 2018 on Direct Purchase Insurance (DPI) Guidelines, paragraph 3n:</p> <p>“Trusted Individual” is defined as:</p> <ul style="list-style-type: none">(i) At least aged 18;(ii) Possess at least GCE ‘O’ or ‘N’ level certifications or equivalent academic qualifications;(iii) Be proficient in spoken or written English; and Be a person who has the trust of the Selected Client <p>We propose to:</p> <ul style="list-style-type: none">(a) retain the current TI age as 18 years old to be in-line with the current practice where an individual above 16 years old will have the capacity to enter into a contract of insurance independently while the legal age of entering into other contracts is at 18 years;(b) include the above TI criteria in the fact-find form;(c) require TI to declare and acknowledge that he/she meets all 4 criteria; and(d) require SC to also declare and acknowledge that he/she agrees to the TI becoming aware of SC’s personal information during the sales and advisory process. <p>Question 5: The proposed scope is fairly similar to the current requirements on SC call-backs but we are concerned that the proposed content of supervisory call-backs is too extensive, and may cause clients unnecessary anxiety over their purchases. We propose for supervisory call-backs to be limited to:</p> <ul style="list-style-type: none">a. Main features of the product limited to premium payment term (single or regular), and types of payout (and whether they are guaranteed).b. Key risks limited to non-guaranteed returns, effects of policy loan (if applicable), partial withdrawal (if applicable), and early surrender/ termination;c. Existence of free-look period; andd. Whether the representative had provided client with inducement. <p>Question 6:</p> <ol style="list-style-type: none">1. Since the call-back requirements will be a legislative requirement, we propose that a supervisor would be deemed as having satisfied this legislative requirement after expanding reasonable efforts in contacting a SC or a client of a SR. Reasonable efforts will include:<ul style="list-style-type: none">a. Making 3 call attempts at different timing and day with proper record of the date and time of those attempts; andb. Advising the SC that the SC will not be able to avail himself/herself the benefit of a recorded session if the SC were to refuse consent for the call-back to be recorded.2. We agree that this audio recordings provide good evidence on the call-back and would help to mitigate and resolve any dispute. However, we caution that the success rate of contacting clients needs to be monitored especially with the increase in phone scams. Supervisors should thus only be required to use reasonable efforts in making the call-backs.3. Setting up audio recording lines for supervisors will be costly for FIs and will require time
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	<p>and effort to procure the necessary equipment and storage space for these audio recording logs. Adequate transition period must be given to FIs to implement such a requirement.</p> <p>Question 7: We propose that MAS do not to implement the call-backs and audio record of call-backs for all retail clients for the following reasons:</p> <p>(i) From the perspective of the retail clients:</p> <ul style="list-style-type: none"> a. Representatives are currently required to provide the relevant sales documents (fact-find form containing basis of recommendation, policy illustration, product summary, etc) to clients. This current process allows clients to review the relevant documents before they sign on their application forms for their purchase. Such call-backs would further lengthen the sales and advisory process with little or no value-add to the clients. b. The sales and advisory process usually takes a 1 to 2 hours. Additional call backs from the company may create the negative feeling in the client and dampen the confidence he has with the company and the representative. c. In addition, clients have a 14-day free look period where they can review their policy purchases. d. If the call back is conducted by an independent unit, the client may not be willing to share any information with an unknown person especially there are personal data involved. With the increase number of scam calls, the client may not pick up calls from unknown numbers. <p>(ii) From the perspective of the representatives:</p> <ul style="list-style-type: none"> a. It would be administratively challenging for the representatives to make follow-up calls to all their clients and having these call-backs recorded. b. Providing audio recording lines for representatives will be costly for FIs and will require time and effort to procure the necessary equipment and storage space for these audio recording logs. Adequate transition period must be given to FIs to implement such a requirement. <p>Question 8: 1. We propose that MAS do not implement the alternative for representatives to provide a recap of the sales and advisory process at the end of the meeting/ discussion for the following reasons:</p> <p>(i) From the perspective of the retail clients:</p> <ul style="list-style-type: none"> a. Representatives are currently required to provide the relevant sales documents (fact-find form containing basis of recommendation, policy illustration, product summary, etc) to clients. This current process allows clients to review the relevant documents before they sign on their application forms for their purchase. Further, representatives are currently required to perform proper fact find, financial needs analysis and product recommendation(s) before being able to close sales. A properly conducted financial advisory process would have provided clients with the contents of the proposed recap. Hence, we do not see value-add to the clients in this regard. Mandating such a recap towards the end of the financial advisory process would further lengthen the sales and advisory process with little or no value-add to the clients. b. The proposed recap may be questioned by the clients as being unnecessary and dampen the confidence the client has with the representative’s recommendation(s). c. In addition, clients have a 14-day free look period where they can review their policy
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		<p>purchases.</p> <p>(ii) From the perspective of the representatives:</p> <ul style="list-style-type: none">a. This alternative may be challenging for the representatives as clients may question the need for this recap.b. Representatives should be allowed to document the clients' decision to skip the proposed recap.c. The sales and advisory process usually last 1 to 2 hours or even longer. This recap will further lengthen the process. <p>2. We propose that MAS allows FA firms the flexibility to perform internal assessment and implement additional controls if they identify any areas of weakness affecting the quality of the sales and advisory process.</p> <p>Question 9: We propose that MAS do not require FA firms to provide a copy of the audio recordings to clients for the following reasons:</p> <ul style="list-style-type: none">a. Under the current sales and advisory process, representatives are required to provide the relevant sales documents (fact-find form containing basis of recommendation, policy illustration, product summary, etc) to clients. This current process allows clients to review the relevant documents before they sign on their application forms.b. The retrieval and provision of audio records can be operationally challenging and costly for FA firms to implement.c. Operational challenges include retrieval and storage of audio recordings, large file size of such recordings, mode of providing clients with the recordings especially for those without email addresses. Such recordings may carry personal information which bring about additional concern around data security if such recordings need to be shared and transmitted with clients. <p>Question 10:</p> <ul style="list-style-type: none">1. If this requirement is for pre-transaction checks, this can be time sensitive and may cause delay in processing. This will expose clients to greater risk as their coverage will only take effect after policy issuance.2. Due to conflict, pre-transaction checks should not be performed by the current ISA Team who performs the current post transaction checks under the BSC framework. If a separate team is required, FA firms will incur additional cost to perform such a review.3. Currently, there are controls in place such as having a TI to accompany a SC, conduct call-back by supervisors, and BSC post-transaction checks to protect the SCs. Instead of reviewing all investment recommendations made to SCs, we propose to mandate post-transaction review of SC sales that were made without a TI. Other SC sales in the presence of TIs may follow the existing process where they may be included in the regular BSC sample size for post-transaction review. <p>Question 11: We propose for this review to be conducted on a post-transaction basis as pre-transaction review may potentially delay the processing of the insurance application. This will expose clients to greater risk as their coverage will only take effect after policy issuance.</p>
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		<p>Question 12: We propose for the 10% sampling for higher risker clients to be counted as part of the current BSC sample size.</p> <p>Question 13: 1. We will require additional time and resources to implement any of the proposed changes. Some of the requirements will require system enhancement or acquisition, such as recorded phone lines, storage of audio recordings, BSC sampling selection, and post-transaction check result recording. 2. We propose that MAS gives FA firms a transitional period of at least 12 months to implement the changes.</p>
12	Professional Investment Advisory Services Pte Ltd	<p>Question 1: There should be more guidance given on the assessment of a client’s proficiency in English, which may be subjective. Example, will a simple question to client “can you read English” suffice? Or, are there specific questions that Representatives should ask the client or require the client to read and understand certain passage(s) in the product summary to demonstrate their level of proficiency level?</p> <p>Question 2i: No comments.</p> <p>Question 2ii: By formal declaration, do Representatives need to sign separately in the fact-find/FNA form that he/she has duly performed the assessment of whether a client is an SC, or the 1 signature in Section 11 Representative’s declaration will suffice?</p> <p>Question 3: No comments since this is current practice.</p> <p>Question 4: We refer to the adaption of TI’s definition from the LIA Direct Purchase Insurance Guidelines in the CP. The TI only need to be at least aged 18 in the LIA Direct Purchase Insurance Guidelines and not 21 per the CP. Under the Insurance Act, sn.58(1) allows a person above aged 16 to purchase an insurance without requiring consent of his parent or guardian. Hence, we do not think there is a need to raise the minimum age of a TI from 18 to 21.</p> <p>Question 5: No additional areas for inclusion.</p> <p>Question 6: The call back to SC by the Supervisor may not necessarily be conducted in office as clients may not be available only after work hours to receive calls. Hence, calls are likely to be made out of office premises. we see the difficulty in ensuring all call-backs are recorded via the designated office line with recording function. There would be an increased compliance cost in setting up systems to capture the audio recordings of all call back including those made using the Supervisor’s mobile phone.</p>



		<p>Question 7: We do not think it is necessary to require call backs and audio record all call backs for all retail clients.</p> <p>We refer to the public consultation on recommendations of the financial advisory industry review (P004-2013), where similar proposal was made for full scale call back to all retail clients. The concerns raised in the response (ire of customers, unproductive use of supervisors’ time, misconception among customers that their FA representatives are incompetent, and practical difficulties if customers are not contactable or refused to be surveyed), still stands. MAS agreed with the respondents’ objection to the proposal and limited these call-backs to SC and clients of SR only.</p> <p>In addition, arising from MAS CP006-2018, LIA has issued LIA MU 72/19 which requires call-backs to clients of Mass Migration (MM) Representatives and MAS has provided guidance in conducting call-backs/survey for clients prospected at retailers and public events. The Company’s initiative to conduct call-backs to clients for non-face-to-face sales are also in place. These call backs are not without compliance cost and additional call-backs will raise the compliance cost further.</p> <p>Clients would have received the point of sales documents (fact-find form, proposal form, policy illustration and product summary) from their representative after the sales advisory. They are also given time to consider and have the right to cancel their purchase without any loss/damage under the free-look provisions.</p> <p>We believe that the current call-back (SC, SR, MM, Events) and survey (BSC) requirements coupled with free-look provision provides sufficient safeguard.</p> <p>Question 8: As per our response to Q7 above, we do not think that this step is necessary.</p> <p>Question 9: Audio recordings should be made available only for supervisory or investigation purposes and not made available to clients.</p> <p>Question 10: We are of the view that such review of product recommendation made to SC should be part of BSC framework instead of a separate panel which may result in confusion and duplication of work, in turn raising unnecessary compliance cost.</p> <p>From our observations, the complaints from SC are from the purchase of Medisave-approved policies which are currently not included under the type of products subject to BSC review. We suggest that making Medisave-approved products subject to BSC review would be an appropriate step.</p> <p>Question 11: As per our response to Q10 above, we are of the view that these reviews should be part of BSC, thus to be post-transaction basis.</p>
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		<p>Question 12: We do not believe that an additional category of higher risk clients is needed.</p> <p>Question 13: A transitional period of 12 months will be more reasonable considering the need to operationalize the audio recording of call backs across all onsite and offsite agency offices. Longer time would be needed for any additional requirements.</p>
<p>13</p>	<p>PromiseLand Independent Pte Ltd</p>	<p>Question 1: This is a good safeguard but in terms of practicality, the FA Rep / prospect will not know he/she is a SC until he/she answers the personal particulars portion of the KYC. If the prospect is identified as a SC, another meeting would have to be scheduled where a TI is now involved.</p> <p>Question 2i: No comments.</p> <p>Question 2ii: No comments.</p> <p>Question 3: No comments.</p> <p>Question 4: With reference to Q3, can another FA Rep be a TI, provided a written acknowledgment is obtained from the SC?</p> <p>Question 5: Nil.</p> <p>Question 6: Business cost will increase as recording functions, storage and archiving for easy retrieval will have to be considered.</p> <p>Operationally, supervisors would have to be stationed in the office using recording-activated land lines to ensure that the call-back is recorded. During a pandemic where default WFH is mandated, recording functions would have to be enabled on supervisor's handphones as well, etc.</p> <p>Question 7: Business cost will increase as recording functions, storage and archiving for easy retrieval will have to be considered.</p> <p>Operationally, FA Reps would have to be stationed in the office using recording-activated landlines to ensure that the call-back is recorded.</p> <p>During a pandemic where default WFH is mandated, recording functions would have to be enabled on FA Rep's handphones as well, etc.</p>



		<p>Furthermore, there could be further delays in processing and inception of investment products which may not be in the interest of clients, if this becomes another mandatory requirement.</p> <p>Question 8: Operationally, FA Reps would have to be stationed in the office using recording-activated landlines to ensure that the recap call-back is recorded.</p> <p>During a pandemic where default WFH is mandated, recording functions would have to be enabled on FA Rep's handphones as well, etc.</p> <p>The sales and advisory process is already mentioned in the KYC, together with a checklist of critical T&Cs, which the client will have a copy of. In addition, clients may decline to be recalled as the requirement can seem intrusive.</p> <p>Question 9: Only upon clients' request. Not all clients would require it.</p> <p>Question 10: The Independent Sales Audit function already covers this to a certain extent on product suitability.</p> <p>Question 11: Both pre or post-transaction review by the independent panel would come with its own set of challenges: Pre-transaction: There may be a delay in business submission to the detriment of the SC, leading to potential liability issues. The assumption is that the panel would need to have access to the call back recording, and may need to seek further clarification from the supervisor or client, depending on its assessment. Post-transaction : The case would need to be assessed within a reasonable timeframe, should any intervention be required. Subsequent undoing of the business could lead to long-drawn administrative and possible liability issues. We have no preference for either option and believe that the existing callback by supervisor would be sufficient.</p> <p>Question 12: The sample size will increase significantly as all clients above age 62 will be included in the 10% sampling, besides the others who hit 1 out of the 3 SC criteria. This would require increased manpower.</p> <p>Question 13: We will probably require more transition time. Grants should be provided for Firms to set up the audio recording infrastructure, as well as possible increase in manpower due to increased auditing checks and call-backs.</p> <p>We feel the requirement to have audio recordings for all other retail clients is too severe and will cause a strain on business resources and lead to administrative complications and delays.</p> <p>While we support the efforts to protect SCs, we feel there is no need for additional measures for other retail clients to avoid making business over onerous and costly.</p>
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14	Tokio Marine Life Insurance Singapore Ltd	<p>Question 1: Agree on moving the requirements from FAA-G14 to FAA-N16 as having the requirement in the notice will set a stricter tone on the requirements required to safeguard the interest of selected clients.</p> <p>Question 2i: Currently, most insurers have a segment in the fact find form to document the SC criteria that customers have met to ascertain whether a customer is a SC or non-SC. May we clarify what further steps/checks are expected to further ascertain the client’s SC status? Is MAS considering adding an “outcome” segment that is similar to the CKA assessment outcome?</p> <p>Question 2ii: Making a formal declaration that the assessment of whether a client is an SC has been duly performed will encourage more accountability on the representative’s part.</p> <p>Question 3: We would like to clarify if “investment recommendations” has the same definition as “investment product” in the FAA, or does this refer to investment-linked product recommendations only?</p> <p>The presence of a TI for all recommendations made to SCs may not be practical as that will mean that representatives will need to wait for TIs to be present before engaging these SCs. An alternative is for the presence of the TI to be required either during the sales process or the supervisory call-back stage as this will help facilitate the sales process with greater flexibility. The TI will be required to ensure that the SC understands the features, benefits, limitations and risks of the product purchased and that the SC is aware of the product purchased, before the supervisor approves the case.</p> <p>Question 4: As individuals can purchase policies from age 18, we would like to seek clarification on the requirement for an increase in age of a TI from 18 to 21. To avoid possible conflict of interest and consistency in the industry, we would also like to suggest that the requirements explicitly exclude both the representative and representative’s supervisor from being the TI of selected clients.</p> <p>Separately, we are supportive to have a written acknowledgement from the SC that the SC agrees to the identified TI becoming aware of the SC’s personal information during the sales and advisory process to fulfil the relevant PDPA consent requirements.</p> <p>Additionally, based on the proposal in Qn 3, we would like to suggest that should the TI be present only during the supervisory call-back, the supervisor can obtain consent from the SC of the TI being privy to the SC’s personal information verbally.</p> <p>Question 5: We agree to the 5 types of information to be covered during the client call-back and recap of sales and advisory process. In addition to the prescribed information, supervisors should also ascertain the client’s understanding of their SC status. In addition, we propose that for 5.4(ii) to include a confirmation from client as to whether they have sufficient finances to fund the premium for the specified period.</p>
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		<p>We would like to highlight that the types of information to be covered during the client call-back are similar to the client survey questions asked during the BSC client survey. This may create an unpleasant customer experience with the company. We would like to propose that for these cases that have call-back conducted, they should be exempted from the client survey under the BSC framework, in the event the case is picked up for sampling. Companies can obtain the audio recording as part of the review to assess the standard of the call conducted instead.</p> <p>Question 6: We understand that audio recordings help companies ascertain whether the call-backs conducted by representatives and supervisors have been done correctly. However, some FIs may face challenges (e.g. costs, storage, retention challenges, etc) when trying to operationalise this requirement. In addition, with the COVID-19 situation and increase in representatives working remotely, there may be potential issues where representatives do not have access to the necessary office systems to record the call-backs. We propose to implement this on a risk-based approach instead. That is, FIs to identify high risk agency groups and implement this requirement on them. Alternatively, we propose to go by the product risk approach, for example, focusing on SCs purchasing investment-linked products only.</p> <p>Question 7: Requiring call-backs and audio recording for all retail clients may be too onerous and not practical. Moreover, the quality of the audio recording at the end of the meeting (which may occur in public and noisy settings) may not be high or clear enough for the purposes intended. We suggest that the focus be on SCs or higher risk clients only.</p> <p>Question 8: We agree to the alternative proposal to help representatives provide a recap on the sales and advisory process. For clarification, would a written declaration of the recap suffice for this requirement?</p> <p>Question 9: We are of the view that a copy of the audio recording should only be provided upon client's request. To save on costs, this can be operationalized via email of the audio file to the client. Should clients require it in any other form (e.g. CD-Rom), FIs should have the discretion to charge a minimum fee for the service.</p> <p>Question 10: We disagree for an independent panel to review all product recommendation made to SCs. With the tightening of requirements at the pre-transaction level, having an independent panel to review product recommendations made to SCs will be an unnecessary layer of review, especially when it can be conducted by the ISA unit under the BSC framework.</p> <p>Question 11: We suggest that post-transaction reviews be conducted as part of the BSC requirement. We are of the view that the reviews should not hinder the completion of the sales as it may affect the effective date of clients receiving the insurance coverage. If we assess that the plan is unsuitable for the client during the post-review, and the client decides cancel the</p>
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		<p>policy, company will still be able to exercise discretion to cancel the policy from inception to ensure no detrimental impact on the client’s interest.</p> <p>Question 12: We agree to this requirement as the outcome of doing so will help us focus on safeguards for higher risk clients. However, we propose to have some flexibility (e.g. on a risk-based approach) on the sampling level for transactions involving higher risk clients to range from 5% to 10%, instead of an across-the-board 10% for all clients.</p> <p>Question 13: We propose a transition period of at least 12 to 18 months instead. This is because 6 months is insufficient for FIs to operationalise the necessary processes, such as procuring and putting the necessary IT or call-back systems in place, conducting the necessary training, developing the requisite call-back scripts to ensure audio calls are conducted, recorded and stored appropriately, etc. With the additional requirements, FIs may need to hire additional resources as well. Additionally, there may be changes required to the fact find form and FIs will require some time to perform the necessary UAT if systems are impacted from the changes.</p>
15	United Overseas Bank Limited	<p>Question 1: We have no comments on this as we have already incorporated the requirements for pre-transaction checks in the sales process:</p> <ul style="list-style-type: none"> • Fact Find Form to be reviewed and approved by Sales Supervisor • Client call-backs for Selected Clients and Selected Reps <p>Question 2i: We have no comments on this as the information on client’s age, language proficiency and educational qualification is already collected and documented in the Fact Find Form.</p> <p>Question 2ii: Sales Representatives will sign off the Fact Find Form to acknowledge the fact find and recommendation provided. We would like to seek clarification if the signing off on the Fact Find Form by the Rep can be taken as they had declared that the assessment of whether a client is an SC has been duly performed.</p> <p>Question 3: Given that pre-transaction call-backs will be performed to SC to confirm SC’s understanding of the investment product, we propose that it should not be a requirement for the SC to have a TI present.</p> <p>Question 4: We would like to seek clarification if the qualification of the TI can be based on the SC / TI’s declaration and for the SC / TI to inform the Bank if the TI does not qualify.</p> <p>Question 5: The existing supervisor call-back script includes confirmation on key product features and risks (items ii to iv).</p>



		<p>We agree with MAS’ proposal to cover Basis of Recommendation in the client call-backs. However, as item (v) is already one of the questions in the BSC Client Survey, which is sent for all transactions, we propose that item (v) should not be included in the client call-back.</p> <p>In addition, where the SC is accompanied by a TI, we would like to seek clarification if the client call-back can be exempted.</p> <p>Question 6: We have no comments on this as this is already BAU. We require client call-backs to recorded and retrievable. There will be a retention period of 7 years for the voice logs.</p> <p>Question 7: We propose to consider call-backs to certain clients who may require more attention, e.g. clients with no / limited investment experience, non-English speaking, Primary educational level, affordability issue, etc.</p> <p>We note that MAS is also working with the industry on the guidelines for dealing with vulnerable clients. We propose to align MAS’ proposal with the definition of the vulnerable clients.</p> <p>We would like to seek clarification if there is any timeline for the call-back for other retail clients to be performed.</p> <p>While the BSC framework FAA-N20 and guideline FAA-G14 do not apply to customers who are not individuals, we comply with FAA-N16 when providing recommendations to retail corporate client. The Corporate Fact Find Form documents the fact find and recommendations by Sales Reps and will be reviewed and approved by Sales Supervisor.</p> <p>As MAS did not provide a definition for retail clients in the Consultation Paper, it is not clear whether MAS’ proposal would affect the retail corporate clients. Instead, MAS define “other retail clients” as retail clients who are not Selected Clients or Clients of Selected Representatives. As such, it is not clear whether MAS’ proposal to subject “other retail clients” to recorded call-back would affect the retail corporate clients.</p> <p>We would like to seek clarification with MAS on whether the proposals in the Consultation Paper would affect retail corporate clients.</p> <p>Question 8: We propose to consider call-backs to certain clients who may require more attention, e.g. clients with no / limited investment experience, non-English speaking, Primary educational level, affordability issue, etc.</p> <p>In addition, noted that MAS is also working with the industry on the guidelines for dealing with vulnerable clients. We propose to align MAS’ proposal with the definition of the vulnerable clients.</p> <p>We would like to seek clarification if the recap for other retail clients can be in the form of a written acknowledgement from client.</p>
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		<p>Question 9: Currently audio recordings are not provided to clients. The Fact Find Form includes a summary of the information collected from the client, any recommendation made and the basis of recommendation. The call-back is meant to reconfirm the information found in the Fact Find Form. As such, we propose that the audio recording should not be provided to clients.</p> <p>For the proposal to be operationalized, enhancements to system and infrastructure may be required to support the extraction, encryption and provision of the audio files to client. We will take into consideration the time needed to enhance system or infrastructure, where applicable.</p> <p>Question 10: We would like to seek clarification if the independent panel can be: 1. a system-based method 2. a non-frontline sales staff who is not directly involved in the sale, does not make recommendation or effect transactions for clients (e.g. an individual from the financial advisory services unit, who supervises a group of sales supervisors, such Group Sales Managers or Cluster Heads)</p> <p>Question 11: We propose to align the review by the independent panel with the BSC pre-transaction checks so that any infractions can be uncovered and rectified early on. In the event the review is performed post-transaction, there may be higher costs involved to cancel or unwind the trade.</p> <p>Question 12: As a client who fall into one of the criteria may not be considered higher risks, e.g. client is 62 years old but savvy investor, we would like to seek clarification if the 10% sampling can be based on SC.</p> <p>Question 13: As some of MAS' proposals may require enhancements to systems and infrastructure, we would like to seek a longer transitional period of 12 to 18 months.</p>
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