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FINANCIAL ADVISERS ACT (CHAPTER 110)

FINANCIAL ADVISERS (REMUNERATION) REGULATIONS 2015

ARRANGEMENT OF REGULATIONS

Regulation

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In exercise of the powers conferred by section 104 of the Financial Advisers Act, the Monetary Authority of Singapore makes the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Financial Advisers (Remuneration) Regulations 2015 and come into operation on 1 January 2016.

Definitions

2. In these Regulations, unless the context otherwise requires —
- “accredited investor” has the same meaning as in section 4A(1)(a) of the Securities and Futures Act (Cap. 289);
- “expert investor” has the same meaning as in section 4A(1)(b) of the Securities and Futures Act;

“financial adviser” means a licensed financial adviser or an exempt financial adviser;

“institutional investor” has the same meaning as in section 4A(1)(c) of the Securities and Futures Act;

“policy moneys” includes any benefit, whether pecuniary or not, which is secured by any insurance policy;

“pure protection policy” means a life policy —

- (a) which has no surrender value;
- (b) the policy moneys of which are payable only on death or for incapacity due to injury, sickness or infirmity; and
- (c) which has no provision for its conversion or extension which would result in it ceasing to satisfy paragraph (a) or (b);

“relevant person” means —

- (a) a financial adviser;
- (b) a representative of a financial adviser; or
- (c) a supervisor of a financial adviser.

Permitted acceptance, etc., of remuneration in relation to investment product

3.—(1) For the purposes of section 22A(1) of the Act, a relevant person must not request or demand payment of, or accept any remuneration, in relation to —

- (a) the provision of any financial advisory service in connection with any type of investment product; or
- (b) the sale of any type of investment product following the provision of any financial advisory service,

except in accordance with paragraph (2), (3), (4) or (5).

(2) Any relevant person may request or demand such payment, or accept such remuneration, if —

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- (a) the relevant person, who is a financial adviser, is —
- (i) exempt under section 100(2) of the Act from sections 25, 26, 27 and 36 of the Act; and
 - (ii) not subject to any of the following written directions issued by the Authority under section 58 of the Act:
 - (A) Notice on Recommendations on Investment Products (Notice No. FAA-N16);
 - (B) Notice on Appointment and Use of Introducers by Financial Advisers (Notice No. FAA-N02);
 - (C) Notice on Information to Clients and Product Information Disclosure (Notice No. FAA-N03);
 - (D) Notice on Minimum Entry and Examination Requirements for Representatives of Licensed Financial Advisers and Exempt Financial Advisers (Notice No. FAA-N13); or
- (b) the relevant person, who is a representative of a financial adviser, is —
- (i) exempt under section 100(2) of the Act from sections 25, 26, 27 and 36 of the Act; and
 - (ii) not subject to any of the following written directions issued by the Authority under section 58 of the Act:
 - (A) Notice on Recommendations on Investment Products (Notice No. FAA-N16);
 - (B) Notice on Information to Clients and Product Information Disclosure (Notice No. FAA-N03);
 - (C) Notice on Minimum Entry and Examination Requirements for Representatives of Licensed Financial Advisers and Exempt Financial Advisers (Notice No. FAA-N13).
- (3) Any relevant person may request or demand such payment, or accept such remuneration, if the financial advisory service is provided, or the sale of investment product is made, to —

- (a) an accredited investor;
- (b) an expert investor; or
- (c) an institutional investor.

(4) Any relevant person may request or demand such payment, or accept such remuneration, if the payment or remuneration is not dependent, whether directly or indirectly, on —

- (a) the number of contracts entered into for the sale of any type of investment product; or
- (b) the value of contracts entered into for the sale of any type of investment product.

(5) Any relevant person may, in relation to paragraph (1)(b), request or demand such payment, or accept such remuneration, if the sale —

- (a) is made pursuant to an agreement under which the relevant person is entitled, for a continuous period of at least one year after the date on which the agreement becomes effective, to payment or remuneration for the sale of investment products within any one category listed in the Schedule;
- (b) is made pursuant to an agreement for the sale of investment products within 2 or more categories listed in the Schedule; or
- (c) is of a pure protection policy.

Permitted payment of remuneration in relation to investment product

4.—(1) For the purposes of section 22A(2) of the Act, a financial adviser (*X*) must not pay its representative, its supervisor, another financial adviser (*Y*), a representative of *Y*, or a supervisor of *Y* (called in this regulation the recipient), remuneration in relation to —

- (a) the provision of any financial advisory service in connection with any type of investment product; or
- (b) the sale of any type of investment product following the provision of any financial advisory service,

except in accordance with paragraph (2), (3), (4) or (5).

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- (2) *X* may pay a recipient such remuneration if —
- (a) the recipient, who is *Y*, is —
- (i) exempt under section 100(2) of the Act from sections 25, 26, 27 and 36 of the Act; and
 - (ii) not subject to any of the following written directions issued by the Authority under section 58 of the Act:
 - (A) Notice on Recommendations on Investment Products (Notice No. FAA-N16);
 - (B) Notice on Appointment and Use of Introducers by Financial Advisers (Notice No. FAA-N02);
 - (C) Notice on Information to Clients and Product Information Disclosure (Notice No. FAA-N03);
 - (D) Notice on Minimum Entry and Examination Requirements for Representatives of Licensed Financial Advisers and Exempt Financial Advisers (Notice No. FAA-N13); or
- (b) the recipient, who is a representative of *X*, or a representative of *Y*, is —
- (i) exempt under section 100(2) of the Act from sections 25, 26, 27 and 36 of the Act; and
 - (ii) not subject to any of the following written directions issued by the Authority under section 58 of the Act:
 - (A) Notice on Recommendations on Investment Products (Notice No. FAA-N16);
 - (B) Notice on Information to Clients and Product Information Disclosure (Notice No. FAA-N03);
 - (C) Notice on Minimum Entry and Examination Requirements for Representatives of Licensed Financial Advisers and Exempt Financial Advisers (Notice No. FAA-N13).
- (3) *X* may pay a recipient such remuneration if the financial advisory service is provided, or the sale of investment product is made, to —

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- (a) an accredited investor;
 - (b) an expert investor; or
 - (c) an institutional investor.
- (4) *X* may pay a recipient such remuneration if the remuneration payable is not dependent, whether directly or indirectly, on —
- (a) the number of contracts entered into for the sale of any type of investment product; or
 - (b) the value of contracts entered into for the sale of any type of investment product.
- (5) *X* may, in relation to paragraph (1)(b), pay a recipient such remuneration if the sale —
- (a) is made pursuant to an agreement under which the recipient is entitled, for a continuous period of at least one year after the date on which the agreement becomes effective, to remuneration for the sale of investment products within any one category listed in the Schedule;
 - (b) is made pursuant to an agreement for the sale of investment products within 2 or more categories listed in the Schedule; or
 - (c) is of a pure protection policy.

THE SCHEDULE

Regulations 3 and 4

CATEGORIES OF INVESTMENT PRODUCTS

1. Securities other than units in collective investment schemes under items 5 to 10.
2. Futures contracts.
3. Contracts or arrangements entered into for the purposes of foreign exchange trading as defined in section 2(1) of the Securities and Futures Act (Cap. 289).
4. Contracts or arrangements entered into for the purposes of leveraged foreign exchange trading as defined in section 2(1) of the Securities and Futures Act.
5. Units in collective investment schemes which invest only in stocks and shares.

THE SCHEDULE — *continued*

6. Units in collective investment schemes which invest only in fixed income instruments.
7. Units in collective investment schemes which invest only in commodities as defined in section 2(1) of the Securities and Futures Act.
8. Units in collective investment schemes which invest only in derivatives contracts as defined in section 2(1) of the Securities and Futures Act.
9. Units in collective investment schemes which are real estate investment trusts as defined in regulation 2 of the Securities and Futures (Prescribed Securities) Regulations 2012 (G.N. No. S 177/2012).
10. Units in collective investment schemes which invest in more than one type of asset.
11. Life policies which are whole life policies (other than investment-linked policies as defined in the First Schedule to the Insurance Act (Cap. 142)).
12. Life policies which are term policies.
13. Life policies which are endowment policies (other than investment-linked policies as defined in the First Schedule to the Insurance Act).
14. Life policies which are investment-linked policies as defined in the First Schedule to the Insurance Act where only a single premium is payable.
15. Life policies which are investment-linked policies as defined in the First Schedule to the Insurance Act where the premiums are payable at regular intervals.
16. Life policies which are universal life policies.
17. Life policies which are annuities.
18. Structured deposits as defined in regulation 2 of the Financial Advisers (Structured Deposits — Prescribed Investment Product and Exemption) Regulations (Rg 7).

Made on 30 December 2015.

RAVI MENON
Managing Director,
Monetary Authority of Singapore.

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