

## RESPONSE TO CONSULTATION PAPER

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<b>Consultation topic:</b>	Draft Notices on the Competency Requirements for Representatives Conducting Regulated Activities under the Financial Advisers Act and Securities and Futures Act
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**Question 1: MAS seeks comments on the revised FAA Notice (Annex A).**

We are supportive of the key change in item (i) [to] introduce ethics and skills content into the existing rules and regulations modules to form the rules, ethics and skills (“RES”) modules.

The ethics component is necessary due to the following:

CFA Institute released the fourth edition of its trust report in 2020, revealing that the financial services industry in Singapore earned the trust of 36% (a fall from 47% in 2018) of retail investors surveyed (vs. 46% globally, 49% APAC). The fall in trust levels can be tied to various issues including ethical conduct and putting investors first. The full report can be downloaded from - <https://trust.cfainstitute.org/>

We also include two Business Times article in 2018 and 2020 on low trust levels in Singapore:

- 1) 2018 article - <https://www.businesstimes.com.sg/banking-finance/singapore-retail-investors-have-low-trust-in-financial-services-industry>
- 2) 2020 article – <https://www.businesstimes.com.sg/wealth-investing/singapore-retail-investors-trust-in-financial-institutions-falls>

In addition, the retail investors surveyed in the 2020 research also flagged up ‘commitment to ethical conduct’ as one of the key attributes in selecting a financial adviser in Singapore.

CFA Society Singapore would also want to highlight shortcomings to existing ethics curriculum. Almost all ethics curriculum and courses around the world, including the ones in the CFA Program and in Singapore, have two components:

- 1) The awareness component – what is the code and standards of professional conduct, or rules and regulations
- 2) The analysis component – how do we apply the above to a unique context, hypothetical scenario or scenarios in case studies

However, awareness and analysis components are insufficient. Most appointed representatives know that certain practices are downright unethical from knowledge gained during onboarding, compliance and ethics training. They also know what should be done. But they are not equipped on how to take action without losing their job or being penalised. This crucial missing component can be summed up by the following extract from Mary Gentile’s “Giving voice to values” publication:

*The main idea behind Giving Voice to Values (GVV) is the observation that a focus on awareness of ethical issues and on analysis of what the right to do may be is insufficient. Precious little time is spent on action – that is, developing the “scripts” and implementation plans for responding to the commonly heard “reasons and rationalizations” for questionable practices, and actually practicing the delivery of those scripts.*

*GVV is all about this neglected area of scripts and action plans and practice: building the skills, the confidence, the moral muscle, and, frankly, the habit of voicing our values. It begins with the assumption that most of us want to bring our whole selves to work – skills, ambitions, and*

*values. Yet we know from experience and research that most of us will encounter values conflicts in our careers, when the way we want to live and the things we want to accomplish seem in conflict with the expectations of our clients, our peers, our bosses, or our organizations. That is why this skill and practice-based approach is essential.*

To this end, CFA Institute has adopted Mary Gentile's GVV programme to plug this gaping hole in ethics education.

**Question 2: MAS comments on the revised SFA Notice (Annex B).**

[Response as per Question 1]