

RESPONSE TO CONSULTATION PAPER

Consultation topic:	Enhancing pre and post-transaction safeguards for retail clients
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Response to consultation paper	<i>Submitted on 2 August 2021 via link provided by MAS:</i> https://form.gov.sg/605c07075880a700129584fb

Question 2. MAS seeks comments on the proposed requirements for representatives to (i) check for and document a client's SC status; and (ii) make a formal declaration that the assessment of whether a client is an SC has been duly performed.

We welcome the proposed requirements.

Question 4. MAS seeks comments on the proposed criteria for a TI.

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.

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.

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.

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).

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.

Hence, should proposal 4.2 stand 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).

Question 5. MAS seeks comments on the types of information that should be covered during the client call-backs and recap of the sales and advisory process, and any additional areas that should be included.

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.

Question 10. MAS seeks comments on the proposed requirement for an independent panel to review all product recommendations made to SCs, including the size of this panel and suitable person(s) to form this panel.

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.

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.)

Question 11. MAS also seeks comments on whether this review by the independent panel should be conducted on a pre or post-transaction basis.

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.