

FINANCIAL ADVISORY INDUSTRY REVIEW
Summary List of Recommendations

Thrust One: Raising the Competence of Financial Advisory Representatives

1. Raise the minimum qualification of new Financial Advisory (FA) representatives to a full certificate in GCE "A" level, an International Baccalaureate qualification, or a diploma awarded by polytechnics in Singapore (or its equivalent). Existing FA representatives to be grandfathered.
2. Offer specialised diploma courses in Financial Advisory Services for individuals who do not meet the minimum qualification.
3. Impose minimum annual continuing professional development training hours (including mandatory training on Ethics and Rules & Regulations).

Thrust Two: Raising the Quality of Financial Advisory Firms

4. Raise the minimum working and managerial experience of Chief Executive Officers of Licensed FA firms (LFAs) to 10 years and five years respectively.
5. Require LFAs to employ at least three resident, full-time and experienced professionals.
6. Require LFAs to have an independent and dedicated (for larger LFAs) compliance function.
7. Impose enhanced requirements on minimum base capital, continuing financial resources and professional indemnity insurance cover according to the scale and size of the LFAs' operations.
8. Restrict LFAs in the types and scale of non-FA activities that they may undertake.
9. Restrict insurance broking firms in the scale of their FA business unless they have demonstrated capacity to conduct the full range of FA activities.

Thrust Three: Making Financial Advising a Dedicated Service

10. Require FA firms to only recruit representatives whose professional focus is on their FA role. Representatives' non-FA activities, if any, should not conflict with the FA firm's business, tarnish the image and reputation of the FA firm/industry, or lead to a neglect of the representatives' FA role.
11. Require individuals with other gainful appointment to obtain their other employer's approval before being appointed as FA representatives.
12. Require FA firms to ensure that introducing arrangements do not pose conflicts of interest or tarnish the image of the FA industry.
13. Ban remuneration structures for introducers that are tied to volume of sales or transactions.
14. Prohibit introducers from providing customers with product information.

15. Prohibit FA firms from acting as introducers for investment products which they provide advice on.
16. Require introducers to disclose to customers the amount and basis for any introducer fee, that they cannot and have not provided advice, and whether they are connected to the FA firms or their representatives.

Thrust Four: Lowering Distribution Costs

17. Develop a web aggregator for consumers to compare life insurance and critical illness insurance products.
18. Require insurers catering to the retail market to make available certain basic insurance products through a direct channel.
19. Require fund managers to disclose trailer fees paid to FA firms for collective investment schemes in the Product Highlights Sheet.
20. Require insurers to disclose the total expense ratio of the participating fund, averaged over three years in the Product Summary.
21. For sales of bundled life insurance products, require FA representatives to disclose an alternative option of purchasing an unbundled term life insurance product and placing the premium savings in a fixed deposit; and the salient features of the bundled life insurance product vis-à-vis a term life insurance product.
22. Require insurers to add a cover page to the Benefit Illustration and Product Summary, containing prominent disclosures on the total distribution costs, warning that illustrative returns are not guaranteed, warning that the amount a customer receives will be lower than the premiums paid if the customer surrenders his policy before a certain year, average expense ratio of the participating fund, 14-day free-look period, and website address of the web aggregator.

Thrust Five: Promoting a Culture of Fair Dealing

23. Impose a cap on the total commissions payable to the FA firm and its representatives in the first year for life insurance products, and require the remaining commissions to be distributed evenly over the subsequent years.
24. Require FA firms to adopt a balanced scorecard remuneration framework for FA representatives.
25. Ban FA firms from offering FA representatives product-specific incentives that are over and above the typical commissions paid for selling the product.
26. Incorporate fair dealing responsibilities of Board and Senior Management into MAS' risk assessments and regulatory reviews of FA firms.
27. Require FA firms to maintain minimum standards in their complaints handling and resolution processes.
28. Require industry associations to establish key performance indicators to measure member firms' achievement of fair dealing outcomes. Results should be shared with MAS and disclosed to the public.