The risk awareness assessment

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A DPT provider must assess whether a retail customer has sufficient knowledge of the risks of DPT services before providing any such service. The assessment is a questionnaire covering the nature of DPTs, their volatility, the loss of the entire investment, the absence of deposit insurance, the irreversibility of transfers and the risks of custody by the provider.[1] A customer who fails may be given educational material and may retake the assessment. MAS declined to impose a cooling-off period between attempts or a validity period after which the assessment expires, but it reserved the right to do so.[2]

The assessment replaced the earlier debate about a suitability requirement. MAS considered and rejected a requirement that providers assess the suitability of DPT trading for each customer, because that would have implied that trading in DPTs was suitable for some retail customers and because providers do not give advice. The risk awareness assessment instead places the decision with an informed customer. Providers must keep records of the assessments and must be able to show MAS on inspection that no retail customer traded before passing.

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Notes

1. MAS, Guidelines PS-G03 on Consumer Protection Measures by DPT Service Providers, section on the risk awareness assessment; MAS Response to Feedback Received (Part 2), 23 November 2023, paras on the assessment design. ↩
2. Morgan Lewis, November 2023 (above): the assessment must be done before any DPT service is provided; no validity period or cooling-off period applies for now. ↩

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