The Financial Advisers Act

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Scope and licensing

The Financial Advisers Act came into force together with the SFA on 1 October 2002. It consolidated into one statute the separate regimes for advice on investment products, including unit trusts and life insurance. The Insurance Intermediaries Act 1999 and its regulations were repealed at the same time. MAS describes the FAA as governing "the regulation of financial advisers in Singapore, including their representatives and supervisors".[1]

Section 6 contains the basic prohibition. A person must not act as a financial adviser in Singapore in respect of any financial advisory service unless authorised by a financial adviser's licence or exempt. A breach is punishable by a fine of up to 75,000 dollars, imprisonment for up to three years or both. The section also reaches conduct abroad that is intended or likely to induce members of the Singapore public to use the adviser's services.[2] This extraterritorial element matters for foreign private banks and asset managers that market to Singapore residents from Zurich, Geneva or Hong Kong.

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Most advice in Singapore is given by exempt financial advisers. Section 20(1) exempts licensed banks, merchant banks, licensed insurers and registered insurance brokers, holders of a capital markets services licence and certain finance companies from the requirement to hold a financial adviser's licence.[3] The exemption concerns the licence alone. Exempt financial advisers remain bound by the conduct rules of the FAA and by the notices and guidelines issued under it. The FAA therefore functions as the conduct statute for advice across the whole financial sector, while the separate licence is held mainly by independent advisory firms.

Representatives and the public register

Individuals who give advice on behalf of a licensed or exempt financial adviser must be appointed representatives. Section 23 sets out the conditions. The individual must satisfy the entry and examination requirements specified by MAS and appear in the public register of representatives. His or her status must not be revoked or suspended. The principal, finally, must be licensed or exempt for the type of service concerned.[4] The register allows any client to check whether the person advising him is authorised and for which activities.

The representative regime places the first line of control on the principal. The firm notifies MAS of the appointment, certifies the fitness of the representative and answers for his conduct. MAS keeps the power to refuse or revoke an entry and to prohibit an individual from the industry. Firms are also expected to report misconduct and to take disciplinary action against representatives found guilty of it. A Singapore adviser who leaves one firm after misconduct cannot simply join another without the new principal learning of the record.

The Lehman Minibonds and fair dealing

The financial crisis of 2008 tested the advisory regime severely. Structured notes linked to Lehman Brothers, including the Minibond series, had been sold widely to retail investors through banks, a finance company and stockbroking firms. On 7 July 2009 MAS published the findings of its investigation. It found that some distributors

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had assigned risk ratings inconsistent with the prospectus warnings and had not adequately trained their representatives or equipped them with accurate product information.[5]

MAS barred the ten distributors from selling structured notes for periods ranging from a minimum of six months to a minimum of two years. It also required them to have their remediation plans reviewed by an external person approved by MAS and to appoint senior management to oversee compliance. By the end of May 2009 the three banks and the finance company had offered settlements of about 105 million dollars without admission of liability. The stockbroking firms had offered about 2.7 million dollars.[6] The same release referred to the Guidelines on Fair Dealing that MAS had issued on 3 April 2009. These guidelines, which asked boards and senior management to deliver fair dealing outcomes to customers, remain a reference point for conduct supervision.

The Financial Advisory Industry Review

The Lehman experience led to a broader review of the advisory industry. On 2 April 2012 MAS announced a panel for the Financial Advisory Industry Review, chaired by its Assistant Managing Director Lee Chuan Teck. The panel was to work on five thrusts: the competence of representatives, the quality of firms, financial advice as a dedicated service, lower distribution costs and a culture of fair dealing.[7] MAS stated that it wanted financial institutions that consistently deliver fair dealing outcomes and competent representatives who give quality advice.

The panel made 28 recommendations. In its response of 30 September 2013, MAS accepted 19 in full, adopted eight in modified form and dropped one.[8] The best-known measure was a balanced scorecard remuneration framework, which links the pay of representatives to the quality of their advice as well as to sales. A channel for buying basic life insurance directly at low cost was added. A comparison portal for life insurance products completed the package.

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Disputes between clients and advisers

A client who is dissatisfied with advice may turn to the Financial Industry Disputes Resolution Centre, known as FIDReC. It describes itself as an independent and impartial institution for alternative dispute resolution between consumers and financial institutions. Its adjudication covers claims of up to 150,000 dollars per claim, while mediation is available for all eligible disputes. The FSMA now gives mediators, adjudicators and employees of an approved dispute resolution scheme statutory protection when they act with reasonable care and in good faith.[9] Large private banking disputes exceed the adjudication limit and are usually resolved in the courts or by arbitration, which Part F describes.

Notes

1. Monetary Authority of Singapore, “Media Release for the Implementation of the SFA and FAA”, 11 September 2002. Monetary Authority of Singapore, “Financial Advisers Act 2001” (mas.gov.sg/regulation/acts/financial-advisers-act, accessed November 2026). ↩
2. Financial Advisers Act 2001, s. 6(1), (2) and (4), as reproduced by LawPlayer (lawplayer.com/sg/act/FAA2001/6, accessed November 2026). ↩
3. Financial Advisers Act 2001, s. 20(1)(a)–(e), as reproduced by LawPlayer (accessed November 2026). ↩
4. Financial Advisers Act 2001, s. 23(1)(a)–(e), as reproduced by LawPlayer (lawplayer.com/sg/act/FAA2001/23, accessed November 2026). ↩
5. Monetary Authority of Singapore, “MAS Releases Investigation Findings on the Sale and Marketing of Structured Notes Linked to Lehman Brothers”, media release, 7 July 2009. ↩
6. Monetary Authority of Singapore, “MAS Releases Investigation Findings on the Sale and Marketing of Structured Notes Linked to Lehman Brothers”, 7 July 2009: settlement offers of about S$105 million by three banks and one

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finance company and S$2.7 million by stockbroking firms, as at 31 May 2009. ↩

7. Monetary Authority of Singapore, "MAS Introduces Panel for FAIR", media release, 2 April 2012. ↩
8. Monetary Authority of Singapore, "MAS Issues Response to Consultation on Recommendations of Financial Advisory Industry Review", media release, 30 September 2013. ↩
9. Financial Industry Disputes Resolution Centre, website (fidrec.com.sg, accessed November 2026). Allen & Gledhill, "Financial Services and Markets Bill passed to enhance MAS' regulatory and enforcement framework across the financial sector", 18 April 2022. ↩

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