

## ANNEX A

### Definition of an "accredited investor"

An "**accredited investor**" refers to:

- (a) an individual:
  - (i) whose net personal assets exceed in value S\$2 million (or its equivalent in a foreign currency). In determining the value of an individual's net personal assets for the purposes of this subparagraph, the value of the individual's primary residence:
    - (A) is to be calculated by deducting any outstanding amounts in respect of any credit facility that is secured by the residence from the estimated fair market value of the residence; and
    - (B) is taken to be the lower of the following:
      - (I) the value calculated under sub-paragraph (A);
      - (II) S\$1 million;
  - (ii) whose financial assets (net of any related liabilities) exceed in value S\$1 million (or its equivalent in a foreign currency), where "**financial asset**" means:
    - (A) a deposit<sup>1</sup> as defined in section 4B of the Banking Act (Chapter 19 of Singapore); or
    - (B) an investment product<sup>2</sup> as defined in section 2(1) of the Financial Advisers Act (Chapter 110 of Singapore); or

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- <sup>1</sup> A "**deposit**" as defined in section 4B of the Banking Act (Cap. 19) means a sum of money paid on terms:
- (a) under which it will be repaid, with or without interest or a premium, or with any consideration in money or money's worth, either on demand or at a time or in circumstances agreed by or on behalf of the person making the payment and the person receiving it; and
  - (b) which are not referable to the provision of property or services or to the giving of security. For this purpose, money is paid on terms which are referable to the provision of property or services or to the giving of security if, and only if:
    - (i) it is paid by way of advance or part payment under a contract for the sale, hire or other provision of property or services, and is repayable only in the event that the property or services is or are not in fact sold, hired or otherwise provided;
    - (ii) it is paid by way of security for the performance of a contract or by way of security in respect of loss which may result from the non-performance of a contract; or
    - (iii) without prejudice to sub-paragraph (ii), it is paid by way of security for the delivery up or return of any property, whether in a particular state of repair or otherwise;
- but does not include:
- (aa) a sum paid by:
    - (i) the Monetary Authority of Singapore,
    - (ii) any "**bank in Singapore**", which means:
      - (A) a bank incorporated in Singapore; or
      - (B) in the case of a bank incorporated outside Singapore, the branches and offices of the bank located within Singapore,
 and a "**bank**" means any company which holds a valid licence under section 7 or 79 of the Banking Act (Cap. 19);
    - (iii) any co-operative society registered as a credit society under the Co-operative Societies Act (Cap. 62);
    - (iv) any finance company licensed under the Finance Companies Act (Cap. 108);
    - (v) any merchant bank approved as a financial institution under section 28 of the Monetary Authority of Singapore Act (Cap. 186); or
    - (vi) any insurer licensed under the Insurance Act (Cap. 142);
  - (bb) a sum paid by any moneylender licensed under the Moneylenders Act (Cap. 188);
  - (cc) a sum paid by one company to another at a time when one is a subsidiary of the other or both are subsidiaries of another company, or the same individual controls more than half of the voting power or holds more than half of the total number of issued shares in both of them;
  - (dd) a sum paid by a person who, at the time when it is paid, is a close relative of the person receiving it or who is, or is a close relative of, a director, controller or manager of that person.

- <sup>2</sup> An "**investment product**" as defined in section 2(1) of the Financial Advisers Act (Cap. 110) means:
- (a) any "**capital markets products**" as defined in section 2(1) of the SFA, which means any securities, units in a collective investment scheme, derivatives contracts, spot foreign exchange contracts for the purposes of leveraged foreign exchange trading;
  - (b) spot foreign exchange contracts other than for the purposes of leveraged foreign exchange trading;
  - (c) any "**life policy**", which has the same meaning as in the First Schedule to the Insurance Act (Cap. 142), but does not include any contract of reinsurance. A "**life policy**" as defined in the First Schedule to the Insurance Act (Cap. 142) means any policy which:
    - (i) provides for the payment of policy moneys on the death of a person or on the happening of any contingency dependent on the termination or continuance of human life;
    - (ii) is subject to payment of premiums for a term dependent on the termination or continuance of human life;
    - (iii) provides for the payment of an annuity for a term dependent on the termination or continuance of human life; or

- (C) any other asset as may be prescribed by regulations made under section 341 of the SFA;  
or
- (iii) whose income in the preceding 12 months is not less than S\$300,000 (or its equivalent in a foreign currency);
- (b) a corporation with net assets exceeding S\$10 million in value (or its equivalent in a foreign currency), as determined by:
  - (i) the most recent audited balance-sheet of the corporation; or
  - (ii) where the corporation is not required to prepare audited accounts regularly, a balance-sheet of the corporation certified by the corporation as giving a true and fair view of the state of affairs of the corporation as of the date of the balance-sheet, which date shall be within the preceding 12 months;
- (c) the trustee of any of the following prescribed trusts:
  - (i) any trust (including a bare trust) all the beneficiaries of which are accredited investors within the meaning of section 4A(1)(a)(i), (ii) or (iv) of the SFA, as set out in sub-paragraph (a), (b) or (d);
  - (ii) any trust (including a bare trust) all the settlors of which:
    - (A) are accredited investors within the meaning of section 4A(1)(a)(i), (ii) or (iv) of the SFA, as set out in sub-paragraph (a), (b) or (d);
    - (B) have reserved to themselves all powers of investment and asset management functions under the trust; and
    - (C) have reserved to themselves the power to revoke the trust;
  - (iii) any trust (including a bare trust) the subject matter of which exceeds S\$10 million (or its equivalent in a foreign currency) in value; or
- (d) any of the following prescribed persons:
  - (i) an entity (other than a corporation) with net assets exceeding S\$10 million (or its equivalent in a foreign currency) in value;
  - (ii) a partnership (other than a limited liability partnership) in which each partner is an accredited investor;
  - (iii) a corporation the entire share capital of which is owned by one or more persons, all of whom are accredited investors; or
  - (iv) a person who holds a joint account with any accredited investor, in respect of dealings through that joint account.

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(iv) is a combination of any of the above, but does not include any accident and health policy that provides for the payment of policy moneys on the death of a person; or

(d) any other product as may be prescribed by regulations made under section 104 of the Financial Advisers Act (Cap. 110).

## ANNEX B

### Explanation of the effect under the Consent Provisions of being treated by FAB as an accredited investor

Where we deal with you as an accredited investor, you will not be afforded the protection of certain regulatory safeguards under the SFA, the Financial Advisers Act (Chapter 110 of Singapore) ("**FAA**") and certain regulations, notices and guidelines issued under the SFA and FAA. Such regulatory safeguards are referred to as the "**Consent Provisions**".

Paragraphs 1 to 19 below set out an explanation of the effect under the Consent Provisions of being treated by us as an accredited investor, and is meant to assist you to make an informed decision whether or not you should opt to be treated by us as an accredited investor for the purposes of all of the Consent Provisions. Please note that the explanation set out below may not exhaustively cover all the consequences of you being treated by us as an accredited investor, and there could be other factors and considerations that you should take into account before making a decision.

For purposes of this explanation, we have made certain comparisons between the regulatory safeguards that would apply (or would not apply) if we are dealing with an accredited investor and the regulatory safeguards that would apply if, hypothetically speaking, we are dealing with a retail customer. However, please note that if you opt not to be treated as an accredited investor, we will have to cease any further new dealings with you.

Please read this explanation carefully and consult a professional adviser if you do not fully understand the consequence of being treated as an accredited investor under any of the Consent Provisions, or you otherwise have any doubts or concerns in this regard.

### Under the SFA

1. **Compensation from fidelity fund under Section 186(1) of the SFA.** Under the SFA, each approved exchange (currently comprising the Singapore Exchange Securities Trading Limited (SGX-ST), the Singapore Exchange Derivatives Trading Limited (SGX-DT), ICE Futures Singapore Pte. Ltd. and Asia Pacific Exchange Pte. Ltd. (APEX)) is required to maintain a fidelity fund for the purposes of compensating persons who suffers pecuniary loss due to any misapplication or misappropriation of funds by a member of the approved exchange or its agent under certain circumstances.

Such compensation may be made where the misapplication or misappropriation of funds is committed in the course of, or in connection with, the member dealing in capital markets products<sup>3</sup> and in relation to any money or other property entrusted to or received by the member or by its agent for or on behalf of any other person, or as trustee.

***If we deal with you as an accredited investor, you may not be entitled to compensation from any such fidelity fund maintained pursuant to the SFA, even if you suffer pecuniary loss due to any misapplication or misappropriation of funds in the above circumstances. In other words, if we deal with you as an accredited investor, you may not have the benefit of such regulatory safeguard that seeks to protect investors from pecuniary losses in the above circumstances.***

2. **Exempt Offers under Section 275, 276, 305 and 305A of the SFA.** Under Part XIII of the SFA, all offers of securities, securities-based derivatives contracts and units in a collective investment scheme ("**CIS**") are required to be made in or accompanied by a prospectus and, for offers of units in a CIS and certain types of securities and securities-based derivatives contracts, a product highlights sheet ("**Prospectus and PHS Requirements**"). Among other things, such prospectus and product highlights sheet are required to be lodged and/or registered by the Monetary Authority of Singapore ("**MAS**"), and would need to contain certain information prescribed under the SFA to assist prospective investors to make an informed assessment of the offer. The offeror and certain other persons may be subject to civil and/or criminal liabilities for any failure to comply with the Prospectus and PHS Requirements. However, certain types of offers ("**Exempt Offers**") are exempt from the Prospectus and PHS Requirements, including an offer of securities, securities-based derivatives contracts or units in a CIS made to accredited investors.

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<sup>3</sup> Capital markets products include securities, units in collective investment scheme, derivatives contracts and spot foreign exchange contracts for the purposes of leveraged foreign exchange trading.

Subsequent sale

Where securities, securities-based derivatives contracts or units in a CIS were initially acquired pursuant to certain Exempt Offers<sup>4</sup>, Prospectus and PHS Requirements will apply to all subsequent sales of such securities or securities-based derivatives contracts within the period of 6 months from the date of initial acquisition, or the first subsequent sale of such units in a CIS, as the case may be. However, Prospectus and PHS Requirements will not apply to any such subsequent sale which is made to accredited investors, among others.

Transfer prohibition

Unless otherwise exempted, there is also a prohibition on any transfer of:

- (a) securities or securities-based derivatives contracts of a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor ("**Specified Corporation**"); or
- (b) the beneficiaries' rights and interest (howsoever described) in a trust (where the trustee is not an accredited investor) the sole purpose of which is to hold investments and each beneficiary of the trust is an individual who is an accredited investor ("**Specified Trust**"),

as the case may be, within 6 months after the Specified Corporation or Specified Trust, as the case may be, has acquired any securities, securities-based derivatives contracts or units in a CIS pursuant to certain Exempt Offers<sup>5</sup>. However, such transfer prohibition does not apply under certain circumstances, including where the transfer of securities, securities-based derivatives contracts or beneficiaries' rights and interest (howsoever described) is made only to accredited investors.

***If we deal with you as an accredited investor, we are exempted from Prospectus and PHS Requirements when we offer or sell any securities, securities-based derivatives contracts or units in a CIS to you, including in the case of a subsequent sale described above. In addition, the abovementioned prohibition on the transfer of securities or securities-based derivatives contracts of a Specified Corporation or beneficiaries' rights and interest (howsoever described) of a Specified Trust does not apply where such transfer is made to you. This would mean, among other things, that when we offer or sell any securities, securities-based derivatives contracts or units in a CIS to you, you may not have the benefit of certain disclosures or information to assist you in making a decision whether or not to acquire such securities, securities-based derivatives contracts or units in a CIS.***

3. **Restrictions on Advertisement under Section 251 and 300 of the SFA.** Sections 251 and 300 of the SFA prohibit any advertisement or publication that advertises or refers to an offer or intended offer of securities, securities-based derivatives contracts or units in a CIS, except under certain circumstances. In this regard, certain communications may be made to accredited investors, among others, where a preliminary document<sup>6</sup> has been lodged with MAS. These include the dissemination of, and presentation of oral or written material on matters contained in, the preliminary document.

***If we deal with you as an accredited investor, you may receive communications relating to a preliminary document which has been lodged with MAS, but not yet registered by MAS.***

4. **Treatment of customer's assets under Division 3 of Part III of the Securities and Futures (Licensing and Conduct of Business Regulations) ("**SFR**").** Division 3 of Part III of the SFR sets out the requirements imposed on a capital markets services ("**CMS**") licence holder/exempt CMS entity in relation to the treatment

<sup>4</sup> These include an offer made to institutional investors or accredited investors, or an offer made on terms that the securities, securities-based derivatives contracts or units in a CIS may only be acquired at a consideration of not less than S\$200,000 (or its equivalent in foreign currency) for each transaction, subject to certain conditions.

<sup>5</sup> These include an offer made to accredited investors, or an offer made on terms that the securities, securities-based derivatives contracts or units in a CIS may only be acquired at a consideration of not less than S\$200,000 (or its equivalent in foreign currency) for each transaction, subject to certain conditions.

<sup>6</sup> A preliminary document is a document that is issued for the purpose of determining the appropriate price and quantity of securities, securities-based derivatives contracts or units in a CIS to be issued or sold. It would contain all the information required to be included in a prospectus for such issuance or sale, save for certain prescribed information.

of assets received on a customer's account. Among other things, the CMS licence holder/exempt CMS entity is required to deposit all assets received on a customer's account in a custody account maintained in accordance with Regulation 27, or any other account into which the customer directs that the assets be deposited. However, certain additional safeguards in relation to the treatment of assets that the CMS licence holder/exempt CMS entity receives on account of its customer will not apply if the CMS licence holder/exempt CMS entity deals with the customer as an accredited investor. Such additional safeguards are summarised below:

- (a) **Holding of customer's assets.** Under Regulation 26 of the SFR, a CMS licence holder/exempt CMS entity is required to deposit all assets received on account of a retail customer<sup>7</sup> in (i) a custody account held on trust for the customer, as the case may be, or (ii) any other account into which the retail customer directs that the assets be deposited subject to the conditions that the customer has legal and beneficial title to such other account and the account is maintained with a specified custodian<sup>8</sup>. This is meant to protect retail customers who may not have fully applied their minds to, or fully appreciate the implications of consenting to the CMS licence holder/exempt CMS entity to deposit customer's assets in any account as determined by the CMS licence holder/exempt CMS entity. ***However, if we deal with you as an accredited investor, the account to which you may direct us to deposit your assets does not have to be maintained with a specified custodian, and it does not have to be an account to which you have legal and beneficial title. This would mean that in terms of how we hold your assets, we would be subject to fewer regulatory requirements which are meant to better protect customer's assets.***
- (b) **Disclosure of the manner in which your assets will be held.** Under Regulation 27A of the SFR, a CMS licence holder/exempt CMS entity is required to make certain disclosures (such as whether the assets received on account of a customer will be commingled with the assets of other customers, the risks of such commingling and what are the consequences for the customer's assets in the event that the custodian with which the custody account is maintained becomes insolvent) in writing before depositing assets received on account of a retail customer in a custody account. This is meant to provide transparency to customers on the manner in which the CMS licence holder/exempt CMS entity holds customer's assets and the attendant risks, as the types of arrangements to hold customer's assets may have implications on the nature of claims and entitlements of the individual customer. ***However, if we deal with you as an accredited investor, we are not required to provide you with such disclosures. Accordingly, you may not have the benefit of information on how we hold your assets and the attendant risks when you assess the pros and cons of transacting with us.***
- (c) **Transfer of right, interest, benefit or title in your assets.** Under Regulation 34A of the SFR, a CMS licence holder/exempt CMS entity is prohibited from transferring any right, interest, benefit or title in any assets received from a retail customer to itself or any other person, unless such transfer is in connection with the lending or borrowing of the retail customer's specified products<sup>9</sup>. This is because a retail customer is less likely to be able to assess the implication of a title transfer arrangement (e.g. transferring full ownership to certain assets as collateral to secure a customer's obligations). Among other things, in the event of the CMS licence holder's/exempt CMS entity's failure, the customer would be regarded as an unsecured creditor as the title and ownership of his/her assets would have been transferred to the CMS licence holder/exempt CMS entity under the title transfer arrangement. ***However, if we deal with you as an accredited investor, we are not subject to such prohibition and therefore we may potentially enter into certain title transfer arrangements with you – for example, a title transfer collateral arrangement pursuant to which you would transfer to us full ownership to certain assets as collateral to secure your obligations to us under your investment transactions. In the event of our failure, you would be regarded as an unsecured creditor in respect of the assets transferred to us under any such title transfer arrangement.***
- (d) **Withdrawal or transfer of your assets to meet our obligations.** Under Regulation 35 of the SFR, a CMS licence holder/exempt CMS entity is prohibited from making any withdrawal or transfer of assets from a retail customer's custody account for the purpose of discharging the CMS licence

<sup>7</sup> A retail customer refers to a customer other than an accredited investor, expert investor or institutional investor.

<sup>8</sup> Specified financial institutions and specified custodians include licensed banks and finance companies in Singapore, among others.

<sup>9</sup> Specified products refer to securities, securities-based derivatives contracts that are not futures contracts or units in a CIS.

holder's/exempt CMS entity's obligations in relation to any transaction entered into by the CMS licence holder/exempt CMS entity for its benefit. Such prohibition would apply even if the retail customer provides written consent to such withdrawal or transfer. This is meant to protect retail customers as such assets which are withdrawn from the custody account may not be protected or easily recoverable should the CMS licence holder/exempt CMS entity and/or its counterparty to the transaction become insolvent. **However, if we deal with you as an accredited investor, we may, subject to your written consent, withdraw assets from your custody account for the purpose of discharging our obligations in relation to any transaction entered into by us for our benefit (for example, the withdrawal of assets from your custody account to onward place as margins with our hedging counterparty). Any such assets withdrawn from your custody account may not be protected or readily recoverable.**

- (e) **Mortgage of your assets.** Under Regulation 34 of the SFR, a CMS licence holder/exempt CMS entity is allowed to mortgage, charge, pledge or hypothecate a customer's assets (i.e. creating security over customer's assets as collateral for a debt) but only for a sum not exceeding the amount owed by the customer to the CMS licence holder/exempt CMS entity. Before mortgaging, charging, pledging or hypothecating a retail customer's assets, the CMS licence holder/exempt CMS entity is required to inform the retail customer of its right to do so, explain the risks involved and obtain the retail customer's written consent to proceed. This is meant to enable retail customers to make informed decisions on whether to allow the CMS licence holder/exempt CMS entity to lend out or otherwise make use of their assets. **However, if we deal with you as an accredited investor, we are not required to inform you of our right to do so, explain the risks involved nor obtain your consent before proceeding. Accordingly, this would mean that you may not have the benefit of such information when you assess the pros and cons of any such security arrangements.**
5. **Dealing with you as agent.** Regulation 47BA of the SFA prohibits a CMS licence holder/exempt CMS entity from dealing with a retail customer as agent when the CMS licence holder/exempt CMS entity deals in OTC derivatives contracts and/or spot foreign exchange contracts entered into on a leveraged basis. This is meant to enhance the protection of retail investors' moneys and assets in respect of their trading in unlisted margined derivatives contracts, and the recovery of their moneys and assets in the event of the CMS licence holder's/exempt CMS entity's insolvency. **However, if we deal with you as an accredited investor, we are not prohibited from dealing with you as an agent when dealing in the foregoing financial instruments or products. Among other things, if we deal with you as an agent, your rights and obligations under the relevant financial instruments or products would be vis-à-vis a third party who is the principal.**
6. **Prescribed risk disclosures.** Regulation 47E of the SFR requires a CMS licence holder/exempt CMS entity to provide certain risk disclosures to a retail customer (who is not our related corporation) before it opens a trading account for the retail customer for the purposes of trading in (a) futures contracts or (b) spot foreign exchange contracts or OTC foreign exchange derivatives contracts entered into on a leveraged basis. Such risk disclosures are set out in the prescribed Form 13, which the CMS licence holder/exempt CMS entity is required to furnish to the retail customer and receive from the retail customer a signed and dated acknowledgement that he/she has received and understood the nature and contents of the risk disclosures in Form 13. Copies of Form 13 delivered to the CMS licence holder's/exempt CMS entity's prospective retail customers (who are not our related corporations) must also be kept in Singapore. **However, if we deal with you as an accredited investor, we are not subject to the abovementioned risk disclosure requirements, including the requirement to provide to you risk disclosures in Form 13 before we open a trading account for you to trade in futures contracts or spot foreign exchange contracts or OTC foreign exchange derivatives contracts entered into on a leveraged basis. Accordingly, this could mean you would not have the benefit of such explanation of risks to assist you in your assessment on whether to open a trading account for the purposes of trading in (a) futures contracts or (b) spot foreign exchange contracts or OTC foreign exchange derivatives contracts entered into on a leveraged basis.**
7. **Activities of provisional and temporary representatives.** Section 99H(1)(c) of the SFA read with Regulations 3A(5)(c), (d), (e) and 3A(7) of the SFR provide that if a CMS licence holder/exempt CMS entity would like to appoint a provisional or temporary representative in respect of any regulated activity under the SFA, the CMS licence holder/exempt CMS entity would need to lodge with MAS an undertaking that it will ensure, among other things, that the provisional or temporary representative:
- (a) is accompanied at all times by an authorised person when meeting any client or member of the public in the course of carrying on business in the relevant regulated activity;

- (b) sends concurrently to an authorised person all electronic mail that he sends to any client or member of the public in the course of carrying on business in the relevant regulated activity; and
- (c) does not communicate by telephone with any client or member of the public in the course of carrying on business in the relevant regulated activity, other than by telephone conference in the presence of an authorised person.

An "authorised person" for the purposes of the requirements set out in paragraphs (a) to (c) above refers to any of the CMS licence holder's/exempt CMS entity's appointed representatives or directors, any of its officers whose primary function is to ensure that the carrying on of business in the relevant regulated activity complies with the applicable laws and requirements of MAS or any of its officers appointed to supervise the provisional or temporary representative in carrying on of business in the relevant regulated activity. Further, the reference to "client or member of the public" in paragraphs (a) to (c) above excludes any person who is an accredited investor, among others.

***Accordingly, if we deal with you as an accredited investor, we are not required to ensure that a provisional or temporary representative appointed by us to carry out any regulated activity under the SFA complies with the requirements set out paragraphs (a) to (c) above when carrying out such regulated activity. Accordingly this could mean a lower degree of supervision will apply to certain interactions or communications between you and our provisional or temporary representatives.***

8. **Lending of your specified products.** Regulation 33 of the SFR requires a CMS licence holder/exempt CMS entity to explain to a customer the risks involved in the lending of the customer's specified products (i.e. securities, securities-based derivatives contracts which are not futures contracts and units in a CIS) and obtain the customer's written consent to do so, before the CMS licence holder/exempt CMS entity is permitted to lend or arrange for a custodian to lend the customer's specified products. In addition, the CMS licence holder/exempt CMS entity is required to enter into an agreement with the customer or, as the case may be, the custodian, setting out the terms and conditions for such lending of specified products. If the CMS licence holder/exempt CMS entity enters into an agreement with the custodian for such lending of specified products, it is required to disclose the terms and conditions of such agreement to the customer. ***However, if we deal with you as an accredited investor, we are required to comply with all of the above requirements except for the requirement to explain to you the risks involved in the lending of your specified products. Accordingly, this could mean that you would not have the benefit of such explanation of risks when you assess the pros and cons of lending your specified products.***
9. **Statement of accounts.** Regulation 40(1) of the SFR requires a CMS licence holder/exempt CMS entity to, on a monthly basis, furnish to each customer a statement of account containing certain prescribed information set out in Regulation 40(2), unless there is no change to any of those information since the date on which the last statement of account was made up to. In addition, Regulation 40(3) requires the CMS licence holder/exempt CMS entity to furnish to each customer, at the end of every quarter of a calendar year, a statement of account containing, where applicable, the assets, derivatives contracts and leveraged spot foreign exchange contracts of the customer that are outstanding and have not been liquidated and cash balances (if any) of the customer as at the end of that quarter. ***However, we are not required to provide you with such monthly or quarterly statement of account if we deal with you as an accredited investor, and (a) we have made available to you, on a real-time basis, the relevant information in the form of electronic records stored on an electronic facility and you have consented to such information being made available to you in this manner, or (b) where you have requested, in writing, not to receive the statement of account on a monthly basis from us. Accordingly, this could mean you would not have the benefit of such monthly or quarterly statements of account to keep track of your investments and other transactions.***
10. **Specified products borrowing and lending.** Regulation 45(1)(a) of the SFR requires a CMS licence holder/exempt CMS entity to provide certain prescribed collateral to the owner of the specified products (referred to as the lender) when the CMS licence holder/exempt CMS entity borrows specified products from the lender. Such collateral provided to the lender must, throughout the period that the specified products are borrowed, have a value of not less than 100% of the market value of the specified products borrowed. In addition, the CMS licence holder/exempt CMS entity is required to ensure that the terms and conditions of the borrowing are recorded in a prior written agreement that includes certain prescribed terms and conditions, and the agreement is entered into by the CMS licence holder/exempt CMS entity and the lender or the lender's duly authorised agent. Such prescribed terms and conditions include a requirement to mark to market on every business day the specified products borrowed and the collateral comprising specified products, and the procedures for calculating the margin.

*If we deal with you as an accredited investor, we are not required to provide collateral to you when we borrow specified products from you. If we do provide certain assets to you as collateral for the borrowing, the written agreement is required to specify (a) whether the specified products borrowed and the assets provided comprising specified products, if any, are marked to market and, if so, (b) the procedures for calculating the margins. However, the agreement does not need to include a requirement to mark to market on every business day the specified products borrowed and the collateral comprising specified products. In other words, this could potentially mean that if we borrow specified products from you, (i) you would not receive any collateral from us as credit support for such borrowing or (ii) you would receive some collateral from us as credit support for such borrowing, but it would not cover 100% of the market value of the specified products borrowed and/or it would be less liquid or of lower quality than the collateral prescribed in Regulation 45.*

11. **Disclosure of certain interests in respect of underwriting agreement.** Where a CMS licence holder/exempt CMS entity has subscribed for or purchased (or may be required to subscribe for or purchase) specified products which have been offered for subscription or purchase, under an underwriting or sub-underwriting agreement by reason that some or all of the specified products have not been subscribed for or purchased, Regulation 47A requires the CMS licence holder/exempt CMS entity to disclose such information if it:

- (a) makes any offer to sell such specified products (otherwise than in the ordinary course of trading on an approved exchange or recognised market operator); or
- (b) makes any recommendation with respect to such specified products,

during the period of 90 days after the close of the initial offer for the subscription or purchase of such specified products. *However, if we deal with you as an accredited investor, we are not required to disclose such information when we make any offer to sell such specified products to you or when we make any recommendation to you with respect to such specified products. Accordingly, this could mean that you would not have the benefit of knowing whether the specified products have not been fully subscribed for or purchased, when you assess the pros and cons of entering into any transaction involving such specified products.*

12. **General risk disclosure requirements.** Regulation 47DA of the SFR requires a CMS licence holder/exempt CMS entity to provide certain risk disclosures to a customer before the CMS licence holder/exempt CMS entity opens a trading account for the customer for the purposes of entering into sale and purchase of any specified capital markets products (i.e. capital markets products other than futures contracts and spot foreign exchange contracts or OTC foreign exchange derivatives contracts entered into on a leveraged basis). Such risk disclosures must include the material risks of the specified capital markets products and the CMS licence holder/exempt CMS entity is required to receive from the customer a signed and dated acknowledgement that he/she has received and understood the nature and contents of the risk disclosures provided to him/her. Further, the CMS licence holder/exempt CMS entity must not enter into any sale or purchase of any specified capital markets products unless it has informed the customer whether it is acting in that transaction as a principal or agent and/or its intention to do so. *However, if we deal with you as an accredited investor, we are not subject to the abovementioned risk disclosure requirements, including the requirement to provide to you risk disclosures that include the material risks of the specified capital markets products and the requirement to inform you of the capacity in which we act. Accordingly, this could mean that you would not have the benefit of such risk disclosures and/or information on the capacity in which we act, when you assess the pros and cons of entering into any sale or purchase of any specified capital markets products.*

### Under the FAA

13. **Activities of provisional representatives.** Section 23F(1)(c) of the FAA read with Regulations 4A(4)(c), (d), (e) and 4A(6) of the Financial Advisers Regulations ("**FAR**") provide that if a licensed financial adviser ("**FA**")/exempt FA would like to appoint a provisional representative in respect of any financial advisory service, the licensed FA/exempt FA would need to lodge with MAS an undertaking that it will ensure, among other things, that the provisional representative:

- (a) is accompanied at all times by an specified person when meeting any client or member of the public in the course of carrying on business in the relevant financial advisory service;

- (b) sends concurrently to an specified person all electronic mail that he sends to any client or member of the public in the course of carrying on business in the relevant financial advisory service; and
- (c) does not communicate by telephone with any client or member of the public in the course of carrying on business in the relevant financial advisory service, other than by telephone conference in the presence of an specified person.

A "specified person" for the purposes of the requirements set out in paragraphs (a) to (c) above refers to any of the licensed FA's/exempt FA's appointed representatives or directors (who are approved under Section 56 of the FAA), any of its officers whose primary function is to ensure that provision of the relevant financial advisory service complies with the applicable laws and requirements of MAS or any of its officers appointed to supervise the provisional representative in carrying on of business in the relevant financial advisory service. Further, the reference to "client or member of the public" in paragraphs (a) to (c) above excludes any person who is an accredited investor, among others.

***Accordingly, if we deal with you as an accredited investor, we are not required to ensure that a provisional representative appointed by us to carry out any financial advisory service under the FAA complies with the requirements set out in paragraphs (a) to (c) above when carrying out such regulated activity. Accordingly, this would mean a lower degree of supervision will apply to certain interactions or communications between you and our provisional representatives.***

14. **Exemption from giving advice on bonds.** Regulation 28 of the FAR exempts certain exempt FAs (this includes FAB) from having to comply with the requirements set out in Sections 26 to 29 and 36 of the FAA when providing any advice or analyses on bonds to accredited investors, among others. In brief:

- (a) Section 26 of the FAA imposes an obligation on a FA not to make any false or misleading statement or to employ any device, scheme or artifice to defraud;
- (b) Section 27 of the FAA requires a FA to have a reasonable basis for any recommendation on an investment product that is made to a client;
- (c) Section 28 of the FAA provides that the MAS may by regulations determine the manner in which a FA may receive or deal with client's money or property or prohibit a FA from receiving or dealing with client's money or property in specified circumstances or in relation to specified activities;
- (d) Section 29 of the FAA imposes an obligation on a FA to furnish information about any matter related to its business to the MAS if so required by MAS for the discharge of its functions under the FAA; and
- (e) Section 36 of the FAA requires a FA to disclose its interest (if any) in certain specified products when the FA sends a circular or other written communication in which a recommendation is made in respect of such specified products.

A FA may be subject to civil and/or criminal liabilities for any failure to comply with the above requirements or obligations. ***However, if we deal with you as an accredited investor, we will not be required to comply with the requirements set out in Sections 26 to 29 and 36 of the FAA when we provide any advice or analyses on bonds to you. This would mean, among other things, that there are fewer safeguards regulating the manner in which we may provide any advice or analyses on bonds to you if we deal with you as an accredited investor as compared to a retail customer.***

15. **Disclosure of product information to clients.** Section 25 of the FAA requires a licensed FA/exempt FA to disclose to its client and prospective client all material information relating to any designated investment product (i.e. unit in a CIS or a life policy (including a group life policy)) that it recommends to the client. Such material information would include the terms and conditions of the designated investment product, the benefits to be, or likely to be, derived from the designated investment product, and the risks that may arise from the designated investment product, among others.

In addition, the MAS Notice on Information to Clients and Product Information Disclosure [Notice No. FAA-N03] ("**Notice FAA-N03**") sets out certain standards to be maintained by a licensed FA/exempt FA and its representatives with respect to the information they disclose to clients, and the general principles that apply to all disclosures by a licensed FA/exempt FA to its clients and the specific requirements as to the form and manner of disclosure that the financial adviser has to comply with in relation to, among others, Section 25 of the FAA. This is supplemented by the MAS Practice Note on the Disclosure of Remuneration by Financial

Advisers [Practice Note No. FAA-PN01] ("**Practice Note FAA-PN01**"), which provides guidance on the requirements imposed on a licensed FA/exempt FA in relation to the disclosure of the remuneration that it receives or will receive for making any recommendations in respect of an investment product, or executing a purchase or sale contract relating to a designated investment product on their clients' behalf.

***However, if we deal with you as an accredited investor, Regulation 33 of the FAR provides that we are not required to comply with the disclosure and other requirements in Section 25 of the FAA, Notice FAA-N03 and Practice Note FAA-PN01, including the requirement to provide you with all material information on any designated investment product that we recommend to you and the standards and general principles that apply to the provision of such information. We are, however, required to disclose to you that we are exempt from complying with Section 25 of the FAA when dealing with you, unless you are also an institutional investor or certain other persons. In other words, if we deal with you as an accredited investor, this would mean, among other things, that you may not have the benefit of having all material information on the designated investment product that we recommend to you when you assess the pros and cons of investing in the relevant designated investment product.***

16. **Reasonable basis for making recommendations.** Section 27 of the FAA requires a licensed FA/exempt FA to have a reasonable basis for making a recommendation with respect to any investment product (i.e. any capital markets products, spot foreign exchange contracts other than for the purposes of leveraged foreign exchange trading, any life policy or structured deposit) to a person who may be reasonably be expected to rely on the recommendation. In making the recommendation, the licensed FA/exempt FA is required to give consideration to the investment objectives, financial situation and particular needs of the person, and conduct reasonable investigation of the relevant investment product.

In addition, the requirements set out in the MAS Notice on Recommendations on Investment Products [Notice No. FAA-N16] ("**Notice FAA-N16**") apply when the licensed FA/exempt FA makes recommendations on investment products to its clients. Notice FAA-N16 sets out, among other things, (i) certain prescribed information that the licensed FA/exempt FA would need to gather from its client as part of the "know your client" process; (ii) the manner in which the licensed FA/exempt FA should conduct its analysis of the client's financial needs and how it should present its investment recommendations; and (iii) documentation and record keeping requirements relating to the foregoing processes.

The licensed FA/exempt FA is also required under Notice FAA-N16 to ensure that, before it makes any recommendation on an investment product which is neither listed nor quoted on an organised market, it has been informed by the issuer of the investment product as to whether the investment product is a "Specified Investment Product" ("**SIP**") (e.g. structured notes and certain CISs). The licensed FA/exempt FA is required to keep proper records of such information and accordingly convey this information to a client who intends to transact in the investment product. If an investment product is an unlisted SIP, the licensed FA/exempt FA is required to conduct an assessment ("**Customer Knowledge Assessment**") of the client's knowledge and experience in unlisted SIPs before making any recommendation on such investment product. Such assessment has to take into account information on the client's educational qualifications, investment experience and work experience.

***If we deal with you as an accredited investor, Regulation 34 of the FAR provides that we are not required to comply with the requirements in Section 27 of the FAA and Notice FAA-N16. These include, among other things, the requirement to consider your investment objectives, financial situation and particular needs, and to conduct reasonable investigation of the relevant investment product that we are recommending. In addition we are also not required to conduct a Customer Knowledge Assessment to determine your knowledge and experience in unlisted SIPs before making any recommendation of such investment product. In other words, if we deal with you as an accredited investor, this would mean, among other things, that you would not have the benefit of the above regulatory safeguards that seek to ensure the suitability of any investment product that we may recommend to you.***

17. **Remuneration framework for representatives and supervisors, independent sales audit unit.** Section 38 of the FAA requires a licensed FA/exempt FA to, among other things, establish and maintain a remuneration framework in conformity with certain MAS-prescribed requirements for the purposes of (a) reviewing and assessing the performance of its representatives and supervisors, and (b) the remuneration of its representatives and supervisors. Section 39 of the FAA requires a licensed FA/exempt FA to, among other things, establish an independent sales audit unit which reports only to the board of directors and the chief executive officer or such other unit which is independent from all the units which provide financial advisory services. The independent sales audit unit is required to audit the quality of the financial advisory

services provided by the licensed FA's/exempt FA's representatives and to carry out any other function and duties prescribed by MAS.

In addition, a licensed FA/exempt FA is also required to comply with the requirements set out in the MAS Notice on Requirements for the Remuneration Framework for Representatives and Supervisors ("**Balanced Scorecard Framework**") and Independent Sales Audit Unit [Notice No. FAA-N20] ("**Notice FAA-N20**") in relation to the design and operation of the Balanced Scorecard Framework and its independent sales audit unit, which it is required to put in place in its remuneration structures for its representatives. Such requirements in the Notice FAA-N20 are further supplemented by the MAS Guidelines on the Remuneration Framework for Representatives and Supervisors ("**Balanced Scorecard Framework**"), Reference Checks and Pre-Transaction Checks [Guideline No. FAA-G14] ("**Guidelines FAA-G14**"), which provide general guidance on some of the requirements of Notice FAA-N20, such as the post-transaction checks and classification of infractions by the independent sales audit unit. In addition, Guidelines FAA-G14 set out the measures to be applied to all existing and newly recruited representatives who have been assigned a balanced scorecard grade of "E" and all supervisors who have been assigned a balanced scorecard grade of "Unsatisfactory" under the Balanced Scorecard Framework, as well as obtaining and sharing of information on the representatives' and supervisors' balanced scorecard grades during reference checks. A licensed FA/exempt FA is also required to conduct pre-transaction checks to minimise the impact of the Balanced Scorecard Framework on its representatives and supervisors, as set out in the Guidelines FAA-G14.

***If we deal with you as an accredited investor, Regulation 34A of the FAR provides that we are not required to comply with the requirements in Section 38 and 39 of the FAA, Notice FAA-N20 and Guidelines FAA-G14. These include, among other things, the requirements (a) to establish or maintain a remuneration framework in conformity with certain MAS-prescribed requirements, (b) to establish an independent sales audit unit to audit the quality of the financial advisory services provided by our representatives, and (c) in relation to the operation of the Balanced Scorecard Framework and the independent sales audit unit. In other words, if we deal with you as an accredited investor, you would not have the benefit of the foregoing regulatory requirements which seek to better align the interests of a financial adviser's representatives and their customers.***

18. **Disclosure of certain interests in specified products.** Section 36 of the FAA requires a licensed FA/exempt FA to include in a circular or other similar written communication in which the licensed FA/exempt FA makes a recommendation with respect to any specified products, a disclosure of any interest that the licensed FA/exempt FA, or a person associated with or connected to it, has in the acquisition or disposal of such specified products. Such circular or written communication must be retained by the licensed FA/exempt FA for five years. ***However, if we deal with you as an accredited investor, Regulation 35 of the FAR provides that we are not required to comply with the foregoing requirements. This would mean, among other things, that you may not have the benefit of knowing whether we or any of our associates have any interest in the specified products that we are recommending to you, which may have an impact on how you would assess the pros and cons of investing in such specified products.***
  
19. **Product Due Diligence.** Regulation 18B of the FAR requires a licensed FA/exempt FA to carry out a due diligence exercise before selling or marketing any new product in Singapore to any targeted client (which excludes an accredited investor), to ascertain whether the new product is suitable for the targeted client. The due diligence exercise must include an assessment of several areas, including (i) an assessment of the type of targeted client the new product is suitable for and whether the new product matches its client base; (ii) the key risks that a targeted client who invests in the new product potentially faces; and (iii) the processes in place for its representative to determine whether the new product is suitable for the targeted client, taking into consideration the nature, key risks and features of the new product. In addition, every member of the licensed FA's/exempt FA's senior management must, on the basis of the result of the due diligence exercise, personally satisfy himself that the new product is suitable for the targeted client and personally approve the sale or marketing of the new product to the targeted client, before the licensed FA/exempt FA is able to sell or market any new product to any targeted client. ***However, if we deal with you as an accredited investor, we are not required to carry out the abovementioned due diligence exercise to ascertain whether any product which we wish to sell or market to you is suitable for you. Accordingly, if we deal with you as an accredited investor, you would not have the benefit of this regulatory safeguard that seeks to seek to ensure the suitability of any product that we may sell or market to you.***