

Singapore: Financial advisers to prepare for complaints handling and resolution regulations for retail clients

The Financial Advisers (Complaints Handling and Resolution) Regulations 2021 to come into force on 3 January 2022

In brief

The Monetary Authority of Singapore (MAS), adopting the Financial Advisory Industry Review's recommendation to raise financial advisory (FA) standards of practice, has strengthened regulatory requirements on FA firms' complaints handling and resolution (CHR) processes to ensure consistent standards across the industry.

When in force on 3 January 2022, the **Financial Advisers (Complaints Handling and Resolution) Regulations** ("**Regulations**") will require FA firms to carry out the following:

- Establish an independent and prompt CHR processes for retail clients
- Designate senior management members responsible for overseeing compliance with the Regulations
- Ensure public availability of information on its CHR process
- Set up a centralised management system for complaints
- Report, in the **prescribed template**, its complaints data to the MAS on a biannual (half-yearly) basis

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The MAS expects all of the following firms who serve retail clients to commence putting in place the necessary arrangements to comply with the Regulations prior to the effective date of 3 January 2022:

- FA firms granted a licence under section 13 of the Financial Advisers Act (FAA)
- FA firms exempt financial advisers as defined in section 23(1)(a), (b), (c), (d), (e), (ea) or (f) of the FAA
- Private banking units
- Fund management companies that provide financial advice or carry out direct sales (including investment products sold via online channels)

The Regulations only cover complaints by individuals, non-corporates and retail clients, and exclude clients who opt to be treated as accredited investors (AIs). Accordingly, the **Securities and Futures (Classes of Investors) Regulations 2018** ("**SF(COI) Regulations**") will consequentially be amended as follows:

- **For existing clients** onboarded as AIs before 3 January 2022, FA firms should note the following **summary provided by the MAS** on the AI opt-in process under the Regulations and the SF(COI) Regulations:

Before 3 January 2022	On 3 January 2022	Before 3 April 2022	On and after 3 April 2022
FAs should provide the statements required under Regulation 3(5) of the SF(COI) Regulations (" requisite statements ") to these individuals to offer them the choice	When the Regulations and amendments to the SF(COI) Regulations come into force, there will be no change in status for existing AIs who	FAs must complete the process of providing the requisite statements to these individuals if FAs want to continue treating them as AIs, and FAs must keep proper records of	FAs who did not provide the requisite statements to any individual will have to



to opt out of being treated as AIs for all of the consent provisions, including the Regulations.	opted in before this date and did not opt out.	the fact that the requisite statements were provided.	cease treating that individual as an AI.
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- **For new clients** who are onboarded as AIs after the effective date of the Regulations, FA firms will have to obtain their consent to be treated as an AI under the Regulations, in addition to all relevant consent provisions under the SF(COI) Regulations.

By every 30 June, and then again by 31 December, the FA must prepare in the **prescribed template** half-yearly reports setting out the following:

- Every complaint received by the FA
- Actions the FA undertook to resolve each complaint

Please do not hesitate to reach out to our team for more detailed advice on any aspect of the above or the full scope of compliance expected by the MAS.

In more detail

To assist you in understanding your Regulatory compliance, we summarise below the key concepts in the Regulations as well as the required CHR processes:

Concepts	Definitions / Processes
Scope of complaints	The complaints covered under the Regulations will be confined to complaints relating to FA firms' conduct of FA services and will only include complaints made by a named client or named prospective client of an FA firm; anonymous complaints are not covered. The complaint must contain an allegation of conduct that may constitute a contravention of a business conduct requirement or an unfair practice under the FAA, and this includes any expression of dissatisfaction from a client, whether oral or written, and whether justified or not.
Senior management	<p>The expanded definition of "senior management" includes the following:</p> <ul style="list-style-type: none"> (a) The chief executive officer of the Singapore entity who is principally responsible for the operations and conduct of the FA firm's business in Singapore, regardless of their place of residence (b) The chief operating officer (c) Any officer who is employed in an executive capacity and responsible for the FA's compliance functions (d) Any director who is employed in an executive capacity (e) Any other person who carries out the duties of any office mentioned in (a), (b), (c) or (d) above <p>The responsibilities of the senior management include the following:</p> <ul style="list-style-type: none"> • (Together with the board of directors) submission to the MAS, in the prescribed form, of the biannual report, which sets out the details of complaints received during the reporting period and other related information • Oversight of compliance with the Regulations; accountable for ensuring all complaints are handled and resolved independently

CHR processes	<p>FA firms must make the following information accessible to the public:</p> <ul style="list-style-type: none"> • How to submit a complaint, including the contact details of the independent unit, such as the telephone number, online portal, mail address and email address, where relevant • A summary of the FA firm's internal processes for handling and resolving complaints, including the role of the independent unit and how complaints are assessed • The timeline for responding to complaints
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	<p>FA firms are required to put in place a centralised and organised arrangement to track and manage complaints received from their clients, suited to the scale of their business and the number of complaints they receive.</p> <p>When investigating the complaint, FA firms must adopt safeguards, such as the following, to address potential conflicts of interest:</p> <ul style="list-style-type: none"> • Setting up an independent unit involved in the provision of any financial advisory services to oversee the handling and resolution of complaints • Limiting the role of line managers who are the subject of complaint in assisting with fact-finding <p>The FA firm is expected to provide a final response within 20 business days, which is aligned with the Financial Industry Disputes Resolution Centre Ltd (FIDReC) Terms of Reference of four weeks. If the FA firm requires more time, it should provide the complainant written update with the following information:</p> <ul style="list-style-type: none"> • Status of the handling of the complaint • Reasons for the delay • Right of the complainant to refer the complaint to FIDReC <p>FA firms may only consider complaints resolved under either of the following situations:</p> <ul style="list-style-type: none"> • The complainant accepts the explanation/offer by the FA firm. • The FA firm has sent the final response to the complainant.
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Background

The MAS issued a [consultation paper on 30 September 2013](#) proposing the draft Regulations, followed by a [second related consultation of 26 August 2019](#) on the revised format for the biannual report and the proposed implementation timeline.

The 2013 consultation proposed draft Regulations requiring FA firms to address complaints alleging facts that may constitute a contravention of any business conduct requirement or any unfair practice (as set out in sections 2(1) and (4) of the Consumer Protection (Fair Trading) Act) in relation to a consumer transaction for MAS-regulated financial products or MAS-regulated financial services.

The draft Regulations further set out the types of complaints data that the MAS proposes for an FA firm to report on a biannual basis, including the following:

- Statistics on the total number of complaints received
- Monetary amounts disputed
- Number complaints resolved within certain time periods

The MAS intended to monitor such complaints data as part of its assessment of a firm's business conduct and practices.

The 2019 consultation was an extension of the 2013 consultation and sought additional feedback on the revised format for the biannual report and the proposed implementation timeline under the Regulations.

Prior to finalising the text of the Regulations, the MAS released its [cumulative responses to both the 2013 and 2019 consultations](#), which set out the MAS' revisions to the draft Regulations, taking the following into account:

- The feedback the MAS received
- Alignment with the [Guidelines on Fair Dealing – Board and Senior Management Responsibility for Delivering Fair Dealing Outcomes to Clients \(FAA-G11\)](#)
- Timelines set out in the [FIDReC Terms of Reference](#)





Contact Us



Stephanie Magnus

Principal

Stephanie.Magnus@bakermckenzie.com



Eunice Tan

Principal

Eunice.Tan@bakermckenzie.com



Ying Yi Liew

Local Principal

YingYi.Liew@bakermckenzie.com

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