

# ANZ (SINGAPORE AND OFFSHORE) INFORMATION FOR ACCREDITED INVESTORS

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April 2019

## EXPLANATION OF EFFECT OF BEING TREATED AS AN ACCREDITED INVESTOR UNDER THE CONSENT PROVISIONS (FOR ANZ SINGAPORE BRANCH CLIENTS)

**The following sets out the effect under the consent provisions of you being treated by us as an accredited investor. Where we deal with you as an accredited investor, we would be exempt from complying with certain requirements under the Financial Advisers Act, Chapter 110 of Singapore (the "FAA") and certain regulations, notices and guidelines issued thereunder, as well as certain requirements under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") and certain regulations and notices issued thereunder.**

**Please note that the regulatory requirements that we are exempted from when dealing with you as an accredited investor may be amended and updated from time to time due to regulatory changes or otherwise. Any amendments and updates would be set out on our website. Whilst we have set out the consent provisions under the Securities and Futures (Licensing and Conduct of Business) Regulations, some of these provisions may not be in force yet and may only come into force vis-à-vis us at a later date.**

**Under the SFA and the regulations and notices issued thereunder:**

### 1. COMPENSATION FROM FIDELITY FUND UNDER SECTION 186(1) OF THE SFA

The fidelity fund is established by an approved exchange (such as and including Singapore Exchange Securities Trading Limited, Singapore Exchange Derivatives Trading Limited, ICE Futures Singapore Pte. Ltd. and Asia Pacific Exchange Pte. Ltd.). Section 186(1) of the SFA provides for a fidelity fund to be held and applied for the purposes of compensating persons who suffer pecuniary loss because of certain defaults. Compensation may be made where there is a defalcation committed by a member of the approved exchange or its agent in the course of, or in connection with, a dealing in capital markets products done on the approved exchange or through a trading linkage of the approved exchange with an overseas exchange, where the defalcation is committed in relation to any money or other property which (after the establishment of the fidelity fund) was entrusted to or received by, inter alia, that member or by any of its agents for or on behalf of any other person or as trustee.

**When we deal with you as an accredited investor, you would not be entitled to be compensated from the fidelity fund, even if you have suffered pecuniary loss in the**

**manner contemplated under Section 186(1) of the SFA. You are therefore not protected by the requirements of Section 186(1) of the SFA.**

### 2. PROSPECTUS EXEMPTIONS UNDER SECTIONS 275 AND 305 OF THE SFA

Under Part XIII of the SFA, all offers of securities and securities-based derivatives contracts, and units of collective investment schemes are required to be made in or accompanied by a prospectus in respect of the offer that is lodged and registered with the MAS and which complies with the prescribed content requirements, unless exempted. The SFA further provides for criminal liability for false and misleading statements contained in the prospectus, omissions to state any information required to be included in the prospectus or omissions to state new circumstances that have arisen since the prospectus was lodged with the MAS which would have been required to be included in the prospectus if it had arisen before the prospectus was lodged with the MAS. In addition, certain persons, including the person making the offer, the issuer, the issue manager and the underwriter (the "**Persons**") may be liable to compensate any person who suffers loss or damage as a result of the false or misleading statement in or omission from the prospectus, even if such persons were not involved in the making of the false or misleading statement or the omission.

Sections 275 and 305 of the SFA are exemptions from the prospectus registration requirement under the SFA, and exempt the offeror from registering a prospectus when the offer of securities and securities-based derivatives contracts, and units of collective investment schemes is made to relevant persons. Relevant persons include accredited investors. In addition, secondary sales made to institutional investors and relevant persons, which include accredited investors, remain exempt from the prospectus registration requirement provided that certain requirements are met.

**Subsequent Sales:** Subsequent sales of securities, securities-based derivatives contracts and collective investment schemes are subject to restrictions under Section 276(1) and 276(2) or, as the case may be, Sections 305A(1)(b) such that subsequent sales to relevant persons (including accredited investors) will continue to be exempt from prospectus requirements.

Where securities, securities-based derivatives contracts and collective investment schemes are subscribed or purchased under Section 275 or 305 of the SFA by a relevant person which is:

- a) 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 (the "**Corporation**"); or

- b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor (the "Trust"),

*inter alia*, securities of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the securities, securities-based derivatives contracts and collective investment schemes pursuant to an offer made under Section 275 or 305 of the SFA except, *inter alia*, to an institutional investor or to a relevant person.

If you opt to be treated as an accredited investor, the above restrictions will not apply and you will not be prohibited from being a transferee of the securities of the Corporation or interests in the Trust in the circumstances specified.

***When we deal with you as an accredited investor, the issuer and/or offeror is exempt from the prospectus requirements under Part XIII of the SFA pursuant to the exemptions under Sections 275 and 305 of the SFA. As a result of this, the issuer and/or offeror is not under any statutory obligation to ensure that all offers of the relevant products to you are made in or accompanied by a prospectus that is lodged and registered with the MAS and which complies with the prescribed content requirements. Consequently, the issuer and/or offeror is not subject to the statutory prospectus liability under the SFA and you would not be able to seek compensation from the Persons under the civil liability regime for prospectuses even if you suffer loss or damage as a result of any false or misleading statement in or omissions in the offering document. Subsequent sales of securities, securities-based derivative contracts and collective investment schemes first sold under *inter alia* Section 275 and 305 can also be made to you, as well as transfers of securities of Corporations and interests in Trusts. You are therefore not protected by the prospectus registration requirements of the SFA.***

### 3. RESTRICTIONS ON ADVERTISEMENTS UNDER SECTIONS 251 AND 300 OF THE SFA

Sections 251 and 300 of the SFA prohibit any advertisement or publication referring to an offer or intended offer of securities and securities-based derivatives contracts, and units of collective investment schemes from being made, except in certain circumstances. In this regard, where a preliminary document has been lodged with the MAS, certain communications may be made. These include the dissemination of, and presentation of oral or written material on matters contained in, the preliminary document which has been lodged with the MAS to institutional investors

and relevant persons under Sections 251(3), 251(4)(a), 300(2A) and 300(2B)(a) of the SFA. Relevant persons include accredited investors.

***When we deal with you as an accredited investor, you may receive communications relating to a preliminary document which has been lodged with the MAS. You are therefore not protected by the requirements of Sections 251 and 300 of the SFA.***

### 4. REGULATION 47E OF THE SFR

Regulation 47E(1) and (2) of the SFR provide for certain risk disclosure requirements that a bank that deals in capital markets products and provides fund management services respectively must comply with in relation to trading in futures contracts, spot foreign exchange contracts for the purposes of leveraged foreign exchange trading, and foreign exchange over-the-counter derivatives contracts for retail customers that are not related corporations of the bank.

A bank that deals in capital markets products must not open a trading account for a retail customer who is not its related corporation for the purpose of entering into transactions of sale and purchase of the abovementioned capital markets products unless it has furnished the customer with a written risk disclosure document disclosing the material risks of the specified capital markets products in a prescribed form (Form 13), and receives an acknowledgement signed and dated by the customer that he has received and understood the nature and contents of the Form 13.

A bank that provides fund management services shall not solicit or enter into an agreement with a prospective retail customer who is not its related corporation for the purpose of managing or guiding the retail customer's trading account for the purposes of futures contracts, spot foreign exchange contracts for the purposes of leveraged foreign exchange trading, and foreign exchange over-the-counter derivatives contracts by means of a systematic programme that recommends specific transactions unless it has delivered the prospective retail customer with a written risk disclosure document in a prescribed form (Form 14), and received an acknowledgement signed and dated by the prospective retail customer that he has received and understood the nature and contents of the Form 14.

Regulation 47E also specifies that copies of Forms 13 and 14 are kept in Singapore.

***When we deal with you as an accredited investor, we are not under any statutory obligation to provide you with the risk disclosures in the manner contemplated under Regulation 47E of the SFR. You are therefore not protected by the risk disclosure requirements under Regulation 47E of the SFR.***

## 5. SECTION 99H(1)(C) OF THE SFA READ WITH REGULATIONS 3A(5)(C), (D), (E) AND (7) OF THE SFR

Section 99H(1)(c) of the SFA read with Regulations 3A(5)(c), (d) and (e) of the SFR provide that where a principal wishes to appoint an individual as a provisional representative or temporary representative in respect of any SFA regulated activity, the principal is required to lodge with the MAS an undertaking to ensure that (i) the provisional representative or temporary representative 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 any SFA regulated activity, (ii) the provisional representative or temporary representative 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 any SFA regulated activity and (iii) the provisional representative or temporary representative does not communicate by telephone with any client or member of the public in the course of carrying on business in any SFA regulated activity, other than by telephone conference in the presence of an authorised person. An "authorised person" for these purposes refers to an appointed representative or a director of the principal, an officer of the principal whose primary function is to ensure that the carrying on of business in the SFA regulated activity in question complies with the applicable laws and requirements of the MAS or an officer of the principal appointed to supervise the representative in carrying on of business in the SFA regulated activity.

***When we deal with you as an accredited investor, we are not under any statutory obligation to restrict the interactions with you that may be undertaken by our provisional representatives or temporary representatives in the course of carrying on business in any SFA regulated activity in the manner set out in Regulations 3A(5)(c), (d) and (e) of the SFR. You are therefore not protected by the requirements of Section 99H(1)(c) of the SFA read with Regulations 3A(5)(c), (d) and (e) of the SFR.***

## 6. REGULATION 40 OF THE SFR

Regulation 40(1) of the SFR provides that a bank is required to furnish to each customer on a monthly basis a statement of account containing certain particulars prescribed under Regulation 40(2) of the SFR. In addition, Regulation 40(3) of the SFR provides that a bank is required 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 of the customer and spot foreign exchange contracts for the purposes of leveraged foreign exchange trading of the customer that are outstanding and have not been liquidated and

cash balances (if any) of the customer at the end of that quarter.

***When we deal with you as an accredited investor and provided we have made available to you (on a real-time basis) the prescribed particulars in the form of electronic records stored on an electronic facility and you have consented to those particulars being made available in this manner or you have requested in writing not to receive the statement of account, we are not under any statutory obligation to furnish a monthly or quarterly statement of account to you. You are therefore not protected by the requirements of Regulations 40(1) and (3) of the SFR.***

## 7. REGULATION 47DA OF THE SFR

Regulation 47DA(1) and (2) of the SFR provide for certain general risk disclosure requirements that a bank dealing in specified capital markets products must comply with. For this purpose, "specified capital markets products" means capital markets products other than futures contracts, spot foreign exchange contracts for the purposes of leveraged foreign exchange trading and foreign exchange over-the-counter derivatives contracts. In particular, the bank must not open a trading account for a customer for the purpose of entering into transactions of sale and purchase of any specified capital markets products unless it has furnished the customer with a written risk disclosure document disclosing the material risks of the specified capital markets products, and receives an acknowledgement signed and dated by the customer that he has received and understood the nature and contents of the risk disclosure document. Further, the bank must not enter any transaction of 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.

***When we deal with you as an accredited investor, we are not under any statutory obligation to provide you with the risk disclosures, and the capacity in which we act, in the manner contemplated under Regulation 47DA of the SFR. You are therefore not protected by the requirements under Regulation 47DA of the SFR.***

**Under the FAA and the regulations, notices and guidelines issued thereunder:**

## 8. SECTION 23F(1)(C) OF THE FAA READ WITH REGULATIONS 4A(4)(C), (D), (E) AND (6) OF THE FINANCIAL ADVISERS REGULATIONS ("FAR")

Section 23F(1)(c) of the FAA read with Regulation 4A(4)(c), (d) and (e) of the FAR provides that where a principal wishes to appoint an individual as a provisional representative in respect of any



financial advisory service, a principal is required to lodge with the MAS an undertaking to ensure that (i) the provisional representative is accompanied at all times by an authorised person when meeting any client or member of the public in the course of providing any financial advisory service, (ii) the provisional representative sends concurrently to an authorised person all electronic mail that he sends to any client or member of the public in the course of providing any financial advisory service and (iii) the provisional representative does not communicate by telephone with any client or member of the public when providing any financial advisory service, other than by telephone conference in the presence of an authorised person. An "authorised person" for these purposes refers to an appointed representative or a director of the principal, an officer of the principal whose primary function is to ensure that the provision of financial advisory service in question complies with the applicable laws and requirements of the MAS or an officer of the principal appointed to supervise the representative in providing the financial advisory service.

***When we deal with you as an "accredited investor", we are not under any statutory obligation to restrict the interactions with clients or members of public that may be undertaken by our provisional representatives in the course of providing any financial advisory service in the manner set out in Regulations 4A(4)(c), (d) and (e) of the FAR. You are therefore not protected by the requirements of Section 23F(1)(c) of the FAA read with Regulations 4A(4)(c), (d) and (e) of the FAR.***

## 9. REGULATION 28 OF THE FAR

Regulation 28 of the FAR exempts certain exempt financial advisers from having to comply with requirements set out in sections 26 to 29 and 36 of the FAA. Briefly, these requirements are as follows. Section 26 of the FAA imposes an obligation on a financial adviser not to make any false or misleading statement or to employ any device, scheme or artifice to defraud. Section 27 of the FAA requires a financial adviser to have a reasonable basis for any recommendation on an investment product that is made to a client. Section 28 of the FAA provides that the MAS may by regulations determine the manner in which a financial adviser may receive or deal with client's money or property or prohibit a financial adviser from receiving or dealing with client's money or property in specified circumstances or in relation to specified activities. Section 29 imposes an obligation on a financial adviser to furnish information about any matter related to its business to the MAS if required by MAS for the discharge of its functions under the FAA. Section 36 of the FAA provides for certain disclosure of interest requirements when a financial adviser sends a circular or other written communication in which a recommendation is made in respect of specified products (i.e. securities, specified

securities-based derivatives contracts or units in a collective investment scheme).

***When we deal with you as an accredited investor, in the course of us providing advice or analyses on bonds, we will not be required to comply with the requirements set out in sections 26 to 29 and 36 of the FAA. You are therefore not protected by these requirements.***

## 10. REGULATION 32C OF THE FAR

Regulation 32C of the FAR exempts a foreign research house from having to hold a financial adviser's licence in respect of advising others by issuing or promulgating any research analyses or research reports concerning any investment product to any investor under an arrangement between the foreign research house and a financial adviser in Singapore, subject to certain conditions. These include a condition that where the research analysis or research report is issued or promulgated to a person who is not an accredited investor, expert investor or institutional investor, the analysis or report must contain a statement to the effect that the financial adviser in Singapore accepts legal responsibility for the contents of the analysis or report without any disclaimer limiting or otherwise curtailing such responsibility.

***When we deal with you as an accredited investor, we need not expressly accept legal responsibility for the contents of any research analysis or research report issued or promulgated to you pursuant to an arrangement between us and a foreign research house. We are also not limited by the requirement to not include a disclaimer limiting or otherwise curtailing such legal responsibility. You are therefore not protected by these requirements under Regulation 32C of the FAR.***

## 11. SECTION 25 OF THE FAA, MAS NOTICE ON INFORMATION TO CLIENTS AND PRODUCT INFORMATION DISCLOSURE [NOTICE NO.FAA-N03] AND MAS PRACTICE NOTE ON THE DISCLOSURE OF REMUNERATION BY FINANCIAL ADVISERS [PRACTICE NOTE NO.FAA-PN01]

Section 25 of the FAA imposes an obligation on a financial adviser to disclose to its clients and prospective clients all material information relating to any designated investment product recommended by the financial adviser, and provides that MAS may prescribe the form and manner in which the information shall be disclosed. "Material information" includes the terms and conditions of the designated investment product and the benefits and risks that may arise from the designated investment product.

The MAS Notice on Information to Clients and Product Information Disclosure [Notice No. FAA-N03] sets out the standards to be maintained by a financial adviser and its representatives with respect to the information they disclose to clients. The Notice also sets out the general principles that apply to all disclosures by a financial adviser 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, which provides guidance on the requirements imposed on a financial adviser in relation to disclosing 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.

***As a result of our exemption from compliance with these requirements when we deal with you as an accredited investor, we are not under any statutory obligation to provide you with all material information on any designated investment product in the prescribed form and manner, e.g. the benefits and risks of the designated investment product and the illustration of past and future performance of the designated investment product. You are therefore not protected by the disclosure requirements in section 25 of the FAA and MAS Notice on Information to Clients and Product Information Disclosure [Notice No. FAA-N03] and the MAS Practice Note on the Disclosure of Remuneration by Financial Advisers [Practice Note No. FAA-PN01].***

## **12. SECTION 27 OF THE FAA AND MAS NOTICE ON RECOMMENDATIONS ON INVESTMENT PRODUCTS [NOTICE NO.FAA-N16]**

Section 27 of the FAA requires a financial adviser to have a reasonable basis for any recommendation on an investment product that is made to a client. The financial adviser is required to give consideration to the investment objectives, financial situation and particular needs of the client, and to conduct investigation on the investment product that is the subject matter of the recommendation, as is reasonable in all the circumstances. Failure to do so could, if certain conditions are satisfied, give the client a statutory cause of action to file a civil claim against the financial adviser for investment losses suffered by the client. The conditions are that the client suffers loss or damage as a result of doing a particular act (or refraining from doing a particular act) in reliance on the recommendation, where it is reasonable (having regard to the recommendation and all other circumstances) for the client to have done so in reliance on the recommendation.

The MAS Notice on Recommendations on Investment Products [Notice No. FAA-N16] sets out requirements which apply to a financial adviser when it makes recommendations on investment products to its clients. In particular, the Notice sets out: (i) the type of information the financial adviser needs to gather from its client as part of the "know your client" process; (ii) the manner in which the financial adviser 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 this process.

***As a result of our exemption from compliance with these requirements when we deal with you as an accredited investor, we are not under any statutory obligation to ensure that we have regard to the information possessed by us concerning your investment objectives, financial situation and particular needs and have given consideration to and conducted investigation of the subject matter of any recommendation, and that the recommendation is based on such consideration and investigation. Further, you will not be able to rely on section 27 of the FAA in any claim against us for losses that may be suffered in respect of any investment that we may have recommended to you. You are therefore not protected by the requirements of section 27 of the FAA and MAS Notice on Recommendations on Investment Products [Notice No. FAA-N16].***

## **13. SECTION 36 OF THE FAA**

Section 36 of the FAA provides that when sending a circular or other written communication in which a recommendation is made in respect of specified products (i.e. securities, specified securities-based derivatives contracts or units in a collective investment scheme), a financial adviser is required to include a concise statement, in equally legible type, of the nature of any interest in, or any interest in the acquisition or disposal of, those specified products that it or any associated or connected person has at the date on which the circular or other communication is sent. Such circular or written communication must be retained by the financial adviser for five years.

***As a result of our exemption from compliance with section 36 of the FAA when we deal with you as an accredited investor, we are not under any statutory obligation to include such a statement of interest in specified products in any written recommendation or document that we may send to you. You are therefore not protected by the requirements of section 36 of the FAA if no disclosure is made of any interest that we or any associated or connected person may have in the specified products that we may recommend in such document.***

## 14. REGULATION 18B OF THE FAR.

Regulation 18B of the FAR provides that before selling or marketing certain new products, a financial adviser is required to carry out a due diligence exercise to ascertain whether such 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 the client base of the financial adviser; (ii) the key risks that a targeted client who invests in the new product potentially faces; and (iii) the processes in place for a representative of the financial adviser 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. The financial adviser is prohibited from selling or marketing any new product to any targeted client unless every member of its senior management has, on the basis of the result of the due diligence exercise, personally satisfied himself that the new product is suitable for the targeted client and personally approved the sale or marketing of the new product to the targeted client. "Targeted client" excludes accredited investors.

***As a result of our exemption from compliance with Regulation 18B of the FAR when we deal with you as an accredited investor, we are not under any statutory obligation to carry out a due diligence exercise to ascertain whether any new product we wish to sell or market to you is suitable for you. You are therefore not protected by the requirements of Regulation 18B of the FAR.***

### EXPLANATION OF EFFECT OF BEING TREATED AS AN ACCREDITED INVESTOR UNDER THE CONSENT PROVISIONS (FOR ANZ OFFSHORE CLIENTS)

***Where our head office or any of our branches outside Singapore (each an "Offshore Branch") deals in bonds with you as an accredited investor, such Offshore Branch would be exempt from having to hold a capital markets services licence ("CMSL") for dealing in capital markets products that are securities under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). In general, entities that deal in bonds are required under the SFA to hold a CMSL. However, under paragraph 2(1)(e) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations (the "SFR"), an entity that deals in bonds with accredited investors, expert investors, institutional investors or persons whose business involve the acquisition and disposal of or holding of securities (whether as principal or agent) is exempt from the***

***requirement to hold a CMSL for dealing in capital markets products that are securities.***

***Where any of our Offshore Branches provides advice on bonds to you as an accredited investor, such Offshore Branch would be exempt from having to hold a financial adviser's licence for advising others concerning securities under the Financial Adviser's Act, Chapter 110 of Singapore (the "FAA"). In general, entities that advise on bonds are required under the FAA to hold a financial adviser's licence or be otherwise exempted from such licensing requirement (among others, a bank licensed under the Banking Act, Chapter 19 of Singapore, or a CMSL holder that has lodged a notice of commencement of business in the relevant financial advisory service with the Monetary Authority of Singapore (the "MAS") is so exempted). However, under regulation 28(1) of the Financial Advisers Regulations (the "FAR"), a corporation which carries on business in advising others, either directly or through publications or writings or by issuing or promulgating research analyses or research reports, concerning bonds to expert investors or accredited investors is exempt from the requirement to hold a financial adviser's licence for advising on bonds.***

***Where any of our Offshore Branches deals in commodity over-the-counter ("OTC") derivatives contracts with you as an accredited investor, such Offshore Branch would be exempt from having to hold a CMSL for dealing in capital markets products that are OTC derivatives contracts under the SFA. In general, entities that deal in OTC derivatives contracts are required under the SFA to hold a CMSL. However, under paragraph 3A(1)(b) of the Second Schedule to the SFR, an entity that deals in commodity OTC derivatives contracts with accredited investors, expert investors or institutional investors only is exempt from the requirement to hold a CMSL for dealing in capital markets products that are OTC derivatives contracts. In addition, as the licensing requirement for dealing in capital markets products that are OTC derivatives contracts was newly introduced with effect from 8 October 2018, the Monetary Authority of Singapore (the "MAS") has provided transitional arrangements in the form of a two-year grace period for entities that were dealing in OTC derivatives contracts immediately before 8 October 2018.***

***As a result of not having to be licensed, each of our Offshore Branches would not be subject to the regulatory capital requirements or ongoing conduct of business requirements that would otherwise apply to CMSL holders under the SFA. You would therefore not enjoy the benefit of the protection that these regulatory***



**requirements are intended to confer on customers of CMSL holders.**

**In addition, each of our Offshore Branches would also be exempt from complying with the prospectus registration requirements and the restrictions on advertisements under the SFA when offering bonds to you as an accredited investor.**

**The following sets out a summary of the key regulatory capital requirements and ongoing conduct of business requirements that a holder of a CMSL for dealing in capital markets products that are securities or OTC derivatives contracts is subject to, the exemption in regulation 28(1) of the FAR, as well as the prospectus registration requirements and the restrictions on advertisements.**

**Please note that the relevant regulatory requirements may be amended and updated from time to time due to regulatory changes or otherwise and we are not responsible for notifying you on any such amendments or updates. Please also note that some of these regulatory requirements may be newly introduced and therefore not in force yet and may only come into force at a later date.**

## 1. CAPITAL AND OTHER FINANCIAL REQUIREMENTS:

A CMSL holder is required to meet base capital requirements and risk based capital adequacy requirements.

## 2. REPRESENTATIVE REGISTRATION REQUIREMENTS:

A CMSL holder is required to ensure that individuals who carry on dealing in capital markets products on its behalf are appointed as representatives. For an individual to be appointed as a representative, the individual must meet certain minimum entry requirements, satisfy the minimum academic qualification requirements, comply with the Capital Markets and Financial Advisory Services examination requirements and be certified as a fit and proper person. Appointed representatives must undergo continuing professional development training.

## 3. FIT AND PROPER REQUIREMENTS:

A CMSL holder is required to ensure that it is a fit and proper person to carry on business in the regulated activity for which it is licensed. It is also required to ensure that its substantial shareholders, directors, chief executive officer and representatives are fit and proper persons in their capacity, for office or to carry out dealing regulated activities. The approval of the MAS must also be obtained for the appointment of any director or the chief executive officer of the CMSL holder.

## 4. CUSTOMER'S MONEYS AND ASSETS RULES:

A CMSL holder is required to take certain measures, as prescribed in Part III of the SFR, to safeguard customers' moneys and assets. Moneys and other assets received from or on account of a customer must be placed in trust or custody accounts maintained with regulated deposit-taking institutions or custodians, be segregated from the CMSL holder's own moneys and assets, and must not be used or withdrawn except in accordance with the rules in the SFR. The CMSL holder is also required to keep proper records of its customers' holdings, complete daily and monthly computations of customers' moneys and assets in trust and custody accounts, and provide its customers with periodic statements of account. Certain disclosures must also be provided to customers.

## 5. CONDUCT OF BUSINESS REQUIREMENTS:

A CMSL holder is subject to the following conduct of business requirements:

- a) to have effective written policies on all operational areas, a compliance function and arrangements, risk management systems and controls, adequate internal audit, written limits on the discretionary powers of officers and effective controls and segregation of duties to mitigate potential conflicts of interest;
- b) to keep detailed books and records of moneys and assets received from customers, transactions entered into, agreements and other documentation entered into with customers, prescribed disclosures made to customers, details relating to customers' orders and other prescribed particulars relating to the business activity of the CMSL holder;
- c) to provide monthly and quarterly statements of account to customers;
- d) to give to the other party to a transaction a contract note within one business day or (in the case of OTC derivatives transactions) a confirmation setting out details of the transaction entered into;
- e) to give priority to customers' orders in respect of capital markets products that are traded on an approved exchange or a recognised market operator over transactions entered into by the CMSL holder as principal or on behalf of persons associated with or connected to the CMSL holder;
- f) to provide or obtain collateral when borrowing or lending specified products (i.e. securities, securities-based derivatives contracts or units in a



collective investment scheme), and to ensure that the terms of such borrowing or lending are recorded in a written agreement;

- g) to ensure that product advertisements disseminated or published by the CMSL holder are not false or misleading, provide a fair and balanced view of the product, and present information in a clear and legible manner, and are approved by senior management or an agent or committee appointed by senior management;
- h) to ensure that other advertisements that do not relate to a specific product disseminated or published by the CMSL holder are not false or misleading and do not contain exaggerated statements calculated to exploit an individual's lack of experience and knowledge;
- i) restrictions against withholding or withdrawing from an organised market any order for the benefit of the CMSL holder itself or any other person;
- j) restrictions against divulging information relating to a customer's order;
- k) to provide certain risk disclosures to retail customers before transacting with them;
- l) to assess a retail customer's knowledge and investment experience before transacting in complex products with them; and
- m) limits on granting of unsecured advances, unsecured loans or unsecured credit facilities to directors, officers and employees of the CMSL holder.

## 6. FINANCIAL REPORTING REQUIREMENTS:

A CMSL holder is required to make quarterly and annual filings with the MAS on its financial position.

## 7. REQUIREMENTS SPECIFIC TO CMSL HOLDERS FOR DEALING IN SECURITIES:

- (a) A CMSL holder for dealing in securities is required to lodge with the MAS a deposit of S\$100,000 for the duration of its licence. The deposit is to be applied by the MAS for the purpose of compensating any person (other than an accredited investor, expert investor or institutional investor) who suffers pecuniary loss in certain prescribed circumstances.
- (b) A CMSL holder for dealing in securities that acts as an underwriter or sub-underwriter in respect of specified products is subject to restrictions on dealing in or making a

recommendation on the relevant specified products.

- (c) A CMSL holder for dealing in securities is subject to disclosure requirements when transacting with customers in specified products as principal.

## 8. REQUIREMENTS SPECIFIC TO CMSL HOLDERS FOR DEALING IN OTC DERIVATIVES CONTRACTS:

- (a) A CMSL holder who deals in contracts for differences or spot foreign exchange contracts for the purposes of leveraged exchange must obtain margin from its customers that meet the prescribed minimum margin requirements.
- (b) A CMSL holder who deals in non-centrally cleared OTC derivatives contracts with accredited investors, expert investors or institutional investors must implement the following risk mitigation measures:
  - (i) ensure that written trading relationship documentation is signed with each counterparty;
  - (ii) ensure that a written trade confirmation of the material terms is provided to each counterparty as soon as practicable after the execution of each non-centrally cleared derivatives contract;
  - (iii) reconciliation of the material terms and valuations of each non-centrally cleared derivatives contract at regular intervals;
  - (iv) assessment of the necessity of portfolio compression at regular intervals; and
  - (v) agreement on a dispute resolution mechanism for disputes arising from any discrepancy over the material terms or valuations of any non-centrally cleared derivatives contract.
- (c) A CMSL holder for dealing in OTC derivatives contracts is subject to a prohibition against dealing with a retail customer as an agent when dealing in OTC derivatives contracts with the retail customer.

## 9. REGULATION 28(1) OF THE FAR:

Regulation 28(1) of the FAR provides an exemption to a corporation, not being a licensed financial adviser or an exempt financial adviser, which carries on the business of advising others either directly or through publications or writings or by issuing or promulgating research analyses or research reports, concerning bonds to an expert investor or an accredited investor, from having to hold a financial adviser's licence in respect of the

above-stated activity. Accordingly, a corporation relying on such exemption would not be subject to the ongoing conduct of business requirements that would otherwise apply to persons providing financial advisory services under the FAA. Such ongoing conduct of business requirements include an obligation not to make any false or misleading statement or to employ any device, scheme or artifice to defraud, an obligation to have a reasonable basis for any recommendation on an investment product that is made to a client and certain disclosure of interest requirements when a financial adviser sends a circular or other written communication in which a recommendation is made in respect of specified products.

*You would therefore not enjoy the benefit of the protection of these regulatory requirements.*

## 10. PROSPECTUS REGISTRATION REQUIREMENTS:

Under Part XIII of the SFA, all offers of securities and securities-based derivatives contracts, and units of collective investment schemes are required to be made in or accompanied by a prospectus in respect of the offer that is lodged and registered with the MAS and which complies with the prescribed content requirements, unless exempted. The SFA further provides for criminal liability for false and misleading statements contained in the prospectus, omissions to state any information required to be included in the prospectus or omissions to state new circumstances that have risen since the prospectus was lodged with the MAS which would have been required to be included in the prospectus if it had arisen before the prospectus was lodged with the MAS. In addition, certain persons, including the person making the offer, the issuer, the issue manager and the underwriter (the "**Persons**") may be liable to compensate any person who suffers loss or damage as a result of the false or misleading statement in or omission from the prospectus, even if such persons were not involved in the making of the false or misleading statement or the omission.

Section 275 of the SFA exempts the offeror from registering a prospectus when an offer of securities or securities-based derivatives contracts is made to relevant persons. Relevant persons include accredited investors. In addition, secondary sales made to institutional investors and relevant persons, which include accredited investors, remain exempt from the prospectus registration requirement provided that certain requirements are met.

**Subsequent Sales:** Subsequent sales of securities and securities-based derivatives contracts are subject to restrictions under Section 276(1) and 276(2) such that subsequent sales to relevant persons (including accredited investors) will continue to be exempt from prospectus requirements.

Where securities or securities-based derivatives contracts are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) 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 (the "**Corporation**"); or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor (the "**Trust**"),

securities or securities-based derivatives contracts of that Corporation or the beneficiaries' rights and interest (howsoever described) in that Trust shall not be transferred within six months after that Corporation or that Trust has acquired the securities or securities-based derivatives contracts pursuant to an offer made under Section 275 of the SFA except, inter alia, to an institutional investor or to a relevant person.

If you opt to be treated as an accredited investor, the above restrictions will not apply and you will not be prohibited from being a transferee of the securities or securities-based derivatives contracts of the Corporation or interests in the Trust in the circumstances specified.

*Therefore, when we deal in bonds with you as an accredited investor, the issuer and/or offeror is exempt from the prospectus registration requirements under Part XIII of the SFA pursuant to the exemption under Section 275 of the SFA. As a result of this, the issuer and/or offeror is not under any statutory obligation to ensure that all offers of bonds to you are made in or accompanied by a prospectus that is lodged and registered with the MAS and which complies with the prescribed content requirements. Consequently, the issuer and/or offeror is not subject to the statutory prospectus liability under the SFA and you would not be able to seek compensation from the Persons under the civil liability regime for prospectuses even if you suffer loss or damage as a result of any false or misleading statement in or omissions in the offering document. Subsequent sales of bonds first sold under Section 275 can also be made to you, as well as transfers of securities or securities-based derivatives contracts of Corporations and interests in Trusts. You are therefore not protected by the prospectus registration requirements of the SFA.*

## 11. RESTRICTIONS ON ADVERTISEMENTS UNDER SECTION 251 OF THE SFA:

Section 251 of the SFA prohibits any advertisement or publication referring to an offer or intended offer of securities or securities-based derivatives contracts from being made, except in

certain circumstances. In this regard, where a preliminary document has been lodged with the MAS, certain communications may be made. These include the dissemination of, and presentation of oral or written material on matters contained in, the preliminary document which has been lodged with the MAS to institutional investors and relevant persons under Sections 251(3) and 251(4)(a) of the SFA. Relevant persons include accredited investors.

When we deal with you as an accredited investor, you may receive communications relating to a preliminary document which has been lodged with the MAS. You are therefore not protected by the requirements of Section 251 of the SFA.

## ABOUT THIS NOTIFICATION

This communication is also available at <https://institutional.anz.com/about-anz-institutional/disclosures>. It may be updated from time to time to address any legal, regulatory, industry and/or other developments.

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