



Monetary Authority of Singapore

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**GUIDELINES ON FIT AND PROPER CRITERIA**

**FINANCIAL ADVISERS ACT (CAP. 110)**  
**INSURANCE ACT (CAP. 142)**  
**SECURITIES AND FUTURES ACT (CAP. 289)**

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**Guideline No : MCG-G01**  
**Issue Date : 1 July 2005**

## **GUIDELINES ON FIT AND PROPER CRITERIA**

### **APPLICATION OF GUIDELINES**

These Guidelines on Fit and Proper Criteria [“these Guidelines”] are issued pursuant to section 321 of the Securities and Futures Act (Cap. 289) [“SFA”], section 64 of the Financial Advisers Act (Cap. 110) [“FAA”] and the Insurance Act (Cap. 142) [“IA”] [“relevant legislation”].

2 The Guidelines on Fit and Proper Criteria [Guideline No. FAA-G02] issued on 1 October 2002 and the Guidelines on Fit and Proper Criteria [Guideline No. IA/II – G03] issued on 15 August 2003 are revoked.

3 These Guidelines set out the fit and proper criteria applicable to all participants and exempt persons [“relevant persons”], in relation to the carrying out of regulated activity under the relevant legislation.

4 The Monetary Authority of Singapore [“MAS”] expects each and every relevant person to be competent, honest, persons of integrity and to have sound financial standing. This provides MAS with the assurance that the relevant persons are willing and able to fulfill their statutory obligations under the relevant legislation. This also underpins our requirements that the relevant persons perform the activities regulated under the relevant legislation efficiently, honestly, fairly and to act in the best interests of their customers.

5 The onus is on each relevant person to establish, on reasonable grounds, that it or he is a fit and proper person rather than for MAS to show otherwise. If the relevant person fails to satisfy MAS that it or he is fit and proper, MAS may refuse the person’s application, revoke the person’s authorisation or exemption, or take other appropriate regulatory action, as may be applicable and necessary.

6 These Guidelines provide general guidance, and are not intended to replace or override any legislative provisions. They should be read in conjunction with the provisions of the relevant Acts, the subsidiary legislation made under these Acts, as well as written directions, notices, codes and other guidelines that MAS may issue from time to time pursuant to those Acts and subsidiary legislation.

## **DEFINITIONS**

7 For the purposes of these Guidelines:

“authorisation” means —

- (a) approval as an approved exchange or approved holding company under section 8(1) or 81W of the SFA respectively;
- (b) designation as a designated clearing house under section 55(1) of the SFA;
- (c) recognition as a recognised market operator under section 8(2) of the SFA;
- (d) licensing as, a holder of a capital markets services [“CMS”] licence or representative’s licence under section 82(1) or 83(1) of the SFA respectively;
- (e) licensing as, a holder of a financial adviser’s [“FA”] licence or representative’s licence under section 6(1) or 7(1) of the FAA respectively; or
- (f) registration as an insurance broker under section 35X of the IA;

“broking staff”, in relation to an insurance broker, means any employee of the insurance broker or any other person who is authorized by the insurance broker to act on its behalf to provide technical advice to any client of the insurance broker in respect of —

- (a) insurance policies relating to general business and long-term accident and health policies, other than insurance policies relating to reinsurance business; or
- (b) reinsurance of liabilities under insurance policies relating to life or general business;

“business rules” has the same meaning as in section 2(1) of the SFA;

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“customer” —

(a) in relation to —

- (i) a holder of a CMS licence;
- (ii) a holder of a representative’s licence under the SFA;
- (iii) an approved exchange;
- (iv) a recognized market operator;
- (v) an approved holding company;
- (vi) a designated clearing house;
- (vii) a person exempt from the requirement to hold a CMS licence under section 99(1)(a), (b), (c), (d), (f) or (g) of the SFA and its representatives;
- (viii) a person exempt from the requirement to hold a CMS licence under paragraph 4(1)(c), 5(1)(d) or 7(1)(b) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations (Rg 10) [“SFR(LCB)”] and its representatives;

shall have the same meaning as in section 2(1) of the SFA;

(b) in relation to —

- (i) a holder of a FA licence;
- (ii) a holder of a representative’s licence under the FAA,
- (iii) a person exempt from the requirement to hold a FA licence under section 23(1)(a), (b), (c), (d), (e) or (ea) of the FAA and its representatives;
- (iv) a person exempt from the requirement to hold a FA licence under regulation 27(1)(d) of the Financial Advisers Regulations (Rg 2) [“FAR”] and its representatives;

shall mean a person to whom any of the persons in sub-paragraph (i) to (iv) provides any financial advisory service;

(c) in relation to —

- (i) a registered insurance broker;
- (ii) a broking staff of a registered insurance broker;
- (iii) a person exempt from registration as an insurance broker under section 35ZN(1)(a), (b), (c), (d), (e) or (ea) of the IA and its broking staff;

shall mean an insured and includes an intending insured.

“director” has the same meaning as in section 4(1) of the Companies Act (Cap. 50) [“CA”];

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“exempt entity” means —

- (a) a person exempt from the requirement to hold a CMS licence under paragraphs 4(1)(c), 5(1)(d) or 7(1)(b) of the Second Schedule to the SFR(LCB);
- (b) a person exempt from the requirement to hold a FA licence under regulation 27(1)(d) of the FAR; or

“exempt institution” means —

- (a) a financial institution exempt from the requirement to hold a CMS licence under section 99(1)(a), (b), (c), (d), (f) or (g) of the SFA;
- (b) a financial institution exempt from the requirement to hold a FA licence under section 23(1)(a), (b), (c), (d), (e) or (ea) of the FAA;
- (c) a financial institution exempt from registration as an insurance broker under section 35ZN(1)(a), (b), (c), (d), (e) or (ea) of the IA;

"exempt person" - "means -

- (a) a person exempt from the requirement to hold a CMS licence under paragraphs 4(1)(c), 5(1)(d) or 7(1)(b) of the Second Schedule to the SFR(LCB);
- (b) a representative of a person referred to in paragraph (a) and where such a person is not an individual, includes the directors or equivalent persons;
- (c) a person exempt from the requirement to hold a FA licence under regulation 27(1)(d) of the FAR; or
- (d) a representative of a person referred to in paragraph (c) and where such a person is not an individual, includes the directors or equivalent persons;

“financial advisory service” has the same meaning as in section 2(1) of the FAA;

“institution” means —

- (a) an approved exchange;
- (b) a recognised market operator;
- (c) a designated clearing house;
- (d) an approved holding company;
- (e) a holder of a CMS licence;
- (f) a holder of a FA licence; or
- (g) a registered insurance broker;

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“officer” has the same meaning as in section 4(1) of the CA;

“participant” means —

- (a) a holder of a CMS licence;
- (b) a holder of a FA licence;
- (c) a registered insurance broker;
- (d) a holder of a representative’s licence under the SFA;
- (e) a holder of a representative’s licence under the FAA;
- (f) a chief executive officer or director of the holder of a CMS licence, a FA licence or a registered insurance broker;
- (g) an approved exchange;
- (h) a recognized market operator;
- (i) an approved holding company;
- (j) a designated clearing house;
- (k) a chief executive officer, director or key person stated in a notice under section 28(2), 76(2) or 81ZF(3) of the SFA, of an approved exchange, approved holding company or designated clearing house;
- (l) a broking staff of a registered insurance broker;
- (m) a person exempt from the requirement to hold a CMS licence under section 99(1)(a), (b), (c), (d), (f) or (g) of the SFA and its representatives;
- (n) a person exempt from the requirement to hold a financial adviser’s licence under section 23(1)(a), (b), (c), (d), (e) or (ea) of the FAA and its representatives;
- (o) a person exempt from registration as an insurance broker under section 35ZN(1)(a), (b), (c), (d), (e) or (ea) of the IA and its broking staff; or
- (p) a person for which an application for authorisation has been made to MAS under the applicable provision in the SFA, FAA or IA, as the case may be;

“representative” has the same meaning as in section 2(1) of the SFA and section 2(1) of the FAA;

“registered insurance broker” has the same meaning as in section 1A of the IA;

“substantial shareholder” has the same meaning as in section 81 of the CA.

## **FIT AND PROPER TEST**

8 In considering whether a relevant person is fit and proper, MAS will take into account the following criteria:

- (a) honesty, integrity and reputation;
- (b) competence and capability; and
- (c) financial soundness.

9 However, the failure by a relevant person to meet any one of the criteria set out in paragraph 8 may not lead to an automatic refusal of an application, revocation of an authorisation or revocation of an exemption. The significance and relevance of a relevant person failing to satisfy MAS that it meets a specific criteria depends on -

- (a) the seriousness of, and surrounding circumstances resulting in, the relevant person not meeting the specific criteria;
- (b) the relevance of the failure by the relevant person to meet the specific criteria to the duties that are, or are to be, performed and the responsibilities that are, or are to be, assumed by the relevant person ; and
- (c) the passage of time since the failure by the relevant person to meet the specific criteria.

10 In addition to paragraph 8, in the case where the relevant person is an institution, to establish that it is fit and proper, an institution should satisfy MAS that —

- (a) all of its substantial shareholders meet the fit and proper criteria of these Guidelines;
- (b) each of its directors and chief executive officer meet the fit and proper criteria of these Guidelines; and
- (c) it has in place appropriate recruitment policies, adequate internal control systems and procedures that would reasonably ensure that the persons that it employs, authorises or appoints to act on its behalf, in relation to its conduct of the activity regulated under the relevant legislation, meet the fit and proper criteria of these Guidelines.

11 In addition to paragraph 8, in the case where the relevant person is an exempt institution, to establish that it is fit and proper, the exempt institution should have in place appropriate recruitment policies, adequate internal control systems and procedures that would reasonably ensure that the persons that it employs, authorises or appoints to act on its behalf, in relation to its conduct of the activity regulated under the relevant legislation, meet the fit and proper criteria of these Guidelines.

12 In addition to paragraph 8, in the case where the relevant person is an exempt entity, to establish that it is fit and proper, an exempt entity should have in place appropriate recruitment policies, adequate internal control systems and procedures that would reasonably ensure that —

- (a) each of its directors or equivalent persons and its chief executive officer or equivalent person meet the relevant fit and proper criteria of these Guidelines; and
- (b) the persons that it employs, authorises or appoints to act on its behalf, in relation to its conduct of the activity regulated under the relevant legislation, meet the relevant fit and proper criteria of these Guidelines.

## **HONESTY, INTEGRITY AND REPUTATION**

13 The factors set out in the following paragraphs are relevant to the assessment by MAS of the honesty, integrity and reputation of a relevant person. MAS will consider, amongst others, whether the relevant person —

- (a) has been refused the right or restricted in its or his right to carry on any trade, business or profession for which a specific licence, registration or other authorisation is required by law in any jurisdiction;
- (b) has been issued a prohibition order under any Act administered by MAS or has been prohibited from operating in any jurisdiction by any financial services regulatory authority;

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- (c) has been censured, disciplined, suspended or refused membership or registration by MAS, any other regulatory authority, an operator of a market or clearing facility, any professional body or government agency, whether in Singapore or elsewhere;
- (d) has been the subject of any complaint made reasonably and in good faith, relating to activities that are regulated by MAS or under any law in any jurisdiction;
- (e) has been the subject of any proceedings of a disciplinary or criminal nature or has been notified of any potential proceedings or of any investigation which might lead to those proceedings, under any law in any jurisdiction;
- (f) has been convicted of any offence, or is being subject to any pending proceedings which may lead to such a conviction, under any law in any jurisdiction;
- (g) has had any judgment (including a finding of fraud, misrepresentation or dishonesty) entered against the relevant person in any civil proceedings or is a party to any pending proceedings which may lead to such a judgment, under any law in any jurisdiction;
- (h) has had any civil penalty enforcement action taken against it or him by MAS or any other regulatory authority under any law in any jurisdiction;
- (i) has contravened or abetted another person in breach of any laws or regulations, business rules or codes of conduct, whether in Singapore or elsewhere;
- (j) has been the subject of any investigations or disciplinary proceedings or been issued a warning or reprimand by MAS, any other regulatory authority, an operator of a market or clearing facility, any professional body or government agency, whether in Singapore or elsewhere;

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- (k) has been refused a fidelity or surety bond, whether in Singapore or elsewhere;
- (l) has demonstrated an unwillingness to comply with any regulatory requirement or to uphold any professional and ethical standards, whether in Singapore or elsewhere;
- (m) has been untruthful or provided false or misleading information to MAS or been uncooperative in any dealings with MAS or any other regulatory authority in any jurisdiction; and
- (n) in addition to sub-paragraphs (a) to (m), where the relevant person is an individual —
  - (i) has been a director, partner or concerned in the management of a business that has been censured, disciplined, suspended or refused membership or registration by MAS, any other regulatory authority, an operator of a market or clearing facility, any professional body or government agency, whether in Singapore or elsewhere;
  - (ii) has been a director, partner or concerned in the management of a business that has gone into insolvency, liquidation or administration during the period when, or within a period of one year after, the relevant person was a director, partner or concerned in the management of the business, whether in Singapore or elsewhere;
  - (iii) has been dismissed or asked to resign from —
    - (A) office;
    - (B) employment;
    - (C) a position of trust; or
    - (D) a fiduciary appointment or similar position, whether in Singapore or elsewhere;

- (iv) has been subject to disciplinary proceedings by his current or former employer(s), whether in Singapore or elsewhere;
- (v) has been disqualified from acting as a director or disqualified from acting in any managerial capacity, whether in Singapore or elsewhere; and
- (vi) has been an officer found liable for an offence committed by a body corporate as a result of the offence having proved to have been committed with the consent or connivance of, or neglect attributable to, the officer, whether in Singapore or elsewhere.

## **COMPETENCE AND CAPABILITY**

14 The factors set out in the following paragraphs are relevant to the assessment by MAS of the competence and capability of a relevant person. MAS will consider, amongst others —

- (a) whether the relevant person has satisfactory past performance or expertise, having regard to the nature of the relevant person's business or duties, as the case may be, whether in Singapore or elsewhere;
- (b) in the case where the relevant person is an institution, exempt institution or exempt entity, whether its directors or equivalent persons, chief executive officer or equivalent person, the persons that it employs, authorises or appoints to act on its behalf, in relation to its conduct of the activity regulated under the relevant legislation, where applicable, have satisfactory educational qualification or experience, whether in Singapore or elsewhere;

- (c) whether the representative of the relevant person has –
  - (i) satisfactory educational qualification or experience, whether in Singapore or elsewhere, having regard to the nature of the duties he is to perform; and
  - (ii) satisfied the requirements stipulated in the Notice on Minimum Entry and Examination Requirements for Representatives of Holders of CMS Licence and Exempt Financial Institutions [Notice No. SFA 04-N03] or Notice on Minimum Entry and Examination Requirements for Representatives of Licensed Financial Advisers and Exempt Financial Advisers [Notice No.FAA-N07], as the case may be and as may be applicable to the representative; and
  
- (d) whether the broking staff of the participant has –
  - (i) satisfactory qualification or experience, whether in Singapore or elsewhere, having regard to the nature of the duties he is to perform; and
  - (ii) satisfied the requirements stipulated in the Notice on Minimum Standards and Continuing Professional Development Requirements for Insurance Brokers and their Broking Staff [Notice No. MAS 502], as may be applicable to the broking staff.

## **FINANCIAL SOUNDNESS**

15 The factors set out in the following paragraphs are relevant to the assessment by MAS of the financial soundness of a participant. MAS will consider, amongst others, whether the participant –

- (a) is unable to fulfill any of its or his financial obligations, whether in Singapore or elsewhere;
  
- (b) has entered into a compromise or scheme of arrangement with its or his creditors, being a compromise or scheme of arrangement that is still in operation, whether in Singapore or elsewhere;

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- (c) is subject to a judgment debt which is unsatisfied, either in whole or in part, whether in Singapore or elsewhere;
- (d) in addition to sub-paragraphs (a) to (c), in the case where the participant is an institution -
  - (i) is in the course of being wound-up or otherwise dissolved, whether in Singapore or elsewhere; or
  - (ii) a receiver, receiver and manager, judicial manager, or such other person having the powers and duties of a receiver, receiver and manager, or judicial manager, has been appointed, in relation to, or in respect of any property of, the institution, whether in Singapore or elsewhere; and
- (e) in addition to sub-paragraphs (a) to (c), in the case where the participant is a representative or broking staff, is the subject of a bankruptcy petition or has been declared a bankrupt and the bankruptcy is undischarged, whether in Singapore or elsewhere.