

REGULATORY REQUIREMENTS THAT THE FIRM DOES NOT NEED TO APPLY TO ACCREDITED INVESTORS

When Dicree Pte Ltd deals with clients who have opted-in as accredited investors (“AI”), DICREE is exempt from complying with certain regulatory requirements of the Financial Advisers Act (“FAA”), the Securities and Futures Act (“SFA”) and related regulations. The following is a summary of these requirements:

Under the FAA and FA Regulations

FA Regulation 33 – Exemption from FAA section 25 for Advising AIs

A financial adviser is exempt from the requirement in FAA section 25 to disclose all material product information when providing financial advice on designated investment products to AIs. MAS Notice FAA-N03, which sets out the principles and standards of client disclosures, also does not apply to the financial adviser when advising AIs.

FA Regulation 34 – Exemption from FAA section 27 when Recommending Investment Products to AIs

FAA section 27 requires a financial adviser to have a reasonable basis for making recommendations in respect of any investment products to its clients by having regard to the clients’ investment objectives, financial situation and particular needs. A financial adviser is exempt from FAA section 27 when making recommendations to AIs. The requirement to conduct a Customer Knowledge Assessment or Customer Account Review on clients who wish to invest in unlisted or listed specified investment products also does not apply when dealing with AIs.

FA Regulation 28 – Exemption from FAA sections 26-29 and 36 for Giving Advice or Analyses on Bonds

FAA section 26 imposes an obligation on a financial adviser not to make any false or misleading statements or employ any device, scheme or artifice to defraud. FAA section 27 requires a financial adviser to have a reasonable basis for any recommendation on an investment product that is made to a client. FAA section 28 governs how a financial adviser deals with clients’ money or property. FAA section 29 imposes an obligation on a financial adviser to furnish certain information to MAS. FAA section 36 provides for certain disclosure of interest requirements when circulars or written communication on recommendations in respect of specified products are sent to clients. In dealing with AIs, a financial adviser is not required to comply with these requirements when it provides advice or analyses on bonds.

FA Regulation 35 – Exemption from FAA section 36

FAA section 36 requires that a financial adviser disclose its interest in specified products when sending circulars or other communication to clients in which a recommendation is made with respect to such products. The financial adviser is exempt from this requirement when dealing with AIs.

FA Regulation 18B – Product Due Diligence

A financial adviser is not under any statutory obligation to carry out a due diligence exercise to ascertain the suitability of any new investment products sold or marketed to AIs.

FA Regulation 32C – Exemption for Foreign Research House

When dealing with AIs, a financial adviser need not expressly accept legal responsibility for the contents of a research report that it issues pursuant to an arrangement with a foreign research house under FA regulation 32C.

FA (Complaints Handling and Resolution) Regulations 2021 (“FA(CHR) Regs”)

FA(CHR) Regs provide that a financial adviser is required to establish an independent unit to handle and resolve complaints and shall comply with an established process for handling and resolving complaints relating to the provision of financial advisory services. In addition, FA(CHR) Regs set out the requirements in relation to (i) the complaints handling and resolution process, (ii) senior management oversight, (iii) information on the complaints handling and resolution being made publicly available, (iv) centralized system for managing complaints and (v) reporting obligations. When dealing with AIs, a financial adviser is not under any statutory obligation to comply with the requirements set out in the FA(CHR) Regs. AIs are therefore not protected by the complaints handling and resolutions requirements of the FA(CHR) Regs for any complaints made as an accredited investor.

Under the SFA and Securities & Futures Regulations

Sections 275 and 305 of the SFA – Offers of Investment Products Made to AIs and certain other persons (“prospectus exemption”)

Offers of securities, securities-based derivatives contracts and restricted schemes may be made without a prospectus to AIs and certain other persons. Such offers are subject to certain conditions and there are restrictions on subsequent sales of the relevant products under SFA sections 276 and 305A respectively. As a result of the prospectus exemption, the issuer and/or offeror are not under any statutory obligation to ensure that offers of the relevant products are made in or accompanied by a prospectus and are consequently not subject to statutory prospectus liability under the SFA.

Section 186 of the SFA – Compensation from Fidelity Fund

Section 186 of the SFA provides for a fidelity fund 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 an approved exchange in the course of dealing in capital markets products or where the defalcation is in relation to moneys or property held by the member. The provisions in this section 186 of the SFA do not apply to AIs.

MAS SFA04-N12 – Customer Account Review (“CAR”) and Customer Knowledge Assessment (“CKA”)

When dealing with AIs, a capital markets services (“CMS”) licence holder is not statutorily required to conduct a CAR or CKA to determine an AI’s investment experience and knowledge before allowing the AI to trade in listed or unlisted specified investment products.

Securities and Futures (Licensing and Conduct of Business) (“SFR(LCB)”) Regulation 33 – Lending of Customer’s Specified Products

A CMS licence holder is not under any statutory obligation to explain to AIs the risks involved prior to lending or arranging for a custodian to lend the AIs’ specified products.

SFR(LCB) Regulation 45 – Securities Borrowing and Lending: Exemption from Providing Collateral to AI Lenders

A CMS licence holder is not under any statutory obligation to provide collateral when it borrows specified products from an AI.

SFR(LCB) Regulations 47E & 47DA and MAS SFA04-N15 Notice on CFD Risk Fact Sheet

A CMS licence holder is not under any statutory obligation to provide AIs with risk disclosure statements before opening accounts for them to trade in capital markets products, including futures contracts, spot foreign exchange contracts for the purposes of leveraged foreign exchange trading, FX OTC derivatives contracts and CFDs.

SFR(LCB) Regulations 18A and 27A – Disclosure Requirements, SFR(LCB) Regulations 20A and

34A – No Title Transfer of Retail Customers’ Moneys and Assets, SFR(LCB) Regulations 21 and 35 – Withdrawal of Moneys and Assets, SFR(LCB) Regulation 34 –Mortgage of Customers’ Assets and SFR(LCB) Regulation 47BA – No Dealing as Agent

A CMS licence holder is required to make certain disclosures in writing to retail customers in relation to their moneys and assets. A CMS licence holder is not permitted to transfer title of moneys and assets received from retail customers except for securities borrowing and lending purposes, nor withdraw moneys and assets from retail customers’ trust and custody accounts to meet its obligations in relation to transactions entered into by the holder for its own benefit. Before mortgaging, pledging or hypothecating retail customers’ assets, the CMS licence holder is required to explain the risks involved and obtain the customers’ written consent. A CMS licence holder is only permitted to deal as principal with retail customers in OTC derivatives contracts and spot forex contracts for leveraged forex trading. When dealing with AIs, the CMS licence holder is exempt from treating them as “retail customers” in relation to the requirements in these regulations.

SFR(LCB) Regulation 40 – Provision of statement of account to customers

When dealing with AIs, a CMS licence holder is not under any statutory obligation to furnish monthly or quarterly statements of account to AIs if it provides the prescribed particulars in electronic form (on realtime basis) and AI customers have consented to the particulars being made available in such manner or requested in writing not to receive the statements of account.

SFA Sections 251 and 300 – Restrictions on Advertisements

Sections 251 and 300 of the SFA prohibit any advertisement or publication referring to an offer or intended offer (for which a prospectus is required) of securities and securities-based derivatives contracts and units of collective investment schemes, except in certain circumstances. Where a preliminary document has been lodged with the MAS, certain communications may however be made to institutional investors and AIs. This includes dissemination of and presentation of oral or written material on matters contained in the preliminary document.

SFR(LCB) Regulation 16 – Money Received on Account of Customer; SFR(LCB) Regulation 17 – Maintenance of Trust Account with Specified Institutions; SFR(LCB) Regulation 26 – Receipt of Customers' Assets

The provisions in these regulations specify certain safeguards that apply to retail customers. A retail customer may only direct a CMS licence holder to deposit his customer's moneys and assets in an account in which he has legal and beneficial title and maintained with a specified financial institution.

When dealing with AIs, the CMS licence holder is exempt from treating the AIs as "retail customers" in relation to the requirements in these regulations.