

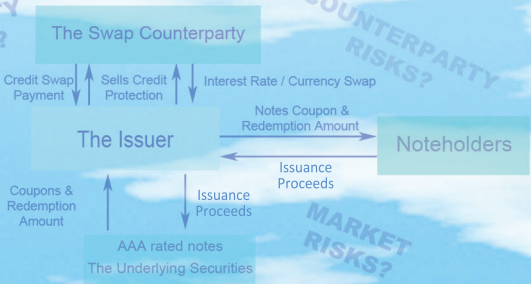


Monetary Authority of Singapore

# Investing in Unlisted Specified Investment Products

LIQUIDITY RISKS?

COUNTERPARTY RISKS?



MARKET RISKS?

Why are so many parties involved?

When do I make money?  
When do I lose?



# MoneySENSE

A National Financial Education Programme for Singapore

## **Investing in Unlisted Specified Investment Products**

- *A quick guide for retail investors*

*There are many retail investment products today. Some products are more complex than others and have features that may be difficult to understand. To alert consumers, the Monetary Authority of Singapore (MAS) has categorised such products as Specified Investment Products (SIPs).*

*SIPs are derivatives or products which may contain derivatives. They have complex features and risks which can expose you to more factors which can cause a loss. It may also be difficult to assess returns or losses at the outset.*

*Some SIPs are not listed on an exchange, for example, structured notes, and certain unit trusts and investment-linked life insurance policies. Check with your financial institution to find out whether a product is an SIP.*

*To help retail investors and financial institutions better gauge investors' understanding of SIPs, financial institutions are required, from 1 January 2012, to conduct a Customer Knowledge Assessment (CKA) if a retail investor wishes to transact in an unlisted SIP. If the financial institution assesses that you do not meet the CKA criteria, you can still proceed to transact in unlisted SIPs, subject to safeguards put in place by the financial institution.*

## **Q1: How will the financial institution assess if I have the relevant knowledge or experience to invest in unlisted SIPs?**

The financial institution must conduct a CKA to find out whether you have the knowledge or experience to understand the features and risks of an unlisted SIP.

The financial institution will request information on your educational qualifications, investment experience and work experience to assess whether you meet at least one of the following CKA criteria:

- You have the relevant educational qualifications.
- You have a professional finance-related qualification.
- You have a minimum of three consecutive years of relevant working experience in the past 10 years.
- You have made at least six transactions in unlisted SIPs in the last three years. Transactions include buying unlisted SIPs or topping up your investment in an unlisted SIP.

You can find out from the financial institution, the outcome of the CKA.

Even if you meet the CKA criteria, remember that you can always ask the financial institution for advice on whether an unlisted SIP is suitable for you. Refer to Q4 to find out how you can check if a financial institution is authorised to provide advice.

## **Q2: Is the CKA compulsory?**

The financial institution must conduct a CKA for retail customers who wish to invest in an unlisted SIP. This includes situations where a customer sells part or the whole of his investment in an investment product to buy an unlisted SIP.

## **Q3: If I do not meet the CKA criteria, can I still invest in unlisted SIPs?**

Yes, you may still do so, but only with a financial institution that is authorised to provide advice. The financial institution must advise if the unlisted SIP is suitable for you, taking into account your investment objectives, financial situation, risk profile and particular needs, as well as the outcome of the CKA.

If your financial institution advises that the product is not suitable for you, you should carefully consider whether to proceed. If you still wish to proceed, make sure you fully understand and accept the implications of your decision. You will need to provide written confirmation to the financial institution that you intend to proceed with the transaction despite not meeting the CKA criteria. The financial institution must inform you in writing that you will be responsible for ensuring that the product is suitable for you.

As an additional safeguard, senior management approval is required before the representative can proceed with the transaction.

#### **Q4: How do I check if my financial institution or representative is authorised to provide advice?**

You can refer to the following resources on the MAS website ([www.mas.gov.sg](http://www.mas.gov.sg)):

- Financial Institutions Directory to check if the financial institution is authorised under the Financial Advisers Act (FAA) to provide advice on investment products; and
- Register of Representatives to check if the individual you intend to deal with is authorised under the FAA to provide advice on investment products.

Only financial institutions and individuals authorised under the FAA can provide financial advice to you.

If a financial institution recommends an unlisted SIP to you, it must have a reasonable basis for its recommendations. Take time to consider the recommendation before deciding whether to invest.

#### **Q5: How often should the CKA be conducted?**

If a financial institution assesses that you have the knowledge or experience to invest in an unlisted SIP, you may transact in the same unlisted SIP or similar unlisted SIPs for a period of one year from the date of the assessment with the financial institution. After the one year, the financial institution will need to conduct a fresh CKA, regardless of the number of transactions in unlisted SIPs you have made. This is to ensure that your knowledge and experience continue to remain relevant, and in doing so provide an opportunity to seek advice from your financial adviser regularly.

If you wish to transact with a different financial institution, the financial institution will have to conduct another CKA with you. This will allow the financial institution to better understand your knowledge of complex financial products.

Example: On 1 March 2012, a financial institution conducted a CKA and assessed that you have the knowledge or experience to understand a structured note. With this assessment, you will be able to buy structured notes from the same financial institution between 1 March 2012 and 28 February 2013. However, if you wish to invest in a different type of SIP such as a unit trust containing derivatives with the same financial institution during the one year period, the financial institution will have to conduct another CKA to assess whether you have the relevant knowledge or experience to understand a unit trust containing derivatives. If you approach a different financial institution (whether during the one year period or any other time) to invest in structured notes, this financial institution will have to conduct another CKA with you.

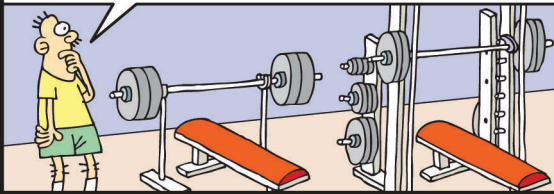
### **Key Points to Note:**

There are many investment products available for sale to retail investors. Transact only in products you understand and are suitable for you. The CKA helps you assess your understanding of the product before you decide to invest in unlisted SIPs.

If you invest without or against advice from your financial adviser, you will be solely responsible for ensuring that the product is suitable for you. The financial institution will ask you to confirm in writing that you understand the investment and any consequences that follow.

Always read all documents carefully and ask questions if you are unsure before deciding whether to proceed with the transaction.

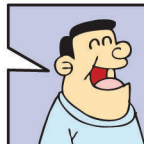
This is my first time at the gym. Should I use free weights or a resistance machine?



Start with a resistance machine and add the weights slowly. Move to free weights only when you are strong enough.



It's like considering whether to buy an unlisted Specified Investment Product. If you don't have the relevant knowledge or experience, the financial institution must give you advice on whether the product is suitable for you.

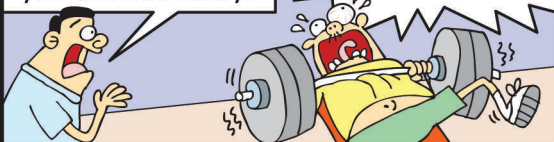


What if I went ahead to buy, just like how I'm going straight to free weights?



You can get hurt if you are not ready!

**Ack! HELP!!**



**Exercise caution. Invest only in what you understand and find suitable.**