

Singapore Financial Institutions to Meet Stricter Data Protection and Consumer Safeguards

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The Monetary Authority of Singapore has launched a public consultation to gather feedback on two sets of proposed rules which it will soon impose on Singapore financial institutions (FIs), with a view to improving existing consumer safeguards, including for such FIs' digital prospecting and marketing activities.

What do the proposed rules seek to achieve?

The enhancements are aimed at raising industry standards across the financial sector in Singapore by requiring FIs to put in place additional controls when engaging in prospecting and marketing activities through both physical and digital means. As the world sees a resumption of roadshows post-pandemic, coupled with the increased use of digital applications and social media by FIs to market financial products, it is timely to introduce these new measures to strengthen market conduct in Singapore.

What are the rules pertaining to digital marketing?

FIs will need to ensure that online advertisements do not disseminate misleading content. They must also put in place measures to monitor the activities and conduct of any third party service providers they appoint to generate leads online, or as introducers, through the dissemination of online advertisements and collection of prospective customers' contact information, to ensure that these providers adhere with the FIs' own data management policies and applicable laws such as Singapore's Personal Data Protection Act (PDPA).

Currently, any advertisements of financial products and services are subject to the Financial Advisers Regulations, and Securities and Futures (Licensing and Conduct of Business) Regulations in Singapore. These regulations apply to advertisements disseminated via traditional media (print) as well as digital media (for instance, websites or social media platforms).

With digital media, however, there are heightened risks, for example:

- Truncated or omitted key information that is disclosed to consumers due to social media application or product design. These may pertain to: (i) product features and risks; or (ii)

terms and conditions, which could result in such advertisements presenting a misleading or an unbalanced view of financial products.

- Misleading advertisements that highlight unsubstantiated high returns without mentioning any specific products. The high returns are usually presented without highlighting how they can be achieved and do not include a description of the key risks or other important caveats.
- Advertisements posted anonymously by representatives on websites and social media platforms using pseudonyms. Consumers would not know the identity of the person who posted the advertisement and whether the person is regulated by MAS or not.
- Representatives' inappropriate use of digital platforms for prospecting (e.g., soliciting leads through online dating applications), and representatives' use of third-party tools or service providers for generating leads online without their FIs' authorisation.

What are the rules pertaining to physical prospecting at public places and telemarketing?

It will soon be mandatory to disclose representatives' identities and the FIs they represent. FIs will only be permitted to conduct prospecting activities at commercial premises. They will also need to provide customers with additional time to consider whether to make a purchase and limit the use of gift offers which may influence decision-making.

What other implementation details need to be taken note of?

In addition to the measures proposed in its consultation papers^[1], MAS reserves the right to impose additional or stricter measures to address any persistent conduct risks and issues, including limiting representatives to only re-posting their FI's advertisements or, even more restrictively, prohibiting representatives from posting advertisements altogether, i.e., only allowing FIs themselves to post advertisements.

MAS is proposing a transition period of six to nine months for FIs to comply with the new digital prospecting and marketing guidelines^[2]. Comments should be submitted using a specific form and link^[3].

The above consultations will close on 30 June 2023.

^[1] <https://www.mas.gov.sg/publications/consultations/2023/consultation-paper-on-enhancing-safeguards-for-digital-prospecting-and-marketing-activities>;

<https://www.mas.gov.sg/publications/consultations/2023/consultation-paper-on-enhancing-safeguards-for-prospecting-activities-at-public-places>

^[2] <https://www.mas.gov.sg/-/media/mas/regulations-and-financial-stability/regulations-guidance-and-licensing/financial-advisers/consultation-paper/annex-a-guidelines-on-standards-of-conduct-for-digital-prospecting-and-marketing-activities.pdf>

^[3] <https://go.gov.sg/MAS-Digital-Marketing>

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