



# **LICENSING REQUIREMENTS MODULE**



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MODULE	LR: Licensing Requirements
CHAPTER	LR-1: Requirement to Hold a License

## LR-1.3 Definition of Regulated Banking Services (continued)

### *Advising on Deals in Financial Instruments*

**LR-1.3.48** Advising on financial instruments means giving advice to an investor or potential investor (or a person in his capacity as an agent for an investor or potential investor) on the merits of buying, selling, subscribing for or underwriting a particular financial instrument or exercising any right conferred by such a financial instrument.

LR-1.3.49 The following are examples of activities, which may be regarded as an activity as defined by Rule LR-1.3.48:

- (a) A person may offer to tell a client when shares reach a certain value on the basis that when the price reaches that value it would be a good time to buy or sell them;
- (b) Recommendation on the size or timing of transactions; and
- (c) Advice on the suitability of the financial instrument, or on the characteristics or performance of the financial instrument concerned.

**LR-1.3.49A** For the purpose of Rule LR-1.3.48, advising on financial instruments includes giving digital financial advice also known as ‘robo-advice’ or ‘automated advice’ using a computer program and algorithm to generate the advice.

**LR-1.3.50** A person does not carry on an activity specified in Rule LR-1.3.48 by giving advice in any newspaper, journal, magazine, broadcast services or similar service in any medium if the principal purpose of the publication or service, taken as a whole, is neither that of:

- (a) Giving advice of the kind mentioned in Rule LR-1.3.48; nor
- (b) Leading or enabling persons to buy, sell, subscribe for or underwrite a financial instrument.

LR-1.3.51 The following are examples of activities, which when taken in isolation, are unlikely to be regarded as an activity as defined by Rule LR-1.3.48:

- (a) Explaining the structure, or the terms and conditions of a financial instrument;
- (b) Valuing financial instruments for which there is no ready market;
- (c) Circulating company news or announcements;
- (d) Comparing the benefits and risks of one financial instrument to another; and
- (e) Advising on the likely meaning of uncertain provisions in an agreement relating to, or the terms of, a financial instrument or on the effect of contractual terms and their commercial consequences or on terms that are commonly accepted in the market.