



## **Annex 1**

### **Frequently Asked Questions on Morgan Stanley Pinnacle Series 9 and 10 Notes**

#### **1 What has happened to Morgan Stanley Pinnacle notes?**

A mandatory redemption event has been triggered for series 9 and 10. This means that the notes will be redeemed early. For information on any Pinnacle note, contact the FI whom you bought the notes from or Morgan Stanley at telephone 68346511 (from 9.00am to 12.00pm Monday to Friday). Information is also available at this website <http://www.morganstanley.com/pinnaclenotes>

#### **2 How many investors are affected by the mandatory redemption event?**

For the Pinnacle Notes Series 9 and 10, a total amount of S\$26 million was issued, sold to about 700 retail investors through five distributors.

#### **3 What should I do if I feel I have been mis-sold a Morgan Stanley Pinnacle Series 9 or 10 note?**

MAS has set out a three-step process for the resolution of investors' legitimate concerns. The three steps are:

Step 1: Lodge your complaint directly with the financial institution (FI) that sold you the products.

Step 2: Provide full details of your case to the FI to allow the FI to make fair assessment of your case.

Step 3: Accept the decision of the FI or refer your complaint to FIDReC.

#### **4 How will the FI resolve my complaint?**

Each FI has set up an internal review panel chaired by its CEO. The panel will conduct a thorough review of your complaint and decide on a course of action.

#### **5 What is the role of FIDReC?**

FIDReC is an independent and impartial organization that specializes in the resolution of disputes between FIs and consumers. FIDReC provides consumers with an affordable avenue to pursue their claims.

Should you decide to refer your case to FIDReC, any proposal offered by the FI may no longer be available to you. You must keep in mind that the outcome from the FIDReC process may be more or less favourable.

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At FIDReC, if the matter cannot be resolved by agreement between you and the FI, it will be referred to adjudication.

The consumer pays a \$50 fee while the FI pays \$500. Among FIDReC's adjudicators are judges, senior counsel, lawyers and retired industry professionals. The adjudication outcome is binding on the FI, but not on the consumer. If you are not satisfied with the outcome, you are free to pursue other action including seeking legal recourse.

FIDReC will consider all relevant evidence whether written or oral. Statements can be prepared by consumers themselves and need not be made under oath.

FIDReC normally deals with claims not exceeding S\$50,000. In the case of the three structured products, however, the FIs have agreed for FIDReC to hear deserving cases with claims exceeding this amount.

### **6 Who are the vulnerable customers referred to in MAS' 3-step process?**

There is no fixed definition of a vulnerable customer. The indicators of a vulnerable customer include a low level of education, a lack of proficiency in English, being retired or unemployed and whether the investment amount constitutes a large part of total savings.

### **7 What if I don't belong to this group?**

MAS has asked FIs to give priority to reviewing those cases involving vulnerable customers where the products are clearly inappropriate for them given their circumstances. Regardless of whether your case falls into this group, MAS requires FIs to have a rigorous process to look into every complaint of mis-selling and resolve them fairly. For cases where there are sufficient indications that the product was mis-sold or that it was clearly inappropriate given the investor's profile and circumstances, MAS has stated that the FI should take responsibility and should reach a fair settlement in full or in part. This has to be assessed on a

### **8 Can MAS order FIs to compensate investors?**

MAS does not have the power to compel FIs to pay compensation to consumers. This is the same for regulators in other jurisdictions such as Hong Kong. MAS has however set in place processes for investors to pursue their claims against the FI.

For cases where there are sufficient indications that the product was mis-sold or that it was clearly inappropriate given the investor's profile and circumstances, MAS has stated that the FI should take responsibility and reach a fair settlement in full or in part. This has to be assessed on a case-by-case basis.



## **9 What is the regulatory regime governing the sale of products like the Morgan Stanley Pinnacle notes? Will there be changes?**

MAS requires the issuer to include in the prospectus all information that an investor would reasonably need to make an informed assessment of the securities being offered. Based on information provided by the issuer and its advisers, MAS checks that the prospectus discloses the risks and product features and that there are no false or misleading statements. MAS does not judge the merits of the investment.

The Financial Advisers Act requires FIs and their representatives to have a reasonable basis when recommending investments to customers, unless they choose to opt out of receiving such advice. FIs must consider the investment objectives, financial situation and needs of the investor.

We believe the regime is fundamentally sound. But given recent developments, MAS will review the framework for the marketing and sale of structured products. Other countries are also doing the same.

Regulation alone is not enough. The industry also has to do more. MAS expects the board and senior management to be responsible for ensuring that investors get a fair deal. It is also important for consumers to make well-informed decisions. MoneySENSE will be stepping up its financial education efforts.

## **10 What has MAS been doing for investors?**

MAS has put in place a serious and impartial resolution process to deal with investors' legitimate concerns.

- Each FI has set up internal review panel chaired by its CEO. The panel will conduct a thorough review of your complaint and decide on a course of action.
- MAS has set a clear timeline for complaints to be resolved, similar to those set for the handling of complaints relating to the Lehman minibonds programme, Merrill Lynch Series 3 Linkearner Notes and DBS High Notes 5.
- For any complaint not resolved by FIs, MAS has established a fast-track process to refer the case to the Financial Industry Disputes Resolution Centre (FIDReC).

For cases where there are sufficient indications that the product was mis-sold or that it was clearly inappropriate given the investor's profile and circumstances, MAS has stated that the FI should take responsibility and reach a fair settlement in full or in part. This has to be assessed on a case-by-case basis. In addition, MAS has asked FIs to give priority to reviewing those cases involving vulnerable customers where the products are clearly inappropriate for them given their circumstances. Regardless of whether your case falls into this group, MAS requires FIs to have a rigorous process to look into every complaint of mis-selling and resolve them fairly.