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# ***Straight away***

## **Private Banking Code of Conduct for Private Banks in Singapore**

### **What is new?**

On 5 April 2011, the Private Banking Advisory Group (“PBAG”) launched the Private Banking Code of Conduct (the “Code”). This Code has been developed with recommendations from the PBAG, which consists of representatives from the private banking industry. PwC had assisted in drafting the Code.

The Code sets out industry-led best practices guide for “covered financial institutions” (as defined in the Code) which provide private banking services such as financial advisory services to high net worth individuals.

**6 April 2011**

***“I hope that private banks will give their full support to this important initiative. It is good for customers and the industry. It will enhance the reputation of Singapore.”***

**- Dominic Nixon,  
Head of Financial  
Services, PwC  
Singapore**

### **Why is this important?**

The Code is not a law or regulation. However, the regulator expects covered financial institutions to adopt high standards of professionalism when serving customers. Since the Code was established with the support of the Monetary Authority of Singapore (“MAS”), covered financial institutions should ensure that its policies and practices, as a minimum, meet the standards set out in the Code. We expect that MAS will utilise the Code as a point of reference in future supervisory inspections of private banks.

More generally, it is important that covered financial institutions strongly support this initiative to further strengthen Singapore’s reputation as a centre that strives for high standards in wealth management professionalism and competency.

### **What may impact you more?**

Generally, the Code is principles-based. We expect that many of the good practices standards are being practised already by covered financial institutions. These include:

- Maintaining standards of professionalism such as personal conduct and conflicts of interests.
- Taking reasonable care and use reasonable diligence in their dealings with customers. This includes matters such as know-your-client, advisory process, communication, disclosure and complaints handling.

However, we expect that covered financial institutions will need to look into the following:

#### **(a) Examination**

Certain defined representatives will now need to pass a common competency assessment called the Client Advisor Competency Standards (“CACS”). Key implications are:

- Covered financial institutions will need to identify who are the affected representatives and provide the necessary support to enable them to pass the CACS.
- There are transitional arrangements, including exemptions. Covered financial institutions need to understand these and have in place procedures to ensure that qualifying individuals avail of these arrangements before the end of the transitional period.

## *(b) Granularity of policies and procedures*

While we expect many covered financial institutions to already have practices that address the principles in the Code, we also expect that many of these practices may not have been formalised in a structured manner or in writing, or may not be sufficiently granular. For example:

- The Code makes reference to the Guidelines on Fair Dealing – Board and Senior Management Responsibilities for Delivering Fair Dealing Outcomes to Customers. The challenge for covered financial institutions is to now ensure that policies and procedures are clearly linked to achieving fair dealing outcomes for customers.
- Covered financial institutions may have various ethical and conduct policies, such as on conflicts of interests. However, many covered financial institutions may not have provided adequate guidance and training to representatives on for example, conflict situations and how these should be managed.
- Similarly, covered financial institutions should already have training programmes for their representatives. However, the programmes may be generic and lack structure, such as lacking in continuous process to identify training needs, assessment of quality and monitoring. Training may also not be clearly linked to fair dealing outcomes.

## **What do you need to do?**

The Code takes effect from 1 September 2011, which is also the end of certain transitional arrangements/exemptions.

Covered financial institutions should immediately conduct a gap analysis of its existing policies and processes against the Code.

## **Contact details**

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### **Regulations**

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