

Private Banking Code of Conduct (PB Code) Frequently Asked Questions (FAQs)

Contents

Section	Questions	Page No
<u>Section A: Overview</u>		
(A1) Objectives of the PB Code	1	3
(A2) Definitions	2-5	3
<u>Section B: Competency Assessment- Client Advisor Competency Standards (CACS)</u>		
(B1) Who the CACS applies to	6-15	5
(B2) Validity of the CACS	16-18	7
(B3) Other related administrative matters	19-37	7
<u>Section C: Continuing Professional Development (CPD)</u>		
(C1) CPD obligations	38-42	11
(C2) Attaining IBF-certification	43-45	11
<u>Section D: Market Conduct</u>		
(D1) Disclosure standards	46-53	13

SECTION A: OVERVIEW

(A1) OBJECTIVES OF THE PB CODE

Q1. What are the key motivations behind developing such a Private Banking Code of Conduct (PB Code)?

The PB Code has been developed to enhance the competency of private banking professionals and foster high market conduct standards.

The issuance of the PB Code is intended to i) promote good industry practices and ii) enhance transparency to clients, with a view to enhancing investor confidence in the private banking industry in Singapore. It serves to reiterate the industry's commitment towards ensuring that their business conduct practices are underpinned by high standards of integrity, competence and professionalism.

(A2) DEFINITIONS

Covered Entity

Q2. What does “Covered Entity” in the PB Code refer to?

The PB Code is primarily targeted at private banks. A “Covered Entity” refers to any financial institution or a division thereof in the private banking industry which is regulated by the Monetary Authority of Singapore (MAS), where the financial institution or division provides services to Accredited Investors (AIs)¹.

Q3. Is there an application process to be recognized as a “Covered Entity”?

No application to the Association of Banks in Singapore (ABS) or Institute of Banking and Finance (IBF) is required for recognition as a “Covered Entity” under the PB Code. Please also see Q2.

Covered Person

Q4. Who does “Covered Person” in the PB Code refer to?

A “Covered Person” refers to an individual who is (i) in a client-facing role and (ii) provides financial/wealth advisory service(s) to AIs on behalf of a Covered Entity.

For the purposes of the Code, being in a client-facing role refers to having direct client contact and providing the types of financial/wealth advisory service as listed in the Second Schedule of the Financial Advisers Act.

“Covered Person” includes, but is not limited to, relationship managers, client advisors, investment advisors, investment consultants, investment specialists and product specialists and wealth planners.

Q5. Are assistant relationship managers considered “Covered Persons”?

This depends on the scope of work of the assistant relationship managers, which may differ across private banks. If the assistant relationship manager (ARM) concerned meets the definition of “Covered Person” under the PB Code, the ARM would need to pass the competency assessment – Client Advisor Competency

¹ Refer to Section 4A of Securities and Futures Act (Chapter 289) and the Securities and Futures (Classes of Investors) Regulations 2018 for the definition of AIs.

Standards (CACS) before he can provide financial/wealth advisory services to his clients. We welcome individuals who may not fall within the definition of “Covered Person” to take the CACS, to further bolster his competency.

SECTION B: COMPETENCY ASSESSMENT – CLIENT ADVISOR COMPETENCY STANDARDS (CACS)

(B1) WHO THE CACS APPLIES TO

Q6. Who needs to pass the CACS?

As long as an individual falls within the definition of a “Covered Person” as stated within the PB Code, he is expected to take and pass the CACS, unless he:

- (i) is FICS-certified for the job family “Relationship Management – High Net Worth, Job Role IV” or above as at 1 September 2011;
- (ii) possesses at least 15 years of relevant financial services-related experience as at 1 September 2011; or
- (iii) is an existing Wealth Planner based/or working in Singapore as at 31 December 2018.

A “Covered Person” who falls within the definition of (i) or (ii) above will have to be *based/or working in Singapore* as at 1 September 2011 to qualify for the exemption.

Q7. I recently joined the private banking industry of Singapore from overseas and will meet the definition of a Covered Person. As I was a licensed representative in the previous jurisdiction that I was working in, will I still have to pass the CACS?

Yes; as the CACS covers local rules and regulations, such individuals will still have to pass it.

Q8. I am currently required under MAS’ regulations to pass certain CFMAS modules. Will I have to pass the CACS?

Yes. The CACS is a competency assessment specifically tailored to strengthen the competency standards of the private banking industry. As long as an individual falls within the definition of a “Covered Person” as stated within the Code, he will have to pass the CACS, unless the “Covered Person”:

- (i) is FICS-certified for the job family “Relationship Management – High Net Worth, Job Role IV” or above as at 1 September 2011;
- (ii) possesses at least 15 years of relevant financial services-related experience as at 1 September 2011; or
- (iii) is an existing Wealth Planner based/or working in Singapore as at 31 December 2018.

For more details on these exceptions, please refer to paragraph 2.1.3 under the Competency section of the PB Code.

Q9. Will relationship managers (RMs) who are based overseas but come to Singapore occasionally to service their Singapore-based clients need to take the CACS?

Yes, they will be subjected to the same requirements under the PB Code as Singapore-based RMs, as long as they are deemed to be “Covered Persons”.

Q10. I am a CFA® charterholder. Can I be exempted from CACS?

Yes, CFA® charterholders can be exempted from CACS Paper 2 (Industry & Product Knowledge) with effect from 1 January 2019.

Q11. I have already passed CACS Paper 1. Is there a time period within which I have to pass CACS Paper 2?

Yes. There will be a 3-year validity period for the candidate to pass both CACS Paper 1 and CACS Paper 2. If more than 3 years has passed since a candidate has passed CACS Paper 1, they must re-sit for the exam.

Q12. I understand that a Covered Person who possesses at least 15 years of relevant financial services-related experience, as at the date of implementation of the Code i.e. 1 September 2011, will not have to pass the CACS.

- a) What constitutes “relevant financial services-related experience”?
b) Is it necessary for the “relevant financial services-related experience” to be accumulated over a continuous period of 15 years?

a) The Compliance or Human Resources Department will determine whether the financial services-related experience of the Covered Person is relevant to his current role.

b) No, the 15 years of “relevant financial services-related experience” can be taken cumulatively and need not be continuous.

Q13. Post-implementation of the Code i.e. from 1 September 2011 onwards, the Covered Entity will be hiring an industry practitioner with 15 years of relevant financial services related experience. He will meet the definition of a Covered Person. Will he have to pass the CACS?

Yes, the exemption of Covered Persons (already working in Singapore) who possess at least 15 years of relevant financial services-related experience, as at the date of implementation of this Code i.e. 1 September 2011, from CACS is a once-off exercise.

Thereafter, any individual that meets the definition of “Covered Persons”, even those possessing at least 15 years of relevant financial services-related experience, will have to pass the CACS before he provides any financial/wealth advisory service to AIs on behalf of his Covered Entity.

Q14. Do I have to declare my exemption status to IBF if I am exempted from the CACS?

If you are FICS-certified as at 1 September 2011, your name will automatically be in IBF’s databases.

If you are exempted by virtue of your years of experience, you are expected to complete a Non-Examinable Course (NEC) by 28 February 2013.

If you are an existing Wealth Planner based/or working in Singapore as at 31 December 2018, your organisation would have submitted your details to IBF for lodging of exemption for CACS.

Q15. Will the Transitional Period cited under paragraph 2.2 of the Code apply to an individual who becomes a Covered Person after the date of implementation of this Code i.e. 1 September 2011?

No, such an individual will have to pass the CACS before he provides any financial/wealth advisory service to AIs on behalf of his Covered Entity.

(B2) VALIDITY OF THE CACS

Q16. I would like to take the CACS, even though I currently am neither employed by a Covered Entity nor meet the definition of a Covered Person. If I pass the CACS and subsequently join a Covered Entity and become a Covered Person, will I need to re-take the CACS?

You are not required to re-take the CACS, provided you commence work as a Covered Person within three years after passing the CACS. If you were to join the private banking industry after the stipulated timeframe of three years, you will have to re-take the CACS.

Q17. If the Covered Person completes the CACS while working for his previous employer, is this qualification portable and if so, will such qualification ever “expire”?

Yes, the CACS qualification is portable. The Covered Person may use the CACS official result slip issued by the IBF as evidence of such qualification. If the Covered Person exits the private banking industry after having passed the CACS and re-joins within three years from his date of exit, the Covered Person will not have to re-take the CACS, but will have to clock the recommended number of Continuing Professional Development (CPD) hours. However, if he has exited the industry for more than three years and intends to return, he will have to re-take the CACS.

Q18. I understand that there is a 5-year validity period for Statements of Attainment. Is there also a validity period for the CACS official result slip?

For the purpose of practising as a Covered Person under the Code, the CACS official result slip does not have a validity period so long as the Covered Person remains in practice and fulfils the CPD hours. Please refer to Q27. However, for the purpose of applying for IBF certification, the CACS official result slip has the same 5-year validity period as Statements of Attainment.

(B3) OTHER RELATED ADMINISTRATIVE MATTERS

Q19. What is the format of the CACS assessment?

The CACS comprises two papers, namely Paper 1 and Paper 2. Both Paper 1 and Paper 2 comprise 80 questions. The assessment for each paper is in computer-based Multiple Choice Questions (MCQ) format, which may include case studies.

Q20. How long is the CACS Assessment?

The CACS comprises two papers. The duration to complete Paper 1 is 2 hours and Paper 2 is 2.5 hours. The papers comprise multiple-choice questions that could be based on case scenarios, relating to the knowledge dominant competencies within the IBF Standards on Market Conduct and Product Knowledge.

Q21. Do I have to sit for both papers under the CACS?

Yes, you will have to pass both papers to be considered to have passed the CACS. However, you can take the papers in two separate sessions, and on dates convenient to you.

Q22. What is the minimum qualification required to sit for the CACS?

There is no minimum qualification required.

Q23. How will the CACS be administered?

The CACS will be centrally administered by the IBF.

Q24. Will the Covered Person receive any document to certify that he has successfully passed the CACS?

Yes, the IBF, being the administrator of the CACS, will issue the Covered Person an official result slip upon completion of the CACS assessment. This result slip will serve as the official document to certify that the Covered Person has passed or failed the CACS.

Q25. What documents should the bank or clients look out for as evidence that the Covered Person has successfully passed the CACS or the requirement to pass the CACS does not apply to him?

The documents to look out for as proof are any one of the following: (i) CACS Official Result Slip issued by the IBF; (ii) Non-Examinable Course (NEC) Certificate of Attendance issued by the WMI; and (iii) IBF Certificate.

Q26. What happens if I were to lose/misplace my result slip?

You will be able to access, download and print an e-copy of your exam result transcript by logging into your individual IBF Portal account.

If you wish to obtain a printed copy of your result slips, you can make the request online through your IBF Portal account.

Once payment is received, the printed result slip will be couriered to your delivery address within 5 working days to the delivery address provided.

Q27. Can the CACS be conducted at the Private Bank's premise?

For security reasons, the CACS can only be conducted at IBF-designated examination halls.

Q28. Is there a limit to the number of attempts that I can make for the CACS?

There is no limit to the number of attempts you can take as long as you pass both papers of the CACS within the 18 months transition period, between 1 September 2011 and 1 March 2013. After this transition period, from 1 March 2013, if you have not passed the CACS, you should not be allowed to provide advice to clients unless accompanied by another "Covered Person" who has passed the CACS.

Q29. What is the expected pass mark for the CACS assessment?

The passing mark for Paper 1 is 75% and Paper 2 is 70%.

Q30. Will any marks be deducted for the wrong answers during the assessment?

No, marks will not be deducted for any wrong answers given. Marks will only be awarded for correct answers.

Q31. How much does the CACS examination cost?

Kindly refer to www.ibf.org.sg on CACS examination cost.

Q32. Can I find out which of the questions of the CACS I have answered incorrectly?

The candidate will only be notified on his passing or failing the CACS.

For registration for CACS assessment, study guide and other administrative matters, please visit: <http://www.ibf.org.sg>.

Q33. Is funding available for the CACS Assessment?

IBF-STC co-funding is available to both company-sponsored individuals and non-company sponsored individuals who have successfully passed the CACS assessment.

Funding support will be at 70% (Singapore Citizen/ PR) or 90% (Singapore Citizen above 40 years old) of the assessment fee, capped at \$500 per participant per programme. Funding is applicable only upon the successful completion of the CACS Assessment and for that attempt only.

Q34. Can FIs still claim for IBF-STC funding if the sponsored trainee resigned shortly after completing the CACS assessment?

The FIs may still apply for the funding claim as long as the sponsored trainee (i) is an employee of the FI (at the time of passing the assessment) and (ii) has successfully completed the training programme /assessment.

Q35. Will the Covered Person receive any document to certify that he has successfully passed the CACS?

Yes, the IBF, being the administrator of the CACS, will issue the Covered Person an official result slip upon completion of the CACS assessment. This result slip will serve as the official document to certify that the Covered Person has passed or failed the CACS.

Q36. What happens if I were to lose/misplace my result slip?

You can apply for a replacement result slip. Application must be made online. There will be an admin fee of \$50+GST. Please allow a processing time of 3 working days.

Q37. What documents should the bank or clients look out for as evidence that the Covered Person has successfully passed the CACS or the requirement to take and pass the CACS does not apply to him?

The documents to look out for as proof are any one of the following: (i) CACS Official Result Slip issued by the IBF; (ii) Non-Examinable Course (NEC) Certificate of Attendance issued by the WMI; and (iii) FICS Certificate.

Alternatively, you may write in to IBF to verify the status of a Covered Person. Your request will need to be accompanied with a letter of authorisation from the Covered Person in order for IBF to inform you of the status.

SECTION C: CONTINUING PROFESSIONAL DEVELOPMENT (CPD)

(C1) CPD OBLIGATIONS

Q38. When will I be required to commence my CPD obligation?

After you have passed your CACS Assessment, you are required to fulfil your yearly CACS CPD obligation.

Kindly refer to CACS CPD Advisory Note available at www.ibf.org.sg for more details.

Q39. What are the requirements for CACS CPD?

Please refer to CACS CPD Advisory Note available at www.ibf.org.sg for more details.

Q40. If I am exempted from the CACS, does the CPD obligation under the PB Code still apply to me?

Yes, all Covered Persons are expected to fulfil their CPD obligation under the PB Code, which will take effect from 1 March 2013.

Q41. Can CPD activities that I have undertaken before I have passed the CACS qualify for the CPD obligation under the PB Code?

No, CACS CPD activities undertaken prior to passing CACS will not count towards meeting his CACS CPD obligation.

Q42. When a Covered Person leaves Covered Entity X to join Covered Entity Y, will Covered Entity X have to provide the leaving Covered Person with any form of verification to show proof of the number of CPD hours achieved by the Covered Person?

Both Covered Entities and Covered Persons will have to maintain records of how the expected CPD hours are met. (See paragraphs 3.1.7 and 3.1.8 of this Code.) The former Covered Entity will have to facilitate the Covered Person's extraction of appropriate records of CPD hours earned for production to the new Covered Entity as necessary. Its Human Resources Department is also strongly encouraged to issue a letter to confirm the Covered Person's CPD record.

(C2) ATTAINING IBF-CERTIFICATION

Q43. What are the differences between the IBF Certification and the CACS?

The IBF Standard is a comprehensive quality assurance framework for the competencies relevant to the financial sector. IBF Certification is issued to practitioners upon successful completion of assessments covering all Competency Units and having accumulated the relevant years of experience. The Competency Units under IBF covers both occupational skills and industry knowledge competencies.

The CACS, on the other hand, serves as a broad-based common competency assessment for the private banking industry. It consists of 2 papers focusing only on

(i) industry and product knowledge; and (ii) legislation, regulations and industry code of practice. These papers cover knowledge dominant competencies within the IBF Standards for Private Banking.

Q44. Will I receive an IBF-certification upon passing the CACS?

As the CACS can be regarded as a subset of the IBF certification, the Covered Person will only be IBF-certified if he completes all the other requisite competency units and meets the necessary working experience requirements under the IBF Standards. He will receive a CACS Result Slip to indicate that he has passed the CACS.

Q45. How can the CACS Result Slip add to my attainment of IBF Certification?

The CACS official result slip can be used as part of the criteria required for IBF certification, as it constitutes 2 Statements of Attainment.

SECTION D: MARKET CONDUCT

(D1) DISCLOSURE STANDARDS

Q46. What is the scope of products and services covered by the disclosure requirements?

The disclosure requirement of quantifiable benefits would apply to all investment products and services that a Covered Entity sells, recommends, offers or refers to clients. This would apply to both bank-recommended and client-directed trades. The quantifiable benefits can be disclosed in the form of a fee range, and should include:

- (a) Spreads/mark-up from over the counter (OTC) products;
- (b) One-time placement/distribution fee paid to the PB (e.g. by private equity funds);
- (c) One-time subscription fee and trailer fees paid to the PB by product providers (e.g. by fund management companies); and
- (d) Referral fees (e.g. where PB refers a client to an insurance broker).

Q47. Would a one-time, generic written disclosure of key terms of transactions meet the disclosure requirements (e.g. disclosure of key risks, termination clauses, affiliation with product issuers) in paragraph 6.4.4 of the PB Code?

The requirements set out in paragraph 6.4.4 can be disclosed by way of a generic written disclosure. Notwithstanding this, the Covered Entity is expected to take reasonable care in the provision of financial/wealth advisory services as set out in Section 6.2 (Advisory Standards), and should ensure that adequate disclosures are made with respect to each transaction, especially those involving higher risk products.

Q48. What does “affiliation” in the PB Code mean?

The term “affiliation” includes all entities that are related to the Covered Entity, and where the Covered Entity or its related entity is a book runner, issuer or arranger of a product that it sells, recommends, offers or refers to clients.

Q49. Where benefits are not quantifiable prior to or at the point of entering into the transaction, is the Covered Entity subject to any disclosure requirement to clients?

In cases where the specific benefits are not quantifiable prior to or at the point of entering into the transaction, the Covered Entity/Person should disclose this fact, together with the range of benefits applicable, and follow-up with written disclosure to client as soon as practicable after the specific benefit is known.

Q50. Are emails, fax and other electronic means (e.g. electronic messaging system and client online portal) acceptable forms of written disclosure to clients?

Yes.

Q51. As the Covered Entity is already required to provide written information to the client after the transaction (i.e. trade confirmation), is verbal disclosure still required?

As far as practicable, disclose of information to clients should be made in written form prior to or at the point of entering into the transaction. Where this is not possible, the Covered Person may make a verbal disclosure to the client first and follow up with written disclosure as soon as practicable.

Q52. If the Covered Entity has already disclosed all its fees, charges and quantifiable benefits for all investment products and services via the fee schedule, is the Covered Entity still expected to disclose these fees and charges at the transaction level?

The Covered Entity should specify upfront the range of applicable fees, charges and other quantifiable benefits that will be charged to the client for investment products and services via the fee schedule. The Covered Entity should not state that such fees are subject to negotiation. No separate communication is required on a per transaction basis, except for:

- (a) bond rebates, where the Covered Entity is required under paragraph 6.4.11 to disclose the specific amount of rebate for each transaction; and
- (b) where the fees, charges and quantifiable benefits for a particular transaction exceed the amounts/percentages set out in the fee schedule, the revised fees, charges and quantifiable benefits would need to be disclosed to the client prior to the transaction.

Q53. Under paragraph 6.4.13 of the PB Code, if the Covered Entity receives and retains retrocessions for products purchased under discretionary portfolio services, specific disclosure must be provided to and agreed by the client. Can such disclosures be done via a written disclosure statement, as part of the Covered Entity's fee schedule?

As a guiding principle, a Covered Entity that has charged the client a management or advisory fee for discretionary portfolio services should not retain retrocessions received from product providers. In circumstances where it is not practicable to adjust the management/advisory fee or rebate the retrocessions received to the client, the Covered Entity should indicate the range of retrocessions that it may receive from product providers. This may be done via the bank's discretionary agreement with the client or the bank's fee schedule.