

MEDIA RELEASE

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FOR IMMEDIATE RELEASE

BANKS ADOPT NEW GUIDELINES ON SALE OF INVESTMENT PRODUCTS

Measures are aimed at enhancing consumer trust and confidence.

Singapore – The Association of Banks in Singapore (ABS) today announced that its member banks are putting in place a series of measures to further protect the interests of consumers who buy investment products. The measures cover a range of governance and assurance processes, training & compensation of sales personnel, consumer education and enhancements to the sales process itself.

The measures that the industry has collectively agreed upon include:

1. **Reinforcing Fair Dealing guidelines.** Banks are reinforcing their focus on achieving the 5 fair dealing outcomes in their sales process as spelt out in the guidelines issued by MAS on 3 April and which the industry is implementing. These Guidelines will be embedded into the banks' sales culture.
2. **Imposing restrictions on bank tellers' activities.** Bank tellers at bank branches will be prohibited from referring customers to representatives for the purchase of investment products.
3. **Tightening the sales process for specific groups of customers.** Banks recognise that the elderly or people with low levels of education may find it difficult to understand features of investment products. To better safeguard the interest of these customers, banks will now implement enhanced product suitability checks for these customers. Products sold to these customers must be done so in the presence of a supervisor to ensure that the customer has fully understood the features, benefits and risks. If the supervisor is not available immediately, he or she is required to carry out a "call back" to the customer to ascertain suitability. In addition, complex investment products which carry higher risks will not be sold to all customers on a "no advice" basis, and representatives have to explain the nature and risks of such products to all customers.

4. **Enhancing due diligence for new products.** While the industry already has in place a selection process for new products, steps are being taken to enhance it. Banks that distribute investment products will strengthen their due diligence before offering any new investment product or service to their customers to ascertain whether the new product or service is suitable for their customer base. The product selection matrix for customers will encompass factors such as the product's suitability for its intended target audience based on risk profile and features, how it will be sold, and the documentation that support the sale of the product.
5. **Instituting a cooling off period.** Banks will also introduce a cooling off period of up to 7 days for structured products with the exception of time-sensitive treasury / investment products.
6. **Conducting robust and specialised training for representatives.** Banks will introduce a more robust and specialised training programme for relationship managers. The industry is working with MAS to put together a new examination module for product knowledge on complex investment products. Relationship managers will be required to pass this module before they are allowed to sell complex investment products.
7. **Using the Balanced Scorecard to determine staff remuneration.** Banks are moving towards the use of a balanced scorecard to determine representatives' remuneration. Performance of representatives will not be assessed based on sales factors alone; the other factors on which relationship managers will be assessed include competency, and compliance with the Fair Dealing Guidelines.
8. **Reinforcing / Reiterating commitment to handle complaints effectively and independently.** Banks will continue to deal with complaints based on principles of sincerity, transparency and effectiveness. This will include banks acknowledging complaints within two business days of receipt, having an independent officer in the bank to handle complaints, and informing consumers of the status of their complaints within 14 business days as far as possible. Banks will also continue to extend their full cooperation, including boosting their staff strength and other resources, to help ensure that the dispute resolution process facilitated by the Financial Industry Dispute Resolution Centre (FIDReC) can be administered in a timely manner and that customers' disputes be resolved expeditiously.
9. **Stepping up education programmes for retail consumers.** In collaboration with MoneySENSE, Securities Investors Association Singapore (SIAS) and the Sim Kee Boon

Institute for Financial Economics, ABS has started its series of quarterly “My Money” investment seminars and radio programmes to help retail investors and consumers make informed investment decisions. In tandem, a “10 Questions All Investors Should Ask” guide has been developed in collaboration with MoneySENSE and SIAS. The industry is also participating in CPF Board’s IM\$avvy web portal project, a personal financial planning educational website.

Says Mrs Ong-Ang Ai Boon, Director of the ABS: “The banking industry is stepping up efforts to enhance and strengthen its approach to the sale and marketing of investment products. We want banks to communicate more openly and clearly with consumers so that they make informed decisions about their investments. Importantly, banks have a responsibility to ensure that the right products are sold to consumers, depending on their risk profile and the suitability of products.”

ENDS

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About The Association of Banks in Singapore:

The Association of Banks in Singapore (ABS) plays an active role in promoting and representing the interests of the banking community in Singapore. In doing so, ABS works closely with the relevant government authorities towards the development of a sound financial system in Singapore. Since its establishment in 1973, ABS has promoted common understanding among its members and projected a unifying voice on banking issues. It has brought its members closer together through various guidelines and banking practices as well as the support of projects of mutual benefit to face the challenges of the financial and banking community in Singapore. Today, ABS has a membership of 118 local and foreign banks. Further information on ABS is available on the website: www.abs.org.sg.