

Circular on Temporary Arrangements regarding Client Advisory Competency Standards in view of the COVID-19 pandemic

24 April 2020

Dear CEOs of Covered Entities,

In view of the COVID-19 pandemic, the Institute of Banking and Finance (IBF) has suspended the administration of all examinations at its premises from 9 April 2020. This development, coupled with the various COVID-19 measures imposed locally and overseas, has affected the ability of Covered Persons to pass the Client Advisory Competency Standards (CACS) examinations in a timely manner.

2 The Private Banking Industry Group (PBIG), in consultation with MAS, will provide flexibility for Covered Entities to allow Covered Persons to provide financial/wealth advisory services to clients on behalf of his/her Covered Entity, pending fulfilment of the CACS requirements under paragraph 2.1.1 of the Private Banking Code of Conduct (PB Code). This is intended to be a temporary arrangement. Covered Persons appointed between 9 April 2020 and 30 September 2020 will be given a grace period of 6 months¹ to pass the relevant CACS papers.

3 In addition, while Covered Persons are encouraged to continue training and developing their skills through alternative arrangements (e.g. e-learning) during this period, it could still be challenging for some Covered Persons to fulfil Continuing Professional Development (CPD) requirements within this calendar year. As such, Covered Persons will be provided with a grace period of up to 12 months to meet their CPD hours for this calendar year. This means that any outstanding CPD hours carried over from 2020 will have to be fulfilled by the end of 2021 on top of the CPD hours required for 2021.

4 These measures are in line with the temporary relief measures that the MAS has announced regarding the Capital Markets and Financial Advisory Services (CMFAS) examinations, as set out in the MAS circular issued on 8 Apr 2020 (CMI19/2020).

5 In light of the temporary waiver of the requirements, Covered Entities are expected to take necessary steps to mitigate any risks that may arise. Specifically, Covered Entities are expected to:

- a) put in place measures to properly supervise the activities and conduct of these Covered Persons, including measures to ensure that all obligations assumed

¹ The 6-month grace period will be counted from the date of appointment. For instance, an individual who is appointed as a Covered Person on 1 May 2020 will have until 31 October 2020 to pass his CACS papers.

and liabilities incurred by the representative are properly fulfilled, in relation to carrying out any regulated activity; and

- b) establish measures, including providing proper training, to satisfy themselves that these Covered Persons understand and comply with all Singapore laws that are relevant to the regulated activity that they carry out.

6 To ensure proper tracking of the fulfilment of PB Code requirements, Covered Entities are expected to maintain an internal register of Covered Persons who have not completed the CACS examinations and to make a declaration to IBF once all Covered Persons on the register have completed the CACS examinations. Covered Entities are also expected to track the fulfilment of CPD hours for Covered Persons, and to ensure that those who are unable to complete their CPD requirements within the current calendar year complete the aggregated CPD requirements by the end of 2021. IBF will monitor this for the industry as a whole, through the annual CPD reporting by Covered Entities.

7 PBIG will work with IBF and MAS to monitor the evolving COVID-19 situation and review the need to implement further relief measures at a later date.

Frequently Asked Questions on Temporary Arrangements regarding Client Advisory Competency Standards in view of the COVID-19 pandemic

1. Due to the COVID-19 situation, prospective Covered Persons are unable to take the CACS exams during this period. Is there a grace period to meet the CACS Exam requirements?

In view of the COVID-19 pandemic, the IBF has suspended the administration of all examinations at its premises from 9 April 2020. This development, coupled with the various COVID-19 measures imposed locally and overseas, has affected the ability of Covered Persons to pass the CACS exams in a timely manner.

To minimise business disruptions, PBIG, in consultation with MAS, will provide flexibility for Covered Entities to allow Covered Persons to provide financial/wealth advisory services to clients on behalf of his/her Covered Entity, pending fulfilment of the CACS requirements under para 2.1.1 of the PB Code, subject to safeguards. A Covered Person will be given a 6-month grace period from his date of appointment to pass the relevant CACS exams.

For instance, an individual who is appointed as a Covered Person on 1 May 2020 (save for passing CACS exams) will have a 6 month grace period to pass his CACS exams (i.e. the Covered Person will only be required to complete the CACS exams by 31 October 2020). Between 1 May to 30 October 2020, he/she would nonetheless be allowed to provide financial/wealth advisory services to clients on behalf of his/her Covered Entity, subject to the safeguards set out in FAQ 4 below.

In addition, Covered Entities will still have to perform proper due diligence to ensure that the Covered Persons fulfil all other minimum entry requirements, the Covered Entity's internal recruitment criteria, and are fit and proper to be appointed as Covered Persons.

2. When will the CACS exams re-commence? What will happen if the CACS exams do not re-commence before the end of the grace period?

MAS and PBIG are monitoring the situation closely. In the event that the CACS exams are suspended for an extended period due to the evolving COVID-19 situation, PBIG will review the need to implement further relief measures.

Once IBF is able to resume on-site examinations for CACS, it will seek to increase the frequency of exam sessions, to facilitate Covered Persons' fulfilment of the examination requirements within the grace period.

3. Who is eligible for the temporary arrangement?

Any individual who is appointed as a Covered Person between 9 April 2020 and 30 September 2020 (dates inclusive) is eligible. Individuals who have previously registered to take the CACS exams at IBF but are now unable to do so, will enjoy the temporary arrangement if they are appointed as Covered Persons during this period.

4. What are some of the safeguards Covered Entities can put in place?

Covered Entities are primarily responsible for ensuring their Covered Persons have the knowledge and skills to provide financial services to clients. Covered Entities are encouraged to exercise closer supervision and provide enhanced training to Covered Persons who have yet to pass the CACS exams (non-CACS qualified Covered Persons). Specifically, Covered Entities are encouraged to –

- (a) put in place measures including proper training, to ensure that the non-CACS qualified Covered Person understands all relevant rules and regulations applicable to his conduct of regulated activity, as well as relevant product knowledge; and
- (b) properly supervise the activities and conduct of the non-CACS qualified Covered Person by ensuring that such Covered Person -
 - i. is accompanied by a specified person (who should be a CACS-qualified Covered Person of the Covered Entity or any officer responsible for the compliance function or the supervision of Covered Persons in the Covered Entity), when meeting clients or prospective clients (including online meetings);
 - ii. concurrently copies a specified person in all emails and communications with any client or member of the public; and
 - iii. does not communicate by telephone with any client or member of the public, without the presence of a specified person.

Covered Entities should also subject the sales/transactions carried out by non-CACS qualified Covered Persons to greater scrutiny. For instance, Covered Entities can impose a higher proportion of call-back verification checks to clients served by non-CACS qualified Covered Persons and review the sales documents and recommendations submitted by such Covered Persons. Covered Entities are expected to properly train, supervise and monitor the activities of non-CACS qualified Covered Persons.

To ensure proper tracking of the fulfilment of PB Code requirements, Covered Entities will be expected to maintain an internal register of Covered Persons who have not completed the CACS examinations as part of the temporary arrangement. This register should contain details on when the Covered Person was appointed, the CACS exams that the Covered Person has yet to pass, and the subsequent date on which the Covered Person passes the exams. The bank should make a declaration to IBF once all Covered Persons on the register have completed the CACS examinations. Covered Entities are also expected to track the fulfilment of CPD hours for Covered Persons and to ensure that those who are unable to complete their CPD requirements within the current calendar year complete the aggregated CPD requirements by the end of 2021. IBF will monitor this for the industry as a whole, through the annual CPD reporting by Covered Entities.

5. What will happen if a non-CACS qualified Covered Person fails to pass the relevant CACS exams, after the 6-month grace period has passed?

Covered Entities should monitor the progress of their non-CACS qualified Covered Persons and track their completion of the CACS exams in a timely manner. Upon the expiry of the grace period, the non-CACS qualified Covered Person should not provide financial/wealth advisory services to clients, unless there is a further extension.

6. Is there flexibility for Covered Persons who are unable to meet the CPD requirements in 2020, due to the COVID-19 situation?

While Covered Persons are encouraged to continue training and developing their skills through alternative arrangements (e.g. e-learning) during this period, we recognise that it could still be challenging for some Covered Persons to fulfil CPD requirements within this calendar year. As such, Covered Persons may complete their CPD hours for this calendar year by the next calendar year (i.e. by end 2021) instead. This means that any outstanding CPD hours carried over to 2021 will have to be fulfilled by the end of 2021 on top of the CPD hours required for 2021.

We encourage Covered Persons to explore virtual or e-learning alternatives which can be counted towards the fulfilment of the CPD requirements. We note that Covered Entities and external training providers have started to increase the range and number of such courses. Covered Persons are encouraged to continue to attend these training sessions to update their skills and knowledge. The following IBF website also provides information on courses that are relevant to them: <https://www.ibf.org.sg/programmes/Pages/ProgrammeFinder.aspx>