

RESPONSE TO CONSULTATION PAPER

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Consultation topic:	Notice on Identity Verification
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Confidentiality	
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General comments:

Wealth management differs distinctly from mass market. From a practical standpoint, the risk of impersonation and fraud is relatively low in the tailored investment management. The individuals with whom the relationship managers of independent asset managers (“IAMs”) interact are generally well known to them. The proposed Notice on Identity Verification (“Proposed Notice”) should accommodate for the verification of the identity based on this familiarity of the relationship managers with the customer / the individual acting on behalf of the customer. While we fully support the initiative to keep customers (and their assets) safe, the customer experience must also be kept in view in order to keep financial services by Singapore financial institutions attractive and efficient to our customers. In particular high net worth individuals demand a high level of services, including comfort.

Moreover, we consider it unnecessary from a risk perspective for the custodian banks to confirm transactions with the customer where the payment or transaction instructions are passed by the IAM, i.e. IAM’s relationship manager, to the bank on behalf of the customer, since the IAM has verified the identity of the customer / the person acting on behalf of the customer. In order to avoid such unnecessary steps for the customer, that the customer feels lower the quality and efficiency of the service, the Proposed Notice may state that such confirmation by the custodian banks are not required.

Question 1. MAS seeks comments on the applicability of the Notice.

The Proposed Notice requires the financial institution to meet the verification requirements “[w]here a relevant entity is verifying the identity of an individual [...] for non-face-to-face contact” (para. 2 of the Proposed Notice). Although this leaves room to the financial entity to determine where it wants to or needs to verify the individual, MAS may consider providing additional guidance where such identification is required; For example where a customer accesses a platform to view general information, e.g. a product highlights sheet on a collective investment scheme, a lesser degree of verification may be required than where the customer accesses data specific to the customer, e.g. information on the customer’s transactions, or authorises a transaction, e.g. gives a payment order.

Question 2a. MAS seeks comments on the types of information stipulated in the requirement to verify the identity of an individual without face-to-face contact.

We welcome that the proposed types of information to verify the identity of an individual without face-to-face contact allow for a range of options.

In addition to the permitted types of information for identification, the question arises, how these types of information must be verified. Small financial institutions are not in a position to invest heavily in technology to verify its customers. They thus rely on manual verifications of their customers; e.g. a relationship manager accepts transaction orders based on a call with the customer. We take the view that there should be no transaction / payment without the relationship manager hearing and recognizing the voice of the client. Conversely, no technology solution verifying the voice should be required.

Further, it must be noted that the relationship managers of IAMs maintain a close relationship with their customers. Customers will commonly give them their instructions in the context of additional interactions; e.g. the customer may confirm an investment by email that he has discussed with the relationship manager two days ago. Thus, there is commonly additional assurance regarding the veracity of the individual interaction. This additional layer of assurance should be taken into consideration in the Proposed Notice to compensate for verification measures in the individual interaction.

Regarding customer orders pertaining to advisory investment mandates, AIAM takes the view that the multi-factor identification requirement should be carved out of the notice. Unlike for remittances, when it comes to investment orders the risk of impersonation is very low (no tangible benefit to an impersonator) and the necessity to follow-up e-mails with a call will result in inconvenience to the customers and potential delays in executions. This could put Singaporean financial institutions at a disadvantage compared to their international peers, as we are unaware of such requirements in other jurisdictions. At the least e-mail instructions should be acceptable, if the client provides a registered e-mail address and acknowledges in writing that e-mails should be accepted as a mode of instruction.

Question 2b. MAS seeks suggestions on other effective types of information to verify the identity of an individual without face-to-face contact.

Once customers are on-boarded, IAMs have the following common types of interactions with their customers:

- Change of investment mandate; e.g. from an advisory mandate to a discretionary mandate: Instructions for such change are usually confirmed in writing via email, letter, or new contract.
- Change in investment profile; e.g. from “growth” portfolio to “balanced” portfolio: Instructions for such change are usually confirmed in writing via email, letter, or new contract.

- New investment instructions or change of investment instructions; e.g. no GBP investments: Instructions for such change are usually confirmed in writing via email, letter, or new contract.
- Order placements in advisory mandates: As stated above, AIAM takes the view that order placement in the context of investment management should be carved out of the notice.
- Payment instructions that the IAM forwards from the customer to the custodian bank: The most suitable verification option provided, but also the most time-consuming, will be the verification based on quoting previous transactions.

Considering the above listed common interactions, the signature of the customer / the individual acting on behalf of the customer should also be accepted for the verification of the identity for such transactions.

As mentioned above, a customer contact is commonly not an isolated contact in case of IAMs' business relationships, but the relationship managers are in frequent contact with their customers / individuals acting on behalf of the customers. The individual contact is frequently part of a larger conversation and the IAM is familiar with the patterns of the individual customer. Where a non-face-to-face contact is taking place, this broader context should be taken into consideration; e.g. where the customer has discussed new investment restrictions with the relationship manager by phone and video call and exchanged emails and text messages on the subject, a simple email confirming these instructions should be sufficient, without requiring any of the types of information listed in the Proposed Notice being required. Requiring unnecessary, specific forms of interaction / confirmation will jeopardise the customer's positive experience with the IAM. Such potential negative impact will be exponential with wealth management customers that demand a high level of customer service.

Question 3. The effective date will be 6 months from date of issuance of the Notice. MAS seeks comments on whether the transition period is adequate for financial institution to implement the frameworks, processes and controls to comply with the requirements.

Small financial institutions that do not yet have systems to verify the identity of their customers may struggle to select and implement systems (if systems are required). If systems are required, an implementation period of 12 months may be more adequate to allow small financial institutions to identify and implement such systems.