

Independent Wealth Managers’ Code of Ethics



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1. Code of Ethics

The Code of Ethics ("Code") is applicable to all Members ("Members") of the Association of Independent Wealth Managers Singapore ("AIWM Singapore"). Members are expected to conduct their business in an ethically responsible manner. Members are committed in performing their business activities professionally and acknowledge the significant impact their actions may have on the economic situation of their clients. Members shall strive to maintain and uphold the highest level of Integrity, Ethics and Professional Conduct to safeguard the interests of their clients.

1.1 The Code sets out the ethical requirements for Members who operate as independent wealth managers in Singapore.

1.2 The Code aims to supplement relevant regulations and laws applicable to the Singapore independent wealth management industry and to provide guidance in respect of the minimum standards of conduct specifically applicable to Members. It does not intend to replace any legislation, regulations or guidelines issued by the relevant authorities in Singapore. Further reference shall always be made to such legislation, regulations or guidelines, and in the case of inconsistency with the Code, the former will prevail. The Code does not have the force of law and shall not be interpreted in a way that would contradict or replace the provisions of any law, regulations or guidelines issued by the relevant authorities.

1.3 Members are defined as organizations which typically satisfy the following:

a) They shall be deemed to be independent if they are free to make decisions on the investments and investment policies they pursue in providing their services. This is also the case if a third party holds a majority shareholding. With the exception of joint ventures, syndicates or other coordinated activities (done transparently in their interest of clients), Members may not be bound by exclusivity agreements when offering and providing their services and financial products.

b) Members shall take organisational measures that are appropriate for the size and structure of their business to avoid conflicts of interest, such as the

segregation of duties, setting up Chinese walls (limiting internal flow of information) and other measures. Transactions must be carried out in the best interest of clients, aligned with the clients' risk tolerance and risk ability (i.e. the client's risk / investment profile) and in particular, churning shall be avoided. Transactions that potentially give rise to a conflict of interest between the Member and the client should be cleared with or consented to by the client beforehand (this may be addressed in the client's mandate) and carried out in such a manner that the client is not disadvantaged in any way. Any conflict of interest situation that cannot be prevented by means of appropriate organizational measures shall be disclosed to clients for their waiver and approval.

c) With respect to dealings on own accounts of the Members and/or their employees who are aware of transactions planned or executed on behalf of clients, Members shall issue appropriate directives to prevent pecuniary gains from being obtained through improper conduct. In general, Members may permit transactions that, based on volume, are a priori not price-sensitive.

d) Members shall recommend to their clients banks and security dealers that provide the best possible executions in terms of service quality, pricing, timing and size, taking into account the risks such as the possibility of counterparty default. Members should not unduly influence clients choice of banks &/or dealers in exchange for their own financial interests. The final choice of which banks/dealers to use shall strictly be that of the clients.

e) Members shall inform, educate and partner investors in their quest for suitable and high quality investment advice.

f) Members shall seek appropriate advice in regards to investment strategies and transactions requiring specialised knowledge.

g) Members shall take into account clients' overall financial situation, commitments and dependencies in order to ensure suitable advice when selecting an investment policy.



2. Annex A – Code of Ethics Statement –

Ordinary Members Only

CODE OF ETHICS STATEMENT

FOR THE CALENDAR YEAR JULY 2021 - JUNE 2022

We acknowledge that, as an Ordinary Member of the AIWM Singapore, we are required to submit annually the Independent Wealth Managers signed Code of Ethics Statement (CES).

We hereby confirm that we have read and understood the Independent Wealth Managers' Code of Ethics and subsequent amendments (the 'Code of Ethics') published on the AIWM Singapore website (<https://www.aiwm.sg>).

With the exception of previous disclosures to the AIWM Singapore (if any) or any other disclosures* as indicated by us here below, we also confirm that we have complied with the Code of Ethics during the past calendar year, and that we will continue to comply with the Code of Ethics during the present calendar year.

We understand that failure to file the Code of Ethics Statement within the stipulated time may result in the revocation or suspension of our AIWM Singapore membership.

Disclosures (if any):

Dated this _____ day of _____ (Year)

On behalf of: _____

(Name of Company/Firm)

Name: _____

Designation: _____

Signature: _____

*This information is provided in strictest confidence and not to be taken as a representation or a guarantee by the Member and its Signatory. No responsibility or liability for any damage resulting from or in connection with its use is assumed by the AIWM Singapore or by its officers, whether in tort, contract or otherwise howsoever. The information is highly privileged and is not to be furnished to another party without prior written approval from AIWM Singapore.

3. Annex B - Professional Best Practices Reference Manual

1. Independent Wealth Managers

Several distinct characteristics set Members apart from conventional fund managers. These characteristics include, but not limited to:

- a) A Limited Power of Attorney for Wealth Management (LPOA) is given by each of Members' clients on their bank accounts to assist in the management of all investment related activities. The LPOAs **DO NOT** enable an independent wealth manager to withdraw clients' assets in these accounts as such powers are retained by the clients. Such arrangements will avoid risk of fraud or embezzlement.
- b) The assets and the accounts are booked/held in the names of the clients thus the Bank retain direct contractual relationship with the clients but recognise the relevant Members as duly appointed external investment advisors/portfolio managers to the clients' account.
- c) The clients enjoy the benefit and security of the large capital and infrastructure of the custodian Bank but the independent advice of Members
- d) Members are independent operators and are not engaged by the Bank but the clients, their incomes are derived from the management fees that the clients pay thus Members' interests are aligned to the financial well-being of the clients' portfolio they advised on.
- e) Members are not restricted to specific platform banks products and free to offer the best available in the market that are best suited to the clients' specific needs.
- f) This tripartite relationship of platform Bank, client and Members is an ideal structure for wealth management. Members do not directly compete with the Bank but provide valueadded services complimentary to existing private banking business model in the industry.

2. Conduct of Business

Members shall conduct their businesses with ethics, integrity and professionalism. They shall make all reasonable efforts to ensure that their activities, actions and opinions are not misconstrued or result in any misrepresentation, whether orally or written, directly or indirectly to clients, potential clients, or their representatives. In carrying out business activities, Members shall endeavour to actively prevent and combat money laundering and terrorism financing.

Members shall ensure that:

2.1 Finance

- a) They have adequate financial resources in accordance with applicable statutory requirements reflecting the scope, size, and risk profile of their business activities.
- b) They have adequate professional indemnity insurance cover which complies with all regulatory requirements and is sufficient with regards to the nature of their business.
- c) They comply with the applicable statutory accounting rules. Members shall provide their businesses with adequate financial resources and inject additional funds to cover adverse balances within a reasonable timeframe.

2.2 People

- a) They have sufficient human and technical resources and experience for the proper performance of their duties. This would be expected to vary depending on the amount of assets under management by the firm, and the type and nature of the assets and markets in which the firm invests. The functions of the firm including fund management, risk management, marketing,

operations, compliance and audit shall only be performed by qualified and experienced persons, who shall receive proper supervision and appropriate training on an ongoing basis.

- b) Their employees shall comply with the rules and regulations as set out in paragraph 3.8.

2.3 Systems Infrastructure and Business Continuity

They have adequately documented records, business recovery plans, including disaster recovery and business continuity plans, which can be implemented immediately to ensure the continuation of operations, adequate facilities for the ongoing management of client assets, suitable risk control systems to ensure compliance with mandate instructions and regulatory controls, a system for the allocation of individual responsibilities and procedures for regular testing for effectiveness. If there is no suitable deputy within a firm to take over the activities of an individual asset manager in the event of death or incapacity to work, the services of another asset manager or bank to perform these activities shall be secured and clients shall be promptly informed of the measures taken.

- a) They maintain proper financial, client or other material business records accurately, completely and address applicable regulatory requirements and the standards.
- b) Work records and data are properly documented in either hard or soft copy:
 - Daily work done by employees shall be backed up in a main IT server or at the end of each day (daily backup scripts shall run automatically whenever an employee logs off his/her terminal)

- Copies of backups are archived monthly into another server and stored offsite. In the event of any form of disruption, these backups can be used for business continuity.
- c) All computer systems and networks are to be accessed by a required User ID and Password, and these should be programmed to be changed every 90 days to ensure sensitivity. Employees must “lock” their machines when they are away from their desks.
- d) Internet network should be fully secured from intruders and viruses. The first level of security should entail scanning all incoming and outgoing documents. The second level of security should be an in-depth viral scan to prevent entry of any malicious code.

2.4 Confidentiality

Subject to the relevant laws and this Reference Manual, they shall maintain absolute confidentiality with regards to all information of which they become aware of in the course of their professional activities:

- a) Members shall ensure that they maintain confidentiality of all applicable information, especially personal client data. Data shall be used as far as their entitlement to carry out their professional duties. All parties involved in the handling of client data shall formally agree to statutory or contractual confidentiality obligations in the form of a written agreement.
- b) Members shall implement appropriate technical and organisational processes to protect the personal data entrusted to them

2.5 Delegation

They retain responsibility for any delegated or outsourced function and ensure that the third parties to whom the functions are delegated to or outsourced are suitably qualified and are competent. Ongoing supervision of their delegated or outsourced responsibilities shall be carried out.

Members shall observe the following principles:

- a) The outsourcing of business activities shall be in the interest of the clients. The service provider shall be selected, instructed and monitored with diligence. The choice of service provider is subject to having taken into account and verified its ability to perform the required services. The service provider shall offer appropriate assurances with respect to reliability and continuity of the services offered.
- b) Members shall bear ultimate responsibility for the outsourced services.
- c) The outsourcing process shall be governed by written agreements that clearly define the tasks to be carried out by service providers.
- d) When auditing or otherwise verifying compliance with this Reference Manual, the auditor or controller shall be given access to the documentation and technical systems of the service provider as long as confidentiality of client data, investments or other appropriate information is maintained. In particular, the term “outsourcing of business activities” shall extend to:
 - Client relationship management carried out by third party companies and individuals (namely other companies, independents and agents).
 - Delegation of management of client assets by issuing substitute powers of attorney.

- Outsourcing of financial analysis services and the preparation of investment proposals and model portfolios to a single service provider.
- Performance of compliance duties, i.e. with respect to the prevention and combating of money laundering and terrorism financing.
- Outsourcing of data processing and storage systems containing client data (e.g. external management of client databases and information systems relating to client assets or order transfer systems managed by third parties).

2.6 Risk Management

They have proper risk management procedures commensurate with their business. This can include, but not be restricted to an enterprise-wide risk management framework which shall cover policies and controls on top of ongoing oversight, monitoring and management of counterparty risk (clients and bank/product providers), investment risk (i.e. error in transaction orders, market, credit and liquidity), risk of fraud, as well as operational risk (systems, regulatory, technology, and process). They shall also institute regular reviews and assessments of the risk management policies and procedures in place to ensure continued adherence.

2.7 Segregation of Business Activities

- a) They institute appropriate segregation of business activities, such as “Chinese walls” within their organisations, together with written policies and procedures to limit the flow of confidential and price-sensitive information that would prevent them from dealing in particular securities or with particular clients. This segregation shall also be extended to related or affiliated companies or other companies which may give rise to conflicts of interest.

- b) They institute internal control procedures to ensure that key duties and functions are wherever possible, appropriately segregated. In particular:
- The front office functions shall be physically segregated from back office functions and shall be carried out by different staff with separate reporting lines.
 - The investment decision making process shall be segregated from the dealing process. In this respect, a central dealing function is encouraged.
 - Compliance and audit functions shall if possible, be separated from each other and have separate reporting lines from other functions, and
 - Proprietary activities of Members shall be segregated from client-related activities

2.8 Personal Conduct and Trading

- a) They have in place appropriate policies and internal controls governing staff conduct and personal dealing, and that there are appropriate structures in place to carry out monitoring and to ensure compliance. These would include the following:
- Incorporating in their codes of conduct or ethics and/or contracts of employment for employees (including directors) of Members, statements of general fiduciary principles that govern
 - Compliance with laws and regulations
 - Obligations to clients including client confidentiality
 - Use of information both proprietary to the Members and its clients

- Employees' opening of accounts with approved brokers
- Their employees (including directors) are to maintain records of all their securities holdings with sufficient details to demonstrate compliance with the above fiduciary principles, and which shall be produced in a regular and timely manner to enable monitoring.
- Their employees (including directors) are prohibited or restricted in engaging in short swing trading (purchase and subsequent sale of securities within a short period of time) and market timing (short term trading of unit trusts to take advantage of short term discrepancies between the “stale” value of assets within a unit trust portfolio and the current market value of those assets), if such transactions pertain to securities within the Member's or clients' investment holdings.
- Their employees (including directors) wishing to purchase or dispose of securities for their own personal accounts, or for accounts of their immediate family, persons who are financially dependent or entities that are controlled by such employees shall be required to obtain prior written permission from the senior compliance officer or a person authorised by the directors. Permission shall be valid for a limited period to ensure that there is appropriate consideration of changing circumstances. Securities that do not present opportunity for improper trading, such as government bonds, regular savings plans and unit trusts (other than those managed by the employing Members) may be excluded from this requirement. Appropriate documentation of such approval and employees (including directors) of Members, shall maintain transaction records to ensure a proper and adequate audit trail.

- b) The interests of clients shall receive priority over the interests of the employees (including directors) of Members. This will mean satisfying client transactions before dealing for employee accounts and avoiding any conflict between the interests of clients and those of employees (including directors) of Members. Where there is a deemed potential conflict of interest, the employees, including directors, of Members shall report immediately to the senior compliance officer as well as an appropriate senior director who will either resolve the potential conflict or ensure proper disclosure to the clients affected.
- c) They take reasonable steps to ensure that disclosure is made by employees holding any outside interests (such as a stake of 5% or more in a company or business) and directorships in companies.
- d) They keep records of the above including any violations and the resultant investigations and actions taken where appropriate for a period of five years.

2.9 Professional Competency

They possess a requisite level of competence and knowledge required to carry out their business functions most effectively. The competency framework comprises expected standards on:

- a) Competency Assessment
 - Members shall ensure that they are adequately skilled and experienced, to provide investment advice or carry out investment activities on behalf of clients. They shall assure the industry and investing public of their technical competence by passing examinations administered by recognised institutions of higher learning such as the Institute of Banking and Finance (Singapore), the Chartered Financial Analyst Institute, etc.

- Members shall refer to appropriate regulations/guidelines with reference to their areas of specialisation, to ensure that they obtain appropriate licenses to practice.
- Members shall also update themselves of compliance requirements and ethical responsibilities as investment professionals. Further guidelines are found in Section 5.

b) Continuing Professional Development (CPD)

- The purpose of CPD is to enable professionals to continually update themselves in terms of relevant market conduct requirements, product knowledge, skills/competencies and compliance-related matters. Members shall refer to FICS (Financial Industry Competency Standards) framework released by The Institute of Banking & Finance, Singapore, for guidelines on professional development.

3. Client Relationship

Members shall consider the suitability of each investment in relation to the client's needs and objectives, as well as, offer the most appropriate recommendations, where applicable. Members shall ensure that they exercise due care in carrying out their fiduciary duties. Members shall also strive to formalise and document key aspects of the relationship:

3.1 Establishing Client Requirements through Written Partnership Agreements

Members shall fully understand the requirements of their clients as and when appropriate and/or required. Depending on the function of business, Members may consider the following needs of the clients:

- a) Client Suitability to Carry on an Investment Relationship with the Member

Where applicable, client suitability may be assessed based on risk tolerance, expected return, investment needs, dedicated assets, assets available for investments and outstanding liabilities.

In particular, the Member must ensure strict compliance to the Monetary Authority of Singapore accredited investors rules with definitions as follows:

- An individual
 - I. Whose net personal assets exceed in value \$2 million (or its equivalent in a foreign currency) or such other amount as the Authority may prescribe in place of the first amount; or
 - li. Whose income in the preceding 12 months is not less than \$300,000 (or its equivalent in a foreign currency) or such other amount as the Authority may prescribe in place of the first amount;
- A corporation with net assets exceeding \$10 million in value (or its equivalent in a foreign currency) or such other amount as the Authority may prescribe, in place of the first amount, as determined by
 - I. The most recent audited balance-sheet of the corporation; or
 - li. Where the corporation is not required to prepare audited accounts regularly, a balance-sheet of the corporation certified by the corporation as giving a true and fair view of the state of affairs of the corporation as of the date of the

balance-sheet, which date shall be within the preceding 12 months;

lii. The trustee of such trust as the Authority may prescribe, when acting in that capacity; or

lv. Such other person as the Authority may prescribe

b) Investor sophistication

- The client must display thorough understanding in terms of risk, return, structure, terms or any other related information associated with the investment, and have at least 5 years of experience investing in the product/strategy to be considered relatively sophisticated. This due diligence must be conducted in the strictest manner so as to safeguard the interests of both the client and the Member.

c) If dealing with private assets of High Net Worth Individuals, the Member shall develop and propose an investment strategy according to the client's profile. If dealing with institutional clients or sophisticated investors, the Member shall closely assess and ascertain the suitability of the client before initiating an investment proposal.

d) Upon client's approval of the proposal, the Member shall proceed to implement the strategy and closely monitor to optimize returns.

3.2 Cementing Client Relationship

a) Client Mandate / Investment Agreement

This agreement is entered into with all clients before the Member commences carrying out investment activities with regards to client's

invested assets. The written agreement between clients and the Member contains the following:

- The nature of services to be provided by the Member to the clients;
- Commencement date of the investment management agreement;
- Termination period and procedures;
- Investment Objectives;
- Custody Arrangements;
- Prime Brokerage (if any), Custodian Bank of choice, etc
- The advisory/management of assets process;
- Fees and remunerations payable by the clients; and
- The obligation of the Member to act at all times in compliance with applicable laws and regulations governing the investments and to periodically report such compliance and performance of investments to clients.

b) Client Information

Where applicable to the Member's business, clients may also need to provide the following details for official records

- Name of the Client/Company;
- Address of Company;
- Contact Details and persons;
- Place/Date of Incorporation;
- Business Registration Number;
- and Authorized Signatories.

c) Investment Mandates

Where applicable to the Member's business, the Member will be granted a Limited Power of Attorney (LPOA) by the client, allowing it to manage investment matters on either a discretionary or active advisory basis:

- If the client opts for an active mandate, the Member will discuss investment ideas and opinions with them before any action is taken; or
- If the client opts for a discretionary mandate, the Member will implement directly and disclose transactions promptly to the client.

d) Risk disclosure statements

The client is advised to take heed of the risk disclosures given by the Custodian Bank as required by its regulatory licensing regime. This clause is stated in the General Terms and Conditions signed together with the agreement.

e) The General Terms and Conditions

This shall be agreed upon and signed together with the agreement which shall also be provided to clients.

3.3 Client Reporting

- a) The Member shall appraise the client of the monthly performance of their investment holdings through a monthly valuation update, as well as an analysis of performance.
- b) The Member shall ensure that the gross and net values of the clients' investment holdings are formally updated so as to keep track of the fund flow and performance.

3.4 Custodian/Trustee Arrangements

- a) Members shall not provide custodian services for their clients' monies.

- b) Members shall add value through prudent risk management applied to the structural investment advisory services.
- c) Members are authorized by the clients to give instructions to the bank on various investment transactions, as and when appropriate.
- d) Members are not authorized to withdraw or transfer any assets out of respective clients' portfolios.

3.5 Termination

- a) In the event of termination of the relationship between the Member and the client, the Member shall continue to act in a proper and ethical manner. The Member shall work diligently and thoroughly ensuring that the account is liquidated efficiently and the relationship ends in an amicable manner.
- b) Matters related to termination are stated in the General Terms and Conditions given to the clients:
 - The client shall acknowledge that each Custodian Bank shall be permitted to complete any transaction initiated prior to receipt of notice of termination from the client;
 - Notice of termination by the client must be addressed to the General Manager/CEO/Managing Director, or other appropriate senior executive to represent the Member. Notices given by the Member are to be sent to the address last notified by the client; and
 - Termination of the Investment Agreement shall be without prejudice to the accrued rights and liabilities of the parties hereto and the validity as stated in the General Terms and Conditions, which shall remain unaffected.

3.6 Valuation

a) There shall be independent, fair and proper valuation of all investments undertaken by Members on behalf of clients. Market prices and any rates used in the revaluation process should be independently sourced. Particular care shall be exercised in the valuation of unlisted or unquoted securities for which there are no readily available and transparent prices. Members are encouraged to disclose the basis of valuation of unlisted or unquoted securities to their clients for transparency.

3.7 Performance Measurement and Reporting

- a) The measurement and reporting of investment performance to clients, performance surveys to the public shall conform to standards that ensure fair and proper disclosure and enhance comparability with other similar investment services or products.
- b) The performance information should provide clear statements as to what was being measured and the time periods for which the performance was being measured.

3.8 Appointment of Distributors

- a) A Member may choose to appoint distributors by way of a distribution agreement, to act as the distribution agent of the Member in promoting and selling the Member's investment products to the distribution agent's customers.
- b) Members shall ensure that they conduct appropriate due diligence on any person or agent to be appointed as a distributor for the Members' investment products, including confirming that such person is appropriately licensed to carry on the business of marketing/selling such products.

- c) The distribution agreement shall detail all business conduct rules relating to the appointment of distributors for Members and the agency relationship under distribution arrangements with distributors.
- d) A distribution agreement shall contain at least the following:
 - The nature of distribution services to be provided by the distributor to distribute the Member's investment products;
 - An obligation on the part of the Distributor to act at all times in compliance with applicable law and regulations governing the distribution of the investment products and to periodically report such compliance to the Member;
 - An obligation on the part of the Distributor to act at all times in compliance with the operational parameters set out in the relevant prospectus or otherwise for the investment product, including, without limitation, observing all operational dealing deadlines and cut-off timing requirements for the subscription or redemption of units/shares of the investment product;
 - An undertaking by the distributor to observe at all times the prohibition against any late trading understood to mean permitting the placing or trading of orders after cutoff timing for a day's trades in the investment product;
 - An undertaking by the distributor to observe all applicable law and regulation on antimoney laundering when accepting orders and monies for subscriptions for units/shares in investment products; and
 - An obligation on the part of the distributor to deliver only current versions of prospectuses or other marketing materials for investment products; and reports, notices and other relevant documents relating to each investment product to each investor who has purchased the investment product from the distributor.

3.9 Client Complaints

- a) Members shall ensure that client complaints are handled in an independent, prompt and appropriate manner. According to the Standards Of Conduct For Financial Advisors released by the Monetary Authority of Singapore, a financial adviser should adopt internal guidelines setting forth the procedures to deal with client complaints relating to its business.

A financial advisor should ensure that:

- complaints from clients relating to its business are handled in a fair, timely and appropriate manner;
- complaints are promptly investigated and responded to; and
- an officer is designated to handle complaints.

The financial adviser should maintain a register of complaints to give effect to the paragraph above. Senior management should review the register regularly.

- b) Members shall ensure that formalised policies and procedures are in place to deal with and respond to complaints from the client. Amongst others, this includes the maintenance of:

- Proper documentation and records of investigation, including documents reviewed and interview conducted, where appropriate.
- § Ensure adherence to a reasonable timeframes (e.g. acknowledgement notice within 48 hours and completion of investigation within 7 days etc) to acknowledge and complete the review of clients' complaints, and provide timely interim replies where complaints cannot be resolved the stipulated timeframe.
- § Have clear criteria and adequate resources to ensure that complaints are investigated promptly, effectively and fairly.

4. Conduct of Investment

In conducting investment transactions, Independent Wealth Managers shall deal fairly and objectively with all clients. They shall ensure that adequate disclosure is made to all clients of any matter which might diminish that objectivity.

4.1 Investments within Client Mandate

- a) Members shall ensure that transactions carried out on behalf of clients are consistent with the portfolios' objectives, mandates, investments restrictions and guidelines.
- b) This shall be carried out through the completion of Fact Find Form/ Client Investment Profile Questionnaires etc (which will be reviewed on an annual basis or amended/updated as and when ad-hoc changes are significant enough to affect the investment structure of the portfolio arise) that outlines various aspects of the client in detail including:
 - Needs analysis;
 - Financial concept;
 - Investor profile;
 - Risk ability/tolerance; and
 - Investment strategy.
- c) Members shall present clients with the investment proposal for their acceptance before implementation.

4.2 Best Execution

- a) Members shall always execute client orders on the best available terms, taking into accounts the relevant market conditions, type and size of transactions.

- Members shall instruct the respective bank to execute the order immediately either at market price or at a limit.
- Members shall subsequently conduct a follow up to check if the order has been placed correctly and at the proper time. Compare the bank execution price to the market open, close and trading range to ensure the order is done at best execution.
- All client orders shall be placed before the order of any investment manager or employee:
- A Register of Interest in Securities spread sheet shall be circulated around the office weekly.
- All employees shall disclose any security transactions which they have personally made.
- Employees are not permitted to invest in any security on the same day, or one week prior to the firm investing in it for clients.

4.3 Order Allocation

- a) Members shall ensure that all orders are allocated fairly among clients' portfolios and accounts.
- b) If the transaction is affected, adjustments are made accordingly in a reasonable manner related to the original stated intention:
 - No client must be favoured over another; and
 - Orders shall be adjusted for each client in proportion to the original intended size of investment.

4.4 Security Transaction Blotter Records

a) Investment managers must take the following actions to ensure that investment orders are placed and carried out in full without any errors:

- Time and date of receiving order from advisory clients (for discretionary clients, time and date will be recorded if applicable);
- Time and date of order placed with the bank;
- Time and date of order confirmation received from bank; and
- Time and date of client being advised of execution.

b) Investment managers must check the status of all outstanding orders with the bank at the beginning and end of every day to double check executions.

4.5 Cross Trades

a) Members shall have in place a policy governing cross-trades and they shall only undertake sale and purchase transactions between client accounts (cross trades) where

- The sale and purchase decisions are in the best interests of both clients and fall within the investment objectives, guidelines and investment restrictions of both clients;
- The reason and basis for such trades is documented prior to execution; and
- The trades are executed on arm's-length terms at current market value.

b) Cross trades between staff personal accounts and client accounts shall be prohibited. Cross trades between a “house account” controlled by a Member and a client account shall also be prohibited. “House account” refers to an account owned by members or any of its connected persons over which it can exercise control or influence.

4.6 Late Trading

a) Late Trading refers to the activity in which an investor is allowed to place an order to subscribe, switch, cancel or redeem the units/shares in the collective investment schemes after the dealing deadline set out in the prospectus or trust deed but receives price per unit/share calculated as of the dealing deadline. Such late trading shall be prohibited and form part of the distribution agreement.

b) Late Trading could lead to dilution of the value of collective investment scheme’s units/shares and could be susceptible to abuse in that it could allow speculators to take advantage of fluctuations in the prices of the collective investment scheme’s portfolio securities that occurred after it calculated its net asset value.

c) Members shall require that their distributors comply with dealing deadlines when accepting orders from investors. Members shall also agree with distributors the absolute deadline for submission of daily orders.

d) While it is a common practice for distributors of Members to accumulate their clients’ transactions received up until the dealing deadline and then transmit them to members for processing after the dealing deadline at that day’s price per unit of the collective investment scheme, the distributors shall be bound by contract to honour only those orders received by the dealing deadline.

e) Members shall put in-place measures to ensure that in-house trades and staff trades for collective investment schemes comply with the dealing deadlines of their collective investment schemes.

4.7 Market Timing

a) Market Timing generally refers to the short-term trading/frequent purchases and sales of units/shares in unit trusts and/or mutual funds with the intention of taking advantage of short-term discrepancies between the “stale” value of assets within a mutual fund’s portfolio and the current market value of those assets. Market Timing can be disruptive to fund management and can cause dilution in the fund to the detriment of long-term investors. For instance, the manager may be compelled to retain a higher level of liquidity than would be ideal, or to buy and sell holdings more frequently than desirable, thereby incurring broker commissions, market spreads, market impact etc. Whilst Market Timing is not explicitly a breach of Singapore regulations, Members shall not knowingly allow investments which are associated with Market Timing given their fiduciary responsibilities to all their clients.

b) Members are encouraged to implement policies and procedures to identify and deal with Market Timing as appropriate, taking into consideration, the nature and size of their businesses.

4.8 Fees from Underwriters

Unless specifically permitted in the investment management agreement, Members shall not participate in activities that would generate fees from underwriters on behalf of a client. Where activities that would generate fees from underwriters are carried out on behalf of a client, all commissions and fees received under such contract shall be credited to the client account.

4.9 Participation in initial Public Offers

a) Where Members participate in an initial public offering on behalf of clients, they shall ensure that:

- The allocation of stock received in the offering provides for a fair and equitable allocation amongst clients;
- Preferential allocations are prohibited;
- The reasons for all allocations are documented.

4.10 Portfolio Turnover

Members shall not trade excessively to generate income for their own benefit or that of a related company.

4.11 Portfolio Disclosure

a) Members are encouraged to implement policies and procedures with regards to the disclosure of unit trust portfolio holdings to different categories of persons, including individual investors, institutional investors, intermediaries that distribute the fund, third party service providers, rating and ranking organizations and affiliated persons of the fund. Members shall also have procedures in place for monitoring the use of information about portfolio securities (e.g. to identify market timers). Members must ensure that such disclosures are, at no time, to the disadvantage of their clients.

b) For Unit Trusts, when reporting the portfolio holdings to clients in the half-year financial statements and year-end financial statements, Members shall ensure that the disclosure are in line with the current

requirements set-out in Recommended Accounting Practice 7 – Reporting Framework for Unit Trusts.

4.12 Transaction With Related Parties

a) Members shall not carry out on behalf of a client a transaction with a company that is a related company (within the definition of Section 6 of the Singapore Companies Act, Cap 50) unless such transaction is carried out on arm's length terms, consistent with best execution standards, and at a competitive commission rate, or otherwise as may be agreed with the client.

b) Members shall not deposit or borrow funds or borrow funds on behalf of a client with a related company (as defined above) unless:

- In the case of a deposit, interest is received at a rate not less favourable to the client than the prevailing commercial rate for a deposit of that size and term, taking into account the credit standing of the deposit-taker; and
- In the case of a loan, interest-charged and fees levied in connection with the loan are no higher than the prevailing commercial rate for a similar loan.

4.13 Transaction with Third Parties

- a) All transactions with third parties must be carried out at arm's length, or otherwise in accordance with the client's instructions, and shall at all times be consistent with best execution standards.
- b) Members shall make diligent efforts in the selection of these brokers or counterparties.

- c) Members shall institute proper procedures for monitoring and controlling the exposure and volume of business to each broker or counterparty. In doing so, they shall consider the credit standing of the broker or counterparty in addition to the quality of market intelligence, research and execution capability being provided.

4.14 Transaction on Directed Brokerage

- a) Members shall base their selection of brokers or dealers for their portfolio securities transactions and the allocation of such transactions to the selected dealers and brokers on the principle of best execution.
- b) Members may not compensate any brokers or dealers for any promotion or sales of units from their funds under management by directing brokerage transactions from their portfolio securities transactions or making other forms of payment to such parties for this purpose out of their portfolios' assets. This would also apply to brokers and dealers who are related to a distributor of a Member and the directing of brokerage transactions or other form of compensation to the former is for the purpose of indirectly compensating for the promotion or sales of units from the Members' funds by the said distributor.
- c) Members shall have in place processes and procedures that are reasonably designed to prevent this including:
 - Person(s) responsible for selecting brokers and dealers for their portfolio securities transactions shall not take into account the brokers' or dealers' promotion or sales of units from the members' portfolio of funds;
 - A Member and its investment adviser, if applicable for any funds, shall not enter into any agreement (whether written or oral) or other understanding under which the Member may direct, or is expected to direct portfolio securities transactions or any

remuneration described above to any broker or dealer for the abovementioned purpose; and

- Members shall implement a review process for monitoring adherence to these processes and procedures.

4.15 Soft Dollar Commission

- a) Members may receive goods or services (i.e. soft dollars) from a broker in consideration of directing transaction business on behalf of their clients to the broker only if:
 - The goods or services can reasonably be expected to assist in the provision of the investment services to Members' clients generally; Transactions are executed on the best available terms, taking into account the market at the time for transactions of the kind and size concerned; and
 - Members do not enter into unnecessary trades in order to achieve a sufficient volume of transactions to qualify for soft dollars.
- b) Members shall maintain a record of soft dollar arrangements and activities.
- c) The goods and services under a soft dollar arrangement accepted by Members pursuant to such an arrangement may include any of the following:
 - Specific advice as to the advisability of dealing in, or of the value of any investments;
 - Research and advisory services;
 - Economic and political analyses;
 - Portfolio analyses, including valuation and performance measurements;

- Market analyses;
 - Data and quotation services;
 - Computer hardware and software or any other information facilities to the extent that they are used to support the investment decision making process, the giving of advice, or the conduct of research or analysis; and
 - Custodial services in relation to the investments managed for clients.
- d) Goods and services received under soft dollar arrangements shall not include travel, accommodation, entertainment, general administrative goods and services, general office equipment or premises, membership fees, employee salaries or direct money payment. The list of goods and services set out above is not exhaustive and may be changed from time to time.

4.16 Disclosure of Soft Dollar Commission And Other Fees

- a) Members may retain soft dollar commissions only if prior disclosure is made and client consent obtained for any Members' practices for receiving such goods and services, including a description of the goods and services to be received. Disclosure may be made or given in the investment management agreement or trust deed and prospectus or other client agreement (or addendum thereto);
- b) Members shall, at least on an annual basis, provide statements to the client describing the goods and services received under such soft dollar arrangements;
- c) Members may receive other fees only if they have disclosed to the client the practices of receiving other fees and the client has not objected thereto; and

- d) Members shall, at least on an annual basis, provide statements to the client detailing the breakdown of fees, the brokers and counterparties involved and, the type and volume of transactions linked with these fees received.

4.17 Rebates

- a) Cash/Commission rebates received by Members for transactions executed in or outside Singapore on behalf of clients shall not be retained by Members for their own account. Such cash/commission rebates, if any, shall be disclosed and passed on to the respective clients. Also, commissions net of rebates shall not be grossed up and charged to clients.
- b) If the Member has obtained commission rebates/discounts due to sizeable transactions and excellent working relationships with other parties such as banks, this must be disclosed to and consented to by clients. Only if clients have accepted that such a scheme is in place on conditions that Member's conduct and performance in terms of handling the client's money are not compromised, the receipt of rebates by Members may be deemed acceptable. Such arrangement should be mentioned either in the Agreement or any supplementary declaration. Clients can request for disclosure of such information from their respective Custodian Banks. Clients can also choose not to accept such rebates arrangement, and they can state this clearly in their Agreement with the Member and the Bank or other relevant parties.
- c) Members shall also comply with all applicable laws, regulations and guidelines when receiving cash/commission rebates.

5. Corporate Governance

Members shall have a policy relating to corporate governance arrangements whether internally, or with regards to Members' investment holdings, and inform their clients promptly of any developments in any of these aspects.

Members shall maintain regular dialogue and close relationship with their associate/subsidiary companies, or any other investments that they maintain a shareholding in, and exercise their vote actively in the interest of their clients.

Members shall ensure that such an internal corporate governance policy is in place; this shall be expounded in the following sections. Members may further refer to The Guidelines for Corporate Governance as recommended by IMAS.

5.1 Compliance and Regulations

- a) Members shall make diligent efforts to maintain knowledge of and comply with all applicable legislation, rules and regulations, industry codes and internal policies in any jurisdiction in which they carry on business. All employees must be kept well-informed in this area.
- b) Employees shall pass ALL required Monetary of Authority of Singapore (MAS) Module Exams to be licensed to conduct investment activities. Employees shall comply with applicable legislation, regulations or guidelines, which may include but would not be limited to the following:
 - Banking Act;
 - Securities and Futures Act;
 - Financial Advisers Act;
 - The Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act;
 - Terrorism (Suppression of Financing) Act; and
 - Subsidiary legislation, notices, and guidelines issued by the relevant regulatory authorities, such as the following:

- Notices and Guidelines “Prevention of Money Laundering and Combating Terrorist Financing”;
- Guidelines on Risk Management Practices
- Guidelines on Outsourcing; and
- The Monetary Authority of Singapore (Anti-terrorism Measures) Regulations 2002.
- Guidelines on Fair Dealing – Board and Senior Management Responsibilities for Delivering Fair Dealing Outcomes to Customers
- Guidelines on Fit and Proper Criteria
- Securities and Futures Act;
- Financial Advisers Act;
- The Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act;
- Terrorism (Suppression of Financing) Act; and
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 - Notices and Guidelines “Prevention of Money Laundering and Combating Terrorist Financing”;
 - Guidelines on Risk Management Practices;
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 - The Monetary Authority of Singapore (Anti-terrorism Measures) Regulations 2002.
- Guidelines on Fair Dealing – Board and Senior Management Responsibilities for Delivering Fair Dealing Outcomes to Customers
- Guidelines on Fit and Proper Criteria

5.2 Compliance Function

- a) The senior compliance officer (or all compliance officers designated with such function of responsibility) shall remain independent of other functions. He shall report directly to the General Manager/CEO/Managing Director, or other appropriate senior executive to represent the Member. Where there is no segregation

of functions, the firm's most senior executive or another senior executive as appropriately determined by the Board of Directors will assume the role of the senior compliance officer. The structure of the function shall comply with applicable regulations and guidelines as mentioned in the earlier paragraph.

- b) While the tasks associated with compliance may be delegated to a senior compliance officer, the Board of Directors remain fully accountable for ensuring an overall standard of compliance within the organisation.
- c) The senior compliance officer possess the technical competence, qualifications and experience necessary for the performance of his or her functions:
 - The establishment, documentation and implementation of proper procedures to monitor and ensure adherence to prevailing legal requirements, according to standards accepted by the industry as the best practice
 - The maintenance and retention of full and complete business records.
 - The establishment of mandatory minimum annual leave for staff members in sensitive positions so as to facilitate compliance monitoring and proper segregation of duties.

5.3 Relationship with Regulators

- a) Members shall maintain an open two-way relationship with regulators, keeping regulators apprised of any issues that should to be disclosed, in accordance with regulatory guidelines or regulations.

- b) Members shall attend conferences, dialogue sessions, seminars or other compliance-related activities organized by the regulatory authorities so as to be updated on regulatory changes.
- c) Members shall also voice out areas of conflict, grey areas or any other issues to regulators, as and when appropriate, so as to avoid misunderstanding.

5.4 Conflict of interest

- a) Members shall manage any actual, perceived or potential conflicts of interest, with disclosures to the client under appropriate circumstances, to minimize any potential adverse impact to the client. The extent of relevant policies and procedures should be commensurate with the nature, scale and complexity of the business activities.
- b) Members shall ensure that the offering and receipt of gifts and entertainment between the client, counterparty, broker or other third party and the Member, including their staff, are appropriate and that no gifts or entertainment are offered to or received from public officials. Amongst others, there should be:
- c) (a) Appropriate records maintained of entertainment and gifts received and offered by the Member and their staff; and (b) Periodic reviews on (a) and the related policy by senior management of the Member.

5.5 Money Laundering

- a) Members shall at all times comply with the regulatory requirements on prevention of money laundering such as the Notice to Capital Markets Services Licensees and Exempt Persons on Prevention of Money Laundering and Countering the Financing of Terrorism (MAS

Notice SFA04-N02), the Guidelines to MAS Notice SFA04-N02, the Monetary Authority of Singapore (Anti-Terrorism Measures) Regulations 2002 (S515/2002), and Section 39 of the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (Cap. 65A).

- b) Members shall ensure that an internal compliance function is present to advise management and staff on the establishment and enforcement of internal procedures to tackle the issue of money laundering.
- c) Members shall implement procedures and control checks to identify and evaluate unusual and suspicious transactions. Members shall clarify the economic background, purpose and legality of any transaction, if it appears unusual in relation to the party concerned.
- d) Members shall regularly monitor the effectiveness of internal procedures.
- e) Members shall train all staff to be fully aware and vigilant of their responsibilities in aspect and to be familiar with the internal system. Refresher training shall be provided at regular intervals, to ensure that staff are reminded of their responsibilities and are kept informed of new developments.

5.6 Whistle Blowing Guidelines

- a) Regardless of seniority, any misconduct or wrongdoing deemed detrimental to the Member must be reported immediately to an appropriate senior executive to represent the Member. Effective whistle blowing entails the following steps in order:

- Upon spotting a misconduct or wrongdoing, the witness has to seek a second opinion of the suspicion with another neutral party (i.e. an uninvolved colleague);
 - If the neutral party shares the same concern, the senior management must be notified without delay. However, even without the consensus of another neutral party, the witness is still strongly encouraged to raise the issue to the senior management if he/she feels extremely uncomfortable with the inappropriate action;
 - The subsequent investigation process must be transparent and clear while objectively assessing facts and testimonies. The senior management will determine the appropriate investigation procedures accordingly and will involve the associated parties;
 - Parties involved shall be treated in all fairness throughout the process until proven guilty; and
 - After evaluating facts and findings, the senior management will conclude the final outcome and any further course of action if necessary. No one is allowed to reveal any related information to the public or media without prior approval from the senior management.
- b) Only as a last resort, if the above steps do not materialise for whatever reasons, the witness is then encouraged to escalate the concern to the relevant authorities such as the Monetary Authority of Singapore (MAS) at 6225-5577 or Corrupt Practices Investigation Bureau (CPIB) at 1800-3760000.

6. Conclusion

This Reference Manual seeks to encourage members to maintain a high level of professionalism and ethical practices, so as to further development of the industry in Singapore.



The Reference Manual provides a framework of ethical principles, obligations, and standards that guide members' business practices, professional standards, and how they should conduct their relationships with others.

Given the diverse range of activities in which AIWM Singapore members are involved on a day-to-day basis, the Reference Manual does not attempt to provide an exhaustive list of actions for every conceivable situation. Instead, the Reference Manual represents a broad framework for ethical and best professional practices for independent wealth managers in Singapore.

Contact Us

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