

# **CODE OF CONDUCT**



**FINANCE HOUSES ASSOCIATION OF SINGAPORE**



THE CODE HAS BEEN PREPARED BY THE FINANCE HOUSES ASSOCIATION OF SINGAPORE FOR ALL FINANCE COMPANY STAFF.

IT AIMS TO SET GUIDELINES WHICH WOULD RAISE THE STANDARD OF RESPONSIBLE LENDING AND SOUND CREDITS. MEMBER COMPANIES ARE ADVISED TO OBSERVE THE CODE.

THIS CODE WILL BE REVIEWED FROM TIME TO TIME TO REFLECT CHANGES IN SYSTEMS AND ENVIRONMENT AND MEMBER COMPANIES ARE ENCOURAGED TO RECOMMEND SUCH CHANGES AT ALL TIMES.

**FINANCE HOUSES ASSOCIATION OF SINGAPORE**

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# CODE OF CONDUCT FOR ALL FINANCE COMPANY STAFF

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## 1. BACKGROUND

- 1.1 Finance companies are fiduciaries of public funds and have a responsibility to protect the interests of depositors and customers. Finance companies should also safeguard their integrity and reputation, so as to preserve depositors' and investors' confidence in the financial system.

## 2. NATURE OF CODE

- 2.1 To uphold the good name of the financial community and maintain public confidence in the financial system in Singapore, the Association recommends this Code as a guide to good financial practice. It should be observed by finance companies and their staff, including all employees and directors of the finance companies. It is not intended to have a contractual or legislative effect.
- 2.2 Finance companies are subject to the Finance Companies Act (Chapter 108 1985 Revised ED.) and MAS Notices to Finance Companies and any other guidelines and circulars issued by MAS from time to time. In their day-to-day operations, finance companies should observe not only the letter but also the spirit of the law and guidelines. As good corporate citizens, finance companies should also observe the national agenda. This Code is not intended to affect the operation of the Finance Companies Act or such notices, guidelines or circulars in any way.

- 2.3 Finance companies are encouraged to draw up or review their own internal guidelines, consistent with this Code.

## 3. PURPOSE OF CODE

- 3.1 This Code sets out standards of good financial practice and aims to maintain confidence in the security and integrity of the financial system, and a fair relationship between finance companies and their customers.



#### 4. CONFIDENTIALITY

- 4.1 Finance companies and their staff are to keep confidential all information relating to their customers and counterparties, including information regarding their accounts and transactions.
- 4.2 The duty of protecting the confidentiality of customer and counterparty information continues even after the member's staff ceases to be employed by the company.
- 4.3 Staff should not reveal to third parties any names or other information in connection with any dealings or transactions with any customer or counterparty.
- 4.4 Confidential information concerning a customer may be given only in accordance with the law relating to the confidentiality of its customers.
- 4.5 When any request or demand for customer information is received, staff members should act in accordance with the company's internal procedures and guidelines. When in doubt, they should seek guidance from senior management on the release of information.

#### 5. CONFLICTS OF INTEREST

- 5.1 Staff should not place themselves in positions where their own interests could conflict with those of the company or any of the company's customers.
- 5.2 Conflicts of interest could arise in dealings:
  - a) between the company and its staff;
  - b) between the company and its customers; or
  - c) between staff and the company's customers
- 5.3 In assigning duties, finance companies should not place their staff in situations where conflicts of interest could arise.
- 5.4 If there is any possibility that a conflict of interest exists, staff concerned should disclose it to their supervisors. The supervisors should immediately refer the matter to senior management for guidance. Finance companies should establish clear procedures and guidelines for staff to report and disclose conflicts of interest.



- 5.5 When a conflict of interest arises between the company or its staff and its customers, the customers should be made aware of the conflict, where appropriate.
- 5.6 Staff should obtain prior approval from the company's senior management before taking up any directorship, consultancy, agency or employment outside the company. Staff should not assume any such position where a possible conflict of interest with the company could arise.
- 5.7 Staff should not approve credit facilities or any other transactions:
- a) to themselves;
  - b) to any of their family members+; or
  - c) to firms, companies or corporations in which they or their family members have an interest.
- 5.8 Staff should not derive any improper benefits at the expense of the company or its customers.
- 5.9 Staff should not obtain for themselves any property or business advantage that properly belongs to the company or its customers.
- 5.10 Staff should conduct their personal affairs with prudence. No staff should so conduct his financial affairs as to render himself liable to become a judgement debtor or be made a bankrupt. Any staff who is a bankrupt, or who is facing bankruptcy proceedings, must be reported to the Management immediately.
- 5.11 Finance companies should establish guidelines and procedures for:
- a) Granting preferential rates to selected customers and staff;
  - b) establishing Chinese Walls\* between departments and company staff engaged in activities in which conflict of interest may arise.
- 5.12 Where a conflict of interest could arise, duties should be properly segregated.

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+ In this Code, the term family members includes spouses, parents and children.

\* **Chinese Wall** refers to an arrangement whereby information known to persons in one or more parts of a Group, or an entity is not available to persons in other parts of the Group or entity.



## 6. ABUSE OF POSITION

- 6.1 Staff should not abuse their position in the company to take advantage of any information obtained in the course of duty for personal benefit or for the benefit of any other person.
- 6.2 Staff should not make use of their position in the company to solicit or receive favours from the company's customers in exchange for the following:
- a) granting them credit facilities;
  - b) granting them favourable financing terms and conditions; or
  - c) not properly pursuing delinquent accounts.
- 6.3 Staff should not bribe customers when soliciting business. Corporate gifts offered or presented to customers on marketing trips, and gifts offered for deposits are not considered examples of bribes.
- 6.4 Staff should not solicit the following from customers, counterparties, or brokers for the benefit of themselves, family members, friends or other parties:
- a) favours;
  - b) preferential or concessionary offers; or
  - c) gifts of any form, including cash, bonds, negotiable securities, personal loans, airline tickets, discounts or use of vacation or other entertainment facilities or property.
- 6.5 Staff should discourage their customers, counterparties and brokers from offering them personal gifts, favours, or services.
- 6.6 Staff should not make use of their position in the company:
- a) to solicit corporate directorships from the company's customers, unless the staff member is appointed to the Board to represent the company's interest; or
  - b) to borrow from or become indebted to these customers.



- 6.7 To guard against abuse and excesses, finance companies should establish procedures and guidelines on the offer and acceptance of entertainment and gifts between staff and customers. The procedures should include the keeping of proper records of entertainment and gifts received and offered by staff. All such disclosures should be reviewed periodically by the senior management of the company.

## **7. MISUSE OF INFORMATION**

- 7.1 Staff should not make use of or copy or remove any information obtained in the course of business, for the direct or indirect benefit of themselves or of any other person.
- 7.2 It is regarded as a misuse of such information if staff use information of the company or its customers to benefit themselves or confer an advantage on themselves or any other persons.
- 7.3 Staff in possession of confidential information should not use it in the following ways for the benefit of themselves, their spouses, parents or children:
- a) to influence any customer or any third party in dealing in any transaction; or
  - b) to communicate such information to any customer.
- 7.4 These prohibitions relating to the misuse of information continue after the member's staff ceases to be employed by the company.

## **8. RELATIONSHIP WITH CUSTOMERS**

- 8.1 Finance companies should draw customers' attention to the terms and conditions governing each service provided, including all applicable charges. The terms and conditions should be set out in clear and simple language to help customers fully understand them.
- 8.2 Finance companies should ensure that all advertising material accurately reflects the companies' services being advertised. Where appropriate the risks involved should be highlighted.
- 8.3 All main interest rates, including savings & fixed deposit rates, should be prominently displayed in the main hall.





8.4 Finance companies should:

- a) ensure that a detailed breakdown of charges, including the basis used to calculate the charges, is readily available to customers upon request;
- b) disclose to customers the risks relevant to the transactions concerned before the transactions are carried out, eg market price risk, high leverage risks;
- c) recommend stop-loss procedures where appropriate;
- d) where practical, obtain evidence of instructions from the customer prior to conducting any transactions for the customer. If this is not possible or practical, other forms of documentation and records relating to the transaction (such as advices, contract notes, confirmation on tape recordings) should be obtained and retained as evidence.

8.5 Finance companies should notify customers of any variation in the terms and conditions, and give customers reasonable notice before any variation takes effect. Oral notification of such changes should be promptly followed by written confirmation.

8.6 In particular, finance companies should ensure that the details of the following are made known to their customers:

- a) any form of charges (including commission charges) payable in connection with the normal operation of the customers' accounts or the particular services or products the customers are using;
- b) any form of additional charges or expenses incurred by the customers.
- c) interest rates payable by the customers, and the basis on which interest will be charged to their accounts. Where appropriate, the companies should disclose the effective rather than the nominal rate of interest.

8.7 Staff should respond readily and promptly to customers' enquiries about the terms and conditions of financial services and, in particular, financial charges. Finance companies should promptly and fairly attend to all enquiries, complaints, suggestions and other customer feedback.



- 8.8 Finance companies should establish procedures for handling enquiries, complaints, suggestions and other customer feedback. Such procedures should be made known to customers whenever appropriate.
- 8.9 Staff should not handle or investigate complaints against themselves. They should also, preferably, not look into complaints against their subordinates on their own, unless the investigations are made jointly with staff from other departments of the company who do not supervise those subordinates.
- 8.10 Finance companies should designate an appropriate officer to handle customer complaints and feedback.
- 8.11 Finance companies should not compensate customers for losses from investments which are not due to the negligence of the finance company or its staff.
- 8.12 Where compensation may have to be paid due to negligence by staff, finance companies should establish procedures for authorising the payment of compensation to customers.
- 8.13 Finance company staff should not make written or oral recommendations to any persons in respect of investments, unless they have a reasonable basis for making such recommendations to those persons. To form a reasonable basis for making recommendations to persons, staff should take into consideration the persons' investment objectives and financial situation, including their risk profile and particular needs.

## **9. INSIDER TRADING**

- 9.1 Staff must be aware of existing laws governing insider trading and comply with them at all times.
- 9.2 The finance company and its staff should comply with all laws and regulations relating to the use and communication of material non-public information. The finance company should set in place procedures for the handling of material non-public information by staff.



## **10. INTEGRITY AND ACCURACY OF RECORDS**

- 10.1 Finance companies should ensure that accurate and complete records of their operations are kept and maintained in such a form and for such a period as determined by the company or required by law. These records include the following:
- a) books, slips, documents, statements;
  - b) computer tapes and diskettes;
  - c) computer programs;
  - d) computer microfiches; and
  - e) computer print-outs.
- 10.2 Staff should not make or allow to be made entries, alterations or deletions in the records which are false, misleading or which would obscure the true nature of any transaction.
- 10.3 Staff should report any suspicion on discovery of fraud immediately to the Management.
- 10.4 Finance companies should establish procedures requiring alterations of any of their records or documents to be made only with proper authorisation.

## **11. INTEGRITY OF THE FINANCIAL SYSTEM**

- 11.1 Finance companies should protect the integrity of the financial system. They should not lend themselves to any scheme which could subvert the integrity of the financial system.
- 11.2 Finance companies should take adequate measures to ensure that they and their services are not used for the furtherance of any criminal or illegal purpose or activity. In particular, finance companies should be vigilant against being used for money laundering.
- 11.3 In order to prevent the misuse of the financial system for illegal purpose, finance companies should establish procedures requiring their staff to satisfy themselves about the identity of persons seeking to open an account or a safe deposit box. Finance companies should, at the very least, ask for verification of a customer's name and address, eg by identification card or passport.



- 11.4 Finance companies should maintain up-to-date records of customer information.
- 11.5 Staff should be required to follow strictly the finance company's procedures relevant to each particular transaction. These procedures include verifying customers' identities and assessing customer's honesty, integrity, commercial ability and creditworthiness.
- 11.6 Staff should not use the name of the finance company except in transacting the company's affairs within the scope of his duties and authority.
- 11.7 When a finance company suspects that a prospective customer may be involved in illegal activities, it should decline to open any account for the customer or provide any other financial service. When an account has already been opened, the finance company should seek to close the account as soon as is practicable. Finance companies should co-operate fully with law enforcement authorities to the extent permitted by their contractual and statutory obligations to their customers.

## **12. REQUIRED KNOWLEDGE AND COMPLIANCE**

- 12.1 Staff, particularly at the senior level, should keep up to date with and comply with applicable laws, rules and regulations in their respective area of operations. Finance companies should take reasonable steps to ensure that their staff are familiar with all applicable laws and regulations.

