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**imas**

INVESTMENT MANAGEMENT  
ASSOCIATION OF SINGAPORE

# CODE OF ETHICS & STANDARDS OF PROFESSIONAL CONDUCT

This Code of Ethics & Standards of Professional Conduct sets out the principles and standards of behavior required by the Association as a condition of membership. It provides guidance in areas where members need to make professional and ethical decisions.

# Contents

Mission Statement .....	3
Code of Ethics .....	4
Standards of Professional Conduct.....	5
1. An Investment Manager.....	5
2. Business Conduct.....	7
3. Client Relations .....	14
4. Investment Conduct.....	26
5. Conclusion.....	36
Annex A – Professional Conduct Statement .....	41

# **Mission Statement**

As a representative body of investment managers, to spearhead the development and growth of the industry in Singapore by fostering high standards of professionalism amongst practitioners and creating public awareness of, and interest in, the industry.

# Code of Ethics

1. Members shall conduct themselves with integrity and professionalism and act in an ethical manner in all dealings with the public, clients, customers, employers, employees, regulators and fellow members.
2. Members shall act with due care and competence, and should strive to maintain and improve their competence and that of others in the profession on an ongoing basis.
3. Members shall exercise due diligence and professional judgement with proper care in the conduct of their business.

# Standards of Professional Conduct

## 1. An Investment Manager

*The Standards of Professional Conduct (“Standards”) are applicable to all members (“Members”) of the Investment Management Association of Singapore (“IMAS”) who provide investment management services, investment advice or who issue investment reports.*

- 1.1 The Standards set out conduct requirements for a person or company who operates as an investment manager in Singapore (“Investment Manager”).
- 1.2 The Standards aim to supplement relevant regulations and laws applicable to the Singapore investment management industry to provide guidance in respect of the minimum standards of conduct specifically applicable to Investment Managers. It does not intend to replace any legislation, regulations or guidelines issued by the relevant authorities in Singapore. Further reference must always be made to such legislation, regulations or guidelines, and in the case of inconsistency with the Standards, the former will prevail. The Standards do not have the force of law and should 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 An Investment Manager is an organization or an individual who typically engages in one or more of the following functions:
  - a) Carries on a business of advising others on investments;
  - b) As part of a regular business, issues or promulgates analyses or reports on investments; or

- c) Pursuant to an arrangement with a client whether by contract or otherwise, undertakes on behalf of the client (whether on a discretionary authority granted by the client or otherwise) the management of investments.

## **2. Business Conduct**

Members should conduct their businesses with integrity and professionalism and act in an ethical manner. Members should make all reasonable and diligent efforts to ensure that they do not make misrepresentations, whether oral or written, to clients, potential clients, or other parties whom they deal with in the course of their business activities.

Members should ensure that:

### **2.1 Finance**

2.1.1 They have adequate financial resources in accordance with applicable regulatory requirements reflecting the scope, size, and risk profile of their business activities;

2.1.2 They should have adequate professional indemnity insurance cover which complies with all regulatory requirements and is sufficient with regards to the nature of their business;

### **2.2 People**

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, sales and marketing, operations, compliance and audit should only be performed by qualified and experienced persons, who should receive proper supervision and appropriate training on an ongoing basis;

## **2.3 Systems Infrastructure**

They have (i) adequate and properly documented business recovery plans, including disaster recovery plans which are regularly tested and can therefore be immediately implemented to ensure the continuation of operations; (ii) adequate facilities for the ongoing management of client assets; (iii) suitable risk control systems to ensure compliance with mandate instructions and regulatory requirements; (iv) clear allocation of individual responsibilities; and (v) regular testing to assess the effectiveness of the above;

## **2.4 Records**

They maintain proper financial, client and other material business records which address applicable regulatory requirements and the standards set out in the Standards (as updated from time to time);

## **2.5 Confidentiality**

They implement adequate controls and maintain proper procedures to comply with and ensure personal data privacy under the Personal Data Protection Act 2012 and its subsidiary legislation, the integrity and confidentiality of client and corporate information which address applicable regulatory requirements and ensure that they operate in a compliant and secure manner;

## **2.6 Delegation**

They observe the Guidelines on Outsourcing issued by the Monetary Authority of Singapore (the "MAS"), as amended, and retain ultimate accountability for any delegated or outsourced function and ensure that affiliates and third parties to whom the functions are delegated or outsourced to are suitably qualified and are competent. Ongoing supervision of their service providers should be carried out at a frequency and level of oversight commensurate with the nature, scope and complexity of the outsourced services;

## **2.7 Risk Management**

They have proper risk management procedures commensurate with their business. This could include, but not be restricted, to an enterprise-wide risk management framework which should cover policies and controls over the ongoing oversight, monitoring and management of investment risk (i.e. market, credit and liquidity), as well as operational risk (systems, technology, and process). They should also institute regular reviews and assessments of the risk management policies and procedures in place to ensure continued adherence;

## **2.8 Compliance and Regulations**

2.8.1 They make diligent efforts to maintain knowledge of and comply with all applicable legislation, rules and regulations in any jurisdiction in which they carry on business (including the Standards as updated from time to time);

2.8.2 They establish policies, procedures and adequate controls to ensure compliance with regulations, industry codes and internal policies. In this respect, Members must pay particular attention to areas of potential conflicts of interests such as personal trading, segregation of duties, gifts and entertainment, and outside business activities; and

2.8.3 They take reasonable steps including establishing internal procedures to ensure that employees are conversant and comply with the applicable laws, rules and regulations relevant to their business activity;

## **2.9 Compliance Function**

2.9.1 The compliance function should be independent of other functions unless this is impractical given the size of the firm and should report directly to Members' most senior executive or to another senior executive as appropriately determined by the directors. Where there is

no separation of functions, the firm's most senior executive or another senior executive as appropriately determined by the directors will assume the role and responsibilities of the compliance person. The structure of the function should comply with applicable regulatory requirements;

2.9.2 While the tasks associated with compliance may be delegated to a compliance person, the directors of the Members remain fully accountable for ensuring an acceptable standard of compliance;

2.9.3 The compliance person should possess the technical competence, qualifications and experience necessary for the performance of his or her role.

## **2.10 Agreements and Mandates**

They have systems, procedures and adequate controls in place, which enable them to monitor ongoing compliance with the terms of the investment management agreements and the investment mandates;

## **2.11 Segregation of Business Activities**

2.11.1 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 should also be extended to related or affiliated companies or other companies which may give rise to actual or perceived conflicts of interest;

2.11.2 They institute internal control procedures to ensure that key duties and functions are wherever possible, appropriately segregated, unless this is impractical given the size of the firm. In particular:-

- a) The front office functions should be physically segregated from back office functions and should be carried out by different staff with separate reporting lines;
- b) The investment decision making process should be segregated from the dealing process. In this respect, a central dealing function is encouraged;
- c) Compliance and audit functions should if possible, be separated from each other and have separate reporting lines from other functions; and
- d) Proprietary activities of Members should be segregated from client-related activities;

## **2.12 Personal Conduct and Trading**

2.12.1 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 generally include the following:

- a) 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 ,
  - conflict of interest situations over the use of information both proprietary to the Members and its clients, and
  - employees' opening of accounts with approved brokers and where the list of approved brokers is not available, oversight of employees' broker accounts;

- b) Employees (including directors) of Members are to maintain records of all their securities holdings with sufficient details to demonstrate compliance with the above fiduciary principles, and which should be produced in a regular and timely manner to enable monitoring;
- c) Employees (including directors) of Members should be 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; and
- d) Employees (including directors) of Members 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 should be required to obtain prior permission from the compliance function or an independent function/ person authorised by the Board of Directors. Permission should 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 Member) may be excluded from this requirement.

Members should ensure appropriate documentation of such approval and employees (including directors) of Members, should maintain transaction records to ensure a proper and adequate audit trail;

2.12.2 The interests of Members’ clients must 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 should report immediately to the compliance function, which will assess the identified potential conflict and where appropriate, ensure proper disclosure to the clients affected;

2.12.3 Members should 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;

2.12.4 Members should keep records of the above including any violations and the resultant investigations and actions taken where appropriate for a period of five years;

## **2.13 Relationship with Regulators**

They should deal with regulators in an open and cooperative manner, and keep the regulators informed of any issue concerning Members that may reasonably be expected to be disclosed to them; and

## **2.14 Gifts and Entertainment**

They should have in place appropriate written policies for recording and dealing with gifts and entertainment received by Members and their employees, including directors; and those provided to other parties whom they deal with in the course of their business activities.

### **3. Client Relations**

Unless exempted, Members should consider the appropriateness and suitability of each investment in relation to the client's needs and objectives.

In handling relationships with their clients, Members should exercise due care in determining and performing their fiduciary duties and should operate on the principle of "know your client."

Members should also strive to formalise and document key aspects of the relationship.

#### **3.1 General**

3.1.1 Members should fully understand the requirements of their clients, and the legal and regulatory requirements relating to such relationships;

3.1.2 Members should provide clients with adequate information about the firm including their business addresses, relevant conditions or restrictions under which their businesses are conducted, and the identity and status of persons acting on their behalf with whom the clients may have contact with;

3.1.3 Where Members have an investment management agreement with an individual client, they should establish:

- a) The client's full identity, including where possible the identity of the actual beneficiaries; and
- b) Where appropriate, the client's financial situation, source of funds (to comply with prevailing anti-money laundering legislation), investment experience, and investment objectives.

## **3.2 Investment Management Agreement**

3.2.1 An investment management agreement should document the relationship with each client. Members should ensure that the investment management agreement complies with applicable legal and regulatory requirements.

3.2.2 Members should ensure that a written investment management agreement is entered into with a client before services are provided to or transactions are made on behalf of that client.

3.2.3 An investment management agreement should contain at least such information as is set out below:

- a) Nature of services to be provided to the client;
- b) Powers vested in the Member, such as powers to execute orders, documents / agreements, dealing with brokers and counterparties and right to vote on securities held in the portfolio;
- c) Commencement of the investment management agreement;
- d) Termination events, period and arrangements;
- e) Investment objectives;
- f) Custody, cash and borrowing arrangements;
- g) Investment limits and/or restrictions (if any);
- h) The amount of fees and nature of costs to be paid by the client;
- i) Soft dollar commissions (if any);
- j) Measures relating to anti-money laundering and countering the financing of terrorism;
- k) Client reporting;

- l) Delegation of functions including appointment of sub-advisor(s) and fee arrangement(s);
- m) Appropriate risk disclosure statements; and
- n) Indemnities and limitations on liability (if any).

### **3.3 Investment Mandates**

3.3.1 The investment management agreement can form part of the investment mandate or can be a separate document.

3.3.2 The investment mandate should detail at least the following information:

- a) Investment objectives;
- b) Investment powers;
- c) Investment limits and/or restrictions (if applicable); and
- d) Performance measurements and appropriate benchmark(s) against which the Member is to be measured (if applicable).

### **3.4 Record Keeping**

3.4.1 Arrangements for record keeping should ensure that proper records are kept to describe accurately, completely and fairly the transactions undertaken on each client's behalf.

3.4.2 Members should keep their accounts and records properly and in line with applicable regulatory requirements.

### **3.5 Client Reporting**

- 3.5.1 Client reporting should be in accordance with the terms of the investment management agreement. Client reports should give a fair, timely, accurate and clear account of the management of client assets.
- 3.5.2 Members should ensure that client reporting should comply with applicable legal and regulatory requirements as well as the requirements under the investment management agreement, prospectus or trust deed.

### **3.6 Custodian / Trustee Arrangements**

- 3.6.1 Members should ensure that the assets entrusted to them are properly safeguarded in accordance with the applicable laws and regulations.
- 3.6.2 Custodian or trustee arrangements, where applicable, should ensure the protection of clients' assets in line with general fiduciary obligations. Members should ensure that assets of each client are segregated in the custodian's books and maintained with the custodian, in accordance with the applicable laws and regulations.
- 3.6.3 If Members are responsible for making custody arrangements, Members in arranging for the appointment of a custodian or trustee, should take reasonable steps to comply with the requirements set out in applicable regulations and ensure that the custodian or trustee is properly qualified for the performance of its functions. On an ongoing basis, Members should satisfy themselves as to the continued suitability and financial standing of any appointed custodian or trustee. Members should also ensure the direct delivery of periodic account statements from the custodian to the client on a timely basis.

### **3.7 Termination**

3.7.1 In the event of termination of the investment management agreement, Members should continue for the purpose of liquidating and transferring assets to act in accordance with the investment management agreement, the Standards and any statutory requirements.

3.7.2 Members who withdraw from business should ensure that any affected clients are promptly notified and that proper arrangements remain in place for the safekeeping of clients' assets. Where Members are being wound up, they should comply with applicable statutory requirements.

### **3.8 Valuation**

There should be independent, fair and proper valuation of all investments undertaken by Members on behalf of clients. Particular care should 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.

### **3.9 Liquidity Risk Management**

Members should ensure that the appropriate liquidity risk management tools are adopted, taking into account the client's needs and objectives.

### **3.10 Performance Measurement and Reporting**

3.10.1 The measurement and reporting of investment performance to clients, performance surveys and to the public, should conform to such standards as will ensure fair and proper disclosure and will enhance comparability with other similar investment services or products. The Global Investment Performance Standards (GIPS) is highly recommended by IMAS.

3.10.2 The performance information should provide clear statements as to what was being measured and the time periods for which the performance was being measured.

### **3.11 Promotion and Representation**

3.11.1 Members should ensure that all information used in advertisements for their services or products, business representations and marketing materials in all media adhere to the fair and balanced principles required of capital product advertisements. They should also:

- a) Comply with regulatory requirements and are prepared in accordance with professional and ethical standards as in the (i) Code of Best Practices in Advertising Collective Investment Schemes and Investment-Linked Life Insurance Policies jointly issued by IMAS and the Life Insurance Association, and the (ii) IMAS Guidance Notes on Recommended Disclosures to Support the Presentation of Income Statistics in Advertisements issued by IMAS;
- b) Clearly identify any historical performance information used, with appropriate disclaimers; and
- c) Update such information in a timely and accurate manner.

3.11.2 Business representations made by Members to their clients and potential clients should be accurate and clear in their purpose. Members should avoid misleading statements, information, promises or forecasts and should ensure that any performance claims can be verified.

3.11.3 Members should include risk warnings where appropriate.

3.11.4 All relevant fees chargeable by Members and other material costs to be charged to the client by Members and their appointed agents should be disclosed to the client in Members' business representations, investment management agreements and prospectuses.

### **3.12 Appointment of Distributors**

Members, in the ordinary course of their business, appoint distributors to distribute the investment products manufactured by the Members. Distributors may include licensed banks, insurance companies, brokers and financial advisers with public distribution channels. A distributor may be appointed by a Member 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.

The business conduct rules relating to the appointment of distributors for Members deal only with the agency relationship under distribution arrangements with distributors.

3.12.1 Members should ensure that they conduct appropriate due diligence on any person to be appointed as a distributor for the Members' investment products, including but not limited to confirming that such person is appropriately licensed to carry on the business of marketing / selling such products. For the avoidance of doubt, the due diligence should not stop at the onboarding stage but should continue as periodic reviews through regular dialogues / feedback sessions with distributors as such reviews will assist Members to identify existing / potential issues and implement timely mitigating measures.

3.12.2 Before appointing any person as distributor, Members should ensure that a written distribution agreement is entered into with the distributor before the distributor can commence distributing the Members' investment products.

3.12.3 Members may consider including the following in their distribution agreements:

- a) The nature of distribution services to be provided by the distributor to distribute the Member's investment products;

- b) An obligation on the part of the distributor to act at all times in compliance with applicable laws and regulations governing the distribution of the investment products and to periodically report such compliance to the Member;
- c) 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;
- d) An undertaking by the distributor to observe at all times the prohibition against any late trading and market timing, understood to mean not permitting the placing or trading of orders after cut-off timing for a day's trades in the investment product;
- e) An undertaking by the distributor to observe all applicable laws and regulations on anti-money laundering (AML) and countering the financing of terrorism and sanctions (CFT) when accepting orders and monies for subscriptions for units/shares in investment products;
- f) 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;
- g) The amount of fees payable to the distributor, such as front-end fee, switching commission and trail fee;
- h) Confidentiality obligations and undertakings with respect to the collection, use, disclosure and processing of personal data; and

- i) Where a sub-distributor is appointed pursuant to the written agreement, provisions requiring the distributor to:
  - 1) incorporate salient terms set out in the distribution agreement, into the written agreement between the distributor and the sub-distributor; and
  - 2) monitor the sub-distributor to ensure that the sub-distributor carries out its activities in accordance with the distribution agreement.

### **3.13 Anti-Money Laundering and Countering the Financing of Terrorism**

- 3.13.1 Members should at all times comply with the applicable prevailing regulatory requirements on prevention of money laundering and countering the financing of terrorism as amended, modified, re-enacted, replaced or introduced from time to time, including the Notice to Capital Markets Intermediaries on Prevention of Money Laundering and Countering the Financing of Terrorism (MAS Notice SFA04-N02), as amended, the Guidelines to MAS Notice SFA04-N02, as amended, the Terrorism (Suppression of Financing) Act (Cap. 325), as amended, the United Nations (Anti-terrorism Measures) Regulations, as amended, and the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (Cap. 65A), as amended.
- 3.13.2 Members should clarify the economic background and purpose of any transaction where the form or amount appears unusual in relation to the customer concerned, or whenever the economic purpose and the legality of the transaction are not immediately evident.
- 3.13.3 Members should implement procedures and control checks to identify and evaluate unusual and suspicious transactions. They should institute procedures for reporting suspicious transactions to the relevant authorities.
- 3.13.4 Members should appoint one or more senior persons, or an appropriate unit, to advise management and staff on the issuance and enforcement of in-house instructions to promote adherence to the guidelines on the prevention of money laundering, the identification of suspicious transactions by customers and other issues relating to the prevention of money laundering.
- 3.13.5 Members should regularly monitor the effectiveness of measures taken to prevent money laundering.

3.13.6 Members should train all staff to be fully aware of their responsibilities in combating money laundering and to be familiar with their systems for the reporting of suspicious matters. Refresher training should be provided at regular intervals, to ensure that staff are reminded of their responsibilities and are kept informed of new developments.

### **3.14 Client Complaints**

Members should have in place the appropriate written procedures and records for dealing with and responding to client complaints in a fair and timely manner, in accordance with regulatory requirements and the Financial Industry Disputes Resolution Centre Ltd (FIDReC) (where applicable).

### **3.15 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 should 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 should require that their distributors comply with dealing deadlines when accepting orders from investors. Members should 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 should be bound by contract to honour only those orders received by the dealing deadline.

- e) Members should 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.

### **3.16 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 should 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. Investment Conduct**

In conducting investment transactions, Members should deal fairly and objectively with all clients. Members should ensure that adequate disclosure is made to all clients of any matter which might diminish that objectivity.

### **4.1 Investments Within Client Mandate**

Members should ensure that transactions carried out on behalf of clients are consistent with the portfolios' objectives, mandates, investments restrictions and guidelines.

### **4.2 Environmental, Social and Corporate Governance Objectives**

- a) Members should have a policy relating to Corporate Governance arrangements and behaviors of the companies in which they invest. The IMAS Guidelines on Corporate Governance and the Singapore Stewardship Principles for Responsible Investors are recommended by IMAS.
- b) Members are strongly encouraged to have a policy relating to Environmental and Social arrangements and behaviors of the companies in which they invest. Members can refer to the Singapore Stewardship Principles for Responsible Investors and the MAS Guidelines on Environmental Risk Management for Asset Managers.
- c) Members should consider the process required to implement this policy, and review the information that should be presented to their clients.
- d) Members should, wherever possible, maintain a dialogue with companies, vote actively and inform their clients about their policy on voting and other corporate governance matters.

### **4.3 Best Execution**

Members when executing orders, or who place orders with other entities for execution when providing the service of portfolio management, or who transmit orders to other entities for execution when providing the service of reception and transmission of orders, must observe the MAS Notice 04-N16 on Execution of Customers' Orders [SFA 04-G10] and the accompanying guidelines, as amended, and have arrangements in place to take sufficient and all reasonable steps to obtain the 'best possible result' for their clients. The best possible result should be determined with regard to the following execution factors: price, costs, speed, likelihood of execution and settlement, size, nature, liquidity or any other consideration relevant to the execution of an order including qualitative factors. Members should also take into account these differing circumstances in the execution of client orders: the nature of the client mandate, the nature of the order, the characteristics of the financial instruments to which the order relates and the execution venues to which the order may be directed.

As part of these arrangements, the Member must establish and implement written policies and procedures that are commensurate with the nature, scale and complexity of its business. When establishing its policy, a Member should determine the relative importance of the execution factors, or at least establish the process by which it determines the relative importance of these factors, so that it can deliver the best possible result to its clients. For retail clients, the price and the costs related to execution will be the most important factors. Ordinarily, price would be expected to merit a high relative importance in obtaining the best possible result for professional clients as well.

Appropriate information about the Member's policy should be provided to clients upon request.

#### **4.4 Order Allocation**

Members should:

- a) Ensure that client orders are allocated fairly;

- b) Make a record of the intended basis of allocation before a transaction is effected;
- c) Ensure that an executed transaction is allocated promptly in accordance with the stated intention; and
- d) Ensure that any revised allocation, which deviates from the stated intention, does not disadvantage a client and the reasons for re-allocation are clearly documented, reviewed and approved by an independent function.

## **4.5 Cross Trades**

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

- a) 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;
- b) The reason and basis for both buy and sell trades are documented prior to execution;
- c) The trades are executed on arm's-length terms at current market value or dealt at a fair and agreed price derived from an independent pricing source;
- d) Each client participating in a cross-trading order must have provided its prior consent in writing; and
- e) Cross trades must be executed in accordance with all legal and regulatory requirements in relevant jurisdictions.

4.5.2 Cross trades between staff personal accounts and client accounts should be prohibited. Cross trades between a "house account" controlled by a Member and a client account should also be prohibited.

“House account” means an account owned by the Member or any of its connected persons over which it can exercise control or influence and gain economic interest from.

#### **4.6 Fees from Underwriters**

Unless specifically permitted in the investment management agreement, Members should 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 should be credited to the client account.

#### **4.7 Participation in Initial Public Offers or Private Placements**

Where Members participate in an initial public offering or a private placement on behalf of clients, they should ensure that:

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

#### **4.8 Portfolio Turnover**

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

#### **4.9 Portfolio Disclosure**

4.9.1 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 should 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.

4.9.2 For Unit Trusts, when reporting the portfolio holdings to clients in the half-year financial statements and year-end financial statements, Members should ensure that the disclosure are in line with the current requirements set-out in Recommended Accounting Practice 7 – Reporting Framework for Unit Trusts.

#### **4.10 Conflict of Interest**

Members should take all reasonable steps to identify conflicts of interest, whether actual, potential or perceived, between:

- a) the firm, including its managers and employees or any person directly or indirectly linked to them by control, and a client of the firm; or
- b) one client of the firm and another client;

that arise or may arise in the course of the firm providing services to its clients as part of its business activities.

Any such conflicts must be recorded, managed appropriately and, where necessary, disclosed to the client.

#### **4.11 Prohibition on Insider Dealing**

4.11.1 Members should at all times comply with insider trading restrictions imposed by prevailing legislation.

4.11.2 Members should have procedures in place to ensure that their staff is aware of such restrictions and should consider the following:

- a) Maintenance of lists of issuers of securities that the Member is analysing or recommending for client transactions, and prohibitions on personal trading in securities of those issuers;
- b) Maintenance of “restricted lists” of issuers about which the Member has insider information, and prohibitions on any trading (personal or for clients) in securities of those issuers;
- c) Use of blackout periods to guard against employees trading ahead of clients or on the same day as clients’ trades are placed. During blackout periods, no personal transactions are permitted for securities in which clients’ trades are being placed or recommendations are being made.

## **4.12 Transactions With Related Parties**

4.12.1 Members should 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.

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

- a) 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

- b) 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 Transactions with Third Parties**

4.13.1 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.

4.13.2 Members should make diligent efforts in the selection of these brokers or counterparties.

4.13.3 Members should institute proper procedures for monitoring and controlling the exposure and volume of business to each broker or counterparty. In doing so, they should 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 Prohibition on Directed Brokerage**

4.14.1 Members should 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.

For avoidance of doubt, a client may direct a Member to execute the client's transactions through a specified broker or dealer. Conversely, a client may restrict a Member from executing the client's transactions through a specified broker or dealer. Such directed brokerage arrangements and/ or restrictions on brokerage shall be included in the client's Investment Management Agreement with the Member.

4.14.2 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 Member's funds by the said distributor.

4.14.3 Members should 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 should 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, should 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 should implement a review process for monitoring adherence to these processes and procedures.

#### **4.15 Soft Dollar Commissions**

4.15.1 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:

- a) The goods or services can reasonably be expected to assist in the provision of the investment services to the Member's clients generally and not specifically attributable to any client;

- b) 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
- c) Members do not enter into unnecessary trades in order to achieve a sufficient volume of transactions to qualify for soft dollars.

4.15.2 Members shall maintain a record of soft dollar arrangements and activities.

4.15.3 The goods and services under a soft dollar arrangement accepted by Members pursuant to such an arrangement may include any of the following:

- a) Specific advice as to the advisability of dealing in, or of the value of any investments;
- b) Research and advisory services;
- c) Economic and political analyses;
- d) Portfolio analyses, including valuation and performance measurements;
- e) Market analyses;
- f) Data and quotation services; and
- g) 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.

4.15.4 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.

4.15.5 The list of goods and services set out above is not exhaustive and may be changed from time to time.

#### **4.16 Rebates**

Cash/Commission rebates received by Members for transactions executed in or outside Singapore on behalf of clients should not be retained by Members for their own account. Such cash/commission rebates should be disclosed and passed on to the respective clients. Moreover, commissions net of rebates should not be grossed up and charged to clients. In addition, Members shall also comply with all applicable laws, regulations and guidelines when receiving cash/commission rebates.

#### **4.17 Disclosure of Soft Dollar Commission And Other Fees**

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

## **5. Conclusion**

These Standards are designed to encourage Members to achieve and maintain a high level of professionalism and ethical practices, so as to further development of the industry in Singapore.

The Code of Ethics and Standards of Professional Conduct 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 Members are involved on a day-to-day basis, the Standards do not attempt to provide a detailed and exhaustive list of what should be done in every situation. Instead, the Standards represent a broad framework for ethical and professional conduct. In this regard, while the Standards may not be directly applicable to Members' circumstances, the IMAS will nonetheless expect Members to adhere to the fundamental principles and standards of behavior set out in these Standards.

To ensure unacceptable conduct is addressed promptly and consistently, any breaches of the Standards outlined may be dealt with as a disciplinary matter under the provisions of the procedures set out in paragraph 5.1.

### **5.1 Disciplinary Procedures**

#### **5.1.1 Principles**

- a) Counselling will be offered, where appropriate, to resolve problems;
- b) No formal disciplinary action will be taken unless there is sufficient evidence to warrant such action and until the matter has been fully investigated;
- c) At every stage in the procedure the Members will be advised of the nature of the complaint against them and will be given the opportunity to state their case before any decision is made;

- d) No Member will be dismissed for a first breach of the Standards, except in the case of gross misconduct, where the penalty will be dismissal without notice;
- e) A Member will have the right to appeal against any disciplinary action imposed; and
- f) All proceedings, whether informal or formal, will as far as practicable remain confidential.

### **5.1.2 Procedures**

#### *Stage 1 – Improvement Notice – Unsatisfactory Conduct*

If a Member does not meet acceptable standards, the Member will be given a written notice requesting improvement. This will set out the performance problem, the improvement that is required, the timeframe and any help that may be given. The Member will be advised that it constitutes the first stage of the formal procedure. A record of the improvement note will be kept for 6 months, but will then be considered spent – subject to achievement and sustenance of satisfactory performance.

#### *Stage 2 – First Warning Letter – Misconduct*

If the conduct does not meet acceptable standards the Member will be given a written letter of warning. This will set out the nature of the misconduct and the change in behavior required. The warning will also inform the Member that a final written warning may be considered if there is no sustained satisfactory improvement or change. A record of the warning will be kept, but it will be disregarded for disciplinary purposes after one year.

### *Stage 3 – Final Written Warning*

If the offence is sufficiently serious, or there is a failure to improve after a prior warning for the same type of offence, a final written warning may be given to the Member. This will give details of the complaint, the improvement required, and the timeframe. It will also warn that failure to improve may lead to action under Stage 4 – Dismissal (or some other sanctions short of dismissal), and will refer to the right of appeal. A copy of this written warning will be kept, but will be disregarded for disciplinary purposes after one year subject to achievement and sustenance of satisfactory conduct or performance.

### *Stage 4 – Dismissal or other Sanction*

If there is still a failure to improve, the final step in the procedure may be dismissal, or some other sanctions short of dismissal. Dismissal decisions can only be taken by the Executive Committee, and the Member will be provided, as soon as reasonably practicable, with written reasons for dismissal, the date on which the membership will terminate, and the right of appeal. The decision to dismiss will be confirmed in writing.

If some sanctions short of dismissal are imposed, the Member will receive details of the complaint, will be warned that dismissal could result if there is no satisfactory improvement, and will be advised of the right of appeal. A copy of the written warning will be kept, but will be disregarded for disciplinary purposes after one year subject to achievement and sustenance of satisfactory conduct or performance.

Sanctions short of dismissal may include private censure, public censure, and/or temporary membership suspension.

## **5.1.3 Appeal**

A Member who wishes to appeal against a disciplinary decision must do so within five working days. An appropriate panel will be formed by members of the Executive Committee to hear all appeals. The decision of the panel will be final. At the appeal, any disciplinary penalty imposed will be reviewed.

#### **5.1.4 Gross Misconduct**

The following list provides examples of offences which are normally regarded as gross misconduct, and will likely result in consideration of dismissal with immediate effect:

- a) Theft, misappropriation, or unauthorized possession of the assets, funds, records, equipment, and/or property of another Member, client or other parties;
- b) Fraud, including any deliberate attempt to defraud the Association, Members or other persons or organizations in the course of the duties and responsibilities;
- c) Corruption, including the provision and acceptance of money, goods, favours, or excessive entertainment to and from outside parties in respect of acts or services rendered which are contrary to the interests of the Association;
- d) Deliberate falsification or misrepresentation of records or claims made;
- e) Flagrant disregard of the Association's policies, procedures, regulations, or rules in force from time to time;
- f) Acts or omissions which might bring the Association into serious disrepute.

While the alleged gross misconduct is being investigated, the Member may be suspended. Any decision to revoke the membership will be taken by the Executive Committee only after full investigation.

## **5.2 Reporting a Breach**

Members are obliged to report in writing either suspected or actual breaches of these Standards to either the IMAS Secretariat or any member of the Executive Committee. The good reputation of the profession and the industry could adversely be affected if such matters were not reported. Members may also raise concerns in writing if they believe that, in the reporting process someone may not have acted in good faith in their allegations against another member.

## Annex A – Professional Conduct Statement

### PROFESSIONAL CONDUCT STATEMENT FOR THE PERIOD 1<sup>ST</sup> JANUARY YYYY TO 31<sup>ST</sup> DECEMBER YYYY

Pursuant to Article 68 of the Investment Management Association of Singapore (IMAS) Constitution, we acknowledge that members of IMAS who are engaged in the business of fund management (as defined in the IMAS Code of Ethics & Standards of Professional Conduct 1.3) are required to submit an annual signed Professional Conduct Statement (PCS) and shall furnish such additional information relating to professional conduct as may be requested.

We understand that failure to file the PCS within the stipulated time may result in the imposition of disciplinary sanction by IMAS, including but not limited to the revocation or suspension of our membership.

We confirm that we have read and understood the IMAS Code of Ethics & Standards of Professional Conduct (updated January 2022) as provided at:

[https://imas.org.sg/wp-content/uploads/2022/01/IMAS-Code-of-Ethics\\_Jan22.pdf](https://imas.org.sg/wp-content/uploads/2022/01/IMAS-Code-of-Ethics_Jan22.pdf)

We also confirm that to the best of our knowledge for the period 1<sup>st</sup> January YYYY to 31<sup>st</sup> December YYYY, with the exception of previous disclosures to IMAS or any other disclosures as indicated by us below, we have complied with the IMAS Code of Ethics & Standards of Professional Conduct.

Disclosures (if any):

Dated this \_\_\_\_\_ day of \_\_\_\_\_ YYYY

On behalf of: \_\_\_\_\_

(Name of Company/Firm)

Name: \_\_\_\_\_

Designation: \_\_\_\_\_

Signature: \_\_\_\_\_