

## **Chapter 5**

### **Undertaking Customer Trades**

- 501. General**
- 502. Opening of Accounts for Customers**
- 503. Disclosures to Customer**
- 504. Discretionary Trading**
- 505. Confidentiality of Customer Information**
- 506. Advertisements**
- 507. Conflicts of Interest**
- 508. Customer Orders**
- 509. Contract Notes**
- 510. Monthly Statement of Account**
- 511. Customer Moneys and Assets**
- 512. Daily Computation of Segregated Funds and Assets**
- 513. Interpretation**

## **501. General**

- 501.1 The Broker Member and its Registered Persons must always act in good faith and in the best interest of its Customers, and exercise due skill, care and diligence when acting as broker for its Customers.
- 501.2 The requirements specified in these Rules shall be the responsibility of the Broker Member. The Broker Member undertakes that it will meet the standards set out in these Rules, including without limitation this Chapter. Nothing in these Rules shall impose on the Exchange and/or the Book Depository any responsibility or notice of any trust (express, implied or constructive), segregation, entitlement or any other right of the Customer or other arrangement, and no liabilities shall be affected by anything done in pursuance of these Rules and neither of the Exchange nor the Book Depository shall be affected with notice of any trust, segregation, entitlement or any other right of the Customer or other arrangement by anything so done.
- 501.3 Neither the Exchange nor the Book Depository shall be responsible to ensure compliance or take cognisance for observation of this Chapter 5, and nothing in this Chapter 5 shall confer on any Customer any right of claim by reason of any non-conformance with the requirements of this Chapter.

## **502. Opening of Accounts for Customers**

- 502.1 Only an individual registered with the Exchange and the Book Depository as a Registered Representative of the Broker Member may solicit Customers for the Broker Member.
- 502.2 The Broker Member shall identify and verify each Customer prior to opening a Customer Account for the Customer. The measures to identify and verify the Customer shall be in line with and shall be at least of the standards set by the Monetary Authority of Singapore for capital markets services licence holders in relation to the prevention of money-laundering and countering of terrorism financing. Such measures shall include:
- (a) identifying the Customer by obtaining key particulars of the Customer, its connected parties, its beneficial owners and the persons who have been authorised to act on behalf of the Customer;
  - (b) verifying the identity of the Customer, its connected parties, its beneficial owners and the natural persons who have been authorised to act on behalf of the Customer; and
  - (c) understanding the ownership and control structure of the Customer as well as the nature of business and source of funds or assets of the Customer.
- 502.3 Each Customer Account must be identified and designated by the full name of the Customer and a unique account code. A Customer Account which is held on an omnibus basis must be identified as such.
- 502.4 For internal control purposes, the opening of a Customer Account shall require the approval of at least one member of management, independent of the Broker Member's sales and dealing functions.
- 502.5 No Orders for Products may be executed by a Broker Member for the benefit of a Customer until and unless a Customer Account has been opened for the Customer.

## **503. Disclosures to Customer**

- 503.1 A Broker Member shall provide each Customer with all relevant information in connection with the trading and settlement of Products. Such information shall include information relating to the Exchange Trading System, the Depository Account Rules, the prohibited trading practices set out in Chapter 6, the listing and trading procedures set out in Chapter 7, the settlement procedures set out in Chapter 8 and the default arrangements set out in Chapter 9.
- 503.2 The Broker Member shall inform each Customer of the risks in trading Products on the Exchange Trading System and shall provide each Customer with the Product Specifications for the Products that such Customer wishes to trade in on the Exchange Trading System.
- 503.3 For the purposes of this Rule, “**Customer**” shall include Persons (other than the Broker Member itself) for whose benefit the House Depository Account has been opened.

#### **504. Discretionary Trading**

- 504.1 A Broker Member shall not permit a Customer to appoint a third party to act as the Customer’s attorney to trade or otherwise deal with the Customer Account on the Customer’s behalf, without the prior approval of the Exchange and the Book Depository. Such approval may be granted by each of the Exchange and the Book Depository at its absolute discretion. For the avoidance of doubt, a Broker Member may accept orders and instructions from a natural person (who is an officer, partner or employee of the Customer) who is appointed to act on behalf of the Customer.
- 504.2 Save where prior approval of the Exchange and the Book Depository has been obtained, the Broker Member shall:
- (a) only execute an order for a Customer if the order is received from the Customer itself or himself; and
  - (b) communicate solely with its Customer in respect of statements, contract notes or other information relating to the Customer.

#### **505. Confidentiality of Customer Information**

- 505.1 A Broker Member shall maintain confidentiality of a Customer’s information and shall not disclose a Customer’s information save where provided for in these Rules, or pursuant to the application of mandatory law or where consented to by the Customer.

#### **506. Advertisements**

- 506.1 A Broker Member and its Registered Representatives shall not directly or indirectly, publish, circulate or distribute any advertisement which is inaccurate or misleading, or which contains claims that are not independently verifiable or which contains any statement relating to potential investment returns or profits without highlighting the possibility of losses.

#### **507. Conflicts of Interest**

- 507.1 A Broker Member shall ensure effective controls and segregation of duties to mitigate potential conflicts of interest that may arise from its operations. These shall include:
- (a) maintaining strict separation between the credit control, trading, dealing and marketing departments of the Broker Member; and

- (b) having clear policies relating to trading in Products by its directors, officers, partners, Registered Persons, employees, representatives and agents.

#### **508. Customer Orders**

- 508.1 A Broker Member shall only accept orders from the Customer which have been received by the Broker Member's Registered Representatives and which have been given in writing, electronically or over a recorded telephone line.
- 508.2 The Broker Member shall as soon as practicable upon the receipt of a Customer's order for Products or the receipt of any amendment or cancellation of such order, prepare and keep a written record of:
  - (a) the particulars of the Customer's instructions in the order; and
  - (b) the date and time of receipt of the order, amendment or cancellation.
- 508.3 The Broker Member shall as soon as practicable upon the execution of a Customer's order for Products, prepare and keep a written record of the particulars of the transaction and the date and time of execution of the order.
- 508.4 All records in relation to a Customer order shall be retained for a period of at least 6 years from the time of execution or cancellation of such order.

#### **509. Contract Notes**

- 509.1 A Broker Member shall in respect of a purchase or sale of Products, give to its Customer a contract note no later than the next Business Day following the execution of the transaction, either electronically or by hardcopy.
- 509.2 The contract note shall, at the minimum, contain the following information:
  - (a) name and principal place of business of the Broker Member;
  - (b) name and address of the Customer;
  - (c) date on which the transaction is entered into;
  - (d) description of the Products that has been purchased or sold;
  - (e) the price per unit of the transaction;
  - (f) the amount of consideration for the transaction;
  - (g) the rate and amount of commission (if any) charged for the transaction by the Broker Member; and
  - (h) the amount of all stamp duties or other duties or taxes payable in connection with the transaction.

#### **510. Monthly Statement of Account**

- 510.1 A Broker Member shall give a monthly statement of account to each Customer unless there is no change from the last statement. Where there is no change from the last statement, a Broker Member shall give such statement quarterly. The statement of account shall be provided in

hardcopy unless the Customer has consented to receiving the same electronically and to the manner of delivery.

510.2 The information that shall be included in the monthly statements are:

- (a) transactions of the Customer in the Products and the price at which the transactions are entered into;
- (b) the movement and balance of money and assets received on account of the Customer that is required to be segregated;
- (c) the book-entry records relating to the Products held on account of the Customer with the Book Depository and the balance of the Products in each such account; and
- (d) a detailed account of all financial charges and credits to the Customer Account during the monthly statement period, unless the detailed account of financial charges and credits has been included in any contract note or tax invoice issued by the Broker Member to the Customer.

#### **511. Customer Moneys and Assets**

511.1 A Broker Member may require a Customer to provide a deposit or to make full payment upfront prior to executing an order for the purchase of Products.

511.2 A Broker Member shall take all necessary steps to protect interests of its Customers in relation to any dealings with moneys and/or assets for the benefit of Customers including where appropriate:

- (a) treating moneys as belonging to the Customer;
- (b) segregating from and not commingling Customer moneys and assets with its own moneys and assets;
- (c) precluding the financial institution with whom any moneys or assets may be held from setting off such moneys and/or assets against the Broker Member's own debts;
- (d) segregating, and taking the measures necessary to recognise or protect the rights of the Customer to the assets and moneys, including by way of holding on trust or otherwise.

511.3 Moneys received by the Broker Member must be placed with and maintained in an account held with appropriate financial institutions including but not limited to banks licensed as a bank, or approved as a merchant bank in Singapore.

511.4 Unless otherwise directed by a Customer, a Broker Member is not allowed to invest moneys held by it for a Customer.

511.5 A Broker Member is only allowed to withdraw money or assets held by it for the benefit of Customer(s) for the following purpose:

- (a) making payments or delivery to the Customer who is entitled to the money or assets;
- (b) making payments for the Customer to meet the Customer's obligations arising from his purchase of a Product;
- (c) defraying brokerage, delivery charges and other approved charges;

- (d) making a payment or delivery to any other person or account in accordance with the written direction of the Customer;
- (e) reimbursing the Broker Member any moneys that it has advanced to the account in which moneys held by it for the benefit of Customer(s) are placed and any interest it is entitled to by virtue of Rule 511.6, so long as such withdrawal does not result in the account becoming under-margined or under-funded;
- (f) making an investment in accordance with Rule 511.4; or
- (g) making a payment or withdrawal that is authorised by law.

511.6 Subject to any agreement between the Broker Member and its Customer, all interest earned from the maintenance of the moneys received for the benefit of the Customer, and all returns from the investment of moneys received for the benefit of the Customer in accordance with Rule 511.4 shall accrue to the Customer.

511.7 The Broker Member shall take all reasonable steps to ensure that the interest and returns accrued to the Customer under Rule 511.6 are paid to or held for the benefit of the Customer, as the case may be.

511.8 A Broker Member may from time to time advance from its own funds sufficient money to an account in which it holds Customer moneys:

- (a) to prevent the account from being under-margined or under-funded; or
- (b) to ensure the continued maintenance of that account with the relevant financial institution.

511.9 Without prejudice to the generality of Rule 511.6 and Rule 511.7, the Broker Member may retain any interest earned and return arising on the moneys which it has so advanced to the account by virtue of Rule 511.8.

## **512. Daily Computation of Funds and Assets**

512.1 A Broker Member shall compute as at the close of each Business Day:

- (a) the total amount of moneys and assets received by it for the benefit of its Customers;
- (b) the total amount of moneys and assets held by it in accounts for the benefit of its Customers, as required under Rule 511.3; and
- (c) the amount of residual interest in accounts in which Customer moneys are deposited.

512.2 A Broker Member shall complete the computation referred to in Rule 512.1 before noon of the next Business Day and such computation with all supporting data shall be retained by the Broker Member for a period of at least 6 years.

512.3 A Broker Member shall immediately report to the Exchange and the Book Depository of any failure to include any moneys or assets in its computation under Rule 512.1(b) and of any commingling of Customer moneys or assets with the Broker Member's House Funds or House Assets.

## **513. Interpretation**

513.1 A reference in this Chapter to assets shall include the Products held or to be held by a Broker Member for the account of its Customer with the Book Depository and to any other assets (other than money) which a Broker Member may receive from its Customer.