

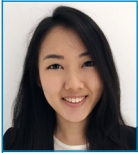


REGIONAL UPDATE  
**SINGAPORE**

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## PROPOSED ENHANCEMENTS TO REGULATORY REQUIREMENTS ON PROTECTION OF CUSTOMER'S MONEYS AND ASSETS



On 19 July 2016, the Monetary Authority of Singapore (“MAS”) issued a Consultation Paper on Enhancements to Regulatory Requirements on Protection of Customer’s Moneys and Assets. MAS has proposed to enhance the regulatory regime governing protection of client moneys and assets held by capital market intermediaries. Such proposed enhancements take into account international standards set by the International Organisation of Securities Commission and Financial Stability Board.



The proposed changes will be effected through amendments to the Securities and Futures (Licensing and Conduct of Business) Regulations (“**LCB Regulations**”).

This update highlights some key proposed amendments:

### (a) Definition of Customer’s Moneys

MAS has proposed that the definition of “customer’s moneys” in the LCB Regulations be expanded to cover contractual rights arising from transactions entered into by holders of Capital Markets Services licences (“**CMS licensees**”) on behalf of a customer or with a customer, to align itself with the internationally-recognised definition.

### (b) Due Diligence on Third Party Custodian

To ensure that CMS licensees exercise due care and diligence when selecting deposit-taking financial institutions (“**FIs**”) and custodians, MAS has proposed to require CMS licensees to (a) conduct due diligence on the suitability of such FIs, prior to opening a trust account with the FI; and (b) carry out periodic reviews on the FIs and custodians with whom they maintain trust and custody accounts to keep their customer’s moneys and assets respectively.

### (c) Information Requirement and Record Keeping

In addition to existing requirements, CMS licensees may be required to maintain information systems and controls that can promptly produce information on, *inter alia*, (a) the location of customer’s moneys and assets and identity of all relevant depositories; (b) the type of segregation and its effects on customer’s ownership rights; and (c) outstanding loans of customer’s securities arranged by the CMS licensee.

### (d) Disclosure to Customers

To provide transparency to customers, MAS intends to require CMS licensees to disclose in advance to customers the manner in which the customer’s moneys and assets are held and the attendant risks.

The LCB Regulations governing the treatment and handling of moneys (“**LCB Money Rules**”) and assets (“**LCB Asset Rules**”) currently apply to banks, merchant banks and finance companies (collectively, “**Exempt Financial Institutions**” or “**EFIs**”). Due to practical considerations, MAS has proposed to dis-apply the LCB Money Rules for EFIs, but the LCB Asset Rules will remain applicable.

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