

Practice Note 4.15.5 Approval of Customer Accounts

1. Introduction

- 1.1 Rule 4.15.5 provides that at least one member of senior management or delegate staff (whether of the Trading Member or the Trading Member's related corporation or otherwise) independent of the Trading Member's sales or dealing, must approve the opening of a customer account carried on the books of the Trading Member.
- 1.2 This Practice Note provides guidance on how a Trading Member may satisfy the above requirement.

2. Approval based on pre-defined criteria approved by senior management or delegate

- 2.1. A Trading Member will be deemed to have obtained the approval of senior management or delegate staff independent of the Trading Member's sales or dealing for the opening of a customer account if:
 - (a) at least one member of senior management or delegate staff independent of the Trading Member's sales or dealing pre-defines a set of approval criteria; and
 - (b) the customer satisfies that approval criteria.
- 2.2. In the spirit of the rule, the pre-defined approval criteria should minimally address the risks posed by the client with regard to credit, money laundering and terrorist financing.
- 2.3. An example of a set of pre-defined approval criteria is as follows:
 - (a) the identity of the customer can be verified via a centralised national database (e.g. MyInfo by the Singapore Government); and
 - (b) the customer does not have any adverse credit, money laundering, terrorist financing or relevant criminal record, based on screening against relevant information sources.
- 2.4. It is strongly recommended that the Trading Member should have in place:
 - (a) a robust risk assessment process for determining the pre-defined approval criteria;
 - (b) proper documentation to record (i) the basis of the pre-defined approval criteria and (ii) the member(s) of senior management or delegate staff independent of the Trading Member's sales and dealing who is(are) responsible for establishing the pre-defined approval criteria; and
 - (c) a process to review the implementation and effectiveness of the pre-defined approval criteria on a periodic basis, and enhance them if necessary.