

Private Banking Sales and Advisory Practices



Governance by Board and Senior Management

- ✓ Exercise oversight of governance frameworks and foster a culture that supports the conduct of sales and advisory activities in a manner that is ethical, prudent and in the clients' best interests.
- ✓ Establish clear accountability and responsibility over sales and advisory activities, including pricing issues and oversight of a product's life cycle.
- ✓ Accord adequate attention and emphasis on pricing issues, including raising awareness amongst front office and control functions.



Pricing Controls and Disclosure

- ✓ Communicate and agree with clients, the fees, charges and any other quantifiable benefits in a timely and transparent way. This includes providing clients with fee schedules on charges for all categories of investment products and services, and informing clients of any revisions on a timely basis.
- ✓ Disclose deviations from fee schedules and bilaterally agreed pricing arrangements to clients on a timely basis, and obtain clients' agreement or "no objection" to the deviations.
- ✓ Disclose and agree with clients how benefits from price improvements arising from client transactions are allocated, and establish controls to adhere to such arrangements.
- ✓ Implement adequate and effective pre-trade controls to prevent, and post-trade checks and surveillance to monitor and detect, unauthorised deviations from fee schedules and bilaterally agreed pricing arrangements.
- ✓ Review post-trade amendments to price or spread to verify if these are authorised, justified and accurate.



Investment Suitability

Client risk profiles

- ✓ Establish frameworks and processes to adequately assess, update and document clients' risk profiles and financial needs on a timely basis.
- ✓ Implement safeguards to mitigate risks of recommending unsuitable products to clients with outdated risk profiles.
- ✓ Raise awareness amongst front office staff so that they understand and appreciate the underlying intent of controls (including client risk profiling and investment suitability checks).
- ✓ Establish policies and processes to identify vulnerable clients, at the time of on-boarding and periodically, and offer them additional safeguards.

Pre-trade investment suitability checks

- ✓ Implement investment suitability checks to identify mismatches between product features and clients' risk profiles on a pre-trade basis, or through timely post-trade surveillance checks.
- ✓ Develop a portfolio-level monitoring approach, to complement transaction-level monitoring of investment suitability mismatches.
- ✓ Exercise oversight of products recommended and sold to clients, in particular unapproved products and products inconsistent with house views.

Post-trade surveillance

- ✓ Conduct post-trade checks and surveillance to identify inappropriate sales practices and investment suitability mismatches for timely remediation.
- ✓ Conduct adequate and regular testing of investment suitability controls by a unit independent of front office.

Private Banking Sales and Advisory Practices



Foster a culture of good conduct by setting a strong tone-from-the-top on the bank's core values and code of conduct.



Communicate KPIs clearly. KPIs should adequately consider behavioural and conduct factors, in addition to financial KPIs.



Ensure business growth does not come at the expense of high ethical standards, prudent risk management and prioritisation of clients' interests.



Exemplify organisational values and desired conduct by "walking the talk" or role-modelling.

Culture and Conduct



Set clear boundaries of desirable and unacceptable behaviour, and improve frequency and clarity of tone-from-the-top.



Convey consequences of unacceptable behaviour and share lessons learnt from past misconduct cases, industry developments, and case studies of moral dilemmas.



Give due recognition and celebrate exemplary behaviour – use "carrot" in addition to "stick".



Be mindful of sub-cultures, as they could undermine cohesion and teamwork and impede achievement of organisational goals.