

## Practice Note 12.3.1, 12.3.2

# Customer Account

Issue Date	Cross Reference	Enquiries
21 June 2006	Rule 12.3.1, Rule 12.3.2	Please contact Member Supervision.

### 1. INTRODUCTION

- 1.1 This Practice Note explains the circumstances, conditions and operational procedures pursuant to the requirements to obtain particulars of customers and to understand their investment objectives.

### 2. CUSTOMER ACCOUNT

- 2.1 Rules 12.3.1(1) and 12.3.2(1) require a Member to obtain particulars of a customer and understand the investment objectives. The purpose is to ensure that the Member abides by the know-your-customer principle.

- 2.2 Investment objectives of a customer would include :-

- (a) the risk appetite of the customer;
- (b) the types of securities that the customer may want to invest in, such as –
  - (i) securities or contracts listed or quoted on SGX-ST, and
  - (ii) securities offered in reliance on the exemptions under Sections 274 or 275 of the Securities and Futures Act, Chapter 289 of Singapore (“SFA”), where the requirement to lodge a prospectus or profile statement with the Authority before making an offer of the securities does not apply.

- 2.3 Securities offered in reliance on the exemptions under Sections 274 or 275 of the SFA may include :-

- (a) Relevant Debt Securities;
- (b) Global Depository Receipts (“GDRs”); and
- (c) such other securities that are offered pursuant to the exemptions.

- 2.4 Members should bear in mind the effect of Sections 274, 275 and 276 of the SFA. If a customer wants to trade in a security that is offered in reliance on the exemptions under Sections 274 or 275 of the SFA, Members should -
- (a) explain to the customer the effect of Sections 274, 275 and 276 of the SFA, and the definition of “Relevant Person” under Section 275 of the SFA;
  - (b) obtain documents to satisfy themselves that the customer is an institutional investor or a Relevant Person; and
  - (c) prominently disclose to the customer in writing that –
    - (i) the aforesaid security is a security offered in reliance on the exemptions under Sections 274 or 275 of the SFA,
    - (ii) for such a security, the requirement to lodge a prospectus or profile statement with the Authority and the Exchange does not apply.
- 2.5 For the avoidance of doubt, the above requirements are applicable to the trading of GDRs which are offered in reliance on the exemptions under Sections 274 or 275 of the SFA. Members should also observe relevant provisions of the Listing Manual in relation to GDRs.
- 2.6 All the documents obtained under paragraph 2.4(b) should form part of the permanent records of the Members. If the customer’s account is closed, the documents should be kept for at least the minimum period required by law.