

Implementation Guidance

EP 100 IG 4

Code of Professional Conduct and Ethics

Clarification on Financial Institutions Considered as Public Interest Entities

This Implementation Guidance (IG) was issued by the Council of the Institute of Singapore Chartered Accountants (ISCA) on 14 October 2020.

CODE OF PROFESSIONAL CONDUCT AND ETHICS
CLARIFICATION ON FINANCIAL INSTITUTIONS CONSIDERED
AS PUBLIC INTEREST ENTITIES

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1 Introduction

Members of the Institute of Singapore Chartered Accountants (ISCA) must adhere to Ethics Pronouncement (EP) 100 *Code of Professional Conduct and Ethics* (EP 100). EP 100 is modelled after the *International Code of Ethics for Professional Accountants* published by the International Ethics Standards Board for Accountants of the International Federation of Accountants (IESBA). It also encompasses locally developed SG provisions included in the *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* issued by the Accounting and Corporate Regulatory Authority.

Professional firms auditing public interest entities (PIEs) are subject to higher independence requirements, such as stricter rotation requirements and prohibition from providing certain non-assurance services, to ensure high level of audit quality and integrity of the audited financial statements.

In EP 100 (Revised on 14 August 2020), the definition of public interest entities¹ include all listed entities, entities in the process of issuing debt or equity instruments for trading on Singapore Exchange, financial institutions (FIs), large charities and large institutions of a public character. The factors in paragraph 400.8² of EP 100 (Revised on 14 August 2020) should also be considered to determine whether an entity is a PIE. Factors to be considered include:

- The nature of the business, such as the holding of assets in a fiduciary capacity for a large number of stakeholders. Examples might include financial institutions, such as banks and insurance companies, and pension funds.
- Size.
- Number of employees.

In EP 100 (Revised on 14 August 2020), FIs are defined as:

(a) Licensed banks, financial institutions approved under section 28 of the Monetary Authority of Singapore Act (Chapter 186), operators of payment systems designated under section 42 of the Payment Services Act 2019 (Act 2 of 2019), settlement institutions of payment systems designated under section 42 of the Payment Services Act 2019, persons that have in force a standard payment institution licence granted under section 6 of the Payment Services Act 2019, persons that have in force a major payment institution licence granted or deemed to have been granted under section 6 of the Payment Services Act 2019 and licensed finance companies;

(b) Licensed insurers, foreign insurers under Lloyd's Asia Scheme, authorised reinsurers and registered insurance brokers;

(c) Capital market infrastructure providers (namely, approved holding companies, approved exchanges, recognised market operators, approved clearing houses and recognised clearing houses under the Securities and Futures Act (Chapter 289));

(d) Capital markets intermediaries (namely, holders of capital markets services licence, licensed financial advisers, registered fund management companies, licensed trust companies and approved trustee for collective investment scheme);

(e) Licensed trade repositories, authorised and exempt benchmark administrators under the Securities and Futures Act (Chapter 289);

(f) Operator of the Central Depository System under the Securities and Futures Act (Chapter 289);

(g) Trustee-managers of listed registered business trusts;

(h) Designated financial holding companies under the Financial Holding Companies Act 2013 (No. 13 of 2013) (this category is applicable once the Act commences); and

¹ As defined in paragraphs SG400.8A, SG400.8B and SG400.8C in EP 100 (Revised on 14 August 2020). Please see Appendix.

² Please see Appendix.

(i) Licensed credit bureaus under the Credit Bureau Act 2016 (No. 27 of 2016) (this category is applicable once the Act commences).

With the objective of supporting the accountancy profession, ISCA Ethics Committee embarked on an initiative to perform an analysis on the FIs extracted from the [Financial Institutions Directory](#) of the Monetary Authority of Singapore (MAS) to assess if they fall within the definition of FIs in EP 100 (Revised on 14 August 2020) and hence, are considered as PIEs. Following that, ISCA consulted the relevant regulatory bodies to clarify the scope of FIs as specified in EP 100 (Revised on 14 August 2020).

ISCA has developed EP 100 Implementation Guidance (IG) 4 – *Clarification on Financial Institutions Considered as Public Interest Entities* to clarify the scope of entities that falls within the definition of FIs in EP 100 (Revised on 14 August 2020).

2 Financial institutions that are not public interest entities

The following do not fall within the definition of FIs in EP 100 (Revised on 14 August 2020) and are not considered as PIEs.

- (i) Money changers;
- (ii) Representative offices (banking and insurance);
- (iii) All persons³ exempt from holding a capital markets services (CMS) licence to carry on business in advising on corporate finance under paragraph 7(1)(b) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations (SFR)⁴;
- (iv) All persons³ exempt from holding a financial adviser's licence under regulation 27(1)(d) of the Financial Advisers Regulations (FAR)⁵; and
- (v) All persons³ exempt from holding a trust business licence in respect of the carrying on of trust business under section 15(1)(d) and (e) of the Trust Companies Act.

³ Include any company or association or body of persons, corporate or unincorporate.

⁴ Paragraph 7(1)(b) of the Second Schedule to the SFR states that a person resident in Singapore who carries on business in Singapore in giving advice on corporate finance to accredited investors, expert investors or institutional investors, shall be exempted from the requirement to hold a CMS licence to carry on business in advising on corporate finance, provided that:

- i) such advice is not specifically given for the making of any offer of specified products to the public by the accredited investor, expert investor or institutional investor to whom the advice was given; and
- ii) where the accredited investor, expert investor or institutional investor is —

- (A) a public company;
- (B) listed on an approved exchange; or
- (C) a subsidiary of a corporation listed on an approved exchange,

such advice is not circulated to the shareholders (other than shareholders who are accredited investors) of (in the case of sub-paragraph (A) or (B)) the accredited investor, expert investors or institutional investors or (in the case of sub-paragraph (C)) the listed corporation, or is otherwise made known to the public.

⁵ Regulation 27(1)(d) of the FAR states that a person resident in Singapore who acts, whether directly or indirectly, as a financial adviser in giving advice in Singapore, either directly or through publications or writings or by issuing or promulgating research analyses or research reports, concerning any investment product (other than life policies), to not more than 30 accredited investors on any occasion, is exempt from holding a financial adviser's licence under section 23(1)(f) of the Financial Advisers Act (FAA). Under section 23(1)(f) of the FAA, such person is exempt from holding a financial adviser's licence to act as a financial adviser in Singapore in respect of any financial advisory service.

3 Financial institutions that are public interest entities

The following fall within the definition of FIs in EP 100 (Revised on 14 August 2020) and are PIEs. Explanatory note is included to illustrate why the FIs are PIEs.

No	Definition of FIs in EP 100 (Revised on 14 August 2020)	FIs	Explanatory note to illustrate why the FIs are PIEs
1	(a) Licensed banks, financial institutions approved under section 28 of the Monetary Authority of Singapore Act (Chapter 186), operators of payment systems designated under section 42 of the Payment Services Act 2019 (Act 2 of 2019), settlement institutions of payment systems designated under section 42 of the Payment Services Act 2019, persons that have in force a standard payment institution licence granted under section 6 of the Payment Services Act 2019, persons that have in force a major payment institution licence granted or deemed to have been granted under section 6 of the Payment Services Act 2019 and licensed finance companies	Banks and merchant banks	Banks are exposed to public funds.
2		Finance companies	Finance companies' businesses involve financing the hire-purchase transactions, borrowing money from and lending money to the public.
3		Operators and settlement institutions of designated payment systems	Such operators and settlement institutions support the smooth functioning of payment systems which are systemically important or have system-wide importance. Disruptions to the functioning of these designated payment systems could undermine stability or public confidence in the financial system.
4		Standard payment institutions and major payment institutions	Payment institutions are exposed to public funds as part of providing payment services.
5		Financial holding companies ⁶	Financial holding companies are the parent companies of banks or insurance companies. They can exercise control over the companies.
6		Money brokers	Money brokers act as intermediaries between banks in the wholesale financial market for a wide variety of financial products.
7	(b) Licensed insurers, foreign insurers under Lloyd's Asia Scheme, authorised reinsurers and registered insurance brokers	Direct insurers (Life, General and Composite)	They are exposed to public funds.
8		Reinsurers (Life, General and Composite)	
9		Lloyd's Asia Scheme	
10		Authorised reinsurers (Life, General and Composite)	
11		Captive insurers (Life, General and Composite)	

⁶ Financial holding companies would be categorized under "(h) Designated financial holding companies under the Financial Holding Companies Act 2013 (No. 13 of 2013)" once the Financial Holding Companies Act commences.

No	Definition of FIs in EP 100 (Revised on 14 August 2020)	FIs	Explanatory note to illustrate why the FIs are PIEs
			Accordingly, they would have exposure to public funds.
12		Registered insurance brokers	Registered insurance brokers act as intermediaries in insurance market. They would affect a large number and wide range of stakeholders.
13	(c) Capital market infrastructure providers (namely, approved holding companies, approved exchanges, recognised market operators, approved clearing houses and recognised clearing houses under the Securities and Futures Act (Chapter 289))	Approved holding companies	Approved holding companies are the parent companies of approved exchanges or approved clearing houses and can exercise control over them.
14		Approved exchanges	Approved exchanges are places or facilities through which offers or invitations to exchange, sell or purchase derivatives contracts, securities or units in collective investment schemes are made. Disruptions to the functioning of an approved exchange could undermine stability or public confidence in the financial system.
15		Recognised market operators	Recognised market operators operate places or facilities through which offers or invitations to exchange, sell or purchase derivatives contracts, securities or units in collective investment schemes are made. Major disruptions to the functioning of a recognised market operator could undermine stability or public confidence in the financial system.
16		Approved clearing houses	Approved clearing houses carry out the clearing or settlement of transactions in securities or derivatives contracts. Disruptions to the functioning of approved clearing houses could cause widespread disruptions among financial market participants and may even result in instability of the financial system.
17		Recognised clearing houses	Recognised clearing houses carry out the clearing or settlement of transactions in securities or derivatives contracts. Major disruptions to the functioning of recognised clearing houses could cause widespread disruptions among financial market participants and may even result in instability of the financial system.
18	(d) Capital markets intermediaries (namely, holders of capital markets services licence, licensed financial advisers, registered fund management companies, licensed	Capital Markets Services (CMS) licensees	CMS licensees act as intermediaries in financial market. They would affect a large number and wide range of stakeholders and have exposure to public funds.
19		Licensed financial advisers	Licensed financial advisers provide financial advice to members of the public.
20		Registered fund management companies	Registered fund management companies manage third parties' monies.

No	Definition of FIs in EP 100 (Revised on 14 August 2020)	FIs	Explanatory note to illustrate why the FIs are PIEs
21	trust companies and approved trustee for collective investment scheme)	Licensed Trust Companies (LTCs)	LTCs provide trust services for investment and wealth management purposes, such as succession planning.
22		Approved Collective Investment Schemes (CIS) trustees	Approved CIS trustees act as the trustee for CIS offered to investors in Singapore.
23	(e) Licensed trade repositories, authorised and exempt benchmark administrators under the Securities and Futures Act (Chapter 289)	Licensed trade repositories	Licensed trade repositories hold important trade data of market participants that are intended for reporting to MAS. Any mismanagement of the trade data could compromise the confidentiality of the trade information or result in publication of erroneous trade data that mislead the public.
24		Authorised and exempt benchmark administrators	Authorised and exempt benchmark administrators are in charge of administering designated benchmarks, which are benchmarks that have been identified as systemically important to Singapore's financial system. They would have effect on the credibility and integrity of the benchmark setting and governance framework. There is high public interest that such benchmarks are administered properly, as they are used widely in Singapore, and affect consumers.
25		Authorised and designated benchmark submitters	Authorised and designated benchmark submitters provide or transmit information for the determination of a designated benchmark. They would have effect on the reliability of designated benchmarks. Benchmark submitters that submit false or misleading information in an attempt to rig the benchmark could compromise the integrity of the benchmark.
26	(f) Operator of the Central Depository System under the Securities and Futures Act (Chapter 289)	Central depository systems	Central depository systems provide central safekeeping of securities for market participants and facilitate the settlement of securities transactions by means of book-entry. Major disruptions to the functioning of central depository systems could cause widespread disruptions among financial market participants, and may even result in instability of the financial system.
27	(g) Trustee-managers of listed registered business trusts	Trustee-managers of listed registered business trusts ⁷	Trustee-managers manage and operate listed registered business trusts that raise funds from the public and have a large number of stakeholders.
28	(h) Designated financial holding companies under the Financial Holding Companies Act 2013 (No. 13 of 2013) (this category is	Financial holding companies	Financial holding companies are the parent companies of banks or insurance companies. They can exercise control over the companies.

⁷ Trustee-managers of listed registered business trusts are not licensed by MAS. However, the list of registered business trusts and their details are available on the MAS website.

No	Definition of FIs in EP 100 (Revised on 14 August 2020)	FIs	Explanatory note to illustrate why the FIs are PIEs
	applicable once the Act commences)		
29	(i) Licensed credit bureaus under the Credit Bureau Act 2016 (No. 27 of 2016) (this category is applicable once the Act commences)	Licensed credit bureaus	Licensed credit bureaus consolidate customer information from banks and produce credit reports widely used for credit assessment. They hold confidential data of a large number of customers and can affect public's ability to borrow, and financial institutions' ability to lend.

Table 1 List of FIs that are PIEs in EP 100 (Revised on 14 August 2020)

4 Appendix – Definition of public listed entities in EP 100 (Revised on 14 August 2020)

Paragraph 400.8	<p>Some of the requirements and application material set out in this Part reflect the extent of public interest in certain entities which are defined to be public interest entities. Firms are encouraged to determine whether to treat additional entities, or certain categories of entities, as public interest entities because they have a large number and wide range of stakeholders. Factors to be considered include:</p> <ul style="list-style-type: none"> • The nature of the business, such as the holding of assets in a fiduciary capacity for a large number of stakeholders. Examples may include financial institutions, such as banks and insurance companies, and pension funds. • Size. • Number of employees.
Paragraph SG400.8A	<p>As defined in the Glossary, a public interest entity is</p> <p>(a) A listed entity; or</p> <p>(b) Any entity:</p> <p>(i) Defined by regulation or legislation as a public interest entity; or</p> <p>(ii) For which the audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to the audit of listed entities. Such regulation might be promulgated by any relevant regulator, including an audit regulator.</p> <p><i>Other entities might also be considered to be public interest entities, as set out in paragraph 400.8.</i></p>
Paragraph SG400.8B	<p>For the purposes of paragraph SG400.8A(b)(i), a PIE means —</p> <p>(a) Any entity that is listed or is the process of issuing its debt or equity instruments for trading on a securities exchange in Singapore;</p> <p>(b) Any entity that is incorporated in Singapore and the securities of which are listed on a securities exchange outside Singapore; or</p> <p>(c) Any financial institution.</p>
Paragraph SG400.8C	<p>For the purposes of paragraph SG400.8A(b)(ii), the audit of large charities and large institutions of a public character shall be conducted in compliance with the same independence requirements that apply to the audit of listed entities.</p>

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