



# CODE OF BANKING PRACTICE FOR SMALL BUSINESSES

**ABS**

THE ASSOCIATION OF BANKS  
IN SINGAPORE

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## **PREAMBLE**

This Code of Banking Practice for Small Businesses represents the collective and concerted effort of banks in Singapore to facilitate dealings with their customers in small businesses . This is a voluntary industry initiative to set the minimum standards of service and conduct that you can expect when dealing with your bank.

Like other organisations and corporations, banks in Singapore face some challenging times ahead. Foremost is the preservation and enhancement of the banks' relationship with their customers. We believe that the four principles on which this Code is premised: Fairness, Transparency, Accountability and Reliability, will establish the bedrock for building a trusting and open relationship between you and your bank.

In this first edition of the Code, we have focused on the major elements in banking and prescribed standards and best practices to these. In essence, this booklet should serve as a guide to best practices in banking for small businesses. The banking industry is committed to deliver standards of practice no less than those stated in the Code.

How will this Code benefit you? It is our hope that this Code will provide you with a better understanding of banks' practices. The Code will also serve as a benchmark to help determine whether your bank is providing you with the minimum standards that you can expect.

Mrs Ong-Ang Ai Boon

Director

The Association of Banks in Singapore

## **1. Introduction**

This Code of Banking Practice for Small Businesses outlines the standards of good banking practice that small businesses can expect from their banks.

By “businesses” is meant limited liability companies (excluding branches of foreign companies not registered or incorporated in Singapore), partnerships including limited liability partnerships, and sole proprietorships.

By “small businesses” is meant businesses which are not required to register with the Inland Revenue Authority of Singapore for the purposes of goods and services tax (because their taxable supplies do not exceed S\$1 million in the manner prescribed in the Goods and Services Tax Act, Cap. 117A, Singapore Statutes).

This Code will be a guide for you, when you transact with your bank and it will help you to better understand your bank’s responsibilities when serving you.

This Code is issued as a voluntary initiative of the banking industry in Singapore. Members of The Association of Banks in Singapore (ABS), which offer financial services to small businesses, subscribe to the commitments and standards in this Code. This Code will enhance industry standards in the provision of products and services to you.

This Code is a generic document which is designed to cover various different aspects of the relationship between banks and their customers in small businesses. Frequently, banks and their customers enter into contractual arrangements whose specific provisions may conflict with the provisions of the Code. You should be aware of the fact that where there is such a conflict, the specific contractual provisions will prevail over the provision of this Code.

As the needs of customers change and the banking industry evolves, this Code will be reviewed regularly and revised if necessary. All member banks are committed to comply fully with this inaugural edition by 1 December 2006.

## **2. Objectives**

This Code has been developed to:-

- a. promote good banking practices by setting standards in dealing with you;
- b. increase transparency so that you can have a better understanding of what you can reasonably expect of the bank's services;
- c. promote a fair and cordial relationship between you and your bank; and
- d. foster confidence in the banking system.

## **3. Key Commitments**

Your bank's relationship with you will be guided by four key principles:-

### **a. fairness**

Your bank commits that it will:

- i. act fairly and reasonably in all its dealings with you; and
- ii. ensure that the standards of banking practice for all the products and services offered to small businesses are in line with this Code.

### **b. transparency**

Your bank commits that it will:

- i. provide you with relevant and useful information that will help you arrive at informed decisions about its products and services;
- ii. provide clarification, highlighting major points that impact the products and services that you are interested in buying or utilising; and
- iii. inform you of the range of products and services offered through various delivery channels (e.g. product brochures, mail, internet, telephone or at branches).

**c. accountability**

Your bank commits that it will:

- i. explain and help you understand the financial benefits of its products and services that you are interested in buying or using, how they work and the risks involved;
- ii ensure that the procedures laid down for the bank's staff reflect the commitments set out in the Code; and
- iii. ensure that all products and services offered comply with relevant laws and regulations.

**d. reliability**

Your bank commits that it will:

- i. endeavour to protect the confidentiality of your account information and transaction data through the use of secured and reliable system controls; and
- ii. endeavour to provide up-to-date information about the customer and the Bank's products and services.

**4. Service Standards**

Your bank will seek to ensure that:

- a. its staff are trained to provide prompt and efficient service;
- b. ATMs and other self-service banking channels, if offered, are available 24 hours a day except when they are being serviced;
- c. information on its products and services will be updated and current and made easily available at bank branches, and through other appropriate channels;
- d. its internet banking and e-banking services comply at all times with applicable guidelines issued by the Monetary Authority of Singapore (MAS);

- e. except in particular and special circumstances (such as the withdrawal of an overdraft facility), you are informed 30 days in advance before implementation of any change to the bank's terms and conditions, fees and charges and discontinuation of services/relocation of premises (see Section 12 for details);
- f. its officers handle and respond to your feedback;
- g. any complaint you make is acknowledged within 2 business days of receipt and will be promptly and fully investigated. Your bank will respond to you with the result of the investigation within 14 business days unless a longer period is required to complete the investigation; and
- h. a contact point will be available to handle your queries and concerns.

## **5. Information Your Bank Will Provide**

Your bank will provide you with sufficient information to enable you to make an informed decision on any product or service that you may be interested in.

- a. If you are interested in a product or service, your bank will:
  - i. explain the key features of the product and service to you;
  - ii. explain the salient terms and conditions of the product or service, including any fees or charges payable; and
  - iii. request you to submit supporting documents for your business case.
- b. After your bank has provided you with all the above information, you still need not make a commitment to select or buy the product or service, accept its offer or utilise a service unless you choose to do so. You may wish to seek your own financial and legal advice before deciding to select the product or service.
- c. Once you have chosen a product or service, your bank will:-
  - i. give you a copy of the terms and conditions, where applicable, for your agreement and formal acceptance; and

- ii. inform you of applicable charges, fees or additional interest you will have to bear should you decide on early termination of any contract - e.g. early repayment of a term loan or early withdrawal of fixed deposits.

## 6. Marketing and Promotions

Banks are to abide by the ABS Code of Advertising Practice For Banks.

## 7. Terms and Conditions

- a. Your bank will ensure that:
  - i. where applicable, a written set of terms and conditions relating to each banking product or service will be made readily available, and highlight to you the fees, charges, penalties and relevant interest rates as well as your liabilities and obligations in the use of the banking product or service;
  - ii. its staff will be available to answer any query you may have concerning the terms and conditions;
  - iii. the terms and conditions provide a fair description of the relationship between you and your bank;
  - iv. plain language is used to the extent that it is consistent with the need for legal certainty. Legal and technical language will only be used where necessary; and
  - v. its operations are in line with the regulatory framework and guidelines as set out by the MAS and all other regulatory authorities.
- b. Your bank will notify you of any change in the terms and conditions governing the product or service through an appropriate channel (see **Section 13** for details).



- c. Your bank will:
- i. in most instances, and in the absence of any other contractual arrangements, give you 30 days' notice before the effective date of any variation to the terms and conditions of a product or service; and
  - ii. where the variation to the terms and conditions is substantial, provide a written summary of the key features of the revised terms and conditions.
- d. If you do not accept the variation to the terms and conditions of a product or service, you may, subject to your contract with the bank, terminate your relationship with the bank for that service or product.

**You are advised to read and understand the terms and conditions applicable to each banking service.**

## **8. Accounts**

### **a. Opening of Accounts**

The opening of a bank account is, like any other commercial transaction, based on an agreement between two parties, the customer and the bank. Neither party can be forced into the relationship. Thus, if a bank declines to open an account for a particular individual or business, that is entirely the bank's decision.

To protect the integrity of the financial system, your bank needs to verify the status of a business entity seeking to open an account. Therefore, the following are required from you when you open an account: -

- (i) You have to provide your bank with the relevant documents to verify your status;
- (ii) You have to provide your bank with basic information about your business, the purpose of opening the account, the source of your funds and expected frequency and amount of deposits and withdrawals from the account;
- (iii) Your bank will provide you with information about the account, and terms and conditions;

- (iv) You must notify the bank in writing who the bank can deal with and who is/are authorised to operate the account. Your bank has to verify the identity/ies of the signatory/ies; and
- (v) In the case of corporate accounts, it is advisable to have at least two signatories to operate the account.

#### **b. Operation of Accounts**

Your bank will provide monthly statements of your accounts, unless otherwise stated in the terms and conditions for the account.

#### **c. Closing of Accounts**

- i. You or your bank may end any banking relationship at any time subject to the terms and conditions of the contract for ending that relationship;
- ii. However, your bank will not close any account not linked to a credit facility or with an outstanding overdraft without giving 30-day notice, save in exceptional circumstances (e.g as a result of a court order or upon detection of criminal activity including suspicion of the same).

### **9. Credit Facilities**

- a. Your bank may use one or more of the following criteria for assessing your loan application:-
  - i. analysis of the financial statements, business cash flow and/or business plans of your business;
  - ii. prior knowledge of your financial affairs and commitments;
  - iii. information obtained from credit reference agencies, rating agencies or your existing or previous banks;
  - iv. credit assessment techniques such as credit scoring;
  - v. security and guarantee provided, if any;
  - vi. purpose of the credit facilities; and
  - vii. background and information of the owners of your business.

- b. Your bank, however, is not deemed to have knowledge of these matters until it actually receives such information.
- c. Once approved, the credit facilities will be offered to you together with all the terms and conditions governing the use of the credit facilities (including execution and completion of all necessary legal documentation in relation to the credit facilities, security and guarantees provided, if any) which you must accept before you can utilise the credit facilities. The terms and conditions may vary from case to case depending on the facility offered.
- d. Credit facilities granted are usually subject to periodic reviews and you may be approached by the bank for additional information required for the review.
- e. If your bank accepts security or a guarantee from a third party as collateral for your account, you will be required to provide your bank permission to disclose information about your finances to the party offering the security or guarantee.

## **10. Debt Recovery Expenses**

When you take up a loan or credit facility, you will have agreed to repay the loan or amount outstanding, including all debt recovery expenses. If you are unable to repay, the bank will have the right to take steps to recover the amount owing, including the realisation of any security provided, and in doing so, may incur expenses, including legal costs which will be recoverable from you.

- a. Your bank will not incur unreasonable costs and expenses in realising any security provided and recovering the debt;
- b. Your bank will be entitled to offset the outstanding amount owing with any credit balances in your other accounts including your deposit account with the bank; and
- c. Upon request, your bank will provide a detailed breakdown of the costs and expenses incurred in debt recovery.

## 11. Interest Rates for Loans and Deposits

Interest is charged by banks for the use of the money lent to you. Interest is paid when banks accept an interest-bearing deposit from you but you should note that not all deposits earn interest.

- a. For both **interest-bearing deposits and loans**, your bank will:
  - i. give you information on the applicable interest rates for the contracted period and the basis and frequency at which deposits or deductions or repayments for loans are to be made;
  - ii. set out the method used to calculate interest rates, e.g. daily or monthly basis;
  - iii. provide you with information on the total amount you will receive on your fixed deposits when they mature and the total amount of the outstanding on the loans you have to repay on due dates;
  - iv. disclose both the nominal and the effective interest rates as the two may vary depending on the way the loan is structured; and
  - v. notify you of any change in interest rates according to the terms of the product or service.
- b. For **fixed deposits**, you should be aware that when you withdraw them before they mature, you may not receive the contracted interest amount or rates as banks may levy charges for premature termination of the agreed deposit term. The charges vary from bank to bank. Please ask your bank to explain their charges and interest payment to you before you place your fixed deposit with it.
- c. For **loans**, you should know that interest rates can either be:
  - i. **fixed**, e.g. at 3.75% per annum - which means that it remains at this rate throughout the specified period of the loan; or
  - ii. **variable** which means it is subject to change. It can be pegged to the bank's prime rate, cost of funds or other applicable board rate that the bank offers from time to time, e.g. prime + 2% per annum. This means that the interest rate changes when there is a change in the prime rate.

- d. For deposits placed in foreign currency, there are other considerations and risks and when accepting your money for the placement, your bank will:
  - i. highlight to you the inherent exchange rate risks and exchange controls (if any) applicable to holding such deposits; and
  - ii. advise you when you open such an account that your earnings on foreign currency deposits are dependent on the exchange rates prevailing at the time the deposits mature should you convert the deposit into a different currency.

## **12. Fees and Charges**

As costs are incurred in providing the various products and services to you, the bank will levy charges and fees for the services rendered.

- a. Your bank will:
  - i. provide you with a schedule of fees and charges (including commissions payable) for the service or product that you have chosen;
  - ii. at your request, inform you of the services which are not subject to standard fees and charges;
  - iii. inform you of any additional charges or expenses that you have to pay for any special service requested by you, such as search fees to retrieve available past records; and
  - iv. unless otherwise specified by the contractual terms, notify you generally 30 days before any change in fees and charges take effect as well as any change in the basis on which the fees and charges are determined so long as these changes are within your bank's control.
- b. In some instances, such as collection of foreign currency cheques, additional third party charges may be involved.

You should know that there are some charges which are not levied directly by your bank but arise when the services of another bank, financial institution, party or parties is/are needed to complete or settle your transaction. Your bank may not know in advance nor be able to advise you of the actual charges the third party may levy.

However, where possible, your bank will:

- i. inform you of the relevant service and applicable charges;
- ii. advise you of the charges (e.g. if you choose to withdraw foreign currency funds from third party cash machines overseas using any bank-issued cards); and
- iii. highlight to you that these third party fees may reduce the amount you and your beneficiary will receive.

c. You should be aware that:

- i. your bank may not always be able to advise you of charges and commissions in advance, e.g. foreign exchange commission and other charges, levied by such third parties; and
- ii. you will incur commission, collection and other charges when you bank in a foreign currency cheque over the counter or through the cheque deposit box. These charges will reduce the amount that you will receive.

d. Charges For Early or Premature Termination

When you place a fixed deposit or take up a loan facility with your bank, charges may be levied if you withdraw the deposit before it matures or if you pre-pay or repay the loan prematurely. In most cases, your bank would have taken a corresponding commitment on your deposit/loan with a counter-party. If you should decide to terminate the facility and prematurely withdraw the deposit or prepay a loan, your bank may have to levy charges to cover the cost of its own commitment.

### **13. Channels of Communication**

- a. From time to time and when necessary, your bank will notify you of changes to the following:
  - i. terms and conditions;
  - ii. fees and charges;
  - iii. interest rates;
  - iv. planned discontinuation of service; and
  - v. relocation of premises.
- b. Your bank will communicate these changes to you through any of these appropriate channels:
  - i. account statements;
  - ii. ATMs;
  - iii. bank branches;
  - iv. the Internet, including its website or through e-mail;
  - v. letters; or
  - vi. the newspapers.
- c. Should you need clarification on these changes, please:-
  - i. call your bank's hotline or relationship manager, where applicable;
  - ii. write to your bank; or
  - iii. e-mail your bank.

## **14. Updating Your Address: Failure to Receive Statements**

- a. To enable your bank to serve you better and keep you informed of any change to the terms and conditions, fees, charges and interest rates, please notify your bank promptly of any change in your contact details e.g. postal and e-mail addresses, as well as your telephone numbers.
- b. You should note that if the bank has notified you, for instance, of changes to applicable terms and conditions by sending you a letter to your last known address, it will be regarded as notice given. Please, therefore, remember to inform your bank of any change in your mailing address.
- c. To serve you better, your bank will, where applicable, send you statements on a monthly or other regular basis giving details of your account. It is important that if, for some reason, you do not receive such a statement when you are expected or entitled to so receive or disagree with a statement received, you should notify your bank as soon as possible.

## **15. Understanding Risks**

There are inherent risks involved in any investment such as foreign exchange risk, sovereign risk and interest rate fluctuations e.g. for foreign currency deposits or loans. Adverse exchange and/or interest rate movements, for instance, could erase the deposit interest earnings completely or increase the quantum of loan payment substantially.

Before you commit to a particular investment or foreign currency account, you will need:

- a. to pay attention to the cautionary notes in the documents, advertising materials and literature soliciting foreign currency deposits and offering such loans; and
- b. to pay attention to the risks highlighted in the materials relating to the product and service.



## 16. Safeguarding Your Information

Your bank will:

- a. treat all your information as private and confidential; and
- b. comply at all times with the banking secrecy provisions of the Banking Act (Cap.19).
- c. not use your information for marketing purposes except where the same is permitted by applicable law.

## 17. Protecting Your Accounts

Your bank is working towards making banking more convenient for you and is expanding its self-service banking facilities. Your bank will ensure that its banking systems are reliable and secure.

However, the security of the system also depends on you taking reasonable steps such as:-

### a. **ATM Card**

Protect and keep your ATM card under your care at all times.

### b. **Cheque Book**

Protect and keep your chequebook in a safe and locked place, when you are not using it. Never pre-sign cheques.

When **drawing cheques**, please take note of the following:-

- i. Write your instructions on cheques in dark ink (e.g. black or navy). Do not use red/light/fluorescent or erasable ink;
- ii. Write your cheque in such a way as to prevent unauthorised insertions or amendment, e.g. rule off any blank space after the payee's name and always insert the word "only" after the amount in words;
- iii. You may use "A/C payee" rubber stamps with dark ink;
- iv. Use of business rubber stamps as part of your signing mandate is discouraged;

- v. You may use a Cheque Writer/Frinking Machine with dark colour ribbon (e.g. black or navy); and
- vi. Use of Facsimile Signatures on your cheques is discouraged.
- vii. Destroy cheques appropriately when the relevant account is closed.

**c. PIN**

Protect and secure your PIN (for ATM, phone-banking, internet banking, e-banking, mobile banking services and wireless banking etc).

You can protect your PIN and other security information by:

- i. not allowing anyone else to use your card, know your PIN or any other security information;
- ii. memorising your PIN and other security information and destroying the notification immediately. You should not write and keep a record of your PIN together with your card;
- iii. not using easy-to-remember dates or numbers like your NRIC number or birthday as your PIN or password; and
- iv. changing your PIN or password periodically.

**d. Mobile Phones / Personal Computers**

Safeguard your on-line devices such as mobile telephones and personal computers (PC) against unauthorised access.

**e. Internet Banking**

For Internet banking, you can adopt these measures to protect your PCs against viruses and malicious programs:

- i. Installing security programmes to protect against hackers, virus attacks or malicious 'Trojan Horse' programmes. These security programmes are capable of preventing and detecting unauthorised access to your home PCs. They are available at most computer software retailers. Additionally, you should update the software's virus definition frequently;

- ii. Disabling the 'File and Printing Sharing' feature on your operating system. This prevents an external party from gaining illegal control or access to your PC. You can refer to PC vendors or instruction manual on how this is done;
- iii. Clearing the cache after each access to the internet;
- iv. Logging off your PC when not in use;
- v. Not storing your user ID/PIN in the Internet Explorer Browser;
- vi. Not using shared/public PCs for Internet Banking;
- vii. Checking your account and transaction history regularly;and
- viii. Ensuring that there are proper internal controls and checks to monitor what is done on your behalf.

**Please remember to:**

- i. inform your bank immediately if your ATM card or cheque book is lost or stolen ; and
- ii. change your PIN, password and any other security information and inform the bank as soon as possible, once you suspect someone else knows this information.

## **18. Customer Enquiries**

You can make enquiries on your bank's products and services or give feedback through its:-

- website;
- telephone hotline; or
- bank branches.

## APPENDIX I

### Useful Definitions of Banking Terms

**Business customer:** An entity, other than retail individual customers, which maintains an account with or receives services from the banking institution.

**Business Day:** A day on which business may be conducted, excluding Saturdays, Sundays and public holidays.

**Cards:** A general term for any plastic card which may be used to pay for goods and services or to withdraw cash.

Common examples are:

**Credit card** - A card which allows cardholders to buy on credit and to obtain cash advances. Cardholders receive regular statements and may pay the balance in full, or in part usually subject to a certain minimum. Interest is chargeable on outstanding amounts not paid in full.

**Debit card (EPS card)** - A card, operating as a substitute for a cheque, that can be used to obtain cash or make a payment at a point of sale. The cardholder's account is subsequently debited for such a transaction without deferment of payment.

Cash card (ATM card) - A card used to obtain cash and other services from an ATM. It can also be used to pay for purchases made at departmental stores, petrol kiosks, etc.

Commission:

Money paid to an agent as fees for his services.

Guarantee:

An undertaking given by a person called the “guarantor” promising to pay the debts of another person if that other person fails to do so.

Personal Identification  
Number (PIN):

Confidential numbers provided on a strictly confidential basis by card issuers to cardholders. Use of this number by the customer will allow the card to be used either to withdraw cash from an ATM or to authorise payment for goods or services in retail or other outlets, by means of a special terminal device.

Security:

A word used to describe assets, such as properties and shares provided to institutions as support for loans granted to customers. If the loans are not repaid, the institution’s position is “secured” which means that it can sell the assets to meet the amount unpaid on the loans.

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