

**PRELIMINARY DRAFT**

**Insolvency Practitioners Association of Singapore Limited  
Code of Professional Conduct and Ethics**

**Sections 1 to 6 only**

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**CODE OF ETHICS FOR IPAS ASSOCIATES AND FELLOWS  
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## **PREFACE**

The mission of the IPAS is to be the premier professional body for the insolvency profession in Singapore and IPAS has been formed with the following objectives:

- Provision of a corporate identity and organization for insolvency practitioners.
- Associate, Fellow and Student registration.
- Support and advancement of the status and interest of insolvency practitioners.
- Provision of recognised qualifications for persons engaged in the practice of insolvency.
- Promotion of the technical competence of insolvency practitioners.
- Provision of updates on developments in insolvency legislation and proposals and latest insolvency judgments by Singapore Courts and other jurisdictions.

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## **GENERAL APPLICATION OF THE CODE**

Section 1 Introduction and Fundamental Principles

Section 2 Integrity

Section 3 Objectivity

Section 4 Professional Competence and Due Care

Section 5 Confidentiality

Section 6 Professional Behavior

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## Section 1

### Introduction and Fundamental Principles

- 1.1 A distinguishing mark of the insolvency profession is its acceptance of the responsibility to act in the public interest. Therefore, an insolvency practitioner's responsibility is not exclusively to satisfy the needs of an individual client or employer. In acting in the public interest an insolvency practitioner should observe and comply with the ethical requirements of this Code.
- 1.2 This Code establishes the fundamental principles of professional ethics for insolvency practitioners who are associates and fellows of the Insolvency Practitioners Association of Singapore Limited (IPAS) and provides a conceptual framework for applying those principles. The conceptual framework provides guidance on fundamental ethical principles. Insolvency practitioners are required to apply this conceptual framework to identify threats to compliance with the fundamental principles, to evaluate their significance and, if such threats are other than **clearly insignificant**\* to apply safeguards to eliminate them or reduce them to an acceptable level such that compliance with the fundamental principles is not compromised.

### Fundamental Principles

- 1.3 An Associate/Fellow is required to comply with the following fundamental principles:
- (a) *Integrity*

An Associate/Fellow should be straightforward and honest in all professional and business relationships.
  - (b) *Objectivity*

An Associate/Fellow should not allow bias, conflict of interest or undue influence of others to override professional or business judgments.
  - (c) *Professional Competence and Due Care*

An Associate/Fellow has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques. An Associate/Fellow should act diligently and in accordance with applicable technical and professional standards when providing **professional services**. \*
  - (d) *Confidentiality*

An Associate/Fellow should respect the confidentiality of information acquired as a result of professional and business relationships and should not disclose any such information to third parties without proper and specific authority unless there is a legal or professional right or duty to disclose. Confidential information acquired as a result of professional and business

relationships should not be used for the personal advantage of the Associate/Fellow or third parties.

(e) *Professional Behavior*

An Associate/Fellow should comply with relevant laws and regulations and should avoid any action that discredits the profession.

Each of these fundamental principles is discussed in more detail below.

### **Conceptual Framework Approach**

- 1.4 The circumstances in which Associates/Fellows operate may give rise to specific threats to compliance with the fundamental principles. It is impossible to define every situation that creates such threats and specify the appropriate mitigating action. In addition, the nature of engagements and work assignments may differ and consequently different threats may exist, requiring the application of different safeguards. A conceptual framework that requires an insolvency professional to identify, evaluate and address threats to compliance with the fundamental principles, rather than merely comply with a set of specific rules which may be arbitrary, is, therefore, in the public interest. This Code provides a framework to assist an Associate/Fellow to identify, evaluate and respond to threats to compliance with the fundamental principles. If identified threats are other than clearly insignificant, an Associate/Fellow should, where appropriate, apply safeguards to eliminate the threats or reduce them to an acceptable level, such that compliance with the fundamental principles is not compromised.
- 1.5 An Associate/Fellow has an obligation to evaluate any threats to compliance with the fundamental principles when the Associate/Fellow knows, or could reasonably be expected to know, of circumstances or relationships that may compromise compliance with the fundamental principles.
- 1.6 An Associate/Fellow should take qualitative as well as quantitative factors into account when considering the significance of a threat. If an Associate/Fellow cannot implement appropriate safeguards, the insolvency professional should decline or discontinue the specific professional service involved, or where necessary resign from the client (in the case of an Associate/Fellow in public practice) or the employing organization (in the case of an Associate/Fellow in business).
- 1.7 An Associate/Fellow may inadvertently violate a provision of this Code. Such an inadvertent violation, depending on the nature and significance of the matter, may not compromise compliance with the fundamental principles provided, once the violation is discovered, the violation is corrected promptly and any necessary safeguards are applied.

## Threats and Safeguards

1.8 Compliance with the fundamental principles may potentially be threatened by a broad range of circumstances. Many threats fall into the following categories:

- (a) Self-interest threats, which may occur as a result of the financial or other interests of an Associate/Fellow or of an immediate or **close family\*** member;
- (b) Self-review threats, which may occur when a previous judgment needs to be reevaluated by the Associate/Fellow responsible for that judgment;
- (c) Advocacy threats, which may occur when an Associate/Fellow promotes a position or opinion to the point that subsequent objectivity may be compromised;
- (d) Familiarity threats, which may occur when, because of a close relationship, an Associate/Fellow becomes too sympathetic to the interests of others; and
- (e) Intimidation threats, which may occur when an Associate/Fellow may be deterred from acting objectively by threats, actual or perceived.

1.9 Safeguards that may eliminate or reduce such threats to an acceptable level fall into two broad categories:

- (a) Safeguards created by the profession, legislation or regulation; and
- (b) Safeguards in the work environment.

1.10 Safeguards created by the profession, legislation or regulation include, but are not restricted to:

- Educational, training and experience requirements for entry into the profession.
- Continuing professional development requirements.
- Corporate governance regulations.
- Professional standards.
- Professional or regulatory monitoring and disciplinary procedures.
- External review by a legally empowered third party of the reports, returns, communications or information produced by an Associate/Fellow .

1.11 Certain safeguards may increase the likelihood of identifying or deterring unethical behavior. Such safeguards, which may be created by the insolvency profession, legislation, regulation or an employing organization, include, but are not restricted to:

- Effective, well publicized complaints systems operated by the employing organization, the profession or a regulator, which enable colleagues, employers

and members of the public to draw attention to unprofessional or unethical behavior.

- An explicitly stated duty to report breaches of ethical requirements.

1.12 The nature of the safeguards to be applied will vary depending on the circumstances. In exercising professional judgment, an Associate/Fellow should consider what a reasonable and informed third party, having knowledge of all relevant information, including the significance of the threat and the safeguards applied, would conclude to be unacceptable.

### **Ethical Conflict Resolution**

1.13 In evaluating compliance with the fundamental principles, an Associate/Fellow may be required to resolve a conflict in the application of fundamental principles.

1.14 When initiating either a formal or informal conflict resolution process, an Associate/Fellow should consider the following, either individually or together with others, as part of the resolution process:

- (a) Relevant facts;
- (b) Ethical issues involved;
- (c) Fundamental principles related to the matter in question;
- (d) Established internal procedures; and
- (e) Alternative courses of action.

Having considered these issues, an Associate/Fellow should determine the appropriate course of action that is consistent with the fundamental principles identified. The insolvency professional should also weigh the consequences of each possible course of action. If the matter remains unresolved, the Associate/Fellow should consult with other appropriate persons within the **firm\*** or employing organization for help in obtaining resolution.

1.15 Where a matter involves a conflict with, or within, an organization, an Associate/Fellow should also consider consulting with those charged with governance of the organization, such as the board of directors or the audit committee.

1.16 It may be in the best interests of the Associate/Fellow to document the substance of the issue and details of any discussions held or decisions taken, concerning that issue.

1.17 If a significant conflict cannot be resolved, an Associate/Fellow may wish to obtain professional advice from IPAS, the relevant professional body or legal advisors, and thereby obtain guidance on ethical issues without breaching confidentiality. For example, an insolvency professional may have encountered a fraud, the reporting of which could breach the insolvency professional's

responsibility to respect confidentiality. The Associate/Fellow should consider obtaining legal advice to determine whether there is a requirement to report.

- 1.18 If, after exhausting all relevant possibilities, the ethical conflict remains unresolved, an insolvency professional should, where possible, refuse to remain associated with the matter creating the conflict. The insolvency professional may determine that, in the circumstances, it is appropriate to withdraw from the **engagement team\*** or specific assignment, or to resign altogether from the engagement, the firm or the employing organization.

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## **Section 2**

### **Integrity**

- 2.1 The principle of integrity imposes an obligation on all Associates/Fellows to be straightforward and honest in professional and business relationships. Integrity also implies fair dealing and truthfulness.
- 2.2 An Associate/Fellow should not be associated with reports, returns, communications or other information where they believe that the information:
- (a) Contains a materially false or misleading statement;
  - (b) Contains statements or information furnished recklessly; or
  - (c) Omits or obscures information required to be included where such omission or obscurity would be misleading.
- 2.3 An Associate/Fellow will not be considered to be in breach of paragraph 2.2 if the Associate/Fellow provides a modified report in respect of a matter contained in paragraph 2.2.

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## **Section 3**

### **Objectivity**

- 3.1 The principle of objectivity imposes an obligation on all Associates/Fellows not to compromise their professional or business judgment because of bias, conflict of interest or the undue influence of others.
  
- 3.2 An Associate/Fellow may be exposed to situations that may impair objectivity. It is impracticable to define and prescribe all such situations. Relationships that bias or unduly influence the professional judgment of the insolvency professional should be avoided.

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## **Section 4**

### **Professional Competence and Due Care**

- 4.1 The principle of professional competence and due care imposes the following obligations on Associates/Fellows:
- (a) To maintain professional knowledge and skill at the level required to ensure that clients or employers receive competent professional service; and
  - (b) To act diligently in accordance with applicable technical and professional standards when providing professional services.
- 4.2 Competent professional service requires the exercise of sound judgment in applying professional knowledge and skill in the performance of such service. Professional competence may be divided into two separate phases:
- (a) Attainment of professional competence; and
  - (b) Maintenance of professional competence.
- 4.3 The maintenance of professional competence requires a continuing awareness and an understanding of relevant technical professional and business developments. Continuing professional development develops and maintains the capabilities that enable an Associate/Fellow to perform competently within the professional environments.
- 4.4 Diligence encompasses the responsibility to act in accordance with the requirements of an assignment, carefully, thoroughly and on a timely basis.
- 4.5 An Associate/Fellow should take steps to ensure that those working under the insolvency professional's authority in a professional capacity have appropriate training and supervision.
- 4.6 Where appropriate, an Associate/Fellow should make clients, employers or other users of the professional services aware of limitations inherent in the services to avoid the misinterpretation of an expression of opinion as an assertion of fact.

## Section 5

### Confidentiality

- 5.1 The principle of confidentiality imposes an obligation on Associates/Fellows to refrain from:
- (a) Disclosing outside the firm or employing organization confidential information acquired as a result of professional and business relationships without proper and specific authority or unless there is a legal or professional right or duty to disclose; and
  - (b) Using confidential information acquired as a result of professional and business relationships to their personal advantage or the advantage of third parties.
- 5.2 An Associate/Fellow should maintain confidentiality even in a social environment. The Associate/Fellow should be alert to the possibility of inadvertent disclosure, particularly in circumstances involving long association with a business associate or a close or **immediate family**\* member.
- 5.3 An Associate/Fellow should also maintain confidentiality of information disclosed by a prospective client or employer.
- 5.4 An Associate/Fellow should also consider the need to maintain confidentiality of information within the firm or employing organization.
- 5.5 An Associate/Fellow should take all reasonable steps to ensure that staff under the Associate/Fellow's control and persons from whom advice and assistance is obtained respect the Associate/Fellow's duty of confidentiality.
- 5.6 The need to comply with the principle of confidentiality continues even after the end of relationships between an Associate/Fellow and a client or employer. When an Associate/Fellow changes employment or acquires a new client, the Associate/Fellow is entitled to use prior experience. The Associate/Fellow should not, however, use or disclose any confidential information either acquired or received as a result of a professional or business relationship.
- 5.7 The following are circumstances where Associates/Fellows are or may be required to disclose confidential information or when such disclosure may be appropriate:
- (a) Disclosure is permitted by law and is authorized by the client or the employer;
  - (b) Disclosure is required by law, for example:
    - (i) Production of documents or other provision of evidence in the course of legal proceedings; or

- (ii) Disclosure to the appropriate public authorities of infringements of the law that come to light; and
- (c) There is a professional duty or right to disclose, when not prohibited by law:
  - (i) To comply with the quality review of a member body or professional body;
  - (ii) To respond to an inquiry or investigation by a member body or regulatory body;
  - (iii) To protect the professional interests of an Associate/Fellow in legal proceedings; or
  - (iv) To comply with technical standards and ethics requirements.

5.8 In deciding whether to disclose confidential information, Associates/Fellows should consider the following points:

- (a) Whether the interests of all parties, including third parties whose interests may be affected, could be harmed if the client or employer consents to the disclosure of information by the Associate/Fellow;
- (b) Whether all the relevant information is known and substantiated, to the extent it is practicable; when the situation involves unsubstantiated facts, incomplete information or unsubstantiated conclusions, professional judgment should be used in determining the type of disclosure to be made, if any; and
- (c) The type of communication that is expected and to whom it is addressed; in particular, Associates/Fellows should be satisfied that the parties to whom the communication is addressed are appropriate recipients.

## **Section 6**

### **Professional Behavior**

- 6.1 The principle of professional behavior imposes an obligation on Associates/Fellows to comply with relevant laws and regulations and avoid any action that may bring discredit to the profession. This includes actions which a reasonable and informed third party, having knowledge of all relevant information, would conclude negatively affects the good reputation of the profession.
- 6.2 In marketing and promoting themselves and their work, Associates/Fellows should not bring the profession into disrepute. Associates/Fellows should be honest and truthful and should not:
- (a) Make exaggerated claims for the services they are able to offer, the qualifications they possess, or experience they have gained; or
  - (b) Make disparaging references or unsubstantiated comparisons to the work of others.
- 6.3 If there is a conflict in the above to the rules and regulations of the relevant professional body, the rules and regulations of the relevant professional body would prevail.

\* See Definitions

## DEFINITIONS

In this Code of Ethics for Associates/Fellows the following expressions have the following meanings assigned to them:

### *Advertising*

The communication to the public of information as to the services or skills provided by Associates/Fellows in public practice with a view to procuring professional business.

### *Insolvency team*

- (a) All members of the engagement team for the insolvency engagement;
- (b) All others within a firm who can directly influence the outcome of the insolvency engagement, including:
  - (i) those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the insolvency engagement partner in connection with the performance of the insolvency engagement. For the purposes of a financial statement audit engagement this includes those at all successively senior levels above the engagement partner through the firm's chief executive;
  - (ii) those who provide consultation regarding technical or industry specific issues, transactions or events for the insolvency engagement; and
  - (iii) those who provide quality control for the insolvency engagement, including those who perform the engagement quality control review for the insolvency engagement; and
- (c) For the purposes of a financial statement audit client, all those within a network firm who can directly influence the outcome of the financial statement audit engagement.

### *Clearly insignificant*

A matter that is deemed to be both trivial and inconsequential.

### *Close family*

A parent, child or sibling, who is not an immediate family member.

### *Contingent fee*

A fee calculated on a predetermined basis relating to the outcome or result of a transaction or the result of the work performed. A fee that is established by a court or other public authority is not a contingent fee.

### *Direct financial interest*

A financial interest:

- Owned directly by and under the control of an individual or entity (including those managed on a discretionary basis by others); or
- Beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has control.

*Engagement team*

All personnel performing an engagement, including any experts contracted by the firm in connection with that engagement.

*Existing Associate/Fellow*

An Associate/Fellow in public practice currently holding an insolvency appointment or carrying out accounting, taxation, consulting or similar professional services for a client.

*Financial interest*

An interest in an equity or other security, debenture, loan or other debt instrument of an entity, including rights and obligations to acquire such an interest and derivatives directly related to such interest.

*Firm*

- (a) A sole practitioner, partnership or corporation of Associates/Fellows;
- (b) An entity that controls such parties; and
- (c) An entity controlled by such parties.

*Immediate family*

A spouse (or equivalent) or dependant.

*Independence*

Independence is:

- (a) Independence of mind – the states of mind that permits the provision of an opinion without being affected by influences that compromise professional judgment, allowing an individual to act with integrity, and exercise objectivity and professional judgment
- (b) Independence in appearance – the avoidance of facts and circumstances that are so significant a reasonable and informed third party, having knowledge of all relevant information, including any safeguards applied, would reasonably conclude a firm's, or a member of the insolvency team's, integrity, objectivity or professional skepticism had been compromised.

*Indirect financial interest*

A financial interest beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has no control.

*Listed entity*

An entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body.

*Network firm*

An entity under common control, ownership or management with the firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as being part of the firm nationally or internationally.

*Office*

A distinct sub-group, whether organized on geographical or practice lines.

*Associate/Fellow*

An individual who is a member of IPAS.

*Associate/Fellow in business*

An Associate/Fellow employed or engaged in an executive or non-executive capacity in such areas as commerce, industry, service, the public sector, education, the not for profit sector, regulatory bodies or professional bodies, or an insolvency professional contracted by such entities.

*Associate/Fellow in public practice*

An Associate/Fellow, irrespective of functional classification (e.g., audit, tax or consulting) in a firm that provides professional services.

This term is also used to refer to a firm of Associate/Fellows in public practice.

*Professional services*

Services requiring insolvency or related skills performed by an Associate/Fellow including accounting, auditing, taxation, management consulting and financial management services.

*Related entity*

An entity that has any of the following relationships with the client:

- (a) An entity that has direct or indirect control over the client provided the client is material to such entity;
- (b) An entity with a direct financial interest in the client provided that such entity has significant influence over the client and the interest in the client is material to such entity;
- (d) An entity over which the client has direct or indirect control;
- (e) An entity in which the client, or an entity related to the client under (c) above, has a direct financial interest that gives it significant influence over such entity and the interest is material to the client and its related entity in (c); and

An entity which is under common control with the client (hereinafter a “sister entity”) provided the sister entity and the client are both material to the entity that controls both the client and sister entity.

**EFFECTIVE DATE**

The Code is effective on \_\_\_\_\_. Earlier application is encouraged.