

**The Singapore Guide  
to  
Conduct and Market Practices  
for the  
Wholesale Financial Markets**

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# The Singapore Guide to Conduct and Market Practices for the Wholesale Financial Markets

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## INTRODUCTION

### PURPOSE

The smooth, efficient and fair functioning of a financial market depends heavily on the professional standards and integrity of those who are engaged in it. As the market grows in size, diversity and complexity, the demands for higher ethical conduct and uniform practices increase correspondingly. In helping to foster Singapore's continual growth as a key international financial centre, the Singapore Foreign Exchange Market Committee ("**SFEMC**") reaffirms its belief that the centre's prosperity and viability is inextricably intertwined with its reputation for excellence, integrity and professionalism.

In line with this belief, the SFEMC has developed this set of principles of good practice, "The Singapore Guide to Conduct and Market Practices for the Wholesale Financial Markets"<sup>1</sup> ("**Guide**"), also commonly referred to as "The Blue Book". This Guide applies in parallel with the FX Global Code (the "**Global Code**").<sup>2</sup> The Global Code is a code of conduct for the global wholesale foreign exchange market, and the SFEMC has endorsed the Global Code.<sup>3</sup> While the Global Code applies only to foreign exchange, this Guide applies to foreign exchange, other asset classes and the setting of financial benchmarks.

This Guide, together with the Global Code, is intended to foster a high standard of conduct and good market practices, ensure equitable and healthy relationships between participants and facilitate market efficiency.

### APPLICABILITY – MARKET PARTICIPANTS

This Guide applies to all participants in Singapore that are engaged in the wholesale financial markets for all asset classes covered by this Guide ("**Market Participants**"). Market Participants include, without limitation, the following:

- a. sell-side entities, including banks, merchant banks and other recognised financial institutions;
- b. brokerage firms, including money brokers, interdealer brokers and firms offering electronic broking services ("**Brokers**");
- c. buy-side entities, including asset managers, sovereign wealth funds, hedge funds, pension funds, insurance companies, corporate treasury departments and family offices running treasury operations;
- d. non-bank liquidity providers;
- e. firms running automated trading strategies, including high-frequency trading strategies, and/or offering algorithmic execution;
- f. trading facilities and platforms, including e-trading platforms; and

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<sup>1</sup> This Guide was previously known as "The Singapore Guide to Conduct and Market Practices for Treasury Activities".

<sup>2</sup> See Applicability – Asset Classes below for the relationship between this Guide and the Global Code. See Appendix A for examples of how this Guide applies in parallel with the Global Code.

<sup>3</sup> The SFEMC collaborated in the development of the Global Code. The SFEMC is also a member of the Global Foreign Exchange Committee. The Global Foreign Exchange Committee promotes, maintains and updates the Global Code on a regular basis, and considers good practices regarding effective mechanisms to support adherence.

- g. affirmation and settlement platforms.

This Guide applies to entities, as well as individuals who conduct activity on behalf of such entities. Such individuals include dealers, traders, sales people and structurers. In this Guide, unless the context otherwise requires, the term Market Participant is used to refer generally to both entities, as well as the individuals who conduct activity in the wholesale financial markets on behalf of entities.

## APPLICABILITY – ASSET CLASSES

This Guide is applicable to all wholesale dealings in the exchange-traded and over-the-counter markets for:

1. Foreign Exchange;
2. Debt Securities;
3. Money Market Instruments;
4. Derivatives Products; and
5. Other Market Instruments (new or emerging financial products).

### Relationship with the Global Code

Although the Global Code is the code of conduct for the foreign exchange market in Singapore, this Guide also applies to foreign exchange. It sets out additional principles to cater to the specific circumstances of the Singapore foreign exchange market.

The Global Code has two types of principles – (1) generic principles<sup>4</sup> that can apply equally to other asset classes, and (2) principles that address specific concerns with the foreign exchange market<sup>5</sup> (“**FX-specific Principles**”). The generic principles would also be good practices for the non-foreign exchange markets. Therefore, the SFEMC has decided to adopt the generic principles from the Global Code as part of this Guide,<sup>6</sup> and apply them to all asset classes.<sup>7</sup> The generic principles from the Global Code that have been adopted as part of this Guide are listed at the start of Chapters I to IV. In contrast, the FX-specific Principles have not been adopted as part of this Guide.

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<sup>4</sup> The generic principles are all the principles from the Global Code excluding the FX-specific Principles.

<sup>5</sup> Principle 9 (handling orders fairly and with transparency), Principle 11 (pre-hedging), Principle 14 (mark up), Principle 17 (last look) and Principle 18 (algorithmic trading).

<sup>6</sup> Market Participants should refer to the Global Code for the full content of the generic principles from the Global Code. References to principles from the Global Code shall be to the principles as amended or updated from time to time. References to foreign exchange in the generic principles from the Global Code shall be read as if they are references to all asset classes covered by this Guide.

<sup>7</sup> See Appendix A for examples of how the generic principles from the Global Code apply to the other asset classes.

The table below shows how this Guide and the Global Code principles apply (a) to foreign exchange, and (b) to other asset classes.

	Generic Principles from the Global Code	FX-specific Principles from the Global Code	Guide
Foreign Exchange	✓	✓	✓
Other Asset Classes	✓	—	✓

## NATURE OF GUIDE AND ADHERENCE

This Guide is not prescriptive in nature. It applies based on a principle of proportionality – how the principles in this Guide apply to each Market Participant, and the steps that each Market Participant should take to align its activities with the principles in this Guide depends on the nature, as well as the size and complexity of the Market Participant’s activities in the wholesale financial markets. Each Market Participant should make its own assessment of what steps it should take. For example, the principles in this Guide that apply to Market Participants dealing with clients may not be applicable to buy-side entities in their dealings with the end clients of buy-side entities. The principles in this Guide could also apply differently to different business divisions within the same Market Participant.

This Guide provides guidance on good conduct and market practices. It does not impose legal or regulatory obligations on Market Participants. Market Participants should continue to comply with all laws and regulations that apply to them. Market Participants that enter into transactions on a trading facility or platform should continue to comply with the rules of the trading facility or platform that govern such transactions. In addition, Market Participants that are banks in Singapore should abide by the guidelines and bye-laws of the Association of Banks in Singapore (“**ABS**”) (where applicable). Market Participants that are members of other industry associations should abide by the guidelines issued by their industry association. This Guide does not prevail over or modify any such law, regulation, rule or guideline.

Although it is acknowledged that this Guide does not have any formal contractual or legal effect, all members of SFEMC shall hereby consider themselves to be bound by its provisions. In addition, all members of SFEMC expressly recognise that this Guide represents industry guidance on good practices. All members of SFEMC further acknowledge that any failure to comply with this Guide, on the part of any individual acting on their behalf, may call into question whether that individual’s conduct is fit and proper.

While every effort has been made to ensure that this Guide comprehensively addresses various aspects of conduct and market practice, it does not purport to be exhaustive. Where specific guidance is absent on a particular issue or in relation to new or emerging financial products, Market Participants should draw on the broad principles in this Guide, and resolve any issues reasonably and in good faith in accordance with the spirit of this Guide.

## **MAJOR CHANGES & CONTENT**

The SFEMC regularly reviews market practices to ensure that they are in line with international best practices, as well as to safeguard the soundness of the system.

This version of the Guide is the result of a review conducted by a working group<sup>8</sup> in 2017 to align this Guide with the Global Code, and a consultation process with relevant industry stakeholders. Substantial revisions were made compared to the previous version. The generic principles from the Global Code were adopted as part of this Guide and applied to all asset classes covered by this Guide. In addition, parts of the previous version that were similar to principles from the Global Code were removed to avoid unnecessary duplication and repetition.

The Guide was last revised on 12 April 2018. This version of the Guide supersedes all previous versions of the Guide.

## **ACKNOWLEDGMENT**

The SFEMC gratefully acknowledges the goodwill of the ACI – The Financial Markets Association in permitting its Model Code to be used as an invaluable reference source.

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<sup>8</sup> Please refer to Appendix B for a list of the members of the working group.



## Chapter I

### ETHICS & BEHAVIOURAL STANDARDS

*Market Participants are expected to demonstrate a high standard of personal and professional integrity in their conduct, behave in an ethical and professional manner, be clear and accurate in their communications and protect confidential information. This Chapter sets out the ethical and behavioural standards that Market Participants should observe.*

#### 1. ADOPTION OF THE GLOBAL CODE PRINCIPLES

1.1 The following principles from the Global Code are adopted as part of this Guide:

- a. Principle 1 – “Market Participants should strive for the highest ethical standards”;
- b. Principle 2 – “Market Participants should strive for the highest professional standards”;
- c. Principle 3 – “Market Participants should identify and address conflicts of interest”;
- d. Principle 12 – “Market Participants should not request transactions, create orders, or provide prices with the intent of disrupting market functioning or hindering the price discovery process”;
- e. Principle 19 – “Market Participants should clearly and effectively identify and appropriately limit access to Confidential Information”;
- f. Principle 20 – “Market Participants should not disclose Confidential Information to external parties, except under specific circumstances”;
- g. Principle 21 – “Market Participants should communicate in a manner that is clear, accurate, professional, and not misleading”; and
- h. Principle 22 – “Market Participants should communicate Market Colour appropriately and without compromising Confidential Information”.

The above principles from the Global Code apply to **all asset classes** covered by this Guide. Market Participants should refer to the Global Code for the full content of the above principles from the Global Code. References to foreign exchange in the above principles from the Global Code shall be read as if they are references to **all asset classes** covered by this Guide.

#### 2. CONFIDENTIALITY

2.1 Confidentiality and client anonymity are essential for preserving a reputable and efficient market place.

2.2 Market Participants should preserve, and aid in preserving, confidentiality in all matters including information on clients and dealing counterparties coming to their knowledge in the performance of

their duties. Market Participants acting as principals and as intermediaries (such as Brokers or trading platforms) share equal responsibility for preserving the integrity of the market through the proper maintenance of confidentiality. No client information should be disclosed except in accordance with applicable laws and regulations, in particular and where applicable, section 47 and the Third Schedule to the Banking Act on banking secrecy and disclosure of information. Market Participants should also ensure that the identities of clients and counterparties are kept confidential.

- 2.3 Where a Market Participant routinely shares client information with other branches/subsidiaries within its group, this information should only be shared in accordance with applicable laws and regulations and established procedures.
- 2.4 Market Participants are responsible for ensuring that their staff have been trained to identify and to treat information that is confidential or sensitive and to deal appropriately with situations that require anonymity and discretion. Market Participants must ensure that suitable policies and procedures are in place to ensure that confidential information is handled appropriately and not used by any staff for their personal benefit.
- 2.5 Brokers should not reveal names prematurely. Brokers should reveal the names of their principals/counterparties only after the material terms of the transaction have been agreed, including the agreed level and volume. The transaction level is agreed according to relevant market practice.
- 2.6 A Market Participant should not, in any way, pressure a Broker by inducement, threat or promise, for information which would be improper for the Broker to divulge. Pressure includes any statement to the effect, or which could be construed as implying, that a failure to cooperate would lead to a reduction in the business given by the Market Participant or other Market Participants to the Broker. Market Participants should similarly reject any request from their clients to divulge confidential information and any such incident should be reported by staff of Market Participants to their management.
- 2.7 Market Participants should not visit each other's dealing rooms except with the permission of their respective managements and subject to appropriate controls.
- 2.8 Market Participants should also refer to the principles in Principle 19 and Principle 20 of the Global Code. Principle 19 provides that "Market Participants should clearly and effectively identify and appropriately limit access to Confidential Information". Principle 20 provides that "Market Participants should not disclose Confidential Information to external parties, except under specific circumstances".

### **3. BETS AND GAMBLING**

- 3.1 The making or arranging of bets or gambling carries obvious dangers to the entity and individuals involved. Market Participants should therefore prohibit their staff from betting or gambling in ways which could give rise to actual or potential conflicts of interest with professional roles or responsibilities.

### **4. ENTERTAINMENT, GIFTS AND FAVOURS**

- 4.1 While it is acknowledged that meeting over meals or drinks is a common and legitimate practice, the use of entertainment may be open to abuse. It is therefore essential for Market Participants to formulate guidelines to guard against abuse and excess. Market Participants should exercise judgment as to what constitutes acceptable entertainment, taking into account all applicable laws and regulations, and advise their staff accordingly. Particular care should be taken when dealing with sovereign entities and government officials.
- 4.2 Market Participants should put in place internal entertainment and gifts value thresholds and these thresholds should be reasonable in the context of the relationships and activities to which they relate. Market Participants should take special note of the form, frequency and cost of entertainment and gifts their staff receive or provide, and should require their staff to disclose all entertainment and gifts given or received, above the applicable internal thresholds.
- 4.3 Brokers should not offer expensive gifts or favours to other Market Participants. Staff of Market Participants should not solicit gifts for personal benefit. The solicitation of corporate gifts, other than for genuine and legitimate charitable purposes, is also discouraged.
- 4.4 Staff of Market Participants should notify their management, their compliance department, as well as any other department in accordance with the Market Participant's internal policies and procedures, when they are offered unusual or excessive favours.

### **5. DEALING FOR PERSONAL ACCOUNT**

- 5.1 Market Participants should have clear guidelines on whether dealing staff are allowed to trade for their own account in any of the products their firm is dealing in. If this is allowed, Market Participants should ensure that adequate safeguards are established to prevent abuse. These controls should reflect the need to prevent insider trading in any form and ensure that the interests of the firm and its clients are adequately protected at all times. A Market Participant's written procedures should also clearly stipulate the Market Participant's control policy in relation to the unprofessional practice often referred to as "front running". This arises where staff of a Market Participant can execute a personal trade in advance of a client's or institutional order to benefit from an anticipated movement in the market price following the execution of a large trade.
- 5.2 Dealing staff who trade for their own account should be aware of their responsibilities to avoid any conflicts of interest with their professional roles.

## **6. MARKET MISCONDUCT**

- 6.1 All Market Participants should observe proper standards of conduct at all times. Market Participants should implement internal policies and procedures which prohibit all forms of market misconduct.
- 6.2 Staff of Market Participants should exercise extreme care when in possession of material non-public, price sensitive information in relation to the products covered by this Guide. Subject to applicable laws and regulations and internal policies and procedures, when in possession of such information, staff of Market Participants should ensure that they do not deal for their own account or the account of the Market Participant which they represent, or induce another party to so deal, on the basis of such information. For the avoidance of doubt, if staff of a Market Participant is working a pending order from a client in relation to a particular product covered by this Guide and which could have a significant impact on the price of that product, the knowledge of that order would constitute material non-public, price sensitive information for the purposes of this Guide.
- 6.3 Staff of Market Participants should not engage in practices which may realise immediate gain (or avoid loss) but may compromise their employer's or their own reputation.
- 6.4 Market Participants share the responsibility of maintaining the smooth and efficient functioning of the Singapore financial market, and therefore should avoid adopting policies which may lead to circumstances that contribute to disrupting the normal operations of another Market Participant.
- 6.5 Market Participants should also refer to the principles in Principle 12 of the Global Code. Principle 12 provides that "Market Participants should not request transactions, create orders, or provide prices with the intent of disrupting market functioning or hindering the price discovery process".

## **7. PROFESSIONAL KNOWLEDGE**

- 7.1 It is important to maintain a consistently high level of awareness and understanding of good conduct and market practices among Market Participants, so as to reinforce the foundation for strengthening overall professional standards of the dealing community. To achieve this, courses and certification programmes are administered by industry bodies, as may be notified by the SFEMC from time to time.
- 7.2 Sell-side entities and Brokers commit to requiring their staff who are involved in conducting activities covered by this Guide to take the relevant courses and certification programmes, unless subject to an applicable exemption. Sell-side entities and Brokers further commit to ensuring that their staff who engage in activities covered by this Guide obtain the relevant certification within 6 months of joining, unless subject to an applicable exemption. In addition, sell-side entities and Brokers undertake to provide details on which of their staff have obtained the relevant certification, on request, to the SFEMC or a relevant regulator.
- 7.3 While optional for other Market Participants, including staff of buy-side entities, they are encouraged to obtain the relevant certification where applicable.

- 7.4 Market Participants should also ensure that their staff have the minimum qualifications required under applicable laws and regulations, such as passing the Capital Markets and Financial Advisory Services Examination where applicable.
- 7.5 Market Participants should also refer to the principles in Principle 2 of the Global Code. Principle 2 provides that “Market Participants should strive for the highest professional standards”.

## **Chapter II**

### **GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE PRINCIPLES**

*It is the responsibility of each Market Participant to manage the risks that arise from its market activities. Market Participants are expected to have a sound and effective governance framework to provide clear responsibility for and comprehensive oversight of their activity in the financial market and to promote responsible engagement in the financial market, as well as a robust control and compliance environment to effectively identify, manage, and report on the risks associated with their activities in the financial market.*

#### **1. ADOPTION OF THE GLOBAL CODE PRINCIPLES**

1.1 The following principles from the Global Code are adopted as part of this Guide:

- a. Principle 3 – “Market Participants should identify and address conflicts of interest”;
- b. Principle 4 – “The body, or individual(s), that is ultimately responsible for the Market Participant’s FX business strategy and financial soundness should put in place adequate and effective structures and mechanisms to provide for appropriate oversight, supervision, and controls with regard to the Market Participant’s FX Market activity”;
- c. Principle 5 – “Market Participants should embed a strong culture of ethical and professional conduct with regard to their FX Market activities”;
- d. Principle 6 – “Market Participants should have remuneration and promotion structures that promote market practices and behaviours that are consistent with the Market Participant’s ethical and professional conduct expectations”;
- e. Principle 7 – “Market Participants should have appropriate policies and procedures to handle and respond to potentially improper practices and behaviours effectively”;
- f. Principle 24 – “Market Participants should have frameworks for risk management and compliance”;
- g. Principle 25 – “Market Participants should familiarise themselves with, and abide by, all Applicable Law and Standards that are relevant to their FX Market activities and should have an appropriate compliance framework in place”;
- h. Principle 26 – “Market Participants should maintain an appropriate risk management framework with systems and internal controls to identify and manage the FX risks they face”;
- i. Principle 27 – “Market Participants should have practices in place to limit, monitor, and control the risks related to their FX Market trading activity”;
- j. Principle 28 – “Market Participants should have processes in place to independently review the effectiveness of and adherence to the risk management and compliance functions”;

- k. Principle 29 – “Market Participants should have adequate processes to manage counterparty credit risk exposure, including where appropriate, through the use of appropriate netting and collateral arrangements, such as legally enforceable master netting agreements and credit support arrangements”;
- l. Principle 30 – “Market Participants should have processes to measure, monitor, report, and manage market risk in an accurate and timely way”;
- m. Principle 31 – “Market Participants should have independent processes in place to mark-to-market trading positions to measure the size of their profit and loss and the market risk arising from trading positions”;
- n. Principle 32 – “Market Participants should have appropriate processes in place to identify and manage operational risks that may arise from human error, inadequate or failed systems or processes, or external events”;
- o. Principle 33 – “Market Participants should have business continuity plans (BCPs) in place that are appropriate to the nature, scale, and complexity of their FX business and that can be implemented quickly and effectively in the event of large-scale disasters, loss of access to significant trading platforms, settlement, or other critical services, or other market disruptions”;
- p. Principle 34 – “Market Participants should have in place processes to address potential adverse outcomes arising from the use of or reliance on technological systems (hardware and software)”;
- q. Principle 35 – “Market Participants should take prudent measures to manage and reduce their Settlement Risks, including prompt resolution measures to minimise disruption to trading activities”;
- r. Principle 36 – “Market Participants should keep a timely, consistent, and accurate record of their market activity to facilitate appropriate levels of transparency and auditability and have processes in place designed to prevent unauthorised transactions”;
- s. Principle 37 – “Market Participants should perform “know-your-customer” (KYC) checks on their counterparties to ascertain that their transactions are not used to facilitate money laundering, terrorist financing, or other criminal activities”;
- t. Principle 38 – “Market Participants should have in place reasonable policies and procedures (or governance and controls) such that trading access, either direct or indirect, is limited to authorised personnel only”;
- u. Principle 39 – “Market Participants should generate a timely and accurate record of transactions undertaken to enable effective monitoring and auditability”;
- v. Principle 40 – “Market Participants should have processes in place to identify and manage legal risks arising in relation to their FX Market activities”; and

- w. Principle 41 – “Prime Brokerage Participants should strive to monitor and control trading permissions and credit provision in Real Time at all stages of transactions in a manner consistent with the profile of their activity in the market to reduce risk to all parties”.

The above principles from the Global Code apply to **all asset classes** covered by this Guide. Market Participants should refer to the Global Code for the full content of the above principles from the Global Code. References to foreign exchange in the above principles from the Global Code shall be read as if they are references to **all asset classes** covered by this Guide.

## **2. SEGREGATION OF DUTIES**

- 2.1 Many trading-related scandals, which affect other Market Participants, have their roots in inadequate internal controls and segregation of duties. Market Participants are expected to manage their risks prudently and responsibly in accordance with applicable laws and regulations, best practices and other established principles of governance, risk management and compliance.
- 2.2 While governance, risk management and compliance practices should be commensurate with the characteristics and scale of a Market Participant’s activities, there should exist, at a minimum, appropriate segregation of duties, independent reporting lines and appropriate information barriers between:
  - a. the trading function, the risk management and compliance functions and the processing, accounting and settlement functions, commonly referred to as the front, middle and back offices;
  - b. the own account or proprietary trading functions and the client facing functions; and
  - c. the trading functions, the research functions, and the corporate finance functions.
- 2.3 Market Participants should also refer to the principles in Principle 3 and Principle 24 of the Global Code. Principle 3 provides that “Market Participants should identify and address conflicts of interest”. Principle 24 provides that “Market Participants should have frameworks for risk management and compliance”.

## **3. MONEY LAUNDERING, TERRORISM FINANCING, FRAUD AND OTHER CRIMINAL ACTIVITIES**

- 3.1 Market Participants should keep in mind their obligations and/or liabilities under applicable laws, regulations and regulatory guidelines, including but not limited to:
  - a. Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act;
  - b. Terrorism (Suppression of Financing) Act;



- c. Monetary Authority of Singapore (“**MAS**”) Notices and Guidelines on Prevention of Money Laundering and Countering the Financing of Terrorism; and
  - d. ABS Guidelines on Anti-Money Laundering and Countering the Financing of Terrorism.
- 3.2 Market Participants should also refer to the principles in Principle 37 of the Global Code. Principle 37 provides that “Market Participants should perform “know-your-customer” (KYC) checks on their counterparties to ascertain that their transactions are not used to facilitate money laundering, terrorist financing, or other criminal activities”.

#### **4. TRANSACTIONS WITH CLIENTS AND COUNTERPARTIES**

- 4.1 Market Participants should establish policies and procedures on the conduct of transactions with clients, especially high-risk or highly leveraged ones, paying particular attention to credit evaluation and approval.
- 4.2 Procedures should also define all effective controls over client margin accounts. These include procedures on margin maintenance, margin call, top-up and close-out.
- 4.3 Market Participants should conduct KYC checks on Brokers, and examine the reputation and market standing of Brokers. Market Participants should also determine if the Broker will act only as an intermediary or will also take a principal position in certain circumstances. If the Broker will take a principal position, Market Participants should also assess the creditworthiness of the Broker. It is suggested that Market Participants should set up their own credit evaluation and approval policy relating to the appointment of Brokers.
- 4.4 Market Participants should also refer to the principles in Principle 29 of the Global Code. Principle 29 provides that “Market Participants should have adequate processes to manage counterparty credit risk exposure, including where appropriate, through the use of appropriate netting and collateral arrangements, such as legally enforceable master netting agreements and credit support arrangements”.
- 4.5 Market Participants should take sufficient measures to satisfy themselves that clients, counterparties and Brokers, and their respective staff are duly authorised to deal in the relevant financial products. Market Participants should not deal with any individual who is not authorised or who cannot be identified.

#### **5. ELECTRONIC TRADING ACTIVITIES**

- 5.1 Before embarking on electronic trading activities, it is important for all Market Participants to adopt prudent risk management frameworks, as well as to comply with regulatory standards issued by the MAS (where applicable).

- 5.2 Market Participants that offer electronic trading systems (this includes e-trading facilities or platforms and electronic broking systems) (each a “**Provider**”) should ensure that those systems are robust and have adequate controls and security features. Any material breach of security to those systems, such as through hacking or other intrusions, which affect other Market Participants or clients, should be promptly communicated where necessary to the relevant regulators and the affected parties.
- 5.3 Transactions executed through an electronic trading system should be handled in accordance with the provisions of the individual Provider’s terms and conditions and all documents and agreements relating to the utilisation of the electronic trading system. These should stipulate clearly, amongst other things, the procedures and responsibilities that apply in relation to:
- a. communication breakdown at the point of or during the finalisation of trades;
  - b. off-market discrepancies, where applicable;
  - c. software inadequacies or limitations, i.e. bugs;
  - d. measuring and monitoring credit limits, where applicable; and
  - e. confidentiality terms.

The terms of engagement should be agreed prior to the commencement of dealings.

- 5.4 A deal should be considered “Done” whether it is intentionally or unintentionally “Hit”. In the event of a wrong hit owing to input error or otherwise, if the hitting Market Participant is seeking to have the deal cancelled, the hitting Market Participant should immediately contact the Provider or the counterparty involved, as the case may be. Under normal circumstances, such deals should only be cancelled on the basis that the rate dealt is not representative of the prevailing market price. Deals will only be cancelled where both parties to the deal agree to the cancellation. Please refer to Section 13 of Chapter III.
- 5.5 Market Participants should be prepared to honour any and all orders which they key into an electronic trading system.
- 5.6 In the event of a line failure “connection lost”, immediate attempt should be made to contact the Provider or the counterparty involved, as the case may be, in order to clarify the status of the transaction.
- 5.7 On matters not provided for in the applicable terms and conditions, or any other document or agreement relating to the utilisation of an electronic trading system, this Guide will apply.
- 5.8 For the avoidance of doubt, all other provisions of this Guide apply equally to transactions and business conducted via electronic trading systems.

5.9 Market Participants should also refer to the principles in Principle 34 of the Global Code. Principle 34 provides that “Market Participants should have in place processes to address potential adverse outcomes arising from the use of or reliance on technological systems (hardware and software)”.

## Chapter III

### GENERAL DEALING PRINCIPLES AND MARKET CONDUCT

*The efficient functioning of the market is dependent on the responsible conduct of every Market Participant. This Chapter spells out the basic principles for the conduct of market activities, expectations of Market Participants as well as dispute resolution channels. Market Participants are expected to exercise care when negotiating and executing transactions in order to promote a robust, fair, open, liquid and appropriately transparent market.*

#### 1. ADOPTION OF THE GLOBAL CODE PRINCIPLES

1.1 The following principles from the Global Code are adopted as part of this Guide:

- a. Principle 7 – “Market Participants should have appropriate policies and procedures to handle and respond to potentially improper practices and behaviours effectively”;
- b. Principle 8 – “Market Participants should be clear about the capacities in which they act”;
- c. Principle 10 – “Market Participants should handle orders fairly, with transparency, and in a manner consistent with the specific considerations relevant to different order types”;
- d. Principle 12 – “Market Participants should not request transactions, create orders, or provide prices with the intent of disrupting market functioning or hindering the price discovery process”;
- e. Principle 13 – “Market Participants should understand how reference prices, including highs and lows, are established in connection with their transactions and/or orders”;
- f. Principle 15 – “Market Participants should identify and resolve trade discrepancies as soon as practicable to contribute to a well-functioning FX Market”;
- g. Principle 16 – “Market Participants acting as Voice Brokers should only employ name switching where there is insufficient credit between parties to the transaction”; and
- h. Principle 23 – “Market Participants should provide personnel with clear guidance on approved modes and channels of communication”.

The above principles from the Global Code apply to **all asset classes** covered by this Guide. Market Participants should refer to the Global Code for the full content of the above principles from the Global Code. References to foreign exchange in the above principles from the Global Code shall be read as if they are references to **all asset classes** covered by this Guide.

## **2. PRICE/RATE QUOTATIONS**

- 2.1 All Market Participants, whether acting as a principal or Broker, should make absolutely clear whether the prices they are quoting are firm or merely indicative. Prices quoted by Brokers should be taken to be firm in marketable amounts unless otherwise qualified.
- 2.2 A Market Participant, quoting a firm price/rate and stating his requirements to a Broker, should deal at those terms with an acceptable name, regardless of the market level. For their part, Brokers are expected to confirm with their principal at regular intervals on whether the latter's interests at specific prices/rates are still firm.
- 2.3 If a Market Participant has interest on one side of a two-way price and the other side is dealt away by other parties, the Broker should automatically put the price "under reference". The Broker should then check with the Market Participant to ascertain the latter's original interest.
- 2.4 When Market Participants place orders with special conditions attached, Brokers must accurately relay the said conditions.

## **3. HANDLING CLIENT ORDERS**

- 3.1 Where Market Participants are handling client orders, these orders should be handled promptly, professionally, with fairness and transparency and with due regard to the best interests of the client.
- 3.2 Market Participants should satisfy themselves that the nature, complexity and risks of proposed transactions are appropriate for their clients. It is also important that Market Participants provide all relevant disclosures and information to a client to ensure that the client fully understands the nature and potential risks of the product and to allow the client to make an informed decision as to whether to transact or not.
- 3.3 Market Participants involved in transactions with clients should act honestly and in good faith when marketing financial products and transacting with clients. Market Participants should not enter into any transaction which may conflict with a duty of care owed to a client, unless such conflict is disclosed to the client and the client consents to the transaction.
- 3.4 Market Participants should not engage in any fraudulent, deceptive or manipulative practices. Market Participants should also refer to the principles in Principle 12 of the Global Code. Principle 12 provides that "Market Participants should not request transactions, create orders, or provide prices with the intent of disrupting market functioning or hindering the price discovery process".
- 3.5 Market Participants should also familiarise themselves with any applicable obligations under the Securities and Futures Act and the Financial Advisers Act.

#### **4. INTRADAY DEAL CHECKS**

- 4.1 The practice of intra-day deal checks is strongly recommended as it can be an important means of helping to reduce the number and size of differences, particularly when dealing through voice Brokers, or for deals involving foreign counterparties. It can also be useful in the faster moving markets such as foreign exchange or when dealing in other products which have short settlement periods.
- 4.2 It is for each Market Participant to agree with their Brokers (or counterparties) whether it wishes to institute this practice; and if so, how many such checks a day it requires.
- 4.3 There should always be an acknowledgement between the parties on completion of the check that all deals have been agreed or, if not, that any identified discrepancies are resolved as a matter of urgency. Where the discrepancy involves a dispute resulting in an open risk for either party, it is recommended that the position should be immediately closed out in the market without inference that either party is wrong pending final resolution of the dispute. Where either party first highlights an error or difference, a lack of response from the other party should not be construed as an acknowledgement by the latter.
- 4.4 Market Participants should also refer to the principles in Principle 15 of the Global Code. Principle 15 provides that "Market Participants should identify and resolve trade discrepancies as soon as practicable to contribute to a well-functioning FX Market".

#### **5. BROKER POSITIONS**

- 5.1 A Broker should not engage, however temporarily, in taking positions by closing a deal without first having a principal to substantiate the price and assume a deal. A Broker should not quote a price, which it represents to be firm but which is not substantiated by a principal.
- 5.2 Where a Broker quotes a firm price to a principal, the latter is entitled to hold him to that price. Market Participants are however prohibited from holding a Broker to a price, where the Broker is unable to substantiate a firm quote, provided that the Broker immediately informs the Market Participant of the fact, and gives a good reason for the inability to substantiate a firm quote.
- 5.3 If holding a Broker to a price is deemed justifiable in accordance with Section 5.2 above, the management of the Market Participant and Broker should be informed. In addition, a Market Participant should not insist on a replacement deal at the price or with the counterparty originally proposed by the Broker. The Broker is permitted and the Market Participant should settle the difference between the price quoted and the replacement price by way of a cheque or wire transfer payable to the Market Participant. Settlement by any other means where accountability and transparency is impaired should be avoided. It is recommended that such settlements be clearly documented by both the Broker and the Market Participant.

## **6. POINTS & POSITION PARKING**

- 6.1 Under no circumstances should Market Participants engage in artificial transactions for the purpose of concealing positions or transferring profits and losses. Such activities, sometimes referred to as “points” or “position” parking, not only undermine the integrity of the markets, but may also attract legal liability for the individuals or firms concerned.
- 6.2 Market Participants should also refer to the principles in Principle 12 of the Global Code. Principle 12 provides that “Market Participants should not request transactions, create orders, or provide prices with the intent of disrupting market functioning or hindering the price discovery process”.

## **7. STOP LOSS ORDERS**

- 7.1 Parties giving or receiving stop loss orders should ensure that both parties mutually understand the terms under which such orders are made. In accepting stop loss orders, while a Market Participant should make every reasonable effort to execute the order promptly, it should be acknowledged that there is no guarantee of fixed price execution to the counterparty.
- 7.2 Any Market Participant accepting a stop loss order should have adequate lines of communication with the giver of the order so that contact can be made in the event of extremely volatile market conditions or other unusual situations.
- 7.3 Where a dispute arises as to whether the market reached the level required to trigger the execution of the stop loss order, it should be borne in mind that regardless of which source is used to verify the market range, a totally accurate definitive record may be difficult to obtain.
- 7.4 Any one source such as an individual Broker who may be asked to indicate market highs and lows may not always have the full trading range for the day and can only indicate the highs and lows which it has seen. Consequently, such information should be treated with professional discretion and caution.
- 7.5 Market Participants should also refer to the principles in Principle 10 of the Global Code relating to stop loss orders and the principles in Principle 13 of the Global Code. Principle 13 provides that “Market Participants should understand how reference prices, including highs and lows, are established in connection with their transactions and/or orders”.

## **8. RECORDING OF COMMUNICATIONS**

- 8.1 For investigating and resolving differences and disputes, quick resolution is facilitated by recordings of telephone conversations and all other communications of Market Participants. The use of recording equipment in the offices of Market Participants is strongly recommended. Market Participants should inform their counterparties and clients that telephone conversations will be recorded. Market Participants should have internal policies to ensure they comply with appropriate data and record retention requirements under applicable laws and regulations. In general, records

of communications should be kept for at least two months. Market Participants dealing in longer term products such as interest rate swaps, forward rate agreements or other similar products where errors or discrepancies may only be discovered on the date when the first movement of funds is due to take place, should retain records relevant to these transactions for longer periods for the sake of prudence. Market Participants should ensure that access to records, whether in use or in store, is strictly controlled so that they cannot be tampered with. Market Participants should implement policies to ensure that appropriate confidentiality of records is maintained.

- 8.2 Market Participants should recognise that developments in technology, particularly mobile phones, can be used to circumvent the recording of communications and compromise confidentiality. Market Participants should therefore adopt appropriate policies to restrict the use of mobile phones or such technology in their dealing rooms.
- 8.3 Market Participants should also refer to the principles in Principle 23 of the Global Code. Principle 23 provides that "Market Participants should provide personnel with clear guidance on approved modes and channels of communication".

## **9. DIRECT DEALING**

- 9.1 It is felt that certain guidelines should be adhered to when Market Participants deal directly with each other. Market Participants are not obliged to quote when called upon. However, the answering party should respond and indicate quickly when it is unwilling to quote. Market Participants are not obliged to deal on any pre-determined amount.
- 9.2 Market Participants should not place partial orders with Brokers with the intention of identifying the counterparty, so as to conclude the full amount of the order in a direct transaction.

## **10. DEALING AMOUNTS**

- 10.1 For the markets to function smoothly, there must be a consensual understanding of minimum dealing amounts between Market Participants when an amount is not specified with a quoted price. Such minimum dealing amounts vary by product and currency. Where there is any doubt between two Market Participants about what constitutes the minimum dealing amount, it is strongly recommended that a clear understanding be established before attempting to transact with each other.
- 10.2 Market Participants who wish to deal in odd amounts should specify their conditions to their counterparties at the outset. The price quoter has the right to reject odd amounts if no prior indication of amount is given.



## **11. COMPLAINTS PROCEDURE**

- 11.1 If the management of a Market Participant believes that another Market Participant it has dealt with has breached the letter or spirit of this Guide, it should escalate appropriately and seek to settle the matter amicably with the other party. If this is not possible, either party may bring the matter to the attention of the Secretary, SFEMC, with notification to the other party. In addition, if a Market Participant observes serious misconduct or material breaches of this Guide, it should notify the Secretary, SFEMC.
- 11.2 Market Participants should also refer to the principles in Principle 7 of the Global Code. Principle 7 provides that “Market Participants should have appropriate policies and procedures to handle and respond to potentially improper practices and behaviours effectively”.

## **12. ARBITRATION PROCEDURE**

- 12.1 Where disputes arise, it is essential that the Market Participants involved take prompt action to resolve or settle the matter fairly and with utmost integrity and mutual respect. The SFEMC provides a forum for resolution of any dispute between Market Participants on dealing ethics or current market practices in relation to specific transactions in the wholesale financial markets, after the parties have exhausted their own efforts to resolve the matter directly. All parties must however agree to the SFEMC’s role and accept its decision as full and final settlement of the dispute.
- 12.2 Requests for arbitration should be addressed to the Secretary, SFEMC. A request should be concise but needs to contain all necessary information to facilitate the SFEMC’s actions.

## **13. ERROR TRADES**

- 13.1 While the SFEMC wholly accepts that trades executed substantially away from the prevailing market price may impact Market Participants’ confidence in the market, the SFEMC also considers it essential to the integrity of the market that trades, once executed, will stand and not be adjusted or cancelled arbitrarily. Trades, once executed, may trigger further trades and the subsequent cancellation of the trigger may cause confusion and loss to other Market Participants who have acted in good faith.
- 13.2 Under normal circumstances, trades should only be cancelled on the basis that the price traded is not representative of the prevailing market price. Any trade where the only error is the notional value or the number of contracts traded, should **not** ordinarily be subject to cancellation, unless in exceptional circumstances.
- 13.3 A Market Participant that is seeking to have a trade cancelled on the basis that the price traded is not representative of the prevailing market price should notify its counterparty as soon as possible.
- 13.4 Trades will only ever be subject to cancellation where both parties to the trade agree to the cancellation. Parties should always act in a reasonable manner in such situations.

## **14. BROKERAGE**

- 14.1 Brokerage is subject to negotiation between Brokers and Market Participants. Such charges should be agreed upon by appropriate staff of each side in writing. Revisions should follow the same procedure.
- 14.2 Brokerage agreements between Brokers and Market Participants should be reviewed and executed on a timely basis.
- 14.3 While the settlement of brokerage charges is a commercial matter between a Market Participant and its Broker, it is recommended that such settlements should not be delayed on account of isolated disputed transactions. It is recommended that undisputed amounts should be settled expeditiously.
- 14.4 Market Participants should reconcile brokerage bills against their internal records promptly. Market Participants that identify discrepancies in their brokerage bills should investigate and promptly inform their Broker. Market Participants and Brokers should promptly resolve such discrepancies with the aim to settle the brokerage bill as soon as practicable.

## **Chapter IV BACK OFFICE PRACTICES**

*Back office is important not only in ensuring that deals are processed and settled efficiently but also in strengthening risk control that is essential for the overall health of the financial markets. Back office practices thus have a major bearing on the conduct of market activities. As such, a common understanding of the relevant issues is set forth in this Chapter to minimise disruption to market activities. Market Participants are expected to put in place robust, efficient, transparent and risk-mitigating post-trade processes to promote the predictable, smooth and timely settlement of transactions in the financial markets.*

### **1. ADOPTION OF THE GLOBAL CODE PRINCIPLES**

1.1 The following principles from the Global Code are adopted as part of this Guide:

- a. Principle 42 – “Market Participants should establish consistency between their operating practices, their documentation, and their policies for managing credit and legal risk”;
- b. Principle 43 – “Market Participants should institute a robust framework for monitoring and managing capacity in both normal and peak conditions”;
- c. Principle 44 – “Market Participants are encouraged to implement straight-through automatic transmission of trade data from their front office systems to their operations systems”;
- d. Principle 45 – “Market Participants should conduct any novations, amendments, and/or cancellations of transactions in a carefully controlled manner”;
- e. Principle 46 – “Market Participants should confirm trades as soon as practicable, and in a secure and efficient manner”;
- f. Principle 47 – “Market Participants should review, affirm, and allocate block transactions as soon as practicable”;
- g. Principle 48 – “Market Participants should identify and resolve confirmation and settlement discrepancies as soon as practicable”;
- h. Principle 49 – “Market Participants should be aware of the particular confirmation and processing features specific to life cycle events of each FX product”;
- i. Principle 50 – “Market Participants should measure and monitor their Settlement Risk and seek to mitigate that risk when possible”;
- j. Principle 51 – “Market Participants should utilise standing settlement instructions (SSIs)”;
- k. Principle 52 – “Market Participants should request Direct Payments”;

- l. Principle 53 – “Market Participants should have adequate systems in place to allow them to project, monitor, and manage their intraday and end-of-day funding requirements to reduce potential complications during the settlement process”;
- m. Principle 54 – “Market Participants should perform timely account reconciliation processes”; and
- n. Principle 55 – “Market Participants should identify settlement discrepancies and submit compensation claims in a timely manner”.

The above principles from the Global Code apply to **all asset classes** covered by this Guide. Market Participants should refer to the Global Code for the full content of the above principles from the Global Code. References to foreign exchange in the above principles from the Global Code shall be read as if they are references to **all asset classes** covered by this Guide.

## 2. CONFIRMATION PROCEDURE

- 2.1 All transactions should be confirmed in writing (this includes confirmation by electronic means) by both parties and should be addressed to the back office or settlements department of the counterparty.
- 2.2 The format and content of a confirmation will vary according to the product dealt in and reference should be made to any applicable standard terms and conditions published to ascertain the correct content and format for any particular product. At a minimum, however, all confirmations should include the following information:
  - a. Date of transaction;
  - b. By which means effected (broker, phone, dealing system, etc.);
  - c. Name and location of counterparty;
  - d. Rate, amount and currency;
  - e. Type and size of deal;
  - f. Value date, maturity date and all other relevant dates (e.g. exercise date);
  - g. Standard terms/conditions applicable as set out in the relevant master agreement; and
  - h. All other important, relevant information.
- 2.3 Brokers should confirm all transactions in writing to both counterparties immediately. Where after a transaction, a Broker fails to send a confirmation and the principal misses out the deal entirely, liability for any financial losses should be shared equally.

- 2.4 If the counterparty confirmation is considered incorrect, the counterparty should immediately be informed in writing. A new confirmation (or written agreement to a correction) should be requested from and be provided by the counterparty whose original confirmation was incorrect.
- 2.5 It is not uncommon in some derivatives markets, and perfectly acceptable if the two parties involved agree, for only one party to the deal (rather than both) to send out a confirmation. But where this is so, it is imperative not only that the recipient checks the confirmation promptly, but that it also in good time responds to the issuer of the confirmation agreeing/querying the terms. It is also essential that the issuer of the confirmation has in place procedures for chasing a response if one is not forthcoming within a reasonable time.
- 2.6 Many automated dealing systems produce confirmations automatically. Provided these are verified in the back office, no additional confirmation need be sent.
- 2.7 Market Participants should also refer to the principles in Principle 46, Principle 48 and Principle 49 of the Global Code. Principle 46 provides that “Market Participants should confirm trades as soon as practicable, and in a secure and efficient manner”. Principle 48 provides that “Market Participants should identify and resolve confirmation and settlement discrepancies as soon as practicable”. Principle 49 provides that “Market Participants should be aware of the particular confirmation and processing features specific to life cycle events of each FX product”.

### **3. SETTLEMENT PROCEDURE**

- 3.1 Market Participants should refer to the principles in Principle 51, Principle 52 and Principle 53 of the Global Code. Principle 51 provides that “Market Participants should utilise standing settlement instructions (SSIs)”. Principle 52 provides that “Market Participants should request Direct Payments”. Principle 53 provides that “Market Participants should have adequate systems in place to allow them to project, monitor, and manage their intraday and end-of-day funding requirements to reduce potential complications during the settlement process”.
- 3.2 Unless otherwise stated, settlement in Singapore Dollars between banks in Singapore should be made through accounts maintained with the MAS.
- 3.3 As Singapore Dollars payments are settled on a Real-Time Gross Settlement basis, banks are expected to take all necessary steps to prevent a gridlock to the system by making payments promptly and minimising operational errors in settling transactions.

### **4. PENALTIES FOR LATE PAYMENT**

- 4.1 Where difference in payment arises because of errors in the payment of funds, Market Participants are reminded that they should not benefit from undue enrichment by retaining the funds.
- 4.2 Where a Market Participant suffers penalties for overdrawing an account arising from late payment of funds, it is entitled to seek reimbursement from the party responsible for the late payment.

- 4.3 In the case of over-the-counter transactions in Singapore Dollars, late payments between banks in Singapore should be settled in accordance with Section K2 of the ABS Bye-laws and Regulations. Late payments for transactions entered into on a trading facility or platform or which have been registered with a central counterparty (“**CCP**”) for clearing should be settled in accordance with the rules of the trading facility or platform or CCP.

## **Chapter V**

### **HANDLING MARKET DISRUPTIONS**

*From time to time, market activities might be disrupted by unforeseen events. Under such circumstances, both trading and settlement operations might be adversely affected. Unfortunately, each disruption event bears its own characteristics and as such it is not possible to set out in advance the manner in which Market Participants should conduct their business. This Chapter outlines some key principles on handling market disruption events.*

#### **1. GENERAL DESCRIPTION**

- 1.1 Market disruption events refer to circumstances where normal trading or settlement of financial transactions are inhibited or have become impossible or illegal due to governmental actions, natural catastrophes, civil disorders or other causes beyond the control of any individual Market Participant. The exact period of disruption may or may not be determinable.
- 1.2 Apart from this Chapter, Market Participants should also refer to the principles in Principle 33 of the Global Code. Principle 33 provides that “Market Participants should have business continuity plans (BCPs) in place that are appropriate to the nature, scale, and complexity of their FX business and that can be implemented quickly and effectively in the event of large-scale disasters, loss of access to significant trading platforms, settlement, or other critical services, or other market disruptions”.

#### **2. ROLE OF SFEMC**

- 2.1 The role of the SFEMC in a market disruption event depends on the nature of the event and the magnitude of its impact on the wholesale financial markets in Singapore. It is generally envisaged that the SFEMC would work closely with Market Participants, related industry bodies both locally and overseas, as well as regulators to minimise uncertainties and impact on trading and settlement operations. In the event of significant market disruptions, the SFEMC will, where appropriate, endeavour to make clear recommendations on appropriate settlement arrangements for affected transactions. All members of SFEMC agree to adopt such recommendations to the fullest extent possible, taking into consideration all relevant circumstances.
- 2.2 Notwithstanding the above, the SFEMC’s role is limited to offering practical recommendations to Market Participants in order to minimise the risks created by a market disruption event. While it is acknowledged that Market Participants will have to negotiate bilaterally with their counterparties in accordance with any contractual terms agreed to between them in order to achieve a satisfactory resolution of any affected transactions or obligations, Market Participants are at the same time strongly encouraged to adopt the SFEMC’s recommendations.

### **3. COMMUNICATION DURING DISRUPTION**

- 3.1 Market Participants should, to the fullest extent possible, maintain effective communication with their counterparties and other related parties such as settlement agents, clearing platforms, clients and the MAS throughout a market disruption event. This is regardless whether an operation remains in Singapore or has to be relocated elsewhere due to the nature of the market disruption event.
- 3.2 The SFEMC will endeavour to disseminate its recommendations or other information to Market Participants through the most efficient means available, including but not limited to announcements through its website, broadcasts through MASNET or direct telephone contacts with or e-mails to senior management of Market Participants. However, Market Participants are also encouraged to establish contacts with the Secretary of the SFEMC where needed.

### **4. ETHICAL STANDARDS**

- 4.1 Market Participants are expected to uphold the highest standards of professionalism not only under normal market conditions but more so during a crisis situation.
- 4.2 All negotiations between Market Participants should be carried out in utmost good faith and by persons who are properly authorised by their respective firms. It is deemed bad practice for any Market Participant to withdraw from an agreement on the ground of a representative not having sufficient authority during the negotiation.

### **5. SETTLEMENT DURING MARKET DISRUPTION**

- 5.1 The relevant master agreements or other contractual documentation between Market Participants will typically prescribe settlement arrangements to be applied during market disruption events. In general, settlement arrangements during market disruption events should be guided by the relevant contractual obligations laid down by the master agreement or other contractual documentation between the parties to the transactions.
- 5.2 Since foreign exchange transactions require the settlement of two currencies on the same value date, in the event of one currency's settlement being affected by a market disruption event, the settling parties should as far as possible establish a clear understanding of each other's intention before the value date in respect of settlement of the unaffected currency. Unilateral suspension of settlement not only increases credit risks but might also trigger systemic risks, and as such should be avoided.
- 5.3 Where Singapore Dollars settlement is disrupted by an unforeseen event, Market Participants should follow closely the instructions issued by MAS.



## **6. TRADING FACILITY/PLATFORM AND CENTRAL COUNTERPARTY RULES**

- 6.1 Where transactions are entered into on a trading facility or platform or have been registered with a CCP for clearing, the relevant rules of that trading facility or platform or CCP in relation to market disruptions in general, and contingency arrangements in particular, should be followed as necessary.

## **Chapter VI**

### **FOREIGN EXCHANGE / NON-DELIVERABLE FORWARD DEALING PRACTICES**

*The entire Global Code, including the FX-specific Principles, governs the conduct of activity in the wholesale foreign exchange market. This Chapter provides supplementary guidance to Market Participants for the conduct of spot and forward foreign exchange and non-deliverable foreign exchange forward transactions.*

#### **Part A**

#### **FOREIGN EXCHANGE**

##### **1. MARKET TRADING HOURS**

- 1.1 While it is recognised that markets trade continuously, market convention in the foreign exchange markets is that the market is open from 5:00am Sydney time, on a Monday morning to 5:00pm New York time on a Friday evening. For the purposes of working client orders, these times may be varied by contractual agreement.

##### **2. ROLLOVERS OF FOREIGN EXCHANGE TRANSACTIONS AT OFF-MARKET RATES**

- 2.1 As deals done at off-market rates may be used as a means to conceal profit or loss, or to perpetuate a fraud, the use of off-market rates is strongly discouraged, particularly for the purposes of the extension or rollover of a maturing forward contract. The current market spot rate should be used to liquidate the maturing contract and used as a base from which the new forward rate is derived. The resulting gains/losses on the maturing contract should be taken up by clients.
- 2.2 However, there may also be clients who request for the rollover of maturing contracts using off-market rates for various reasons. Such requests should not be accommodated as normal practice and they should remain exceptional.
- 2.3 Market Participants should have internal policies and procedures regarding transactions at off-market rates and these should be complied with. In particular, the express approval of a Market Participant's senior management should be obtained before any transaction may be conducted at off-market rates. Market Participants should also ensure that the express authorisation of the senior management of the client is in place before transacting at off-market rates with the client. Market Participants should ensure that proper systems are established for the monitoring, recording and control of such transactions. Credit exposure and funding cost should be reflected in the transaction when they occur. When extending contracts at off-market rates, unrealised losses should be booked as a credit extension to the client against established credit lines and subject to the Market Participant's normal assessment of the client's creditworthiness.
- 2.4 Market Participants should also refer to the principles in Principle 12 of the Global Code. It is provided in Principle 12 that "Transactions should be conducted at prices or rates based on the

prevailing market conditions at the time of the transaction. Exceptions to this, such as historical rate rollovers, should be covered by internal compliance policies.”

### **3. VALUE DATES**

- 3.1 Quotations for foreign exchange are for value spot, which is defined as **two** business days from the date of transaction. There are exceptions to this, including USD/CAD and USD/PHP, for which by market convention value spot is defined as **one** business day from the date of transaction.
- 3.2 Misunderstandings can arise over the definition of “value date” and “business day”, given the observance of different holidays in various financial centres. In quoting prices, Market Participants are therefore strongly urged to make clear to their counterparties the precise dates for settlement of transactions.
- 3.3 Since the interpretation of date conventions might differ (e.g. DDMM versus MMDD), it is recommended that the month be spelt out to avoid confusion.

### **4. MARKET DISRUPTION & UNFORESEEN HOLIDAYS**

- 4.1 In the event of significant market disruption, which result in settlement or payment delays, the SFEMC will endeavour to make clear recommendations on appropriate settlement prices and/or mechanisms for the affected transactions. Parties to such deals are strongly encouraged to adopt the SFEMC’s recommendations to facilitate rapid and efficient resolutions to such delays.
- 4.2 On unforeseen market holidays, subject to relevant contractual documentation, it is market practice to extend contracts maturing on a non-business day to the next business day. In principle, there should be no adjustment of exchange rates on account of such an extension unless expressly provided for in any bilateral agreement between the parties concerned.

### **5. TRANSACTION DISPUTE**

- 5.1 Where a transaction dispute results in one of the two parties concerned having an “unmatched” position, it is strongly recommended that action should be immediately taken by one party (preferably with the agreement of the other) to neutralise the position. Such action should be seen as an act of prudence to eliminate the risk of further loss resulting from the dispute and should not be construed as an admission of liability by that party.
- 5.2 Such disputes should be referred to management for prompt resolution. Where arbitration is deemed necessary, the dispute may be referred to the SFEMC. Please refer to Section 12 of Chapter III.

### **6. HANDLING CREDIT ISSUES**

- 6.1 If a Market Participant is unable to trade, in whole or in part, with a counterparty due to credit reasons, the Broker and Market Participant may agree to allow the Broker to go “choice” for a reasonable period of time. A “name switch” may also be allowed in such situations. Market Participants should also refer to the principles in Principle 16 of the Global Code. Principle 16 provides that “Market Participants acting as Voice Brokers should only employ name switching where there is insufficient credit between parties to the transaction”.
- 6.2 In the situations set out in Section 6.1 above, the Broker cannot be held liable for any amount by either party.
- 6.3 If a Market Participant does not have sufficient limits to accommodate the counterparty’s full amount, but is trying to raise limits, the Market Participant should indicate the amount that his current limits allow him to do. If raising limits takes too long in a fast-moving market, the Broker cannot be held liable for the balance if the counterparty has executed the balance elsewhere.

## **7. FOREIGN EXCHANGE SWAP DEALING**

- 7.1 Whilst a foreign exchange swap transaction usually involves the same name on both maturity dates, transactions involving two different names should be accepted unless previously stated.
- 7.2 Market Participants should specify the price being dealt. For example, “yours at X”, “mine at Y”. This is to avoid confusion between overseas and local terminology.

## **8. RATE SETTING ON FOREIGN EXCHANGE SWAPS**

- 8.1 The setting of the spot rate in a foreign exchange swap transaction should be done immediately after a price has been hit and before clearing of the counterparty’s name.
- 8.2 The price quoter has the right to set the spot rate in a foreign exchange swap transaction. However, the price quoter is responsible for setting a fair and unbiased rate within the current spread.
- 8.3 Clearing of the counterparty’s name should be done within a reasonable period of time. Where a reply is not forthcoming, the awaiting party can enquire through the Broker on the outcome. Where, in spite of this, there is still no definite answer, the awaiting party is allowed to cancel the deal.

## **9. DEALING AMOUNTS**

- 9.1 Market Participants should avoid the challenging of amounts. If a Market Participant says “Your amount”, “All yours” or “All mine”, he is committed to honour the counterparty’s full amount.
- 9.2 If the price quoter’s price is dealt simultaneously by two or more Brokers, the price quoter should honour, subject to limit, the minimum dealing amount with each Broker.

- 9.3 A Market Participant should specify his amount immediately after dealing on a price and the price quoter should immediately state the amount which he is honouring.
- 9.4 In instances where a Market Participant hits a Broker's quote for an amount in excess of the minimum dealing amount, and the Broker can honour the full amount, the Market Participant should not insist that the whole amount be in one deal but rather should accept split amounts done reasonably.

## **Part B**

### **NON-DELIVERABLE FORWARDS**

#### **10. PRODUCT DEFINITION**

Non-deliverable forwards ("**NDF**") refer to forward foreign exchange transactions, which are cash-settled in a settlement currency based on the differentials between the contracted price and settlement price, the determination of which is agreed to between the parties to the transaction at the point of entering into the deal.

#### **11. SETTLEMENT PROCEDURE AND FIXING**

- 11.1 The difference between the contracted forward exchange rate and prevailing spot exchange rate on the valuation date will be settled in the settlement currency, usually USD on the maturity date. Fixing convention and reference rates used are unique to the different NDF currencies. Market Participants should familiarise themselves with the specific convention before transacting. Where doubts exist, clarification should be sought before transacting.
- 11.2 If the reference rates cannot be obtained as specified, Market Participants should use the fallback mechanism set out in the NDF contract to determine the rate. The SFEMC publishes standard template terms for NDFs (the "**Template Terms**") for certain Asian currencies. The Template Terms are reviewed and updated periodically and Market Participants should familiarise themselves with the Template Terms accordingly.
- 11.3 When dealing in non-standard NDFs, the parties to the transaction should agree to the fixing methodology with proper documentation.
- 11.4 Market Participants should also refer to the principles in Principle 13 of the Global Code. Principle 13 provides that "Market Participants should understand how reference prices, including highs and lows, are established in connection with their transactions and/or orders".

#### **12. TRADING HOURS**

- 12.1 Although market hours generally follow that of the respective local currency markets, NDF markets continue to trade outside these hours when other currency markets are open.

### **13. SETTLEMENT DATES & FIXING DATES**

- 13.1 Market Participants are urged to make clear both the settlement date and fixing dates for deals given the observance of different holidays for the different NDF currencies. Calculation of fixing date from settlement date should only use local currency holidays and not settlement currency holidays. In addition, where the fixing is published on Thomson Reuters page ABSFIX01, the fixing date should not be on a Singapore holiday.

### **14. MARKET DISRUPTION & UNSCHEDULED HOLIDAY**

- 14.1 In the event of the occurrence of a market disruption and/or unscheduled holiday, the contractual terms governing the transaction should be followed. It is recommended that Market Participants adopt the Template Terms which details efficient settlements across the market for NDFs in the event of a disruption in a local market.

### **15. TRANSACTION DISPUTE**

- 15.1 Where a transaction dispute results in one of the two parties concerned having an “unmatched” position, it is strongly recommended that action should be immediately taken by one party (preferably with the agreement of the other) to neutralise the position. Such action should be seen as an act of prudence to eliminate the risk of further loss resulting from the dispute and should not be construed as an admission of liability by that party.
- 15.2 Such disputes should be referred to management for prompt resolution. Where arbitration is deemed necessary, the dispute may be referred to the SFEMC. Please refer to Section 12 of Chapter III.

### **16. HANDLING CREDIT ISSUES**

- 16.1 If a Market Participant is unable to trade, in whole or in part, with a counterparty due to credit reasons, the Broker and Market Participant may agree to allow the Broker to go “choice” for a reasonable period of time. A “name switch” may also be allowed in such situations. Market Participants should also refer to the principles in Principle 16 of the Global Code. Principle 16 provides that “Market Participants acting as Voice Brokers should only employ name switching where there is insufficient credit between parties to the transaction”.
- 16.2 In the situations set out in Section 16.1 above, the Broker cannot be held liable for any amount by either party.

- 16.3 If a Market Participant does not have sufficient limits to accommodate the counterparty's full amount, but is trying to raise limits, the Market Participant should indicate the amount that his current limits allow him to do. If raising limits takes too long in a fast-moving market, the Broker cannot be held liable for the balance if the counterparty has executed the balance elsewhere.

## **17. QUOTING CONVENTION**

- 17.1 Depending on the specific NDF currency, prices may be quoted in the form of "outright forward" or "spot FX and swap pips". Market Participants should familiarise themselves with the convention for each currency before transacting.

## **18. LIQUIDITY SWAP**

- 18.1 This is essentially a forward/forward transaction made up of two NDF transactions. Whilst a NDF liquidity swap transaction usually involves the same name on both maturity dates, transactions involving two different names should be accepted unless stated otherwise before a price is placed or hit.
- 18.2 Methodology for Rate Setting on NDF Liquidity Swaps - The setting of the start rate for NDF liquidity swap transactions should be guided by the principles in the method applicable to deliverable foreign exchange swap transactions (please refer to Section 8 above).

## **19. SWAPS AGAINST FIX**

- 19.1 Swaps pips against the fix are normally quoted on the day of fixing before the respective fixing time for each NDF currency. Rates are set after official fixing rate is published and the deal is confirmed like a normal NDF deal. Alternatively, two NDF liquidity swap deals can be booked immediately once the swaps pips against the fix, is agreed between the two counterparties. This is usually the case when the deal is done one day before the fixing day.

## **20. DEALING AMOUNTS**

- 20.1 Market Participants should avoid the challenging of amounts. If a Market Participant says "Your amount", "All yours" or "All mine", he is committed to honour the counterparty's full amount.
- 20.2 If the market maker's price is dealt simultaneously by two or more Brokers, the market maker should honour, subject to limit, the minimum dealing amount with each Broker.
- 20.3 A Market Participant should specify his amount immediately after dealing on a price and the market maker should immediately state the amount which he is honouring.

20.4 In instances where a Market Participant hits a Broker's quote for an amount in excess of the minimum dealing amount, and the Broker can honour the full amount, the Market Participant should not insist that the whole amount be in one deal but rather should accept split amounts done reasonably.



## **Chapter VII**

### **DEBT SECURITIES DEALING PRACTICES**

*This Chapter provides basic guidance for the conduct of business in debt securities. In view of the diversity of debt securities and the primary and secondary markets for debt securities transactions, this Chapter provides only limited guidance on general market practices and conventions.*

#### **1. GENERAL REFERENCES ON MARKET PRACTICES**

1.1 In addition to this Chapter, reference should also be made to the following:

- a. Singapore Government Securities (“**SGS**”) - ‘Rules And Market Practices Of The SGS Market’. This can be found at the SGS website or any successor website.<sup>9</sup>
- b. International Capital Market Association (“**ICMA**”) Rulebook. This can be found at the ICMA website or any successor website.<sup>10</sup>

#### **2. PRICE QUOTATIONS**

2.1 Prices are usually quoted clean, excluding accrued interest.

#### **3. VALUE DATES, SETTLEMENT DATE CONVENTION AND HOLIDAY CONVENTION**

3.1 Misunderstandings can arise over the definition of “value date” and “business day”, given the observance of different holidays in various financial centres. In quoting prices, Market Participants are therefore strongly urged to make clear to their counterparties the precise dates for settlement of transactions.

#### **4. CLEARING SYSTEM AND SETTLEMENT PLATFORM**

4.1 Market Participants should check if they have the necessary membership or access arrangements to the relevant clearing system or settlement platform prior to trading in a given market to avoid disruptions.

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<sup>9</sup> See <http://www.sgs.gov.sg/Publications/Market-Practices.aspx>

<sup>10</sup> See <http://www.icmagroup.org>

## **Chapter VIII**

### **MONEY MARKET DEALING PRACTICES**

*This Chapter provides guidance for the conduct of money market transactions.*

#### **1. VALUE DATES**

- 1.1 Unless otherwise specified, quotations for all money market transactions are for value spot. Market Participants who wish to trade on a different basis should specify when quoting or asking for a price.
- 1.2 Misunderstandings can arise over the definition of “value date” and “business day”, given the observance of different holidays in various financial centres. In quoting prices, Market Participants are therefore strongly urged to make clear to their counterparties the precise dates for settlement of transactions.
- 1.3 Since the interpretation of date conventions might differ (e.g. DDMM versus MMDD), it is recommended that the month be spelt out to avoid confusion.

#### **2. NAME DISCLOSURE**

- 2.1 The name of the borrower should not be disclosed until the Broker has ascertained that the potential lender is committed to do business at the quoted price. A lender is considered committed to do business at the price quoted, subject to credit approval, when the lender asks the key question “who pays”.
- 2.2 When a borrower’s name provided by a Broker is unacceptable to the lender, especially when it is a borrower taking on the offer of a lender, the borrower may sometimes question the existence of a lender at the price quoted by the Broker. In this instance, the Broker should obtain approval from the lender that the lender’s name be disclosed to the borrower. The lender is encouraged to accede to the request. In exceptional circumstances where the lender disagrees, the Broker may seek the assistance of the Secretary of the SFEMC to facilitate in the process of verifying the authenticity of the price quoted and inform the borrower of the outcome of the process.
- 2.3 When a potential lender asks, “who pays”, the Broker is to provide one name at a time. Only after the lender has finished his business with one borrower and intends to check another name may another name be shown. Brokers should avoid putting up more than one name when asked the question “who pays”.

### **3. CLOSING DEALS**

- 3.1 Clearing of the borrower's name by a lender should be done within a reasonable period of time. Where a reply is not forthcoming, the Broker is to enquire with the lender of the outcome. Where, in spite of this, there is still no definite answer, the Broker is allowed to take the order off.
- 3.2 It is generally accepted that a borrower borrowing money has the right to decline the name of the lender after the name is passed. Such rejections should have either verbal or written confirmation from a senior representative of the borrower.
- 3.3 After closing a deal, a lender may discover that it has exceeded the limits to a borrower. The Chief Dealer of the lender should immediately, upon discovery of the excess, advise both the Broker and the borrower of the oversight. The borrower should not insist on the original lender as the counterparty if another acceptable lender can be found. Both the original lender and Broker should endeavour to find a third party to take over the transaction. Any cost incurred should be borne by the original lender. If no alternative lender can be found, the original deal should stand.
- 3.4 Dealing a minimal amount through a Broker with the intention of ascertaining the name of the counterparty in order to make direct contact to deal is unethical and should not take place.
- 3.5 If a Market Participant is unable to trade, in whole or in part, with a counterparty due to credit reasons, the Broker and Market Participant may agree to allow the Broker to go "choice" for a reasonable period of time. A "name switch" may also be allowed in such situations. Brokers should however exercise care that lending rates are different for different classes of counterparties. Market Participants should also refer to the principles in Principle 16 of the Global Code. Principle 16 provides that "Market Participants acting as Voice Brokers should only employ name switching where there is insufficient credit between parties to the transaction".
- 3.6 In the situations set out in Section 3.5 above, the Broker cannot be held liable for any amount by either party.

## **Chapter IX**

### **OTC DERIVATIVES DEALING PRACTICES**

*This Chapter provides guidance for the conduct of dealing in Interest Rate Swaps, Non-Deliverable Swaps, Cross-Currency Swaps, Forward Rate Agreements, Currency Options and Interest Rate Options.*

For the avoidance of doubt, this Chapter applies to deliverable and non-deliverable products. When dealing with non-deliverable foreign exchange forwards, please also refer to Part B of Chapter VI.

#### **Part A**

#### **INTEREST RATE SWAPS (IRS) / NON-DELIVERABLE SWAPS (NDS) / CROSS-CURRENCY SWAPS (CCS) / FORWARD RATE AGREEMENT (FRA)**

##### **1. PRODUCT DESCRIPTION**

- 1.1 This Chapter applies to direct IRS, NDS, CCS and FRA transactions between Market Participants, as well as to those transactions executed through Brokers.

##### **2. DEALING THROUGH BROKERS**

- 2.1 Unless otherwise provided for in any applicable contractual agreement with a Broker, Market Participants should specify to the Broker where a deal for less than the minimum dealing amount is involved.
- 2.2 Where a Market Participant cannot deal with another Market Participant on grounds of credit limit, this information should be given to the Broker at an early stage of the IRS, NDS, CCS or FRA negotiation.

##### **3. DEALING PROCEDURES**

- 3.1 It is recognised as market practice for all Market Participants to obtain their own legal, tax and accounting advice.

##### **4. SETTLEMENT OF DIFFERENCES**

- 4.1 When a Broker cannot substantiate his quotation and a difference is payable to its principal, the Broker should close the IRS, NDS, CCS or FRA deal at the next available price and settle the difference by sending a cheque for the amount to its principal setting out the details of the deal.
- 4.2 Market Participants should not insist that the deal be contracted at the original rate but should accept a cheque in settlement of the difference.
- 4.3 In the absence of prior arrangements, differences are payable on spot date.

## **Part B**

### **CURRENCY OPTIONS**

#### **5. DEALING PROCEDURES**

- 5.1 It is recognised as market practice for all Market Participants to obtain their own legal, tax and accounting advice.
- 5.2 In the wholesale financial markets, foreign exchange options are generally quoted in implied volatility terms. In such instances, a delta hedge (i.e. a foreign exchange contract) is simultaneously entered into between the parties. However, in cases where the price is quoted in premium terms, there will generally be no separate delta hedge.
- 5.3 It is acknowledged that an option would not be a legally binding contract until, among other things, the premium has been agreed. Therefore, to ensure the ongoing viability of the volatility method of dealing, the parties should agree that the calculation of the premium accurately reflects the agreed volatility and market conditions at the time volatility is agreed. If the parties cannot resolve a dispute through good faith negotiation, the matter should be promptly referred to arbitration by a mutually acceptable third party.

## **Part C**

### **INTEREST RATE OPTIONS**

#### **6. PRODUCT DESCRIPTION**

- 6.1 Interest rate options refers to interest rate swaptions, interest rate caps and floors, and bond options.

#### **7. DEALING PROCEDURES**

- 7.1 It is recognised as market practice for all Market Participants to obtain their own legal, tax and accounting advice.
- 7.2 For all interest rate options transactions, it is assumed that a simultaneous delta hedge would not be entered into unless otherwise clearly stated.

## CHAPTER X BENCHMARK RATE SETTING

*This Chapter sets out requirements and best practices for the conduct of benchmark rate setting<sup>11</sup>.*

### 1. APPLICATION

- 1.1 This Chapter applies to all surveyed benchmarks<sup>12</sup> (“**Surveyed Benchmarks**”) and traded benchmarks<sup>13</sup> (“**Traded Benchmarks**”, together with Surveyed Benchmarks, the “**Benchmarks**”) administered by ABS (the “**Benchmark Administrator**” which term shall include any successor to ABS as administrator, owner or sponsor of the Benchmarks). Any part of this Chapter relevant to Surveyed Benchmarks shall apply, with necessary modification for interpretation, to any Traded Benchmark whose fallback or market disruption resolution mechanism relies in whole or part on surveys.<sup>14</sup>
- 1.2 Administration of such Benchmarks is the responsibility of the Benchmark Administrator.
- 1.3 Participants in benchmark submissions include Brokers (whose role in computing Traded Benchmarks is to provide transaction data), and other Market Participants (each a “**Submitter**”) who are surveyed for the purposes of computing Surveyed Benchmarks, or whose transactions form the basis for the calculation of a Traded Benchmark.
- 1.4 Appropriate conduct for a benchmark which is not overseen by the Benchmark Administrator but which may be contributed to by any Market Participant based in Singapore should be determined by reference to the laws, regulations and practices of the relevant owner or sponsor or market responsible for such benchmark. This Chapter may however be used as a guide in the absence of any such laws, regulations and practices.

### 2. GOVERNANCE

- 2.1 The Benchmark Administrator shall be responsible for the overall credibility, governance and supervision of a Benchmark, to ensure that it is representative, reliable, transparent and subject to clear governance and accountability mechanisms. An Oversight Committee comprising members from financial institutions and independent professionals shall provide (i) supervisory oversight and (ii) review and challenge key policies and processes applicable to Surveyed and Traded Benchmarks.

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<sup>11</sup> For avoidance of doubt, submitters to the SFEMC Indicative Survey should refer instead to the SFEMC Indicative Survey Best Practice Guide, which caters directly to the context of these disruption fallbacks.

<sup>12</sup> Determined by, inter alia, reference to survey or estimate based contributions (IOSCO, Financial Benchmarks, Consultation Reports)

<sup>13</sup> Determined by, inter alia, reference to transactions and/or trade data (IOSCO, Financial Benchmarks, Consultation Reports)

<sup>14</sup> Currently, only SGD SIBOR is subject to survey-based methodology. For other benchmarks, survey-based methodology may be invoked if International Swaps and Derivatives Association, Inc. (“**ISDA**”) market disruption contractual fallbacks are triggered.

- 2.2 The Benchmark Administrator shall ensure that it carries out its duties independently, without any actual or perceived influence from any particular Market Participant or group of Market Participants. In practice, key personnel responsible for administration shall be persons who are not employees of any Market Participant, and who have no actual or de facto reporting obligation to a Market Participant or group of Market Participants. Such key personnel shall also ensure that all information received in the course of their administration duties is kept confidential.
- 2.3 The Benchmark Administrator shall be responsible for all aspects of the Benchmark determination process. These include:
- a. establishing the methodology for computing all Surveyed Benchmarks and Traded Benchmarks and ensuring that adequate documentation for such methodology is maintained;
  - b. appointing Submitters for all Surveyed Benchmarks and Traded Benchmarks;<sup>15</sup>
  - c. determining and disseminating the Benchmark. This includes the accurate and timely compilation, publication and distribution of the Benchmark, and the ensuring of continuity/fallback arrangements. To this end, the Benchmark Administrator could appoint a calculation agent (the “**Calculation Agent**”) under a suitable service level agreement.<sup>16</sup> Such agreement shall include, among other things, obligations relating to confidentiality, data retention, data availability/transparency to the market, ongoing surveillance of submitted rates and annual auditing of the integrity of the data gathering and calculation process. Where this process is outsourced, the Benchmark Administrator should maintain proper oversight of such third parties; and
  - d. maintaining appropriate confidentiality in relation to all information received in relation to benchmark contributions to ensure that no market advantage is gained from the inappropriate use of such information.
- 2.4 For Surveyed Benchmarks, the publication of the names of the Submitters and their individual submissions shall be subject to a delay of 90 days. However, individual submissions will remain available to the Benchmark Administrator and the MAS in real-time for the purpose of supervision and market monitoring.

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<sup>15</sup> The overall composition of Submitters should reflect adequate and representative market participation.

<sup>16</sup> The service level agreement is the means by which the Calculation Agent is subject to governance requirements.

### 3. SURVEYED BENCHMARKS – REQUIREMENTS

- 3.1 All Submitters must conduct themselves with integrity, professionalism and adopt the highest ethical standards with respect to benchmark contributions, and shall maintain adequate policies to:
- a. substantiate benchmark contributions against available objective evidence;
  - b. mitigate against risk or perception of conflict of interest between the benchmark contribution process and other activity; and
  - c. ensure the integrity of data submitted to the Calculation Agent.
- 3.2 In making a contribution to a Surveyed Benchmark, a Submitter should always have a reasonable basis for being able to trade at that particular rate, and should identify and document which hierarchy (see Section 3.5 below) that it is relying on. For Benchmarks that reflect a cost of funding or borrowing, due consideration may be given to the current funding position or transactional pipeline of a particular Submitter. Due consideration should be given to documenting a brief but adequate explanation if the contribution varies from the actual objective data referenced.<sup>17</sup> It is not considered necessary to generate voluminous documentation or justification for choosing to rely on any particular hierarchy, but at a minimum, documentation should be generated that specifies which factor or combination of factors was relied on in making a submission.<sup>18</sup> Any such documentation should be retained for at least 5 years from the date of contribution (or such other period as may be statutorily prescribed for benchmarks).
- 3.3 Under no circumstances should a Submitter collude with any parties or attempt to influence or be influenced on the subject of a contribution. Submitters must not consider the stated preference of any internal or external party.
- 3.4 Provision or exchange of general market information<sup>19</sup> between desks is not prohibited. However, Submitters shall ensure adequate procedures to mitigate actual or perceived conflicts if individuals responsible for benchmark contribution are providing opinions on or publishing market commentary on benchmarks for which they are responsible. It is preferable that individuals responsible for contributions do not publish commentary. Alternatively, individuals should be restricted from commenting prior to benchmark publication or where not possible, there should be clear and prominent disclosures of actual and potential conflicts of interest in writing. The Submitter's individual submission should not be disclosed prior to the 90-day delay mentioned in Section 2.4 above.

#### ***Specific provisions for Benchmarks which may have limited liquidity***

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<sup>17</sup> Variations could result from considering proximity of time to actual transactions, application of interpolation techniques, or changes in credit standing, or exercise of expert judgment in using indirectly relevant data such as proxy asset classes or quotes.

<sup>18</sup> See, for example, the hierarchy of evidence below.

<sup>19</sup> General information on size/volumes of market, direction of market including target or threshold prices, information on size or number of active Market Participants, but with no specific discussion or opinion on desired benchmark prices.



- 3.5 Where possible, data used to determine a Benchmark should be based on observable transactions, but market conditions could, from time to time, result in limited actual transactions to substantiate a contribution, making it necessary to rely more on non-transactional data such as bids and offers, or adjustments based on expert judgment. Accordingly, the following hierarchy of evidence is considered most appropriate:
- a. actual and directly relevant arms-length transactions concluded by the Submitter in the underlying interest or related markets. Submissions for longer tenors may incorporate interpolation/extrapolation techniques from related tenors to substantiate a contribution;
  - b. quotes given by the Submitter to other Market Participants;
  - c. quotes received from Brokers (e.g. deal-able bids and offers);
  - d. actual but indirectly relevant arms-length transactions in the underlying interest or related markets (e.g. transaction size too small to be of reference value, transactions by other Market Participants, transactions in proxy asset classes such as government bonds); or
  - e. other market information (e.g. indicative prices) or expert judgment. “Expert judgment” for this purpose may include impact assessment of market conditions or impairment of the credit quality of one or more Market Participants, or assigning more weighting to bids/offers which are more current in time than actual traded data.

#### **4. TRADED BENCHMARKS – REQUIREMENTS**

- 4.1 All Brokers and Submitters must conduct themselves with integrity, professionalism and adopt the highest ethical standards with respect to benchmark contributions, and shall maintain adequate policies to:
- a. adhere to the methodologies used for computing a Traded Benchmark (in particular to exclude transaction data that is gathered but which should not be used in computation<sup>20</sup>);
  - b. ensure the integrity of data gathered through trades routed electronically and that access to such transaction data is made available to the Calculation Agent. This includes the maintenance of a reasonable audit trail to demonstrate that trades meet qualification criteria described in any methodology published by the Benchmark Administrator. Proper time stamping of trades is considered an appropriate means of ensuring a reasonable audit trail; and
  - c. ensure that staff members involved in the benchmark contribution process are not inappropriately influenced by other staff members or external parties.

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<sup>20</sup> Refer to methodology from the Benchmark Administrator. For example, direct transactions which are privately negotiated (therefore not subject to open market competitive conditions) should be excluded from submission to the Calculation Agent.

- 4.2 Since Traded Benchmarks are computed using transaction data, Traded Benchmarks could be significantly impacted by low liquidity, market volatility and/or market abuse. As such, all Brokers should ensure adequate staffing to maintain regular contact with the Benchmark Administrator and Calculation Agent if market conditions are such that it is reasonable to expect impact on a Traded Benchmark. This will enable efficient implementation of fallback or market disruption resolution mechanisms.
- 4.3 Submitters who transact knowing (or having reasonable grounds to believe) that a particular transaction may/could be incorporated into a Traded Benchmark must ensure that any cancellations or amendments are routed through the same Broker through which the original transaction was routed.
- 4.4 All Market Participants (including Market Participants which are not Submitters) should not seek to influence any Traded Benchmark by engaging in transactions for that purpose, or by any other means. This includes, without limitation, wash trading in the time window for computing a Benchmark, or deliberately trading in volumes at inappropriate prices in order to impact the calculation, executing a trade with the intent of cancelling it after the time window for computing a Benchmark closes, or incentivising or colluding to do any of the foregoing. This also includes deliberately withholding bona fide trades from a trading window, or from a trading venue, for the purposes of excluding such trades from the computation of a Traded Benchmark. Nothing in this Section prevents a bona fide trade from being executed under open market competitive conditions (regardless of size, timing or pricing).

## 5. SURVEYED AND TRADED BENCHMARKS - BEST PRACTICES

- 5.1 **Experience, Seniority and Character.** Staff responsible for benchmark submissions and oversight of the submission process should have appropriate experience and seniority, and adhere to relevant “fit and proper” standards of conduct. Relevant and regular training should be given to staff to ensure they are familiar with the methodology and process for rate submissions and the ethical standards in submitting rates. Staff responsible for benchmark submissions should be appropriately authorised to report such rates on behalf of the Submitter. Roles and responsibilities and accountability should be formalised.
- 5.2 **Supervision.** There should be adequate supervision over staff responsible for benchmark submissions. For Surveyed Benchmarks, consideration should be given to documented dual controls for pre-submission validation of inputs where different staff performs “submitter” and “checker” responsibilities. Staff performing a “checker” function should be of appropriate seniority to challenge the submissions made.
- 5.3 **Management of information.** For Surveyed Benchmarks, appropriate management of information, including historical information on submissions and trend/exception analysis, should be developed and tabled monthly (or such other period as may be considered appropriate) at relevant risk management committees or forums for the purposes of ensuring oversight of contributions.

- 5.4 **Record Retention.** Records and documentation of all market data, submissions and data/information relied upon for the benchmark determination should be retained by all Brokers and Submitters, for at least 5 years from the date of contribution (or such other period as may be statutorily prescribed). As appropriate/relevant, this includes formalised policies and procedures for benchmark rate determination, information on submissions as well as any deviations (including those made during periods of market stress or disruption); data used to derive Traded Benchmarks; names and roles of relevant staff involved in the benchmark rate determination, queries and responses relating to data inputs and submissions (internal and external).
- 5.5 **Confidentiality.** Information on contributions must not be sent to any party who is not involved in or responsible for the benchmark contribution process. For the avoidance of doubt, information on contributions may be provided to regulators.
- 5.6 **Conflicts, Segregation of Duties.** All Brokers and Submitters shall maintain policies to minimise conflicts of interest. With regard to segregation, this should include a consideration of appropriate seating arrangements for:
- a. staff responsible for submissions;
  - b. staff responsible for sales and trading; and
  - c. staff responsible for reviewing the submission process.
- It is however recognised that Market Participants continue to exercise discretion over appropriate organisational structure. If a Market Participant does not implement segregation of duties and/or physical seating, this should be subject to other enhanced mitigating controls, including appropriate supervisory oversight, documentation over submissions and/or specific electronic surveillance.
- 5.7 **Escalation Process.** Brokers and Submitters should establish a process for identifying and escalating rates which are not considered appropriate, suspicious, or breaches of any benchmark contribution process, or other inappropriate behaviour, whether internal or external. This should include whistle blowing policies. Where appropriate, this information should also be provided to the Benchmark Administrator and the MAS.
- 5.8 **Electronic Communication Surveillance.** Submitters should implement appropriate surveillance over electronic communications including relevant communications between submitting parties.
- 5.9 **Audit/Assurance.** Brokers and Submitters should ensure that the benchmark rate setting process is appropriately covered, annually, in an independent audit or independent assurance plan. The outcome of the audit should be promptly made available to the MAS upon request. For Surveyed Benchmarks, due consideration should be given to more frequent independent checks by, for example, product control or valuation functions.

## **APPENDIX A: RELATIONSHIP BETWEEN THIS GUIDE AND THE GLOBAL CODE**

*Appendix A provides examples of how this Guide applies in parallel with the Global Code, and how the generic principles from the Global Code that have been adopted as part of this Guide apply to the other asset classes.*

**1. A Market Participant has a foreign exchange trading desk. How do this Guide and the Global Code apply in parallel to the foreign exchange trading desk?**

The Global Code and this Guide both apply to the foreign exchange trading desk.

The Global Code is a code of conduct for the global wholesale foreign exchange market. This Guide supplements the Global Code with additional principles and market conventions to cater to the specific circumstances of the Singapore foreign exchange market. Chapters I to V of this Guide apply to all asset classes, including foreign exchange. Chapter VI of this Guide applies specifically to foreign exchange. Chapter IX of this Guide applies to OTC derivatives, including certain foreign exchange derivatives.

The Global Code has FX-specific Principles that address specific concerns with the foreign exchange market – Principle 9 (handling orders fairly and with transparency), Principle 11 (pre-hedging), Principle 14 (mark up), Principle 17 (last look) and Principle 18 (algorithmic trading). These FX-specific Principles have not been adopted as part of this Guide. However, these FX-specific Principles still apply to the foreign exchange trading desk. The entire Global Code applies to the foreign exchange trading desk.

**2. A Market Participant has a fixed income trading desk. Does the Global Code apply to the fixed income trading desk?**

This Guide applies to the fixed income trading desk, and the generic principles from the Global Code have been adopted as part of this Guide. Therefore, the fixed income trading desk will need to refer to the Global Code for the full content of the generic principles from the Global Code. The generic principles from the Global Code apply to the fixed income trading desk.

The fixed income trading desk does not need to refer to the FX-specific Principles from the Global Code. The FX-specific Principles have not been adopted as part of this Guide, and do not apply to the fixed income trading desk.

3. **A Market Participant is reviewing its existing conflicts of interest policies. The policies apply to the activities of the Market Participant in all asset classes (foreign exchange, debt, money market and derivatives) and the benchmark submissions of the Market Participant.**

**Principle 3 of the Global Code deals with identifying and addressing conflicts of interest. Parts of this Guide also deal with conflicts of interest. How do Principle 3 of the Global Code and this Guide apply in parallel to the Market Participant?**

Principle 3 of the Global Code and the relevant parts of this Guide both apply and are equally important. The Market Participant should ensure that its conflicts of interest policies are aligned with Principle 3 of the Global Code and the relevant parts of this Guide.

<b>Principle 3 of the Global Code</b>	<b>Guide</b>	<b>How the Global Code and this Guide apply in parallel</b>
Segregation of duties and/or reporting lines	Guidance on appropriate segregation of duties, independent reporting lines and appropriate information barriers in Chapter II	This Guide provides detailed guidance to supplement the Global Code principle.
Establishing information barriers (for example, physical segregation of certain departments and/or electronic segregation)		
Altering the duties of personnel when such duties are likely to give rise to conflicts of interest	—	The Global Code principle is important and applies even though there is nothing explicit on this topic in this Guide.
Providing training to relevant personnel to enable them to identify and handle conflicts of interest	—	The Global Code principle is important and applies even though there is nothing explicit on this topic in this Guide.
Establishing declaration policies and/or records for identified conflicts of interest and personal relationships	—	The Global Code principle is important and applies even though there is nothing explicit on this topic in this Guide.
Establishing declaration policies and/or records for gifts and corporate entertainment received	Guidance on entertainment, gifts and favours in Chapter I	This Guide provides detailed guidance to supplement the Global Code principle.
Having policies and controls on Personal Dealing	Guidance on dealing for personal account in Chapter I	This Guide provides detailed guidance to supplement the Global Code principle.

—	Guidance on bets and gambling in Chapter I	This Guide provides guidance on an additional aspect of conflicts of interest to supplement the Global Code principle.
—	Guidance on mitigating conflicts of interest in the benchmark contribution process in Chapter X	This Guide covers the setting of financial benchmarks, which is not covered by the Global Code.

## APPENDIX B: WORKING GROUP MEMBERS

<b>Name</b>	<b>Organisation</b>
Lam Chee Kin (Working Group Chair)	DBS Bank Ltd
Edoardo Sirtori	Association of Corporate Treasurers (Singapore)
Andrew Wan	Citibank, N.A., Singapore Branch
Peter Soh	DBS Bank Ltd
Akash Mohapatra	Deutsche Bank AG, Singapore Branch
Ong Wei Kiat	GIC Private Limited
Jacqueline Loh	Investment Management Association of Singapore
Vikas Gupta	JPMorgan Chase Bank, N.A., Singapore Branch
Jasmine Ngian	Oversea-Chinese Banking Corporation Limited
Stuart Nix	Singapore Money Brokers Association
Bryan Tan	Standard Chartered Bank, Singapore Branch

The Monetary Authority of Singapore played an advisory role in the Working Group.