



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

# **Code of Conduct For Malaysia Wholesale Financial Markets**

Applicable to market participants in the wholesale financial markets, including:

1. Licensed banks
2. Licensed investment banks
3. Licensed Islamic banks
4. Prescribed development financial institutions
5. Licensed insurers
6. Licensed takaful operators
7. Approved money-brokers
8. Operators of electronic trading or broking platform
9. Corporations
10. Investment institutions

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## **PART A OVERVIEW**

### **1 Introduction**

- 1.1 An orderly functioning of the wholesale financial markets is essential to support confidence, ensure the integrity of financial markets and preserving financial stability.
- 1.2 As the wholesale financial markets continue to evolve, market conduct and practices should be reviewed and updated to maintain the highest standards of integrity. The objective of this policy document is to update and set out principles and standards to be observed by market participants in the wholesale financial markets i.e. money market and foreign exchange market, including over-the-counter derivatives market for interest rates or exchange rates.
- 1.3 This policy document is intended to apply to all market participants who act in the wholesale financial markets based on different capacity (whether as sell-side or buy-side entities) and across various money market and foreign exchange products. Transactions in the wholesale financial markets generally refer to transactions between institutions and do not involve retail transactions (e.g. transactions with an individual customer).
- 1.4 Market participants are required to uphold integrity and professionalism in the conduct of their business, affairs and activities, including all aspects of treasury operations and activities. In particular, financial institutions are required to observe the principles and standards in this policy document in their dealings in other markets, whether within or outside Malaysia. Furthermore, financial institutions involved in Islamic dealings are also required to ensure that these dealings are concluded based on Shariah compliant contracts that have been approved by the Shariah Advisory Council.
- 1.5 This policy document sets out the following:
  - (a) eligibility requirements for dealers and brokers;
  - (b) market conduct and internal control requirements to safeguard professionalism and integrity of the wholesale financial markets; and
  - (c) role of industry associations in preserving market integrity.
- 1.6 FMAM shall adopt the standards in this policy document and observe industry developments in the wholesale financial markets on an ongoing basis, including the conduct and professionalism among market participants. FMAM is expected to self-police and investigate cases of financial market misconduct including breaches of this policy document involving its members.
- 1.7 The Bank expects FMAM to investigate and take action against its members for financial market misconduct, breaches of this policy document and contravention of section 141 of the FSA and section 153 of the IFSA and inform the Bank of any action taken. The Bank may share any relevant

information with FMAM to assist FMAM in its investigation. FMAM may share information with financial institutions that employ or seek to employ an individual or with another professional body to give effect to the investigation and disciplinary process of its members who may also be members of such professional body.

## 2 Applicability

2.1 This policy document is applicable to all market participants as defined in the FSA and IFSA, and may include:

- (a) licensed banks;
- (b) licensed investment banks;
- (c) licensed Islamic banks;
- (d) prescribed development financial institutions;
- (e) licensed insurers;
- (f) licensed takaful operators;
- (g) approved money-brokers;
- (h) operators of electronic trading or broking platform;
- (i) corporations; and
- (j) investment institutions

who deal in the wholesale financial markets, either acting in the capacity as a sell-side or buy-side entity.

2.2 For ease of reference, this policy document is applicable to the market participants referred in paragraph 2.1 in the following manner:

Institutions	Applicability
Licensed banks	The whole policy document
Licensed investment banks	
Licensed Islamic banks	
Prescribed development financial institutions	
Licensed insurers	
Licensed takaful operators	
Approved money-brokers	
Operators of electronic trading or broking platform	Parts C, E, F and I
Other market participants who deal in the wholesale financial markets, in particular corporations and investment institutions	Parts C, D and E

## 3 Legal Provisions

3.1 The requirements under Part B, D, E, F, G and I of this policy document are specified pursuant to section 140 of the FSA and section 152 of the IFSA.

- 3.2 The requirements under paragraph 15 and Part H of this policy document are specified pursuant to section 47 of the FSA, section 57 of the IFSA and section 41 of the DFIA.
- 3.3 The requirements to submit information to the Bank under paragraphs 37, 38 and 42 of this policy document are specified pursuant to section 143 of the FSA, section 155 of the IFSA and section 116 of the DFIA.
- 3.4 Except as otherwise provided under paragraph 3.5, the guidance in this policy document is issued pursuant to section 266 of the FSA, section 277 of the IFSA and section 126 of the DFIA.
- 3.5 The guidance under paragraphs 12.2, 13.2 and 14.2 in this policy document is issued pursuant to section 141 of the FSA and section 153 of the IFSA for the purpose of providing guidance on the descriptions of conduct which amount to conduct set out in section 141(1) of the FSA and section 153(1) of the IFSA.

#### 4 Effective Date

- 4.1 This policy document comes into effect on 22 April 2020.

#### 5 Interpretation

- 5.1 The terms and expressions used in this policy document will have the same meaning assigned to them in the FSA and IFSA, as the case may be, unless otherwise defined in this policy document.

- 5.2 For the purpose of this policy document:

**“S”** denotes a standard, an obligation, a requirement, specification, direction, condition and any interpretative, supplemental and transitional provisions that must be complied with. Non-compliance may result in enforcement action;

**“G”** except for paragraphs 12.2, 13.2 and 14.2, denotes guidance which may consist of statements or information intended to promote common understanding and advice or recommendations that are encouraged to be adopted. For paragraphs 12.2, 13.2 and 14.2, **“G”** denotes a guidance issued by the Bank to describe conduct which amounts to prohibited conduct in section 141 of the FSA and section 153 of the IFSA or clarify factors to be taken into account in determining whether a person has engaged in such prohibited conduct;

**“agent”** refers to a market participant, generally an interbank institution or an approved money-broker, who executes deals on behalf of its clients pursuant to the clients’

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	mandate and without taking on market risk in connection with the deals;
<b>“AMLA”</b>	refers to the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001;
<b>“brokers”</b>	refer to employees of approved money-brokers who arrange deals between market participants in the wholesale financial markets;
<b>“clients”</b>	refer to market participants entering into transactions and activities with or through an interbank institution or an approved money-broker;
<b>“corporations”</b>	refer to body corporates formed in Malaysia (resident) or outside Malaysia (non-resident), which deal in the wholesale financial markets including non-resident banks and other development financial institutions that are not prescribed under the DFIA;
<b>“dealers”</b>	refer to employees of financial institutions dealing in the wholesale financial markets and may include traders and sales persons of the treasury division of the institution;
<b>“DFIA”</b>	refers to the Development Financial Institutions Act 2002;
<b>“financial institutions”</b>	refer to licensed banks, licensed investment banks, licensed Islamic banks, prescribed development financial institutions, licensed insurers, licensed takaful operators and approved money-brokers;
<b>“FMAM”</b>	refers to ACI – Financial Markets Association of Malaysia, an association of wholesale financial market professionals in Malaysia;
<b>“FSA”</b>	refers to the Financial Services Act 2013;
<b>“interbank institutions”</b>	refer to institutions which are approved by the Bank to deal in the interbank market, whether acting as principals or agents in the wholesale financial markets;
<b>“investment institutions”</b>	refer to resident or non-resident institutions who deal in the wholesale financial markets such as fund management companies, sovereign wealth funds and pension funds;
<b>“IFSA”</b>	refers to the Islamic Financial Services Act 2013;

- “management”** refers to the Chief Executive Officer and senior officers of market participants;
- “operators of electronic trading or broking platform”** refer to operators of facility, system or organisation in the wholesale financial markets which enables market participants to execute transactions, whether or not a fee is chargeable for the services provided, but excludes the operators of recognised markets under the Capital Markets and Services Act 2007 and systems developed internally by interbank institutions for usage by their clients; and
- “principal”** refers to a market participant who transacts for its own account and not acting as an agent.

## **6 Policy Document Superseded**

- 6.1 This policy document supersedes the Code of Conduct for Malaysia Wholesale Financial Markets issued by the Bank on 13 April 2017.

## **7 Related Legal Instruments and Policy Documents**

- 7.1 This policy document must be read together with other relevant legal instruments and policy documents that have been issued by the Bank, in particular the Policy Document on the Framework for Electronic Trading Platforms issued by the Bank on 8 November 2019.



## PART B DEALERS AND BROKERS

### 8 Eligibility Requirements for Dealers and Brokers

- S** 8.1 Prior to undertaking dealing or broking activities in the wholesale financial markets, dealers and brokers must be licensed members of FMAM and abide by membership rules of FMAM.
- S** 8.2 Financial institutions must ensure the requirements in paragraph 8.1 as well as other professional requirements imposed by FMAM are met prior to appointing any person as a dealer or broker respectively.
- G** 8.3 The designation 'trainee dealer' or 'trainee broker' can be assigned to employees who are candidates for such appointment but have yet to fulfil the requirements in paragraph 8.2.
- S** 8.4 'Trainee dealers' and 'trainee brokers' are not authorised to conclude a deal or broke. However, in order to allow 'trainee dealers' and 'trainee brokers' to be familiar with the dealing system or other market participants, they are allowed, under the supervision of a dealer or a broker, to:
- (a) provide indicative quotation to other market participants;
  - (b) make or receive calls from other market participants; and
  - (c) key-in concluded deals into the dealing system.
- S** 8.5 Financial institutions must ensure any person who is, or is to be, employed as a dealer or broker:
- (a) must not have:
    - (i) a judgment debt returned unsatisfied in whole or in part;
    - (ii) committed an offence involving fraud or other dishonest act or violence, whether in or outside Malaysia;
    - (iii) committed an offence, or subject to a pending proceeding which may lead to a conviction, whether in or outside Malaysia for breach of banking, securities or insurance laws; or
    - (iv) committed a material breach of this policy document.
  - (b) must not have been:
    - (i) an undischarged bankrupt whether in or outside Malaysia;
    - (ii) issued a prohibition order from dealing or broking in or outside Malaysia;
    - (iii) engaged in a business practice appearing to the Bank and other supervisory authorities to be deceitful, oppressive or which otherwise reflect discredit on the person's method of conducting business; or
    - (iv) engaged in, or associated with, a business practice or otherwise conducted himself in such a way as to cast doubt on the person's competence and soundness of judgement.

- S** 8.6 Any person who is, or is to be employed, as a dealer or broker, must provide accurate and complete information, including any changes to the information subsequently, to allow a financial institution to make an assessment under paragraph 8.5.
- S** 8.7 Dealers or brokers must declare compliance with this policy document to the financial institutions annually in the format specified by FMAM.
- S** 8.8 Financial institutions must put in place procedures to ensure dealers or brokers provide the declaration as specified in paragraph 8.7.

## **9 Execution of Deals**

- S** 9.1 The management of an interbank institution or an approved money-broker must ensure that its dealer or broker executes client orders based on the 'best execution' principles.
- G** 9.2 'Best execution' principles may include:
- (a) prompt and fair execution of a client's orders;
  - (b) execute an order based on the specific instruction of a client;
  - (c) requirements to be truthful and transparent when communicating with a client; and
  - (d) the usage of clear language in communicating with a client.
- G** 9.3 Depending on whether a dealer is acting in the capacity as a principal or an agent, a dealer is encouraged to disclose the following information in order to allow a client to make an informed decision on the transaction:
- (a) the prevailing liquidity and market conditions;
  - (b) the associated risks of the transaction;
  - (c) trading strategy of the dealer and how it would impact the execution of the transaction; and
  - (d) fees and commissions applicable to the transaction.
- S** 9.4 A dealer must neither accept a client's order that may indicate an attempt of market manipulation nor enter into a dealing with an intention to disrupt the market.
- S** 9.5 A broker (whether by way of voice-broking, broking through an electronic broking platform, an aggregation provider or otherwise) is only permitted to act as an intermediary or an arranger of deals. A broker must not act in the capacity of discretionary fund management.
- G** 9.6 A broker should facilitate the conclusion of transactions between principals on terms that are agreed by the principals.
- G** 9.7 A dealer is encouraged to reconfirm material details when concluding a deal through voice-broking to minimise the likelihood of a dispute.

**10 Relationship between Dealers and Brokers**

- S** 10.1 The management of interbank institutions and approved money-brokers must put in place internal policies to govern the dealer-broker relationship, the use of electronic broking system and execution of deals.
- S** 10.2 The management must ensure that any approved money-brokers or electronic trading platforms used are duly approved or authorised by the Bank.

## PART C PROHIBITED CONDUCT

### 11 Prohibited Conduct under the FSA and IFSA

**G** 11.1 The following conducts are prohibited under the FSA and IFSA:

- (a) market manipulation;
- (b) misinformation and rumour; and
- (c) insider dealing;

a contravention of which is an offence for which criminal, civil or administrative actions can be taken against the offender.

### 12 Market Manipulation

**G** 12.1 Section 141 of the FSA and section 153 of the IFSA prohibit a person from:

- (a) taking part in or carrying out a transaction that has or is likely to have the effect of creating a rate which is an off-market rate which results in an artificial rate for dealing in financial instruments in the money market or foreign exchange market; and
- (b) creating or causing anything that creates a false or misleading appearance of active dealing in financial instruments in the money market or foreign exchange market.

**G** 12.2 Without limiting the generality of the scope of the FSA and IFSA, the following is a market manipulation which constitutes offences under sections 141(1)(a) and 141(1)(b) of the FSA and sections 153(1)(b) and 153(1)(c) of the IFSA:

- (a) trading with an intent to benefit from influencing the closing price of a financial instrument;
- (b) interfering with the normal supply and demand factors in the market for a financial instrument, such as wash trades or stop loss hunting;
- (c) dealing without a legitimate or genuine trading and commercial intention;
- (d) colluding or manipulating in the calculation of a benchmark fixing rate;
- (e) bidding or offering with an intent to cancel the bid or offer before execution, such as spoofing to mislead the market; and
- (f) manipulating the price on an electronic trading or broking system by entering prices without intent to deal, such as price flashing, in order to create false impression of the market price or liquidity.

### 13 Misinformation and Rumour

**G** 13.1 Section 141(1)(c) of the FSA and section 153(1)(d) of the IFSA prohibit a person from making a statement or disseminating information that is false or misleading in a material particular and is likely to induce another person to deal in financial instruments or is likely to have the effect of raising, lowering, maintaining or stabilising the market rate of such financial instruments in the

money market or foreign exchange market and when the person makes the statement, or disseminates the information:

- (a) the person does not exercise due care whether the statement or information is true or false; or
- (b) the person knows, or ought reasonably to have known, the statement or information is false or is materially misleading.

**G** 13.2 Without limiting the generality of the scope of the FSA and IFSA, the following amounts to making of statement or dissemination of information which is false or misleading in a material way and constitutes offences under section 141(1)(c) of the FSA and section 153(1)(d) of the IFSA:

- (a) start and spread rumours to move markets or to deceive other market participants; and
- (b) discuss with any other person without care, unsubstantiated information which is suspected to be false or materially misleading and damaging to third parties.

#### **14 Insider Dealing**

**G** 14.1 Section 141(1)(d) of the FSA and section 153(1)(e) of the IFSA prohibits a person from taking part in or carrying out a transaction based on information that is not generally available to persons who regularly deal in the money market or foreign exchange market that would, or would tend to, have a material effect on the price or value of financial instruments.

**G** 14.2 Without limiting the generality of the scope of the FSA and IFSA, the following amounts to insider dealing and constitutes offences under section 141(1)(d) of the FSA and section 153(1)(e) of the IFSA:

- (a) profit or seek to profit from insider's information with intent or through negligence; and
- (b) provide any other person with such information to make a profit for their institutions, clients or third parties with intent or through negligence.

**S** 14.3 Market participants, who possess insider's information, must not disclose such information, except where the disclosure is required as a part of the course of employment, required by laws or relevant supervisory authorities.

#### **15 Additional Requirements for Financial Institutions**

**S** 15.1 Financial institutions must comply with the requirements in this policy document in respect of all treasury operations and activities, such as dealings in the bond and sukuk market, and must at all times ensure they do not engage in any prohibited conduct as set out in securities laws.

**G** 15.2 The Bank will take into account the conducts set out in paragraphs 12.2, 13.2 and 14.2 in determining whether financial institutions have committed the prohibited conduct referred to in paragraph 15.1.

**16 Whistleblowing**

- G** 16.1 Market participants may, pursuant to section 256 of the FSA and section 267 of the IFSA, whistleblow to the Bank in good faith if they have knowledge or information that a contravention of this policy document has been committed or is about to be committed.

## **PART D RESPONSIBILITY TO PRESERVE A REPUTABLE, ETHICAL AND HONEST MARKET PLACE**

### **17 Adoption of Global Best Practices**

- S** 17.1 In addition to this policy document, market participants must also observe best market practices contained in “The Model Code” published by ACI The Financial Markets Association.
- G** 17.2 In addition to this policy document, market participants are expected to comply with applicable laws, rules, and regulations in the jurisdiction in which financial market transactions are undertaken.

### **18 Treatment of Reference or Fixing Rate**

- S** 18.1 Market participants must not intentionally influence or attempt to influence a reference or fixing rate, either by way of collusion or inappropriate sharing of confidential information.
- S** 18.2 Market participants engaged in a transaction executed against a reference or fixing rate must not undertake dealings in the market that are intended to move the reference or fixing rate in their favour and to the detriment of their clients.
- S** 18.3 Interbank institutions engaging in transactions executed against a reference or fixing rate must:
- (a) ensure that prices are transparent to their clients in a manner which reflect the risk to be borne in accepting such transactions; and
  - (b) establish and enforce internal policies and procedures for collecting and executing fixing orders.

### **19 Position Parking**

- S** 19.1 Market participants must not engage in position parking with a counterparty.
- G** 19.2 Position parking occurs when two or more market participants agree to conclude a deal that will be reversed on a future date with a view towards concealing dealing positions or transferring profits and losses.

### **20 Offshore Dealings of Ringgit Products**

- S** 20.1 Market participants must not participate in offshore ringgit non-deliverable derivatives market, including ringgit non-deliverable forwards (NDFs) or engage in any foreign exchange dealings that could be deemed as facilitating non-deliverable ringgit related dealings in the offshore market.
- G** 20.2 Contravention of the Bank’s Foreign Exchange Administration rules is an offence under the FSA and IFSA and market participants dealing in ringgit

products are expected to abide by the Bank's Foreign Exchange Administration rules.

## **21 Dealing at Non-Current Rates**

- G** 21.1 Market participants should avoid dealing at non-current rates. Dealing at non-current rates occurs when the transacted rate deviates from an actual market rate at the time of execution and may result in:
- (a) concealment of a profit or loss;
  - (b) perpetration of a fraud or tax evasion;
  - (c) unauthorised extension of credit; or
  - (d) disorderly market pricing.
- S** 21.2 In cases where the use of non-current rates are necessary, the management must:
- (a) put in place proper controls with clear audit trails for monitoring and reporting of such dealings; and
  - (b) establish internal thresholds for determination of non-current rates.

## **22 Dealing for Personal Account**

- G** 22.1 Personal account refers to any activity in which dealers open accounts for dealing under his own name, and in which dealers pursue profits. Dealing for personal accounts may give rise to conflict of interest, insider dealing and front-running.
- S** 22.2 In cases where the management permits dealing for personal account, the management must ensure safeguards are in place to manage any potential conflict of interest and to prevent insider dealing and front-running.
- S** 22.3 The safeguards referred in paragraph 22.2 must:
- (a) maintain confidentiality with respect to non-public price sensitive information;
  - (b) specify the instruments that dealers can deal for personal accounts; and
  - (c) ensure dealers do not act in a way which might adversely affect the interests of employer, clients or counterparties.
- S** 22.4 Dealers must not deal with dealers from other institutions who are dealing for their personal accounts instead of dealing for their employing institutions.

## **23 Dealing Quotation**

- S** 23.1 Dealers and brokers must make clear whether their price or rate is firm or merely indicative.



- S** 23.2 Dealers quoting a firm price or rate must deal at the price or rate in a marketable amount with an acceptable name.
- G** 23.3 The acceptable name referred in paragraph 23.2 may include a list of counterparties approved by the risk management unit of the institution.
- S** 23.4 Dealers must not revise the firm price or rate when the name of the counterparty is disclosed.
- S** 23.5 Dealers and brokers must not make frivolous quotes which they have no intention of honouring.

#### **24 Entertainment and Gifts**

- S** 24.1 Market participants must not offer entertainment and gifts which can be perceived as inappropriate inducements to conduct business, nor solicit them from other market participants.
- S** 24.2 The management must formulate and enforce a policy for offering and accepting entertainment and gifts, and ensure compliance of its employees to the policy.

#### **25 Anti-Money Laundering and Counter Financing of Terrorism**

- S** 25.1 Whenever applicable, market participants listed in the First Schedule of the AMLA must comply with the provisions of the AMLA, subsidiary legislation and any other related policy documents issued by the Bank and other relevant supervisory authorities.

## **PART E SHARING OF INFORMATION AND TRANSPARENT COMMUNICATIONS**

### **26 Handling of Confidential Information**

- S** 26.1 Market participants must treat information relating to the deals transacted or being transacted as confidential and limit access to such information except for circumstances set out in paragraph 26.2.
- G** 26.2 Subject to applicable laws and regulations, confidential information may be disclosed where the disclosure is:
- (a) with the explicit permission from the parties involved; or
  - (b) required by laws, a court of law or relevant supervisory authorities.
- G** 26.3 Particular care should be taken to ensure non-disclosure of confidential information, specifically when using telephone loudspeakers, other telecommunication systems and discussions in public domain including private chat channels.
- G** 26.4 The management is encouraged to ensure that its employees are trained to identify and treat confidential information appropriately as well as deal with situations that require anonymity and discretion.
- S** 26.5 In order to safeguard the confidential information:
- (a) a dealer or broker must not visit each other's dealing rooms except with the explicit permission of the management of both parties; and
  - (b) a dealer must not deal from a broker's office.
- S** 26.6 Market participants must not solicit confidential information from other market participants.
- G** 26.7 In relation to paragraph 26.6, examples of solicitation of confidential information include the following circumstances:
- (a) a market participant pressures another market participant to divulge confidential information whether by way of inducement, threat or otherwise;
  - (b) a dealer places an order with a broker to find out the name of the counterparty and other information in order to conclude the deal with such counterparty or any other person; or
  - (c) a dealer coerces a broker to divulge confidential information on a dealing which is concluded by other counterparties.
- S** 26.8 Brokers must not divulge the names of dealing counterparties prematurely until both sides confirm an intention to transact.
- S** 26.9 Employees of institutions must not reveal confidential information even following termination of employment.

**27 Conflict of Interest**

- S** 27.1 Market participants must identify and manage actual and potential conflict of interest that may compromise or be perceived to compromise ethical or professional judgement.
  
- S** 27.2 To enable the client to make an informed decision regarding a transaction, the disclosure of conflict of interest by market participants must state the following in sufficient detail:
  - (a) the general nature of the conflict;
  - (b) the potential risks to the client due to the conflict; and
  - (c) the mitigation actions that have been taken to manage the conflict.

## **PART F TRACEABILITY, AUDITING AND RECORD-KEEPING**

### **28 Phone Conversations and Electronic Messages**

- S** 28.1 Market participants must communicate with other market participants through approved methods of communication, including tele-conversation devices and messaging applications, which allow for traceability, auditing, record-keeping and access control in accordance with the market participants' internal standards of information security.
- S** 28.2 The management must put in place internal policies to retain records of the communication:
- (a) for a period which reflects the terms and conditions of dealings that have been agreed and the duration of dealings; or
  - (b) in a manner as to enable the records to be properly audited.
- G** 28.3 Market participants are encouraged to observe market practice to retain records of communication for at least two months. However, market participants engaged in dealings of longer-term interest rate swaps, forward rate agreements or similar instruments should retain records of communication for longer periods since errors may only be apparent in the future (e.g. the first movement of funds).
- S** 28.4 The management must put in place controls on access to the records of the communication to prevent their contents from being tampered with.
- S** 28.5 The management must put in place clear policies to ensure any communication device without a recording function, such as mobile phones, can only be used for dealing purpose during emergency, disaster recovery situation or other circumstances as approved by the management.
- S** 28.6 For communication referred in paragraph 28.5, the management must put in place procedures to allow an end-to-end transaction audit trail.

### **29 Transaction Records**

- S** 29.1 Market participants must maintain complete and accurate records of all dealings, including the policies and procedures in relation to the dealings, for a minimum period of seven years.
- G** 29.2 For avoidance of any doubt, the transaction records under this paragraph exclude the records of communication referred in paragraph 28.

## **PART G ROBUST AND CLEAR POLICIES, PROCEDURES AND ORGANISATIONAL STRUCTURE**

### **30 Segregation of Duties and Authorisation**

- S** 30.1 The management must establish clear segregation of duties among front, middle and back offices whereby authorisations and responsibilities are reflected by separate reporting lines.
- S** 30.2 Dealers must not take part in the settlement of dealings or have an influence over the back office operation.
- S** 30.3 The process of confirming dealings shall only be carried out by the back office staff who must be independent and separated from the officers who executed the dealings.

### **31 Confirmation of Dealings**

- S** 31.1 The management must put in place adequate processes and appropriate resources in the back office for dealings confirmation.
- S** 31.2 The management must put in place clear procedures to allow the back office to confirm dealings during normal and unexpected situations within the stipulated timeline.
- S** 31.3 The back office staff must only send confirmations to the authorised persons of the counterparty.
- S** 31.4 All dealings must be confirmed in writing. Confirmation can only be done verbally in circumstances where other methods to obtain written confirmation have been exhausted. In the event of a verbal confirmation, such confirmation must be recorded and accompanied with a written confirmation.

### **32 Security in Dealing Area**

- S** 32.1 The management must put in place security measures to safeguard the dealing area which cover the following:
  - (a) controls over access to dealing equipment (including electronic trading or broking systems); and
  - (b) physical access to the dealing room, where applicable.
- S** 32.2 The management must review the security measures referred in paragraph 32.1 as and when reasonably required.

### **33 After-Hours and Off-Premises Dealing**

- S** 33.1 The management must identify the staff who are authorised to deal after-hours or engage in off-premises dealings.

- S** 33.2 The management must put in place internal policies for authorised persons referred in paragraph 33.1, which cover the following:
- (a) eligible counterparties;
  - (b) types of dealings;
  - (c) dealing limits; and
  - (d) prompt recording and reporting of dealings.
- S** 33.3 Brokers must not arrange deals outside their own premises.

## **PART H INTERNAL GOVERNANCE AND CONTROLS**

### **34 Risk Management**

- S** 34.1 The management must put in place robust internal risk management controls to continuously identify, measure, monitor and mitigate risks in relation to treasury activities.
- S** 34.2 The risk management controls must be supported by robust management information systems that facilitate the timely and reliable reporting of risks and the integration of information across the institution.
- S** 34.3 The risk management controls must keep pace with any changes in the institution's risk profile (including its business growth and complexity) and the external risk environment.

### **35 Compliance**

- S** 35.1 The management must put in place internal systems and controls to ensure adherence of institution and its employees to this policy document.
- S** 35.2 Financial institutions must conduct on-going internal assessments on compliance with the requirements of this policy document. Any findings or incidences of non-compliance with the policy document must be reported to the management immediately.
- S** 35.3 Financial institutions must undertake any corrective measures to address incidences of non-compliance.
- S** 35.4 Financial institutions must maintain a record of the internal assessments, non-compliance findings and corrective measures for up to seven years.

### **36 Internal Audit**

- S** 36.1 Financial institutions must integrate market conduct risk into their risk-based assessment when formulating audit plan.
- S** 36.2 Financial institutions must conduct periodic internal audit based on the audit risk methodology to validate the quality and relevance of risk management and compliance controls in paragraphs 34 and 35 respectively.
- S** 36.3 Significant audit findings uncovered in the course of audit that would materially affect the institution's treasury activities and financial condition must be promptly reported to the management with proposal on corrective measures.
- S** 36.4 Financial institutions must maintain a record of the audit report for up to seven years.

**37 Reporting of Non-compliance and Audit Findings**

- S** 37.1 Financial institutions must report to the Bank immediately:
- (a) non-compliance with this policy document; and
  - (b) audit findings,
- which would materially affect the financial institutions' treasury activities and financial condition.
- G** 37.2 Financial institutions are advised to develop clear parameters governing the materiality of non-compliance and audit findings referred to in paragraph 37.1, taking into account factors such as the prevailing market conditions and regulatory priorities.

**38 Non-compliance by Dealers and Brokers**

- S** 38.1 Financial institutions must initiate inquiry into a dealer or broker who is suspected of non-compliance with this policy document.
- S** 38.2 Financial institutions must take appropriate actions on the dealers and brokers for non-compliance with this policy document.
- G** 38.3 The actions that may be taken by the financial institutions under paragraph 38.2 should be proportionate to the severity of the non-compliance of the dealers or brokers and may include suspension, non-access by the dealers or brokers into the dealing room and restriction on dealing or broking activities.
- S** 38.4 To assist FMAM in assessing the member eligibility of a dealer or broker, financial institutions must inform the Bank and FMAM in writing within a week of the following decisions:
- (a) initiation of an inquiry into a dealer or broker for suspected non-compliance with this policy document; and
  - (b) conclusion of such inquiry, including any action taken against such dealer or broker
- regardless of whether the dealer or broker remains an employee of the financial institutions.
- G** 38.5 In addition to paragraph 38.4, the financial institutions may lodge complaints with FMAM in accordance with the by-laws of FMAM if the financial institutions have reasons to believe that their existing or former dealers or brokers have contravened this policy document.
- S** 38.6 Upon the receipt of request in writing by another market participant who considers employing a dealer or broker currently or formerly employed with a financial institution, the financial institution must disclose whether it had made a decision under paragraphs 38.4(a) and 38.4(b).



- S** 38.7 Financial institutions must ensure terms of employment of dealers or brokers contain a notice to such dealers or brokers of the financial institutions' obligations set out in paragraph 38.

### **39 Trade Surveillance**

- S** 39.1 The management must establish policy and system to monitor all dealings.
- G** 39.2 The management is encouraged to establish systems and procedures that detect trends indicative of insider dealing and market manipulation or the attempt of such behaviour (such as the monitoring of profit or loss spikes).
- S** 39.3 Financial institutions must maintain accurate dealing information by reconciling their own electronic trading logs with records provided by their brokers or other counterparties, as soon as practicable.
- S** 39.4 The management must ensure the staff working within trade surveillance is trained adequately to detect patterns of dealing that suggest any market misconduct.

### **40 Technical and Operational Capability**

- S** 40.1 The management must establish sufficient technical capacity and operational resources to ensure end-to-end dealings can take place in both normal and peak market conditions without undue impact on the settlement timeline.

## **PART I USE OF TECHNOLOGY**

### **41 Use of Electronic Trading and Broking Systems**

- S** 41.1 The management must put in place internal policies for the usage of electronic trading or broking systems and business continuity plan for contingencies involving these systems.
- G** 41.2 Market participants are encouraged to synchronise and preserve time stamps on electronic trading and broking systems internally and globally to ensure appropriate tracking of dealings.
- S** 41.3 Market participants must ensure information technology infrastructure used for treasury operations is robust and has adequate controls and security features to deal with normal and stressed operating conditions.

### **42 Responsibilities of Operators of Electronic Trading or Broking Platform**

- S** 42.1 Operators of electronic trading or broking platform must ensure electronic trading or broking systems are robust and have adequate controls and security features.
- S** 42.2 Operators of electronic trading or broking platform must inform the Bank of the following:
  - (a) any suspicious dealings in the wholesale financial markets; and
  - (b) any material breach of security to the systems, such as through hacking or other intrusions.
- S** 42.3 Operators of electronic trading or broking platform must submit any information requested by the Bank in an accurate and timely manner.