BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Code of Conduct
For Malaysia Wholesale Financial Markets
Exposure Draft

Applicable to:
1. Licensed banks
2. Licensed investment banks
3. Licensed Islamic banks
4. Development financial institutions
5. Licensed insurer
6. Licensed takaful operator
7. Approved money-brokers
8. Fund management companies
9. Corporations
10. Platform providers

Issued on: 31 October 2016 BNM/RH/ED029-1

The purpose of this exposure draft is to invite comments on the proposed policy document to be issued by the Bank on Code of Conduct For Malaysia Wholesale Financial Markets. The proposed policy document will supersede the Malaysian Code of Conduct for Principals and Brokers in Wholesale Money and Foreign Exchange Markets issued by the Bank in 1994.

Comments on this exposure draft may include suggestions for particular issues/areas to be clarified or elaborated further and any alternative proposals that the Bank should consider. To facilitate the Bank's assessment, please support each comment with a clear rationale, accompanying evidence or illustration, as appropriate.

Responses must be submitted by 30 November 2016 to:

Pengarah
Jabatan Operasi Pelaburan Dan Pasaran Kewangan
Bank Negara Malaysia
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Electronic submission is encouraged. Submissions received may be made public unless confidentiality is specifically requested for the whole or part of the submission.

Issued on: 31 October 2016

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PART A OVERVIEW

1 Introduction

1.1 An orderly functioning of the wholesale financial markets is essential in supporting confidence, ensuring 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 which refer to money market, foreign exchange market and over-the-counter derivatives market for interest rates or exchange rates.

1.3 Financial Institutions are required to uphold integrity and professionalism in the conduct of their business, affairs and activities, including all aspects of treasury operation and activities. Given the above, Financial Institutions are required to observe the principles and standards in this policy document in their dealings in other markets.

1.4 This policy document sets out the following:
(a) eligibility requirements for dealers and brokers of interbank institutions and money-broking companies;
(b) role of industry associations in preserving market order and stability; and
(c) market conduct and internal control requirements to safeguard professionalism and integrity of the wholesale financial markets.

1.5 ACI – Financial Markets Association of Malaysia (FMAM) will adopt these standards and seek to adopt or assimilate global best practices on an ongoing basis. FMAM will also undertake the role of self-policing and investigate cases of misconduct involving its members. For cases of market misconduct which violates this document, FMAM will refer the cases to the Bank for further investigation.

2 Applicability

2.1 Subject to paragraph 2.2, this policy document is applicable to all market participants as defined in the FSA and IFSA, and shall include:
(a) licensed banks;
(b) licensed investment banks;
(c) licensed Islamic banks;
(d) development financial institutions;
(e) licensed insurer and licensed takaful operator;
(f) approved money-brokers;
(g) fund management companies;
(h) corporations; and

(i) platform providers.

2.2 This policy document shall be applicable to the institutions referred in paragraph 2.1 in the following manner:

Institutions	Applicability
Licensed banks	The whole policy document
Licensed investment banks	The whole policy document
Licensed Islamic banks	The whole policy document
Development financial institutions	The whole policy document
Approved money-brokers	The whole policy document
Licensed Insurer	Parts C, D, E, F, G, H and I
Licensed takaful operator	Parts C, D, E, F, G, H and I
Fund management companies	Parts C, D, E, G and I
Corporations	Parts C, D, E, G and I
Platform providers	Parts C, E, F, G and I

3 Legal provisions

3.1 The requirements in this policy document are specified pursuant to sections 47, 140 and 143 of the FSA and sections 57, 152 and 155 of the IFSA.

3.2 Unless otherwise provided in paragraph 3.3, the guidance in this policy document is issued pursuant to section 266 of the FSA and section 277 of the IFSA.

3.3 The guidance for paragraphs 11.2, 12.2 and 13.2 in this policy document is issued pursuant to section 141 of the FSA and section 153 of the IFSA.

4 Effective date

4.1 This policy document comes into effect on DD December 2016.

5 Interpretation

5.1 The terms and expressions used in this policy document must have the same meanings 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**" denotes guidance which may consist of statements or information intended to promote common understanding and advice or recommendations that are encouraged to be adopted, except for

paragraphs 11.2, 12.2 and 13.2. For the paragraphs aforementioned, "**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.

"**brokers**" refer to individuals of approved money-brokers who arrange deals between interbank institutions, or between interbank institutions and foreign banks or foreign brokers, in the wholesale financial markets;

"**clients**" refer to market participants entering into transactions and activity with or through an interbank institution or a broker;

"**corporations**" refer to any body corporate formed or incorporated or existing within Malaysia or outside Malaysia, which deal in the wholesale financial markets;

"**dealers**" refer to individuals of institutions dealing in the wholesale financial markets and may include traders and sales persons of the treasury division of the institution;

"**Financial Institutions**" refer to licensed banks, licensed investment banks, licensed Islamic banks, development financial institutions, licensed insurer, licensed takaful operator and approved money-brokers;

"**FMAM**" refers to ACI – Financial Markets Association of Malaysia, an association of wholesale financial market professionals in Malaysia;

"**interbank institutions**" refers to participants in the interbank market who are approved by the Bank to act as principals or agents for other entities in the wholesale financial markets;

"**management**" refers to the Chief Executive Officer and senior officers of market participants;

"**platform providers**" refer to providers of electronic trading or broking systems in the money market, foreign exchange market and over-the-counter derivatives market for interest rates or exchange rates, including a facility, platform or organisation 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.

6 Policy documents superseded

6.1 This policy document supersedes the Malaysian Code of Conduct for Principals and Brokers in the Wholesale Money and Foreign Exchange Markets issued by the Bank on 3 January 1994.

PART B Dealers and Brokers

7 Eligibility Requirements for Dealers and Brokers

S 7.1 Prior to participating directly in the interbank market, dealers of interbank institutions and brokers must be members of FMAM and abide by membership rules of FMAM.

S 7.2 Interbank institutions and approved money-brokers must ensure the requirements in paragraph 7.1 as well as professional requirements imposed by FMAM are met prior to appointing any person as a dealer or broker respectively.

G 7.3 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 7.1.

S 7.4 'Trainee dealers' and 'trainee brokers' cannot conclude deals.

S 7.5 A person who is, or is to be employed as a dealer or broker, as the case may be, must not have or have been:

(a) an undischarged bankrupt whether within or outside Malaysia;
(b) a judgment debt returned unsatisfied in whole or in part;
(c) convicted, whether within or outside Malaysia, of an offence involving fraud or other dishonest act or violence or the conviction of which involved a finding that he acted fraudulently or dishonestly;
(d) convicted of an offence whether within or outside Malaysia under banking, securities and insurance laws;
(e) issued any prohibition order from dealing or broking in any jurisdiction;
(f) convicted of any offence, or is being subject to pending proceedings which may lead to such convictions, under any laws in any jurisdiction in respect of banking, securities and insurance laws;
(g) engaged in any business practices 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
(h) engaged in or associated with any other business practices or otherwise conducted himself in such a way as to cast doubt on the person's competence and soundness of judgement.

S 7.6 Market participants must perform background checks on the prospective dealers or brokers prior to their employment. This must include at least an evaluation on factors in paragraph 7.5 as well as validation with at least one of the most recent past employers.

S 7.7 Market participants must suspend dealers and brokers who are being investigated for non-compliance with this policy document.

S 7.8 Market participants must inform the Bank (i.e. Pengarah, Jabatan Operasi Pelaburan dan Pasaran Kewangan) in writing within two weeks in the event of the following:

(a) initiation of investigation into a dealer or broker for market misconduct; and
(b) outcome of such investigation, including the termination or resumption of duties of the dealer or broker.

8 Execution of deals

S 8.1 Management of an interbank institution or approved money-broker must ensure that its dealer or broker executes client orders based on 'best execution' principle i.e. on terms that are most favourable to the client.

G 8.2 'Best execution' principles may include:
(a) prompt and fair execution of client's orders;
(b) execute order based on the specific instruction given by the client;
(c) be truthful and transparent when communicating with clients; and
(d) use clear language in communication.

S 8.3 A dealer must disclose to the client whether the dealer is acting as a principal or an agent on behalf of the client.

S 8.4 A dealer must disclose all relevant information to a client before negotiating his order for him to make an informed decision on the transaction.

G 8.5 The relevant information referred to paragraph 8.4 may include the following:
(a) prevailing liquidity and market conditions;
(b) associated risks;
(c) trading strategy that may affect the execution policy; and
(d) fees and commissions applicable to the transactions.

S 8.6 A dealer must neither accept client orders that may indicate an attempt of market manipulation nor enter into dealings with an intention to disrupt the market.

S 8.7 A broker (whether by way of voice-broking, broking through 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 any discretionary fund management capacity.

G 8.8 A broker should facilitate the conclusion of transactions between principals on terms that are agreed upon by the principals.

9 Relationship between Dealers and Brokers

S 9.1 Management of interbank institutions and approved money-brokers must oversee the dealer-broker relationship, the use of electronic broking system and execution of deals.

S 9.2 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

10 Prohibited Conduct under the FSA and IFSA

10.1 The following conduct are prohibited under the FSA and IFSA:
(a) market manipulation;
(b) misinformation and rumour; and
(c) insider dealing;
any contravention of which is an offence for which criminal, civil or administrative actions can be taken against the offender.

11 Market Manipulation

11.1 Section 141 of the FSA and section 153 of the IFSA prohibits 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 11.2 Without limiting the generality of the FSA and IFSA, the following amount to market manipulation 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) fixing the price of a financial instrument at an artificial level;
(b) trading with an intent to benefit from influencing the closing price of a financial instrument;
(c) interfering with normal supply and demand factors in the market for a financial instrument, e.g. wash trades, stop loss hunting;
(d) dealing without a legitimate or genuine trading and commercial intention;
(e) manipulating the calculation of a benchmark;
(f) bidding or offering with an intent to cancel the bid or offer before execution, e.g. spoofing, to mislead the market; and
(g) manipulating the price on an electronic trading or broking system by entering prices without intent to deal, i.e. price flashing, in order to create false impression of the market price or liquidity.

12 Misinformation and Rumour

12.1 Section 141(1)(c) of the FSA and section 153(1)(d) of the IFSA prohibits a person from making a statement or disseminating information that is false or misleading in a material particular and is likely to include 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 12.2 Without limiting the generality of the FSA and IFSA, the following amount to making of statement or dissemination of information which is false or misleading in a material way, 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 inaccurate and damaging to third parties.

13 Insider Dealing

13.1 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 deals 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 13.2 Without limiting the generality of the FSA and IFSA, the following amount to insider dealing under section 141(1)(d) of the FSA and section 153(1)(e) of the IFSA:

(a) profit or seek to profit from insider information with intent or through negligence; and

(b) assist anyone with such information to make a profit for their institutions or clients with intent or through negligence.

S 13.3 Market participants, who possess insider information, must not disclose such information, except where the disclosure is required as a part of the normal course of employment duties and required by laws or relevant supervisory authorities.

14 Prohibited Conduct in Other Markets

S 14.1 Financial Institutions must comply with all requirements in this policy document in respect of all treasury operation and activities in other markets including the bond market and must not engage in the following prohibited conduct:

(a) market manipulation;

(b) misinformation and rumour; and

(c) insider dealing.

G 14.2 The Bank will take into account the activities set out in paragraphs 11.2, 12.2 and 13.2 respectively in determining whether Financial Institutions have committed the prohibited conduct referred to in paragraph 14.1.

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

15 Adoption of 'The Model Code'

S 15.1 Market participants must observe best market practices of "The Model Code" (including updates, supplements and amendments) published by ACI The Financial Markets Association.

16 Treatment of Reference or Fixing Rate

S 16.1 Market participants must not intentionally influence or attempt to influence a reference rate or fixing rate, either by collusion or otherwise inappropriate sharing of confidential information.

S 16.2 Market participants engaged in a transaction executed against reference or fixing rate should not undertake operations in the market that are intended to move the reference or fixing rate in their favour to the detriment of their clients.

S 16.3 Market participants engaging in transactions executed against a reference or fixing rate must -

(a) ensure that prices are transparent;

(b) provide greater clarity about transaction costs imposed on the client and the risks accepted by the dealer in undertaking a transaction at a yet-to-be-agreed price; and

(c) establish and enforce internal policies and procedures for collecting and executing fixing orders.

17 Position Parking

S 17.1 Market participants must not engage in position parking with any counterparty.

G 17.2 Position parking occurs when two or more market participants agree to conclude a deal that will be reversed on a future date to conceal dealing positions or transfer profits and losses.

18 Offshore Dealings of Ringgit Products

S 18.1 Market participants must not participate in ringgit offshore non-deliverable forward (NDF) market or engage in any onshore foreign exchange dealing that could be deemed as facilitating any ringgit NDF related dealings in the offshore market.

S 18.2 Market participants dealing in ringgit products must abide by the Bank's Foreign Exchange Administration (FEA) rules.

19 Dealing at Non-Current Rates

G 19.1 Market participants should not deal at non-current rates. Dealing at non-current rates occurs when the transacted rate deviates extremely 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; or
(c) unauthorised extension of credit.

S 19.2 In cases where market participants intend to use a non-current rate for dealing in the swaps market or transactions with clients, market participants must obtain prior written approval from the management of both counterparties.

20 Dealing for Personal Account

G 20.1 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 20.2 In cases where management permits dealing for personal account, management must ensure safeguards are in place to manage any potential conflict of interest and to prevent any insider dealing and front-running.

S 20.3 The safeguards referred in paragraph 20.2 must:

(a) maintain confidentiality with respect to non-public price sensitive information;
(b) reflect the instruments that dealers can deal for the personal accounts; and
(c) ensure dealers do not act in a way which might adversely affect the interests of the employing institution, clients or counterparties.

S 20.4 Dealers must not deal with other counterparties who are dealing for their own accounts and not for the employing institutions.

21 Dealing Quotation

S 21.1 Dealers and brokers must make clear whether their price or rate is firm or merely indicative.

S 21.2 Dealers quoting a firm price or rate must deal at the price or rate in a marketable amount with an acceptable name.

S 21.3 While dealers may reject a deal due to unacceptable name, they must not revise the price or rate when the name of the counterparty is disclosed.

S 21.4 Dealers and brokers must not make frivolous quotes which they have no intention of honouring.

22 Entertainment and Gifts

S 22.1 Market participants must never offer gifts and entertainment which can be perceived as inappropriate inducements to conduct business, nor solicit them from other market participants.

S 22.2 Management must formulate and enforce a policy for offering and accepting entertainment and gifts, and ensure compliance of its employees to the policy.

PART E SHARING OF INFORMATION AND TRANSPARENT COMMUNICATIONS

23 Handling of Confidential Information

S 23.1 Market participants must treat any information relating to the deals transacted or being transacted as confidential except for circumstances set out in paragraph 23.2.

G 23.2 Confidential information may be disclosed where the disclosure is:
(a) with the explicit permission from the parties involved; or
(b) required by laws or relevant supervisory authorities.

G 23.3 Disclosure of confidential information, whether intentional or otherwise, may occur through telephone loudspeakers, other telecommunication systems and discussions in public domain including private chat channels. Therefore, care should be taken over the use of such devices when dealing to ensure that no confidentiality is breached.

G 23.4 Management are encouraged to ensure that market participants are trained to identify and treat confidential information appropriately as well as deal with situations that require anonymity and discretion.

S 23.5 In order to safeguard the confidential information:
(a) a dealer or broker must not visit each other's dealing rooms except with written permission of the management of both parties;
(b) a dealer must not deal from within a broker’s office; and
(c) a broker must not arrange deals from outside of his own office.

S 23.6 Market participants must not solicit confidential information from the other market participants.

G 23.7 Solicitation of confidential information may happen in the following circumstances:
(a) market participant pressures other market participant to divulge confidential information whether by way of inducement, threat or otherwise; or
(b) 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.

S 23.8 Brokers must not divulge the names of dealers prematurely until both sides confirm an intention to transact.

S 23.9 Market participants must not reveal confidential information even after change of employment.

24 Conflicts of Interest

S 24.1 Market participants must identify actual and potential conflicts of interest that may compromise or be perceived to compromise the ethical or professional judgement of other market participants.

S 24.2 To enable the client to make an informed decision regarding the transaction, the disclosure of specific conflicts of interest must clearly state the following in sufficient detail:

(a) the general nature of the conflicts;
(b) the potential risks to the client due to the conflict; and
(c) the mitigation actions that have been established to manage the conflicts.

25 Advice to client

S 25.1 Market participants, who provide advice to clients on the suitability of any dealings, must have a reasonable basis for offering the advice.

G 25.2 For the purpose of paragraph 25.1, market participants should, for example, take into account the clients' relative risk appetite, financial situation, investment objectives and ability to bear any potential loss relating to the dealings before advising the clients.

PART F TRACEABILITY, AUDITING AND RECORD-KEEPING

26 Recording Phone Conversations and Electronic Messages

S 26.1 Market participants must communicate with other market participants via methods of communication which allow for traceability, auditing, record-keeping and access control in accordance with the market participants' internal standards of information security.

S 26.2 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 26.3 Normal practice is that records of communication would be kept for at least two months. However, market participants engaged in dealings of longer-term interest rate swaps, forward rate agreements or similar instruments – where errors may only be found at a later date (e.g. the first movement of funds) – may consider it prudent to retain records of communication to these dealings for longer periods.

S 26.4 Management must put in place clear procedures to ensure access to the records of the communication is strictly controlled to prevent their contents from being tampered with.

S 26.5 Management must put in place clear procedures to ensure any communication device without a recording function, such as mobile phones, can only be used for dealing purpose during emergency and disaster recovery situation.

S 26.6 Management must ensure such communication referred in paragraph 26.5 is subject an end-to-end audit trail.

27 Retaining Transaction Records

S 27.1 Market participants must maintain complete records of all dealings, including the policies and procedures in relation to the dealings, for a minimum period of seven years.

G 27.2 For avoidance of any doubt, the transaction records under this paragraph exclude the records of communication referred to in paragraph 26.

PART G ROBUST AND CLEAR POLICIES, PROCEDURES AND ORGANIZATIONAL STRUCTURE

28 Segregation of Duties and Authorisation

S 28.1 Management must establish a clear segregation of duties among front, middle and back offices whereby authorisations and responsibilities are reflected by separate reporting lines.

S 28.2 Dealers must not take part in the processing or settlement of dealings or have any influence over the back office staff.

S 28.3 The process of confirming dealings shall only be done by the back office staff who must be independent and separated from those that agreed and executed the dealings.

29 Confirmation of dealings

S 29.1 Management must put in place correct processes and appropriate resources in the back office for dealings confirmation.

S 29.2 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 29.3 The back office staff must only send settlement confirmations to the back office staff of the counterparty.

S 29.4 All dealings must be confirmed in writing. Confirmation can only be done verbally in circumstances where no other method is available. In the event of verbal confirmation, such confirmation must be recorded and followed by a written confirmation.

30 Dealing Room Security

S 30.1 Management must put in place security measures to safeguard the dealing room which cover the following:
(a) access to the dealing room; and
(b) access controls of dealing room equipment (including electronic trading or broking systems).

S 30.2 Management must review the security measures referred in paragraph 30.1 as and when reasonably required.

31 After-Hours and Off-Premises Dealing

S 31.1 Management must identify the dealers who are authorised to deal in after-hours or off-premises dealings.

S 31.2 Management must put in place internal policies for authorised dealers referred in paragraph 31.1, which cover the following:
(a) eligible counterparties;
(b) types of dealings; and
(c) dealing limits.

S 31.3 Management must put in place a control system that enables prompt reporting and recording of dealings conducted after-hours and off-premises.

32 Money Laundering, Terrorist Financing and Fraud

S 32.1 Market participants must comply with Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA) and any other policy documents in respect of AMLA issued by the Bank and other relevant supervisory authorities.

S 32.2 Management must put in place measures, including verification of the identity of clients and other counterparties based on Know-Your-Customer (KYC) principle and retention of dealing records, to prevent money laundering, terrorist financing and fraud.

S 32.3 Market participants must not deal without full disclosure of the identity by the clients or other counterparties to the credit, legal or compliance functions of the market participants.

S 32.4 Market participants shall only accept third party payment request, i.e. the beneficiary is a third party other than the dealing counterparties, with written approval of the management of both parties, as it may create potential risk in respect of money laundering, terrorist financing and fraud.

PART H INTERNAL GOVERNANCE AND CONTROLS

33 Risk Management

S 33.1 Management must institute robust internal risk management controls to continuously identify, measure and monitor all relevant and material risks in relation to treasury activities.

S 33.2 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 33.3 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.

34 Compliance

S 34.1 Management must put in place written procedures to ensure adherence of institution and its employees to this policy document.

S 34.2 Market participants must conduct yearly internal self-assessments on compliance with the requirements in this policy document. Any findings or incidences of non-compliance to the policy document must be reported to management immediately.

S 34.3 Market participants must record any corrective measures to address incidences of non-compliance.

S 34.4 Market participants must maintain a record of the compliance report for up to seven years and submit a copy to the Bank as and when directed to by the Bank.

35 Internal audit

S 35.1 Market participants must conduct an internal audit yearly to validate the quality and relevance of risk management and compliance controls in paragraphs 33 and 34 respectively.

S 35.2 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 management with proposal on corrective measures.

S 35.3 Market participants must maintain a record of the audit report for up to seven years and submit a copy to the Bank as and when directed to by the Bank.

36 Trade Surveillance

S 36.1 Management must establish policy and system to monitor all dealings.

G 36.2 Management is encouraged to establish systems and procedures that detect trends indicative of insider dealing and market manipulation or the attempt of such behaviour (e.g. monitoring of profit or loss spikes).

S 36.3 Market participants 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 36.4 Management must ensure the staff working within trade surveillance are trained adequately in detecting patterns of dealing that suggest any market misconduct.

37 Technical and Operational Capability

S 37.1 Management must employ sufficient technical and operational capability 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

38 Use of Electronic Trading and Broking Systems

S 38.1 Management must put in place internal procedures for using electronic trading or broking systems and business continuity plan for contingencies involving these systems.

G 38.2 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 38.3 Market participants must ensure information technology infrastructure used for treasury operations is robust and have adequate controls and security features to deal with normal and stressed operating conditions.

39 Responsibilities of Platform Providers

S 39.1 Platform providers must ensure electronic trading or broking systems are robust and have adequate controls and security features.

S 39.2 Platform providers must inform the Bank of the following:
(a) any suspicious dealings; and
(b) any material breach of security to the systems, such as through hacking or other intrusions.

S 39.3 Platform providers must submit any information requested by the Bank in an accurate and timely manner.