

An open letter from the Singapore Foreign Exchange Market Committee (SFEMC) to participants in the Singapore financial market.

Dear Market Participant,

The global foreign exchange markets committee has noted an increase practice of Undisclosed Principal Trading over the past year. This is where a fund manager trading on behalf of a client (who is the principal of the transaction) with a counterparty fails to reveal the identity of the client to the counterparty.

The SFEMC wishes to reiterate its position taking in 2004 that Undisclosed Principal Trading is not encouraged as it exposes counterparties to a number of counterparty, legal, credit and reputational risks. The SFEMC as a committee is devoted to fostering growth of the Singapore financial market as a leading international center for transactions in foreign exchange, money markets, fixed income and derivatives instruments. SFEMC members who are drawn from Singapore market participants have continued to endorse that Undisclosed Principal Trading warrants serious attention.

The SFEMC continues to support and endorse the initiative of the London Foreign Exchange Joint Standing Committee (FXJSC), which implemented its NIPs Code on 31st May 2004. Under the revised Code, confidential information pertaining to the undisclosed principal (including its full legal name) should be disclosed by a fund manager to the credit, legal and compliance functions of the counterparties, solely for the purpose of risk assessment and management. Such information will not and must not be disclosed to the front offices of the counterparties except in the event of a default.

Overall, we seek to remain proud of the high standards of professionalism and ethics in our industry. To that end, the Committee will continue to work closely with the Association of Banks in Singapore, the Singapore Investment Banking Association, the Singapore Foreign Exchange and Money Brokers Association and ACI Singapore – The Financial Markets Association to enhance the stature and maintain the reputation of the Singapore markets by promoting high standards of professional conduct.

Hence, the Committee seeks your co-operation and continued support in these endeavors, for clearly a reputable Singapore market is in the interest of every participant.