

**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 have been concerned for some time about the practice of Undisclosed Principal Trading. 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 failure to disclose the identity of the principal of the transaction exposes counterparties to a number of credit, regulatory, legal and reputation risks. For instance, with the principal of a trade undisclosed, counterparties would have difficulties verifying its compliance with anti-money laundering rules and regulations.

The SFEMC as a committee 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 naturally share in this concern. SFEMC members who are drawn from Singapore market participants have deliberated this issue extensively and concluded that Undisclosed Principal Trading warrants serious attention.

The SFEMC therefore supports and endorses the initiative of The London Foreign Exchange Joint Standing Committee (FXJSC), which has recently implemented a revision of its NIPs Code, to be effective 31 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.

To the best of our knowledge, the practice of Undisclosed Principal Trading is not prevalent in the Singapore financial markets. Overall, we can be 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.