

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

Frequently Asked Questions

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**The Singapore Guide to
Conduct and Market Practices for the Wholesale Financial Markets
(i.e. the “Blue Book”)**

Frequently Asked Questions

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Frequently Asked Questions

A. Key Changes

Q1. Why are changes being made to the Blue Book?

With the launch of the FX Global Code (“**Global Code**”)¹ in May 2017, the Global Code will apply to wholesale foreign exchange (“**FX**”) market participants in Singapore. The Monetary Authority of Singapore (“**MAS**”) and the Singapore Foreign Exchange Market Committee (“**SFEMC**”) support and endorse the Global Code. The SFEMC will take on the responsibility to promote and encourage adherence to the Global Code in Singapore.

As the scope of the Blue Book included guidance on good practices in the wholesale financial market, including the wholesale FX market, changes are being made to minimise duplication between the Blue Book and the Global Code.

In particular, while the Global Code will cover the wholesale FX market, the Blue Book will cover other aspects such as:

- (i) supplementary principles and market conventions for the Singapore wholesale FX market;
- (ii) market practices for other asset classes (e.g. debt securities and money market instruments); and
- (iii) practices for benchmark rate setting.

Q2. What are the key changes made to the Blue Book relative to the previous version?

The scope of application of the Blue Book has been extended to all Market Participants that are engaged in the wholesale financial markets. This includes buy-side entities and financial market infrastructures, as well as all persons who are subject to the Global Code. Previously, the Blue Book applied only to sell-side entities and brokers.

The scope of application of the Blue Book has also been extended to cover exchange-traded products. Previously, the Blue Book applied only to the over-the-counter markets. The Blue Book will continue to exclude cash equities and exchange traded funds.

Note: Terms used in this FAQs document which are not defined herein shall have the same meaning as defined in the Blue Book.

¹ The Global Code is a set of global principles of good practice in the FX market to promote the integrity and effective functioning of the wholesale FX market. It was developed through a partnership between central banks and private sector market participants, and is now collectively owned and maintained by the local Foreign Exchange Committees (including the SFEMC), through the Global Foreign Exchange Committee.

As the Ethics, Governance and Risk Management principles from the Global Code are good practices that should apply to the entire wholesale financial market, of which the wholesale FX market is a part, these principles have been incorporated into the Blue Book and applied to all asset classes. Similar principles in the previous version of the Blue Book have been deleted to avoid duplication. Principles from the Global Code that address specific concerns with the wholesale FX market have not been incorporated into the Blue Book as these FX-specific Principles may not be appropriate for other asset classes at this point.

Changes have also been made to the following parts of the Blue Book:

Section Reference	Revisions made
Section 2 of Chapter I – Confidentiality	Revised the guidance on disclosure of names by Brokers.
Section 3 of Chapter I – Bets and Gambling	Revised the guidance to prohibit betting or gambling in ways which could give rise to actual or potential conflicts of interest with professional roles or responsibilities.
Section 7 of Chapter I – Professional Knowledge	Revised the guidance relating to the industry certification programmes on the Blue Book.
Section 3 of Chapter III – Handling Client Orders	Revised the guidance on handling client orders to highlight that client orders should also be handled promptly, professionally and with fairness and transparency. Included a new reference to the Securities and Futures Act.
Section 8 of Chapter III – Recording of Communications	Expanded the guidance on telephone recording to cover recording of all communications.
Section 14 of Chapter III – Brokerage	New guidance on execution of brokerage agreements and reconciliation of brokerage bills.

The chapter on Other Market Instruments in the previous version of the Blue Book has been deleted. For new or emerging financial products, Market Participants should draw on the broad principles in the Blue Book, and resolve any issues reasonably and in good faith in accordance with the spirit of the Blue Book. SFEMC will review market practices for new or emerging financial products and add good market practices to the Blue Book as they evolve.

The chapter on Broking and Brokerage in the previous version of the Blue Book has been subsumed into other parts of the Blue Book.² The principles relating to electronic broking systems have been expanded to apply more generally to electronic trading systems.

It is intended that a comprehensive review of the chapter on Benchmark Rate Setting be conducted in conjunction with ABS Benchmarks Administration Co Pte Ltd, after the finalisation of the regulatory framework for financial benchmarks by MAS.

B. Applicability – Market Participants

Q3. Is the Blue Book legally binding?

The Blue Book provides guidance on good conduct and market practices. It does not impose legal or regulatory obligations on Market Participants. In addition, there is no requirement or expectation for Market Participants to sign or publish any statement confirming that their activities are aligned with the Blue Book.

However, all members of SFEMC recognise that the Blue Book represents industry guidance on good practices and they consider themselves to be bound by the Blue Book.

Q4. Does the Blue Book apply to buy-side entities such as asset managers, insurers and corporate treasurers?

Yes, in their dealings as buy-side entities in the wholesale financial markets.

However, adherence to the Blue Book is based on the principle of proportionality – how a Market Participant aligns its activities with the Blue Book should reflect the nature, size and complexity of its activities in the wholesale financial market.

Q5. How does the Blue Book apply to a trading facility or platform?

Adherence to the Blue Book is based on the principle of proportionality – how a Market Participant aligns its activities with the Blue Book should reflect the nature, size and complexity of its activities in the wholesale financial market.

For example, the principles that apply to the parties to a transaction may not have direct application to a trading facility or platform. However, a trading facility or platform can assess such

² See (i) Section 4.3 of Chapter II; (ii) Sections 5.3 to 5.7 of Chapter II; and (iii) Section 14 of Chapter III.

principles to determine what steps it can take to promote the spirit of the Blue Book, such as aligning its trading rules with the Blue Book.

As for persons who trade on a trading facility or platform, whether the Blue Book applies depends on whether such person falls within the definition of “Market Participant”. “Market Participant” is defined to mean participants in Singapore that are engaged in the wholesale financial markets for the asset classes covered by the Blue Book. For instance, a private banking client who trades on a trading facility or platform would not be a “Market Participant” as a private banking client would not be engaged in the **wholesale** financial markets. The Blue Book would therefore not apply to a private banking client. However, if an asset manager trades on the same trading facility or platform, the asset manager may be regarded as a “Market Participant” – see Q4 above.

Q6. How does the Blue Book apply to the retail banking division and private banking division of a universal bank which also has an investment banking division and a treasury and markets division?

Adherence to the Blue Book is based on the principle of proportionality and can apply differently to different business divisions within the same Market Participant.

For example, the principles that apply to divisions undertaking sell-side activities (such as the treasury and markets divisions of banks) may not have direct application to the retail banking or the private banking divisions, where these divisions do not have dealings with wholesale market participants.

Q7. Does the Blue Book apply to a futures brokerage?

Yes. The Blue Book would apply to a futures brokerage in respect of its activities in the wholesale financial markets for asset classes covered by the Blue Book.

C. Relationship with the Global Code

Q8. How does the Blue Book interact with the Global Code?

The Global Code applies to activities in the wholesale FX market in Singapore. The Blue Book supplements the Global Code with additional principles and market conventions that cater to the specific circumstances of the Singapore wholesale FX market.

The Blue Book also applies to other asset classes in the wholesale financial market, such as debt securities, money market instruments and non-FX derivatives. As the Blue Book has cross-references to principles with wider applicability from the Global Code (e.g. principles relating to Ethics, Governance and Risk Management), Market Participants should read the Blue Book and the Global Code together.

In addition, Market Participants involved in benchmark rate setting should read the guidance in the Blue Book. The Global Code does not contain specific guidance on benchmark rate setting.

Q9. Which principles from the Global Code apply to FX and other asset classes covered in the Blue Book?

FX Global Code Principle	Applicability within the Blue Book	
	Foreign Exchange	Other Asset Classes covered in the Blue Book
Principles on Ethics (Principles 1 – 3)	✓	✓
Principles on Governance (Principles 4 – 7)	✓	✓
Principle 8	✓	✓
Principle 9	✓	—
Principle 10	✓	✓
Principle 11	✓	—
Principle 12	✓	✓
Principle 13	✓	✓
Principle 14	✓	—
Principle 15	✓	✓
Principle 16	✓	✓
Principle 17	✓	—
Principle 18	✓	—
Principles on Information Sharing (Principles 19 – 23)	✓	✓
Principles on Risk Management and Compliance (Principles 24 – 41)	✓	✓
Principles on Confirmation and Settlement (Principles 42 – 55)	✓	✓

D. Effective Date

Q10. What is the effective date of the revised Blue Book?

The revised Blue Book was published on 12 April 2018.

We expect that Market Participants will need time to align their current practices, policies and procedures to the principles in the revised Blue Book. Hence, adherence to the revised Blue Book is expected by 1 January 2019.

E. Financial Markets Regulatory Practices Examination

Q11. What are the professional certification programmes for the conduct of business in the wholesale financial markets?

The SFEMC has endorsed the Financial Markets Regulatory Practices (the “**FMRP**”) Examination administered by the Institute of Banking and Finance (“**IBF**”) as the professional certification programme for all individuals engaged in the wholesale financial markets. The FMRP Examination assesses the understanding of wholesale dealing practices and market conduct based on the Blue Book.

The FMRP Examination will be updated to incorporate the principles in the Global Code and the revised Blue Book. It is expected that the updated FMRP Examination will be launched by 29 June 2018, and the Study Guide covering the content of the updated FMRP Examination will be launched by 31 May 2018. The current FMRP Examination will be available until 28 June 2018. During this period, Market Participants can either choose to take the current FMRP Examination or wait for the updated FMRP Examination. For those that choose to take the current FMRP Examination, they will still be required to complete the non-examinable course conducted by IBF (see Q12 below).

See the IBF website at <https://www.ibf.org.sg/programmes/examination/Pages/FMRP-Overview.aspx> for more information on the FMRP Examination.

For the avoidance of doubt, Market Participants should also ensure that their staff have passed the necessary examinations under applicable laws and regulations, such as the Capital Markets and Financial Advisory Services Examinations where applicable.

Q12. If an individual has passed the FMRP Examination prior to the launch of the updated FMRP Examination, is such an individual required to retake the updated FMRP Examination?

No, individuals who have been FMRP-certified³ prior to the launch of the updated FMRP Examination in end June 2018 are not required to retake the updated FMRP Examination, provided that they take and complete a non-examinable course (the “**NEC**”) on the changes made to the Blue Book that will be conducted by IBF.

This NEC, which will be available through the Learn@IBF mobile app from 2 July 2018 to 31 December 2018, is targeted at FMRP-certified individuals. The NEC will focus on the changes made to the Blue Book, as well as the principles from the Global Code. The SFEMC encourages FMRP-certified individuals to complete the NEC by 31 December 2018.

Financial institutions are expected to subscribe as corporate users before registering their employees for the NEC. Only registered users will be able to access the NEC via the Learn@IBF mobile app. Please refer to the FMRP FAQs on the IBF website at <https://www.ibf.org.sg/programmes/examination/Pages/FMRP-Overview.aspx>, for details on how to register for the NEC.

For individuals who are new to the FMRP Examination, please see Q11 above.

Q13. How do financial institutions and their staff demonstrate that they have completed the NEC?

As the NEC will be made available via the Learn@IBF mobile app, financial institutions are expected to download the completion report from the Learn@IBF mobile app as evidence of fulfilment of the NEC requirements by their staff who are subjected to the NEC. Individuals are advised to check with their employers if there is a need to keep a record of their completion of the NEC.

³ This refers to individuals that (a) have passed the FMRP Examination prior to the launch of the updated FMRP Examination in June 2018; or (b) were previously exempted from the FMRP Examination in 2012, when it was first introduced, on account that they had at least 10 years of relevant experience, and had completed the non-examinable course conducted then.