

ABS Benchmarks Administration Co. Pte Ltd
SFEMC Indicative Survey Rate Best Practice Guide
Updated as of 1 April 2022

Introduction

- 1.1 The template terms for non-deliverable forwards (“NDF”) for certain currencies published by the Singapore Foreign Exchange Market Committee (“SFEMC”) and EMTA, Inc. (“EMTA”), incorporate certain disruption fallbacks in the event of a price source disruption for certain non-deliverable foreign exchange transactions. These disruption fallbacks include the fallback reference price of the SFEMC Indicative Survey Rate¹ (“SFEMC Indicative Survey Rate”).
- 1.2 The SFEMC Indicative Survey Rate is not intended to be a replacement benchmark in the event of a permanent discontinuation of any price source benchmark. It is designed to mitigate market and trading risks associated with a temporary price source disruption. Without appropriate contractual fallbacks, a price source disruption could lead to disorderly settlement in the financial markets or even frustration of contracts.
- 1.3 In the case of a permanent discontinuation of a price source benchmark, SFEMC may, in consultation with market participants, and where feasible and appropriate, recommend that market participants migrate to an alternative price source benchmark. If SFEMC does not reach a consensus on a feasible or appropriate alternative price source benchmark, the SFEMC may, within 30 days of such an announcement of permanent discontinuation of a price source benchmark (or such period as determined by SFEMC in consultation with market participants), recommend that market participants bilaterally agree to early termination of existing transactions.
- 1.4 ABS Benchmarks Administration Co. Pte Ltd (“ABS Co”) is the administrator of the SFEMC Indicative Survey Rate, and may appoint a calculation agent (in which case, together referred to in this Guide as the “Administrator”).
- 1.5 This Guide is issued by SFEMC and ABS Co to set out the best practice standards for Participating Banks and to provide guidance to Participating Banks on factors to consider when providing its reasonable judgment of the relevant spot rate for the SFEMC Indicative Survey Rate.

Scope of application

- 1.6 This Guide shall be used as reference by the Participating Banks in respect of its activity of providing submissions and any other information to the Administrator in respect of the SFEMC Indicative Survey Rate.

¹ <https://www.sfemc.org/benchmarks-sfemc-indicative-surveys.html>

Objectives

- 1.7 The objectives of this Guide are:
- (a) To provide consistent guidance to all Participating Banks on the best practices, including on internal governance, to adopt when participating in the surveys for the SFEMC Indicative Survey Rate;
 - (b) to provide guidance on best practices to mitigate any conflicts of interest when providing rate submissions; and
 - (c) to provide guidance on best practices to adopt to prevent the manipulation of or market misconduct relating to the SFEMC Indicative Survey Rate.
- 1.8 Where necessary, this Guide will be reviewed by SFEMC and ABS Co, and if appropriate, updated to ensure that this Guide takes into account practices and developments in the market.

Interpretation

- 1.9 In this Guide, unless the context otherwise requires:

“ABS Co” means ABS Benchmarks Administration Co. Pte Ltd;

“Business Day” shall have the same meaning as in the Calculation Methodology Document;

“Calculation Agent” means a calculation agent appointed by ABS Co to calculate the SFEMC Indicative Survey Rate on behalf of ABS Co;

“Calculation Methodology” means the calculation methodology for the SFEMC Indicative Survey Rate as set out in the Calculation Methodology Document for the respective NDF currency;

“Calculation Methodology Document” means the document setting out the calculation methodology for the SFEMC Indicative Survey Rate for the respective NDF currency, as published by SFEMC on its website and as may be amended from time to time;

“Guide” means this SFEMC Indicative Survey Rate Best Practice Guide;

“Contribution Time” shall have the same meaning as in the Calculation Methodology Document for the respective NDF currency;

“Participating Bank” means a bank that has been selected and determined by SFEMC to provide submissions for the SFEMC Indicative Survey Rate;

“Rate Reviewer” means any staff of a Participating Bank who reviews the Participating Bank’s rate submission before and after it is provided to ABS Co; and

“Rate Submitter” means any staff of a Participating Bank who prepares the Participating Bank’s rate submission, including staff responsible for exercising expert judgment;

Poll Requirements

Calculation methodology

- 2.1 The SFEMC Indicative Survey Rate shall be calculated by ABS Co in accordance with the Calculation Methodology Document.

Survey process

- 2.2 A Participating Bank shall submit its reasonable judgment of the relevant spot rate to ABS Co as soon as practicable in accordance with the Calculation Methodology when requested.
- 2.3 As outlined in the Calculation Methodology², a Participating Bank will be expected to provide, based on the Rate Submitter's expert judgment, a reasonable judgment of what is (or, in the case of an Unscheduled Holiday, would have been) the bid-offer pair for the respective NDF currency based on how much of the currency is equivalent to one (1) unit of USD at or around the stipulated time for same-day settlement in the onshore marketplace on the Valuation Date. In arriving at this indicative quotation, the Participating Bank may, in its full discretion under the prevailing circumstances, take such factors into consideration as it deems appropriate, which factors may (but need not) include any or all of the following:
- (a) the spot rate(s) implied in the offshore non-deliverable foreign exchange market for the currency pair;
 - (b) the spot rate implied by any other financial market transactions (to the extent that such other financial markets are open for business);
 - (c) the spot rate used in connection with any commercial transactions for goods or services from offshore suppliers or providers;
 - (d) any existing rate for trade finance transactions;
 - (e) and any other existing unofficial rate for the currency pair (commercial or otherwise);
 - (f) any other factor it considers relevant.

Participating Banks should document in brief any factor or combination of factors relied on in making the submission, while recognising that adjustments may need to be made based on expert judgment, such as the historical relationships between such rates and the free market wholesale financial spot rate. Where available, participating banks should seek to make reference to actual and directly relevant arms-length transactions concluded by the Participating Bank or relevant executable quotes in these markets.

- 2.4 When applying reasonable judgment for the submission of the relevant spot rate (as mentioned in paragraphs 2.2 and 2.3), a Participating Bank should be impartial and not factor in its commercial interest, as this would cause conflicts of interest.

² The guidance on survey rate inputs in the Calculation Methodology shall prevail in the event there are inconsistencies between the Calculation Methodology and this guide.

Pre-submission and Post-submission Reviews

- 2.5 A Participating Bank should adopt appropriate policies and procedures for pre-submission and post-submission reviews of rate submissions to ABS Co. The scope of the reviews shall include identifying suspicious or unusual rate submissions, and checking for keyboard input, typographical or other patent errors.
- (a) The Rate Reviewer for any particular Business Day shall:
- (i) be a different person from the Rate Submitter responsible for preparing the rate submission for that particular Business Day;
 - (ii) not be subordinate to, or have a reporting line into, the Rate Submitter responsible for preparing the rate submission for that particular Business Day; and
 - (iii) have sufficient expertise and experience to challenge rate submissions prepared based on expert judgment.

Notification of Errors

- 2.6 A Participating Bank shall promptly notify ABS Co of any errors relating to its rate submission. When a Participating Bank notifies ABS Co of an error, the Participating Bank shall provide details of the nature of the error, the relevant Business Day when the error occurred and what the Participating Bank's rate submission for the relevant Business Day would have been had the error not occurred. An error in a rate submission would include, but not be limited to, where the rate submission was not prepared in accordance with the Calculation Methodology, keyboard input errors or typographical errors.

Calculation Agent

- 2.7 Where ABS Co has appointed a Calculation Agent, any submissions or information to be provided to ABS Co shall instead be provided to the Calculation Agent where so notified by ABS Co to the Participating Banks. ABS Co may, in consultation with SFEMC, change the Calculation Agent at any time and any such changes shall be notified by ABS Co to the Participating Banks.

Governance

Framework and Policies

- 3.1 A Participating Bank shall have adequate and effective governance structures, systems and controls for oversight and supervision of the rate submission process.
- 3.2 A Participating Bank shall also have a framework that formalises roles and responsibilities and accountability in the rate submission process.
- 3.3 A Participating Bank shall have a conflicts of interest policy. The Participating Bank shall identify actual or potential conflicts of interest in the rate submission process and put in place controls to effectively mitigate such conflicts of interest to the extent practicable. It is acknowledged that the SFEMC Indicative Survey Rate, as a second level fallback rate, is likely to be invoked only in rare instances (if at all) during prolonged market disruption. As such, it may not be practical for Participating Banks to establish structures for strict segregation of Rate Submitters and Rate Reviewers from foreign exchange trading or sales activities at the Participating Bank. However, Participating Banks shall, at that time, have appropriate senior management or compliance oversight of conflicts of interest controls or mitigants in respect of Rate Submitters and Rate Reviewers.

Pre-survey Preparations

- 3.4 A Participating Bank shall ensure the following upon short notice (7 calendar days) of the impending activation of the SFEMC Indicative Survey Rate:
 - (a) **Fit and Proper:** A Contributor Bank shall ensure that Rate Submitters are fit and proper persons [in accordance with the criteria in the MAS Guidelines on Fit and Proper Criteria], and Rate Submitters or Rate Reviewers have appropriate expertise and experience to perform their role as a Rate Submitter or Rate Reviewer.
 - (b) **Training:** Rate Submitters and Rate Reviewers shall be appropriately trained, taking into account their roles and responsibilities in the rate submission process. The Contributor Bank shall maintain records of the training provided. Rate Submitters and Rate Reviewers shall be required to acknowledge in writing that they have read and understood this Guide and will comply with the requirements and standards of conduct in this Guide.
 - (c) **Authorisation:** A Participating Bank shall ensure that Rate Submitters are authorised to provide rate submissions to ABS Co on behalf of the Participating Bank.

Standards of Conduct

- 4.1 Rate Submitters and Rate Reviewers shall conduct themselves with integrity, professionalism and adopt the highest ethical standards with respect to the rate submission process.
- 4.2 Rate Submitters and Rate Reviewers shall not collude with each other or with any party on any rate submission or the determination of the SFEMC Indicative Survey Rate by inappropriate information sharing, or otherwise.
- 4.3 Rate Submitters and Rate Reviewers shall not do any act or thing, directly or indirectly, for the purpose of manipulating any rate submission or the determination of the SFEMC Indicative Survey Rate.

Compliance

- 5.1 An independent function such as a compliance or other function within each Participating Bank shall be responsible for reviewing the rate submission process and ensuring compliance with the Calculation Methodology and this Best Practice Guide, upon the SFEMC Indicative Survey Rate being invoked.
- 5.2 Such function must be independent of Rate Submitters and Rate Reviewers.
- 5.3 Such function must have access to details of all rate submissions, communications involving Rate Submitters and any other information, documents or records relevant to the rate submission process.

Reporting of Manipulation and Other Misconduct

- 6.1 A Participating Bank shall promptly notify ABS Co in writing upon discovery of any of the following:
- (a) any manipulation or attempted manipulation of the SFEMC Indicative Survey Rate;
 - (b) any suspicion of manipulation or attempted manipulation of the SFEMC Indicative Survey Rate;
 - (c) that any information or data provided to ABS Co is false or misleading in a material nature; or
 - (d) any non-compliance with the standards of conduct under Chapter 4 of this Guide.

Recordkeeping

- 7.1 When invoked, a Participating Bank shall ensure that all communications between Rate Submitters and Rate Reviewers in relation to the preparation and review of rate submissions are properly recorded and retained for a period of five (5) years to allow for, where applicable, further review and monitoring.
- 7.2 When invoked, a Participating Bank shall maintain records of the following for a period of five (5) years and upon request by ABS Co, shall provide such information to ABS Co:
- (a) all information and data provided as part of the rate submission process;
 - (b) factor or combination of factors relied on in making the submission (as per Section 2 above);
 - (c) the rationale for any expert judgment exercised in preparing rate submissions and the Rate Submitters responsible for the expert judgment (as per Section 2 above)
 - (d) communications of Rate Submitters that relate to the rate submission process
 - (e) pre-survey preparations including: Fit and Proper, Training, and Authorisation requirements (as per Section 3 above)