

By Email

16 February 2021
Ms Koh Hong Eng
Executive Director and Head
Capital Markets Intermediaries Department III
Monetary Authority of Singapore (MAS)

ASIFMA Letter to MAS on Best Execution Requirements

Dear Ms Koh,

On behalf of the Asia Securities Industry & Financial Markets Association (“**ASIFMA**”) ¹ and its members, we would like to take this opportunity to seek further clarifications with the MAS following the issuance of the MAS Notice SFA 04-N16 on Execution of Customers’ Orders (the “Notice”) and its related Guidelines. Questions and feedback from our members are set out below.

Scope of Best Execution Requirements – General

Under paragraph 2.1 of the Notice, “order” in relation to a customer, means an order for the purchase or sale of any capital markets product, which a capital markets intermediary (“CMI”) will: (a) place or execute, or both, as the case may be, on behalf of the customer; or (b) execute with the customer. We are of the view that orders arising from Request for Quotes (“RFQs”) should not be subject to the Best Execution requirements, given that the CMI merely provides the quote based on the transaction details specified by the customer, and the customer has the discretion to accept or not accept the offer. We would like to seek MAS’ confirmation of our understanding that RFQs, and any orders arising from RFQs should not be subject to the Best Execution requirements.

Scope of Customers

Under paragraph 3.1 of the Guidelines, the CMI should implement Best Execution policies and procedures which cover all capacities in which it is acting in (i.e. whether as agent or principal). Further, with reference to paragraph 2.16 of the MAS Response to Consultation on Execution of

¹ ASIFMA is an independent, regional trade association with over 140 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, professional and consulting firms, and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative, competitive and efficient Asian capital markets that are necessary to support the region’s economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the GFMA alliance with SIFMA in the United States and AFME in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region.

DEVELOPING ASIAN CAPITAL MARKETS

Customers Orders, the CMI is not subjected to the Best Execution requirements when it is dealing with customers that are institutional investors (including their affiliates which are institutional investors). We are of the view that Best Execution should not apply when the CMI conducts principal trades with its affiliates. For example, where the CMI conducts principal trades for its Treasury management purposes with its affiliates which do not meet the definition of institutional investors.

In addition, under regulation 44 of the Securities and Futures (Licensing and Conduct of Business) Regulations, the CMI is required to accord priority to orders from customers who are not associated to itself. Hence, if Best Execution applies to the CMI's affiliates which do not meet the definition of institutional investors, the CMI may not be able to ensure Best Execution when transacting with such affiliates.

We would like to seek MAS' confirmation of our understanding that Best Execution should not apply to principal trades with affiliates.

ASIFMA would warmly welcome an opportunity to discuss the above with MAS or receive any feedback. If you have any follow up questions or comments, please contact Patrick Pang at ppang@asifma.org or +852-25316520.

Yours sincerely,



Patrick Pang

Managing Director - Head of Compliance and Tax
Asia Securities Industry & Financial Markets Association

Unit 3603, Tower 2
Lippo Centre
89 Queensway
Admiralty, Hong Kong
P: +852.2531.6520
M: +852.5666.0321

ppang@asifma.org

www.asifma.org

[ASIFMA's Privacy Policy](#)

