

**RESPONSE TO
FEEDBACK RECEIVED**

3 September 2020

**Consultation on
Execution of
Customers' Orders**

MAS

Monetary Authority of Singapore

Contents

1	Preface	3
2	Best Execution.....	3
3	Handling of Comparable Customers' Orders.....	11
4	Transitional Period	11

Annex A: List of respondents to the consultation paper on execution of customers' orders

Annex B: Full submissions from respondents to the consultation paper on execution of customers' orders

1 Preface

1.1 On 20 November 2017, the Monetary Authority of Singapore ("MAS") issued a consultation paper on our proposal for holders of a capital markets services licence, banks, merchant banks and finance companies that conduct the regulated activities of dealing in capital markets products¹, fund management and/or real estate investment trust ("REIT") management under the Securities and Futures Act ("SFA") (collectively known as "Capital Markets Intermediaries") to have in place policies and procedures to place and/or execute customers' orders on the best available terms (also known as "Best Execution"). MAS also proposed an enhancement to the existing business conduct requirement relating to handling of customers' orders.

1.2 The consultation period closed on 18 December 2017, and MAS would like to thank all respondents for their contributions. The list of respondents is in Annex A.

1.3 Respondents were supportive of our proposals to require the delivery of Best Execution to customers and execution of comparable orders in accordance with time of receipt. MAS has carefully considered the feedback received, and where appropriate, has incorporated them into the new Notice SFA 04-N16 on Execution of Customers' Orders (the "Notice") and the Guidelines to the Notice (the "Guidelines"). Comments that are of wider interest, together with MAS' responses, are set out below.

2 Best Execution

Scope of Best Execution Requirements - General

2.1 MAS proposed that the Best Execution policies and procedures should cover all customers' orders, regardless of the capacity which a Capital Markets Intermediary is acting in (i.e. whether as an agent or principal). The Best Execution requirements should apply when executing customers' orders directly on a market or placing customers' orders with a Capital Markets Intermediary or a person who is licensed, authorised, regulated or otherwise exempted in relation to dealing in capital markets products in a foreign jurisdiction.

¹ Previously referred to in the consultation paper issued on 20 November 2017 as dealing in securities, trading in futures contracts and leveraged foreign exchange trading, which have been subsumed under the regulated activity of dealing in capital markets products following the implementation of the Securities and Futures (Amendment) Act 2017 on 8 October 2018.

2.2 Respondents requested for clarification on whether the Best Execution requirements would apply to principal transactions, and transactions where orders are placed by one business unit with another business unit within the same Capital Markets Intermediary. In addition, one respondent queried if the application of Best Execution is limited to factors such as nationality of the customers or location of the traders.

2.3 We have also received feedback to consider excluding off-exchange trades, such as negotiated large trades or cross trades between customers of a Capital Markets Intermediary, from the Best Execution requirements, given that such orders are negotiated and agreed bilaterally between the parties. There was also a request to consider excluding securities trades on the local market where customers key in their orders directly into the trading system.

2.4 Respondents also asked whether Best Execution is applicable if the dealing function of fund management companies is conducted by its related entities in other jurisdictions.

MAS' Response

2.5 All trades that are executed, including those on a principal basis, would be subject to the Best Execution requirements, unless the Capital Markets Intermediary has assessed that its customers do not rely on the Capital Markets Intermediary (refer to paragraph 2.17 on assessment of non-reliance). In relation to customer orders passed between business units within the same Capital Markets Intermediary, the entity as a whole would be subject to the Best Execution requirements.

2.6 The Best Execution requirements would apply to a Capital Markets Intermediary for in-scope regulated activities under the SFA. This would include scenarios where the Capital Markets Intermediary owes contractual obligations to a customer (regardless of the customers' nationality and residency), or where dealing in capital markets products or fund management is conducted by the Capital Markets Intermediary.

2.7 A Capital Markets Intermediary should consider how it can fulfil its Best Execution obligation to achieve the best possible outcome on a consistent basis, regardless of whether customers' orders are executed on-exchange or off-exchange (such as for cross trades). In particular, a Capital Markets Intermediary should consider whether its Best Execution obligation is fulfilled when determining the approach in the execution of the customers' orders, such as whether to execute the trade off-exchange or use other execution venues. For example, where a decision has been made to execute the trade off-exchange, the entity should ensure that the trade is executed with an appropriate counterparty and the resulting outcome to the customer is not less advantageous

compared to an on-exchange trade. Where the entity relies on an automated order routing system for an on-exchange trade, the entity should ensure that its infrastructure works as intended and does not result in unnecessary delays in the transmission of orders to the exchange.

2.8 MAS would also like to clarify that the Best Execution requirements are applicable to a fund management company whose dealing function is conducted by its related entity in other jurisdictions. The fund management company will have to ensure that the related entity has equivalent Best Execution policies and procedures in place.

Scope of Products

2.9 MAS proposed that the Best Execution requirements would apply when a Capital Markets Intermediary places or executes an order for purchase or sale of any capital markets products.

2.10 Several respondents sought clarification on whether the scope of capital markets products subject to the Best Execution requirements would be aligned to the expanded product scope following the implementation of the Securities and Futures (Amendment) Act 2017 ("SF(A)A"). There were also several queries on whether specific products, such as structured products and over-the-counter derivatives contracts, would be subject to the Best Execution requirements. In addition, one respondent queried if spot foreign exchange transactions and leveraged foreign exchange transactions of banks and merchant banks would be excluded.

MAS' Response

2.11 The Best Execution requirements would apply to all capital markets products that fall within the definition of securities, units in a collective investment scheme ("CIS"), derivatives contracts or spot foreign exchange contracts for the purposes of leveraged foreign exchange trading. Spot foreign exchange contracts that are not caught within the ambit of the SFA will not be subject to the Best Execution requirements. For Capital Markets Intermediaries that also transact in investments that are not classified as capital markets products (for example, real estate transactions by a REIT management company), the Best Execution requirements would only apply to their transactions in capital markets products (for example, interest rate swap transactions by a REIT management company).

2.12 Additionally, as the exemption under the SFA for the conduct of leveraged foreign exchange trading by banks and merchant banks was removed with the SF(A)A, leveraged foreign exchange transactions of banks and merchant banks would be subject to the Best Execution requirements.

Scope of Customer

2.13 MAS proposed that the Best Execution requirements would apply regardless of the types of customers served by a Capital Markets Intermediary. In dealing with a customer who is an accredited investor, expert investor or institutional investor (collectively known as “non-retail investors”), where a Capital Markets Intermediary has assessed that the customer does not place reliance on the Capital Markets Intermediary to achieve Best Execution, the Capital Markets Intermediary should document its assessment accordingly.

2.14 Several respondents suggested not to subject a Capital Markets Intermediary’s dealings with non-retail investors to the Best Execution requirements, given that such investors are generally better informed and may not require similar level of investor protection as compared to a retail investor. A number of respondents also requested to exclude dealings with affiliates from the scope of the Best Execution requirements.

2.15 In relation to the assessment of non-reliance by non-retail investors, several respondents queried whether they would be allowed to adopt any criteria deemed suitable by the Capital Markets Intermediary, or to rely on guidance provided by other regulators such as the Markets in Financial Instruments Directive (“MiFID”) four-fold cumulative test². In addition, one respondent sought clarity on whether documentation of non-reliance by non-retail investors should be performed on a once-off or per trade basis.

MAS’ Response

2.16 MAS will not subject a Capital Markets Intermediary to the Best Execution requirements when it is dealing with customers that are institutional investors (including their affiliates which are institutional investors), on the basis that these customers are sufficiently sophisticated. In the case of a CIS, MAS recognises that the underlying investors of the CIS would generally expect the CIS to be accorded Best Execution by the fund management company or REIT management company. As such, the Best Execution

² MiFID four-fold cumulative test refers to the guidance provided by European Commission to determine if a customer is legitimately relying on the firm to protect his or her interests in relation to the pricing and other elements of the transaction. The factors for consideration are: (i) which party initiates the transaction; (ii) questions of market practice and existence of a convention to ‘shop around’; (iii) the relative levels of price transparency; and (iv) the information provided by the firm and any agreement reached with the customer.

requirements will apply when a fund management company or REIT management company places or executes an order for a CIS.

2.17 In assessing non-reliance by non-retail investors, a Capital Markets Intermediary may adopt criteria that it has assessed to be appropriate in determining non-reliance. These criteria may include whether the customer is the one who initiates the order, whether the customer specifies the venue and price at which the order should be executed, or relevant guidance provided by other regulators. The criteria should be clearly documented in the Capital Markets Intermediary's policies and procedures. In addition, a Capital Markets Intermediary should also document its assessment for non-reliance, including whether such assessment for non-reliance is performed on a once-off or per trade basis.

Scope of Execution Venue

2.18 MAS proposed that in a situation where there is more than one execution venue or broker available to place or execute a customer's order, the Capital Markets Intermediary should consider the respective merits of each venue or broker.

2.19 One respondent sought clarification on whether dark pools, liquidity providers and market makers are considered as execution venues. MAS also received queries on whether the selection of execution venue or broker can be confined to the affiliated or approved list of venues or brokers of the Capital Markets Intermediary.

MAS' Response

2.20 A Capital Markets Intermediary may confine its trade execution to certain execution venues or brokers, so long as execution on these venues or through these brokers allows it to achieve Best Execution on a consistent basis. In addition, the assessment of selection of execution venues or brokers should be properly documented.

2.21 MAS would like to clarify that execution venues do not only refer to exchanges, and could encompass alternative venues where the execution of trades take place, such as dark pools, liquidity providers and market makers.

Approval of Best Execution Policies and Procedures

2.22 MAS proposed for a Capital Markets Intermediary to establish and implement Best Execution policies and procedures, which should be approved by the Capital Markets Intermediary's Board of Directors and periodically reviewed to ensure relevance.

2.23 Several respondents requested to allow the delegation of approval of Best Execution policies and procedures to relevant management committees. In addition, MAS received several queries on whether a Capital Markets Intermediary is allowed to place reliance on its Group's Best Execution policy.

MAS' Response

2.24 MAS would like to clarify that the Board of Directors of a Capital Markets Intermediary may delegate the approval and review of Best Execution policies and procedures to the relevant management committees, which they have assessed to be appropriate.

2.25 A Capital Markets Intermediary may rely on its Group's Best Execution policy, if it has assessed that the Group policy complies with the Best Execution requirements set out in the Notice and accompanying Guidelines.

Execution Factors

2.26 MAS proposed that a Capital Markets Intermediary consider holistically different factors such as price, costs, speed, likelihood of execution and settlement, size and nature of the customer's orders, where appropriate, to achieve the best available terms for customers' orders. In determining the relative importance and/or the applicability of the different execution factors, a Capital Markets Intermediary should take into account several considerations including types of capital markets products, characteristics of customers' orders and/or execution venues.

2.27 MAS received several requests for guidance on how the different execution factors should be applied. Specifically, respondents queried how the different execution factors should be applied for different types of capital markets products, and whether a Capital Markets Intermediary has the discretion in determining the relative importance of execution factors. A few respondents requested for elaboration on the specific considerations for determining the relative importance of execution factors.

2.28 One respondent further queried whether a Capital Markets Intermediary has the flexibility not to set out the relative importance of execution factors in its Best Execution policies and procedures, given that it may vary in different circumstances.

2.29 Respondents also sought clarification on whether the 'costs' factor includes both execution cost and research cost, and whether fund management companies can receive soft dollars from brokers.

2.30 A respondent informed that the choice of execution venue may not be at the discretion of the Capital Markets Intermediary (for example, when a fund management company provides advice on and/or manages assets held at the customer's designated custodian bank(s)), and questioned whether the Best Execution requirements are applicable in such scenarios.

MAS' Response

2.31 A Capital Markets Intermediary has the discretion to determine the applicability of execution factors and their relative importance for different types of capital markets products based on the facts and circumstances of each situation. Some examples that a Capital Markets Intermediary could take into consideration to determine the relative importance of execution factors include the type of orders (for example, market order, limit order), the size of a customer's order and the liquidity of the execution venue. The Capital Markets Intermediary should minimally document their considerations in determining the relative importance of execution factors in its policies and procedures.

2.32 The 'costs' factor may include research cost, as MAS has not required research cost to be unbundled from execution cost. MAS would like to clarify that fund management companies are allowed to receive soft dollars from brokers only if the following conditions are met: (i) soft dollars received can reasonably be expected to assist in the fund management company's provision of investment advice or related services to the customer; and (ii) the fund management company does not enter into unnecessary trades in order to achieve a sufficient volume of transactions to qualify for soft dollars.

2.33 MAS would like to clarify that the Best Execution requirements are applicable for execution factors that are within the Capital Markets Intermediary's control. For example, if a fund management company does not have discretion over the choice of the execution venue (for example, if the customer has already designated financial institution(s) to carry out the execution), the Best Execution requirement concerning the selection of the execution venue would not apply. However, the fund management company would still need to ensure that it abides by the Best Execution policies and procedures for execution factors that are within its control, such as ensuring it conveys its customer orders to the relevant financial institution(s) for execution in a timely manner.

Monitoring of Best Execution Outcome

2.34 MAS proposed that a Capital Markets Intermediary should establish adequate systems or arrangements to monitor, on a periodic basis, the effectiveness of and compliance with its Best Execution policies and procedures.

2.35 There were several requests from respondents for MAS to clarify the expectations on the monitoring (including the expected monitoring frequency) of the effectiveness of a Capital Markets Intermediary's Best Execution policies and procedures. Several respondents sought clarifications on whether a Capital Markets Intermediary is expected to perform quantitative analysis in monitoring effectiveness of its Best Execution policies and procedures. Respondents also raised concerns over potential costs associated with acquiring sophisticated tools/systems to monitor and analyse data.

MAS' response

2.36 It is not MAS' intention to prescribe the method and monitoring frequency of Best Execution outcomes. While the monitoring of Best Execution outcomes may involve quantitative analysis, it does not necessarily require the use of sophisticated tools. In this regard, a Capital Markets Intermediary may choose to employ various monitoring tools, for example by generating daily execution reports that compare executed trades against benchmarks such as the Volume Weighted Average Price. The monitoring approach chosen by a Capital Markets Intermediary should be commensurate with the nature, scale and complexity of its business.

Disclosure to Customers

2.37 MAS proposed that prior to the placement and execution of customer's orders, a Capital Markets Intermediary should provide sufficient information to its customers on its Best Execution policies.

2.38 Several respondents requested for clarifications on the format of disclosure, including whether the disclosure can be made via its website or as part of the general terms and conditions within the customers' agreement. A respondent also asked if they could provide the disclosure only upon request by the customer. In addition, respondents also queried whether the required level of disclosures should differ between different classes of customers.

2.39 Some respondents have also proposed that obtaining explicit consent from customers for electronic disclosure should not be required.

MAS' Response

2.40 A Capital Markets Intermediary should proactively provide adequate disclosure to all its customers (both new and existing customers) on its Best Execution policies, and ensure that the information is presented in a clear manner. Usage of technical jargon that is not easily understood should be avoided. A Capital Markets Intermediary may disclose its Best Execution policies on its website or in its customer agreement. If the Capital

Markets Intermediary is of the view that different levels of disclosure are necessary to facilitate understanding by different types of investors, it should document the rationale for providing different levels of disclosures in its Best Execution policies and procedures accordingly.

2.41 MAS would like to clarify that a Capital Markets Intermediary is allowed to rely on its established mode(s) of communication to provide the relevant disclosure to their customers, including via electronic means, provided the customers are aware of the mode of communication. A separate customer's consent is not required.

3 Handling of Comparable Customers' Orders

3.1 MAS proposed that a Capital Markets Intermediary implements policies and procedures to place or execute comparable customers' orders in accordance with the time of receipt of such orders.

3.2 Several respondents queried whether there can be exceptions to the requirements in specific situations where it is not feasible to follow strict time priority, such as when executing large orders in tranches, or amalgamating orders for execution.

MAS' Response

3.3 A Capital Markets Intermediary may include exclusions in their policies and procedures where it is not feasible or not in the best interest of customers to execute comparable customers' orders in accordance with time of receipt.

4 Transitional Period

4.1 Several respondents queried if a transition period would be provided to allow Capital Markets Intermediaries sufficient time to implement the necessary changes. In addition, a few respondents also requested MAS to consider introducing a phased-in approach by product classes for the implementation of the Best Execution requirements.

MAS' Response

4.2 Notwithstanding that Capital Markets Intermediaries should have incorporated elements of Best Execution in their current processes, MAS recognises that Capital Markets Intermediaries may require time to formalise their policies and procedures and implement all the necessary Best Execution requirements set out in the Notice and accompanying Guidelines. Hence, an 18-month transitional period would be provided.

4.3 In view of the 18-month transitional period, MAS would not be adopting a phased-in implementation approach.

Annex A

**LIST OF RESPONDENTS TO THE CONSULTATION PAPER ON EXECUTION OF
CUSTOMERS' ORDERS**

1. Allianz Global Investors Singapore Limited
2. Asia Securities Industry & Financial Markets Association
3. Association of Independent Asset Managers Singapore
4. Citibank Singapore Limited, Citibank NA Singapore Branch, Citicorp Investment Bank Singapore Limited, Citigroup Global Markets Singapore Pte Ltd and Citigroup Global Markets Singapore Securities Pte Ltd
5. Deutsche Bank Group Singapore
6. Eastspring Investments (Singapore) Limited
7. Fullerton Fund Management Company Ltd
8. IHS Markit
9. Investment Management Association of Singapore
10. Maybank Singapore, who requested confidentiality of submission
11. REIT Association of Singapore, who requested confidentiality of submission
12. Securities Association of Singapore, who requested confidentiality of submission
13. Singapore Exchange Limited, who requested confidentiality of submission
14. Sumitomo Mitsui Banking Corporation Singapore Branch
15. The Hong Kong and Shanghai Banking Corporation Limited, Singapore Branch and HSBC Bank (Singapore) Limited, who requested confidentiality of submission
16. Respondent A, who requested confidentiality of their identity
17. Respondent B, who requested confidentiality of their identity
18. Respondent C, who requested confidentiality of their identity
19. Respondent D, who requested confidentiality of their identity
20. Respondent E, who requested confidentiality of their identity
21. Respondent F, who requested confidentiality of their identity
22. Respondent G, who requested confidentiality of their identity and submission

23. Respondent H, who requested confidentiality of their identity and submission

Please refer to Annex B for the submissions.

Annex B

**FULL SUBMISSIONS FROM RESPONDENTS TO THE CONSULTATION PAPER
ON PROPOSED REVISIONS TO EXEMPTION FRAMEWORK FOR CROSS-
BORDER BUSINESS ARRANGEMENTS**

S/N	Respondent	Full Responses from Respondent
1.	Allianz Global Investors Singapore Limited	<p>General comments:</p> <p>Nil</p> <p>Question 1. MAS seeks comments on the Best Execution requirements in the draft Notice and the draft guidelines to the Notice, set out in Annex 1 and 2.</p> <p><u>Annex 2 – Guidelines</u></p> <p>1. In regards to Section 3.2, “The Best Execution policies and procedures have to be approved by the capital markets intermediary’s board of directors, and periodically reviewed to ensure that it remains relevant.”</p> <p>Query: As a global fund manager, our Global Trading Policy (which comprises Best Execution policy, among others) is authorised by a global investment management group which comprises the Global CEO/CIO and Global Heads of different Asset classes.</p> <p>To the extent that such global policy meets MAS' requirements, does MAS still require such policy to be separately approved by the local fund manager's board of directors?</p> <p>2. In regards to Section 5, “Disclosure to Customers on Order Execution”</p> <p>Query: For fund managers, can the MAS advise on how to operationalise disclosure requirements to customers for (1) funds and (2) segregated mandates?</p> <p>i.e. For funds, should Best Execution policies be disclosed in a fund's offering documents (e.g. Prospectus)?</p> <p>For segregated mandates, should Best Execution policies be disclosed in the Investment Management Agreement (“IMA”)?</p>

		<p>There seems to be little practicable value for disclosure requirements to be included in the offering document or IMA because for retail funds, such information would hardly help customers in appraising fund suitability. For IMAs, which are usually signed with sophisticated clients such as Institutional Investors, such clients are already very sensitive to performance and are well positioned to closely track and question the fund manager on the performance of their investments.</p> <p>Question 2. MAS seeks comments on the handling of comparable customers' orders requirement set out in the draft Notice.</p> <p>Nil</p>
2.	Asia Securities Industry & Financial Markets Association	<p>General comments:</p> <p>We thank the Monetary Authority of Singapore ("MAS") for providing the Asia Securities Industry & Financial Markets Association ("ASIFMA") the opportunity to provide feedback to the consultation paper on Execution of Customers' Orders, the Draft Notice and the Draft Guidelines (together the "Draft Rules").</p> <p>We understand MAS is keen to supplement existing conduct requirements on handling and execution of customers' orders and to enhance investor protection by requiring financial institutions to put in place formal policies and procedures in respect of the placing or execution of customers' orders on best available terms (i.e. "Best Execution").</p> <p>Our member institutions support such a mandate, but take the view that these should, to the extent it is practicable, be aligned with international standards and best practices, taking into consideration the conditions and developmental stage of local capital markets. We also respectfully ask MAS to consider the possible unintended consequences, and take a measured and staggered approach to the implementation of these requirements in Singapore. In addition, given the recent experiences that European entities have faced in the implementation of Best Execution requirements under MiFID 2, we believe there are certain clarifications that can be made by MAS when publishing the rules, as set out below. In particular, we believe additional clarity on the scope of "Best Execution" obligations and the corresponding determination of extra-territoriality of the draft consultation will be helpful to our members.</p>

		<p>One final general comment: We note that there was no indication of implementation timeline provided in the Consultation Paper. We would be grateful if MAS could provide an indication on the timeline so that the intermediaries can prepare themselves.</p> <p>Question 1. MAS seeks comments on the Best Execution requirements in the draft Notice and the draft guidelines to the Notice, set out in Annex 1 and 2.</p> <p>1) Reliance upon comparable regimes: The MAS is no doubt aware that many other jurisdictions have regulatory rules regarding best execution requirements. The most notable example of such requirements is the Markets in Financial Instruments Directive (“MiFID”) which EU banks comply with in respect of in-scope clients and activities.</p> <p>Singapore branches of third country banks and subsidiaries of international banking groups may operate IT systems and other operational processes which are “global” in nature. As such processes may already comply with MiFID, there may be difficulties in how to alter such processes to match Singapore-specific requirements. As a result, we would like to propose that the Notice and Guidance provide flexibility in how a Singapore branch or a subsidiary in an international financial services group may adhere to the proposed best execution requirements. Specifically, the MAS could consider including guidance to the effect that the relevant entity may satisfy one or more Singapore requirements by voluntarily applying policies and procedures which comply with standards set out in MiFID.</p> <p>Any such comparability framework will require careful drafting. For example, EU banks may not technically be required to adopt the MiFID standard for certain aspects of their Singapore business. Therefore, the drafting of the MAS guidelines would need to ensure that entities which are subject to MiFID for some of their global business may choose to extend existing policies to their Singapore business on a voluntary basis. MAS guidelines could also clarify that the application of MiFID standards could be in whole or in part depending on the circumstances of the relevant entity. In some instances, and for some entities, applying existing MiFID-compliant processes across all business lines can be expedient, but for other businesses, applying a Singapore requirement for some products and a MiFID requirement for others may make more sense. Various circumstances may affect how entities implement best execution requirements, including booking models, desk structures, IT systems, order types and product scope. Ensuring flexibility in this regard will</p>
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		<p>allow entities to implement best execution requirements in a way that reduces disruption but still meets all of the MAS' objectives on this matter.</p> <p>2) Product Scope: We would like clarity on the scope of the activities subject to best execution requirements. While paragraph 2.1 of the draft Notice sets out a definition of capital markets intermediary, paragraph 3.1 refers to capital markets products. "Capital markets product" is currently defined under the SFA as including "securities, futures contracts, contracts or arrangements for the purposes of leveraged foreign exchange trading...". "Securities" includes derivatives which reference securities as the underlying instrument. We understand that pursuant to the SFA (Amendment) Act, the above definition will be amended. In light of the impending SFA Amendment, we seek clarification if the "Best Execution" obligations are intended to apply to the existing capital markets product definition or to the new capital markets product definition under the SFA (Amendment) Act. Also, as the scope of SFA regulated activities will also be amended to extend to OTC derivatives, we would like to enquire whether the Notice and Guidelines are intended to apply to all capital markets products (including certain types of OTC derivatives) either now or in the future. We would recommend that OTC derivatives be excluded from the Best Execution requirements as it is difficult to demonstrate how these can be complied with in the context of bilateral negotiations.</p> <p>3) In any case, we believe the Best Execution requirements should specifically (and expressly) exclude the following products from scope:</p> <ul style="list-style-type: none">• Loans• Structured transactions (including derivatives or capital markets products traded as part of a wider arrangement). This is critical because structured products are highly customised and complex in nature and extending Best Execution requirements to these products may not be feasible• Spot FX – specifically O/N (overnight), tom/next and short-dated deliverable FX forwards for securities settlement• Purchase and sale of securities as part of a repo/stock loan transaction <p>4) We wish to seek clarity on what MAS intends to capture when referring to "regardless of the capacity which a Capital Markets Intermediary is acting in (i.e. whether as an agent or principal)." Specifically, we would like to understand MAS' expectations on the</p>
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		<p>extent to which the best execution requirements apply to an intermediary passing on customers' orders.</p> <p>5) We seek clarity on whether there will be a “grace period” for capital markets intermediaries to make changes to their best execution policies and procedures after the Notice and Guidelines are implemented. Given the potential operational complexity in implementing best execution across various products and bank systems, we would request a grace period of at least 12 months.</p> <p>6) Among the factors stated under section 2.1 of the Guidelines, which are the factors that MAS would consider as of greater importance and is there any ranking preference recommended by the MAS?</p> <p>7) Section 3.2 of the Guidelines states that the best execution policies and procedures have to be approved by the capital markets intermediary’s board of directors. The proposed definition of "capital markets intermediary" under paragraph 2.1 of the draft Notice includes branches and/or subsidiaries of financial institutions incorporated overseas. Therefore, we respectfully submit that the wordings of paragraph 3.2 in the Draft Guidelines be amended to allow for approval of the policies and procedures by relevant governance committee commensurate with the nature, scale and complexity of the business of the capital market intermediary instead. If the MAS is not minded to the proposed amendment above, we would like to enquire whether it would be possible for the board of directors to delegate this responsibility to a specific business or country management committee or business heads, especially for bank branches, or business heads for review and approval.</p> <p>8) Section 3.4 on the relative importance and the applicability of the various factors states that the Capital Markets Intermediary (CMI) should take into account the types of customers it serves, types of capital markets products it accepts orders for, characteristics of the execution venues or entities to which the order can be directed, and characteristics of customer’s orders. More clarity on what the MAS is referring to as “characteristics of customers’ orders” would be desirable.</p> <p>9) Customer Scope: Section 3.4 of the draft Guidelines to Notice on Execution of Customers’ Orders states that a capital markets intermediary should take into account the types of customers it serves as a consideration. We would query the need for accredited and institutional clients to need best execution protections. Under</p>
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		<p>MiFID 2, certain customers (e.g. professional counterparties) need not be provided Best Execution, and there is, effectively, in place a mechanism for customers to opt in/out of scope. We believe there is merit in following this approach, such that certain professional (i.e. non-retail) or regulated customers may opt out of receiving “Best Execution” in respect of their orders. However where these protections are to be applied, in order for capital markets intermediaries to avoid duplicating efforts in reviewing customer types, we would propose that the Guidelines be implemented simultaneously with the SFA amendments which alter the definitions of “accredited investor”, “expert investor” and “institutional investor”.</p> <p>Paragraph 3.5 of the proposed Guidelines also imply that, where an entity decides that a client is not legitimately relying on it for best execution, that best execution requirements do not apply. However making this connection express rather than implicit will ensure the MAS and market participants’ interpretation is aligned on this point. Also, In this context with specific reference to Paragraph 3.5, we seek MAS’ clarification whether the intermediary’s documentation of judgment to determine the circumstances under which such a customer does not rely on the intermediary to place or execute his order(s) on the best available terms, could be done on a once-off basis instead of per-trade basis. Additionally, the Guidelines also do not set out any guidance on how legitimate reliance may be established. Under MiFID there are four tests to establish legitimate reliance: (i) noting the party that initiates the transaction; (ii) existing market practice and whether clients may “shop around”; (iii) the relative levels of price transparency in the relevant market; and (iv) the information provided by the regulated entity and what has been agreed between that entity and its client. The MAS may wish to consider additional guidance and the adoption of similar criteria.</p> <p>10) Customer orders: “order” for the purposes of the draft rules is defined as follows</p> <p>“in relation to a customer, includes an order for, or a transaction of, purchase or sale of any capital markets products which is placed by a capital markets intermediary, on behalf of or with a customer or the customers of the capital markets intermediary –</p> <ol style="list-style-type: none">1. directly on any market;2. with another capital markets intermediary which carries on business in dealing in securities, trading in futures contracts or
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		<p>leveraged foreign exchange trading, or any combination of the foregoing; or</p> <p>3. with any person who is licensed, authorised or otherwise regulated in relation to a comparable type of a regulated activity mentioned in sub-paragraph (b) in a foreign jurisdiction.”</p> <p>While this does not seem to include requests for quotations (“RFQs”), we believe RFQs should be specifically excluded from the Draft Notice as a capital markets intermediary would not be acting on behalf of a customer in such an instance.</p> <p>11) Paragraph 3.7 of the proposed Guidelines refers to venues and brokers and we seek clarity on what constitutes a venue or broker for these purposes. Specifically, are only Singapore venues or brokers in scope for consideration and are liquidity providers or market makers in scope as well? If venues outside Singapore are in scope, the MAS should consider clarifying the Guidelines as different jurisdictions have different terminology / market structures in this regard.</p> <p>12) With reference to Paragraph 3.5 of the Consultation Paper and Section 4 of the draft Guidelines, we would be grateful if MAS could provide more clarity on what would be considered adequate for the monitoring on a periodic basis, of the effectiveness of the policies and procedures to reduce ambiguity of interpretation on the part of the intermediaries.</p> <p>13) Paragraph 5.1 of the proposed Guidelines refers to customer disclosures. We seek confirmation that the MAS expects best execution disclosures to be made when on-boarding a client and not on a per-trade basis. It would also be useful to clarify what precisely the expectation is in terms of disclosure that is provided by electronic means if customers’ consent is obtained. More specifically, does this mean that an email disclosure can be provided only if the customer consents in advance to such disclosure. We also do not think that accredited or institutional investors should be required to consent to obtaining electronic disclosure instead of a written disclosure. References to written disclosures are increasingly being construed to already include electronic disclosures (e.g. email). The MAS may wish to clarify that “written” does not include electronic disclosures and the MAS should consider applying the consent requirement only in respect of retail customers (if it is to be required at all). MAS may also wish to clarify whether negative consent would be appropriate as it is difficult to obtain an express consent or express non-consent from customers in many instances.</p>
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		<p>Question 2. MAS seeks comments on the handling of comparable customers' orders requirement set out in the draft Notice.</p> <p>1) Under Paragraph 3.1 of the Notice, a capital markets intermediary must establish and implement written policies and procedures to place or execute, or both, as the case may be, comparable customers' orders in accordance with the time of receipt of such orders. We would like to seek clarity on what is determined as "receipt of order". Also in the context of this paragraph 3.1 of the Notice (and Paragraph 4.1 of the Consultation Paper), we would be grateful if MAS could provide more precise guidance on the handling of "comparable customers' orders". Depending on interpretation of the requirements, there could be a potential conflict with order handling requirements (e.g. when an aggregated order is partially filled, should the partial filled order be allocated based on proportionality or time priority?) We respectfully submit that the guidelines could be amended to provide intermediaries with discretion to determine when the best execution requirement for handling of comparable customers' orders need not be followed (e.g. when algo orders are placed)</p> <p>2) Extra territoriality: The draft rules are expressed to apply at the entity level (i.e. to the bank, merchant bank or the capital markets services license holder). We request clarification that best execution requirements proposed should only apply where (a) the entity or (b) the branch (where the entity is incorporated outside of Singapore) on the one hand AND (c) the trader location on the other hand are both in Singapore, on the basis that where price formation is outside Singapore, these transactions should be subject to other local best execution policies or practices.</p>
3.	Association of Independent Asset Managers Singapore	<p>General comments:</p> <p>EAM business module differs from traditional Fund Managers, Private Banks, Brokers, Dealers and other Asset Managers that have direct client's relationship whereby they will take clients' instruction to execute trades as a counter-party. Often EAMs are given discretionary mandate to manage clients portfolio holistically and there are EAMs also give non-discretionary investment services that customers may continue to direct their investments but order placements are done through EAMs that have been given a Limited Power of Attorney to grant access to customer's custodian bank/broker/dealer and EAM is authorized to pass on such customers' orders to their chosen</p>

		<p>broker/dealer/custodian bank where their bank account is being held and securities holdings are held custody at.</p> <p>It is important for the industry and the market place to understand the rationale for MAS to consider this further regulatory move. Do we not already have enough framework in place to govern this aspect of market practice? If it is a move to try to align to overseas practice e.g. MiFID II, each financial centre has to assess the practicality and extent of impact on costing, infrastructure and knowledge in both the industry as well as the customer level to ensure such introduction is a practical, constructive and effective regulation to bring positive change to business conduct as well as customer knowledge and experience. Currently the industry is already trying to cope with and worked diligently to ensure it is CRS ready/compliant in addition to many others that have introduced over these 2 years from MAS on outsourcing, IT Technology Risk Management etc.</p> <p>Question 1. MAS seeks comments on the Best Execution requirements in the draft Notice and the draft guidelines to the Notice, set out in Annex 1 and 2.</p> <p>As external asset managers (EAMs) value add is to do what is appropriate within the regulations to deliver the most favourable outcome for EAM customers. Though a noble idea to require EAMs to disclose to clients the written policies and procedures in place to show how the most favourable customer order execution outcome is being obtained, in practice and in reality many clients would not even bother to read through it as it normally a long and boring document with contents that cannot easily be understood by the customers. Such concept may be applicable for large institutional customer like pension funds and endowment etc who will have the right staff force, knowledge and infrastructure in place to conduct such level of detail understanding which they have already accessed to and equipped to do this.</p> <p>This is because:</p> <ol style="list-style-type: none">1. what is best execution and best available terms are very subjective. For instance para 3.2 of the consultation paper acknowledges that the CMIs should consider 'holistically' different factors such as price, costs, etc. In matters relating to markets and trading, a lot depends on management style and mandate of the company and sometimes each representative. "Best execution" could also vary depending on the risk profile of clients. EAMs tend to be boutique firms that have limited execution venue or counterparty choices as
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		<p>bigger FIs and may not have the same capabilities. For example, EAMs generally have a limited number of relationships with brokers because volumes traded by EAMs are not enough to allow each EAM to have hundreds of counterparty relationships. This may be exacerbated in cases where the investment product, e.g. certain types of bonds, have scarce liquidity. Moreover, often EAM clients book their assets with their own chosen custodian bank thus the orders have to route through these chosen custodian banks, it is not a choice of EAM as to which bank the order can be directed as it needs to follow where the customer account is held. Once the order is placed through the customer chosen custodian bank, the choice of brokers and best execution is at the hand of these banks not at EAMs. It is therefore a redundant exercise to request and expect the EAM to have a best execution policy to enforce these banks to do the right thing as such custodian bank should already have the same best practice in line with the regulatory rules in place. What EAMs do is to check that the execution is done timely and in its best possible manner (after the fact) as EAMs can only conduct such check when the execution details are given by the Bank. EAMs if they found any discrepancy, EAM will raise the query on behalf of the customer to the custodian bank to reply. That is what normally the EAM will do as part of their add value service to the customers.</p> <p>2. A “best execution” policy seems to overlap with conduct of business regulations (see part IV of the Securities & Futures (Licensing & Conduct of Business) Regulations that most CMS licensees are already required to comply with. If we are required to detail yet another ‘best execution’ policy, we will of course abide but it may not be necessary in light of what is already in place.</p> <p>If the Notice and Guidelines are to be implemented:</p> <p>1. CMIs should not be required to document and justify that they have achieved best execution for every single order or instruction from a client, in contrast to Annex 2 para 3.5 which suggest this could be required. This would be too tedious as on a day to day basis EAMs place a lot of orders on behalf of clients, for both discretionary and advisory clients. Clients hire EAMs/FIs to act as their trusted advisors and do not necessarily have the financial knowledge or even time to monitor if every single trade achieved best execution. If MAS imposes fine on EAMs/CMs without documenting and</p>
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		<p>justifying best execution of every trade would be highly market unfriendly and impractical.</p> <p>2. There should be more guidance as to how FIs can (a) meet and (b) document that they met, the best execution obligations. Preferably there should be clear examples showing this for different types of fund managers (e.g. fund managers with no discretion or fund managers managing comingled funds etc). There should also be more specific thresholds provided e.g.: giving an acceptable timeframe between receipt of customer's orders till execution / a percentage range of what is deemed by the authorities to be acceptable for e.g.: likelihood of execution and settlement. More study should be conducted at MAS to understand who exactly clients' orders are placed by PBs, EAMs and Multi-family Offices and not merely looking at traditional fund management houses as the market standard.</p> <p>Question 2. MAS seeks comments on the handling of comparable customers' orders requirement set out in the draft Notice.</p> <p>N.A.</p>
4.	<p>Citibank Singapore Limited, Citibank NA Singapore Branch, Citicorp Investment Bank Singapore Limited, Citigroup Global Markets Singapore Pte Ltd and Citigroup Global Markets Singapore Securities Pte Ltd</p>	<p>General comments:</p> <p>Citi Singapore is generally supportive of the proposed enhancements to the existing business conduct requirements, applicable to CMS licensees, banks, merchant banks and finance companies, relating to the handling of customers' order. In response to the consultation paper, we have set out below our comments and feedback for your consideration.</p> <p><u>Scope of the Proposed Enhancements</u></p> <p>We understand that the Monetary Authority of Singapore ("MAS") intends to apply these proposed enhancements to CMS licenses, banks, merchant banks and finance companies that conduct the regulated activities of dealing in securities, trading in futures contracts, leveraged foreign exchange trading ("FX") and/or real estate investment trust management under the Securities and Futures Act ("SFA"). Given the proposed amendments to the definition of regulated activities under the SFA, we assume these requirements will similarly apply to Over-the-Counter ("OTC") derivatives when the amendments take effect.</p> <p><u>Spot and Leveraged Foreign Exchange (FX)</u></p>

		<p>Banks and merchant banks are currently excluded from the regulated activity of Leveraged FX under the SFA. Prior to the effective date of the proposed amendments to the SFA which would remove this exemption, we would like to confirm the best execution requirements will not apply to banks and merchant banks till then. In addition, we understand that spot FX will continue be out of scope under the SFA. Thus, we assume the MAS' intent is to place reliance in relation to the best execution requirements under the FX Global Code for all FX products.</p> <p>There is a separate Singapore Foreign Exchange Market Committee consultation, seeking to incorporate the FX Global Code practices into the Singapore Blue Book. Unlike the FX Global Code, the Singapore Blue Book covers a wide range of OTC derivatives products including commodities, credit, interest rates etc. In that regard and to the extent where there are available market codes already in place to guide the appropriate handling of client orders, we would appreciate clarity as to the applicability of the draft Notice and Guidelines.</p> <p>Question 1. MAS seeks comments on the Best Execution requirements in the draft Notice and the draft guidelines to the Notice, set out in Annex 1 and 2.</p> <p><u>Annex 1 – Draft Notice</u></p> <p><u>Section 2.1 - Definition</u></p> <p>The definition of “capital markets intermediary” includes the CMS licence holders and persons exempted from licensing under section 99(1)(a), (b) or (c) of the SFA. Thus, we would like to confirm the intention is not to capture persons outside this group. For example, our offshore branches and affiliates which may be exempted from licensing through approved paragraph 9 arrangements etc.</p> <p>We would also like to understand how these requirements would apply when a Singapore-based salesperson and/or trader executes orders that are booked in our offshore branches and affiliates facing a client in Singapore or elsewhere.</p> <p><u>Section 3 – Policies and procedures in relation to customers’ orders</u></p> <p>For global financial institutions, there may be existing global/regional policies in relation to the handling of customers’ orders. We would like to confirm that the use of such policies would suffice to address</p>
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		<p>the MAS' expectations on this area. In the event that such policies do not exist or are in the midst of being developed, we request the MAS to permit a grace period of at least 12 months to implement the necessary to comply with this requirement.</p> <p><u>Annex 2 – Draft Guidelines</u></p> <p><u>Section 3.1</u></p> <p>We would like to clarify the scope of “capital markets products” and whether the MAS' intent is to apply the scope in accordance with Section 2 of the SFA. Specifically, whether structured products and structured deposits, such as dual currency investments, including gold linked dual currency investments, equity linked accounts and currency trading accounts would be covered under these requirements.</p> <p><u>Section 3.2</u></p> <p>Section 3.2 requires the Best Execution policies and procedures to be approved by the capital market intermediary's board of directors. We request for local entities that follow global and/or regional policies and procedures, this requirement would be deemed as met. In the event if specific board approval is still required, for local branches, we propose the board's approval requirement to be met via approvals at a local senior management committee such as a Country Coordinating Committee etc.</p> <p><u>Sections 3.4 and 3.5</u></p> <p>Sections 3.4 and 3.5 require the capital market intermediary to document its <i>“judgement to determine the circumstances under which such a customer does not rely on the intermediary to place or execute his order(s) on the best available terms”</i> and <i>“the basis for selecting the venue(s) or broker(s) which are able to place or execute the customer's order on the best available terms on a consistent basis.”</i> respectively. In that regard and also, the practical difficulties in documenting all judgemental considerations when it comes to products such as OTC derivatives, we propose that so long as the policies and procedures set out how the capital market intermediaries consider various events such as market liquidity, product complexity etc., it would imply these expectations have been met.</p> <p><u>Section 4</u></p>
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		<p>Section 3.5 provides that a capital markets intermediary would be regarded as having satisfied its Best Execution obligations where it executes an order following specific instructions from the customer. With respect to that, we seek the MAS' clarification on the extent to as to whether Best Execution monitoring apply to self-service channels such as online brokerage platforms, where customers indicate the prices at which they would transact and the capital markets intermediary executes the order according to these instructions.</p> <p>In addition, monitoring of compliance with the best execution policies and procedures would require the firm to implement new processes and infrastructure especially when the scope includes over-the-counter derivatives activities. In that regard, we respectfully request the MAS to consider granting a grace period for the capital market intermediaries to implement the necessary to comply with this requirement. We would also like to highlight that in the event, this requires system automation and changes to processes and infrastructure, it would require an extended implementation time. Thus, we propose for due consideration of a phased implementation across the various capital markets products.</p> <p><u>Section 5</u></p> <p>The MAS is proposing for the capital market intermediaries to <i>provide "sufficient information to our customers on our Best Execution Policies and any material changes made to its policies thereafter"</i>. Such <i>"information must be provided to the customers in writing, including via electronic means provided the customer's consent is obtained."</i></p> <p>As part of our sales process, some of our businesses may already require customers to acknowledge that they have read, understood and accepted our business terms and conditions, and relevant product disclaimers. We seek the MAS' confirmation if section 5.1 could be satisfied if the terms and conditions are updated to reflect the bank's Best Execution policies and provided to the customer at inception of the relationship or whenever updated. We also seek confirmation on whether alternate channels of disclosure, such as the publishing of the policies or the terms of business covering this area on a company website would be acceptable.</p> <p>Question 2. MAS seeks comments on the handling of comparable customers' orders requirement set out in the draft Notice.</p>
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		<p>With respect to the handling of client orders, we support the requirement for fair and transparent execution. We note however that methods of handling client orders to provide the best outcome for clients may differ from market to market. For example, principle 9 of the FX Global Code highlights the need for Market Participants to make their clients aware of how orders are handled and transacted, but recognises appropriate methods may include aggregating orders or time prioritising.</p> <p>In addition, when handling comparable orders, there may be other factors of consideration which may include price, costs, speed, likelihood of execution and settlement, size and nature of the order, or any other considerations relevant to the placement and/or execution of the order. Thus, we seek the MAS' clarification on the extent to which Best Execution should be calibrated. Alternately, the MAS may permit the capital markets intermediaries to set out factors which it would consider under Best Execution and depending on market conditions, allowing flexibility of one factor over another.</p>
5.	Deutsche Bank Group Singapore	<p>General comments:</p> <p>Deutsche Bank (DB) appreciates the opportunity to provide feedback to the Monetary Authority of Singapore (MAS) consultation paper on Execution of Customers' Orders. Our comments are informed by our experience as a Globally Systemically Important bank (G-SIB) operating in multiple jurisdictions subject to best execution practices particularly in markets such as equities and futures and the challenges that may arise as well in other market segments with different characteristics.</p> <p>We appreciate that the draft Notice and Guidelines take into account feedback from the industry's discussions earlier this year and we support a principles-based approach to best execution in ensuring activities are conducted in a fair manner and to act in the interests of our customers. We respectfully request MAS provides sufficiently lead time and/or a staggered implementation timeline for capital markets intermediaries to implement the best execution requirements as this will require both internal and external changes.</p> <p>We provide further details in our response below.</p> <p>Question 1. MAS seeks comments on the Best Execution requirements in the draft Notice and the draft guidelines to the Notice, set out in Annex 1 and 2.</p>

		<p><u>Key points on draft Notice as set out in Annex 1:</u></p> <p><u>Proposed scope</u></p> <p>We seek clarification whether the definition of capital markets products in paragraph 3.1 refers to the current definition in the Securities and Futures Act or to the expanded definition in the Securities and Futures (Amendment) Act 2017, which is yet to be gazetted. It should be noted that the types of regulated activities in the Second Schedule of the Securities and Futures (Amendment) Act 2017 will also be changed, i.e., the regulated activity of “dealing in securities”; “trading in futures contracts” and “leveraged foreign exchange trading” will be replaced with “dealing in capital markets products”. In light of this, we seek to understand how the regulated activities listed in paragraph 2.1 will interact with the impending changes in the Securities and Futures (Amendment) Act 2017.</p> <p><u>Definition of “Order”</u></p> <p>In paragraph 2.1, under the definition of “order” in relation to customers’ orders placed by a capital markets intermediary directly on any market, this should not include orders for any auction process. For example: in the Singapore Government bond primary auction process, a single price is determined for all auction participants and allocated accordingly, regardless of when the order was placed or order size, as long as it is within the time limit set by the auction process. It may be possible that certain orders may not be accepted in full if they are submitted close to the auction cut-off time, however, as a primary dealer (PD), DB will always participate in the primary bond auction process.</p> <p>As a capital markets intermediary will have no control over price or allocation in an auction process, we are of the view that this activity should not be subject to best execution requirements.</p> <p>Further, in a “request for quote” situation where a customer requests for a quote from a capital markets intermediary and accepts the quote, our view is this will not be subject to best execution policy as a capital markets intermediary will not be acting on behalf of a customer in such an instance.</p> <p><u>Key points in draft Guidelines as set out in Annex 2:</u></p> <p><u>Approval requirements</u></p>
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		<p>As an international financial institution operating through a local branch, we and other such large financial institutions may wish to leverage existing group policies which may have been approved by delegated committees instead of the Board of Directors. Given the scale and complexity of such entities, it may be unduly onerous to require the Board of Directors to approve the best execution policies applicable only to the Singapore branch. We suggest that MAS provides flexibility for the best execution policies to be approved and periodically reviewed by the local or regional management.</p> <p><u>Disclosure of the relative importance of execution factors</u></p> <p>In paragraph 3.3, as the relative importance of execution factors is dynamic and may change when placing and/or executing customers' orders, we believe the requirement to disclose the relative importance of the various execution factors in the best execution policy would limit a capital market intermediary's ability to execute customers' orders. Instead, we suggest listing the execution factors in the best execution policy without the need to disclose the importance placed on each execution factor if a capital market intermediary chooses not to do so. We think that this is consistent with the policy intent expressed in paragraph 3.7 of the Consultation Paper which states "a Capital Market Intermediary could consider including information, for example, on the relative importance of factors of consideration in its placement and/or execution of customers' orders for each class of capital markets products".</p> <p>We believe it is necessary to maintain flexibility regarding the relative weighting of execution factors to ensure optimal execution when considering aspects such as market conditions and the nature of the customers' orders. Being bound to execute orders according to static execution factors would not be in the best interests of a customer.</p> <p><u>Disclosure to Customers on Order Execution</u></p> <p>Regarding the requirement for customer consent in paragraph 5.1, we would like to seek clarification if our understanding is correct that client consent is required to be obtained where a capital markets intermediary is providing information via electronic means. If this is the case, we respectfully request MAS to consider removing the requirement to obtain specific client consent for provision of information via electronic means as it is efficient and commonplace for notices to be provided electronically, for example: via email or posted on website. If MAS' concern is that clients may not be aware where information is posted on a website, we suggest that capital markets intermediaries may be required to draw to the clients'</p>
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		<p>attention where the information may be posted, as opposed to requiring prior consent to receive information via electronic means.</p> <p>We support the requirement to disclose appropriate information to customers. In satisfying the requirement, we respectfully request that a capital markets intermediary be allowed the flexibility to determine the mechanics of such a disclosure, for example, disclosure may be furnished upon request or available on a broker's website. We also would like to seek clarification on the granularity requirements for disclosure of information, so as to understand what would be considered sufficient information for a capital markets intermediary to provide regarding its best execution policies.</p> <p>Question 2. MAS seeks comments on the handling of comparable customers' orders requirement set out in the draft Notice.</p> <p>We suggest that the handling of comparable customers' orders would not be limited to time of receipt of order as there may be instances where the characteristics of the order or the market conditions (such as fast markets) make this impractical, or the interests of the client require otherwise.</p>
6.	Eastspring Investments (Singapore) Limited	<p>General comments:</p> <p>NIL</p> <p>Question 1. MAS seeks comments on the Best Execution requirements in the draft Notice and the draft guidelines to the Notice, set out in Annex 1 and 2.</p> <p>We note that MAS has set out in paragraph 3.5 of the consultation paper that <i>"A Capital Markets Intermediary should put in place a monitoring framework, commensurate with its size and complexity of operations, which can demonstrate that its Best Execution arrangements are sufficient to achieve the best available terms for its customers on a consistent basis."</i></p> <p>MiFID I required firms to <i>"take all reasonable steps to obtain, when executing orders, the best possible result for their clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order"</i>. MiFID II raised the bar by requiring firms to <i>"take all sufficient steps to obtain, when executing orders, the best possible result for their clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration"</i></p>

	<p><i>relevant to the execution of the order</i>". In this regard, ESMA had clarified in its "Questions and Answers on MiFID II and MiFIR investor protection and intermediaries topics" that "<i>whilst firms remain subject to the same overarching obligation to obtain the best possible results on a consistent basis when executing client orders, the requirement for "sufficient" steps sets a higher bar for compliance than "reasonable" steps</i>".</p> <p>In this regard, we would appreciate clarifications on MAS' expectation on how fund management companies can demonstrate that its Best Execution arrangements are "sufficient" with respect to MAS' proposals in the consultation paper. Clear guidance, taking into account the market place development, is beneficial before MAS proceeds with the issuance of a Notice for a Capital Market Intermediary to establish and implement written policies and procedures to place and/or execute customer orders on best available terms.</p> <p>In addition, paragraph 5.1 of the draft Guidelines sets out that "<i>a capital markets intermediary should provide sufficient information to its customers on its Best Execution policies and any material changes made to its policies thereafter. The information must be provided to the customers in writing, including via electronic means provided the customer's consent is obtained.</i>" For clarity, we would appreciate MAS' further guidance on where the information should be disclosed.</p> <p>Question 2. MAS seeks comments on the handling of comparable customers' orders requirement set out in the draft Notice.</p> <p>We would appreciate MAS' clarification on the definition of "<i>comparable customers' orders in accordance with the time of receipt of such orders</i>".</p> <p>Fund management companies, especially those which operate as regional dealing hubs, typically aggregate orders to trade at a stipulated cut-off time to ensure that such orders are executed on the best available terms. Given the additional emphasis on handling of comparable customers' orders in accordance with the "<i>time of receipt</i>" of orders, we would also appreciate clarification on MAS' expectation on how fund management companies can demonstrate best execution, which take into account various factors such as price, cost and time.</p>
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		<p>In addition, we would like to seek MAS' clarifications on whether the "handling" of customers' orders refers to acknowledging the trade (i.e. time stamping) and working on it (i.e. actual execution).</p> <p>Lastly, we note that although this requirement has been set out in the draft Notice, MAS has not set out further guidance on this requirement in the draft Guidelines. As such, for clarity, MAS may consider to include guidance, relating to our above feedback raised on the handling of comparable customers' orders, in the draft Guidelines.</p>
7.	Fullerton Fund Management Company Ltd	<p>General comments:</p> <p>NIL.</p> <p>Question 1. MAS seeks comments on the Best Execution requirements in the draft Notice and the draft guidelines to the Notice, set out in Annex 1 and 2.</p> <p>a) <u>Draft Guidelines (Annex 2), Para 2.1 – Overarching requirement</u></p> <p>Some suggestions to the wording of the factors for best execution—apart from "price", the policy should consider using "liquidity access" and "deployment of technology" as key considerations in trade implementation.</p> <ul style="list-style-type: none"> • The phrase "liquidity access" captures a broader scope and should replace "size of order" in current statement. Former will also mean accessing blocks in lit and unlit markets, in global financial markets. • With the passage of time, markets continue to fragment globally and more complex algorithms continue to evolve. Therefore "deployment of technology" in implementation ensures work efficiency and be in the interest of end clients. • To also note "costs" are usually regarded as explicit costs; namely commissions and custodian charges. Regarded by industry as tip of the iceberg and getting lower; hence less important. <p>b) <u>Draft Notice (Annex 1), Para 3.2</u></p> <p>Making reference to para 3.2 of draft Notice "procedures to place or execute" and proposal to look at Best Execution from a broader scope, policy may consider requesting capital markets intermediaries to have "procedures to place or execute, and have a framework to ensure sufficient steps are taken to understand the entire trade life</p>

		<p>cycle across different class instruments; from order generation to post execution.”</p> <p>Question 2. MAS seeks comments on the handling of comparable customers' orders requirement set out in the draft Notice.</p> <p>Draft Notice (Annex 1), Para 3.1</p> <p>Making reference to “procedures to place...comparable customers' orders in accordance to the time of receipt of such orders” and on workflow risk in trade allocation, the policy may consider requesting capital markets intermediaries to take sufficient steps in using technology for trade allocation. In the event systems cannot be used in trade allocation, procedures and independent oversights have to be in place to ensure all end clients are treated fairly.</p>
8.	IHS Markit	<p>General comments:</p> <p>IHS Markit welcomes and is pleased to respond to the Monetary Authority of Singapore's (MAS) Consultation on Execution of Customers Orders.</p> <p>IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide.¹ Our company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed decisions. We have more than 50,000 key business and government customers, including all G20 governments, 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.</p> <p>We are a global provider of best execution reporting, compliance solutions and trading analytics that enable our customers to monitor and measure execution, deliver the best possible outcome for their clients and fulfil their regulatory obligations. Our BestEx platform is a customisable research and reporting tool, combining comprehensive trading analysis and best execution metrics. It enables firms to meet the regulatory reporting requirements under US SEC Rules 605 and 606 as well as daily execution reporting with trend analysis.²</p> <p>In the EU we provide a MIFID2 RTS28 solution and an RTS27 comparison tool. RTS28 requires that investment firms, as part of their best execution obligations, to report their top five venues for all trading on behalf of clients. Commencing April 2018, firms are</p>

		<p>required to make annual public disclosures detailing order routing practices for retail and professional clients across all asset classes. Our solution makes the calculation, formatting and reporting of RTS 28 efficient, simplifying the entire process through a web based interface and a hosted public site for disclosures.³</p> <p>Our clients can also access an enhanced analytics package for RTS 28 providing filtering and summarization of order routing data beyond the minimum regulatory requirement including date range, venue type, instrument category and client type. Detailed analytics are available on demand and through regular scheduled reports. Furthermore, our RTS27 tool will enable users to examine and compare execution quality statistics available across all execution venues.</p> <p>We also provide an independent global Transaction Cost Analysis (TCA) platform that combines execution, algorithmic, venue and smart order router evaluation analytics. Markit TCA combines comprehensive historical trading performance metrics with up-to-date forecasts and directional signals to enable the accurate differentiation execution venue performance. We believe our tools can make a real difference in enabling firms to meet their regulatory obligations efficiently and effectively and will contribute to better outcomes for investors.</p> <p>IHS Markit is, therefore, very supportive of improving the efficiency of markets and ensuring that capital market intermediaries should always act in the best interests of their clients. Particularly we would urge the MAS to ensure its proposals focus on:</p> <ol style="list-style-type: none">1) Enabling professional and retail investors to have confidence that capital market intermediaries are acting in their best interests and ensuring there is enough detailed information so that investors can have analyse and discuss with brokers their orders and best execution policies;2) Embedding a culture of best execution in the market by ensuring adequate comparative information is available about execution venues and capital market intermediaries so that competitive forces can raise standards. This should also include requiring the assessment of best execution on a continuous process by capital market intermediaries and publication on a regular basis of relevant information to customers; and
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		<p>internationally active firms adopt high, consistent standards across their groups. Such approaches should also mitigate against the risks of regulatory arbitrage based on lower standards.</p> <p>Question 2. MAS seeks comments on the handling of comparable customers' orders requirement set out in the draft Notice.</p> <p>N/A</p>
9.	Investment Management Association of Singapore	<p>General comments:</p> <p>On 22nd November 2017, the Investment Management Association of Singapore ("IMAS") sought our members' (hereafter referred to as "We") comments regarding the Consultation Paper on Execution of Customers' Orders issued by the MAS dated 20 November 2017.</p> <p>We welcome the MAS proposal to formalise expectations for CMS licensees and other regulated entities to have policies and procedures to place and/or execute on execution of customers' orders on the best available terms ("Best Execution") to support fair outcomes for customers.</p> <p>We request the MAS to consider IMAS members' feedbacks on some of the proposals stated in the Consultation Paper as set out below.</p> <p>Question 1. MAS seeks comments on the Best Execution requirements in the draft Notice and the draft guidelines to the Notice, set out in Annex 1 and 2.</p> <p><u>Best Execution</u></p> <p>Paragraph 3.2 states that to achieve the best available terms for customers' orders, a Capital Markets Intermediary should consider holistically different factors such as price, costs, speed, likelihood of execution and settlement, size and nature of the customers' orders, where appropriate. We seek the MAS comments that if a Capital Markets Intermediary (CMI) outsources its trading function to their affiliates residing in other countries such as the United States of America or the United Kingdom, to what extent, if any, does the Notice apply?</p> <p>Paragraph 3.2 also states that policies and procedures have to be approved by the CMI's board of directors. We propose to the MAS to consider allowing a committee with oversight responsibilities of best execution to approve the policies and procedures, instead of limiting solely to board approvals.</p>

		<p><u>Scope of Best Execution Requirements</u></p> <p>Paragraph 3.4 states that in general, the Best Execution policies and procedures should cover all customers' orders, regardless of the capacity which a Capital Markets Intermediary is acting as an agent or a principal.</p> <p>We put forward to the MAS to consider certain circumstances whereby the Best Execution policy or requirements can be exempted. For example, when a third party such as a custodian, is appointed to execute indirect foreign exchange transactions on certain restricted currencies without the active involvement of fund management companies, the Best Execution policy for this type of arrangement could not be applied.</p> <p><u>Monitoring of Best Execution Outcome</u></p> <p>Paragraph 3.5 states that a Capital Markets Intermediary should put in place a monitoring framework, commensurate with its size and complexity of operations, which can demonstrate that its Best Execution arrangements are sufficient to achieve the best available terms for its customers on a consistent basis.</p> <p>Currently, MiFID I regulations require firms to take all reasonable steps to obtain, when executing orders, the best possible result for their clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order. MiFID II regulations raised the bar further by requiring firms to take all sufficient steps to obtain, when executing orders, the best possible result for their clients considering price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order. The European Securities and Markets Authority (ESMA) had made further clarification on MiFID II and MiFIR investor protection and intermediaries' topics that whilst firms remain subject to the same overarching obligations to obtain the best possible results on a consistent basis when executing client orders, the requirement for "sufficient" steps sets a higher bar for compliance than "reasonable" steps.</p> <p>In this regard, we seek clarifications from the MAS on the level of expectations on how fund management companies can demonstrate their Best Execution arrangements are "sufficient" with respect to the MAS' proposals in the Consultation Paper. We request the MAS to establish a clear and comprehensive guidance, considering the abovementioned market developments, before issuing a Notice for a</p>
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		<p>Capital Market Intermediary to implement written policies and procedures for placing and/or executing customer orders on best available terms.</p> <p><u>Disclosures to Customers</u></p> <p>Paragraph 3.7 mentions that where there is more than one execution venue or broker available to place or execute the customer's order, the capital markets intermediary should consider the respective merits of each venue or broker, and document the basis for selecting the venue(s) or broker(s) which are able to place or execute the customer's order on the best available terms on a consistent basis. We seek the MAS' expectation in terms of documentation and the CMIs requirements to document in writing the basis for selecting a broker or venue for every single trade that was executed.</p> <p>Timing is an extremely critical factor in trading and the efficient execution of trades that could potentially be compromised if traders are required to make time to document the merits of a selected venue or broker for every single trade that he/she has done.</p> <p>Therefore, we request the MAS to consider the MIFID II requirements which only require the trader to evaluate the different execution venues available and procedures are in place which outline this process.</p> <p><u>Annex 1 - Draft Notice on Execution of Customers Orders</u></p> <p>Please refer to our comments on Question 2 with regards to the proposal under Annex 1.</p> <p><u>Annex 2 - Draft Guidelines to Notice on Execution of Customers Orders</u></p> <p>Paragraph 3.6 states that when a capital markets intermediary ("CMI") places and/or executes an order following specific instructions from a customer, the CMI would be regarded as having satisfied its Best Execution obligations "only in respect of the part or aspect of the order to which the customer instructions relate". We seek to clarify from the MAS if the words "only in respect of the part or aspect of the order to which the customer instructions relate" are required be disclosed to customers in our Best Execution policy.</p> <p>Paragraph 3.7 states that if there is more than one execution venue or broker available, the CMI must consider and document the merits of selecting the venue or broker which is able to execute the customer's order on the best available terms on a consistent basis.</p>
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	<p>We seek to clarify from the MAS on whether this means that execution criteria should be the leading and/or of paramount consideration where there is more than one execution broker available, since there are other criterion for broker selection such as alpha ideas and settlement efficiency.</p> <p>Paragraph 4 requires CMIs to put in place a monitoring framework to monitor the effectiveness of its best execution policies and procedures, commensurate with its size and complexity of operations. Although the proposal provides brief guidance on the possible ways of monitoring, we seek the MAS' expectations on the level of monitoring required and would welcome more specific guidance including any key metrics that the MAS may consider proposing.</p> <p>Paragraph 5.1 sets out that a capital markets intermediary should provide sufficient information to its customers on its Best Execution policies and any material changes made to its policies thereafter. The information must be provided to the customers in writing, including via electronic means provided the customer's consent is obtained. We seek the MAS' guidance and direction on where the information should be disclosed and on whether this requirement should only be applicable to Managers of Authorised Schemes and CMIs' Retail customers.</p> <p>With the objective to further improve on the MAS Notice on Execution of Customers Orders, we propose to the MAS to consider the following suggestions:</p> <ul style="list-style-type: none">a. Require CMIs to provide information on their Best Execution policies only when requested by the customer.b. Allow CMIs to provide the information via electronic means without having to obtain consent.c. Allow CMIs to publish information on its Best Execution policies on its website to demonstrate its compliance to this requirement. <p>Question 2. MAS seeks comments on the handling of comparable customers' orders requirement set out in the draft Notice.</p> <p>We seek to clarify from the MAS on the definition of "comparable customers' orders in accordance with the time of receipt of such orders". Fund management companies, especially those operating as regional dealing hubs, typically aggregate orders to trade at a</p>
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		<p>stipulated cut-off time to ensure these orders are executed on best available terms.</p> <p>We seek MAS' confirmation on whether the "handling" of comparable customers' orders refers to acknowledging the trade (i.e. time stamping) and working on it (i.e. actual execution). This is because basing allocations solely on time of receipts prevents the aggregation of trades, since a central dealing team will aggregate orders, for example over a 5-minute interval, and then start placing block orders that cannot be immediately executed even if these orders were not placed at the same time. Hence, the proposal to include a requirement in the Notice for a Capital Markets intermediary to establish and implement policies and procedures to place and/or execute comparable customers' orders (e.g. in terms of order size) in accordance with the time receipt of such orders may disadvantage customers from a pricing perspective.</p> <p>Given the additional emphasis in handling comparable customers' orders in accordance with the "time of receipt" orders, we seek further clarification from the MAS' expectation on how fund management companies can demonstrate best execution which consider various factors such as price, cost and time.</p> <p>To support the further improvement on the handling of comparable customers' orders, we propose to the MAS to consider allowing CMIs to have reasonable flexibility for managing order placement and execution. Aggregated orders can reasonably be expected to result in a better price, lower transaction cost or overall better transaction terms for customers and hence should not be discouraged so long as no single customer is being disadvantaged in the process, that serve to deliver fair outcomes for customers.</p>
14.	Sumitomo Mitsui Banking Corporation Singapore Branch	<p>General comments:</p> <p>NA.</p> <p>Question 1. MAS seeks comments on the Best Execution requirements in the draft Notice and the draft guidelines to the Notice, set out in Annex 1 and 2.</p> <p>Paragraph 3.2 of the draft guidelines to the Notice provides that the Best Execution policies and procedures are to be approved by the capital markets intermediary's board of directors. For such entities that are incorporated outside Singapore, they are likely to face operational difficulties in obtaining board approval. As such, in a case</p>

		<p>where the entity is incorporated outside Singapore, we seek MAS clarification on whether such approval may be obtained from senior management of the entity in Singapore.</p> <p>Question 2. MAS seeks comments on the handling of comparable customers' orders requirement set out in the draft Notice.</p> <p>NA.</p>
16.	Respondent A	<p>General comments:</p> <p>None.</p> <p>Question 1. MAS seeks comments on the Best Execution requirements in the draft Notice and the draft guidelines to the Notice, set out in Annex 1 and 2.</p> <ul style="list-style-type: none"> • We wish to confirm that SBL activity is out of scope. Please see Para 2.1 of the Notice, which defines Order as “ in relation to customer, includes an order for, or a transaction of, purchase or sale of any capital market products” . • Per Para 3.2 of the Guidelines, Best Execution P&P has to be approved by Board of directors. Can MAS allow local management of a branch to approve, review and implement the Best Execution Policy where the head office has a global policy setting out the minimal standards. Authority needs not restricted at Board of Director level? • Para 3.5 of the Guidelines allows CMI to make the call if such clients rely on the CMI for best execution. Can MAS also allow AI, EI and II clients to opt out if the clients provide their written acknowledgement and acceptance that the Notice is being dis-applied? This is on the basis that these clients do not rely on CMI on best execution. Similarly, can above opt-out apply to DMA clients (non-retail)? <p>Question 2. MAS seeks comments on the handling of comparable customers' orders requirement set out in the draft Notice.</p> <p>Can MAS give guidance on “comparable customers' orders”?</p>
17.	Respondent B	<p>General comments:</p>

		<p>(1-a) In paragraph 3.2 of P020-2017, MAS makes the comment that <i>“For example, the impact to the market which in turn affects the price at which a customer’s order may be executed is more likely to be an important consideration in achieving Best Execution for a large order from an institutional customer, as compared to a retail customer’s order”</i>. This may not necessarily be true since the impact on the market is also a function of the available liquidity and volatility of the market at that point in time when which would have a more drastic impact on the market regardless of whether it is a large order from an institutional customer as compared to a retail customer’s order.</p> <p>(1-b) A key consideration is thus whether there is preference for the CMI to relay orders to its liquidity providers immediately during such periods when liquidity is low or market volatility is high without consideration of the impact on the market. Such immediate relaying of orders during such periods inadvertently provides a signal to the market of the potential demand or supply of the CMI, thereby exposing it to risk that the counterparty liquidity providers would may exploit this to their benefit.</p> <p>(1-c) The practice for many CMIs in the OTC products space is to aggregate orders to meet minimum liquidity requirements against counterparties and during periods of low liquidity or high volatility protect from unnecessary signalling to the market the level of demand and supply of the CMI’s customers. This would be critical in order not to precipitate a “crash” or “herd-like” mentality where counterparty liquidity providers may with individual customer orders being relayed, anticipate the demand (or supply) and react to the detriment of customer’s orders if they had not been aggregated.</p> <p>(1-d) Further in paragraph 3.4 P020-2017 it states <i>“Where a Capital Markets Intermediary places and/or executes an order following specific customer instructions, it would be regarded as having satisfied its Best Execution requirements in respect of the part or aspect of the order to which the customer instructions relate.”</i> For a CMI acting as a principal for an OTC transaction, it is the customer that places and/or executes an order against the Principal who is not obliged to fill the order. For OTC products, it is the spread that is being advertised without the bid size or offer size, hence the inducement for the trade comes from the customer who quotes both the bid/offer price with the corresponding sizes. The CMI then reviews the</p>
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	<p>price and the size to match with the available price and liquidity in the prevailing market place or its own books.</p> <p>Question 1. MAS seeks comments on the Best Execution requirements in the draft Notice and the draft guidelines to the Notice, set out in Annex 1 and 2.</p> <p>(2-a) In paragraph 2.1, the definition of “Order” fails to include transaction which are absorbed by the CMI who is acting as principal under its own books at prevailing market prices.</p> <p>(2-b) Where the CMI is acting as a principal, it is the customer who is placing or executing an order against the CMI as principal and not the CMI who is placing the order.</p> <p>(2-c) In paragraph 3.1 of the Notice it does not seem consistent with paragraph 2.1 of the Guidelines since the Guidelines correctly highlight that Best Execution is dependent on a number of execution factors while the Notice seems to afford timing of the receipt of the orders as the paramount consideration.</p> <p>(2-d) This seems to be further comingled with the requirement for “the best available terms” in paragraph 3.2 of the Notice so that it is unclear which (if at all) takes precedence.</p> <p>Question 2. MAS seeks comments on the handling of comparable customers’ orders requirement set out in the draft Notice.</p> <p>(3-a) The intent to compel the CMI to execute the customers’ order in accordance with “the time of receipt of such orders” seems to be at odds with the concept of aggregation of trades carried out by a CMI as detailed in (1-d) above which is a typical requirement when dealing with smaller retail-based transactions.</p> <p>(3-b) As explained in paragraph (1-d) above, the key benefit for trade aggregation is to promote an orderly conduct of the OTC markets during period of illiquidity and high volatility. The prioritizing of traded by time of receipt of orders may be in conflict with this requirement during such periods.</p> <p>(3-c) The impact on the market price of the customer’s trades when place into the market for “market orders” should also be a critical best execution factor as this may inadvertently signal to</p>
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		the market the CMI's customer's impending demand and supply to the disadvantage of the customers.
18.	Respondent C	<p>General comments:</p> <p>We generally agree with the principles behind the proposed best execution requirements. However we would like to highlight the compliance of these requirements:</p> <p>1.1 The requirement to provide every reasonable steps to process orders promptly in accordance with the instructions of clients on the best available terms should not be equated with a requirement for banks to offer the best pricing to customers which are only available in an open architecture (e.g. for some products, bank may operate on a closed architecture where there is only 1 pricing source which is obtained from another Business line within the same entity/intragroup entity).</p> <p>The draft notice and guidelines did not include situations where best execution requirements may be exempted. We propose that reasonable exclusions (for example, exclusive unique bespoke products, or where only one broker was selected according to the selection process of the bank) be considered and included in the notice and guidelines.</p> <p>Question 1. MAS seeks comments on the Best Execution requirements in the draft Notice and the draft guidelines to the Notice, set out in Annex 1 and 2.</p> <p>2.1 <u>MiFID II</u></p> <p>The best execution requirement in paragraph 3.1 of Notice on execution of customers' orders is expressed to apply to "customers' orders" and there does not appear to be any exception to the requirement having regard to the type of customer a capital markets intermediary is transacting with. This is confirmed in paragraph 3.5 of the Guidelines to MAS notice SFA 02-NXX on execution of customers' orders where the guidelines state "The Best Execution obligation of a capital markets intermediary applies regardless of the types of customers", although it does go on to say "In dealing with a customer who is an accredited investor, expert investor or institutional investor, a capital markets intermediary may exercise and document its judgment to determine the circumstances under which such a customer does not rely on the intermediary to place or execute his orders(s) on the best available terms. The circumstances</p>

		<p>may include whether the customer initiates the order or whether the customer specifies the venues and price at which the order should be executed”</p> <p>This is in contrast to the best execution requirements under MiFID II which although generally more prescriptive, do provide that investment firms are not obliged to adhere to the best execution requirements in transactions with eligible counterparties provided the counterparty agrees to be treated as an eligible counterparty (Article 30). Eligible counterparties include investment firms, credit institutions, insurance companies, UCITS and their management companies, pension funds and their management companies, other financial institutions authorised or regulated under Union law or under the national law of a Member State, national governments and their correspondence offices including public bodies that deal with public debt at national level, central banks and supranational organisations.</p> <p>To summarise, the best execution requirements do not apply to transactions with eligible counterparties (broadly, financial counterparties) under MiFID II but there is not such carve out under the MAS’ proposal. We propose to adopt a similar carve out to that contained in MiFID II.</p> <p>2.2 <u>Types of Product Execution</u></p> <p>In reference to the draft notice para 3.2, there is no indication from the draft notice and the draft guidelines, whether all capital market products are subject to the same best execution requirements and whether these requirements apply equally to all products. The different capital market products vary in terms of execution, settlement modes as well as how the orders are taken from clients. For example, best execution requirements are likely to apply differently between a tailor made OTC structured product versus an exchange traded equity. As such, best execution requirements may differ from product to product. Further, para 3.2 of the consultation paper states “To achieve the best available terms for customers’ orders, a Capital Markets Intermediary should consider holistically different factors such as price, costs, speed, likelihood of execution and settlement, size and nature of the customer’s order, where appropriate.” We proposed that the draft notice and guidelines take into account the different considerations of best execution and provide more guidance on how financial intermediaries can apply best execution requirements depending on the type of products, execution environment and the type of customer’s orders.</p>
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19.	Respondent D	<p>General comments:</p> <p><u>No questions/comments in this area</u></p> <p>Question 1. MAS seeks comments on the Best Execution requirements in the draft Notice and the draft guidelines to the Notice, set out in Annex 1 and 2.</p> <p><u>Guidelines 3.2</u> The Best Execution policies and procedures have to be approved by the capital markets intermediary's board of directors, and periodically reviewed to ensure that it remains relevant.</p> <p>Question: Would MAS be agreeable for such policies and procedures to be approved by the bank's Group Executive Committee and/or CEO?</p> <p><u>Guidelines 3.5</u> The Best Execution obligation of a capital markets intermediary applies regardless of the types of customers. In dealing with a customer who is an accredited investor, expert investor or institutional investor, a capital markets intermediary may exercise and document its judgment to determine the circumstances under which such a customer does not rely on the intermediary to place or execute his order(s) on the best available terms. The circumstances</p>

		<p>may include whether the customer initiates the order or whether the customer specifies the venue and price at which the order should be executed.</p> <p>Question: Would MAS consider to align with global industry practice by limiting Best Execution obligation to certain types of customers (accredited investor, expert investor and retail investors), and not imposing Best Execution obligation for all types of customers (including institutional investors)?</p> <p>Question 2. MAS seeks comments on the handling of comparable customers' orders requirement set out in the draft Notice.</p> <p><u>No questions/comments in this area</u></p>
20.	Respondent E	<p>General comments:</p> <p><Blank></p> <p>Question 1. MAS seeks comments on the Best Execution requirements in the draft Notice and the draft guidelines to the Notice, set out in Annex 1 and 2.</p> <p>Comments in relation to the draft Notice.</p> <p>1. Para 2.1, we would like to clarify if the intent of the scope of best execution requirements would include cross trades between client accounts of a Fund Management Company?</p> <p>Comments in relation to the draft guidelines to the Notice.</p> <p>1. Para 2.1 - We note that cost is a factor to be taken into account for the establishment of best execution policies and procedures. In the investment management industry, costs include not only execution costs, but also research costs. We would like to clarify that the intention of the draft guidelines is to take into account both execution costs and research costs, bundled together. We would also like to clarify that the draft guidelines will not alter the industry practice of receiving soft commissions from brokers.</p> <p>2. Para 3.3 – We would like to clarify if there is a requirement for a fixed order of importance of the factors? This would be difficult to determine as the order of importance will vary depending on circumstances which are non-exhaustive.</p> <p>3. Para 3.4(a) - How is the type of customers applicable to an Investment Manager? We do not differentiate orders by client.</p>

		<p>4. Para 3.4(c) – We would like to clarify what is the meaning of “characteristics” of execution venues or entities to which the order can be directed?</p> <p>5. Para 3.4(d) - We would like to clarify what is the meaning of “characteristics” of the customers’ orders?</p> <p>6. Para 3.7 - Currently, we send our equity orders to the brokers to execute and we do not dictate the execution venues. However, we use composite Volume Weighted Average Price (“VWAP”) of all venues to measure the brokers’ execution performance. Would this be sufficient in addressing 3.7 in relation to the choice of broker and venue? Does para 3.7 also require us to document our justifications for each and every trade? If so, this may not be practical.</p> <p>7. Para 4.2 – Does MAS expect a fund management company, to monitor execution venues, when the execution venues are generally determined by the broker chosen to execute that particular trade? To what extent should the execution factors be monitored? Does the MAS expects each of the execution factors to be monitored?</p> <p>8. Para 5.1 - With regard to the disclosure to customer requirement, we would like to seek clarification on what does it mean to disclose ‘prior to the placement and execution of customers’ orders’? How does the MAS expects such disclosure to be carried out? For example, is it appropriate to disclose the best execution policy in the offering documents in the case of the CIS funds for the unit-holders? Most of the Investment Management Agreement (IMA) with segregated customer mandates (discretionary/non-discretionary) would typically have clauses on best execution of trades. Would the MAS deem such disclosure in the IMA as sufficient or does the MAS expects a written disclosure to be provided to all the segregated customer mandates following the finalisation of the proposed Notice and Guideline?</p> <p>Question 2. MAS seeks comments on the handling of comparable customers’ orders requirement set out in the draft Notice.</p> <p><Blank></p>
21.	Respondent F	<p>General comments:</p> <p>Nil.</p>

		<p>Question 1. MAS seeks comments on the Best Execution requirements in the draft Notice and the draft guidelines to the Notice, set out in Annex 1 and 2.</p> <ul style="list-style-type: none">- In view of section 2.1 of the Draft Notice, would Initial Public Offerings order placement on behalf of customer be considered as “execution of client order”? <p>Question 2. MAS seeks comments on the handling of comparable customers' orders requirement set out in the draft Notice.</p> <ul style="list-style-type: none">- In view of section 4.1 of the Consultation Paper, would MAS prescribe benchmark(s) to categorise order sizes according to comparability or would these benchmark(s) be determined by the Capital Markets Intermediary in their relevant Policy & Procedure?- Under section 4.1 of the Consultation Paper, we noted that Capital Markets Intermediary is required to execute customers' orders of comparable sizes in accordance with the time of receipt of such orders. <p>However, would MAS further prescribe requirement for prioritising customer orders based on order size group or class?</p>
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