



Monetary Authority of Singapore

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**SECURITIES AND FUTURES ACT  
(CAP. 289)**

**GUIDELINES TO MAS NOTICE SFA 02-NXX  
ON EXECUTION OF CUSTOMERS' ORDERS**

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**Guideline No: SFAXX**

**Issue Date: XXX**

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**1 Purpose**

1.1 These Guidelines are issued pursuant to Section 321 of the Securities and Futures Act (Cap. 289) ["SFA"] and apply to all capital markets intermediaries.

1.2 These Guidelines provide guidance on the requirements relating to the placement and execution of customers' orders on the best available terms ["Best Execution"] as set out in Notice SFA 02-NXX on Execution of Customers' Orders ["the Notice"], and should be read in conjunction with the Notice.

1.3 The expressions used in these Guidelines have the same meanings as those found in the Notice, except where expressly defined in these Guidelines or where the context otherwise requires.

**2 Overarching Requirement**

2.1 A capital markets intermediary shall establish and implement Best Execution policies and procedures taking into account a range of factors. The factors 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.

**3 Order Placement and/or Execution Policy**

3.1 A capital markets intermediary should establish and implement Best Execution policies and procedures which cover all capital markets products and all capacities in which it is acting. Best Execution should apply when executing customers' orders directly on a market or placing customers' orders with another capital markets intermediary or a person who is licensed, authorised or otherwise regulated in relation to dealing in securities, trading in futures contracts or leveraged foreign exchange trading in a foreign jurisdiction, for execution.

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.

3.3 A capital markets intermediary should include in the Best Execution policies and procedures the factors which it has taken into account, and the considerations for

determining the relative importance of the various factors, when placing and/or executing customers' orders.

3.4 In determining the relative importance and/or the applicability of the factors, a capital markets intermediary should take into account the following considerations:

- (a) the types of customers it serves, whether retail customers<sup>1</sup> or otherwise;
- (b) the types of capital markets products for which it accepts, places or executes orders;
- (c) the characteristics of the execution venues or entities to which the order can be directed; and
- (d) the characteristics of the customer's orders.

3.5 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 may include whether the customer initiates the order or whether the customer specifies the venue and price at which the order should be executed.

3.6 A capital markets intermediary should place and/or execute a customer's order following the specific instruction, if any, from the customer. When the intermediary places and/or executes an order following specific instructions from the customer, it 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.

3.7 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. A capital markets intermediary could decide to place or execute the customer's order in a particular capital markets product on only one execution venue if the time and costs of including more than one execution venue in the order execution policy (to the extent that the costs would be passed to customers) outweigh any improvement in the quality of execution of the customer's order.

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<sup>1</sup> "Retail customer" means means a customer who is not an accredited investor, an institutional investor or an expert investor (as defined in section 4A of the SFA).

## **4 Monitoring**

4.1 A capital markets intermediary should also establish adequate systems or arrangements to monitor, on a periodic basis (i) compliance with its Best Execution policies and procedures; and (ii) the effectiveness of its Best Execution policies and procedures. The monitoring systems or arrangements should be commensurate with the nature, scale and complexity of the business of the intermediary.

4.2 Possible ways of monitoring include comparing prices and other relevant factors to ensure that the execution venues or brokers used by the capital market intermediary do not give rise to significant or systematic deviations in the quality of execution provided to its customers vis-à-vis other execution venues or brokers, and triggering transactions for further review when an execution factor (such as price or execution cost) falls outside a given tolerance from a pre-determined benchmark.

## **5 Disclosure to Customers on Order Execution**

5.1 Prior to the placement and execution of customers' orders, 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.

5.2 A capital markets intermediary should ensure that the information provided to its customers as on its Best Execution policies is presented in a clear and easily understood manner.