

BURSA MALAYSIA SECURITIES BERHAD
INTERMEDIARIES COMMUNICATION
SUPERVISING AND MONITORING ELECTRONIC TRADING (“ICON-ET”)
(PCN XXX/2018)

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1. INTRODUCTION

1.1 Overview

In this age of super-computers and high-speed connectivity, it is hard to imagine what the financial markets would be like without electronic trading (“ET”). Spurred by the convenience of real-time intraday information and savvy financial innovations, ET has played a significant role in creating a more level-playing-field in terms of providing market access which saw overwhelming growth in participant numbers either through professional traders or retail investors.

However, ET has also introduced specific sets of imperatives that participants must embrace and manage in order to remain relevant. These imperatives pose key operational challenges for ET as follows:-

- Speed - As things are happening at greater speed in ET, the effect of any undesirable eventualities will also traverse quicker across the markets.
- Volume - As data size for ET continues to grow, the tasks of collating, identifying and interpreting them will become harder and require even more resources.
- Constant innovation - As innovations bring forth newer ways of doing business via ET, complexity arising from multiple platforms, systems and connections will need greater understanding and well-organised execution.

- Market interconnectivity - As borderless world becomes a reality, market interconnectedness is now a crucial element of ET as events in one corner of the globe would have instant impact on trading activities in various other markets. Thus, relevant ET participants will have to equip themselves with reliable global news feed services as sources of market updates and material information required for their trading activities.

ET was generally linked to paperless trading where transactions were completed through information technology systems. However, with improvements in communication technology, ET is now largely seen as the trading of financial instruments via electronic means which include internet trading, DMA and automated trading. ET can be carried out manually or automated, depending on various factors such as the client’s financial background, nature of business, technical expertise or risk appetite/tolerance.

For manually executed ET, buy and sell orders will be keyed-in by individuals i.e. clients themselves or the dealers. On the other hand, automated trading is machine driven and employs computerised or algorithmic programs to decide on the trading activities such as the selection of instruments, entry and exit time, and price or quantity of the order. Commonly referred to as “algorithmic trading”, these programs can execute orders which are impossible for human traders to execute manually i.e. submit 1,000 orders in the blink of an eye. A subset of algorithmic trading which relies heavily on velocity to achieve its trading goals is high frequency trading (“HFT”). HFT is currently the fastest and most advanced type of algorithmic trading.

Although market abuses can take place in both the manual or automated ET environment, the scale and impact of automated trading on the market justifies more attention from all parties, be it the regulators or POs. Thus, with this ICON-ET POs are encouraged to reassess their approach and exposure to ET, especially on automated trading, and adopt higher control standards to ensure that their trading and monitoring systems are resilient enough to prevent erroneous orders and other unhealthy market practices.

1.2 Objectives

The objectives of the ICON-ET are:-

- i. To highlight and recommend supervision and monitoring controls/procedures, which include supervision practices for automated trading (where applicable), which are not already covered in the DMA Handbook and ICON-ST;
- ii. To recommend the adoption of best practices from other jurisdictions in supervising and monitoring ET where relevant and practical to our market;
- iii. To provide guidance to POs in identifying irregular trading behaviours and red flags associated with ET, which would enable them to develop tools and measures to proactively detect, assess and mitigate such irregular trading behaviours; and
- iv. To guide POs on the actions to be undertaken in the event of manipulative activities arising from ET by clients and dealers.

POs are encouraged to assess, enhance and strengthen their internal controls, supervision and monitoring of ET, guided by the recommendations or guidance provided in this ICON-ET. This ICON-ET serves as a supplement to the existing rules, directives and guidance, i.e. the DMA Handbook and ICON-ST.

1.3 Structure

This ICON-ET is divided into the following sections:-

Section	Title	Scope
1	Introduction	1.1 Overview 1.2 Objectives 1.3 Structure 1.4 Glossary 1.5 Disclaimers
2	Monitoring and Supervision of ET	2.1 Know-Your-Client (“KYC”) Procedures

Section	Title	Scope
		<ul style="list-style-type: none"> • Sets out recommended KYC and due diligence procedures to be adopted by POs in onboarding and monitoring ET clients <p>2.2 Control Practices</p> <ul style="list-style-type: none"> • Outlines recommendations to be undertaken by POs to enhance and strengthen its controls in the areas of ET <p>2.3 Identification of Irregular Trading Behaviours and Red Flags</p> <ul style="list-style-type: none"> • Sets out the types of irregular trading behaviours and red flags which POs should take cognizance of for better monitoring of ET <p>2.4 Assessment of Irregular Trading Behaviours</p> <ul style="list-style-type: none"> • Sets out the factors in considering manipulative trading activities <p>2.5 Actions to be Taken by POs</p> <ul style="list-style-type: none"> • Provides guidance to POs on actions to be taken to address manipulative trading activities
3	Conclusion	Provides a summary of ICON-ET

1.4 Glossary

In this ICON-ET, the following terms have the following meanings unless the context requires otherwise:-

Term	Meaning
Automated trading	Automated trading is machine driven and employs computerised or algorithmic programs to decide on the trading activities such as the selection of instruments, entry and exit time, and price or quantity of the order
Bursa	Bursa Malaysia Berhad and/or its subsidiaries whether collectively or otherwise as the context may require
Bursa Securities	Bursa Malaysia Securities Berhad
CMSA	Capital Markets and Services Act, 2007
CMSRL	Capital Markets and Services Representative’s Licence, which entitles an individual to carry on any one or more regulated activities on behalf of his principal
Dealer(s)	Dealer’s Representative who is a holder of a CMSRL for dealing in securities
Directives	Same meaning as defined in Rule 1.01 of the Rules
DMA	Direct Market Access as defined in Rule 1.01 of the Rules
DMA Handbook	DMA Handbook set out in Appendix 1 of Best Practice No. 8.16-001 of the POs’ Directives and Guidance
ICON-ET	Intermediaries Communication on Supervising and Monitoring Electronic Trading
ICON-ST	Intermediaries Communication on Supervision of Trading which was issued by Bursa on 7 August 2017
Instruments	Financial instruments traded on Bursa such as shares, warrants and exchange-traded funds

Term	Meaning
IT Security Standards (“ITSS”)	ITSS set out in Appendix 1 of Directive No. 5.05-001 of the POs’ Directives and Guidance
NCBO trades	No Change in Beneficial Ownership trades or trades with no change in beneficial ownership
PO(s)	Participating Organisation(s) of Bursa Securities and includes, where relevant, its registered persons
POs’ Directives and Guidance	POs’ Directives and Guidance of the Rules of Bursa Securities
Rules	Rules of Bursa Securities

1.5 Disclaimers

1.5.1 ICON-ET is intended to provide guidance, recommendations and best practices and therefore does not have the binding effect of the Rules and Directives issued by Bursa. POs are advised to consider all relevant factors in determining the adequacy and effectiveness of its supervision and monitoring of trading activities e.g. the size of the PO’s business, the level of trading activities and degree of risk associated with the trading activities.

1.5.2 The irregular trading behaviours highlighted/illustrated in this ICON-ET are not exhaustive as there may be other types of irregular trading behaviours emanating from ET, which are not covered in this ICON-ET.

1.5.3 Bursa is not precluded from instituting and reserves its right to institute any enforcement action against POs and/or dealers for any non-compliance(s) of the Rules and Directives notwithstanding that the non-compliance(s) may or may not be highlighted in this document or the PO has adopted the guidance, recommendations and best practices set out herein in respect of its supervision and structure for monitoring of ET. This is as determination of a breach and commencement of enforcement of the breach are based on the peculiar facts

and circumstances of each case whilst the descriptions set out herein may be premised on certain (and not all) similar set of facts and circumstances. Hence, this ICON-ET shall not be used as a defence by POs and/or dealers against the enforcement action instituted by Bursa.

2. MONITORING AND SUPERVISION OF ET

The popularity of ET as the preferred channel of trading has brought about a higher degree of supervision challenges, especially in the realm of automated trading. This is because of the inherent risks posed by the nature, scale and complexity of such trading activities which can potentially result in intensified volatility, ripple effects and uncertainty in the market as demonstrated by recent fraud incidents and flash crashes. Hence, POs need to undertake additional robust measures to enhance and strengthen its controls in this area. In this regard, POs are recommended to establish effective structures, internal controls and written policies and procedures, including having on board personnel with the adequate skill sets and experience, to supervise and provide effective controls to oversee ET effected through their respective organisations. Such structures, internal controls and written policies and procedures should address, amongst others, the following areas:-

2.1 Know-Your-Client (“KYC”) Procedures

POs must take all reasonable steps and exercise due diligence in screening and learning the essential facts of their ET clients in terms of their business background, financial background, investment objectives and any other significant information of the clients in line with the requirements under Rule 5.15(1)(a) of the Rules read together with paragraph 8.1 of Directive No. 5-001 of the POs’ Directives and Guidance.

Enhanced due diligence is recommended to be carried out for higher risk clients to provide the POs with greater understanding of their clients’ background and activities in order to mitigate against associated risks. POs should therefore be conscious of red flags in determining the risk profile of each client, and such red flags may include, amongst others, the following:-

- Clients in higher risk locations/jurisdictions where terrorism, drug trafficking or corruption is prevalent, or where money laundering regulations are less stringent;
- Politically exposed persons (“PEPs”), including persons closely associated with PEPs;
- Clients known to be or associated with persons subjected to criminal/regulatory investigation, prosecution or conviction;
- Clients’ expected origination/source of funding; and
- Reluctance to provide detailed information about their business/occupation.

It is also essential that POs carry out ongoing/continuous/periodic due diligence of their ET clients to determine if the clients’ circumstances have changed. Changes in circumstances may, amongst others, include:-

- Changes in the client’s profile, i.e. location and occupation;
- Sudden change in deposits which are more frequent and in higher amounts;
- Change in source of funding; and
- Sudden change in trading behaviour which is inconsistent with the client’s profile, investment objectives or past trading record.

Where the above changes are noted for a particular client, POs are recommended to engage the client and re-assess the risk profile of that client. The changes and outcome from the engagement with the client should also be documented. Adequate and closer scrutiny should be placed on clients which may carry a higher risk profile.

For existing and potential ET clients who trade via automated trading, the following additional steps are recommended to be adopted by POs in order to be able to make the informed assessment of their clients for the assignment of trading limits, determination of the level of monitoring, etc:-

- POs are recommended to obtain confirmation from existing and potential clients whether the clients are/would be trading via automated trading.
- The following are some of the additional information, amongst others, which POs should be aware of, preferably before a client is allowed to commence automated trading:-
 - i. Name of the client’s automated trading system and whether there is any documentary evidence on the reliability of the system (i.e. the system has previously been subjected to back-testing, etc.). This would allow the PO to determine and obtain comfort on the reliability of the system in terms of its performance as well as conformance with Bursa’s trading rules.
 - ii. Duration that the client has used the same automated trading system, for which product(s) and in which market(s). Where the automated trading system is new to the market or the client, the PO may want to place greater scrutiny on the trading behaviour of the said client.
- Upon obtaining all the necessary information, POs are encouraged to appropriately tag and maintain an up to date record of all its clients/orders trading/traded via automated trading in order to facilitate timely retrieval of such information for monitoring and supervision.

2.2 Control Practices

2.2.1 Risk Management

- (a) POs must have in place adequate arrangements to manage all its risks in line with Rule 5.02(b) of the Rules read together with paragraph 3.1 of Directive No. 5-001 of the POs’ Directives and Guidance. This would involve identifying and incorporating the risks associated with ET as part of its risk management framework strategy, policies and procedures, which may include, amongst others, consideration of market integrity, regulatory, credit, financial, operational and liquidity risks associated with ET.

(b) For clients who trade via automated trading, POs are recommended to adopt the following:-

- Appropriate measures should be taken by POs to facilitate proper identification and management of any risks associated with automated trades which may affect market integrity, efficiency and stability arising from the impact of increased and speedier activities. Such measures should include the types of filters/parameters, frequency and extent of scrutiny of automated trades and setting of front office monitoring parameters/thresholds to detect potential manipulative activities.
- In assessing the appropriate filters/parameters for automated trade exposure, size and price, POs should have adequate level of understanding of the clients and their trading in ensuring the appropriateness of the filters/parameters assigned.
- POs are recommended to regularly review and assess the characteristics of automated trading to ensure that the filters/parameters remain relevant, updated and effective. Where the filters/parameters are no longer relevant, POs should assess the need to review and revise the same.
- POs are recommended to have control over its automated filters/parameters including the capabilities to automatically activate and de-activate the filters/parameters, as well as block or cancel orders that do not meet the pre-determined filters/parameters or orders that may create or contribute to a disorderly market.

(c) In addition to the above, before allowing ET clients access to its system, POs must take all reasonable steps to ensure compliance with the IT Security Standards (“ITSS”).

(d) POs should also take the following additional steps for its existing and potential ET clients who trade via automated trading:-

- Prior to deployment of new or upgrading of the client’s existing automated trading system, POs to test and document the results of such testing which should take into consideration the following :-

- automated trading involves algorithmic logics and is unlike conventional trading which involves human intervention; and
 - the potential for defective algorithms and consequent market disruption is greater with automated trading.
- POs should also ensure that the client’s automated trading system is compatible with and can be supported by the POs’ trading system. Where compatibility issues are noted, POs should take immediate steps to rectify the issues.
 - It is critical that evidence of testing is maintained by the POs to provide assurance that the client’s automated trading system is reliable, functional, stable, operates as intended and does not produce unintended consequences which may disrupt trading.
 - Monitor and plan their capacity requirements to ensure that their systems and networks perform as intended. This is especially pertinent in the case of automated trading which has the potential to result in latency of the trading system and disrupt the trading of other clients due to its voluminous and high velocity trading activities.
 - Procedures should be in place to ensure continuity of the PO’s business during an adverse situation such as natural disasters and major failure of the client’s automated trading system. This may include the need to operate from the designated disaster recovery site, routing orders through the POs’ dealers and disabling the client’s automated trading system from sending in any orders.

2.2.2 . Governance and Compliance

- (a) POs are recommended to have in place comprehensive and clear organisational structures and resources in order to ensure that it can comply with its obligations in providing ET. These include having in place qualified personnel, clear lines of reporting,

processes to review system performance, management of conflict of interest and adequate internal control systems and procedures.

(b) In this regard, POs are recommended to review, update and enhance their existing framework, policies and procedures to ensure efficient and effective monitoring of ET which should encompass, amongst others, the following areas/requirements:-

- Maintenance of all trading records including orders entered into the system and rejected by the PO's filters/parameters;
- Management of clients' orders, e.g. compliance of its best execution obligations and ensuring that there is no market manipulation and trading abuses; and
- Establishment of security arrangements to monitor and prevent unauthorised access and intrusion into the efficiency and integrity of the market. These may include authentication of users, encryption of information, firewalling and periodic testing of its security management. *(Note: Please refer to Intermediaries Communication on Managing Cyber Security Risks in Online Trading issued by Bursa to POs on 18 May 2018)*

(c) In order to ensure that their compliance function remains effective in supervising ET, the following should be carried out by the relevant persons responsible for the compliance functions of the POs (“Compliance”):-

- The review of ET should be embedded as part of the compliance review framework and samples on account opening/KYC (including understanding of each clients' automated trading system), trading concerns, error and trading limit should be selected to ensure that a comprehensive review is achieved;
- Provide clear and consistent compliance advice within the POs on the rules, regulations and internal policies that govern ET; and

- Keep abreast with regulatory changes relating to ET (both globally and locally), as well as latest automated systems and trading strategies employed, through regular training and knowledge sharing. This is to provide independent sound advice and recommendations on the formulation of company-wide policies and new business proposals on the said area.

2.2.3 Front Office Monitoring and Surveillance

- (a) POs are expected to be able to monitor in real-time or close to real-time, all trades and orders submitted to the market. As recommended in the ICON-ST, POs are encouraged to implement automated surveillance systems to enhance their trade monitoring capabilities. This is particularly so in an ET environment where the volume of orders, order-to-trade ratios, number of client accounts or speed/complexity of trades and orders exceed, or may be expected to exceed, levels where manual oversight is no longer effective.
- (b) In this regard, any surveillance (manual or automated) must be able to identify potential or actual breaches through alerts of anomalies or irregularities in trades received. These alerts should be reviewed on an on-going basis to ensure effectiveness and where triggered, followed up on a timely basis to ensure proper escalation of trading concerns to the relevant parties (i.e. relevant internal committees, Head of Dealing, Senior Management, etc.) for the necessary rectification/mitigating action(s) where appropriate.
- (c) POs are also recommended to monitor the following:-
 - Nature and intensity of ET transactions to avoid disorderliness in the market;
 - The excessive usage of ET system/platform and trading strategies which may result in an adverse impact on the market, such as generation of large number of orders with small executable quantity and/or cancelling a large number of orders that result in either disproportionately low number of transactions or no transactions;

- The number of times orders are submitted into an order book, amended or cancelled relative to the execution of a trade (“order-to-trade ratio”). The following factors may indicate market misconduct vis-a-vis order-to-trade ratio:-
 - (i) the value of the transaction(s) relative to the number of orders entered is disproportionate and only generates trades of insignificant value;
 - (ii) excessive quantity of orders created relative to transactions in illiquid securities;
 - (iii) excessive quantity of orders (including amendments) in liquid securities away from the current market price;
 - (iv) the impact of the order-to-trade ratio on the price of a security; and
 - (v) the execution objectives of the algorithmic program in an automated trading environment.

- d) Regular analysis of past trading behaviour and trends should be carried out for identification of trading activities with red flags which may warrant further review by Compliance.

[Note: For further elaboration and illustrations on application of order-to-trade ratio and red flags, please refer to paragraph 2.3 below].

2.2.4 Record-Keeping and Regulatory Co-operation

- (a) POs should maintain proper documentation of its policies and procedures in respect of its provision of ET vis-a-vis its business requirements and expected types of activities. The areas that could be covered in the policies and procedures could include, amongst others, the following:-
 - Assessment of the various aspects of ET including the system and filters/parameters, as well as how it operates under various market scenarios;

- Testing the algorithmic programs prior to implementation to ensure compliance with Bursa’s trading rules;
 - Setting and reviewing front office monitoring parameters/alerts to detect potential manipulative, disruptive or irregular trading activities;
 - Generation of exception reports to identify and follow-up on potential non-compliances and the identification of the appropriate personnel to perform such reviews and follow-up; and
 - Education and awareness of staff and clients in relation to ET.
- (b) POs are also recommended to notify Bursa of significant trading concerns resulting from their monitoring which in the opinion of the POs require the attention of Bursa.

2.3 Identification of Irregular Trading Behaviours and Red Flags

In undertaking front office monitoring, POs should be mindful of the types of irregular trading behaviours and red flags highlighted in the ICON-ST which could emanate from ET, e.g. Driving Up/Down the Price, Rollover, Cross Trades, Pre-arranged Trades, Passing Around and Spoofing.

In addition, the following are the types of irregular trading behaviours which are specific to automated trading where speed and frequency of orders are the key ingredients, and the red flags which POs should be mindful of and require further scrutiny and assessment:-

Types of Irregular Trading Behaviours	Illustration	Red Flags
<p>1. Pinging</p> <ul style="list-style-type: none"> • Entering of small orders at various prices to detect the presence of larger hidden orders. • The sole purpose is to lure institutions with large orders to reveal their hand. • Upon matching of the bait orders, the initiating client will be able to gauge the range of prices other participants are willing to trade on the instrument. • Once detected, the initiating client may engage in trading activities that ensures it a nearly risk-free profit at the expense of the large order which will end up receiving an unfavorable price. 	<ul style="list-style-type: none"> • Client A sends numerous sell orders for Instrument X at various price levels in the smallest tradeable lot of 100 units per order. • Based on the speed and prices the sell orders are filled, Client A will be able to gauge the presence of keen buyers for Instrument X and the price they are willing to pay for the instrument. • With this information Client A will enter the market to buy more of Instrument X at a lower price and then sell them to the large buyers at higher prices. • Conversely, if there are large hidden sellers, Client A will sell to the market at a higher price and then buy back from large sellers at lower prices. 	<ul style="list-style-type: none"> • High total order-to-trade ratio. • Small orders entered in quick succession. • High frequency of orders cancelled immediately after they are entered (fleeting orders). • High frequency of trades concluded at better prices subsequent to initial bait orders.
<p>2. Quote Stuffing</p> <ul style="list-style-type: none"> • Algorithmic trading tools used to overwhelm markets 	<ul style="list-style-type: none"> • Client B sends and immediately cancels 500 buy 	<ul style="list-style-type: none"> • Orders are entered at multiple prices and far from

Types of Irregular Trading Behaviours	Illustration	Red Flags
<p>by slowing down an exchange’s resources with buy and sell orders, cancellations, modifications or updates on the said orders to gain a pricing edge over competitors.</p> <ul style="list-style-type: none"> • Entering of excessively large number of orders, cancellations, modifications or updates on the said orders to flood the trading system. • Orders are not meant to be matched with mostly cancelled and re-entered. • Takes advantage of the resulting delay by exploring temporary pricing deficiencies before other competitors take notice and/or react to them. 	<p>and 500 sell orders per second of Instrument Y over a period of time.</p> <ul style="list-style-type: none"> • These orders will cause the trading pipeline to freeze up and create confusion to other participants’ electronic trading systems. • Once a delay is successfully created, Client B can take advantage by entering orders at the desired prices or take arbitraging position on relevant asset classes. 	<p>last done prices to reduce chances of matching.</p> <ul style="list-style-type: none"> • High total order-to-trade ratio. • Initiating client also traded on other asset classes or markets. • High order cancellation /modification/update ratio • High frequency of orders cancelled immediately after they are entered (fleeting orders).
<p>3. Momentum Ignition</p> <ul style="list-style-type: none"> • Creating artificial spikes in the price of an instrument to induce other participants to jump in and instigate further price swing(s). 	<ul style="list-style-type: none"> • Client C enters a successive series of increasing bid orders for Instrument Z over a short period of time which led to matched transactions with rapidly increasing price. 	<ul style="list-style-type: none"> • High frequency of trades concluded at better prices subsequent to initial orders. • High order-to-trade ratio. • High order unfilled ratio.

Types of Irregular Trading Behaviours	Illustration	Red Flags
<ul style="list-style-type: none"> Once a specific target price is met, the initiating client will dispose-off his/her holdings at the expense of latecomers as the price rapidly returns to normal levels. One of the most productive strategies for HFT as it can be concluded within a relatively short period. Seeks to take advantage of market volatility and herd mentality by leading the pack and being the first to take the money and run. 	<ul style="list-style-type: none"> Without other justification for the price hike, Client C was effectively sending a false signal to the market. The sharp movement in the price of Instrument Z will lead to other participants, especially those with algorithmic programs, to respond and prompt them to also trade on Instrument Z. Having secured a quick profit, Client C will sell its holdings of Instrument Z to buyers who have been lured into buying the instrument. 	

2.4 Assessment of Irregular Trading Behaviours

Upon detection of possible irregular trading behaviours from the front office monitoring undertaken, POs should review, analyse and assess to determine whether the irregular trading behaviours are abusive/manipulative in nature. In making such assessment, the POs should determine the legitimacy of the transactions by ensuring that such transactions were genuine and not executed for the purpose or which lead to/might lead to the creation of a false or misleading appearance of active trading or the market for or price of the security.

In addition to the factors to be considered in making such assessment as set out in Section B [I] of the ICON-ST, POs should consider, amongst others, the following factors towards facilitating assessing/determining possible irregular trading behaviours upon detection of red flags highlighted in section 2.3 above:-

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- a) Whether a significant proportion of the orders submitted were cancelled or expired i.e. high order-to-trade ratio and if so, what is the economic rationale for doing so;
 - b) Whether a significant proportion of the orders were entered and cancelled within short interval i.e. low resting period and if so, what is the reason for the cancellation;
 - c) Whether the orders submitted or resultant transactions were inconsistent with the client’s trading history or profile and if so, whether there is a reasonable explanation for this;
 - d) Whether the bidding up/down orders and resultant transactions were significant in comparison to the client’s total orders or total orders executed and if so, whether there is a reasonable explanation; and
 - e) Whether the orders submitted emanate from multiple accounts and common IP address and if so, whether this was due to sharing of client access IDs/passwords and/or multiple accounts being operated by a single person.

2.5 Actions to be Taken by POs

In addition to the recommended actions set out in Section E of the ICON-ST, upon assessment and detection of abusive/manipulative trading activities involving ET, POs should conduct further investigation and take appropriate actions to curtail or pre-empt such activities, which may include:-

- a) Engagement with the clients and relevant dealers to seek explanation for their abusive/manipulative trading activities and to highlight specific concerns and implications of possible breaches of the Rules and CMSA;
- b) Review/revise client’s algorithmic parameters to rectify possible deficiencies and avoid recurrence of similar abusive/manipulative trading activities;
- c) Review/revise specific controls e.g. limit of order traffic or size of orders for different categories of clients; and

- d) Escalation to senior management/relevant disciplinary committees and regulators of the abusive/manipulative trading activities detected and actions taken against errant parties. Such actions may include caution, reminder, fine, suspension/termination of the errant dealers and/or clients’ account.

3. **CONCLUSION**

The guidance set out in this ICON-ET read together with the DMA Handbook and ICON-ST are meant to facilitate a better understanding among POs of the risks and common irregular trading behaviours associated with ET. This in turn would aid in instilling a greater sense of awareness and preparedness among POs in undertaking and instituting adequate and robust supervision, monitoring and pre-emptive actions to prevent abusive practices and supervision lapses vis-a-vis ET. Hence, POs are encouraged to leverage on and adopt the recommendations set out in this ICON-ET, the DMA Handbook and ICON-ST, so as to further strengthen, reinforce and elevate their supervision and monitoring of ET.