

MANAGING CORE RISKS IN BANKING

FOREIGN EXCHANGE RISK MANAGEMENT

Risk Management Guidelines



Rajshahi Krishi Unnayan Bank
Head Office, Rajshahi.
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Preamble

Foreign exchange risk is the exposure of a bank's financial strength to the potential impact of movements in foreign exchange rates. The risk arises when holds assets or liabilities in foreign currencies and impacts the earning and capital of the bank due to fluctuations in exchange rates. the exchange rates can move in either upward or downward direction regardless of what the estimates and predictions were. This uncertain movement poses a threat to the earnings and capital of the bank, if such movement is in undesired and unanticipated direction.

Dealing Room Manual is a combination of the policies, organizational structure, general guidelines of operational steps and control procedure, duties and responsibilities of Dealing Room Front Office and Back Office in Foreign Exchange operations and related transactions, reporting and other related works. As per policy guidelines front office and back office duties and reporting lines are segregated. The Dealing Room Manual has been prepared according to the guidelines of Bangladesh Bank and as per standard practice of Dealing Foreign Exchange keeping the risks elements, operational issues and controls into consideration. This Manual is to be read in conjunction with all circulars, instructions, guideline procedures issued by Bangladesh Bank and Rajshahi Krishi Unnayan Bank from time to time.

For operational convenience the Manual has been revised. In the revised edition of this Manual comprehensive narration on Dealing Room limits are incorporated. This is done under the guidance of Bangladesh Bank and the limit is fixed comparing with other public banks with the approval of bank's Board of Directors. After hour deal, separate mid-office and management action trigger are included in the revised Manual. Dealer's mandatory leave is an obligatory issue and it is more specified in the Manual.

Dealing room activities are always expanding and the Manual will be updated in future according to the requirement of the Dealing Room.



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**RAJSHAHI KRISHI UNNAYAN BANK
FOREIGN EXCHANGE DEPARTMENT**

**DEALING ROOM MANUAL
(Foreign Exchange Dealing Room Operation)**

01.0 Introduction:

The Foreign Exchange Dealing Operation in Rajshahi Krishi Unnayan Bank is performed partially through Foreign Exchange Department (Front Office, Mid Office and Back Office). Now RAKUB is involved in foreign currency business in small scale going through exchange of Foreign Currency and with the support of Bangladesh Krishi Bank, RAKUB is opening government LC and processing foreign remittance through Western Union (France), Express Money (Dubai/UAE), Cash Express (Dubai/UAE), CBL Money Exchange (Malaysia), Merchantrade Sdn Bhd (Malaysia), NBL Money Transfer (Malaysia), NBL Money Transfer (Singapore), Prabhu Money Transfer (USA), RIA Money Transfer (USA) and Trans-Fast Remittance L.L.C (USA). Whenever the Foreign Exchange activities will be established with its maximum functions, Front Office, Mid Office and Back Office will be established with all required components and functions will be segregated as per international standard. The main function of Foreign Exchange Dealing Room is to manage market risk. At the same time dealers have to look for increase of bank's profitability, avoid risk of exchange fluctuation, look for better investment of funds and maintain sound liquidity position. The dealers' job is to take into account market volatility and large scale of transactions.

That is why an effective controlling system is required over Foreign Exchange Dealing Room Operation. In the following few pages the different aspects of Foreign Exchange Dealing Room Operation, Mid Office functions as well as the Back Office functions of Rajshahi Krishi Unnayan Bank have been spelt out.

02.00 Objectives:

- a) To promote inter-bank foreign exchange dealings of the bank and to develop good fellowship
With counter parties those are indispensable for foreign exchange dealings.
- b) To manage risk exposure in FX dealing in a manner so that the risk is minimized.
- c) To earn profit for the bank through dealing.
- d) To do all that is necessary by the dealers, so as to uphold high accountability in dealing activities.
- e) To segregate dealing functions from settlement function so as to bring transparency and
Accountability in dealing activities.
- f) To frame rules and policies to give effect to the above objectives.

03.00 Foreign Exchange Dealing Policy:

The following policies are set for efficient and smooth functioning in inter-bank foreign exchange dealing. It shall be our common objectives to achieve high degree of professionalism and maintain high standard of business conduct.

These policies have been developed keeping in mind the fact that the inter-bank dealing in our country is at an early stage of development. It is hoped that with the passage of time, new products and derivatives would be introduced and what that these policies shall be tailor-made to suit the requirement of the bank and the market. However, the main features of the foreign exchange dealing policy of Rajshahi Krishi Unnayan Bank are as follows:

- Generating highly skilled dealing professionals through extensive training at home and abroad.
- Maintenance of high level of performance, prudence, ethics and reliability of the dealers.
- Dealers are to be considered as privileged employees in respect of promotion, financial benefit and other facilities.
- Implementation of dealers' mandatory leave.
- Total segregation of the Front Office, the Mid Office and the Back Office.
- To equip Dealing Room with modern sophisticated equipment and modern communication technologies.
- Dealing Room is considered as a restricted area.
- Emphasis on various market risk exposures
- Development of inter-bank BDT/USD and cross currency market.
- Emphasis on bank's liquidity position
- Dealers' job is considered compulsory for at least five years.
- Control over dealers' activities.
- Maintenance of different internal and regulatory limits.
- Ensuring regulatory procedures required for exchange position.
- Ensuring transparency and proper accountability.
- Prompt and accurate decision-making.
- Emphasis on various management information systems is given.

04.00 Departmentation Style of Foreign Exchange Dealing Operations:

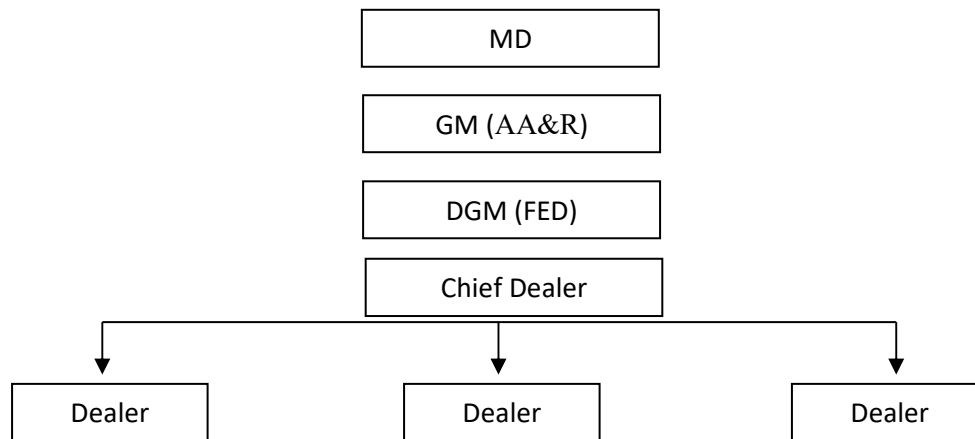
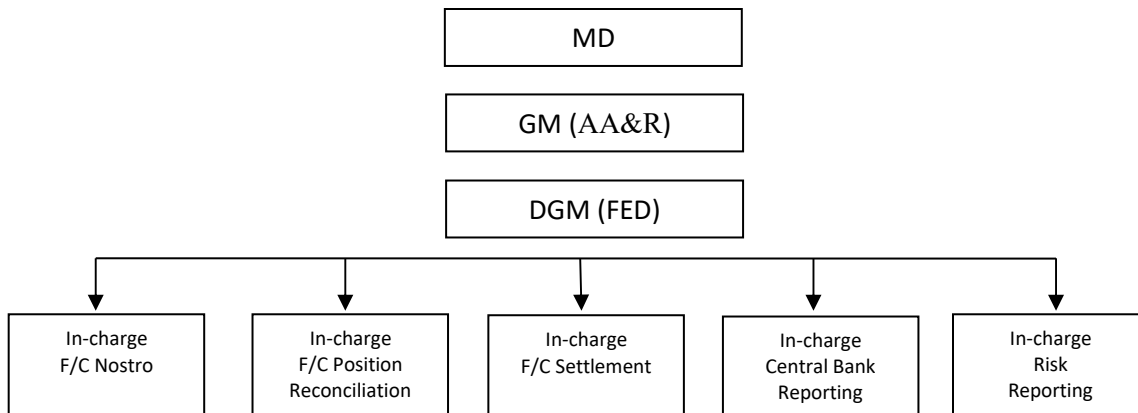
In order to run the respective functions in a well-equipped manner and depending on the nature of business of the financial organization and its size, organization needs to determine the size of Treasury Front Office, Mid Office and Back Office and its functions. However, regardless of the size nature of business, all treasury functions have been clearly demarcated between the direct dealing and all settlement and support functions, i.e. the Front Office involved in dealing activities, the Mid Office and Back Office are assigned the responsibility of related support functions.

04.01 Segregation of Treasury Front Office and Treasury Back Office:

For any deviation from the stated policies or limits, Back Office instantly informs the Front Office for immediate correction in addition to reporting to its line of management where necessary.

04.02 Co-Ordination between Foreign Currency Management and Local Currency Management in Rajshahi Krishi Unnayan Bank:

In Rajshahi Krishi Unnayan Bank, only foreign currency exchange related business is going on in a small scale and Foreign Exchange Department ensures the proper management between Foreign Currency and Local Currency for BDT/USD transaction. After starting of foreign exchange business with its maximum volume the dealers will conduct *BDT/USD* deal and send deal slip to the Back Office. After getting the deal slip, the respective Back Office personnel will prepare deal confirmation and send it to the counter party. At the same time he will receive the deal confirmation as well as BDT cheque from the counter party and will send the cheque to the Local Office for clearing and vice-versa. The respective person for BDT/USD transaction will reconcile both Nostro account and the local currency account.

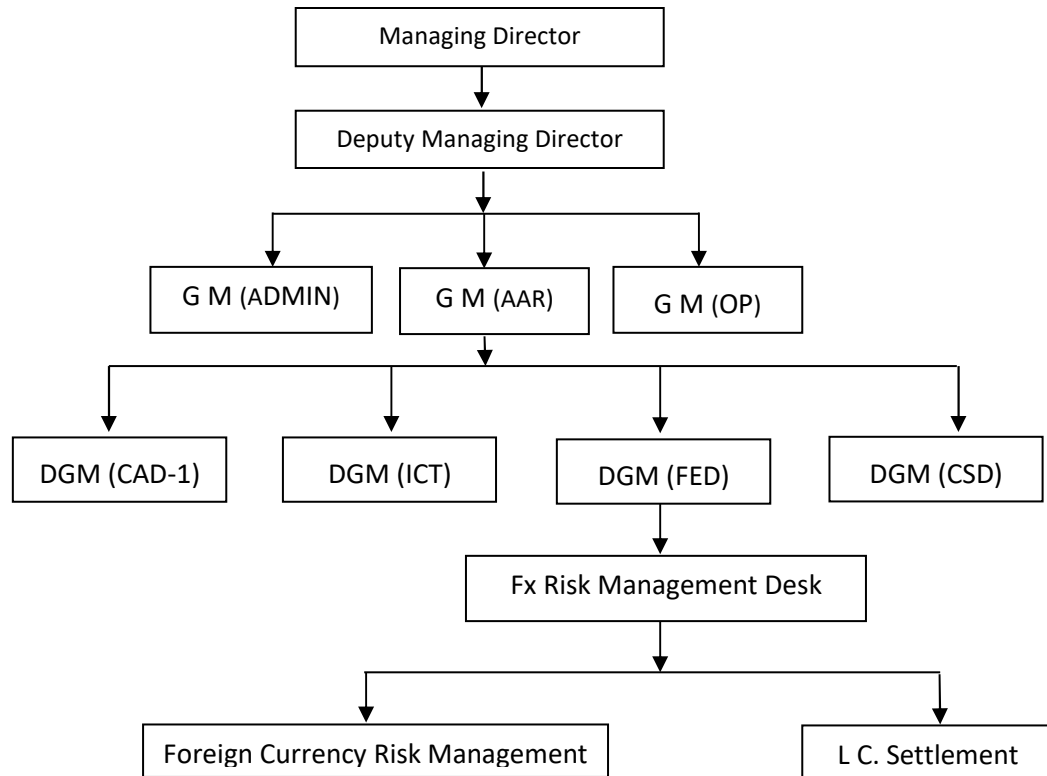
04.03 Departmentation Style of the Foreign Exchange Dealing Operation of Rajshahi Krishi Unnayan Bank:**FRONT OFFICE ORGANIZATION STRUCTURE****BACK OFFICE ORGANIZATION STRUCTURE****04.03.01 Foreign Exchange Risk Management Committee**

A Foreign Exchange Risk Management Committee has been formed in RAKUB as per guidelines of Bangladesh Bank consisting the following members:

01	Managing Director	-	Chairman
02	Deputy Managing Director	-	Member
03	General Manager	Audit, Account & Recovery Dept.	- Member
04	General Manager	Admin	- Member
05	General Manager	Operation	- Member
06	Deputy General Manager	CAD-1	- Member
07	Deputy General Manager	ICTD	- Member
08	Deputy General Manager	CSD	- Member
09	Deputy General Manager	FED	- Member Secretary
10	AGM/SPO	FED	- Member

The responsibility of FX Risk Management Committee is to establish active foreign exchange risk management in RAKUB through analyzing and discussing different information and related situation. It will monitor the activities of Foreign Exchange Department and give suggestions accordingly so that foreign exchange risks can be minimized. Monthly meeting will be held for thorough discussion of foreign exchange policy and guideline.

04.03.02 Structure of FX Risk Management Committee



05.00 Functions of Foreign Exchange Dealing Room:

Dealing Room is designed for dealing in foreign exchange. RAKUB has not established Dealing Room yet. But RAKUB is trying to establish Dealing Room. After establishment of Dealing Room, It will be provided with all required facilities such as telephone, computers, Reuters Dealing system and other information services. Dealers are the market players. They are supposed to discharge duties in prudent manner to earn profit through availing the opportunity of price movement and managing market risk. The following are the functions of dealing room:

- Forming market views through fundamental and technical analysis.
- Preparations of foreign exchange rate circular as well as quotation of various foreign exchange rates (two way rates are to be quoted)
- Taking different cross currency trading position and squaring profitability in accordance with prevailing guidelines.
- Selling surplus foreign currency in the local inter-bank market including central bank.
- Buying shortfall foreign currency from the local inter-bank market.
- Trading of local currency versus foreign currency, especially USD/BDT.
- Monitoring exchange positions.
- Maintenance of all internal and regulatory limits.
- Maintenance of counter party credit limits.
- Maintenance of all dealing records.
- Maintenance of intraday limit, dealers' individual limit, stop-loss limit etc.
- Engaging in other foreign exchange market activities as permitted by Exchange Control Authorities.
- Helping the back Office for any unreconciled entry due to any discrepancy.

05.01 Functions of the Front Office:

- Every morning meeting is to be held to discuss the market condition and other internal matters.
- Prepare and send the daily Exchange Rate sheet to the concerned branches/Offices.
- Ascertain the daily Exchange Position received from the Back Office.
- Deals is to be recorded in dealing register.
- Watch the movements of currencies in the local and international market.
- Verify all the reports coming from the Accounts Department.
- Manage the daily liquidity of the bank as per the guidelines and central bank's reserve requirement.
- Call and visit other banks to establish and develop relationship with the dealing room and dealers.
- Helping the Mid Office for compliance to various internal and regulatory measures.

05.02 Functions of Back Office:

- Preparation of exchange position.
- Preparation of daily position and reconciliation with front office.
- Recording of deals.
- Processing and sending deal confirmations.
- Receiving deal confirmations from counter parties and checking with record and follow-up
- Preparation, verification and sending payment instructions.
- Preparation, checking and passing of vouchers.
- Ensuring accounting entries.
- Checking Nostro payments and receipts.
- Claim/pay good value date effect of the settlement.
- Managing discrepancies and disputes.
- Revaluation of all foreign exchange positions at a particular date.
- Justification of rate reasonably for all deals done.
- Daily calculation of exchange position for adherence to statutory maintenance.

05.03 Functions of Mid Office:

- Monitoring dealers' compliance to various internal and regulatory limits.
- Monitoring dealers' compliance to various counter parties limits.
- Reporting any limit excess and follow up for measures.
- Revisions of counter party limits, dealers' limit, stop-loss limit with the approval of the authority.

06.00 Operational Set-up:**06.01 Front Office Equipment:**

- AC Room with auto lock system
- Thomson Reuters Eikon/Reuters Dealing System.
- Broad band Internet connection
- Financial TV Channels
- Computer with necessary office package software
- ISD Telephone with Fax
- NWD Telephone with Fax
- Mobile phone for dealers/supervisors
- Voice Recorders

06.02 Back Office Equipment:

- SWIFT connectivity
- Computer with necessary software
- Telephone with Fax

06.03 Products Offered (Subject to Exchange Control Regulations):

- Ready/Spot cross currency deal
- Forward cross currency deal
- Ready/Spot USD/BDT deal
- Forward BDT/USD deal

06.04 Dealing Hours (Subject to guidelines for foreign exchange transactions):

Sunday : 8 a.m. to 1 p.m. for BDT/USD deal only
Monday to Thursday : 8 a.m. to 1 p.m. for BDT/USD deal and up to 5 p.m. cross CCY deal
Friday : 10 a.m. to 7 p.m. for cross currency deal only. (When open)

06.05 After Hour Deal:

Dealing Room may remain open up to 8.00 p.m with prior permission of the General Manager (AA&R).
No Dealer is allowed to conclude deal after 8.00 p.m.

06.06 Dealing room limits:

Dealing room limit		USD 10.00 million or equivalent FC
Counter Party Limit		For NCBs USD 5.00 million or eqvt. FC For FCBs USD 3.00 million or eqvt. FC For PCBs USD 3.00 million or eqvt. FC
Currency wise maximum deal size	Dealer (SPO/PO)	USD 2.00 million or eqvt. FC
	Dealer (SO)	USD 1.00 million or eqvt. FC
Maximum dealing limit per day	Dealer (SPO/PO)	USD 5.00 million or eqvt. FC
	Dealer (SO)	USD 3.00 million or eqvt. FC
Maximum stop-loss limit per deal	Dealer (SPO/PO)	USD 1,200.00 or eqvt. FC
	Dealer (SO)	USD 1,000.00 or eqvt. FC
Maximum stop-loss limit per day	Dealer (SPO/PO)	USD 2,000.00 or eqvt. FC
	Dealer (SO)	USD 1,500.00 or eqvt. FC
Overnight/after hour trading Limit	Dealer (SPO/PO)	USD 1.00 million or eqvt. FC
	Dealer (SO)	USD 1.00 million or eqvt. FC

06.07 Off Premise deal (Subject of specific permission from the competent authority):

Off-premises dealing for squaring up any position is permissible for individual dealer. The chief dealer would designate particular dealer(s) with the authority for off-premises dealing in case they decide to carry out such activity for some specific business reason/justification and it must be traded separately since no immediate confirmation is done.

06.08 Get-up of the Deal Slip:

The deal slip should contain the following:

- Deal No.
- Deal Date
- Settlement Date
- Base/ Quoted Currency
- Dealing amount
- Exchange rate
- Value date
- Signature

06.09 Dealer's Position sheet:

Dealer's position sheet contains the following:

- Counter party name
- Amount purchased/ sold
- Exchange Rate
- Value Date
- Signature

07.00 Dealer's Mandatory Leave:

The dealing room functions are extremely sensitive and tension based due to high volatility of exchange rate movements as well as large volume of transactions. So there is also risk of making mistakes and as such all dealers are required to be on leave for two weeks during a year and this is mandatory. During this period, dealers are not expected to be in contact with their colleagues in the dealing room. Typically this period should continue for two weeks.

Dealers may be allowed to go on mandatory leave for two weeks during a year. Respective General Manager may sanction this leave upon received recommendation from Foreign Exchange Department (Trade).

08.00 Job descriptions for the Dealing Officials, the Mid Office and the Back Office Personnel:**08.01 Deputy General Manager:**

- Overall responsibility of all dealing and treasury activities.
- Responsible of all dealing room financial plan, strategy and operation of back office.
- Setting risk management strategy within internal and regulatory limits.
- Setting individual dealer's dealing limit with the approval of competent authority.
- Setting individual dealer's dealing with the approval of competent authority and compliance of dealings within the approved limit.
- Decide on particular position during unfavorable situation.
- Responsible for maintaining open position within the stipulated limit.
- Continuous development of systems, processes, business strategies etc. with the approval of authority.
- Follow-up the flow of incoming and outgoing funds in relation of dealing activities.

08.02 In-Charge (Mid Office):

- To monitor compliance of all types of dealing room limits as well as dealer's individual limits
- To monitor compliance of counter party limit.
- To check and sign all types of internal and regulatory reporting.
- To inform the Deputy General Manager of any limit violation
- To review the counter party limits.
- To monitor profitability of dealing room.

08.02.01 Separate Mid Office:

Separate Mid Office may be established comprising 1 (one) Principal Officer and 1 (One) Senior Officer of this department. Mid Office will calculate Market to Market (Net Open Position for the next day) at the close of business of the day and submit a report to the Deputy General Manager (Foreign Exchange Department, Trade) on daily basis.

08.04 Chief Dealer:

- To monitor the daily foreign exchange circular.
- To form the market view through technical and fundamental analysis.
- To monitor the other dealers' activities.
- To maintain individual limits.
- To monitor the daily foreign exchange circular.
- To maintain individual position sheet.
- To guide other dealers in decision making.
- To monitor the exchange position.
- To monitor the daily profit and loss of the dealing room.
- To maintain the dealers' pads.
- To make proposal for increasing or review of counter party limits.
- To conduct BDT/USD corporate deal and other cross currency deal.
- To check and sign dealer's pad prepared by other dealers.

08.05 Other Dealers:

- To prepare the daily foreign exchange circular.
- To participate in forming market view.
- To take cross currency position and square profitability.
- To conduct BDT/USD corporate deal.
- To maintain individual limits.
- To maintain individual position sheet/blotter.
- To prepare deal slip.
- To seek help from the chief dealer in case of emergency or adverse situation.
- To maintain the dealers' pads.
- To help the back office people of any discrepancy.

08.06 In-Charge (Back Office):

- To monitor all activities of the settlement.
- To check and sign the payment instruction.
- To check the deal record.
- To check the position reconciliation sheet.
- To monitor the daily foreign exchange position.
- To check and sign the deal confirmation.
- To claim or to pay for good value in case of settlement.

08.07 Back Office (Settlement):

- To check the exchange position.
- To check the deal confirmations.
- To check the settlement instructions.
- To check the Nostro account statements.
- To check the deal record.
- To check the position of reconciliation sheet.
- To find out late receipt or payment in the Nostro accounts if any and claim for settlement with good value.
- To check the counter good value.
- To check various internal and regulatory limit.

08.08 Back Office (Process):

- To prepare the exchange position.
- To prepare the deal confirmations.
- To send and receive all deal confirmations.
- To maintain deal record.
- To prepare settlement instructions.
- To maintain the position of reconciliation sheet.
- To check the Nostro accounts statements to find out late settlement if and claim or pay for good value.
- To prepare, check and pass all the deal vouchers on day-to-day basis.

08.09 Mid Office (Report):

- To prepare all regulatory report as required.
- To respond to various queries regarding reports.
- To monitor all internal regulatory limits.
- Reporting of excess limit utilization.
- Determination of daily profit and loss.

08.10 Back Office (Reconciliation):

- To monitor all foreign currency Nostro accounts reconciliation on day-to-day basis.
- To monitor BDT/USD corporate transactions reconciliation on day-to-day basis.
- To check the shadow ledger on day-to-day basis.
- To inform the dealers of any discrepancy or unmatched item if detected.

08.11 Back Office (Foreign Currency Reconciliation):

- To prepare of all the deal vouchers.
- To reconcile all foreign currency Nostro accounts on day-to-day basis.
- Reporting of any unmatched item to the In-Charge.
- To inform the dealers of any discrepancy or unmatched item.

08.12 Back Office (BDT/USD Corporate Reconciliation):

- To prepare and to post of all BDT/USD corporate transactions vouchers.
- To reconcile all BDT/USD corporate transactions on day-to-day basis.
- To report of any unmatched amount.
- To inform the dealers of any discrepancy.
- To investigate and to match un-reconciled amount.
- To issue sale or purchase confirmation letter.

09.00 Treasury Back Office is restricted from doing the following activities:**A. Dealing activities:**

- i. Decide on exchange rates/quoting prices
- ii. Striking deals with counter parties
- iii. Raising deal slips
- iv. Altering deal details

B. Updating position blotters**C. Approving counter party credit limits****D. Approving market risk limits**

09.01 Management Action Trigger:

If anybody/dealer incurs loss more than USD 8,000.00 in a single deal or several deals or incurs loss for consecutive 5 (five) days, in this situation Deputy General Manager (Foreign Exchange Department) will submit an appraisal report regarding the person/ dealer to the Managing Director for his kind information and necessary action.

10.00 Conclusion:

In the passage of time Rajshahi Krishi Unnayan Bank id to go for centralized Treasury Management to fulfill the time demand of the market. We hope after inauguration of Foreign Exchange business with maximum products, there will be established the nature of treasury environment will being ever-changed where new market products and new risks will be evolved on a continuous basis. The RAKUB's internal policies and structures have been designed in such a way so that identification of new risks and control areas can be made possible at the earliest and control mechanisms can be implemented prior to taking up any significant risk. This guideline will be very helpful after establishment of maximum Foreign Exchange in Rajshahi Krishi Unnayan Bank.

11.00 CODE OF CONDUCT OF THE FOREIGN EXCHANGE DEALERS:**GENERAL CODE**

1. **Purpose:** The aim of the code of conduct is to set out the manner and spirit in which business should be conducted in order to ensure that the foreign exchange market and its participants enjoy a reputation for high standards of professionalism, integrity and ethical conduct. This is addressed not only to dealers in foreign banks but also to the management of such institution together with relevant operational supporting staff and should be well understood by each of them.

2. Responsibility of management for dealing activities:

Control of the activities of all personnel engaged in dealing (both dealers and supporting staffs) is the management's responsibility of such organizations. Therefore, management should clearly set out in writing the authorities and responsibilities that lies with the dealers and the supporting staffs should operate. These may include:

- General dealing policy including reporting procedures
- Persons who are authorized to deal
- Instrument to be dealt in
- Limits on open positions, mismatch positions, counterparts, stop-loss limits etc.
- Confirmation and settlement procedures
- Relationship with other foreign banks, brokers and customers
- Other relevant guidelines as considered appropriate

3. Responsibility of staff for dealing activities:

All personnel engaged in dealing activities (both dealers and supporting staffs) must observe the following code as their fundamental behavior in the dealing activities:

- They must keep dealing activities within the responsibilities authorized by the management and observe the instruction given by the management for supervisors in each dealing section (front office and back office) concerned.
- Troubles, which arise during dealing activities and other issues resulting serious problems, must immediately be reported to the management or supervisors for their instructions.

4. Use market terminology and definitions:

We should see our staffs to use common expressions and have knowledge of their generally accepted meanings in their dealing activities in order to avoid misunderstandings.

5. Dealing Unit and Back Office:

As per organizational framework it is clearly separated the dealing unit, front office from the back office. In back office all the administrative works (payments, global position keeping) are done and also for the book-keeping parts responsible for a timely and swift checking of all incoming confirmations.

6. Recording a deal:

All the essential details of a deal must be written down in a deal ticket which must be forwarded as soon as possible to the back office for further processing. Alternatively, the information may be entered into the computerized system.

7. Accounting:

The back office must work with the banks accounting department to ensure that all transactions are accounted for promptly. Because of two-day settlements, the value date accounting is inadequate for the monitoring of risk positions and hence accounting must be established on a transaction basis.

12.0 CODE REGARDING DEALING PRACTICES:**1. Opening hours in the foreign exchange market:**

Opening hours should be defined.

2. Confirming procedures:

Dealers must confirm verbally.

After dealer's confirmation, it is the back office's responsibility to carry out reconfirmation independently from those who initiate deals. Recommendation must be sent out as quickly as possible after a deal has been done and should be addressed to the back office of the counterpart bank.

All reconfirmations should include the following information as a minimum requirement:

- Date of transaction
- By which means effected (Phone, SWIFT)
- Name and location of counterpart
- Rate amount and currency
- Type and side of deal (buying and selling)
- Value date, maturity date and all other relevant dates
- Standard terms and conditions applicable
- All other important and relevant information

Upon receipt all reconfirmations, must immediately be thoroughly checked and appropriate action be taken to rectify differences. If the counterpart's recommendation is considered incorrect, it must immediately be informed. A new reconfirmation (or written agreement to a correction) must be requested from and provided by the bank whose original reconfirmation was incorrect.

3. Payment/Settlement Instructions:

Payment/Settlement instructions should be passed as quickly as possible to facilitate prompt settlement. The use of standardized payment instructions between counterparts who regularly deal with each other is recommended as their use can make a significant contribution to reduce the incidence and the size of differences arising from the mistaken settlement of funds.

4. Confidentiality:

Confidentiality anonymity is essential for the operation of a professional foreign exchange market. Participants in the market-commercial clients as well as banks can expect to have their interest and to ensure that it's employees readily identify information which is confidential or the situation where anonymity is essential and instruct their employees to handle such information accordingly. Whenever confidentiality is broken, management is to see that the instructions are issued swiftly to correct the conditions that permitted such a situation to occur.

The use of confidential information by traders for their personal benefit or in a manner that compromises with the institution in any way should be strictly forbidden. Dealers operating in the market are responsible for maintaining confidentiality. Without disclosing or discussing any information relating to deals transacted in the process of being arranged except to, or with the counterparts involved. A dealer should not be permitted to pass any information outside his institution, nor should distribute within his institution, except on explicit permission from the parties involved on a need-to-know basis.

13.00 ETHICAL RULES:

1. Trading for Personal Account:

It is expected that any trader will give full attention to the employing institutions business activities and not be distracted by his own financial affairs. Any bank dealer should not be allowed to deal for their own account in any instruments since it is expected that any dealer will fulfill his institutional responsibilities objectively unbiased by his own financial position. Management has to be aware that if traders are permitted to trade in instruments closely related to that deal for the institution, a conflict of interest may arise which could be deter mental or embarrassing for the institution or the trader, or both. Therefore, it is needed a clear institutional policy on these matters.

2. Protections against fraud:

All staffs should pay much vigilance in regard to attempted fraud particularly in the following cases:

- Deals which do not include pre-agreed standard settlement institutions
- Deals whose payment is made in favor of a third party
- Inability to make reconfirmation after concluding the deal and
- Other deals which have different standards than the pre-agreed

3. Entertainment, gift and gambling:

Neither management nor employees should offer inducements to conduct business or solicit them from the personnel of other institutions.

Where inducements are recognized in the normal course of business, management should formulate policies in this area including guidance on the provision and receipt of entertainment and gifts by staff. This should include what may/or may not be offered or accepted, together with procedures for dealing with gifts judged to be excessive, but which cannot be declined without causing offences. This procedure is also to be followed in respect of gambling.

The End