



FREQUENTLY-ASKED QUESTIONS GUIDELINES ON MARKET CONDUCT FOR LABUAN DIGITAL FINANCIAL INTERMEDIARIES

A. DISCLOSURE OF INFORMATION

- 1. In relation to paragraph 10.1 (iii), DFIs are required to provide sufficient notice to their clients before effecting any material change to the terms and conditions of any services provided by the DFI, which includes any amendment to policies applicable to the client’s account. How is “material change” defined?**

Material changes refer to any substantial modification by the DFI that may affect the services provided to its clients. Nevertheless, minor adjustments (i.e. fixing grammatical errors, and revisions for aesthetic purposes) are not compulsory and may be implemented without notice.

B. PREVENTION OF MARKET MANIPULATIVE AND ABUSIVE ACTIVITIES

- 2. In relation to paragraph 12.1 (i), DFIs are required to establish the policies and procedures for proper surveillance of trading activities. This includes identifying and detecting anomalies, which involves performing periodic independent reviews of suspicious price spikes. Do the independent reviews require third-party assessment?**

The independent reviews are not necessarily from third-party assessments, DFI may designate an internal officer that is not involved in the day-to-day operations to conduct an inspection of such trading activities.

- 3. In relation to paragraph 12.2, DFIs are required to adopt market surveillance system to identify, monitor, detect and prevent any market manipulative or abusive activities on its trading platform. Does the market surveillance system need to be operated automatically? What other considerations could be taken into account regarding the adoption of market surveillance system by DFIs?**

This shall be based on the DFI's discretion, whether the market surveillance system should be operated manually or automatically. In addition, the market surveillance system could also include the monitoring of media (including social media) for manipulative practices (i.e. information sharing on prospective listings on Telegram, Signal, etc.)

C. ADVERTISING AND PROMOTIONS

- 4. Any other considerations DFIs should take into account in terms of advertising and promotions of products and services as specified under paragraph 14.0?**

DFIs are required to ensure that the advertising and promotions are not misleading, and any statement made must be accurate. The promotional efforts should be designed to promote a clear understanding by its clients of what they are subscribing, such as the key facts and relevant risks around the product and service provided (e.g. the rate of return). This should apply irrespective of how, or on which platform, the promotion and advertisement is made, which includes traditional, online and social media, as well as digital engagement practices used for targeted marketing and digital nudging.

In addition, DFIs are required to adhere to legal boundaries, ensuring that their promotion and advertising of products and services are aligned with activities and scopes permitted by the respective law.

D. GENERAL

- 5. In the event where a cyber incident is swiftly rectified, is it still necessary for DFIs to report the incident to Labuan FSA?**

Yes, DFIs are required to notify Labuan FSA immediately on any major cyber incidents that could potentially have major impact on the DFI's digital financial services even if the incident has been swiftly rectified by the DFI. Upon completion of the investigation, DFIs are required to submit the report to Labuan FSA within 48 hours as required under the *Guidelines on Technology Management* dated 14 December 2022.