

## Amendments to the CDP Clearing Rules

### 1.2 Definitions

#### 1.2.1

In these Clearing Rules, unless the context otherwise requires:—

Where a provision of these Clearing Rules refers to or has effect for the purposes of a particular provision of the SFA or the Companies Act (Cap. 50) or any subsidiary legislation promulgated under it ("the Companies Act") — the word or expression has in that provision of these Clearing Rules the same meaning as it has in that provision of the SFA or the Companies Act; in any other case, the word or expression has the same meaning in these Clearing Rules as it has in the SFA or the Companies Act.

...

<u>"Position Account"</u>	<u>means an account maintained with CDP in its post-trade system, for carrying positions of trades to be cleared with CDP.</u>
---------------------------	--

...

#### 3.5.1

Each Clearing Member undertakes and agrees to:—

- (1) comply at all times with the applicable eligibility criteria set out in this Chapter 3;
- (2) clear and settle any Exchange Trade transacted by it through CDP in accordance with this Clearing Rules and the Clearing Directives (where applicable);
- (3) clear and settle any Exchange Trade transacted by a Trading Member qualified by it as a principal obligor and not merely as a guarantor through CDP in accordance with this Clearing Rules and the Clearing Directives (where applicable);
- (4) comply with this Clearing Rules and the Clearing Directives (where applicable);
- (5) grant CDP all rights and remedies as set forth in this Clearing Rules and the Clearing Directives (where applicable);
- (6) pay CDP all fees, charges, costs, compensation and other sums as provided in this Clearing Rules and the Clearing Directives (where applicable);
- (7) make such contributions or payments to the Clearing Fund as may be required in this Clearing Rules;
- (8) generally take or refrain from taking such action as may be required in relation to the Clearing Fund;
- (9) exercise reasonable supervision over its employees and agents with a view to preventing any violation of SFA (where applicable), this Clearing Rules and Clearing Directives (where applicable). For this purpose, a Clearing Member shall be deemed to have complied with this Rule 3.5.1(9) if:—
  - (a) it has established and maintained proper procedures and systems for its business, and in the case of a Bank Clearing Member, its business governed by this Clearing Rules, to prevent any such

### Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to the CDP Clearing Rules

violations by its directors, officers, employees and agents;

(b) it has in place sufficient resources and established and maintained adequate internal control and risk management systems for its business, and in the case of a Bank Clearing Member, its business governed by this Clearing Rules; and

(c) the Clearing Member's employees or agents, have reasonably discharged their duties and obligations in enforcing the procedures and systems for its business, and in the case of a Bank Clearing Member, its business governed by this Clearing Rules;

(10) comply with the clearing limits as CDP may prescribe from time to time;

(11) maintain bank accounts in the currencies that may incur settlement and with banks acceptable to CDP; ~~and~~

(12) ensure that its Memorandum and Articles of Association or its constitution shall at all times conform to this Clearing Rules and the Clearing Directives (where applicable) so as to enable it to observe and perform fully the covenants, terms, stipulations, conditions and other provisions of this Clearing Rules and the Clearing Directives (where applicable); ~~and~~

(13) take such steps, including without limitation procedural steps (whether of a technical or non-technical nature or otherwise), as CDP may require to ensure the orderly clearing and settlement of Exchange Trades qualified by the Clearing Member.

### 5.6.3

In Rule 5.6.1, "exposure to a single customer" means:—

(1) in the case of securities positions carried in a customer's account (other than a margin financing account) carried on the books of the General Clearing Member:—

(a) for purchase contracts that remain unpaid:—

(i) where the securities purchased have not been delivered to the customer, the excess of the contracted price of the securities purchased by the single customer over the aggregate market value of the securities purchased and such other collateral held by the General Clearing Member less any amount due and payable by the General Clearing Member to him; and

(ii) where the securities purchased have been delivered to the customer, the excess of the contracted price of the securities purchased by the single customer over the aggregate market value of all his collateral held by the General Clearing Member less any amount due and payable by the General Clearing Member to him;

(b) for sale contracts for which delivery has not been made, the excess of the amount of the market value of the securities sold by the single customer over the aggregate of the market value of any of his

### Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to the CDP Clearing Rules

collateral held by the General Clearing Member and the contracted sale price less any amount due and payable by the General Clearing Member to him;

(c) where the contracts referred to in Rule 5.6.3(1)(a) or (b) have been offset by a contra transaction on or before the due date, the exposure shall not include those amounts specified in Rule 5.6.3(1)(a) or (b) in respect of such contracts but shall instead include the amount of the contra loss, if any, on the date on which the contra transaction takes effect; and

(d) where the contracts referred to in Rule 5.6.3 (1)(a) or (b) have been offset by a force-sale after the due date or buying-in transaction on or after the due date, the exposure shall not include those amounts specified in Rule 5.6.3(1)(a) or (b) in respect of such contracts but shall instead include the amount of the loss, if any, arising from the force-sale or buying-in transaction, on the date on which the transaction takes effect;

(1A) for the purposes of Rule 5.6.3(1) "securities" includes structured warrants listed on foreign exchanges;

(2) the amount of margin deficiency in the single customer's margin financing account carried on the books of the General Clearing Member as determined in accordance with the margin financing requirements specified by SGX-ST;

(3) the amount of deficiency in relation to margins required in any account carried on the books of the General Clearing Member of the single customer as determined in accordance with the margin requirements prescribed by the relevant exchange, clearing house or such other relevant financial institution;

(4) the excess of the amount owed by the single customer in his options trading account carried on the books of the General Clearing Member over the market value of options held;

(5) the amount of any unsecured interest owed by the single customer;

(6) the amount of any unsecured loan, advance and credit facility granted to the single customer;

(7) where the General Clearing Member has lent securities to the single customer or is acting as guarantor for the return of securities lent to the single customer, the excess of the amount of the market value of the securities lent to the single customer over the amount of the market value of collateral and cash deposited by the single customer; and

(8) where the General Clearing Member has deposited collateral with the single customer in respect of securities lent by the single customer or is acting as guarantor for the return of collateral deposited with the single customer in respect of any securities lent by him, the excess of the amount of the market value of collateral and cash deposited with the single customer over the amount of the market value of securities lent by him.

### Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to the CDP Clearing Rules

### 5.6.4

For the purposes of Rule 5.6.3, a security or futures contract is deemed to be carried in a customer's account (other than a margin financing account) carried on the books of the General Clearing Member on the contract date specified in the contract note in respect of the transaction in that security or futures contract or on the exercise date specified in the exercise notice in respect of an option in that security which has been exercised.

### 5.7.4

For the purpose of Rule 5.7.1, "exposure to a single security" means:—

(1) the amount of the single security underwritten or sub-underwritten by or placed with the General Clearing Member, after deducting the amount which the General Clearing Member has sub-underwritten or placed with:—

(a) a bank licensed under the Banking Act (Chapter 19);

(b) a merchant bank approved as a financial institution under the Monetary Authority of Singapore Act (Chapter 186);

(c) a finance company licensed under the Finance Companies Act (Chapter 108);

(d) a company or society registered under the Insurance Act (Chapter 142) to carry on insurance business as an insurer;

(e) the holder of a Capital Markets Services Licence under the SFA to deal in securities, or trade in futures contracts or for fund management;

(f) a financial institution outside Singapore which is licensed or regulated by a financial services regulatory authority in the country in which it is domiciled, and has a long-term credit rating of investment grade; and

(g) any other person, provided that:—

(i) full payment has been received by the General Clearing Member for the sub-underwritten, placed, sold or allotted amount; or

(ii) the sub-underwritten, placed, sold or allotted amount can be offset against collateral received by the General Clearing Member under a netting agreement.

(2) the book value of the single security carried long or the market value of the single security carried short in the General Clearing Member's own account carried on its books;

(3) for outstanding options in the single security carried in the General Clearing Member's own options

### Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to the CDP Clearing Rules

trading account carried on its books:—

(a) the book value of options bought for the account;

(b) the excess of the market value of the underlying security over the exercise price of uncovered call options-written for the account; and

(c) the excess of the exercise price of put options written for the account over the market value of the underlying security;

(4) in relation to the single security carried in a customer's cash accounts carried on the books of the General Clearing Member, the contract value of the single security to the extent that such amounts have not been paid for, or the market value of the single security to the extent that such securities have not been delivered, whichever is the higher;

(5) for outstanding options-in the single security carried in the customer's options trading accounts carried on the books of the General Clearing Member:—

(a) the contract value of the options bought by the customer to the extent that such amounts have not been paid for;

(b) the excess of the market value of the underlying security over the exercise price of uncovered call options written by the customer; and

(c) the excess of the exercise price of put options written by the customer over the market value of the underlying security;

(6) the net amount of the single security borrowed or lent, as the case may be, by the General Clearing Member;

(7) in relation to a single security bought or carried, or deposited as collateral in the margin financing accounts carried on the books of the General Clearing Member, the margin exposure of the General Clearing Member to the single security as determined in accordance with the margin financing requirements prescribed by SGX-ST;

(8) the amount of interest receivable secured by the single security;

(9) the amount of loans and advances secured by the single security; and

(10) the amount under subscription by the General Clearing Member for its own account carried on its books in relation to a single security which is approved for quotation on SGX-ST or any recognised group A securities exchange but has not, as yet, been so quoted.

### Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to the CDP Clearing Rules

### 5.7.5

For the purpose of Rule 5.7.4, a security is deemed to be carried in a customer's cash account or a General Clearing Member's own account (such account being an account carried on the books of the General Clearing Member) on the contract date specified in the contract note in respect of the transaction in that security or on the exercise date specified in the exercise notice in respect of an option in that security which has been exercised.

### Rule 5A – Position Accounts

#### 5A.1 Separate Position Accounts and Position Account Designation

5A.1.1 A Clearing Member must maintain separate Position Accounts for each Customer or each group of joint Customers whose account is carried on the books of the Clearing Member.

5A.1.2 Each Position Account must be identified and designated, by the full name of the Customer(s) whose account is carried on the books of the Clearing Member and by a unique account code.

#### 5A.2 Reporting Requirements for Position Account

5A.2.1 Each Clearing Member shall report to CDP such information as CDP may require for each Position Account opened with CDP as soon as practicable, and in any event, no later than such time as may be required for timely and orderly settlement of the first trade cleared by the Clearing Member for the holder of such Position Account into the intended Securities Account.

Refer to Practice Note 5A.2.1, 5A.2.2.

5A.2.2 Each Clearing Member shall report to CDP any change in information previously reported to CDP for any Position Account as soon as practicable.

Refer to Practice Note 5A.2.1, 5A.2.2.

#### 5A.3. Allocation of trades to Position Accounts

5A.3.1 Each Clearing Member shall allocate the position of each trade cleared by the Clearing Member for a Customer to that Customer's Position Account or in accordance with that Customer's instructions, as soon as practicable, and in any event no later than such time as may be required for timely and orderly settlement of such trade into the intended Securities Account.

Refer to Practice Note 5A.3.1, 5A.3.4

5A.3.2 A Customer's Position Account must only be used for that Customer's positions. However, a Clearing Member may sub-allocate a position carried in a Customer's Position Account (the "originating Position Account") to another Position Account (the "destination Position Account"), provided that:

### Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to the CDP Clearing Rules

(a)(i) such sub-allocation is in accordance with the instructions of both the account holders of the originating Position Account and destination Position Account (or person(s) authorized to instruct on their behalf); and (ii) the Clearing Member receives the booking instruction only after the position has been allocated to the originating Position Account; or

(b) such sub-allocation is made to remedy an error.

5A.3.3 A Position Account may be used to hold positions for different Customers, provided that such positions are allocated out in accordance with the requirements provided in Rules 5A.3.1 and 5A.3.2.

5A.3.4 For cases in which an SGX-ST Trading Member is warehousing its customer's trades, the Clearing Member shall ensure that no trades are warehoused for more than 2 Market Days, unless under exceptional circumstances. In such cases, the Clearing Member must document the reasons for the extension of time.

Refer to Practice Note 5A.3.1, 5A.3.4

### 5A.4 Authorization of SGX-ST Trading Member to Maintain Position Accounts

5A.4.1. For third-party clearing arrangements, a Clearing Member may authorize an SGX-ST Trading Member it qualifies (referred to in this Rule 5A.4. as the "Authorized Trading Member") to:

(a) open and maintain Position Accounts for; or

(b) open, maintain and allocate positions to the Position Accounts of,

the SGX-ST Trading Member and/or the SGX-ST Trading Member's customers (such Position Accounts referred to in this Rule 5A.4 as the "Authorized Accounts"), in accordance with such procedures as CDP may require.

5A.4.2. Where a Clearing Member authorizes an Authorized Trading Member to open and maintain Authorized Accounts under Rule 5A.4.1(a), Rules 5A.1 and 5A.2 shall, with the necessary modifications, apply to an Authorized Trading Member in respect of each Authorized Account, as those provisions apply to a Clearing Member. The Clearing Member who authorizes the Authorized Trading Member under Rule 5A.4.1(a) shall ensure that the Authorized Trading Member performs the obligations under Rules 5A.1 and 5A.2, as they apply to the Authorized Trading Member in respect of each Authorized Account.

Refer to Practice Note 5A.4.2, 5A.4.3.

5A.4.3 Where a Clearing Member authorizes an Authorized Trading Member to open, maintain and allocate positions to the Authorized Accounts under Rule 5A.4.1(b), Rules 5A.1, 5A.2, 5A.3 and 5A.6 shall, with the necessary modifications, apply to an Authorized Trading Member in respect of each Authorized Account, as those provisions apply to a Clearing Member. The Clearing Member who authorizes the Authorized Trading Member under Rule 5A.4.1(b) shall ensure that the Authorized Trading Member

### Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to the CDP Clearing Rules

performs the obligations under Rules 5A.1, 5A.2, 5A.3 and 5A.6, as they apply to the Authorized Trading Member in respect of each Authorized Account.

Refer to Practice Note 5A.4.2, 5A.4.3.

5A.4.4 If a Clearing Member wishes to cease authorizing an Authorized Trading Member, it shall:-

- (a) give not less than 30 days' written notice (or such shorter period as CDP may from time to time deem acceptable) to CDP of its intention to cease authorizing that Authorized Trading Member and the proposed date of cessation, provided always that CDP may waive such notice requirement at any time with respect to any Clearing Member;
- (b) satisfy CDP that it has taken, or will take, proper steps for the orderly clearing and settlement of the Authorized Trading Member's Exchange Trades; and
- (c) comply with any reasonable direction of CDP in relation to the orderly cessation of the authorization of the Authorized Trading Member.

Rule 5A.5 Position Accounts carrying positions for more than one beneficial owner

5A.5.1.

Subject to Rule 5A.5.2., a Clearing Member shall identify, or ensure that such information is made available, to CDP any underlying beneficial owner and/or any controlling party of any Position Account. This shall be provided upon request by CDP within such time as CDP may require.

5A.5.2

If the Position Account holder does not want the identity of any underlying beneficial owner and/or any controlling party of such account to be disclosed to its carrying Clearing Member, the Position Account holder may apply to the CDP, through its carrying Clearing Member, to provide such information as CDP may require directly to CDP.

5A.6 Position Reconciliation

5A.6.1 Each Clearing Member shall ensure that positions in each Position Account maintained with CDP are accurate. If any discrepancy between CDP's and the Clearing Member's records is noted, the Clearing Member must rectify the discrepancy immediately.

5A.7 Disclosure of information

5A.7.1 Each Clearing Member irrevocably authorizes CDP to disclose the contents of any information reported to CDP under this Rule 5A to any Exchange in so far as such information relates to trades executed on that Exchange or to any Position Account carrying such trades.

### Legend

Red underlined – Insertions

Red struckthrough – Deletions



## Amendments to Practice Notes to the CDP Clearing Rules

### Practice Note 5A.2.1, 5A.2.2.– Position Account Reporting

<u>Issue Date</u>	<u>Cross Reference</u>	<u>Enquiries</u>
<u>Added on 1 July 2016</u>	<u>Rules 5A.2.1, 5A.2.2.</u>	<u>Please contact Member Supervision:</u>  <u>Facsimile No : 6538 8273</u>  <u>Please contact Risk Management:</u>  <u>Facsimile No : 6532 0297</u> <u>E-Mail Address: <a href="mailto:rm-securities@sgx.com">rm-securities@sgx.com</a></u>

#### 1. Introduction

1.1. Rule 5A.2.1 requires each Clearing Member to report to CDP such information as CDP may require for each Position Account opened with CDP as soon as practicable, and in any event, no later than such time as may be required for timely and orderly settlement of the first trade cleared by the Clearing member for the Customer into the intended Securities Account. In addition, Rule 5A.2.2 requires each Clearing Member to report to CDP any change in information previously reported to CDP for any Position Account as soon as practicable.

1.2. This Practice Note provides guidance on some of the types of information in relation to Position Accounts that are to be reported to CDP under Rule 5A.2.1.

1.3. This Practice Note also provides guidance on the timelines within which reporting of Position Account information and reporting of changes in Position Account information are to be completed by.

1.4 The terms “Trading Representative” and “Remisier” as used in this Practice Note shall have the meanings as ascribed to them in the SGX-ST Rules.

#### 2. Type of Information

2.1. Each Clearing Member shall report to CDP such information as CDP may require in relation to Position Accounts. The information required may be communicated by CDP to Clearing Members through technical specifications or other mediums as CDP may determine.

2.2 For the following types of information, each Clearing Member shall report in accordance with the criteria set out in the tables below:

(a) Origin

#### Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to Practice Notes to the CDP Clearing Rules

Description of origin	Criteria
Customer	The origin of a Position Account shall be reported as “Customer” if the Position Account holder is a customer, as defined in Part III of the Securities and Futures (Licensing and Conduct of Business) Regulations.
House	The origin of a Position Account shall be reported as “House” if the Position Account holder is neither a customer, as defined in Part III of the Securities and Futures (Licensing and Conduct of Business) Regulations, nor a Remisier, as defined in the SGX-ST Rules.
Remisier of the Member	The origin of a Position Account shall be reported as “Remisier” if the Position Account holder is a Remisier of the member, as defined in SGX-ST Rules.

### (b) Ownership Type

Description of ownership type	Criteria
SGX Member	The ownership type of the account shall be reported as “SGX Member” if the account holder is the Clearing Member itself.
Individual Person	<p>The ownership type of the account shall be reported as “Individual Person” if the account holder is an individual, except where such individual is an officer, employee, non-executive director or Trading Representative of the Clearing Member.</p> <p>This value shall be used for joint accounts of two or more individuals, except where any party to the account is an officer, employee, non-executive director or Trading Representative of the Clearing Member.</p>
Officers and employees of the Member (excluding Trading Representatives)	<p>The ownership type of the account shall be reported as “Officers and employees of Member (excluding Trading Representatives)” if the account holder is</p> <p>(a) an approved executive director of the Clearing Member (regardless of whether such approved executive director is a Trading Representative); or</p> <p>(b) an officer or employee of the Clearing Member, but not a Trading Representative of the Clearing Member.</p>
Non-executive Director of Member	The ownership type of the account shall be reported as “Non-executive Director of Member” if the account holder is a non-

### Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to Practice Notes to the CDP Clearing Rules

	<u>executive director of the Clearing Member.</u>
<u>Trading Representative of Member - Remisier</u>	<u>The ownership type of the account shall be reported as “Trading Representative of Member - Remisier” if the account holder is a remisier Remisier of the Clearing Member.</u>
<u>Trading Representative of Member - non-Remisier</u>	<u>The ownership type of the account shall be reported as “Trading Representative of Member – non-Remisier” if the account holder is a Trading Representative of the Clearing Member and not a remisier of the Clearing Member.</u>
<u>Related Entity</u>	<u>The ownership type of the account shall be reported as “Related Entity” if the account holder is a related entity of the Clearing Member.</u>  <u>“Entity” here includes corporates, unincorporated societies/associations, trusts, partnerships and limited liability partnerships, but excludes statutory boards and government bodies.</u>
<u>Non-Related Entity</u>	<u>The ownership type of the account shall be reported as “Non-Related Entity” if the account holder is an entity that is not a Related Entity.</u>  <u>“Entity” here includes corporates, unincorporated societies/associations, trusts, partnerships and limited liability partnerships, but excludes statutory boards and government bodies.</u>
<u>Statutory Board/ Government Body</u>	<u>The ownership type of the account shall be reported as “Statutory Board/Government Body” if the account holder is a statutory board or government body, including those of a foreign jurisdiction.</u>

### 3. Manner of reporting to CDP

3.1. Each Clearing Member shall report to CDP such information as CDP may require in relation to Position Accounts in such manner as may be determined by CDP.

### 4. Timelines for Position Account reporting

4.1. Each Clearing Member is required to perform the obligations required under Rule 5A.2.1 as soon as practicable, and in any event, no later than such time as may be required for timely and orderly settlement of the first trade cleared by the Clearing Member for the Customer into the intended Securities Account. Each Clearing Member is also required to perform the obligations required under Rule 5A.2.2 as soon as

### Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to Practice Notes to the CDP Clearing Rules

practicable.

4.2. For Rule 5A.2.1, each Clearing Member shall report to CDP such information as CDP may require for a Position Account opened with CDP before the Clearing Member first clears a trade for the relevant Position Account holder.

4.3. For Rule 5A.2.2, each Clearing Member shall report to CDP any change in information previously reported to CDP for any Position Account by the end of the next Market Day from the time when the Clearing Member receives notice of the change. If there is a delay, the Clearing Member shall ensure that there are valid reasons to explain the delay. An example of a valid reason for delay includes when the customer has first notified the Clearing Member of a change in information, but fails to provide sufficient or complete information in time for the Clearing Member to update the change in information by the required time, and such delay is not due to the Clearing Member's negligence and/or other internal control weaknesses.

### Practice Note 5A.3.1, 5A.3.4 – Position Account Allocation

<u>Issue Date</u>	<u>Cross Reference</u>	<u>Enquiries</u>
<u>Added on 1 July 2016</u>	<u>Rules 5A.3.1, 5A.3.4.</u>	<u>Please contact Member Supervision:  Facsimile No : 6538 8273</u>

1. Rule 5A.3.1 requires each Clearing Member to allocate the position of each trade cleared by the Clearing member for a Customer to that Customer's Position Account or in accordance with that Customer's instructions, as soon as practicable, and in any event no later than such time as may be required for timely and orderly settlement of the relevant trade into the intended Securities Account. This Practice Note provides guidance on the timelines within which such allocation is to be completed by in various circumstances.

2. With the exception of warehoused trades, each Clearing Member shall allocate the position of each trade cleared by the Clearing Member for a Customer to that Customer's Position Account or in accordance with that Customer's instructions immediately upon the trade being cleared, or at the latest by the end of the next Market Day immediately following the trade date. If there is a delay, the Clearing Member shall ensure that there are valid reasons to explain the delay. An example of a valid reason for delay is when an overseas customer has failed to provide the necessary allocation instructions in time for the Clearing Member to conduct allocation by the end of the next Market Day immediately following the trade date, due to time zone differences.

3. For warehoused trades under Rule 5A.3.4, each Clearing Member shall ensure that no trades are warehoused for more than 2 Market Days, unless under exceptional circumstances. Each Clearing Member shall allocate the position of each trade to the relevant Customer's Position Account or in

### Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to Practice Notes to the CDP Clearing Rules

accordance with that Customer's instructions, immediately after the order is completed, or at the latest by the end of the Market Day on which the order is completed. If there is a delay, the Clearing Member shall ensure that there are valid reasons to explain the delay. An example of a valid reason for delay is when an overseas customer has failed to provide the necessary allocation instructions in time for the Clearing Member to conduct allocation by the end of the Market Day on which the order is completed, due to time zone differences.

### Practice Note 5A.4.2, 5A.4.3 - Requirement for Clearing Member to Ensure Compliance of Position Account Rules by Authorized Trading Member

<u>Issue Date</u>	<u>Cross Reference</u>	<u>Enquiries</u>
<u>Added on 1 July 2016</u>	<u>Rules 5A.4.2., 5A.4.3.</u>	<u>Please contact Member Supervision: Facsimile No : 6538 8273</u>

1. Rules 5A.4.2 and 5A.4.3 requires a Clearing Member who authorizes an Authorized Trading Member to open and maintain Authorized Accounts, or to open, maintain and allocate positions to Authorized Accounts, to ensure that the Authorized Trading Member performs the relevant obligations in relation to the Authorized Accounts.

2. There may be circumstances where a Clearing Member is unable to directly ensure that its Authorized Trading Member performs the relevant obligations in relation to the Authorized Accounts in compliance with Rules 5A.1 and 5A.2 or with Rules 5A.1, 5A.2, 5A.3 and 5A.6 (as may be applicable). This Practice Note clarifies the expectations on the Clearing Member in such circumstances.

3. Where a Clearing Member is unable to directly ensure that its Authorized Trading Member complies with the above-mentioned rules, the Clearing Member is to implement reasonable measures to ensure that the Authorized Trading Member complies with the relevant rules. The following are non-exhaustive examples of the steps which the Clearing Member should take:

a. The Clearing Member should ensure that the Authorized Trading Member is aware of its obligations relating to Authorized Accounts under the Rules and under the SGX-ST Rules.

b. The Clearing Member should obtain an undertaking from the Authorized Trading Member stating that the Authorized Trading Member will put in place adequate internal controls and processes to comply with all rules relating to Authorized Accounts.

#### Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to SGX-ST Rules

The following terms have the following meanings unless the context requires otherwise: -

...

Discretionary Account	An account <u>carried on the book of a Trading Member</u> in which the customer gives a Trading Representative discretion, which may be absolute or with limits, to purchase or sell securities or trade in Futures Contracts. The discretion may extend to selection, timing terms and price;
<u>Position Account</u>	<u>Shall have the meaning ascribed to it in the Clearing Rules;</u>
...	
<u>Trading Account</u>	<u>An account used for sending orders to the Trading System through an SGX-ST provided or SGX-ST approved order management system.</u>
...	

### 8.3.4

Each order entered into the Trading System must specify the ~~customer account~~ Position Account code, the Trading Account code and the price and quantity of the security or Futures Contract.

~~An "zero" account code may be used if the Trading Member has not allocated an account code for a new customer. A "99999" account code may be used if the Trading Member has not allocated an account code to a new foreign. Amendment of trade from "zero" or "99999" account to a customer account must be made as soon as an account code is allocated to the customers and is in accordance with Rule 12.8.~~

### 11.7.3

In this Rule, "exposure to a single customer" means:—

(1) in the case of securities carried in a customer's account (other than a margin financing account) carried on the books of a Trading Member:—

(a) for purchase contracts that remain unpaid:—

(i) where the securities purchased have not been delivered to the customer, the excess of the contracted price of the securities purchased by the single customer over the aggregate market value of the securities purchased and such other collateral, as prescribed by SGX-ST, which is held by the Trading Member less any amount due and payable by the Trading Member to him; and

(ii) where the securities purchased have been delivered to the customer, the excess of the contracted price of the securities purchased by the single customer over the aggregate market value of all his collateral, as prescribed by SGX-ST, which is held by the Trading Member less any

## Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to SGX-ST Rules

amount due and payable by the Trading Member to him;

(b) for sale contracts for which delivery has not been made, the excess of the amount of the market value of the securities sold by the single customer over the aggregate of the market value of any of his collateral, as prescribed by SGX-ST, which is held by the Trading Member and the contracted sale price less any amount due and payable by the Trading Member to him;

(c) where the contracts referred to in Rule 11.7.3(1)(a) or (b) have been offset by a contra transaction on or before the due date, the exposure shall not include those amounts specified in Rule 11.7.3(1) (a) or (b) in respect of such contracts but shall instead include the amount of the contra loss, if any, on the date on which the contra transaction takes effect; and

(d) where the contracts referred to in Rule 11.7.3(1)(a) or (b) have been offset by a force-sale or buying-in transaction after the due date, the exposure shall not include those amounts specified in Rule 11.7.3(1) (a) or (b) in respect of such contracts but shall instead include the amount of the loss, if any, arising from the force-sale or buying-in transaction, on the date on which the transaction takes effect;

(1A) for the purposes of Rule 11.7.3(1) "securities" includes structured warrants;

(2) the amount of margin deficiency in the single customer's margin financing account carried on the books of the Trading Member as determined in accordance with the margin requirements specified by SGX-ST;

(3) the amount of margin deficiency in the single customer's options margin account carried on the books of the Trading Member as determined in accordance with the option margin requirements specified by SGX-ST;

(4) the excess of the amount owed by the single customer in his options trading account carried on the books of the Trading Member over the market value of options held;

(5) the amount of any unsecured interest owed by the single customer;

(6) the amount of any unsecured loan, advance and credit facility granted to the single customer;

(7) where the Trading Member has lent securities to the single customer or is acting as guarantor for the return of securities lent to the single customer, the excess of the amount of the market value of the securities lent to the single customer over the amount of the market value of collateral and cash deposited by the single customer;

(8) where the Trading Member has deposited collateral with the single customer in respect of securities lent by the single customer or is acting as guarantor for the return of collateral deposited with the single customer in respect of any securities lent by him, the excess of the amount of the market value of collateral and cash deposited with the single customer over the amount of the market value of securities lent by him; and

(9) the amount of deficiency in relation to margins required in any account of the single customer carried on the books of the Trading Member as determined in accordance with the margin requirements prescribed by the relevant exchange, clearing house or other such relevant financial institution.

### Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to SGX-ST Rules

*Amended on 3 April 2008 and 23 January 2009.*

### 11.7.4

For the purposes of Rule 11.7.3, a security or futures contract is deemed to be carried in a customer's account (other than a margin account) carried on the books of the Trading Member on the contract date specified in the contract note in respect of the transaction in that security or futures contract or on the exercise date specified in the exercise notice in respect of an option in that security which has been exercised.

*Amended on 23 January 2009.*

### 11.8.4

For the purpose of Rule 11.8.1, "exposure to a single security" means:—

(1) the amount of the single security underwritten or sub-underwritten by or placed with a Trading Member, after deducting the amount which the Trading Member has sub-underwritten or placed with:—

- (a) a bank licensed under the Banking Act (Cap. 19);
- (b) a merchant bank approved as a financial institution under the Monetary Authority of Singapore Act (Cap. 186);
- (c) a finance company licensed under the Finance Companies Act (Cap. 108);
- (d) a company or society registered under the Insurance Act (Cap. 142) to carry on insurance business as an insurer;
- (e) the holder of a capital markets services licence under the Securities and Futures Act to deal in securities, or trade in futures contracts or for fund management;
- (f) a financial institution outside Singapore which is licensed or regulated by a financial services regulatory authority in the country in which it is domiciled, and has a long-term credit rating of investment grade; and
- (g) any other person, provided that:—
  - (i) full payment has been received by the Trading Member for the sub-underwritten, placed, sold or allotted amount; or
  - (ii) the sub-underwritten, placed, sold or allotted amount can be offset against collateral received by the Trading Member under a netting agreement.

(2) the book value of the single security carried long or the market value of the single security carried short in a Trading Member's own account carried on the books of the Trading Member;

(3) for outstanding options in the single security carried in a Trading Member's own options trading account carried on the books of the Trading Member:—

## Legend

Red underlined – Insertions

Red struckthrough – Deletions



## Amendments to SGX-ST Rules

- (a) the book value of options bought for the account;
  - (b) the excess of the market value of the underlying security over the exercise price of uncovered call options written for the account; and
  - (c) the excess of the exercise price of put options written for the account over the market value of the underlying security;
- (4) in relation to the single security carried in a customer's cash account carried on the books of the Trading Member, the contract value of the single security to the extent that such amounts have not been paid for, or the market value of the single security to the extent that such securities have not been delivered, whichever is the higher;
- (5) for outstanding options in the single security carried in a customer's options trading account carried on the books of the Trading Member:—
- (a) the contract value of the options bought by the customer to the extent that such amounts have not been paid for;
  - (b) the excess of the market value of the underlying security over the exercise price of uncovered call options written by the customer; and
  - (c) the excess of the exercise price of put options written by the customer over the market value of the underlying security;
- (6) the net amount of the single security borrowed or lent, as the case may be, by a Trading Member;
- (7) in relation to the single security bought or carried, or deposited as collateral in the margin financing accounts carried on the books of the Trading Member, the margin exposure of a Trading Member to the single security as determined in accordance with the margin financing requirements prescribed by SGX-ST;
- (8) the amount of interest receivable secured by the single security;
- (9) the amount of loans and advances secured by the single security; and
- (10) the amount under subscription by a Trading Member for its own account carried on the books of the Trading Member in relation to the single security which is approved for quotation on SGX-ST or any recognised group A securities exchange but has not, as yet, been so quoted.

*Amended on 23 January 2009.*

### 11.8.5

For the purposes of this Rule, a security is deemed to be carried in a customer's cash account or a Trading Member's own account (such account being an account carried on the books of the Trading Member) on the contract date specified in the contract note in respect of the transaction in that security or on the exercise date specified in the exercise notice in respect of an option in that security which has been exercised.

### 11.9.3

#### Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to SGX-ST Rules

A customer who operates a margin financing account with a Trading Member (such account being an account carried on the books of the Trading Member) shall authorise the Trading Member to mortgage, pledge or hypothecate the customer's securities or property for a sum not exceeding the debit balance in the margin financing account and without obligation to retain in its possession or control securities of like character. The Trading Member shall also be given the discretion to sell or dispose of any or all the securities in any manner in order to meet with the prescribed margin financing requirements.

*Amended on 23 January 2009.*

### 11.9.4

A Trading Member shall not cause or permit any new transaction made in a customer's margin financing account (such account being an account carried on the books of the Trading Member) unless the resulting equity in the account is not less than 140% of the debit balance, or the Trading Member has required the customer to deposit margin in the margin financing account within 2 Market Days from the date of securities transaction to bring the equity to not less than 140% of the debit balance.

*Amended on 23 January 2009.*

### 11.9.6

(1) A Trading Member shall not cause or permit the equity in a customer's margin financing account (such account being an account carried in the books of the Trading Member) to fall to or below 110% of the debit balance in the customer's margin financing account, unless the Trading Member has immediately required the customer to provide additional margin in the margin financing account within 2 Market Days from the date of notice to increase the equity in the customer's margin financing account to more than 110% of the debit balance in the customer's margin financing account.

(2) Where the equity in a customer's margin financing account falls to or below 110% of the debit balance in his margin financing account, and that the customer has failed to provide additional margin to increase the equity in his margin financing account to more than 110% of the debit balance in his margin financing account within the prescribed time frame referred to in Rule 11.9.6(1), a Trading Member shall have discretion, including, where appropriate, liquidating the margin financing account including the acceptable collateral deposited to bring the equity to more than 110% of the debit balance without notice to the customer.

*Amended on 10 November 2006 and 23 January 2009.*

### 11.9.8

A Trading Member shall cause daily review to be made of all margin financing accounts carried on the books of the Trading Member to ensure that credit is not over-extended beyond the approved facility and that the margin financing requirements prescribed above are met at all times. For the purpose of computing margin financing requirements in a margin financing account, the last done price of the security on the preceding Market Day, or in the case of a Prescribed Security, the closing price of the Prescribed Security on the preceding Market Day, shall be used. All transactions done on the same day shall be combined on a transaction date basis and the total cost of purchase or the net proceeds of sale including any commission charged and other expenses shall be taken into account for computing margin financing requirements.

*Amended on 23 January 2009 and 24 February 2014.*

## Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to SGX-ST Rules

11.9.10

A customer may withdraw cash or securities from his margin financing account carried on the books of his Trading Member provided that the equity in his account does not fall to 140% of the debit balance or less.

*Amended on 23 January 2009.*

11.9.11

A Trading Member shall not cause or permit:—

(1) the aggregate of the margin exposures in the margin financing accounts of all customers (such accounts being accounts carried on the books of the Trading Member) to exceed 300%, or such other percentage as SGX-ST may allow, of its free financial resources;

(2) the aggregate of the margin exposures in the margin financing accounts of all customers in respect of securities, other than securities quoted on SGX-ST, to exceed 100%, or such other percentage as SGX-ST may allow, of its free financial resources; and

(3) the debit balance in each customer's margin financing account to exceed 20%, or such other percentage as SGX-ST may allow, of its free financial resources.

*Amended on 12 October 2005 and 23 January 2009.*

11.9.13

All transactions in a margin account carried on the books of the Trading Member shall be on an immediate or a ready basis. The margin account shall not be used to subscribe for new issue of securities, or to meet margin requirements in respect of Marginable Futures Contracts.

*Amended on 23 January 2009.*

11.9.14

In computing the market value of securities bought and carried in a customer's margin financing account (such account being an account carried on the books of the Trading Member) and the market value of securities deposited as collateral by the margin customer, the Trading Member shall apply such applicable discounts as SGX-ST may prescribe from time to time.

*Amended on 23 January 2009.*

Rule 12.3 Customer Accounts

12.3.1 Individual Customer Account

Before opening an individual customer account on its books, a Trading Member must:—

(1) obtain particulars of the customer (and any person authorised to trade for the customer), including the full name, a copy of the identity card/passport, specimen signature, residential and mailing addresses, telephone numbers, occupation, and the name, address and telephone number of the customer's employer, and investment objectives (if applicable); and

### Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to SGX-ST Rules

(2) take suitable steps to verify the customer's identity and intention if the customer does not open the account in person.

### 12.3.2 Corporate Customer Account

Before opening a corporate customer account on its books, a Trading Member must:—

(1) obtain particulars of the customer, including the full name, registered and mailing addresses, names and signatures of persons authorised to trade, and investment objectives (if applicable);

(2) obtain a certified true copy of the certificate of incorporation of the customer; and

(3) obtain either:—

(a) a copy of the directors' resolution of the customer approving the opening of a corporate customer trading account with the Trading Member and empowering specific directors and

officers to:—

(i) trade in securities or Futures Contracts for the corporate customer's account; and

(ii) execute all documentation for trading and settlement in the corporate customer account;

(b) a power of attorney (in English) certified by a notary public, authorising identified persons to open a corporate customer trading account and trade on behalf of the corporate customer; or

(c) note in writing the basis upon which it believes the corporate customer may open the corporate customer account and engage in transactions and that the persons acting for the corporate customer have been duly authorised to trade on the corporate customer's behalf.

### 12.3.3 Agency Customer Account

For an agency customer account carried on the books of a Trading Member, ~~a~~ the Trading Member must have on file:—

(1) the name of the principal; and

(2) written evidence of the customer's authority to trade for the principal.

### 12.3.4 Joint Customer Account

(1) A Trading Member may allow customers to open a joint customer trading account carried on its books if:—

## Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to SGX-ST Rules

- (a) a joint securities account is opened with CDP;
  - (b) each joint customer account holder is at least 18 years old; and
  - (c) no joint customer account holder is an undischarged bankrupt.
- (2) A joint customer account may be operated by not more than 2 individuals customers. However, if it is an estate account, it may be operated by all personal representatives acting on behalf of the estate of the deceased.
- (3) A Trading Member must maintain the following information:—
- (a) particulars of each joint customer account holder;
  - (b) the names of persons authorised to give trading orders and settlement instructions and receive scrip from the Trading Member;
  - (c) the names of persons to whom payments by the Trading Member are to be made; and
  - (d) details of any customer accounts carried on the books of the Trading Member held in an individual capacity by a joint customer account holder.
- (4) A Trading Member must require each joint customer account holder to specify whether the joint customer account holder is jointly, severally, or jointly and severally liable for all debts incurred in a joint customer account.

### 12.3.5 Approval of Customer Accounts

- (1) At least 1 senior management staff independent of sales or dealing of a Trading Member, or a senior management staff of a related corporation of that Trading Member charged with the customer account approval function, must approve the opening of a customer account carried on the books of the Trading Member.
- (2) The approval must:—
- (a) be given before the execution of the first trade for the customer; and
  - (b) be in writing which includes secured electronic record; and
  - (c) form part of the permanent records of the Trading Member.

### 12.3.6 Risk Acknowledgement Statement

Unless otherwise permitted by the Securities and Futures Act, a Trading Member must obtain a written acknowledgement from a customer that the customer is aware of the risk associated with holding and trading of securities and Futures Contracts. This Rule does not apply to a customer who is an Accredited Investor or Institutional Investor trading only in securities.

#### Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to SGX-ST Rules

### 12.3.7 Separate Trading Accounts and Account Designation

(1) A Trading Member must maintain separate Trading ~~an~~ accounts for each customer or each group of joint customers (as the case may be) ~~person~~ whose account is carried on the books of the Trading Member.

(2) Each Trading Account ~~A customer account~~ must be identified and designated by the full name of the customer(s) whose account is carried on the books of the Trading Member ~~the customer(s)~~ and by an unique Trading Account code, both of which must be reported to SGX-ST before the Trading Account is used to send in any orders.

### 12.3.8

In this Rule 12.3, a customer account on the books of a Trading Member includes an ~~an~~ trading account of a Trading Representative.

### ~~12.3.9~~

~~The account code used to designate a customer or a proprietary account must be of 7 alphanumeric or numeric characters.~~

## Rule 12.4 Trading Authority

12.4.1 Before accepting any orders from a third party, a Trading Member must obtain written authorisation from the customer empowering the third party to trade for the customer's account carried on the books of the Trading Member.

## 12.5 Brokerages and Charges

### 12.5.1

Unless SGX-ST decides otherwise, the commission rate chargeable for the purchase or sale of securities or Futures Contracts is negotiable.

*Amended on 3 April 2008.*

### 12.5.2

All charges and expenses, including any fees imposed by CDP and/or SGX-ST, stamp duty and Goods and Services Tax and clearing fee, to be borne by the customer (whether included as part of the brokerage or otherwise) must be accurately disclosed to the customer and agreed between the customer and the Trading Member.

## Rule 12.6.3

In the case of a Trading Member that holds a capital markets services licence:

(1) A contract note must:

### Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to SGX-ST Rules

(a) be sent by the next market day;

(b) contain the information specified in Regulation 42(1B) of the Securities and Futures (Licensing and Conduct of Business) Regulations; and

(c) show separately, where applicable:

(i) brokerage charged by the Trading Member;

(ii) ~~[deleted]~~;

(iii) stamp duty;

(iv) Goods and Services Tax; ~~and~~

(v) any other fees charges in addition to the brokerage charged by the Trading Member; and

(vi) any other fees charged by any other party (including CDP and/or SGX-ST) and borne by the customer in addition to the brokerage charged; and,

unless otherwise prescribed by SGX-ST from time to time,

(2) before issuing contract notes in electronic form, the Trading Member must obtain the customer's prior revocable and informed consent. The Trading Member must retain evidence of the customer's consent. To constitute an informed consent, a customer must be told of the manner of delivery and retrieval of the electronic record and any costs that may be incurred.

### 12.7 Statement of Account to Customers

#### 12.7.1

A Trading Member must send its customer (including a Trading Representative) a statement of account on a regular basis, as may be required under the Securities and Futures Act, or any Regulation made thereunder.

#### 12.7.2

A statement of account shall:

(1) in the case of a Trading Member that holds a Capital Markets Services Licence, ~~must be sent on a monthly basis, by the first week of the next month unless there is no change from the last statement, and~~ contain the information specified in Regulation 40(2) of the Securities and Futures (Licensing and Conduct of Business) Regulations and any other information that SGX-ST prescribes. Before issuing statements of account in electronic form, the Trading Member must obtain the customer's prior revocable and informed consent. The Trading Member must retain evidence of the customer's consent. To constitute an informed consent, a customer must be told of the manner of delivery and retrieval of the electronic record and any costs that may be incurred.

(2) in the case of a Trading Member that holds a licence specified Rule 4.1.1(1)(b), comply with such requirements as may be prescribed by the Relevant Regulatory Authority, including requirements relating to a customer's statement of account in electronic form. The Trading Member shall immediately notify SGX-ST on any changes to such requirements. Notwithstanding the foregoing, SGX-ST shall have the discretion to prescribe additional requirements.

### Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to SGX-ST Rules

### 12.13.1

A Trading Member that holds a capital markets services licence must inform SGX-ST (or any third party to whom SGX-ST has outsourced its operational functions) of the particulars of any customer account carried on the books of the Trading Member that it considers to be a delinquent account. SGX-ST (or the third party) may disseminate such information to all other Trading Members that holds a capital markets services licence.

*Amended on 19 May 2014.*

### ~~Rule 12.16 Suspense Account~~

#### ~~12.16.1~~

~~(1) Subject to Rule 19.7, if a customer's order to purchase securities or trade in Futures Contracts is unlikely to be completed during a Market Day, the purchases (or trades in the case of Marginable Futures Contracts) may be debited to:—~~

~~(a) a customer's suspense account; or~~

~~(b) a general suspense account,~~

~~until completion.~~

~~(2) Once the order is completed, the purchases (or trades in the case of Marginable Futures Contracts) must be booked to the customer's account.~~

~~(3) Orders must not be warehoused in the suspense account for more than 2 Market Days, unless under exceptional circumstances. In such cases, the Trading Member must document the reasons for the extension of time.~~

#### ~~12.16.2~~

~~A customer's suspense account must be used only for that customer's trades. However, a Trading Member may execute trades in a customer's suspense account and subsequently book the trades to another customer's account if:—~~

~~(1) it has obtained the prior written consent of:—~~

~~(a) the customer whose suspense account is being used; and~~

~~(b) the customer to whom the trade is booked; and~~

~~(2) it receives the booking instruction only after the trades have been executed in the customer's suspense~~

### Legend

Red underlined – Insertions

Red struckthrough – Deletions



## Amendments to SGX-ST Rules

~~account referred to in Rule 12.16.2(1)(a).~~

### ~~12.16.3~~

~~A general suspense account may be used to hold purchases or sales for different customers, if the Trading Member has procedures to ensure fair allocation to the customers.~~

### ~~12.16.4~~

~~A suspense account must not be used for error trades or proprietary trades.~~

### 12.17.1

A Trading Member must require a Director, Officer, Dealer and employee to obtain the prior written approval of a senior management staff independent of sales or dealing of a Trading Member, or a senior management staff of a related corporation of that Trading Member charged with the approval function, for each trade in his or her personal account or an account over which he or she has control or influence (other than a customer's Discretionary Account) (such account(s) being an account carried on the books of the Trading Member).

*Refer to Practice Note 12.17.1.*

*Amended on 3 April 2008.*

## Rule 12.23 Application of Chapter 12

### 12.23.1

The following Rules shall not apply to a Trading Member that holds a licence specified in Rule 4.1.1 (1)(b).

Rule	Heading
12.3.1, 12.3.2, 12.3.3, 12.3.4, 12.3.5	Customer Accounts
12.3A	Customer Education
12.4	Trading Authority
12.8.2,	Amendment of Contract

### Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to SGX-ST Rules

12.8.3	
12.9	Communications with Third Parties
12.10	Payment to Customers
12.15	Stock Account
<del>12.16</del>	<del>Suspense Account</del>
12.17	Trading by Employees and Agents

### Chapter 12A – Position Accounts

#### 12A.1 Definitions

##### 12A.1.1 In this Chapter 12A:-

“Authorized Trading Member” means a Trading Member who has been duly authorized under Rule 5A.4 of the Clearing Rules by its qualifying Clearing Member to open and maintain Position Accounts or to open, maintain and allocate positions to Position Accounts, as the case may be.

“Authorized Account” means the Position Account (of the Authorized Trading Member or of the Authorized Trading Member’s customer) that an Authorized Trading Member is authorized by its qualifying Clearing Member to open and maintain or to open, maintain and allocate positions to, under Rule 5A.4 of the Clearing Rules.

“TPC Trading Member” means a Trading Member who is qualified by a third-party Clearing Member and includes, unless otherwise specified, an Authorized Trading Member.

#### 12A.2 Position Account Rules apply to Authorized Trading Member

12A.2.1 Where an Authorized Trading Member is authorized by a Clearing Member to open and maintain Authorized Accounts under Rule 5A.4.1(a) of the Clearing Rules, Rules 5A.1 and 5A.2 of the Clearing Rules shall, with the necessary modifications, apply to the Authorized Trading Member in respect of each Authorized Account, as those provisions apply to the Clearing Member.

12A.2.2 Where an Authorized Trading Member is authorized by a Clearing member to open, maintain and allocate positions to the Authorized Accounts under Rule 5A.4.1(b) of the Clearing Rules, Rules 5A.1, 5A.2, 5A.3 and 5A.6 of the Clearing Rules shall, with the necessary modifications, apply to the Authorized Trading Member in respect of each of its Authorized Account, as those provision apply to the Clearing Member.

#### Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to SGX-ST Rules

### 12A.3 Position Accounts carrying positions for more than one beneficial owner

#### 12A.3.1

Subject to Rule 12A.3.2., an Authorized Trading Member shall identify, or ensure that such information is made available, to SGX-ST any underlying beneficial owner and/or any controlling party of any Authorized Account. This shall be provided upon request by SGX-ST within such time as SGX-ST may require.

12A.3.2 If the Authorized Account holder does not want the identity of any underlying beneficial owner and/or any controlling party of such account to be disclosed to its Trading Member, the Authorized Account holder may apply to the SGX-ST, through its Trading Member, to provide such information as SGX-ST may require directly to SGX-ST.

### 12A.4 Allocation of Trades to Position Accounts

12A.4.1 Each TPC Trading Member shall instruct its qualifying Clearing Member to allocate the position of each trade executed by the Trading Member to the Trading Member's Position Account or, where the position is of a trade executed for a customer, in accordance with that customer's instructions, as soon as practicable, and in any event no later than such time as may be required for timely and orderly settlement of such trade into the intended Securities Account.

Refer to Practice Note 12A.4.1, 12A.5.2.

12A.4.2 A customer's Position Account must only be used for that customer's positions. However, a TPC Trading Member may instruct its qualifying Clearing Member to sub-allocate a position carried in a Position Account (the "originating Position Account") to another Position Account (the "destination Position Account"), provided that:

(a)(i) such sub-allocation is in accordance with the instructions of both the account holders of the originating Position Account and destination Position Account (or person(s) authorized to instruct on their behalf); and (ii) the TPC Trading Member receives the booking instruction only after the position has been allocated to the originating Position Account; or

(b) such sub-allocation is made to remedy an error.

12A.4.3 This Rule 12A.4 shall not apply to an Authorized Trading Member who is authorized to allocate trades to the Authorized Accounts under Rule 5A.4.1(b) of the Clearing Rules.

### 12A.5 Holding trades for different customers in a Position Account and warehousing of trades

12A.5.1 A Position Account in the name of the Trading Member may be used to hold positions of trades for different customers, provided that the Trading Member has procedures to ensure fair allocation to the customers.

12A.5.2 If a customer's order is unlikely to be completed during a Market Day, the Trading Member may warehouse the customer's trades until the order is completed. The Trading Member must ensure that no customer's trade is warehoused for more than 2 Market Days, unless under exceptional circumstances. In

## Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to SGX-ST Rules

such cases, the Trading Member must document the reasons for the extension of time.

Refer to Practice Note 12A.4.1, 12A.5.2.

### 13.5.1

A Trading Member or its Trading Representative must not:—

- (1) accept a share in the profits of a customer's account carried on the books of the Trading Member or have any arrangement with a customer to share in the profits of ~~the customer's~~ that account;
- (2) have any arrangement with a third party to allocate profits or losses to a customer's account carried on the books of the Trading Member; or
- (3) lead a customer to believe that the customer will not suffer loss as a result of opening an account or dealings.

### ~~19.7 Suspense Accounts and Accounts with More than One Beneficial Owner~~

#### ~~19.7.1~~

~~Unless otherwise permitted by SGX-ST, a Trading Member must not:~~

- ~~(a) use such suspense accounts as described in Rule 12.16 to trade in Marginable Futures Contracts; and~~
- ~~(b) other than joint accounts, allow any account that has more than one beneficial owner to trade in Marginable Futures Contracts.~~

~~Refer to Practice Note 19.7.1.~~

## Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to Directives in the SGX-ST Rules

### Directive No. 4 — Audit Trails and Records

3.2 For a complete audit trail of transactions, a Trading Member must ensure that the following records are captured, where applicable:

#### Record of all Fields Relating To Order Entry

1.	SGXAccess Connection ID
2.	Trader ID and name
3.	Client ID and name — from customer account <u>carried on the books of the Trading Member</u>
<u>3A.</u>	<u>Trading Account code</u>
<u>3B.</u>	<u>Position Account code</u>
4.	User ID and name — used to log into Trading Member's systems
5.	Order ID — assigned by the Trading System
6.	Order type — eg good-till-cancelled order, all-or-none order, etc

...

### Directive No. 7 — Computation of Net Liquid Capital for Trading Members that Hold a Licence Specified in Rule 4.1.1(1)(b)

5 Deficits in clients' accounts means —

...

v. In relation to each client's margin account carried on the books of the Trading Member, the amount of margin deficiency determined in accordance with the maintenance margin requirement provided in the Trading Member's agreement with the client; and

...

#### Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to Practice Notes to the SGX-ST Rules

### Practice Note 4.6.7A(1)(b) — Pre-Execution Checks

2.1 Rule 4.6.7A(1)(b) requires Trading Members to ensure that automated pre-execution risk management control checks are conducted on all orders, including credit control checks on all customer orders. The purpose of this is to prevent overtrading. The parameters of such pre-execution checks and filters may include but are not limited to:—

(a) dollar limit to control the gross buy and sell value and/or net buy/sell value. This limit may be applied to an individual customer, a Trading Representative, a group of related accounts or a proprietary account carried on the books of the Trading Member;

...

### Practice Note 4.6.21; 12.1.1; 12.3.6; 12.6.4; 12.7.2; 12.10A.2: Operational Requirements for Trading Members Who Do Not Conduct Business in Singapore

2.2. Contract note Pursuant to Rule 12.6 the Trading Member referred to in paragraph 1.1 should issue to its customer a contract note which should contain the following information:

- a. name of the customer;
- b. date on which the purchase or sale of securities or Futures Contracts is entered into;
- c. the price, amount and description of the securities or Futures Contracts; ~~and~~
- d. settlement amounts;

e. fees charged by the Trading Member; and

f. fees charged by any other party(ies) and borne by the customer in addition to the fees charged by the Trading Member.

In addition, the contract note should be sent to the customer within a reasonable period from the execution of the trade.

2.3. Statement of account Pursuant to Rule 12.7, the Trading Member referred to in paragraph 1.1 should send to its customer a statement of account which should ~~should~~ contain the following information:

...

d. any charges and credits to the customer's account carried on the books of the Trading Member.

...

### Practice Note 12.3.1, 12.3.2 — Customer Account

2.6 All the documents obtained under paragraph 2.4(b) should form part of the permanent records of the Trading Members. If the customer's account carried on the books of the Trading Member is closed, the documents should be kept for at least the minimum period required by law.

### Practice Note 12.3.1, 12.3.4 — Additional Safeguards for Trading by Young Investors

2.2 When a Young Investor opens an ~~an securities trading~~ account carried on the books of the Trading Member, the Trading Member should undertake the following procedures, in addition to their own account opening procedures, and give appropriate emphasis to the following:—

...

## Legend

Red underlined – Insertions

Red struckthrough – Deletions

## Amendments to Practice Notes to the SGX-ST Rules

### Practice Note 12.6.1 – Contract Notes

<u>Issue Date</u>	<u>Cross Reference</u>	<u>Enquiries</u>
<u>Added on 1 July 2016</u>	<u>Rule 12.6.1</u>	<u>Please contact Member Supervision:</u>  <u>Facsimile No : 6538 8273</u>

#### **1. Introduction**

- 1.1. Rule 12.6.1 requires a Trading Member to send its customer a contract note for the purchase or sale of securities or Futures Contracts.
- 1.2. This Practice Note provides guidance on:
  - 1.2.1. other Rules which are of relevance to the requirement to send contract notes to customers; and
  - 1.2.2. the internal controls that Trading Members should have with respect to operational processes for sending contract notes to customers.

#### **2. Other Relevant Rules**

- 2.1. Rule 12.6.1 should be read together with the following Rules:
  - 2.1.1. Rule 12.9.1 requires a Trading Member to communicate directly with its customers in respect of statements, contract notes, or all other information, whether in writing or electronically, unless the customer has authorised otherwise in writing;
  - 2.1.2. Rule 12.9.2 requires that a Trading Member must not allow any person other than the customer to collect any cash, share certificates, contract notes, credit or debit notes, cheques or statements, unless the customer has authorised that person in writing; and
  - 2.1.3. Rule 12.14.1 requires a Trading Member to have processes in place to minimise and manage any conflicts of interest, including but not limited to separating its front office and back office functions to prevent any conflict of interests.

#### **3. Internal Controls with Respect to Contract Notes**

- 3.1. Trading Members should have appropriate internal controls in place to ensure that no contract note is omitted or suppressed. Basic controls that Trading Members should have in place include the following:
  - 3.1.1. proper controls to maintain the accuracy of customers' contact information;

#### Legend

Red underlined – Insertions

Red struckthrough – Deletions

## **Amendments to Practice Notes to the SGX-ST Rules**

- 3.1.2. robust controls over the generation and dissemination of contract notes;
- 3.1.3. proper segregation between the personnel responsible for trade execution and the personnel responsible for generating and disseminating contract notes; and
- 3.1.4. ensuring that appropriate channels are available for customers to enquire about or verify transactions reflected in their contract notes.

### Practice Note 12A.4.1, 12A.5.2 – Position Account Allocation

<u>Issue Date</u>	<u>Cross Reference</u>	<u>Enquiries</u>
<u>Added on 1 July 2016</u>	<u>Rules 12A.4.1, 12A.5.2.</u>	<u>Please contact Member Supervision</u> <u>Facsimile No : 6538 8273</u>

1. Rule 12A.4.1 requires each TPC Trading Member to instruct its qualifying Clearing Member to allocate the position of each trade executed by the Trading Member to the Trading member's Position Account or, where the position is of a trade executed for a customer, in accordance with that customer's instructions, as soon as practicable, and in any event no later than such time as may be required for timely and orderly settlement of the relevant trade into the intended Securities Account. This Practice Note provides guidance on the timelines within which such allocation is to be completed by in various circumstances.

2. With the exception of warehoused trades, each Trading Member shall instruct its qualifying Clearing Member to allocate the position of each trade cleared by the Clearing Member for the Trading Member to a specified Position Account immediately upon the trade being cleared, or at the latest by the end of the next Market Day immediately following the trade date. If there is a delay, the Trading Member shall ensure that there are valid reasons to explain the delay. An example of a valid reason for delay is when an overseas customer has failed to provide the necessary allocation instructions in time for the Trading Member to instruct its qualifying Clearing Member to allocate the position by the end of the next Market Day immediately following the trade date, due to time zone differences.

3. For warehoused trades under Rule 12A.5.2, each Trading Member must ensure that no customer's trade is warehoused for more than 2 Market Days, unless under exceptional circumstances. The Trading Member shall instruct its qualifying Clearing Member to allocate the position of each trade to a specified Position Account immediately after the order is completed, or at the latest by the end of the Market Day on which the order is completed. If there is a delay, the Trading Member shall ensure that there are valid reasons to explain the delay. An example of a valid reason for delay is when an overseas customer has failed to provide the necessary allocation instructions in time for the Trading Member to instruct its qualifying Clearing Member to allocate the position by the end of the Market Day on which the order is completed, due to time zone differences.

### Practice Note 13.4.1 – Customer Orders – Precedence

#### Legend

Red underlined – Insertions

Red struckthrough – Deletions



**Amendments to Practice Notes to the SGX-ST Rules**

2.5 The Trading Member or Trading Representative must ensure that customers' orders are not compromised when squaring off a house error position on the same terms. Where the customer's order is a careful discretion order, trades allocated to the customer's account must not be worse off to that allocated to the house error account (such accounts being accounts carried on the books of the Trading Member).

Practice Note 13.8.9 — Processes for Review of Orders and Trades

2.2 Trading Members are expected to follow up on suspicious orders and trades and keep on file the result of their review process. Where it has been established that has been non-compliance with the Rules and Regulations, or if there is any doubt as to its compliance, apart from reporting such activity to SGX-ST pursuant to Rule 13.8.8, Trading Members are expected to take appropriate action, such as advising the Trading Representative or customer to refrain from such activity, performing a closer monitoring of the Trading Representative or customer and ultimately to close the account carried on the books of the Trading Member if the suspicious activity persists. Trading Members should note that the mere fact that an order has been placed on an exception report does not absolve them from their underlying compliance responsibilities.

Practice Note 19.7.1 — Permissible Use of Suspense Accounts for Marginable Futures

[Entire Practice Note 19.7.1 to be deleted.]

Legend

Red underlined – Insertions

Red struckthrough – Deletions