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SECURITIES AND FUTURES ACT
(CHAPTER 289)

SECURITIES AND FUTURES
(FINANCIAL AND MARGIN REQUIREMENTS FOR
HOLDERS OF CAPITAL MARKETS SERVICES LICENCES)
(AMENDMENT) REGULATIONS 2003

In exercise of the powers conferred by sections 86 (3), 100 and 341 of the Securities and Futures Act, the Monetary Authority of Singapore hereby makes the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) (Amendment) Regulations 2003 and shall come into operation on 10th July 2003.

Amendment of regulation 2

2. Regulation 2 of the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations 2002 (G.N. No. S 498/2002) (referred to in these Regulations as the principal Regulations) is amended by deleting the words “Third Schedule” in the definition of “total risk requirement” and substituting the words “Third or Sixth Schedule, as the case may be”.

Amendment of regulation 24

3. Regulation 24 (6) of the principal Regulations is amended by deleting the words “for which the holder of a licence has received full payment from the borrower” in paragraph (b) of the definition of “marginable securities” and substituting the words “which has been fully paid for by a customer of the holder of a licence”.

Amendment of regulation 32

4. Regulation 32 of the principal Regulations is amended —
- (a) by deleting the words “an Exchange” in paragraph (1) (c), and substituting the words “a Futures Exchange”; and
 - (b) by deleting the words “futures exchange” in the regulation heading and substituting the words “Futures Exchange”.

Amendment of regulation 33

5. Regulation 33 of the principal Regulations is amended by deleting the words “futures exchange” in the regulation heading and substituting the words “Futures Exchange”.

Amendment of Third Schedule

6. The Third Schedule to the principal Regulations is amended —
- (a) by deleting the word “equities” wherever it appears in paragraph 3 (9) (d) and substituting in each case the word “securities”;
 - (b) by deleting the words “counterparty to whom it has extended securities financing” in paragraph 3 (25) and substituting the words “customer to whom it has extended securities financing”;
 - (c) by deleting the words “counterparty’s margin account” wherever they appear in paragraph 3 (25) and substituting in each case the words “customer’s margin account”;
 - (d) by deleting the words “to 130% of the debit balance” in paragraph 3 (25) (b) (ii) and substituting the words “from 110% to 130% of the debit balance”;
 - (e) by inserting, immediately after the word “occurs” in paragraph 3 (26), the words “, and such calculation shall not, in any event, exceed the debit balance in the customer’s margin account”;
 - (f) by deleting the words “counterparty’s margin account” in the definition “liquidation method” in paragraph 3 (27) and substituting the words “customer’s margin account”;

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- (g) by deleting sub-paragraph (41) of paragraph 3 and substituting the following sub-paragraph:

“(41) The holder shall calculate a counterparty exposure from the trade date as 100% of the credit equivalent amount of the contract for any over-the-counter derivatives contract for which no specific treatments have been prescribed in this Schedule or for any exchange-traded derivatives contract which is dependent on the issuer for performance.”;

- (h) by deleting the words “sub-paragraph (40)” in paragraph 3 (43) and substituting the words “sub-paragraph (41)”;
- (i) by inserting, immediately after the words “sub-paragraphs (11) to (23)” in paragraph 4 (10), the words “and (35), (36) and (37)”;
- (j) by inserting, immediately after the words “position in an equity derivative” in paragraph 4 (35), the words “(whether or not the equity derivative has been treated or included as an equity position or equity derivative position)”;
- (k) by deleting the words “the absolute value of” in paragraph 4 (77);
- (l) by inserting, immediately after the word “higher” in paragraph 4 (81), the words “of the absolute value”;
- (m) by deleting the words “sub-paragraph (77)” in paragraph 4 (83) and substituting the words “sub-paragraph (81)”;
- (n) by deleting the words “the net position” in paragraph 5 (2) and substituting the words “the absolute value of the net position”;
- (o) by deleting the words “the net position” in paragraph 5 (3) and substituting the words “the absolute value of the net position”;
- (p) by deleting the words “counterparty’s margin account” wherever they appear in paragraph 5 (4) (g) and substituting in each case the words “customer’s margin account”; and
- (q) by deleting the words “total debt equity exposure” in paragraph 5 (5) and substituting the words “total debt exposure”.

Amendment of Sixth Schedule

7. Paragraph 2 of the Sixth Schedule to the principal Regulations is amended —

- (a) by deleting the word “counterparty” in sub-paragraph (1) (a) (ii) and substituting the word “counterparty”; and
- (b) by deleting the words “referred to in sub-paragraph (1) (a)” in sub-paragraph (2).

Amendment of Seventh Schedule

8. The Seventh Schedule to the principal Regulations is amended —

- (a) by deleting Form 1 and substituting the following Form:

| | |
|---|---|
| <p>SECURITIES AND FUTURES ACT (CHAPTER 289)</p> <p>SECURITIES AND FUTURES (FINANCIAL AND MARGIN REQUIREMENTS FOR HOLDERS OF CAPITAL MARKETS SERVICES LICENCES) REGULATIONS 2002</p> <p>REGULATION 27 (1) (a), (3) (a) AND (8) (a) AND (d)</p> <p>STATEMENT OF ASSETS AND LIABILITIES</p> | <p>FORM</p> <p style="font-size: 2em; font-weight: bold;">1</p> |
|---|---|

Name of the holder of a capital markets services licence: _____

Statement of assets and liabilities as at: _____
(dd/mm/yy)

| | \$ | \$ |
|--|-------|-------|
| SHAREHOLDERS' FUNDS/ NET HEAD OFFICE FUNDS | | |
| <i>Paid-up Capital</i> | | |
| Ordinary Shares | | _____ |
| Preference Shares | | |
| (a) Redeemable | _____ | |
| (b) Irredeemable and Cumulative | _____ | |
| (c) Irredeemable and Non-Cumulative | _____ | _____ |
| <i>Share Premium</i> | | _____ |
| <i>Revaluation Reserves</i> ¹ | | _____ |
| <i>Statutory Reserves</i> | | _____ |
| <i>Unappropriated Profit/Loss</i> | | _____ |
| <i>Other Reserves</i> | | _____ |
| <i>Net Head Office Funds</i> | | _____ |
| Total Shareholders' Funds/Net Head Office Funds | | ===== |

¹“Revaluation Reserves” should only be used for fixed assets revaluation purposes.

| | \$ | \$ |
|---|-------|-------|
| LIABILITIES | | |
| <i>Current Liabilities</i> | | |
| Trade Creditors for Securities Dealing | | |
| (a) Customers' Margin Accounts | | _____ |
| (b) Open Contracts | | |
| (i) Customers | _____ | |
| (ii) Clearing Houses | _____ | _____ |
| (c) Contra Profits | | _____ |
| (d) Securities Sold Under Agreements to Repurchase | | _____ |
| (e) Payable to Customers in connection with assets or moneys received on account of the customers | | |
| (i) Amounts segregated in Trust Accounts | _____ | |
| (ii) Others | _____ | _____ |
| (f) Other than the Above | | |
| (i) Customers | _____ | |
| (ii) Clearing Houses | _____ | _____ |
| Trade Creditors for Futures Trading | | |
| (a) Payable to Customers | | |
| (i) Brokers | _____ | |
| (ii) Others | _____ | _____ |
| (b) Payable to Clearing Houses | | _____ |
| (c) Other than the Above | | _____ |
| Other Trade Creditors | | _____ |
| Total Trade Creditors | | ===== |
| Bank Loans | | |
| (a) Secured | _____ | |
| (b) Unsecured | _____ | _____ |
| Amounts Due to Directors and Connected Persons | | _____ |
| Subordinated Loans — Maturity within one year | | _____ |
| Loans and Advances from Related Corporations and Associated Companies | | _____ |
| Other Current Liabilities | | _____ |
| Total Current Liabilities | | ===== |

| | \$ | \$ |
|---|-------|-------|
| <i>Non-Current Liabilities</i> | | |
| Bank Loans | | |
| (a) Secured | _____ | |
| (b) Unsecured | _____ | _____ |
| Deferred Income Tax | | _____ |
| Amounts Due to Directors and Connected Persons | | _____ |
| Subordinated Loans — Maturity greater than one year | | _____ |
| Loans and Advances from Related Corporations and Associated Companies | | _____ |
| Other Non-Current Liabilities | | _____ |
| <i>Total Non-Current Liabilities</i> | | ===== |
| Total Current and Non-Current Liabilities | | ===== |
| Total Shareholders' Funds and Liabilities | | ===== |
| ASSETS | | |
| <i>Current Assets</i> | | |
| Trade Debtors for Securities Dealing | | |
| (a) Customers' Margin Accounts | | _____ |
| (b) Open Contracts | | |
| (i) Customers | _____ | |
| (ii) Clearing Houses | _____ | _____ |
| (c) Shares Awaiting for Collection | | _____ |
| (d) Shares Delivered before Receipt of Payment | | _____ |
| (e) Contra Losses | | _____ |
| (f) Securities Bought Under Agreement to Resell | | _____ |
| (g) Other than the Above | | |
| (i) Customers | _____ | |
| (ii) Clearing Houses | _____ | _____ |
| Trade Debtors for Futures Trading | | |
| (a) Receivables from Customers | | |
| (i) Brokers | _____ | |
| (ii) Others | _____ | _____ |
| (b) Receivables from and Margin Deposit with Clearing Houses | | _____ |
| (c) Other than the Above | | _____ |
| Other Trade Debtors | | _____ |
| Total Trade Debtors | | ===== |

| | \$ | \$ |
|---|-------|-------|
| Less: Provision for Contingency | | _____ |
| Less: Provision for Bad and Doubtful Debts | | _____ |
| Net Trade Debtors | | ===== |
| Securities (at fair value) | | |
| (a) Amount Segregated in Trust Accounts | _____ | |
| (b) Amount Held as Trading Stock | _____ | |
| (c) Others | _____ | _____ |
| Inventories (at fair value) of Physical Commodities | | _____ |
| Deposits with Banks and Cash Balances | | |
| (a) Amount Segregated in Trust Accounts | _____ | |
| (b) Company's Own Balances | _____ | |
| (c) Others | _____ | _____ |
| Amount Due from Directors and Connected Persons | | |
| (a) Secured | _____ | |
| (b) Unsecured | _____ | _____ |
| Loans and Advances to Related Corporations and Associated Companies | | _____ |
| Security Deposit with Clearing Houses | | _____ |
| Other Current Assets | | |
| (a) Deposits | _____ | |
| (b) Pre-payments | _____ | |
| (c) Others | _____ | _____ |
| Total Current Assets | | ===== |
| Non-Current Assets | | |
| Fixed Assets (net of accumulated depreciation) | | _____ |
| Securities Held as Long Term Investments | | |
| (a) at cost | _____ | |
| (b) at fair value | _____ | _____ |
| Investments in Subsidiaries and Associated Companies | | _____ |
| Goodwill and Other Intangible Assets | | _____ |
| Other Non-Current Assets | | _____ |
| Total Non-Current Assets | | ===== |
| Total Current and Non-Current Assets | | ===== |
| Net Underwriting Commitment | | ===== |

SEGREGATION REQUIREMENTS AND
LOCATION OF SEGREGATED FUNDS

| | \$ |
|---|----|
| Segregation Requirements | |
| 1. Net Ledger Balances in Accounts of Customers | |
| 2. Securities (at fair value) Belonging to Customers | |
| 3. Net Unrealised Profit/(Loss) in Open Contracts | |
| 4. Net Equity of Customers (Sum of Items 1, 2 and 3) | |
| 5. Add Deficit Accounts | |
| 6. Amount Required to be Segregated (Sum of Items 4 and 5) | |
| Location of Segregated Funds | |
| 7. Segregated Cash on Hand | |
| 8. Deposited in Segregated Bank Accounts | |
| 9. Segregated Securities Deposited by Customers | |
| 10. Receivables from and Margin Deposits with Clearing House | |
| 11. Net Equities with Futures Brokers | |
| 12. Receivables from and Margin Deposits with Other Parties | |
| 13. Investments in Securities or Other Instruments | |
| 14. Others (please specify) | |
| 15. Total Amount Segregated (Sum of Items 7 to 14) | |
| 16. Excess/(Deficiency) Funds in Segregation (Item 15 minus Item 6) | |

Note: Applicable only to a holder to trade in futures contracts or carry out leveraged foreign exchange trading.

| | \$ | \$ |
|--|-------|-------|
| SUPPLEMENTARY INFORMATION | | |
| <i>Guarantees given in respect of:</i> | | |
| 1 Subsidiaries and Related Companies | | _____ |
| 2 Directors and Related Parties | | _____ |
| 3 Others (to specify if significant) | | _____ |
| <i>Contingent Liabilities:</i> | | |
| 1 Underwriting | _____ | |
| Less: the aggregate of amounts which the holder has sub-underwritten to, placed with, sold to or allotted to persons listed in paragraph 6 (2) of the Third Schedule | _____ | _____ |
| 2 Sub-underwriting | _____ | |
| Less: the aggregate of amounts which the holder has sub-underwritten to, placed with, sold to or allotted to persons listed in paragraph 6 (2) of the Third Schedule | _____ | _____ |
| 3. Others (to specify if significant) | | _____ |
| <i>Capital Commitments:</i> | | |
| 1 Within 1 year | | _____ |
| 2 Within 2–5 years | | _____ |
| 3 More than 5 years | | _____ |
| <i>Value of Company's Assets Pledged:</i> | | |
| 1 For Obligations of the Company | | _____ |
| 2 For the Benefit of Third Parties | | _____ |

Note: The above supplementary information shall accompany the Statement of Assets and Liabilities.

STATEMENT BY HOLDER OF
CAPITAL MARKETS SERVICES LICENCE

I certify that the above statement has, to the best of my knowledge and belief, been drawn up to comply with the requirements of regulation 27 of the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations 2002 and the information contained herein is true and correct.

Dated this _____ day of _____ 20__.

Signature: _____

(Name of Director/Secretary*)

*Delete whichever is inapplicable.”;

(b) by deleting Form 5 and substituting the following Form:

| | |
|--|-----------------------------|
| <p>SECURITIES AND FUTURES ACT (CHAPTER 289)</p> <p>SECURITIES AND FUTURES (FINANCIAL AND MARGIN REQUIREMENTS FOR HOLDERS OF CAPITAL MARKETS SERVICES LICENCES) REGULATIONS 2002</p> <p>REGULATION 27 (3) (b) AND (8) (d)</p> <p>STATEMENT OF FINANCIAL RESOURCES AND TOTAL RISK REQUIREMENT</p> | <p>FORM</p> <p>5</p> |
|--|-----------------------------|

Name of the holder of a capital markets services licence: _____

Statement as at: _____
(dd/mm/yy)

(I) BASE CAPITAL/NET HEAD OFFICE FUNDS

| | |
|---|-------|
| | \$ |
| Paid-up Capital | |
| Ordinary shares | _____ |
| Irredeemable and Non-Cumulative preference shares | _____ |
| Share Premium | _____ |
| Unappropriated Profit/Loss Account | _____ |
| Less: | |
| Interim Losses | _____ |
| Base Capital | ===== |
| Net Head Office Current Account | _____ |
| Base Capital/Net Head Office Funds | ===== |

| | |
|---|--------------|
| | \$ |
| (II) FINANCIAL RESOURCES/ ADJUSTED NET HEAD OFFICE FUNDS | |
| Base Capital/Net Head Office Funds | _____ |
| Add: | |
| Irredeemable and Cumulative Preference Share | _____ |
| Less: | |
| Intangible Assets | _____ |
| Financial Resources/Adjusted Net Head Office Funds (A) | ===== |
| (III) TOTAL RISK REQUIREMENT | |
| (A) OPERATION RISK REQUIREMENT | |
| 10% of Total Revenue | _____ |
| Total Operation Risk Requirement | ===== |
| (B) COUNTERPARTY RISK REQUIREMENT | |
| Securities Margin Financing | _____ |
| Total Counterparty Risk Requirement | ===== |
| Total Risk Requirement (B) | ===== |
| Ratio: A/B × 100% | _____ |

I certify that the above account and information is to the best of my knowledge and belief true and correct.

Dated this _____ day of _____ 20__.

Signature: _____

(Name of Director/Secretary*)

*Delete whichever is inapplicable.”;

(c) by deleting Form 7 and substituting the following Form:

| | |
|--|-----------------------------|
| <p>SECURITIES AND FUTURES ACT (CHAPTER 289)</p> <p>SECURITIES AND FUTURES (FINANCIAL AND MARGIN REQUIREMENTS FOR HOLDERS OF CAPITAL MARKETS SERVICES LICENCES) REGULATIONS 2002</p> <p>REGULATION 27 (8)</p> <p>AUDITOR'S REPORT — FOR A HOLDER OF A CAPITAL MARKETS SERVICES LICENCE</p> | <p>FORM</p> <p>7</p> |
|--|-----------------------------|

Name of the holder of a capital markets services licence: _____

Name of auditor(s) of the abovestated holder: _____

Financial Year Ended: _____

1. I/We* have inspected the holder's licence and noted any condition or restriction thereon.

2. I/We* have conducted a check or examination of the areas noted below in accordance with Singapore Standards on Auditing and our work was necessarily conducted on a test basis and include such samples as we deemed appropriate —

- (a) the internal control procedures for recording transactions relating to activities regulated under the Securities and Futures Act;
- (b) transactions from the point of receipt of customers' money or assets to payment into the trust account maintained with the custodian;
- (c) transactions from the point of withdrawal of customers' money or assets from the trust account to ultimate correct application;
- (d) the customers' records including the reconciliation of customers' ledger, trust accounts, the market value of security held for unpaid accounts and the incidence of doubtful debts;
- (e) the operation and control of margin account procedures;
- (f) the operation and control of trust account procedures;
- (g) the internal control procedures relating to the safe custody of customers' assets including the confirmation from custodian and other persons holding customers' assets;
- (h) the computation of capital requirements under the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations 2002; and

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-
- (i) such other ledgers or records as I/we* have considered necessary to examine for the purposes of this check or examination.

3. Based on the above check or examination and after making the necessary enquiries, except for the matters referred to in our management letter submitted together with this form, nothing has come to our attention to cause us to believe that —

- (a) the accounting and other records kept by the holder do not comply with section 102 of the the Act;
- (b) the internal control procedures of the holder are not adequate having regard to the nature and size of the business of the holder;
- (c) the internal control procedures designed to ensure compliance with all the conditions or restrictions applicable to the holder's licence are not adequate;
- (d) the trust account has not been maintained at all times during the financial year in accordance with section 104 of the Act and the records therefor are not adequate;
- (e) proper records have not been maintained for the safe custody of the customers' securities and assets; and adequate internal control procedures have not been implemented to minimise risk of mishandling and misappropriation of the customers' securities and assets;
- (f) margin requirements have not been maintained at all times during the year in accordance with regulation 24 of the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations 2002;
- (g) no other matter has arisen during the year which would have required me/us* to report to the relevant authority pursuant to section 108 of the Act;
- (h) all conditions and restrictions of a financial nature applicable to the holder's licence have not been complied with;
- (i) all financial requirements prescribed under section 86 (3) of the Act have not been complied with; and
- (j) all conditions and restrictions varied or imposed by the Authority by notice in writing to the holder pursuant to section 88 (1) of the Act have not been complied with.

4. The checks and examinations referred to in this report, the audit of the accompanying balance sheet of the holder as at _____ 20___, the profit and loss account for the year ended on that date and notes have/have not* been carried out in accordance with Singapore Standards on Auditing and included/did not include* such tests of the accounting records and such other auditing procedures as I/we* considered necessary.

5. The holder has placed restriction/no restriction* on the scope of the audit and all the information and explanations required were/were not* received.

Dated this _____ day of _____ 20__.

Signature(s) of Auditor(s): _____

Note: If any part of this report is qualified, attach a separate detailed report.

For the purposes of item 3, attach a management letter if relevant.

*Delete whichever is inapplicable.’’; and

(d) by deleting Form 8 and substituting the following Form:

| | |
|---|-----------------------------|
| <p>SECURITIES AND FUTURES ACT (CHAPTER 289)</p> <p>SECURITIES AND FUTURES (FINANCIAL AND MARGIN REQUIREMENTS FOR HOLDERS OF CAPITAL MARKETS SERVICES LICENCES) REGULATIONS 2002</p> <p>REGULATION 27 (8)</p> <p>AUDITOR'S CERTIFICATION — FOR A HOLDER OF A CAPITAL MARKETS SERVICES LICENCE</p> | <p>FORM</p> <p>8</p> |
|---|-----------------------------|

I/We* report that in my/our* opinion, the Statement of Assets and Liabilities¹ and the statement relating to the accounts of a holder of a capital markets services licence in Form 6 in the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations 2002, of _____ (name of holder of capital markets services licence) have been properly drawn up in accordance with the requirements of regulation 27 of those Regulations.

The accompanying audited financial statements, which include the balance sheet as at _____, the profit and loss account, statement of changes in equity and cash flows for the year ended on that date and notes thereto, have been drawn up in accordance with Singapore Statements of Accounting Standard/Financial Reporting Standards.

Dated this _____ day of _____ 20__.

Signatures of Auditors: _____

(Names of Auditors)

*Delete whichever is inapplicable.

¹The Statement of Assets and Liabilities mentioned above shall be —

- (a) in the case of a holder referred to in regulations 5 and 12 (1), Form 1.
- (b) in the case of a holder referred to in regulation 8 (1) (a), Form 3.
- (c) in the case of a holder referred to in regulation 8 (1) (b) or (c), Form 4.”.

Made this 8th day of July 2003.

KOH YONG GUAN
*Managing Director,
Monetary Authority of
Singapore.*

[PPD036/2002; AG/LEG/SL/289/2002/1 Vol. 1]