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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 2005

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 2005 and shall come into operation on 1st July 2005.

Amendment of regulation 2

2. Regulation 2 of the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations (Rg 13) (referred to in these Regulations as the principal Regulations) is amended —

- (a) by inserting, immediately after the words “on account of the customer” in paragraph (b) of the definition of “aggregate indebtedness”, the words “and maintained in a trust account”; and
- (b) by inserting, immediately after the words “(as the case may be)” in the last line of the definition of “base capital”, the words “and any dividend that has been declared since the latest audited accounts of the corporation or the holder (as the case may be)”.

Amendment of regulation 24

3. Regulation 24 of the principal Regulations is amended —
- (a) by deleting the words “average free financial resources” in paragraph (3) (a), (b) and (c) and substituting in each case the words “free financial resources”;
 - (b) by inserting, at the end of paragraph (3) (b), the word “and”;
 - (c) by deleting the word “; and” at the end of paragraph (3) (c) and substituting a full-stop;
 - (d) by deleting sub-paragraph (d) of paragraph (3);
 - (e) by deleting paragraph (4); and
 - (f) by deleting the definition of “average free financial resources” in paragraph (6).

Deletion and substitution of regulation 26

4. Regulation 26 of the principal Regulations is deleted and the following regulation substituted therefor:

“Forms

26.—(1) The forms to be used for the purposes of these Regulations are those set out at the Authority’s Internet website at <http://www.mas.gov.sg> (under “Legislation and Notices”, “Securities and Futures”), and any reference in these Regulations to a numbered form shall be construed as a reference to the current version of the form bearing the corresponding number which is displayed at that website.

(2) Except as otherwise provided in regulation 27 (8), any document required to be lodged with the Authority under any provision of the Act or these Regulations shall be lodged using the relevant form and in the manner specified in the website referred to in paragraph (1), or in such other manner as the Authority may specify from time to time.

(3) All forms used for the purposes of these Regulations shall be completed in the English language and in accordance with such directions as may be specified in the form or by the Authority.

(4) The Authority may refuse to accept any form if it is not completed or lodged in accordance with this regulation.”.

Amendment of regulation 27

5. Regulation 27 of the principal Regulations is amended by deleting paragraphs (6), (7) and (8) and substituting the following paragraphs:

“(6) Every statement referred to in paragraph (1), (2), (3) or (5) shall be lodged with the Authority no later than 14 days, or such longer period as the Authority may allow, after the end of the period for which the statement is prepared.

(7) Any holder of a licence which fails to lodge any of the statements with the Authority within the period stipulated in paragraph (6), or such longer period as may be allowed by the Authority under that paragraph, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$50,000 and, in the case of a continuing offence, to a further fine not exceeding \$5,000 for every day or part thereof during which the offence continues after conviction.

(8) For the purposes of section 107 of the Act, the holder of a licence shall prepare and lodge with the Authority, by personal delivery or by pre-paid post, a true and fair profit and loss account and a balance-sheet made up to the last day of each financial year in accordance with the provisions of the Companies Act (Cap. 50), together with an auditor’s report in Form 7.

(9) The documents referred to in paragraph (8) shall be accompanied by an auditor’s certification in Form 8 and a copy of each of the following documents duly lodged in accordance with regulation 26:

- (a) a statement relating to the accounts of the holder in Form 6;
- (b) where the holder is a person referred to in regulation 5, a statement of assets and liabilities in Form 1 and a statement of financial resources, total risk requirement and aggregate indebtedness in Form 2;
- (c) where the holder is a person referred to in regulation 8 (1) (a), a statement of assets and liabilities and adjusted net capital in Form 3;
- (d) where the holder is a person referred to in regulation 8 (1) (b) or (c), a statement of assets and

liabilities, adjusted net capital and segregation requirement and location of segregated funds in Form 4; and

- (e) where the holder is a person referred to in regulation 12 (1), a statement of assets and liabilities in Form 1 and a statement of financial resources and total risk requirement in Form 5.

(10) Any holder of a licence which contravenes paragraph (9) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$50,000 and, in the case of a continuing offence, to a further fine not exceeding \$5,000 for every day or part thereof during which the offence continues after conviction.”.

Amendment of Third Schedule

6. The Third Schedule to the principal Regulations is amended —

- (a) by deleting sub-paragraphs (25) to (28) of paragraph 3 and substituting the following sub-paragraphs:

“(25) Subject to sub-paragraph (28), the holder shall calculate a counterparty exposure to a customer to whom it has extended securities financing by deducting the amount of equity in the customer’s margin account from the debit balance in the customer’s margin account.

- (26) In sub-paragraph (25) —

“debit balance” has the same meaning as in regulation 24 (6);

“equity”, in relation to a customer’s margin account, means the sum of —

- (a) the value of marginable securities (determined in accordance with sub-paragraph (9) (a) to (e), as appropriate) bought and carried, or deposited as collateral, by a customer in his margin account; and
- (b) the value of Singapore Government securities (determined in accordance with sub-paragraph (9) (a) to (e), as appropriate) deposited by a customer as collateral in his margin account.

(27) The holder shall calculate an individual counterparty risk requirement on a counterparty exposure calculated in accordance with sub-paragraph (25) as 100% of the counterparty exposure.

(28) Where the holder causes or permits the absolute value of the net position of the same type of security issued by an issuer, bought and carried, or deposited as collateral, in the margin accounts of all customers to whom it has extended securities financing to exceed the

specified value, the value of each of such type of security deposited in the margin account of every customer shall be multiplied by a scaling factor for the purpose of computing counterparty exposure to the customer.

(28A) For the purposes of sub-paragraph (28) —

(a) “specified value” —

- (i) in relation to equity securities issued by the same issuer, means 10% of the holder’s financial resources, or 5% of the issue size (being the market capitalisation of the issue); and
- (ii) in relation to debt securities, means 10% of the holder’s financial resources in all series of debt securities issued by the same issuer, or 10% of the issue size of an individual series of debt securities issued by an issuer; and

(b) the scaling factor shall be derived from the following formula:

Scaling

$$\text{Factor} = \frac{X}{T} \times [1 - 2 (\text{Haircut})] + \frac{U}{T} \times (1 - \text{Haircut})$$

where X is the amount of security in excess of the thresholds set out in sub-paragraph (28);

U is the amount of security within the thresholds set out in sub-paragraph (28);

T is the total amount of security (being the sum of X and U); and

Haircut is the percentage by which the value of the security is adjusted to have a value determined in accordance with sub-paragraph (9) (a) to (e), as appropriate.”; and

(b) by deleting sub-paragraph (g) of paragraph 5 (4) and substituting the following sub-paragraph:

“(g) any exposure calculated in relation to securities financing”.

Amendment of Sixth Schedule

7. Paragraph 2 (2) of the Sixth Schedule to the principal Regulations is amended by deleting the words “of the Seventh Schedule to these Regulations”.

Deletion of Seventh Schedule

8. The Seventh Schedule to the principal Regulations is deleted.

Transitional provision

9. Notwithstanding the provisions of these Regulations, the holder of a capital markets services licence granted under the Act before 1st July 2005 or during the period of 6 months commencing from that date may, within that period, lodge a document under the principal Regulations by personal delivery or by pre-paid post.

Made this 8th day of June 2005.

HENG SWEE KEAT
Managing Director,
Monetary Authority of Singapore.

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