

No. S 507

SECURITIES AND FUTURES ACT
(CHAPTER 289)

SECURITIES AND FUTURES
(FINANCIAL AND MARGIN REQUIREMENTS FOR
HOLDERS OF CAPITAL MARKETS SERVICES LICENCES)
(AMENDMENT NO. 2) REGULATIONS 2006

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 No. 2) Regulations 2006 and shall come into operation on 28th August 2006.

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 deleting the word “and” at the end of paragraph (d) of the definition of “aggregate indebtedness”;
- (b) by inserting, at the end of paragraph (e) of the definition of “aggregate indebtedness”, the word “and”, and by inserting immediately thereafter the following paragraph:
 - “(f) any financial liability that has been included in the computation of financial resources under paragraph 1 of the Second Schedule;”;
- (c) by inserting, at the end of paragraph (a)(ii) of the definition of “base capital”, the word “and”;
- (d) by deleting sub-paragraph (iii) of paragraph (a) of the definition of “base capital”; and
- (e) by renumbering sub-paragraph (iv) of paragraph (a) of the definition of “base capital” as sub-paragraph (iii).

Amendment of regulation 20

3. Regulation 20 of the principal Regulations is amended by deleting the words “or share premium account” and in the regulation heading.

Amendment of regulation 24

4. Regulation 24 of the principal Regulations is amended —

- (a) by deleting the words “cash, Singapore Government securities, marginable securities” in paragraph (5) and substituting the words “acceptable collateral”;
- (b) by inserting, immediately before the definition of “average adjusted net capital” in paragraph (6), the following definition:

““acceptable collateral”, in relation to securities financing, means —

- (a) cash;
- (b) a share or convertible bond listed on the Singapore Exchange Securities Trading Limited;
- (c) a share or convertible bond listed on a recognised group A exchange and that is —
 - (i) in the case of a share, included in a market index of that recognised group A exchange; or
 - (ii) issued by a corporation with shareholders’ funds of not less than \$200 million or its equivalent in any foreign currency;
- (d) a debt security —
 - (i) issued by a government or public authority of any country or territory, or a recognised multilateral agency specified in Table 3 of the Fourth Schedule, with a long-term rating of —
 - (A) not less than BB-minus by Fitch Ratings;
 - (B) not less than Ba3 by Moody’s Investor Services; or
 - (C) not less than BB-minus by Standard & Poor’s;
 - (ii) issued by any other entity with a long-term rating of —
 - (A) not less than BBB-minus by Fitch Ratings;

- (B) not less than Baa3 by Moody's Investor Services;
or
 - (C) not less than BBB-minus by Standard & Poor's;
 - (iii) being a short-term debt instrument with a rating of —
 - (A) not less than F3 by Fitch Ratings;
 - (B) not less than P3 by Moody's Investor Services; or
 - (C) not less than A3 by Standard & Poor's; or
 - (iv) listed on the Singapore Exchange Securities Trading Limited or a recognised group A exchange if, and only if, the issuer's shares are listed on that exchange and qualify as a share referred to in paragraph (b) or (c);
- (e) a collective investment scheme —
- (i) authorised by the Authority under section 286 of the Act (other than exchange traded funds and property funds); or
 - (ii) recognised by the Authority under section 287 of the Act (other than exchange traded funds and property funds) —
 - (A) for which prices are published daily; and
 - (B) which invests at least 90% of the deposited property of the collective investment scheme in instruments being any or all of the instruments specified in paragraphs (a) to (k) (including this paragraph);

- (f) an exchange traded fund quoted on the Singapore Exchange Securities Trading Limited or a recognised group A exchange, which tracks an index of, or basket of, stocks quoted on—
 - (i) the Singapore Exchange Securities Trading Limited; or
 - (ii) a recognised group A exchange;
 - (g) a property fund listed on the Singapore Exchange Securities Trading Limited or a recognised group A exchange;
 - (h) any contract traded on —
 - (i) the Singapore Exchange Securities Trading Limited; or
 - (ii) a recognised group A exchange, where the shares of the issuer of the contract, and the shares of the issuer of the underlying security, qualify as a share referred to in paragraph (b) or (c);
 - (i) in the case of an initial public offer, securities to be listed for quotation or quoted on the Singapore Exchange Securities Trading Limited which have been fully paid for by a customer of the holder of a licence;
 - (j) securities quoted on the Central Limit Order Book (CLOB) International; or
 - (k) such other securities or financial instruments as the Authority may specify in a guideline issued by the Authority;”;
- (c) by deleting paragraph (a) of the definition of “debit balance” in paragraph (6) and substituting the following paragraph:
- “(a) amounts to be financed by the holder of a licence in respect of outstanding purchases made in the margin account of the customer, net of —
 - (i) cash collateral;
 - (ii) cash dividends declared and payable into the margin account of the customer; and

- (iii) sales proceeds receivable from open sale contracts made in the margin account of the customer; and”;
- (d) by deleting the definition of “equity” in paragraph (6) and substituting the following definitions:

“equity”, in relation to a customer’s margin account, means the current market value of acceptable collateral bought and carried, or deposited as collateral, by a customer in the margin account;

“exchange traded fund” means a collective investment scheme concerned with the acquisition, holding, management or disposal of a portfolio of predetermined constituent assets in predetermined proportions, which constituent assets principally comprise securities listed for quotation on any securities exchange or overseas securities exchange;”;

- (e) by deleting the definition of “marginable securities” in paragraph (6) and substituting the following definitions:

“property fund” has the same meaning as in the Code on Collective Investment Schemes issued by the Authority under section 321 of the Act;

“share”, in relation to acceptable collateral in a customer’s margin account, includes —

- (a) a bonus share that has yet to be credited to the margin account if, and only if, the holder of a licence is legally entitled to the receipt and deposit of such bonus share into the margin account; and

- (b) a depository receipt.”.

New regulation 24A

5. The principal Regulations are amended by inserting, immediately after regulation 24, the following regulation:

‘Margin requirements for contracts for differences

24A.—(1) The holder of a licence who enters into a contract for differences with its customers shall obtain margin from each customer, in the form of acceptable collateral, for the purpose of trading in contracts for differences.

(2) For the purposes of this regulation, margins deposited by customers with the holder of a licence in accordance with this regulation shall be determined in accordance with Table 18 of the Fourth Schedule and such other requirements as the Authority may from time to time specify by notice in writing.

(3) Where the current market value of acceptable collateral deposited in the customer's margin account for the purpose of trading in contracts for differences falls below the margin requirements referred to in paragraph (2), the holder of the licence shall immediately require the customer to provide additional margin within 2 business days.

(4) In this regulation, "acceptable collateral" has the same meaning as in regulation 24(6)."

Amendment of Second Schedule

6. Paragraph 1(4) of the Second Schedule to the principal Regulations is amended by deleting the definition of "general provision".

Amendment of Third Schedule

7. Paragraph 3 of the Third Schedule to the principal Regulations is amended —

(a) by deleting sub-paragraph (9) and substituting the following sub-paragraphs:

“(9) Except for sub-paragraphs (29), (30), (31) and (37), an acceptable collateral —

- (a) shall have a value determined in accordance with Table 17 of the Fourth Schedule; and
- (b) subject to sub-paragraph (9A), where the counterparty exposure and acceptable collateral are denominated in different currencies, shall include any currency mismatch adjustment determined in accordance with that Table.

(9A) For the purposes of sub-paragraph (9), the holder may exclude any currency mismatch adjustment determined in accordance with Table 17 of the Fourth Schedule if the aggregate currency mismatch exposure for all its customers is not greater than 2% of its free financial resources.”;

(b) by deleting the definition of "equity" in sub-paragraph (26) and substituting the following definition:

“equity”, in relation to a customer’s margin account, means the aggregate value of acceptable collateral (as determined in accordance with Table 17 of the Fourth Schedule) bought and carried, or deposited as collateral, by a customer in the margin account.”;

- (c) by deleting the words “sub-paragraph (9)(a) to (e)” in sub-paragraph (28A)(b) and substituting the words “Table 17 of the Fourth Schedule”;
- (d) by deleting the words “prescribed by any person referred to in sub-paragraphs (a) to (f)” in sub-paragraph (49) and substituting the words “specified by any person referred to in sub-paragraphs (a) to (f) or any other requirement specified by any person referred to in sub-paragraphs (a) to (e),”; and
- (e) by deleting the words “margin requirements prescribed” in sub-paragraph (50) and substituting the words “requirements specified”.

Amendment of Fourth Schedule

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

- (a) by deleting the words “the Third Schedule, and Tables 1 and 9” in Table 3 and substituting the words “regulation 24(6), the Third Schedule and Tables 1, 9 and 17”; and
- (b) by inserting, immediately after Table 16, the following Tables:

“TABLE 17 — APPLICABLE HAIRCUTS FOR
ACCEPTABLE COLLATERAL

Third Schedule

LIST OF ACCEPTABLE COLLATERAL		HAIRCUT (%)	
Cash		0	
Issue Rating for Debt Securities (Long-Term / Short-Term)	Residual Maturity	Sovereign	Other Issuers
Fitch : AAA to AA- / F1	= 1 year	0.5	1
Moody's : Aaa to Aa3 / P1	> 1 year, = 5 years	2	4
S&P : AAA to AA- / A-1	> 5 years	4	8
Fitch : A+ to BBB- / F2 to F3	= 1 year	1	2
Moody's : A1 to Baa3 / P2 to P3	> 1 year, = 5 years	3	6
S&P : A+ to BBB- / A-2 to A-3	> 5 years	6	12
Fitch : BB+ to BB-	All	15	25
Moody's : Ba1 to Ba3			
S&P : BB+ to BB-			
Debt securities that are listed on SGX-ST or a recognised group A exchange, where the issuer's shares — (a) are listed on the same exchange; and (b) included in the Straits Times Index, MSCI Singapore Index or a market index of a recognised group A exchange	All	Not permitted	15
Debt securities that are listed on SGX-ST or a recognised group A exchange, where the issuer's shares are listed on the same exchange	All	Not permitted	25
Shares and convertible bonds that are listed on SGX-ST or a recognised group A exchange and included in the Straits Times Index, MSCI Singapore Index or a market index of a recognised group A exchange	15		
Shares and convertible bonds that are listed on SGX-ST or a recognised group A exchange and issued by a corporation with shareholders' funds of not less than S\$200 million or its equivalent in any foreign currency	25		

LIST OF ACCEPTABLE COLLATERAL	HAIRCUT (%)
Collective investment schemes (other than exchange traded funds and property funds)	25% or highest haircut applicable to the deposited property of the collective investment scheme, whichever is lower
Exchange Traded Funds quoted on SGX-ST or a recognised group A exchange	25
Property funds listed on SGX-ST or a recognised group A exchange	25
Any other contract traded on SGX-ST or a recognised group A exchange	40
Initial public offerings to be listed for quotation or quoted on the SGX-ST, which has been fully paid for by a customer	25
Securities quoted on Central Limit Order Book (CLOB) International	25
Any other collateral	100
CURRENCY MISMATCH	HAIRCUT (%)
Where the counterparty exposure and the acceptable collateral are denominated in different currencies	8

In this Table —

“Fitch” means Fitch Ratings;

“Moody’s” means Moody’s Investor Services ;

“S & P” means Standards & Poor’s;

“SGX-ST” means the Singapore Exchange Securities Trading Limited;

“sovereign” means a government or public authority of any country or territory, or a recognised multilateral agency specified in Table 3 of this Schedule.

TABLE 18 — MINIMUM MARGIN REQUIREMENTS
FOR CONTRACTS FOR DIFFERENCES

Regulation 24A (2)

CONTRACTS FOR DIFFERENCES	MINIMUM MARGIN REQUIREMENTS
Equity CFDs	(a) 10% for index stocks; and (b) 20% for non-index stocks.
Index CFDs	5%
Foreign Exchange CFDs	2%
CFDs with non-guaranteed stop-loss	Lesser of — (a) the sum of the amount at risk and 30% of the standard margin; or (b) the standard margin
CFDs with guaranteed stop-loss	Lesser of — (a) the amount at risk, and if the CFD is subject to any adjustment for dividend, interest or commission, to add an additional 10%; or (b) the standard margin
Any other CFD	20%

In this Table —

“amount at risk” means the maximum loss a customer may incur based on the difference between the contract price and stop-loss price;

“CFD” means a contract for differences;

“index” means the Straits Times Index, MSCI Singapore Index or a market index of a recognised group A exchange;

“standard margin” means the minimum margin for the CFDs without stop-loss features;

“stop-loss” means a feature attached to an open CFD position to close the CFD if the price reaches a specified level.”.

Transitional provision

9.—(1) Any person who, for the period of 6 months from 28th August 2006 —

- (a) complies with regulation 24(5) and (6) of the old law shall be deemed to have complied with regulation 24(5) and (6) of the new law; and
- (b) complies with paragraph 3(9), (26) and (28A) of the Third Schedule to the old law shall be deemed to have complied with paragraph 3(9), (9A), (26) and (28A) of the Third Schedule and Table 17 of the Fourth Schedule to the new law.

(2) In this regulation —

“new law” means the principal Regulations as amended by these Regulations;

“old law” means the principal Regulations that was in force immediately before 28th August 2006.

[G.N. Nos. S 372/2005; S 78/2006]

Made this 21st day of August 2006.

HENG SWEE KEAT
Managing Director,
Monetary Authority of Singapore.

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