

No. S 445

**SECURITIES AND FUTURES ACT
(CHAPTER 289)**

**SECURITIES AND FUTURES
(FINANCIAL AND MARGIN REQUIREMENTS FOR
HOLDERS OF CAPITAL MARKETS SERVICES LICENCES)
(AMENDMENT) REGULATIONS 2007**

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 2007 and shall come into operation on 27th February 2008.

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 by inserting, immediately after the words “Fourth Schedule” in the definition of “recognised group A exchange”, the words “, or the corporation known as Singapore Commodity Exchange Ltd”.

Amendment of regulation 26

3. Regulation 26(1) of the principal Regulations is amended by deleting the words “(under “Legislation and Notices”, “Securities and Futures”)” and substituting the words “(under “Regulations and Licensing”, “Securities, Futures and Fund Management”)”.

Amendment of Second Schedule

4. The Second Schedule to the principal Regulations is amended —

- (a) by deleting the word “or” at the end of paragraph (k)(i) of the definition of “illiquidity adjustment” in paragraph 1(4); and

- (b) by inserting, at the end of sub-paragraph (ii) of paragraph (k) of the definition of “illiquidity adjustment” in paragraph 1(4), the word “or”, and by inserting immediately thereafter the following sub-paragraph:

“(iii) where the contingent liability is created for the purpose of securing, guaranteeing or indemnifying any obligation of the holder to an approved exchange, a designated clearing house, a recognised group A exchange, or a clearing facility appointed by a recognised group A exchange;”.

Amendment of Third Schedule

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

- (a) by inserting, immediately after the words “designated clearing house” in paragraph 3(23), the words “or a clearing facility appointed by a recognised group A exchange”;
- (b) by deleting the words “a futures exchange” in paragraph 3(32)(a) and substituting the words “an approved exchange, a recognised group A exchange, a recognised group B exchange, an overseas securities exchange”;
- (c) by deleting sub-paragraph (37) of paragraph 3 and substituting the following sub-paragraph:

“(37) In this paragraph, the values attributable to the assets deposited by a counterparty to satisfy maintenance margin requirements of —

- (a) an approved exchange;
- (b) a designated clearing house;
- (c) a recognised group A exchange;
- (d) a recognised group B exchange;
- (e) an overseas securities exchange;
- (f) an overseas futures exchange; or
- (g) a clearing facility appointed by an entity referred to in sub-paragraph (a), (c), (d), (e) or (f),

as the case may be, shall be determined in accordance with the relevant business rules of that exchange, designated clearing house or clearing facility, as the case may be.”;

- (d) by deleting the definition of “maintenance margin” in paragraph 3(38) and substituting the following definition:

““maintenance margin” means the amount of maintenance margin prescribed by —

- (a) the approved exchange;

- (b) the designated clearing house;
- (c) the recognised group A exchange;
- (d) the recognised group B exchange;
- (e) the overseas securities exchange;
- (f) the overseas futures exchange; or
- (g) the clearing facility appointed by the entity referred to in sub-paragraph (a), (c), (d), (e) or (f),

as the case may be.”;

- (e) by deleting the words “of the holder” in paragraph 4(16);
- (f) by deleting sub-paragraph (17) of paragraph 4 and substituting the following sub-paragraph:

“(17) The equity position risk requirement of the holder referred to in sub-paragraph (3)(a) shall be the aggregate of the equity position risk requirements calculated in accordance with sub-paragraph (16).”;

- (g) by deleting the words “of the holder” in paragraph 4(25);
- (h) by deleting sub-paragraph (26) of paragraph 4 and substituting the following sub-paragraph:

“(26) The equity derivative position risk requirement of the holder referred to in sub-paragraph (3)(b) shall be the aggregate of the equity derivative position risk requirements calculated in accordance with sub-paragraph (25).”;

- (i) by deleting sub-paragraph (28) of paragraph 4 and substituting the following sub-paragraph:

“(28) The holder may use the equity margin method to calculate an equity derivative position risk requirement for a position in an equity derivative traded on any approved exchange, recognised group A exchange, recognised group B exchange, overseas securities exchange or overseas futures exchange, and that is subject to a positive margin requirement prescribed by that exchange or a clearing facility appointed by that exchange.”;

- (j) by deleting the words “of the holder” in paragraph 4(45);
- (k) by deleting sub-paragraph (46) of paragraph 4 and substituting the following sub-paragraph:

“(46) The debt position risk requirement of the holder referred to in sub-paragraph (3)(c) shall be the aggregate of the debt position risk requirements calculated in accordance with sub-paragraph (45).”;

- (l) by deleting the words “of the holder” in paragraph 4(55);
- (m) by deleting sub-paragraph (56) of paragraph 4 and substituting the following sub-paragraph:

“(56) The debt derivative position risk requirement of the holder referred to in sub-paragraph (3)(d) shall be the aggregate of the debt derivative position risk requirements calculated in accordance with sub-paragraph (55).”;

- (n) by deleting sub-paragraph (58) of paragraph 4 and substituting the following sub-paragraph:

“(58) The holder may use the debt margin method to calculate a debt derivative position risk requirement for a position in a debt derivative traded on any approved exchange, recognised group A exchange, recognised group B exchange, overseas securities exchange or overseas futures exchange, and that is subject to a positive margin requirement prescribed by that exchange or a clearing facility appointed by that exchange.”;

- (o) by deleting sub-paragraph (b) of paragraph 4(59) and substituting the following sub-paragraph:

“(b) in the case of a debt derivative traded on any other exchange, as 3 times that of the margin prescribed by the exchange or a clearing facility appointed by the exchange.”; and

- (p) by deleting sub-paragraph (72) of paragraph 4 and substituting the following sub-paragraphs:

“(72) The holder may use one or more of the following methods, where applicable, to calculate the commodity derivative position risk requirement:

- (a) commodity hedging method referred to in sub-paragraph (72B) read with Table 15 of the Fourth Schedule;
- (b) commodity margin method referred to in sub-paragraphs (72C), (72D) and (72E);
- (c) commodity basic method referred to in sub-paragraphs (73), (74) and (75).

(72A) The commodity derivative position risk requirement of the holder referred to in sub-paragraph (3)(f) shall be the aggregate of the commodity derivative position risk requirements calculated in accordance with sub-paragraph (72).

Commodity hedging method

(72B) The holder may use the commodity hedging method prescribed in Table 15 of the Fourth Schedule to calculate a commodity derivative position risk requirement in relation to a position in a commodity hedging position in an option on that commodity, to the extent that the position in the commodity matches the notional position in the commodity underlying the option.

Commodity margin method

(72C) The holder may use the commodity margin method to calculate a commodity derivative position risk requirement for a position in a commodity derivative traded on any approved exchange, recognised group A exchange, recognised group B exchange, overseas securities exchange or overseas futures exchange, and that is subject to a positive margin requirement prescribed by that exchange or a clearing facility appointed by that exchange.

(72D) The holder shall calculate the commodity derivative position risk requirement—

- (a) in the case of a commodity derivative traded on an approved exchange or recognised group A exchange, as 2 times that of the margin prescribed by the approved exchange, the recognised group A exchange, or a clearing facility appointed by the approved exchange or the recognised group A exchange, as the case may be; and
- (b) in the case of a commodity derivative traded on any other exchange, as 3 times that of the margin specified by the exchange or a clearing facility appointed by the exchange.

(72E) In sub-paragraph (72D), “margin”, in a case where margin requirement for commodity derivative positions are calculated on a net basis, means the net margin so calculated.”.

Amendment of Fourth Schedule

6. The Fourth Schedule to the principal Regulations is amended by inserting, at the end of the paragraph to Table 15 (Hedging Method), the following paragraph:

“For the purposes of calculating the commodity derivative position risk requirement under the Third Schedule —

- (a) references to securities in this Table shall be read as commodities; and
- (b) references to PRF in this Table shall be read as the commodity net position risk factor referred to in sub-paragraph (ii) of paragraph 4(70)(a) of the Third Schedule.”.

Amendment of Fifth Schedule

7. The Fifth Schedule to the principal Regulations is amended —

- (a) by inserting, immediately after the words “relevant margin rules of a futures exchange” in the penultimate line of paragraph 2(1)(f), the words “; the corporation known as Singapore Commodity Exchange Ltd.”;
- (b) by deleting sub-paragraph (i) of paragraph 2(1)(h) and substituting the following sub-paragraph:

- “(i) an approved exchange, a designated clearing house or the corporation known as Singapore Commodity Exchange Ltd; or”;
- (c) by deleting the words “clearing houses” in paragraph 2(2)(a)(iv) and substituting the words “designated clearing houses, from the corporation known as Singapore Commodity Exchange Ltd,”; and
- (d) by deleting paragraph (a) of the definition of “maintenance margin” in paragraph 2(3) and substituting the following paragraph:
 - “(a) an approved exchange, a designated clearing house or the corporation known as Singapore Commodity Exchange Ltd; or”.

*[G.N. Nos. S 372/2005; S 78/2006;
S 507/2006; S 677/2006]*

Made this 22nd day of August 2007.

HENG SWEE KEAT
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Monetary Authority of
Singapore.*

[CMD MCP 030/2003 Vol 2; AG/LEG/SL/289/2005/4 Vol. 1]