

CONSULTATION PAPER

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Capital Requirements For Brokers Trading Only In Commodity Futures Contracts

MAS

Monetary Authority of Singapore

PREFACE

The regulation oversight of commodity futures will be transferred from International Enterprise Singapore ["IE"] to the Monetary Authority of Singapore ["MAS"] on 27 February 2008. Upon the transfer, brokers trading in commodity futures contracts will require a capital markets services licence and be regulated by MAS under the Securities and Futures Act ["SFA"].

2 MAS has reviewed the capital requirements for brokers trading only in commodity futures contracts, to ensure the relevance of our capital requirements in the light of developments in the commodity futures markets.

3 The draft amendments to the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations to effect the proposed changes will be issued for consultation subsequently. MAS is proposing that the revised capital requirements take effect by February 2008.

4 MAS invites interested parties to submit their views and comments on the proposed capital requirements for brokers trading only in commodity futures contracts. Electronic submission is encouraged. Written comments may be submitted to:

Capital Markets Intermediaries Department
Monetary Authority of Singapore
10 Shenton Way
MAS Building
Singapore 079117
Fax: (65) 6225 1350
Email: cfutures_07@mas.gov.sg

MAS requests that all comments and feedback be submitted by 27 September 2007.

5 Please note that all submissions may be made public unless confidentiality is specifically requested for the whole or part of the submissions.

CAPITAL REQUIREMENTS FOR BROKERS TRADING ONLY IN COMMODITY FUTURES

1 Upon the transfer of regulation of commodity futures from IE to MAS, brokers trading in commodity futures contracts will be licensed and regulated by MAS under the SFA. MAS has reviewed the capital requirements for brokers trading only in commodity futures contracts, to ensure the relevance of our capital requirements in the light of developments in the commodity futures markets.

2 The proposed base capital requirements for brokers trading only in commodity futures contracts are set out in Table 1. For this purpose, commodity futures will include futures contracts on gold, produce, items, goods or articles, or commodity indices. The proposed requirements will apply to existing brokers, as well as new entrants, trading only in commodity futures contracts. Brokers whose trading in futures contracts is not restricted only to commodity futures will continue to comply with the existing base capital requirements set out for capital markets services licensees for trading in futures contracts, under the First Schedule to the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations.

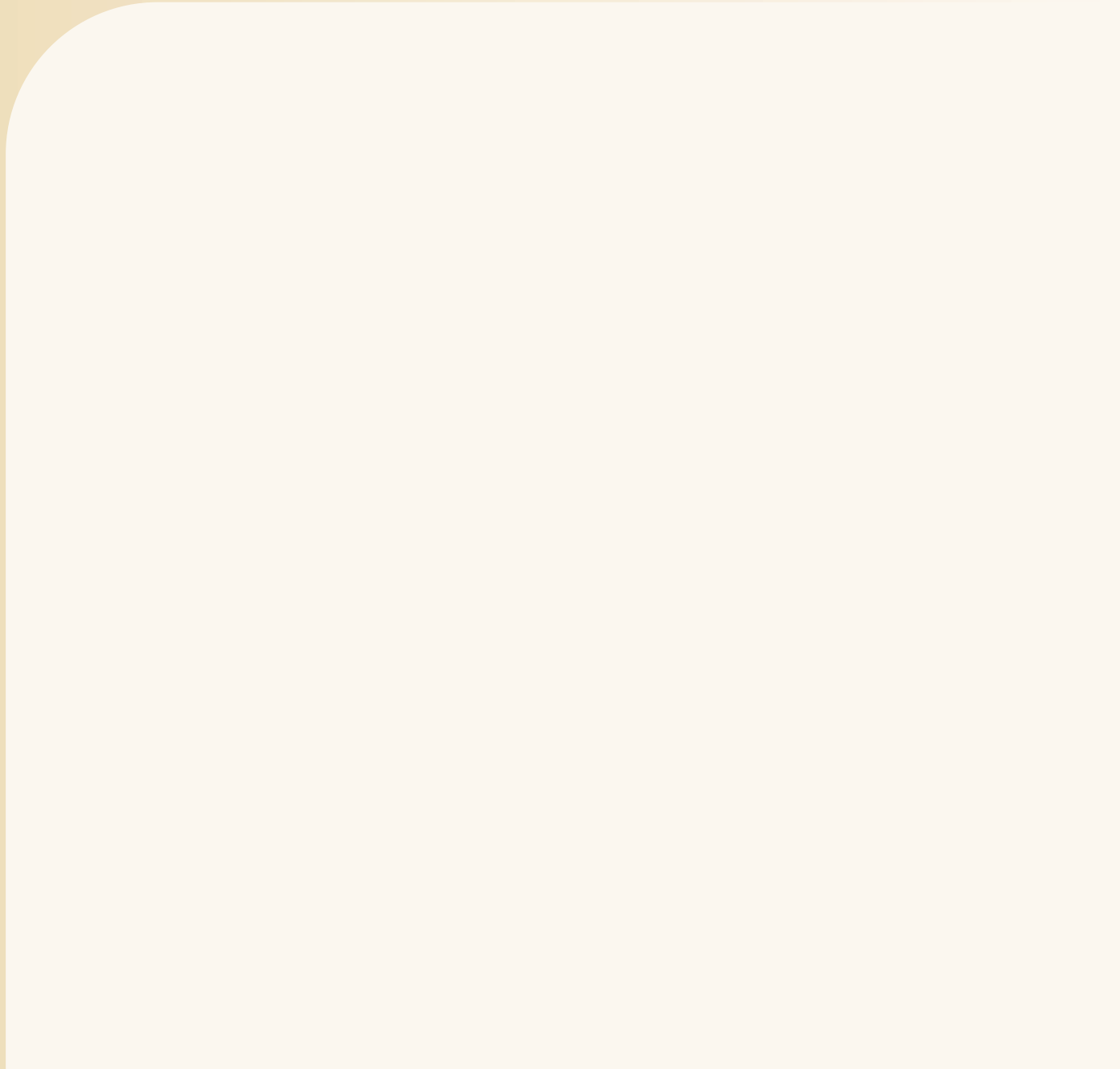
Table 1: Proposed Base Capital Requirements for Brokers Trading only in Commodity Futures Contracts

Regulated Activity	Proposed Base Capital Requirement for capital markets services licencees trading only in commodity futures contracts (S\$)	Existing Base Capital Requirement for capital markets services licencees trading in futures contracts (S\$)
Trading in futures contracts, and –		
(a) the applicant is a member of a designated clearing house authorised to operate a clearing facility for futures contracts	1 million	5 million
(b) the applicant (not being an applicant to which paragraph (d) or (e) applies) is a member of a futures exchange;	500,000	1 million
(c) the applicant (not being an applicant to which paragraph (d) or (e) applies) is not a member of a futures exchange;	500,000	1 million
(d) the applicant does not carry any customer's positions in futures contracts, margins or accounts in its own books, and either— (i) carries on the business only of soliciting or accepting orders for the purchase or sale of any futures contracts from any customer (not being an applicant to which paragraph (e) applies); or (ii) accepts money or assets from any customer as settlement of, or a margin for, or to guarantee or secure, any purchase or sale of futures contracts by that customer; or	250,000	500,000
(e) the applicant— (i) does not carry any customer's positions in futures contracts, margins or accounts in its own books; (ii) trades in futures contracts only with accredited investors; and (iii) does not accept money or assets from any customer as settlement of, or a margin for, or to guarantee or secure, any purchase or sale of futures contract by that customer.	250,000	250,000

3 MAS reviews the financial requirements applicable to futures brokers from time to time. MAS may, where warranted, impose additional financial requirements, including secondary requirements on risk-based capital to be maintained and requirements on maintenance of financial resources in assets in Singapore.

Question:

MAS seeks views on the proposed base capital requirements for brokers trading only in commodity futures contracts.



Monetary Authority of Singapore