

NOTICE ON LISTING, DE-LISTING OR TRADING OF RELEVANT PRODUCTS ON AN ORGANISED MARKET OF AN APPROVED EXCHANGE OR A RECOGNISED MARKET OPERATOR INCORPORATED IN SINGAPORE

1 Introduction

- 1.1 This Notice is issued pursuant to section 45(1) of the Securities and Futures Act (Cap. 289) (“SFA”).
- 1.2 This Notice applies to an exchange which operates an organised market on which any relevant product will be listed, or is listed or permitted for trading.
- 1.3 This Notice sets out the ongoing and notification requirements relating to the listing, de-listing or trading of relevant products on an organised market.
- 1.4 This Notice takes effect on [*date*].

2 Definitions

- 2.1 For the purposes of this Notice —

“alternative product” means a relevant product other than a futures contract or excluded warrant;

“conversion ratio”, in relation to a warrant, means the formula that determines the number or value of the underlying things to which each warrant relates;

“appropriate price limit”, in relation to a futures contract or a class of futures contracts, means a price limit imposed by an exchange in respect of the futures contract or class of futures contracts (as the case may be), for the purpose of ensuring the orderly trading of the futures contract or class of futures contract (as the case may be);

“certification”, in relation to a relevant product other than an excluded warrant, that is listed or permitted for trading on an organised market which a relevant product exchange operates, means a document in which the chief executive officer of the relevant product exchange or any such officer that he delegates his authority to that is approved by the Authority under paragraph 3.18 –

- (a) certifies that in respect of the relevant product, other than an excluded warrant, the relevant product exchange is not aware of any circumstances that

would affect its assessment that it is in compliance with this Notice as at a specified date; and
(b) has signed.

“detailed announcement”, in relation to a document mentioned in paragraph 4.4, means an announcement made by an exchange that contains a detailed description of a relevant product and the intended date of listing of the relevant product;

“exchange” means –
(a) an approved exchange; or
(b) a recognised market operator that is incorporated in Singapore;

“excluded warrant” means a warrant of which the underlying thing is –
(a) any share of a corporation that is listed on a specified exchange;
(b) any unit in a business trust that is listed on a specified exchange;
(c) any unit of a collective investment scheme that is listed on a specified exchange; or
(d) any index comprising shares or units mentioned in paragraph (a), (b) or (c);

“futures equivalent basis”, in relation to an exchange-traded derivatives contract mentioned in paragraph (b) of the definition of a “futures contract” in section 2(1) of the SFA, means the basis by which the option is adjusted by the risk factor or delta coefficient of that option, such risk factor or delta coefficient being calculated at the close of trading on the last day on which that option was traded on an exchange, or at such other time as the exchange may determine;

“futures exchange” means an exchange that operates an organised market on which futures contracts are listed or permitted for trading;

“position” means a futures contract which is outstanding and has not been liquidated —
(a) by an offsetting transaction;
(b) by delivery of the commodity underlying the futures contract;
(c) through settlement of the futures contract in accordance with the business rules or practices set by the exchange; or
(d) by substituting the futures contract for a cash commodity;

“position accountability threshold”, in relation to a futures contract or class of futures contracts, means a value set by an exchange in respect of the futures contract or class of futures contracts, and that, when the position held by any person is in excess of the value set, it will trigger reporting obligations to the exchange (as the case may be), which must include –
(a) the reason why such a large position is being held;

- (b) how the holding of said position furthers the person’s trading strategy; and
- (c) how the position is being used for hedging and the relevant contracts being hedged against (where applicable);

“position limit”, in relation to a futures contract, means the maximum position that is either net long or net short, which is determined by an exchange and held or controlled by any party to the futures contract;

“price limit”, in relation to a futures contract, means the limit set by an exchange in relation to the fluctuation of the price of the futures contract, which when exceeded, results in the exchange placing constraints on the trading of the futures contract;

“price movement” in relation to a futures contract, means the change in price of that futures contract over a period of time, such period of time not being longer than the current time and the time at which the previous daily settlement price was calculated;

“relevant product” has the same meaning as in section 29(8) and 41(8) of the SFA;

“relevant product exchange” means an exchange that operates an organised market on which relevant products, other than excluded warrants, are listed or permitted for trading, or will be listed or permitted for trading;

“sharp price movement”, in relation to a futures contract, means a great increase or decrease in price within a short period of time;

“specified exchange” means –

- (a) an approved exchange specified in Appendix 1; or
- (b) a recognised market operator that is incorporated in Singapore and specified in Appendix 1.

“warrant” means an exchange-traded derivatives contract under which —

- (a) one party has the right, but not the obligation, to buy from or sell to another party, specified securities or specified units in a collective investment scheme on or before a specified future time and at a specified price payable at that future time; or
- (b) the parties will discharge their obligations by settling in cash, on or before a specified date, the amount determined by the formula specified in paragraph 2.3

- 2.2 For purposes of this Notice –
- (a) “futures contract”, in relation an exchange, means a futures contract that is listed or permitted for trading on an organised market that the exchange operates; and
 - (b) “class of futures contracts”, in relation an exchange, means a class of futures contracts that is listed or permitted for trading on an organised market that the exchange operates.
- 2.3 For the purposes of paragraph (b) of the definition of “warrant”, the specified formula is as follows:

$A \times (B - C) = D$, in the case of a call warrant; and

$A \times (C - B) = D$, in the case of a put warrant;

where –

“A” is the conversion ratio in respect of the warrant;

“B” is –

- (a) where the underlying thing of the warrant is any specified securities or units in a collective investment scheme, the value of the specified securities or units of the collective investment scheme (as the case may be) at a specified future time; and
- (b) where the underlying thing of the warrant is any securities index, the value of the securities index at a specified future time;

“C” is –

- (a) where paragraph (a) of the definition of “B” applies, the exercise price of the warrant; and
- (b) where paragraph (b) of the definition of “B” applies, the value of the securities index at the time when the warrant was entered into;

“D” is the amount mentioned in paragraph (b) of the definition of “warrant”.

- 2.4 The expressions used in this Notice, except where expressly defined in this Notice or where the context requires, have the same meanings as in the SFA.

3 Ongoing requirements in respect of relevant products listed or permitted for trading

Requirements in relation to futures contracts

- 3.1 A futures exchange must ensure that the risks of sharp price movements are mitigated for futures contracts.

- 3.2 A futures exchange may mitigate the risks of sharp price movements for futures contracts through the imposition of appropriate price limits or otherwise, in relation to any futures contract or class of futures contracts.
- 3.3 Where a futures exchange imposes appropriate price limits in relation to any futures contract or class of futures contracts, the futures exchange must ensure that the appropriate price limits do not affect the orderly trading of the future contract or class of futures contracts (as the case may be).
- 3.4 A futures exchange must in respect to a futures contract or class of futures contracts –
- (a) put in place position limits or position accountability thresholds that are effective in mitigating the risks of market manipulation in the organised market on which –
 - (i) the futures contract or class of futures contracts (as the case may be) are listed or permitted for trading; and
 - (ii) the underlying thing or underlying things (as the case may be) of the futures contract or class of futures contracts (as the case may be), is listed or permitted for trading; and
 - (b) ensure that the position limits or position accountability thresholds are not exceeded by any party to the futures contract or any futures contract that belongs to the class of futures contracts (as the case may be).
- 3.5 The Authority, in determining whether a futures exchange’s position limit or position accountability threshold is effective in mitigating the risk of market manipulation, will consider (amongst other factors) if –
- (a) the position limit or position accountability threshold prevents the accumulation of the open interest in any futures contract by one or more parties to the futures contract;
 - (b) the position limit or position accountability threshold prevents one or more parties to any futures contract (whether individually or collectively) being able to influence the price of the futures contract; and
 - (c) the position limit or position accountability threshold reduces the likelihood of one or more parties to any futures contract (whether individually or collectively) influencing the price or value of one or more underlying things of the futures contract.
- 3.6 A futures exchange must, in determining whether any position limit or position accountability threshold in respect of any futures contract or class of futures contracts, has been exceeded by any party to the futures contract or any futures

contract that belongs to the class of futures contracts (as the case may be) (called in this Notice the “specified party”), take into account any or all positions which —

- (a) the specified party holds under any exchange-traded derivatives contract mentioned in paragraph (b) of the definition of a “futures contract” in section 2(1) of the SFA, and which is calculated on a futures equivalent basis;
- (b) a person who is controlled by the specified party, holds;
- (c) a person who acts on behalf of the specified party under any agreement, arrangement, understanding or undertaking, whether formal or informal, or express or implied, holds; or
- (d) a person holds on trust for the specified party.

3.7 A futures exchange must have the capabilities to monitor and track the positions of the persons trading in futures contracts.

3.8 Where a futures exchange determines that a specified party has exceeded any position limit, the futures exchange must subject the specified party to one or more of the following conditions so as to correct the specified party’s position limit —

- (a) to cease any further increase in his positions;
- (b) to liquidate his positions to comply with the position limit within such time as the futures exchange may determine;
- (c) to be subject to higher margin requirements as the futures exchange may impose, in respect of his positions; or
- (d) to trade under such conditions and restrictions as the futures exchange may consider necessary to ensure his compliance with that position limit.

3.9 Where a futures exchange determines that a specified party has exceeded any position limit, and the positions of any person mentioned in paragraph 3.6 (b), (c) or (d) (called in this paragraph the contributor) have contributed to the exceeded position limit, the futures exchange must ensure that the specified party ensures that the contributor carries out one or more of the following actions, so as to correct the specified party’s position limit —

- (a) ceasing any further increase his positions;
- (b) liquidating his positions to comply with the position limit within such time as the futures exchange may determine;

- (c) complying with such higher margin requirements as the futures exchange may impose on the specified party, in relation of his positions; or
 - (d) trading under such conditions and restrictions as the futures exchange may consider necessary in imposing on the specified party, so as to ensure the specified party's compliance with the position limit.
- 3.10 A futures exchange must ensure that each futures contract it lists or permits the trading of, has a methodology to set the daily settlement price that is —
- (a) accurate and reliably reflects prevailing market conditions; and
 - (b) not susceptible to manipulation.
- 3.11 A futures exchange must ensure that each futures contract it lists or permits the trading of, has a methodology to set the final settlement price that —
- (a) is not susceptible to manipulation; and
 - (b) ensures the final settlement price accurately reflects the price or value of the underlying thing or underlying things of the futures contract.
- 3.12 Where a futures contract allows for physical delivery, a futures contract must have in place delivery procedures that ensures that the underlying thing or underlying things of the futures contract is delivered from the seller to the buyer of the futures contract in a safe, reliable and timely manner.

Requirement in relation to alternative products

- 3.13 An exchange that operates an organised market on which alternative products are listed or permitted for trading, must demonstrate to the Authority on an ongoing basis that it has a framework to comprehensively identify and address all of the risks pertaining to each alternative product.

Requirements in relation to relevant products for the purpose of section 29(1)(f) of the SFA and section 41(1)(f) of the SFA

- 3.14 A relevant product exchange must ensure that the relevant products that it lists or permits the trading of, other than excluded warrants, whether individually or collectively, will not have a materially adverse effect on any of the Authority's objectives as set out in section 5 of the SFA.

- 3.15 A relevant product exchange must ensure that every relevant product, other than an excluded warrant, that is listed or permitted for trading on the organised market, serves an economic purpose.
- 3.16 A relevant product exchange must assess its reputational risks, legal risks and operational risks, on an ongoing basis and ensure that it has measures and policies in place to mitigate such risks.
- 3.17 A relevant product exchange must –
- (a) have in place processes to identify the occurrence of any event of its non-compliance with any requirement in this Notice; and
 - (b) notify the Authority as soon as practicable after becoming aware of such event of non-compliance with any relevant requirement in this Notice, and provide details as to the steps taken or to be taken by the relevant product exchange to rectify the non-compliance.
- 3.18 A relevant product exchange must provide a certification, signed by its chief executive officer, or any such officer that he delegates his authority to that is approved by the Authority, in respect of every relevant product, other than excluded warrants, listed or permitted for trading on the organised market which the relevant product exchange operates, that nothing has come to the attention of the relevant product exchange that would change its assessment of its compliance with the relevant requirements of this Notice, by not later than the following dates —
- (a) where the relevant product was listed or permitted to trade by the relevant product exchange on a date which is before [*date of commencement of this Notice*] –
 - (i) the date which is 12 months from [*date of commencement of this Notice*]; and
 - (ii) every subsequent date which is 12 months from the date mentioned in sub-paragraph (a)(i);
 - (b) where the relevant product will be listed or permitted to trade by the relevant product exchange on a date which is on or after the [*date of commencement of this Notice*] (called in this paragraph the listing date) –
 - (i) the date which is 12 months from the listing date; and
 - (ii) every subsequent date which is 12 months from the date mentioned in sub-paragraph (b)(i).

3.19 A relevant product exchange must maintain a record of every certification for a period of at least 5 years from the date of the certification.

4 Notification requirements in respect of relevant products listed or permitted for trading

Notification requirements pertaining to futures contracts

4.1 A futures exchange must, prior to the listing or trading of a futures contract, notify the Authority in a document signed by its chief executive officer, or any such officer that he delegates his authority to that is approved by the Authority, that —

- (a) appropriate price limits, if any, consistent with the requirements in paragraph 3.1, 3.2 and 3.3 have been set;
- (b) appropriate position limits or position accountability thresholds consistent with the requirements in paragraphs 3.4, 3.5 and 3.6 have been set;
- (c) it has the capabilities to monitor and track the positions of persons trading in that futures contract;
- (d) it has the powers to direct any person exceeding any position limit set by the exchange in the manner set out in paragraph 3.8 and 3.9;
- (e) it has established daily settlement prices and final settlement prices consistent with the requirements in paragraphs 3.10 and 3.11; and
- (f) it has in place a set of delivery procedures that ensures any underlying thing to be delivered pursuant to the terms of the futures contract will be delivered from the seller to the buyer in a safe, reliable and timely manner.

Notification requirements pertaining to alternative products

4.2 An exchange which operates an organised market on which alternative products are listed or permitted for trading, must, before the listing or trading of an alternative product, notify the Authority in a document signed by its chief executive officer, or any such officer that he delegates his authority to that is approved by the Authority, that —

- (a) it has a framework to comprehensively identify and mitigate all risks to the alternative product; and
- (b) it will be able to demonstrate the efficacy of such a framework to the Authority on an ongoing basis.

Notification requirements pertaining to all relevant products

- 4.3 A relevant product exchange must, before the listing or trading of a relevant product, notify the Authority in a document signed by its chief executive officer, or any such officer that he delegates his authority to that is approved by the Authority, that —
- (a) the listing or permitting of trading of the relevant product will not have a materially adverse effect to the Authority’s objectives as set out in section 5 of the SFA;
 - (b) the relevant product serves an economic purpose;
 - (c) the reputational risks, legal risks and operational risks related to the listing or trading of the relevant product are assessed and mitigated;
 - (d) the exchange has and will continue to have the capabilities to —
 - (i) provide the signed document as specified in paragraph 3.18;
 - (ii) monitor for significant events pertaining to the relevant product as set out in paragraph 3.17; and
 - (iii) track compliance with the relevant requirements in this Notice pertaining to the relevant product.
- 4.4 A relevant product exchange must submit each document mentioned in paragraphs 4.1, 4.2 and 4.3 of this Notice to the Authority by no later than one week, before a detailed announcement in respect of the relevant product, other than excluded warrants, is made to the public or to the members of the relevant product exchange, and not earlier than twelve weeks before the product is listed.

5 Notification requirements in respect of the de-listing of relevant products

Notification requirements pertaining to the de-listing of any relevant products

- 5.1 A relevant product exchange must before de-listing a futures contract or warrant notify the Authority in a document signed by its chief executive officer, or any such officer that he delegates his authority to that is approved by the Authority, that all of the following are complied with:
- (a) there remains no open interest in the futures contract or warrant;
 - (b) it has taken steps to ensure that there will be no open interest in the futures contract or warrant on the day of de-listing;
 - (c) the de-listing of the futures contract or warrant is not in breach of any legal obligations that the relevant product exchange is subject to.

5.2 A relevant product exchange need not comply with paragraph 5.1 in respect of a de-listing of –

(a) excluded warrants; and

(b) any relevant product that the Authority requires to be de-listed pursuant to a direction issued by the Authority to that relevant product exchange under section 45 of the SFA.

Notification requirements pertaining to the de-listing of alternative products

5.3 An exchange that operates an organised market on which alternative products are listed or permitted for trading, must, before de-listing an alternative product, notify the Authority in a signed document signed by its chief executive officer, or any such officer that he delegates his authority to that is approved by the Authority, that —

(a) there are no outstanding positions in the product that is to be de-listed;

(b) the delisting will not cause any disruption to any other market; and

(c) the de-listing of the alternative product is not in breach of any legal obligations applicable to the exchange.

Appendix 1

1. Singapore Exchange Securities Trading Limited