

# RESPONSE TO FEEDBACK RECEIVED

OCTOBER 2018

## Draft Notice on Listing, De- Listing or Trading of Products for Approved Exchanges and Recognised Market Operators

MAS

Monetary Authority of Singapore

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## **1 Preface**

1.1 On 22 May 2018, MAS issued a Consultation Paper on Draft Notice for Product Notification Regime which sets out the criteria and process for the listing, de-listing or trading of derivatives products on approved exchanges and locally-incorporated recognised market operators (collectively, “exchanges”). The consultation period closed on 22 June 2018.

1.2 MAS would like to thank all respondents for their contributions. The respondents are listed in Annex A, and their detailed submissions are in Annex B.

1.3 MAS has carefully considered the feedback received, and will incorporate them where it has agreed with the feedback. Comments that are of wider interest, together with MAS’ responses, are set out below.

1.4 The finalised 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 SFA 02-N01 is published on the MAS website. The Notice will come into effect concurrently with the commencement of the Securities and Futures (Amendment) Act 2017 on 8 October 2018.

## **2 Implementation of the Product Notification Regime**

2.1 Respondents were supportive of the shift from an approval regime to a notification regime for exchange-traded derivatives products. While respondents broadly agreed with the proposed key risks that have to be addressed as part of the self-certification process, they have sought clarifications on certain specific requirements that are expected of exchanges. These are elaborated in the subsequent paragraphs.

## **3 Setting of position limits and position accountability thresholds**

### *Mitigating the risk of market manipulation arising from large positions*

3.1 A respondent gave the view that the use of position limits and position accountability thresholds to mitigate the risk of market manipulation is only effective for physically-settled contracts as their only purpose is to prevent market corners and delivery squeezes. The respondent felt that position limits and position accountability thresholds are therefore not relevant for cash-settled products as corners and squeezes are not present for such contracts. Instead, the emphasis should be in ensuring that the final settlement price is not susceptible to manipulation. Concerns were also raised about

the ability of the exchange to assess if the limits or thresholds are effective in mitigating the risk of market manipulation.

### MAS' Response

3.2 While MAS agrees that the integrity of the final settlement price is a critical tool in deterring market manipulation, MAS also believes that position limits and position accountability thresholds can act as deterrents in mitigating the risk of market manipulation for both physically-settled and cash-settled contracts. Under our framework, position limits are required for contracts which the exchanges have assessed may have a high risk of market manipulation, while position accountability are required for contracts with a low risk of market manipulation.<sup>1</sup> MAS believes that restrictions or monitoring of the acquisition of a large position in a futures contract will stymie a potential manipulator's ability to affect the price of the futures contract, as well as his ability to benefit from a manipulation of the underlying of the futures contract while holding a large position in that futures contract. Position accountability provides a deterrent effect on potential market manipulators as they would have to account why they need to hold such large positions and be subject to reporting requirements. It also signals to market players that large positions will come under closer scrutiny by the exchange.

3.3 In respect of the factors that MAS will take into account when assessing whether the limits or thresholds set by the exchanges are effective in mitigating the risk of market manipulation, we would consider whether the exchanges have imposed an arbitrarily high limit or threshold that would be clearly ineffective. MAS does not expect that these risks can be completely eliminated through the use of position limits or position accountability and will allow a fair degree of latitude in assessing compliance with these requirements, as long as reasonable thresholds are set.

### *Breach of position limits thresholds*

3.4 Some respondents have sought clarity on whether the position limits and position accountability thresholds can be breached. One respondent gave the view that the Notice suggests that the requirement to ensure that position limits are adhered to is not a strict one, as the Notice sets out strictures for exchanges to follow if these limits are

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<sup>1</sup> For contracts with low risk of market manipulation, exchanges are not required but may choose to impose position limits if they wish to, as position limits are more stringent than position accountability.

breached. One respondent also noted that the new requirements in the Notice on how position limit breaches are to be treated by the exchanges are stricter than the existing requirements, which allow the exchanges a degree of flexibility in how it treats position limit breaches.

#### MAS' Response

3.5 Under the new regime, position limits are required for products with high risk of market manipulation. Position limits represent a hard cap on the amount of open interest in a particular futures contract that a person or member can accumulate. Given that the risk of market manipulation for such products are high, position limits must be adhered to. However, if an exchange chooses to impose additional position limits below the ones indicated in its notification to MAS, derogations from these additional lower limits may be allowed as long as the higher limit is adhered to.

3.6 The strictures in the Notice governing cases where position limits have been breached refers to cases arising not from the active acquisition by a participant, but through passive means. For example, this could be in a case where the overall open interest may have declined, leading the person to have a position that is in excess of the allowable proportion of open interest under the position limits set by the exchange. We have amended the Notice to reflect that position limits should not be breached through the acquisition of additional positions.

3.7 As some exchanges currently allow for derogations from its position limits thresholds upon request by members, exchanges should write in to MAS to apply for a transition period if needed for compliance with the requirements of the Notice.

#### *Exceeding position accountability thresholds*

3.8 Some respondents have also highlighted that the phrasing of position accountability thresholds in the draft Notice suggests that it cannot be exceeded, which contradicts the need for reporting requirements to be triggered when the position accountability thresholds are breached. A respondent further proposed that MAS accords exchanges with the discretion to assess the need for triggering reporting obligations when position accountability thresholds are exceeded.

#### MAS' Response

3.9 For contracts with low risk of market manipulation, position limits need not be imposed, and position accountability can be adopted instead. Position accountability represents a soft cap that allows the acquisition of the open interest, but requires

additional reporting by holders of positions in excess of the position accountability threshold, together with the reasons why such a large position needs to be held. We have amended the Notice to reflect that position accountability thresholds may be exceeded.<sup>2</sup> However, MAS will maintain our requirement for reporting obligations to be triggered when these thresholds are exceeded as it is fundamental to the concept of a position accountability threshold that positions in excess of that threshold are determined to have been of a size that warrants further scrutiny. Requiring participants and members to account for positions that are unusually large provides a deterrent effect on potential market manipulators. Exchanges, however, may have the discretion to determine how frequent such reporting needs to be made. For example, if a position holder has already provided reasons why a large position needs to be held, an exchange has the discretion not to request for additional repeated reporting so long as there are no significant changes to the nature of the position holder's (large) position. As with position limits, exchanges have the discretion to set additional monitoring thresholds below the ones indicated in its notification to MAS that do not trigger reporting obligations, as long as reporting obligations are triggered when the higher limits are exceeded.

#### *Setting of thresholds*

3.10 A respondent added that the Notice seemed to indicate an approval regime for position limits and position accountability thresholds as the Notice specified factors that MAS would consider in determining whether the thresholds set by the exchanges are effective in mitigating the risk of market manipulation.

#### MAS' Response

3.11 The requirements set out in the Notice does not mean that MAS will ex-ante approve the position limits and position accountability thresholds set by the exchanges. Instead, these provisions set out the expectations and standards that MAS will adopt when performing ex-post supervision on the exchanges to assess its compliance with the Notice.

#### *Identification of persons trading in futures contracts*

3.12 A respondent noted that the requirement under the draft Notice to monitor and track the positions in the futures contracts differed from the existing requirements in

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<sup>2</sup> Exchanges have the discretion to determine how position accountability thresholds should be measured e.g. absolute position size, change in absolute position size, etc.

Regulation 15 of the Securities and Futures (Markets) Regulations (“SF(M)R”), as it required members to disclose more granular information (i.e. whether the person holds on trust for the specified party). There was also an additional requirement to monitor and track the positions of the persons trading in futures contracts. In addition, there was the introduction of a new term “specified party” and it was not clear who the “specified party” referred to.

#### MAS’ Response

3.13 The intent on the degree of granularity of identification of persons behind specific positions has not changed and is the same as that in Regulation 15 (1) of the existing SF(M)R. The term “specified party” would be the same parties that were required to comply with Regulation 15 of the SF(M)R. The requirement to track and monitor positions of persons trading in futures contracts is not new, as it only makes explicit what was an implicit pre-requisite for compliance with Regulation 15 of the SF(M)R which requires exchanges to determine when a person trading in futures contract has exceeded the position limit set by the exchange. We have amended the Notice to mirror Regulation 15 of the SF(M)R.

## **4 Other risks to be addressed**

### *Risk of underlying not being delivered in a safe, reliable and timely manner*

4.1 In order to obtain comfort that the physical delivery procedures of the exchanges are adequate, the Notice requires exchanges to have delivery procedures that “ensure physical deliveries are conducted in a safe, reliable and timely manner”. A respondent raised concerns that such a requirement would impose unrealistic expectations on physical delivery, and various stakeholders may have to change their market practices on delivery in order to meet these expectations posed by MAS.

#### MAS’ Response

4.2 MAS is of the view that safe, reliable and timely deliveries are baseline expectations for physical deliveries. MAS would like to reassure exchanges that in determining what constitutes safe, reliable and timely delivery, reference will be taken from market practices.

4.3 MAS would also like to clarify that if the rules of the exchanges allow for parties to a physically delivered contract to opt for an alternative delivery procedure, and both parties mutually agree to do so, this would be done at the parties’ own risk. The exchanges’ involvement in the delivery process ceases when an alternative delivery

procedure is adopted, and the exchange would not have to be responsible for the safety, reliability and timeliness of the alternative delivery procedure.

*Risk of disorderly trading arising from sharp change in prices*

4.4 A respondent raised concerns on the requirement to mitigate the risk of sharp price movements for all contracts, as sharp price movements are common in certain products such as foreign exchange and interest rates.

MAS' Response

4.5 MAS agrees that sharp price movements are common in certain products. MAS' intent is for exchanges to mitigate the risk of disorderly trading arising from sharp price movements, instead of the risk of sharp price movements itself. We have amended the Notice to reflect our intent.

*Risk of manipulation of daily settlement price and final settlement price*

4.6 In relation to daily and final settlement price, a respondent suggested for the requirement to be on establishing mechanisms for the prices to be appropriate as opposed to establishing the appropriateness of the prices itself, as the prices are often determined by the market. A respondent also felt that it is not practical for exchanges to ensure that daily settlement price is accurate as there is no objective reference unlike final settlement price. The respondent further added that the final settlement price of certain products may not necessarily reflect the spot price of the underlying thing on the last trading day, as it could reflect the average of the values over the expiring contract month.

MAS' Response

4.7 We agree with the respondents' feedback and have amended the Notice to require that the mechanisms used to establish daily and final settlement prices are appropriate. We have also removed the requirement on daily settlement price to be accurate, but retained the requirement for the daily settlement price to reliably reflect prevailing market conditions. In respect of the final settlement price, for contracts with underlying representing the average of index values over the expiring contract month, it suffices to ensure that the final settlement price accurately reflects this average value.

*Legal, operational, and reputation risks*

4.8 A respondent felt that it would be impractical to assess all legal, operational and reputational risks arising from the listing of a product. The respondent also queried if a separate assessment is needed for each and every product.

### MAS' Response

4.9 MAS would like to clarify that for legal, operational and reputational risk, exchanges should make an assessment on an ongoing basis on probable risks, and to take the appropriate steps to mitigate the risks identified. The assessment, whether on a product-by-product basis or on a class basis, is left to the discretion of the exchange.

## **5 Risk management approach for clearing of listed products**

5.1 Some respondents sought clarity on the risk management requirements and whether separate regulatory approvals or notifications are required before their associated clearing houses are allowed to clear new products. The respondents felt that the benefits of the notification regime for products would be stymied if it were not accompanied by the corresponding streamlining of the risk management models by the associated clearing houses that clear those products.

### MAS' Response

5.2 MAS agrees that the benefits of the notification regime (i.e. shorter time-to-market) would be stymied if it were not accompanied by the corresponding streamlining of MAS' review of the clearing risk posed by the clearing of these products. However, MAS will not be contemplating a corresponding move to a notification regime for the clearing of these products as the risk management models of clearing houses concerns the prudential health of the clearing houses, and could also have implications on the systemic stability and macro-prudential safety of the financial system.

5.3 Under the existing regime, new products which utilise existing margin methodologies and risk management practices that have already been approved by MAS would not have to obtain separate approval for these methodologies. However, the clearing house would have to demonstrate that the existing margin methodologies and risk management practices are appropriate for these products. In order to facilitate the time to market of these products, MAS will streamline and set out clearly its expectations on how clearing houses should demonstrate the appropriateness of its existing risk management practices for the new products in a checklist. Clearing houses will submit the checklist certifying the compliance with MAS' expectations, accompanied by specific pieces of evidence supporting the certifications. This will help to expedite MAS' approval process.

5.4 For new products which utilize different margin methodologies and risk management practices, MAS will conduct a more in-depth review before approving the

new margin methodology and risk management practices. Clearing houses are encouraged to seek MAS' approval early, especially if a substantially different methodology is used.

## **6 Alternative products**

6.1 A respondent sought clarity on the products that would fall under the definition of alternative products and the expectations of the framework required to mitigate the risks of such alternative products.

### MAS' Response

6.2 As set out under the Notice, alternative products are relevant products<sup>3</sup> that are not futures contracts or excluded warrants. This covers derivatives contracts, which may not yet be listed on or offered by exchanges in Singapore. Each such product may pose different types of risk to its issuer, the target investors, and the exchange on which it is listed. As these products are new and may present new risk characteristics different from existing products, it is not possible for MAS to set out exhaustively and in detail the framework required to mitigate the risks of such products.

6.3 Accordingly, if an exchange intends to list or offer an alternative product, it should identify the risks and put in place measures to mitigate the risks associated with the listing and trading of the product. Exchanges are encouraged to engage the Authority in advance before the notification period on the risks posed by the listing and trading of the alternative product in question and the framework that it proposes to mitigate such risks, given that more consultation and discussions may be needed for such novel products.

## **7 Notification and Self-Certification Process**

### *Timing of Notification Requirements*

7.1 Some respondents sought clarity on the timing of notification requirements. One respondent wanted to confirm that an industry consultation to gather feedback on contract specifications would not trigger notification requirements. Another respondent welcomed the one-week timeline for notification before exchanges make a detailed

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<sup>3</sup> Relevant products have the same meaning as in section 29(8) and 41(8) of the SFA.

announcement on the product to the public or its members, and suggested further clarity be provided on the notification timeline relative to the launch of the product as well.

MAS' Response

7.2 MAS would like to confirm that an industry consultation to gather feedback on contract specifications and indication of interests on proposed products would not trigger notification requirements. Notification requirements are only triggered before exchanges make announcements on finalised product launches.

7.3 With respect to the notification timeline, we have amended the Notice to clarify that exchanges will have to notify MAS at least one week before the announcement of the product launch or the listing of the product, whichever is earlier. Exchanges who wish to time its announcement shortly before its launch may do so, as long as it provides for the minimum notification time period to MAS.

*Template for notification to MAS*

7.4 Respondents also queried if there would be a standard template for notification to MAS and suggested that this would be necessary to ensure uniform treatment across all exchanges. One respondent also sought confirmation that certifications in different paragraphs of the Notice could be submitted as a single document.

MAS' Response

7.5 MAS agrees with the suggestions and would also like to clarify that the certification and notification will have to be done in the form and manner specified by MAS. The certification for a product encompassing different paragraphs of the Notice is to be submitted as a single document, and this will be made clear in the document that MAS will specify for this purpose.

*Signing authority*

7.6 One respondent sought clarification on whether the Chief Executive Officer ("CEO") refers to the CEO of the Approved Holding Company or the Approved Exchange, and to whom this responsibility can be delegated to.

MAS' Response

7.7 MAS would like to clarify that the CEO refers to the CEO of the Approved Exchange or Recognised Market Operator, instead of the Approved Holding Company. In order to ensure sufficient oversight, the signing authority of the certification and

notification should be done by a key management officer who is sufficiently senior. The CEO may delegate this responsibility to someone of a stature that is equivalent to a Chief Risk Officer or a Chief Regulatory Officer, but that person should not have direct oversight over business functions, so as to avoid conflict of interests. If the signing authority is not the CEO, exchanges should write in to MAS for approval of the delegate.

#### *Resubmission*

7.8 In respect of the resubmission of the notification that has exceeded the maximum 12-week period without launch, one respondent proposed for a resubmission only if there are material changes to the self-certification after the end of the 12-week period. The respondent further gave feedback that a resubmission of the same certification as a fresh notification to MAS may unnecessarily delay the time-to-market.

#### MAS' Response

7.9 In relation to the re-submission of a product that has exceeded the maximum 12-week period, MAS disagrees with the suggestion that a resubmission is not necessary if there is no material change. If the exchange can ascertain that there has been no material change to the matters set out in the product submission and certification, it should have no issue in re-signing the documents again and making the submissions to MAS. Hence, MAS will maintain our requirement for a resubmission, as this would affirm that the certification remains valid.

#### *Class self-certification*

7.10 One respondent has proposed for a **class self-certification** for products launched as a class with almost the same set of contract specifications or features.

#### MAS' Response

7.11 We agree that a class self-certification would facilitate the process. An exchange, when submitting its notification, should specify clearly the class of product that the checklists are applicable to.

#### *Consultation of members*

7.12 One respondent has given feedback that for contracts (e.g. over-the-counter derivatives) where members do not participate in the transaction, the exchange will not consult the members, but will instead consult affected market participants such as inter-dealer brokers, customers and panellists.

MAS' Response

7.13 Under Regulation 19 of the existing SF(M)R, exchanges are required to consult all participants on the proposed amendments to its business rules, which will be required for every relevant product launch, unless the impact to participants is limited.<sup>4</sup> MAS would like to clarify that over-the-counter derivatives which are not listed on the exchanger *per se* will not come under the scope of the Notice. However, exchanges are required to consult members for all *listed* derivatives contracts unless the impact to members is limited.

## **8 Delisting criteria**

8.1 Some respondents sought clarification on whether there is a minimum or maximum notification period for the de-listing of products.

MAS' Response

8.2 We have amended and specified in the Notice that the maximum notification period is 12 weeks before delisting. There will be no minimum notification period, and exchanges may provide the notification of the delisting shortly before the delisting of the contract.

8.3 We would like to also clarify that in the event that exchanges need to provide notice to the market of an impending de-listing while there is still existing open interest (e.g. in the event of a licence termination with the index provider), the exchange can proceed to notify the market of its intentions, and subsequently send the formal notification of the de-listing to MAS after all open interest has been closed off.

## **9 Business rule amendments**

9.1 Some respondents sought confirmation on how the new self-certification process would interact with the current requirement to notify MAS of changes in the business rules that are consequential amendments, in relation to the final settlement price, price limits and position limits, arising from the listing or de-listing of the products. The

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<sup>4</sup> This is because every relevant product will have a price limit, position limit, or final settlement price, all of which are required to be part of the business rules of the exchange.

respondents further queried if all changes to the product specifications would require an accompanying recertification before the changes become effective.

#### MAS' Response

9.2 Currently, all notification of business rule amendments is subject to a 21-day notification period, with MAS having the powers to lengthen or shorten this period if required. Moving forward, MAS will align the timing for effecting the business rule changes pertaining to the listing and de-listing of products with the timelines adopted for under the product notification regime (i.e. the consequential business rule amendments will be effective on the day the product is listed or de-listed). For business rule changes not pertaining to the listing and de-listing of products, it will follow the current 21-day notification time period. A recertification would not be necessary, but exchanges are nonetheless required to ensure that the relevant product continues to comply with all the requirements in the Notice.

## **10 Others**

### *Scope of products*

10.1 Some respondents sought clarity on the scope of products that would be caught. One respondent queried whether options on futures would be considered as futures contracts for the purposes of meeting the requirements in the Notice. Another respondent queried if there could be flexibility for exemption for certain classes of products, specifically for company warrants and daily leveraged certificates. The respondent also sought clarity as to whether structured warrants based on underlying things listed on foreign securities exchanges recognised by MAS would meet the criteria for exemption under excluded warrants. The respondent further queried if the certification requirements applied to excluded warrants.

#### MAS' Response

10.2 The definition of futures contract in Section 2 of the Securities and Futures (Amendment) Act 2017 includes options on futures contracts. Hence, options on futures would be considered as futures contracts for the purposes of the requirements in the Notice.

10.3 In relation to the scope of products, all relevant products<sup>5</sup> not falling within the definition of excluded products in the Notice (i.e. excluded warrants) will have to abide by its requirements. The definition of “excluded warrants” in the Notice will cover:

- (i) existing daily leverage certificates; and
- (ii) structured warrants based on securities, units in a business trust, units in a collective investment scheme, or indices comprising such securities and/or units, which are listed on foreign securities exchanges recognised by the Authority.

*Impact on MAS’ Objectives*

10.4 One respondent commented that it is not appropriate for exchanges to ensure that a product will or will not have any effect on MAS’ objectives or on its ability to carry them out. The respondent proposed for negative confirmation that it is not aware that any of the objectives in general would be hindered.

MAS’ Response

10.5 MAS would like to clarify that the requirement to ensure that a product will not have any effect on MAS’ objectives is in relation to (i) the fair, orderly and transparent functioning of the organised markets that the relevant products exchange operates, (ii) the efficient functioning of the organised markets that the relevant product exchange operates, (iii) the allocation of capital and transferring risks, and (iv) not materially increasing the systemic risk in Singapore. These principles govern MAS’ regulation and supervision of the exchanges. We have reworded the Notice to make this requirement clear.

*Monitoring of significant events*

10.6 One respondent sought clarification on MAS’ expectations for the exchanges to “have in place processes to identify the occurrence of any event of its non-compliance with any requirement in this Notice”. The respondent inquired if this requirement for monitoring extended only to significant events that could affect the risks that a product poses, and raised concerns if the monitoring extended to all events.

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<sup>5</sup> Relevant products have the same meaning as in section 29(8) and 41(8) of the SFA.

MAS' Response

10.7 MAS agrees that the monitoring should only be confined to significant events, and have amended the Notice to reflect this.

*Ongoing requirements for existing products*

10.8 One respondent suggested for existing products that have been approved by MAS to be grandfathered for the purposes of complying with the ongoing requirements of the Notice.

MAS' Response

10.9 One purpose of the shift from an approval regime to a notification regime is to make clear that the responsibility to mitigate the relevant risks lie with the exchanges. As such, we do not agree that the existing products that have been approved by MAS should be grandfathered. Moreover, as markets are not static, exchanges must continue to assess the product risks throughout the product's lifetime, including for products that have been previously approved.

**Annex A**

**LIST OF RESPONDENTS TO THE CONSULTATION PAPER ON  
DRAFT NOTICE FOR PRODUCT NOTIFICATION REGIME**

1. Asia Pacific Exchange Pte. Ltd. and Asia Pacific Clear Pte. Ltd.
2. Cleartrade Exchange Pte Ltd
3. ICE Futures Singapore Pte. Ltd. and ICE Clear Singapore Pte. Ltd.

*Note: This list only includes the names of respondents who did not request that their identity be kept confidential.*

**Annex B**

**FULL SUBMISSION FROM RESPONDENTS TO THE CONSULTATION PAPER  
ON DRAFT NOTICE FOR PRODUCT NOTIFICATION REGIME**

*Note: This list only includes submissions for which respondents did not request confidentiality of their responses.*

S/N	Respondent	Full Response from Respondent
1	<p>Asia Pacific Exchange Pte. Ltd. and Asia Pacific Clear Pte. Ltd.</p> <p>(collectively referred to as "APEX")</p>	<p><b>General comments:</b></p> <p>APEX is supportive of the proposed change to a product notification regime, and agrees that this is the right approach in keeping with international practices in recognition of the status of exchanges as self-regulatory organisations and their role in developing the financial markets.</p> <p>APEX has the following comment regarding paragraph 6.3 of the consultation paper, where MAS had not posed specific questions on its policy position.</p> <p>We note that the MAS still requires locally incorporated clearing houses ("Clearing Houses") that clear products for Relevant Entities to satisfy MAS that the margin methodology and other risk management practices that it adopts for such products are appropriate and adequate before it will be allowed to clear new products. We would like to feedback that with this requirement remaining in place, Relevant Entities who appoint Clearing Houses to clear their products would not necessarily enjoy the benefit of the reduction of time-to-market for new product launches under the product notification regime. We believe both the timing for product notification by the Relevant Entities and the obtainment of regulatory approval for clearing and settlement of the same product by the Clearing Houses should go hand-in-hand in order to achieve the stated benefits of the proposed product notification regime.</p> <p>APEX would like to make a few suggestions for the MAS's consideration from the Clearing Houses' perspectives with respect to satisfying the MAS that the margin methodology and</p>

		<p>other risk management practices adopted are appropriate and adequate for new products they intend to clear and settle:</p> <ol style="list-style-type: none"> <li>1. The requirements to satisfy MAS on margin methodology and other risk management practices should apply for the first futures contract in a new and specific class of futures contracts; for subsequent futures contracts belonging to the same class and where the same margin methodology and other risk management practices are adopted, we suggest that Clearing Houses should be allowed to also operate on a notification regime;</li> <li>2. Where the agreed/approved margin methodology and other risk management practices for an existing class of futures contracts need to be updated or tweaked to accommodate the clearing and settlement of the new product, Clearing Houses should still go for MAS’s approval; and</li> <li>3. Clearing Houses may discuss further with MAS and agree on how to determine the classes of futures contracts.</li> </ol> <p><b>Question 1: MAS seeks comments on the key risks that Relevant Entities need to address as part of the self-certification process.</b></p> <p>The key risks listed in section 4 of the consultation paper are comprehensive. APEX does not have further comments on the key risks that Relevant Entities need to address as part of the self-certification process.</p> <p><b>Question 2: MAS seeks comments on the notification and self-certification process.</b></p> <p>APEX would like to confirm that an industry consultation to gather feedback on the contract specifications, which may indicate a tentative launch plan in order to prime the market, would not trigger the notification requirement to MAS no less than one week before the issuance of industry consultation. For example, we may issue a consultation paper on a new product’s contract specifications in July 2017 with an indicative launch plan by the fourth quarter of the year.</p> <p>Currently, there are standard templates for the submissions to MAS for product approval. We would like to enquire if MAS will provide templates for the notification and the accompanying self-certification, for the purpose of making the notification to MAS.</p>
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		<p>APEX does not have further comments on the other aspects of the notification and self-certification process.</p> <p><b>Question 3: MAS seeks comments on the proposed de-listing criteria.</b>  APEX does not have comments on the proposed de-listing criteria. However, we would like to clarify if there will be a notification period from the time the relevant product exchange notifies MAS of its intention to de-list a product, to the time the de-listing takes place.</p> <p><b>Question 4: MAS seeks comments on the proposed Notice.</b>  APEX has the following comments regarding the proposed Notice:</p> <ol style="list-style-type: none"> <li>1. Position Accountability Threshold: The requirements stated in paragraph 3.4(b) and 3.5 of the proposed Notice seem to suggest that position accountability limits operate similarly to position limits, and therefore should not be exceeded. This does not appear to be in line with the definition of position accountability threshold in the same proposed Notice. In the definition, position accountability threshold is defined as a reporting threshold and not a limit which cannot be exceeded. We would like to clarify the drafting intent of paragraphs 3.4(b) and 3.5, in relation to position accountability threshold.</li> <li>2. Time period for notifications under the Notice: We note that the proposed Notice is silent on the time periods for providing the notification to MAS, under paragraph 5. Further, the proposed Notice is silent on the follow-on requirement for a fresh notification after the twelve-week validity period has expired.</li> </ol>
2	Cleartrade Exchange Pte Ltd	<p><b>General comments:</b></p> <p>CLTX is highly supportive of the implementation of the Product Notification framework. This framework would allow Exchanges to be able to plan their timeline of their product launches more efficiently and accurately.</p> <p>CLTX will like to seek clarification on whether this new self-certification process will mean that exchanges that will need to</p>

		<p>change their rulebook to accommodate any new approved products through self-certification (including, but not limited to the addition of new product specifications to their rulebook) will still need to seek MAS’s approval to get the rulebook changes approved.</p> <p>CLTX will like to propose for MAS to indicate that such changes to the rulebook do not require a separate MAS approval.</p> <p><b>Question 1: MAS seeks comments on the key risks that Relevant Entities need to address as part of the self-certification process.</b></p> <p>CLTX feels that the key risks are sufficient for the self-certification process.</p> <p><b>Question 2: MAS seeks comments on the notification and self-certification process.</b></p> <p>Consultation of the public and notification to the Authorities has been part of our new products approval process. No comments</p> <p><b>Question 3: MAS seeks comments on the proposed de-listing criteria.</b></p> <p>CLTX supports the criteria on de-listing.</p> <p><b>Question 4: MAS seeks comments on the proposed Notice.</b></p> <p>No comments.</p>
3	<p>ICE Futures Singapore Pte. Ltd.</p> <p>ICE Clear Singapore Pte. Ltd.</p> <p>(Collectively referred to as “ICE Singapore”)</p>	<p><b>General comments:</b></p> <p>We have no general comments.</p> <p><b>Question 1: MAS seeks comments on the key risks that Relevant Entities need to address as part of the self-certification process.</b></p> <p>We have no comments.</p> <p><b>Question 2: MAS seeks comments on the notification and self-certification process.</b></p> <p>We have no comments.</p>

		<p><b>Question 3:</b> MAS seeks comments on the proposed de-listing criteria.</p> <p>We have no comments.</p> <p><b>Question 4:</b> MAS seeks comments on the proposed Notice.</p> <p>Para 2.1: definition of “relevant product”: We note that the statutory references in this definition are new statutory sections, so we assume the Notice will come into effect after the amended SFA commences.</p> <p>Para 2.2(a): Please insert “or options thereon” after the second instance of “futures contract”.</p> <p>Para 3 seems to go beyond the strict confines of a product design and notification regime and into ongoing obligations of an exchange. Many aspects are already covered in rulebooks that have been subject to MAS scrutiny, so we would be keen to ensure that existing products that have been approved by MAS (including related rules) are grandfathered in for the purposes of having complied with paragraph 3. Otherwise, para 3 is inviting a substantially different discussion other than the subject of this consultation.</p> <p>Para 3.4(b) requires a futures exchange to ensure that the “position accountability threshold” is not exceeded by any party. This requirement appears to contradict the intent of the “position accountability threshold” defined in the Notice which is, in essence, a trigger point for reporting to the exchange information regarding the position. Similarly, in connection with para 3.5(a), the purpose of position accountability thresholds is not primarily to prevent the accumulation of open interest but to gain insight in to them.</p> <p>Para 3.4(b): Please include a concept of alternatively subjecting parties to the remedies set out in paras 3.8 and 3.9 where positions limits have been exceeded. The Notice contemplates that such remedies (forced liquidation, etc.) are legitimate ways of dealing with price limits being exceeded, so the strict “ensure” obligation in 3.4(b) may be inconsistent with that.</p> <p>Para 3.5 appears to be MAS’ consideration for approval of proposed position limits than for product notification.</p>
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		<p>Para 3.14: We do not think it is appropriate for exchanges to ensure that a product will or will not have any effect on the MAS's objectives or its ability to carry them out. However, we think it would be feasible for exchanges to give a negative confirmation it is not aware that any of the objectives in the general (without reference to the MAS carrying them out) would be hindered.</p> <p>Para 3.18(a)(i) and (ii) and (b)(i) and (ii): Please insert "no later than" before "12 months". Exchanges may provide the certification before the anniversary in order that they can coordinate all subsequent certifications to occur simultaneously without exceeding any 12 month period. The current requirement hardcodes a specific date.</p> <p>Para 4.1(e): Please insert "mechanisms for" after "established".</p> <p>Para 4.3(a): Similar to our point on para 3.14, it would be more appropriate for an exchange to provide a generic negative confirmation.</p>
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