

RESPONSE TO CONSULTATION PAPER

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Consultation topic:	Draft Notices and Guidelines Pursuant to the Securities and Futures Act (Consultation Paper I)
Name¹/Organisation: ¹ if responding in a personal capacity	RHT Compliance Solutions Pte. Ltd.
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Confidentiality	
I wish to keep the following confidential:	NIL

General comments:

We conducted a roundtable discussion with industry members/financial institutions around the substantive issues raised in the Consultation Paper. The roundtable was attended by 39 attendees from 29 companies on 17 October 2017.

While we are broadly supportive of the proposed changes to the Notices and Guidelines Pursuant to the Securities and Futures Act (“SFA”) outlined in the Draft Notices and Guidelines Pursuant to the SFA (Consultation Paper I) (the “CP”), we urge MAS to further consider the implications of certain points raised in the CP. We set out below our thoughts on some of the questions in the CP and included comments.

Question 1. MAS seeks comments on the proposed CFD Notice and CFD Guidelines.

Respondents appreciate that MAS is proposing Risk Fact Sheets to be provided to retail customers, prior to the opening of a trading account to transact in Contract for Differences (“CFDs”). They felt that this would help safeguard retail investors as it would inform them of the risks involved in dealing with CFDs.

We would like to seek confirmation from the MAS that the regulations are agnostic on the modes in which the Risk Fact Sheet might be issued to clients. Many participants at our Roundtable felt that the use of digital acknowledgements or signatures would simplify their operationalisation of this requirement. Can MAS confirm that this is acceptable?

Question 2. MAS seeks comments on the approach of making clear that the Common Investors can comprise different classes of investors, though the Common Investors Guidelines do not seek to prescribe the specific classes of Common Investors for any particular product.

We note that the introduction of different classes of investors aims to factor in how the different classes of investors react to price sensitive information. This however makes the scope of Common Investors rather granular, therefore introducing operationalising issues. For example, an ETF would constitute of numerous publicly listed companies, as such, the test on whether information is material non-public information (“MNPI”) is currently carried out at the constituent stock level. This however, does not factor in insider trading at the CIS level (e.g., ETF) where MNPI on the underlying stock could be used to influence the value of the ETF. We seek MAS to standardise the regulations for violations at the underlying level and at the CIS level.

Respondents also expressed concerns on the definition of “information generally available”, where they found the definition rather narrow as it only covers: (1) securities; (2) securities-based derivatives products; and (3) CIS units. We seek MAS consideration to broaden the scope of products to those outside those of securities (e.g., leveraged FX trading) as potential insider trading risks could occur in this realm. For example, insider trading could occur for leveraged FX trading, where one could have access to MNPI on the upcoming changes to the monetary policy on interest rates and if he were to trade on this information, this should be a convictable insider trading offence. We seek MAS to consider the various scenarios in which MNPI could be misused to conduct insider trading.