

Notice No : SFA 04-N13 (Amendment) 2016
Issue Date : 1 November 2016

**NOTICE ON RISK BASED CAPITAL ADEQUACY REQUIREMENTS FOR
HOLDERS OF CAPITAL MARKETS SERVICES LICENCES**

1 This Notice is issued pursuant to regulations 2B, 5A and 6 of the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations and amends SFA 04-N13 dated 3 April 2013 and last revised on 6 March 2014.

2 The Notice SFA 04-N13 is amended as follows:

(a) by inserting immediately after the words “paragraph 3.2.1” in paragraph 4.1.2 of Part IV, the words “but not being a CMSL to which paragraph 4.1.2A also applies,”;

(b) by inserting, immediately after paragraph 4.1.2 of Part IV, the following paragraph:

“4.1.2A A CMSL that is referred to in paragraph 3.2.1 and is a limited activity CMSL that deals in securities or trades in futures contracts only with accredited investors or institutional investors and that does not enter into any transaction with any customer to deal in securities or trade in futures contracts as principal, shall calculate its operational risk requirement as the higher of –

(a) the sum of –

(i) 5% of its average annual gross income up to \$10 million of average annual gross income, calculated in accordance with paragraph 4.1.4, for the 3 immediately preceding financial years; and

(ii) 2% of its average annual gross income above \$10 million of average annual gross income, calculated in accordance with paragraph 4.1.4, for the 3 immediately preceding financial years; and

(b) \$50,000.”; and

(c) by inserting immediately after the words “paragraphs 4.1.2” in paragraph 4.1.4 of Part IV, the words “, 4.1.2A”.

3 This Notice shall take effect on 1 November 2016.