

No. S 000

SECURITIES AND FUTURES ACT 2001
(ACT 42 OF 2001)

SECURITIES AND FUTURES (FINANCIAL AND MARGIN
REQUIREMENTS FOR HOLDERS OF CAPITAL MARKETS
SERVICES LICENCES) REGULATIONS 2002

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In exercise of the powers conferred by sections 86(3), 95(1)(c), 100, 337, 341 and 344 of the Securities and Futures Act 2001, the Monetary Authority of Singapore hereby makes the following Regulations:

PART I

PRELIMINARY

Citation and commencement

1. These Regulations may be cited as the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations 2002 and shall come into operation on 1st October 2002.

Definitions

2. In these Regulations, unless the context otherwise requires —

“adjusted net head office funds” has the same meaning as in paragraph 2 of the Second Schedule;

“aggregate indebtedness”, in relation to the holder of a licence, means the total liabilities of the holder, but does not include any contingent liability of the holder or any of the following liabilities of the holder:

- (a) any amount payable on open contracts;
- (b) any amount payable to a customer of the holder in connection with moneys or assets received on account of the customer;
- (c) any deferred income tax payable;
- (d) any liability that is fully secured by assets that are not included as the financial resources of the holder under paragraph 1 of the Second Schedule, if the sole recourse of the creditor for non-payment of such liability is to such assets only; and
- (e) any qualifying subordinated loan as defined in paragraph 4 of the Second Schedule;

“aggregate resources” means —

- (a) in relation to the holder of a licence incorporated in Singapore, the sum of the financial resources of the holder and qualifying letters of credit less the total risk requirement of the holder; and
- (b) in relation to the holder of a licence that is a foreign company, the sum of the adjusted net head office funds of the holder and qualifying letters of credit less the total risk requirement of the holder;

“base capital”, in relation to a corporation or the holder of a licence, means the sum of —

- (a) the following items in the latest account of the corporation or the holder (as the case may be):
 - (i) paid-up ordinary share capital;
 - (ii) irredeemable and non-cumulative preference share capital;
 - (iii) share premium account; and
 - (iv) reserve fund maintained under regulation 19; and
- (b) any unappropriated profit or loss in the latest audited accounts of the corporation or the holder (as the case may be),

less any interim loss in the latest accounts of the corporation or the holder (as the case may be);

“broad-based index” means an index that satisfies the following conditions:

- (a) the index shall contain shares of at least 20 corporations;
- (b) the weighting of the largest constituent share is not greater than 20% of the index; and
- (c) the total weighting of the largest 5 constituent shares is not greater than 60% of the index;

“commodity”, in relation to a forward contract or futures contract, means —

- (a) a financial instrument; or
- (b) gold, any class of oil or any other physical commodity;

“counterparty”, in relation to the holder of a licence, means any person who has a financial obligation to the holder (including a financial obligation to be performed at a

specified future time), and includes any customer of the holder;

“counterparty risk weight”, in relation to a counterparty, means the percentage that applies to the counterparty in Table 1 of the Fourth Schedule;

“customer” means a person —

- (a) on whose behalf the holder of a licence carries on any regulated activity; or
- (b) with whom the holder of a licence enters or will enter into a transaction as principal for the sale or purchase of securities or futures contracts;

“debt security” includes any debenture stock, bond and note;

“derivative” includes any warrant, convertible security, forward contract, futures contract, swap, contract for differences and option;

“equity security” includes any stock, share, depository receipt and unit in a collective investment scheme;

“financial resources” has the same meaning as in paragraph 1 of the Second Schedule;

“forward contract” means a contract the effect of which is that one party to the contract agrees to deliver a specified commodity, or a specified quantity of a specified commodity, to another party to the contract at a specified future time and at a specified price payable at that time, and includes an option on a forward contract but does not include a futures contract;

“futures contract” means a contract the effect of which is that —

- (a) one party to the contract agrees to deliver a specified commodity, or a specified quantity of a specified commodity, to another party to the contract at a specified future time and at a specified price payable at that time under the terms and conditions set out in the business rules or practices of the futures exchange, recognised trading system provider, or overseas futures exchange at which the contract is made; or
- (b) the parties to the contract will discharge their obligations under the contract by settling the difference between the value of a specified quantity of a specified commodity at the time of the making of the contract and at a specified future time, such difference being

determined in accordance with the business rules or practices of the futures exchange, recognised trading system provider, or overseas futures exchange at which the contract is made,

and includes an option on a futures contract;

“government securities” means debt securities issued or proposed to be issued by any government of any country or territory;

“guideline issued by the Authority” means a guideline or other document issued by the Authority under section 321(1) of the Act;

“investment grade” means —

- (a) a credit rating set out in Table 13 of the Fourth Schedule issued by the corresponding credit rating agency in that Table or any better credit rating; or
- (b) such credit rating issued by such credit rating agency as may be specified in a guideline issued by the Authority from time to time;

“licence” means a capital markets services licence granted under the Act;

“market index of a recognised group A exchange” means a broad-based index of shares listed on the recognised group A exchange;

“market index of a recognised group B exchange” means a broad-based index of shares listed on the recognised group B exchange;

“money market debt securities” means short-term debt securities, and includes banker’s acceptances, commercial papers, certificates of deposits, government or treasury bills, and notes with a maturity of one year or less;

“net head office funds”, in relation to a foreign company, means the net liability of the Singapore branch of that foreign company to its head office and any other branches outside of Singapore;

“open contract” means any open purchase contract or open sale contract;

“open purchase contract” means any contract to purchase securities which is not yet due for payment in accordance with the business rules of a securities exchange, a recognised trading system provider or an overseas securities exchange, or the terms of the contract (as the case may be);

“open sale contract” means any contract to sell securities which is not yet due for delivery in accordance with the business rules of a securities exchange, a recognised trading system provider or an overseas securities exchange, or the terms of the contract (as the case may be);

“physical commodity” means any goods, article or item other than cash;

“public authority” means any body corporate constituted under any Act or under the law of any other country or territory;

“qualifying letter of credit” has the same meaning as in paragraph 3 of the Second Schedule;

“recognised group A exchange” means an overseas securities exchange or an overseas futures exchange regulated by a financial services regulatory authority of a country or territory specified in Table 4 of the Fourth Schedule;

“recognised group B exchange” means an overseas securities exchange or an overseas futures exchange regulated by a financial services regulatory authority of a country or territory specified in Table 4 of the Fourth Schedule;

“Singapore Government securities” means securities issued or proposed to be issued by the Government, and includes —

- (a) any debenture, stock or bond issued or proposed to be issued by the Government;
- (b) any right or option in respect of any debenture, stock or bond referred to in paragraph (a);
- (c) book-entry Government securities as defined in section 2 of the Development Loan (1987) Act (Cap. 81A) or section 2 of the Government Securities Act (Cap. 121A); and
- (d) book-entry Treasury Bills as defined in section 2 of the Local Treasury Bills Act (Cap. 167);

“total risk requirement” has the same meaning as in the Third Schedule.

PART II

BASE CAPITAL REQUIREMENT

Grant of licence

3. For the purposes of section 86(3) of the Act, the Authority shall not grant a licence to a corporation or renew the licence of a corporation unless, at the time of such grant or renewal —

- (a) where the corporation is incorporated in Singapore, its base capital; or
- (b) where the corporation is a foreign company, its net head office funds,

is not less than —

- (i) the base capital requirement applicable to the corporation under the First Schedule; or
- (ii) such other requirement as the Authority may approve as appropriate having regard to the operations of the corporation.

Where base capital of holder of licence falls below base capital requirement

4.—(1) The holder of a licence shall not cause or permit —

- (a) where it is incorporated in Singapore, its base capital; or
- (b) where it is a foreign company, its net head office funds,

to fall below the base capital requirement applicable to the holder under regulation 3.

(2) If the holder of a licence fails to comply with paragraph (1) or becomes aware that it will fail to comply with that paragraph, the holder shall immediately notify —

- (a) the Authority; and
- (b) the securities exchange, futures exchange or clearing house of which the holder is a member (if applicable).

(3) If the Authority is notified by the holder of a licence under paragraph (2) or becomes aware that the holder has failed to comply with paragraph (1), the Authority may —

- (a) direct the holder to immediately do one or more of the following:

- (i) cease any increase in positions, securities financing, funds accepted for management and assets accepted for custody for any account carried by the holder;
 - (ii) transfer all or part of any customer's positions, securities margins, collateral, assets and accounts to one or more other holders of licences;
 - (iii) operate its business in such manner and on such conditions as the Authority may impose;
 - (iv) cease carrying on business in any or all of the regulated activities permitted under its licence until such time the holder complies with paragraph (1), except that the holder may continue trading for the purposes of liquidation only or unless otherwise directed by the Authority; or
- (b) revoke the licence of the holder under section 95(2)(a) of the Act.
- (4) The Authority may revoke the licence of the holder under section 95(2)(a) of the Act if the holder fails to comply with a direction issued to it under paragraph (3)(a).

PART III

FINANCIAL RESOURCES OR ADJUSTED NET CAPITAL REQUIREMENT

Division 1 – Holder of licence to deal in securities or trade in futures contracts which is member of securities exchange, futures exchange or clearing house

Holder of licence

5. In this Division, unless the context otherwise requires, “holder of a licence” means a corporation which is one or more of the following:

- (a) the holder of a licence to deal in securities which is a member of a securities exchange, not including the holder of a licence —
 - (i) which does not carry any customer's position, margin or account in its own books; and
 - (ii) which either —
 - (A) deals in securities only with accredited investors; or

- (B) carries on the business of only soliciting or accepting orders for the purchase or sale of any securities from any customer;
- (b) the holder of a licence to trade in futures contracts which is a member of a futures exchange, not including the holder of a licence —
 - (i) which does not carry any customer's position, margin or account in its own books; and
 - (ii) which either —
 - (A) trades in futures contracts only with accredited investors; or
 - (B) carries on the business of only soliciting or accepting orders for the purchase or sale of any futures contract from any customer;
- (c) the holder of a licence which is a member of a clearing house;
- (d) the holder of a licence which has elected to be one to which this Division applies in accordance with regulation 8(2) or 12(2),

whether or not the corporation is also permitted to carry on business in any other regulated activity.

Where financial resources of holder of licence which is member of securities exchange, futures exchange or clearing house fall below total risk requirement

6.—(1) The holder of a licence shall not cause or permit —

- (a) where it is incorporated in Singapore, its financial resources; or
- (b) where it is a foreign company, its adjusted net head office funds,

to fall below its total risk requirement.

(2) For the purpose of paragraph (1) and subject to compliance with such requirements and conditions as the Authority may impose on the holder of a licence, the holder may include qualifying letters of credit in its financial resources or adjusted net head office funds (as the case may be).

(3) If the holder of a licence fails to comply with paragraph (1) or becomes aware that it will fail to comply with that paragraph, the holder shall immediately notify —

- (a) the Authority; and

(b) the securities exchange, futures exchange or clearing house of which the holder is a member (if applicable).

(4) If the Authority is notified by the holder of a licence under paragraph (3) or becomes aware that the holder has failed to comply with paragraph (1), the Authority may revoke the licence of the holder under section 95(2)(a) of the Act.

(5) The licence of the holder of a licence shall lapse when its financial resources or adjusted net head office funds (as the case may be) have fallen below its total risk requirement for 4 consecutive weeks.

Where financial resources of holder of licence which is member of securities exchange, futures exchange or clearing house fall below 120% of total risk requirement

7.—(1) The holder of a licence shall immediately notify the Authority, and the securities exchange, futures exchange or clearing house of which the holder is a member (if applicable), if —

- (a) in the case where the holder is incorporated in Singapore, its financial resources; or
- (b) in the case where the holder is a foreign company, its adjusted net head office funds,

fall below 120% of its total risk requirement.

(2) For the purpose of paragraph (1) and subject to compliance with such requirements and conditions as the Authority may impose on the holder of a licence, the holder may include qualifying letters of credit in its financial resources or adjusted net head office funds (as the case may be).

(3) Subject to paragraph (4), if a securities exchange, futures exchange or clearing house is notified by the holder of a licence under paragraph (1) or becomes aware that the financial resources or adjusted net head office funds (as the case may be) of the holder have fallen below 120% of the total risk requirement of the holder for 5 consecutive business days or more, the securities exchange, futures exchange or clearing house (as the case may be) may direct the holder to immediately do one or more of the following, and shall immediately notify the Authority of such direction:

- (a) submit the statements referred to in regulation 27(1) to the securities exchange, futures exchange or clearing house (as the case may be) on a weekly basis or at such other interval as may be determined by the securities exchange, futures exchange or clearing house, until the financial resources or adjusted net head office funds of the holder are not less than 120% of the total risk requirement of the

holder for 8 consecutive weeks or such other period as may be determined by the securities exchange, futures exchange or clearing house;

- (b) cease any increase in positions, securities financing, funds accepted for management and assets accepted for custody for any account carried by the holder;
- (c) transfer all or part of any customer's positions, margins, collateral, assets and accounts to one or more other holders of licences;
- (d) operate its business in such manner and on such conditions as the securities exchange, futures exchange or clearing house (as the case may be) may impose.

(4) The Authority may —

- (a) review, affirm, modify or set aside any direction issued by a securities exchange, futures exchange or clearing house to the holder of a licence under paragraph (3); or
- (b) direct the holder to cease carrying on business in any or all of the regulated activities permitted under its licence until such time that the holder has demonstrated that its financial resources or adjusted net head office funds (as the case may be) are not less than 120% of the total risk requirement of the holder, except that the holder may continue trading for the purposes of liquidation only or unless otherwise directed by the Authority.

(5) Any statement required to be submitted under paragraph (3)(a) shall be —

- (a) signed by a director of the holder of a licence or such other person as the Authority may allow; and
- (b) lodged with the securities exchange, futures exchange or clearing house of which the holder is a member not later than one business day after the end of the week or other interval referred to in paragraph (3)(a).

(6) The Authority may revoke the licence of the holder under section 95(2)(a) of the Act if the holder fails to comply with a direction issued to it under paragraph (3) or (4)(b).

Division 2 — Holder of licence to deal in securities, trade in futures contracts or carry out leveraged foreign exchange trading which is not member of securities exchange, futures exchange or clearing house

Holder of licence

8.—(1) In this Division, unless the context otherwise requires, “holder of a licence” means a corporation (not being a holder to which Division 1 applies) which is one or more of the following:

- (a) the holder of a licence to deal in securities which is not a member of a securities exchange or clearing house, not including the holder of a licence —
 - (i) which does not carry any customer’s position, margin or account in its own books; and
 - (ii) which either —
 - (A) deals in securities only with accredited investors; or
 - (B) carries on the business of only soliciting or accepting orders for the purchase or sale of any securities from any customer;
- (b) the holder of a licence to trade in futures contracts which is not a member of a futures exchange or clearing house, not including the holder of a licence —
 - (i) which does not carry any customer’s position, margin or account in its own books; and
 - (ii) which either —
 - (A) trades in futures contracts only with accredited investors; or
 - (B) carries on the business of only soliciting or accepting orders for the purchase or sale of any futures contract from any customer;
- (c) the holder of a licence to carry out leveraged foreign exchange trading,

whether or not the corporation is also permitted to carry on business in any other regulated activity.

(2) A corporation referred to in paragraph (1) may elect to be the holder of a licence to which Division 1 applies from a specified date, by notice in writing to the Authority not later than 14 days after the specified date, and this Division shall not apply to that holder from the specified date.

Where adjusted net capital of holder of licence to deal in securities which is not member of securities exchange falls below \$250,000

9.—(1) The holder of a licence under regulation 8(1)(a) shall not cause or permit its adjusted net capital to fall below \$250,000.

(2) If the holder fails to comply with paragraph (1) or becomes aware that it will fail to comply with that paragraph, the holder shall immediately notify the Authority.

(3) If the Authority is notified by the holder under paragraph (2) or becomes aware that the holder has failed to comply with paragraph (1), the Authority may revoke the licence of the holder under section 95(2)(a) of the Act.

(4) The licence of the holder shall lapse when the adjusted net capital of the holder has fallen below \$250,000 for 4 consecutive weeks.

(5) In this regulation and regulation 10, “adjusted net capital” has the same meaning as in paragraph 1 of the Fifth Schedule.

Where adjusted net capital of holder of licence to deal in securities which is not member of securities exchange falls below \$400,000

10.—(1) The holder of a licence under regulation 8(1)(a) shall immediately notify the Authority if its adjusted net capital falls below \$400,000.

(2) If the Authority is notified by the holder under paragraph (1) or becomes aware that the adjusted net capital of the holder has fallen below \$400,000 for 5 consecutive business days or more, the Authority may —

- (a) direct the holder to immediately do one or more of the following:
 - (i) submit the statement referred to in regulation 27(2)(a) to the Authority on a weekly basis or at such other interval as may be determined by the Authority, until the adjusted net capital of the holder is not less than \$400,000 for 8 consecutive weeks or such other period as may be determined by the Authority;
 - (ii) cease any increase in positions, securities financing, funds accepted for management and assets accepted for custody for any account carried by the holder;
 - (iii) transfer all or part of any customer’s positions, margins, collateral, assets and accounts to one or more other holders of licences;

- (iv) operate its business in such manner and on such conditions as the Authority may impose;
 - (v) cease carrying on business in any or all of the regulated activities permitted under its licence until such time the holder demonstrates that its adjusted net capital is not less than \$400,000, except that the holder may continue trading for the purposes of liquidation only or if otherwise directed by the Authority; or
- (b) revoke the licence of the holder under section 95(2)(a) of the Act.
- (3) Any statement required to be submitted under paragraph (2)(a)(i) shall be —
- (a) signed by a director of the holder or such other person as the Authority may allow; and
 - (b) lodged with the Authority not later than 3 business days after the end of the week or other interval referred to in paragraph (2)(a)(i).
- (4) The Authority may revoke the licence of the holder under section 95(2)(a) of the Act if the holder fails to comply with a direction issued to it under paragraph (2)(a).

Where adjusted net capital of holder of licence to trade in futures contracts or carry out leveraged foreign exchange trading and which is not member of futures exchange falls below \$2 million or adjusted net capital requirement

- 11.—**(1) The holder of a licence under regulation 8(1)(b) or (c) shall not cause or permit its adjusted net capital to fall below \$2 million or its adjusted net capital requirement, whichever is the higher.
- (2) If the holder fails to comply with paragraph (1) or becomes aware that it will fail to comply with that paragraph, the holder shall immediately notify the Authority.
- (3) If the Authority is notified by a holder under paragraph (2) or becomes aware that the holder has failed to comply with paragraph (1), the Authority may —
- (a) direct the holder to immediately do one or more of the following:
 - (i) submit the statement referred to in regulation 27(2)(b) to the Authority on a weekly basis or at such other interval as may be determined by the Authority, until the adjusted net capital of the holder is equal to or

more than \$2 million or its adjusted net capital requirement, whichever is the higher, for 8 consecutive weeks or such other period as may be determined by the Authority;

- (ii) cease any increase in positions, securities financing, funds accepted for management and assets accepted for custody for any account carried by the holder;
- (iii) transfer all or part of any customer's positions, margins, collateral, assets and accounts to one or more other holders of licences;
- (iv) operate its business in such manner and on such conditions as the Authority may impose;
- (v) cease carrying on business in any or all of the regulated activities permitted under its licence until such time the holder complies with paragraph (1), except that the holder may continue trading for the purposes of liquidation only or if otherwise directed by the Authority; or

(b) revoke the licence of the holder under section 95(2)(a) of the Act.

(4) Any statement required to be submitted under paragraph (3)(a)(i) shall be —

- (a) signed by a director of the holder or such other person as the Authority may allow; and
- (b) lodged with the Authority not later than 3 business days after the end of the week or other interval referred to in paragraph (3)(a)(i).

(5) The Authority may revoke the licence of the holder under section 95(2)(a) of the Act if the holder fails to comply with a direction issued to it under paragraph (3)(a).

(6) The licence of the holder shall lapse when the adjusted net capital of the holder has fallen below \$2 million or its adjusted net capital requirement, whichever is the higher, for 4 consecutive weeks.

(7) In this regulation —

“adjusted net capital” has the same meaning as in paragraph 2 of the Fifth Schedule;

“adjusted net capital requirement” has the same meaning as in paragraph 3 of the Fifth Schedule.

*Division 3 – Holder of any other licence***Definitions of this Division**

- 12.**—(1) In this Division, unless the context otherwise requires —
- “financial resources” has the same meaning as in paragraph 1 of the Sixth Schedule;
 - “holder of a licence” means any holder of a licence, not including one to which Division 1 or 2 applies;
 - “total risk requirement” has the same meaning as in paragraph 2 of the Sixth Schedule.

(2) The holder of a licence referred to in paragraph (1) may elect to be the holder of a licence to which Division 1 applies from a specified date, by notice in writing to the Authority not later than 14 days after the specified date, and this Division shall not apply to that holder from the specified date.

Where financial resources of holder of any other licence fall below total risk requirement

13.—(1) The holder of a licence shall not cause or permit its financial resources to fall below its total risk requirement.

(2) If the holder fails to comply with paragraph (1) or becomes aware that it will fail to comply with that paragraph, the holder shall immediately notify —

- (a) the Authority; and
- (b) the securities exchange or futures exchange of which the holder is a member (if applicable).

(3) If the Authority is notified by the holder under paragraph (2) or becomes aware that the holder has failed to comply with paragraph (1), the Authority may revoke the licence of the holder under section 95(2)(a) of the Act.

Where financial resources of holder of any other licence fall below 120% of total risk requirement

14.—(1) The holder of a licence shall immediately notify the Authority, and the securities exchange or futures exchange of which the holder is a member (if applicable), if its financial resources fall below 120% of its total risk requirement.

(2) If the Authority is notified by the holder under paragraph (1) or becomes aware that the financial resources of the holder have fallen below 120% of its total risk requirement, the Authority may —

- (a) direct the holder to immediately do one or more of the following:
- (i) cease any increase in securities financing, funds accepted for management and assets accepted for custody for any account carried by the holder;
 - (ii) transfer all or part of any customer's margins, collateral, assets and accounts to one or more other holders of licences;
 - (iii) operate its business in such manner and on such conditions as the Authority may impose;
 - (iv) cease carrying on business in any or all of the regulated activities permitted under its licence until such time that the holder has demonstrated that its financial resources are not less than 120% of the total risk requirement of the holder, except that the holder may continue trading for the purposes of liquidation only or if otherwise directed by the Authority; or
- (b) revoke the licence of the holder under section 95(2)(a) of the Act.

(3) The Authority may revoke the licence of the holder under section 95(2)(a) of the Act if the holder fails to comply with a direction issued to it under paragraph (2)(a).

PART IV

AGGREGATE INDEBTEDNESS

Holder of licence

15. In this Part, unless the context otherwise requires, "holder of a licence" means the holder of a licence referred to in regulation 5, other than paragraph (d) of that regulation.

Where aggregate indebtedness exceeds 1,200% of aggregate resources

16.—(1) The holder of a licence shall not cause or permit its aggregate indebtedness to exceed 1,200% of its aggregate resources.

(2) If the holder fails to comply with paragraph (1) or becomes aware that it will fail to comply with that paragraph, the holder shall immediately notify —

- (a) the Authority; and

(b) the securities exchange, futures exchange or clearing house of which the holder is a member.

(3) If the Authority is notified by the holder under paragraph (2) or becomes aware that the holder has failed to comply with paragraph (1), the Authority may revoke the licence of the holder under section 95(2)(a) of the Act.

(4) The licence of the holder of a licence shall lapse when the aggregate indebtedness of the holder has exceeded 1,200% of the aggregate resources of the holder for 4 consecutive weeks.

Where aggregate indebtedness exceeds 600% of aggregate resources

17.—(1) The holder of a licence shall immediately notify the Authority, and the securities exchange, futures exchange or clearing house of which the holder is a member, if the aggregate indebtedness of the holder exceeds 600% of its aggregate resources.

(2) Subject to paragraph (3), if a securities exchange, futures exchange or clearing house is notified by the holder under paragraph (1) or becomes aware that the aggregate indebtedness of the holder has exceeded 600% of the aggregate resources of the holder for 5 consecutive business days or more, the securities exchange, futures exchange or clearing house (as the case may be) may direct the holder to immediately do one or more of the following, and shall immediately notify the Authority of such direction:

- (a) submit the statements referred to in regulation 27(1) to the securities exchange, futures exchange or clearing house on a weekly basis or at such other interval as may be determined by the securities exchange, futures exchange or clearing house, until the aggregate indebtedness of the holder is equal to or less than 600% of the aggregate resources of the holder for 8 consecutive weeks or such other period as may be determined by the securities exchange, futures exchange or clearing house;
- (b) cease any increase in positions, securities financing, funds accepted for management and assets accepted for custody for any account carried by the holder;
- (c) transfer all or part of any customer's positions, margins, collateral, assets and accounts to one or more other holders of licences;
- (d) operate its business in such manner and on such conditions as the securities exchange, futures exchange or clearing house (as the case may be) may impose.

(3) The Authority may —

- (a) review, affirm, modify or set aside any direction issued by a securities exchange, futures exchange or clearing house to the holder under paragraph (2); or
- (b) direct the holder to cease carrying on business in any or all of the regulated activities permitted under its licence until such time that the holder has demonstrated that its aggregate indebtedness is equal to or less than 600% of the aggregate resources of the holder, except that the holder may continue trading for the purposes of liquidation only or if otherwise directed by the Authority.

(4) Any statement required to be submitted under paragraph (2)(a) shall be —

- (a) signed by a director of the holder or such other person as the Authority may allow; and
- (b) lodged with the securities exchange, futures exchange or clearing house of which the holder is a member not later than one business day after the end of the week or other interval referred to in paragraph (2)(a).

(5) The Authority may revoke the licence of the holder under section 95(2)(a) of the Act if the holder fails to comply with a direction issued to it under paragraph (2) or (3)(b).

PART V

RESERVE FUND AND OTHER FINANCIAL REQUIREMENTS

Definition of this Part

18. In this Part, unless the context otherwise requires, “qualifying subordinated loan” has the same meaning as in paragraph 4 of the Second Schedule.

Maintenance of reserve fund by holder of licence which is member of clearing house

19.—(1) The holder of a licence to deal in securities or trade in futures contracts, or both, which is a member of a clearing house shall maintain a reserve fund to which a sum of not less than 30% of the audited net profits of each year shall be transferred out of the net profits after due provision has been made for taxation, so long as —

- (a) where it is incorporated in Singapore, the base capital less unappropriated profits in the latest audited accounts of the holder; or
- (b) where it is a foreign company, the net head office funds of the holder,

is less than \$15 million.

(2) Subject to regulation 23, if the Authority is satisfied that the reserve fund of the holder of a licence referred to in paragraph (1) is adequate for its business, the Authority may, by order in writing and on such conditions or restrictions as the Authority may impose, allow such amount in the reserve fund of that holder as the Authority may specify to be available for distribution as dividends.

Reduction in paid-up ordinary share capital or share premium account

20. The holder of a licence that is incorporated in Singapore shall not reduce its paid-up ordinary share capital or share premium account without the prior written approval of the Authority.

Preference share

21.—(1) Where the holder of a licence referred to in regulation 5 which is incorporated in Singapore issues any preference share, the holder shall, prior to the date of issue of the preference share, notify the Authority, and the securities exchange, futures exchange or clearing house of which the holder is a member (if applicable).

(2) The holder of a licence referred to in regulation 5 which is incorporated in Singapore shall not redeem any redeemable preference share —

- (a) unless the holder notifies the Authority, and the securities exchange, futures exchange or clearing house of which the holder is a member (if applicable), at least one year before the proposed date of redemption;
- (b) if, at the date of redemption —
 - (i) the sum of financial resources and qualifying letters of credit of the holder is less than 120% of the total risk requirement of the holder; or
 - (ii) in a case of a holder to which regulation 17 applies, the aggregate indebtedness of the holder exceeds 600% of the aggregate resources of the holder;
- (c) if such a redemption will cause an event in paragraph (b) to occur; or

- (d) if the Authority, or the securities exchange, futures exchange or clearing house of which the holder is a member (if applicable), has prohibited in writing such a redemption.

Qualifying subordinated loan

22.—(1) Where the holder of a licence referred to in regulation 5 draws down a qualifying subordinated loan, the holder shall notify, no later than the date of draw down of the qualifying subordinated loan, the Authority, and the securities exchange, futures exchange or clearing house of which the holder is a member (if applicable).

(2) The holder of a licence referred to in regulation 5 —

- (a) shall not repay, whether in part or in full, any subordinated loan principal before the maturity date set out in the subordination loan agreement —
- (i) without the prior approval of the securities exchange, futures exchange or clearing house of which the holder is a member (if applicable); and
 - (ii) without providing prior notification to the Authority; and
- (b) shall not repay, whether in part or in full, any subordinated loan principal that has matured —
- (i) unless the holder notifies the Authority, and the securities exchange, futures exchange or clearing house of which the holder is a member (if applicable), at least one business day before the date of repayment;
 - (ii) if the sum of financial resources and qualifying letters of credit of the holder is less than 120% of the total risk requirement of the holder;
 - (iii) in a case of a holder to which regulation 17 applies, if the aggregate indebtedness of the holder exceeds 600% of the aggregate resources of the holder;
 - (iv) if such a repayment will cause an event in subparagraph (ii) or (iii) to occur; or
 - (v) if the Authority, or the securities exchange, futures exchange or clearing house of which the holder is a member (if applicable), has prohibited in writing such a repayment.

Making of unsecured loan or advance, payment of dividend or director's fees or increase in director's remuneration

23. The holder of a licence to deal in securities or trade in futures contracts which is a member of a securities exchange, futures exchange or clearing house shall not, without the prior written approval of the Authority, and the securities exchange, futures exchange or clearing house of which the holder is a member, make any unsecured loan or advance, pay any dividend or director's fees or increase any director's remuneration if —

- (a) in the case where the holder is incorporated in Singapore —
 - (i) the base capital of the holder is less than the base capital requirement applicable to the holder under regulation 3;
 - (ii) the sum of financial resources and qualifying letters of credit of the holder is less than 120% of the total risk requirement of the holder;
 - (iii) in a case of a holder to which regulation 17 applies, the aggregate indebtedness of the holder exceeds 600% of the aggregate resources of the holder; or
 - (iv) if such a loan, advance, payment or increase will cause an event in sub-paragraph (i), (ii) or (iii) to occur; or
- (b) in the case where the holder is a foreign company —
 - (i) the net head office funds of the holder is below the base capital requirement applicable to the holder under regulation 3;
 - (ii) the adjusted net head office funds of the holder is less than 120% of the total risk requirement of the holder;
 - (iii) if regulation 17 applies to the holder, the aggregate indebtedness of the holder exceeds 600% of the aggregate resources of the holder; or
 - (iv) if such a loan, advance, payment or increase will cause an event in sub-paragraph (i), (ii) or (iii) to occur.

PART VI

MARGIN REQUIREMENTS

Margin requirement for securities financing

24.—(1) The holder of a licence for securities financing —

- (a) shall obtain margin from each customer in respect of any provision of securities financing to the customer; and
- (b) shall not cause or permit the equity in the customer's margin account to be 110% of the debit balance in that customer's margin account or less.

(2) Where the equity in a customer's margin account is 110% of the debit balance in that customer's margin account or less, the holder of a licence shall immediately require the customer to provide additional margin within 2 business days to increase the equity in the customer's margin account to more than 110% of the debit balance in that customer's margin account.

(3) The holder of a licence shall not cause or permit —

- (a) the aggregate of the margin exposures in the margin accounts of all customers to exceed 300%, or such other percentage as the Authority may allow, of its average free financial resources or average adjusted net capital (as the case may be);
- (b) the aggregate of the margin exposures in the margin accounts of all customers in respect of securities, other than securities quoted on a securities exchange, to exceed 100%, or such other percentage as the Authority may allow, of its average free financial resources or average adjusted net capital (as the case may be);
- (c) the debit balance in each customer's margin account to exceed 20%, or such other percentage as the Authority may allow, of its average free financial resources or average adjusted net capital (as the case may be); and
- (d) the aggregate number of shares of the same type, or other securities of the same type, issued by a corporation bought or carried, or deposited as collateral, in the margin accounts of all customers to exceed 5%, or such other percentage as the Authority may allow, of the total number of those shares or other securities (as the case may be) issued by the corporation.

(4) For the purpose of paragraph (3)(d), the number of issued shares or other securities (as the case may be) shall be based on the

latest audited accounts of the corporation issuing those shares or securities, or such other source as the Authority may specify in a guideline issued by the Authority.

(5) For the purpose of this regulation, margins deposited by customers with the holder in accordance with this regulation shall be in the form of cash, Singapore Government securities, marginable securities or such other instrument as the Authority may specify in a guideline issued by the Authority.

(6) In this regulation, unless the context otherwise requires —

“average adjusted net capital” means the average of the adjusted net capital of the holder on the last day of each of the 3 months preceding the previous month —

- (a) where the holder is one referred to in regulation 8(1)(a), adjusted net capital as defined in paragraph 1 of the Fifth Schedule; or
- (b) where the holder is one referred to in regulation 8(1)(b) or (c), adjusted net capital as defined in paragraph 2 of the Fifth Schedule;

“average free financial resources” means the average of the free financial resources of the holder on the last day of each of the 3 months preceding the previous month;

“debit balance”, in relation to a customer’s margin account, means the amount owing by the customer in the margin account and includes —

- (a) amounts to be financed by the holder of a licence in respect of outstanding purchases made in the margin account of the customer, net of the cash collateral and sales proceeds receivable from open sale contracts made in the margin account of the customer; and
- (b) all commission charges, interest expenses and other related expenses;

“equity”, in relation to a customer’s margin account, means the sum of —

- (a) the current market value of marginable securities bought and carried in the margin account; and
- (b) the current market value of Singapore Government securities and current market value of marginable securities deposited as collateral by the customer in the margin account;

“financial resources” and “total risk requirement”, in the case of a holder referred to in regulation 12(1), have the meanings given to those expressions in that regulation;

“free financial resources” means the financial resources of the holder less the total risk requirement of the holder;

“margin account”, in relation to a customer, means an account of the customer through which the relevant holder of a licence extends or has extended securities financing to the customer;

“margin exposure”, in respect of a margin account, means —

- (a) where the securities bought or carried, or deposited as collateral, in the margin account comprise a single securities, the debit balance in the margin account; or
- (b) where the securities bought or carried, or deposited as collateral, in the margin account comprise 2 or more securities, an amount computed by the following formula:

$$\text{Debit balance} \quad \times \quad \frac{A}{B}$$

where —

- A is the current market value of each securities bought or carried, or deposited as collateral, in the margin account; and
- B is the aggregate of the current market value of all securities bought or carried in the margin account, and the current market value of all securities deposited as collateral in the margin account;

“marginable securities” means —

- (a) securities quoted on the Singapore Exchange Securities Trading Limited;
- (b) in the case of an initial public offer, securities to be listed for quotation or quoted on the Singapore Exchange Securities Trading Limited for which the holder of a licence has received full payment from the borrower;
- (c) securities quoted on the Central Limit Order Book (CLOB) International;
- (d) securities quoted on a recognised group A exchange and issued by a corporation with shareholders’ funds of

not less than \$200 million or its equivalent in any foreign currency; or

- (e) such other securities as the Authority may specify in a guideline issued by the Authority.

(7) Any reference to financial resources in this regulation in relation to the holder of a licence referred to in regulation 5 which is a foreign company shall be read as adjusted net head office funds.

Reporting of under-margined accounts by holder of licence to trade in futures contracts or carry out leveraged foreign exchange trading

25.—(1) The holder of a licence to trade in futures contracts under regulation 5(b) or (d) shall immediately notify the Authority, and the futures exchange or clearing house of which the holder is a member, when any account which the holder is carrying for any customer to trade in futures contracts or to carry out leveraged foreign exchange trading is under-margined by an amount which exceeds the aggregate resources of the holder.

(2) The holder of a licence to trade in futures contracts or to carry out leveraged foreign exchange trading under regulation 8(1)(b) or (c) shall immediately notify the Authority when any account which the holder is carrying for any customer to trade in futures contracts or to carry out leveraged foreign exchange trading is under-margined by an amount which exceeds the adjusted net capital of the holder.

(3) In paragraph (2), “adjusted net capital” has the same meaning as in paragraph 2 of the Fifth Schedule.

(4) Where the holder of a licence which is a member of a futures exchange or clearing house has, within one business day, failed to meet a margin call or to make other deposits as required by the futures exchange or clearing house (as the case may be) the futures exchange or clearing house shall be entitled to —

- (a) immediately liquidate the positions carried by the holder for any account;
- (b) immediately transfer all or part of any customer’s positions, margins, collateral, assets and accounts to one or more other holders of licences which are members of the futures exchange or clearing house; or
- (c) subject the trading of any account of the holder to such conditions and restrictions as the futures exchange or clearing house deems fit, including but not limited to, restricting trading of that account to only liquidating positions.

(5) The futures exchange or clearing house may, in consultation with the Authority, exempt the holder of a licence from the provisions of paragraph (4) with respect to any particular account on a continuous basis, but the futures exchange or clearing house shall continue to monitor that account.

PART VII

LODGMET OF DOCUMENTS

Forms

26.—(1) The forms mentioned in this Part are those set out in the Seventh Schedule.

(2) Where any provision in these Regulations provides for the lodgment of a document with the Authority, that document shall be lodged with the Authority in the relevant form.

(3) A form prescribed by these Regulations shall be completed in the English language and in accordance with such directions as may be specified in the form or by the Authority.

(4) The Authority may refuse to accept any form that is not completed in accordance with this regulation.

Statement to be lodged in respect of regulated activities

27.—(1) The holder of a licence referred to in regulation 5 shall prepare —

- (a) a statement of assets and liabilities in Form 1; and
- (b) a statement of financial resources, total risk requirement and aggregate indebtedness in Form 2,

in respect of each quarter of a year or such longer period as the Authority may allow.

(2) The holder of a licence referred to in regulation 8(1) shall prepare —

- (a) where the holder is one referred to in regulation 8(1)(a), a statement of assets and liabilities, and adjusted net capital in Form 3; and
- (b) where the holder is one referred to in regulation 8(1)(b) or (c), a statement of assets and liabilities, adjusted net capital, and segregation requirement and location of segregated funds in Form 4,

in respect of each quarter of a year or such longer period as the Authority may allow.

(3) The holder of a licence referred to in regulation 12(1) shall prepare —

- (a) a statement of assets and liabilities in Form 1; and
- (b) a statement of financial resources and total risk requirement in Form 5,

in respect of each quarter of a year or such longer period as the Authority may allow.

(4) The holder of a licence referred to in paragraph (1), (2) or (3) shall, in preparing any statement referred to in any of those paragraphs, describe the assets and liabilities of its business in a manner that will give a true and fair view of the state of affairs of the business as at the end of the period for which the statement is prepared.

(5) The holder of a licence for securities financing shall prepare statements in Forms 9, 10 and 11 relating to the carrying on of its business in securities financing in respect of each quarter of a year.

(6) Every statement referred to in paragraph (1), (2), (3) or (5) shall be —

- (a) signed by a director or secretary of the holder of a licence; and
- (b) lodged with the Authority no later than 14 days, or such longer period as the Authority may allow, after the end of the period for which the statement is prepared.

(7) For the purposes of section 107 of the Act, the holder of a licence shall prepare and lodge with the Authority a true and fair profit and loss account and balance-sheet made up to the last day of each financial year in accordance with the provisions of the Companies Act (Cap. 50).

(8) The account and balance-sheet referred to in paragraph (7) shall be accompanied by a statement relating to the accounts of the holder of a licence in Form 6 (which shall be signed by a director or secretary of the holder), an auditor's report in Form 7 and an auditor's certification in Form 8, and —

- (a) where the holder is one referred to in regulation 5, a statement of assets and liabilities in Form 1, and a statement of financial resources, total risk requirement and aggregate indebtedness in Form 2;
- (b) where the holder is one referred to in regulation 8(1)(a), a statement of assets and liabilities, and adjusted net capital in Form 3;

- (c) where the holder is one referred to in regulation 8(1)(b) or (c), a statement of assets and liabilities, adjusted net capital, and segregation requirement and location of segregated funds in Form 4; or
- (d) where the holder is one referred to in regulation 12(1), a statement of assets and liabilities in Form 1, and a statement of financial resources and total risk requirement in Form 5.

PART VIII

EXEMPTION

Exemption for SGXLink Pte Ltd

28.—(1) Regulations 3, 4, 6, 7, 16, 17, 18 and 27 shall not apply in relation to the SGXLink Pte Ltd when dealing in securities in connection with the Foreign Market Linkage, subject to the conditions specified in writing by the Authority to that company.

(2) In this regulation, “Foreign Market Linkage” means the cross border securities trading linkage established between the Australian Stock Exchange Limited and the Singapore Exchange Securities Trading Limited.

PART IX

TRANSITIONAL AND SAVINGS

Preliminary

29.—(1) In this Part, unless the context otherwise requires —

“dealer” and “investment adviser” have the same meanings as in the SIA;

“FTA” means the repealed Futures Trading Act (Cap. 116);

“FTR” means the Futures Trading Regulations (Cap. 116, Rg 1) in force immediately before 1st October 2002;

“futures broker” has the same meaning as in the FTA;

“futures broker’s licence” means a futures broker’s licence granted under the FTA;

“futures pool operator” and “futures trading adviser” have the same meanings as in the FTA;

“member company” has the same meaning as in the SIR;

“net head office funds” and “shareholders’ funds” –

(a) in regulation 31 have the same meanings as in the SIR;
and

(b) in regulations 32, 33 and 34 have the same meanings as
in the FTR;

“paid-up capital” in regulation 30 has the same meaning as in
the SIR, and in regulations 32, 33 and 34 has the same
meaning as in the FTR;

“SIA” means the repealed Securities Industry Act (Cap. 289);

“SIR” means the Securities Industry Regulations
(Cap. 289, Rg 1) in force immediately before 1st October
2002;

“Transitional Provisions Regulations” means the Securities and
Futures (Capital Markets Services Licence and
Representative’s Licence) (Transitional and Savings
Provisions) Regulations 2002 (G.N. No. S 396/2002).

(2) The provisions of this Part shall apply notwithstanding the
provisions of the Transitional Provisions Regulations.

**Holder of dealer’s licence which was member of securities
exchange**

30.—(1) For the period of 12 months from 1st October 2002,
regulations 3, 4, 6, 7, 16, 17, 19 to 24, 26 and 27 (referred to in this
regulation as the new law) shall not apply to a corporation which —

(a) is the holder of a licence to deal in securities by virtue of
regulation 3 of the Transitional Provisions Regulations;
and

(b) was a member company immediately before 1st October
2002,

and regulations 3, 5, 10(2) and (4), 17(6), 18 (other than paragraph
(1)), 21 to 26 and 29 of the SIR shall, with the necessary
modifications, apply to that corporation as they apply to a dealer or
member company (as the case may be).

(2) During the period referred to in paragraph (1) —

(a) the licence of that corporation shall lapse under the
circumstances set out in regulation 18(1) of the SIR;

(b) that corporation shall be guilty of an offence if it
contravenes any provision of the SIR as applied to it under
paragraph (1) and shall be liable on conviction to a fine
not exceeding \$5,000;

(c) that corporation shall not cause or permit its paid-up
capital to fall below \$15 million;

(d) regulation 4(2), (3) and (4) shall, with the necessary modifications, apply in relation to any failure to comply with of sub-paragraph (c); and

(e) the auditor's report required to be lodged by that corporation under section 107(1)(b) of the Act shall be in Form 21 of the Second Schedule to the SIR and shall contain the documents necessary for the due completion of that Form.

(3) Paragraphs (1) and (2) shall not apply to that corporation from a date which it has elected as one from which the new law is to apply before the expiry of the period referred to in paragraph (1) to the corporation, provided that —

(a) the corporation gives notice in writing to the Authority of that date; and

(b) the notice is given no later than 14 days after that date.

(4) This regulation shall apply even if that corporation is granted approval by the Authority to carry on any other regulated activity on or after 1st October 2002, subject to its compliance with such additional conditions or restrictions as the Authority may impose.

Holder of dealer's licence which was not member of securities exchange

31.—(1) For the period of 6 months from 1st October 2002, regulations 3, 4, 9, 10, 20, 26 and 27 (referred to in this regulation as the new law) shall not apply to a corporation which —

(a) is the holder of a licence to deal in securities by virtue of regulation 3 of the Transitional Provisions Regulations; and

(b) was not a member company immediately before 1st October 2002,

and regulations 3, 5, 10(2) and (4), 17(6), 20 (other than paragraph (1)) and 30 of the SIR shall, with the necessary modifications, apply to that corporation as they apply to a dealer.

(2) During the period referred to in paragraph (1) —

(a) the licence of that corporation shall lapse under the circumstances set out in regulation 20(1) of the SIR;

(b) that corporation shall be guilty of an offence if it contravenes any provision of the SIR as applied to it under paragraph (1) and shall be liable on conviction to a fine not exceeding \$5,000;

- (c) that corporation shall not cause or permit its shareholders' funds or (if it is a branch) its net head office funds to fall below \$2 million;
- (d) regulation 4(2), (3) and (4) shall, with the necessary modifications, apply in relation to any failure to comply with sub-paragraph (c); and
- (e) the auditor's report required to be lodged by that corporation under section 107(1)(b) of the Act shall be in Form 21 of the Second Schedule to the SIR and shall contain the documents necessary for the due completion of that Form.

(3) Paragraphs (1) and (2) shall not apply to that corporation from a date which it has elected as one from which the new law is to apply before the expiry of the period referred to in paragraph (1) to the corporation, provided that —

- (a) the corporation gives notice in writing to the Authority of that date; and
- (b) the notice is given no later than 14 days after that date.

(4) This regulation shall apply even if that corporation is granted approval by the Authority to carry on any other regulated activity on or after 1st October 2002, subject to its compliance with such additional conditions or restrictions as the Authority may impose.

Holder of futures broker's licence which was member of futures exchange other than one to which regulation 33 applies

32.—(1) For the period of 12 months from 1st October 2002, regulations 3, 4, 6, 7, 16, 17 and 19 to 27 (referred to in this regulation as the new law) shall not apply to a corporation which —

- (a) is the holder of a licence to trade in futures contracts by virtue of regulation 3 of the Transitional Provisions Regulations;
- (b) was the holder of a futures broker's licence immediately before 1st October 2002, other than one to which regulation 33 applies; and
- (c) a member of an Exchange within the meaning of the FTA immediately before 1st October 2002,

and regulations 4, 7, 8, 11A(3) to (6), 12 (other than paragraph (1A)) and 12A of the FTR shall, with the necessary modifications, apply to that corporation as they apply to a futures broker.

- (2) During the period referred to in paragraph (1) —

- (a) that corporation shall be guilty of an offence if it contravenes any provision of the FTR as applied to it under paragraph (1) and shall be liable on conviction to a fine not exceeding \$5,000;
- (b) that corporation shall not cause or permit —
 - (i) if its futures broker's licence was granted before 6th January 1995, its shareholders' funds (if it is incorporated in Singapore) or its net head office funds (if it is a foreign company) to fall below \$5 million; or
 - (ii) if its futures broker's licence was granted on or after 6th January 1995, its paid-up capital or shareholders' funds (if it is incorporated in Singapore), or its net head office funds (if it is a foreign company), to fall below \$5 million;
- (c) regulation 4(2), (3) and (4) shall, with the necessary modifications, apply in relation to any failure to comply with sub-paragraph (b); and
- (d) the auditor's report required to be lodged by that corporation under section 107(1)(b) of the Act shall be in Form 20 of the Second Schedule to the FTR and shall contain the documents necessary for the due completion of that Form.

(3) Paragraphs (1) and (2) shall not apply to that corporation from a date which it has elected as one from which the new law is to apply before the expiry of the period referred to in paragraph (1) to the corporation, provided that —

- (a) the corporation gives notice in writing to the Authority of that date; and
- (b) the notice is given no later than 14 days after that date.

(4) This regulation shall apply even if that corporation is granted approval by the Authority to carry on any other regulated activity on or after 1st October 2002, subject to its compliance with such additional conditions or restrictions as the Authority may impose.

Holder of futures broker's licence which was member of futures exchange and only trades in futures contracts for oil, etc.

33.—(1) For the period of 12 months from 1st October 2002, regulations 3, 4, 13, 14 and 19 to 27 (referred to in this regulation as the new law) shall not apply to a corporation which —

- (a) is the holder of a licence to trade in futures contracts by virtue of regulation 3 of the Transitional Provisions Regulations; and
- (b) was, immediately before 1st October 2002, either —
 - (i) the holder of a futures broker's licence to which regulation 11A(1)(d) of the FTR applies; or
 - (ii) the holder of a futures broker's licence, being a licence granted on or after 10th July 1998, to which regulation 11A(1)(e) of the FTR applies,

and regulations 4, 7, 8, 11A(3) to (6), 12 (other than paragraphs (1), (3), (3B), (3D) and (3E)) and 12A of the FTR shall, with the necessary modifications, apply to that corporation as they apply to a futures broker.

(2) During the period referred to in paragraph (1) —

- (a) that corporation shall be guilty of an offence if it contravenes any provision of the FTR as applied to it under paragraph (1) and shall be liable on conviction to a fine not exceeding \$5,000; and
- (b) that corporation shall not cause or permit —
 - (i) if the corporation is one referred to in paragraph (1)(b)(i), its paid-up capital or shareholders' funds (if it is incorporated in Singapore), or its net head office funds (if it is a foreign company), to fall below \$500,000; or
 - (ii) if the corporation is one referred to in paragraph (1)(b)(ii), its paid-up capital or shareholders' funds (if it is incorporated in Singapore), or its net head office funds (if it is a foreign company), to fall below \$1 million;
- (c) regulation 4(2), (3) and (4) shall, with the necessary modifications, apply in relation to any failure to comply with sub-paragraph (b); and
- (d) the auditor's report required to be lodged by that corporation under section 107(1)(b) of the Act shall be in Form 20 of the Second Schedule to the FTR and shall contain the documents necessary for the due completion of that Form.

(3) Paragraphs (1) and (2) shall not apply to that corporation from a date which it has elected as one from which the new law is to apply before the expiry of the period referred to in paragraph (1) to the corporation, provided that —

- (a) the corporation gives notice in writing to the Authority of that date; and
- (b) the notice is given no later than 14 days after that date.

(4) This regulation shall apply even if that corporation is granted approval by the Authority to carry on any other regulated activity on or after 1st October 2002, subject to its compliance with such additional conditions or restrictions as the Authority may impose.

Holder of investment adviser's licence, futures pool operator's licence or futures trading adviser's licence

34.—(1) For the period of 6 months from 1st October 2002 —

- (a) Part II, Division 3 of Part III and Part VII (referred to in this regulation as the new law) shall not apply to a corporation which is the holder of a licence to carry on a relevant activity by virtue of regulation 3(1)(a)(v) of the Transitional Provisions Regulations; and regulations 3, 5 and 10 of the SIR shall, with the necessary modifications, apply to that corporation as they apply to an investment adviser;
- (b) the new law shall not apply to a corporation which is the holder of a licence to carry on a relevant activity by virtue of regulation 3(1)(a)(ii) of the Transitional Provisions Regulations; and regulations 4, 7 and 8 of the FTR shall, with the necessary modifications, apply to that corporation as they apply to a futures trading adviser; and
- (c) the new law shall not apply to a corporation which is the holder of a licence to carry on a relevant activity by virtue of regulation 3(1)(a)(iii) of the Transitional Provisions Regulations; and regulations 4, 7 and 8 of the FTR shall, with the necessary modifications, apply to that corporation as they apply to a futures pool operator.

(2) During the period referred to in paragraph (1) —

- (a) any of those corporations shall be guilty of an offence if it contravenes any provision of the SIR or FTR (as the case may be) as applied to it under paragraph (1) and shall be liable on conviction to a fine not exceeding \$5,000;
- (b) a corporation referred to in paragraph (1)(b) or (c) shall not cause or permit its paid-up capital or shareholders' funds to fall below \$3 million;
- (c) regulation 4(2), (3) and (4) shall, with the necessary modifications, apply in relation to any failure to comply with sub-paragraph (b); and

(d) the auditor's report required to be lodged by any of those corporations under section 107(1)(b) of the Act shall be in Form 19 of the Second Schedule to the SIR, or Form 21 or 22 of the Second Schedule to the FTR, whichever is applicable, and shall contain the documents necessary for the due completion of that Form.

(3) Paragraphs (1) and (2) shall not apply to any of those corporations from a date which it has elected as one from which the new law is to apply before the expiry of the period referred to in paragraph (1) to the corporation, provided that —

(a) the corporation gives notice in writing to the Authority of that date; and

(b) the notice is given no later than 14 days after that date.

(4) In this regulation, "relevant activity" means fund management, advising on corporate finance or providing custodial services for securities to which Division 3 of Part III applies.

Extension of time

35. The Authority may, upon good cause shown by a corporation referred to in regulation 30, 31, 32, 33 or 34 and subject to such conditions and restrictions as it may impose, extend the period referred to in regulation 30(1), 31(1), 32(1), 33(1) or 34(1) (as the case may be) for that person.

Election for application of new law by holder of licence shall be for all regulated activities

36. Any election made by a corporation under regulation 30(3), 31(3), 32(3), 33(3) or 34(3) shall be in respect of all of the regulated activities to which its licence relates.

FIRST SCHEDULE

Regulation 3

BASE CAPITAL REQUIREMENT FOR A CORPORATION TO BE GRANTED A CAPITAL MARKETS SERVICES LICENCE OR A HOLDER OF A CAPITAL MARKETS SERVICES LICENCE WHICH IS TO BE RENEWED

1. Subject to paragraph 2, the base capital requirement applicable to a corporation to be granted a capital markets services licence or a holder of a capital markets services licence which is to be renewed in respect of a regulated activity in the first column of the table below shall be that set out opposite thereto in the second column of the table.

2. Where more than one base capital requirement is applicable to the corporation or holder referred to in paragraph 1, the base capital requirement applicable to the corporation or holder (referred to in the table below as the applicant) shall be the higher or, as the case may be, highest of the applicable base capital requirements.

<i>First column</i>	<i>Second column</i>
<i>Regulated Activity</i>	<i>Base Capital Requirement Applicable</i>
(1) Dealing in securities and —	
(a) the applicant is a member of a clearing house authorised to operate a clearing facility for securities;	\$5 million
(b) the applicant (not being an applicant to which paragraph (d) or (e) applies) is a member of a securities exchange;	\$1 million
(c) the applicant (not being an applicant to which paragraph (d) or (e) applies) is not a member of a securities exchange;	\$1 million
(d) the applicant does not carry any customer's positions in securities, margins or accounts in its own books, and either —	\$500,000
(i) carries on the business only of soliciting or accepting orders for the purchase or sale of any securities from any customer (not being an applicant to which paragraph (e) applies); or	

<i>First column</i>	<i>Second column</i>
<i>Regulated Activity</i>	<i>Base Capital Requirement Applicable</i>
<p>(ii) accepts money or assets from any customer as settlement of, or a margin for, or to guarantee or secure, any contract for the purchase or sale of securities by that customer; or</p> <p>(e) the applicant —</p> <p>(i) does not carry any customer's positions in securities, margins or accounts in its own books;</p> <p>(ii) deals in securities only with accredited investors; and</p> <p>(iii) does not accept money or assets from any customer as settlement of, or a margin for, or to guarantee or secure, any contract for the purchase or sale of securities by that customer.</p> <p>(2) Trading in futures contracts and —</p> <p>(a) the applicant is a member of a clearing house authorised to operate a clearing facility for futures contracts;</p> <p>(b) the applicant (not being an applicant to which paragraph (d) or (e) applies) is a member of a futures exchange;</p> <p>(c) the applicant (not being an applicant to which paragraph (d) or (e) applies) is not a member of a futures exchange;</p> <p>(d) the applicant does not carry any customer's positions in futures contracts, margins or accounts in its own books, and either —</p> <p>(i) carries on the business only of soliciting or accepting orders for the purchase or sale of any futures contract from any customer (not being an applicant to which paragraph (e) applies); or</p>	<p>\$250,000</p> <p>\$5 million</p> <p>\$ 1 million</p> <p>\$1 million</p> <p>\$500,000</p>

<i>First column</i>	<i>Second column</i>
<i>Regulated Activity</i>	<i>Base Capital Requirement Applicable</i>
<ul style="list-style-type: none"> (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 contract by that customer; or 	
<ul style="list-style-type: none"> (e) the applicant — <ul style="list-style-type: none"> (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
(3) Carrying out leveraged foreign exchange trading.	\$1 million
(4) Advising on corporate finance.	\$250,000
(5) Carrying out fund management —	
<ul style="list-style-type: none"> (a) of any collective investment scheme offered to any investor other than an accredited investor; 	\$1 million
<ul style="list-style-type: none"> (b) on behalf of any customer other than an accredited investor, whether on a discretionary authority granted by the customer or otherwise; or 	\$500,000
<ul style="list-style-type: none"> (c) in any other case. 	\$250,000
(6) Carrying out securities financing.	\$1 million
(7) Providing custodial services for securities.	\$1 million.

SECOND SCHEDULE

Regulations 2, 18 and 24(6)

FINANCIAL RESOURCES, ADJUSTED NET HEAD OFFICE FUNDS, QUALIFYING LETTERS OF CREDIT AND QUALIFYING SUBORDINATED LOANS FOR HOLDER OF LICENCE REFERRED TO IN REGULATION 5

Financial resources

1.—(1) Subject to sub-paragraphs (2) and (3), “financial resources”, in relation to a holder of a licence, means the sum of the following items in the latest available accounts of the holder:

- (a) base capital;
- (b) irredeemable and cumulative preference share capital;
- (c) redeemable preference share capital;
- (d) qualifying subordinated loans;
- (e) revaluation reserves;
- (f) other reserves;
- (g) interim unappropriated profit; and
- (h) general provision;

less any illiquidity adjustment.

(2) For the purposes of sub-paragraph (1), the sum of the redeemable preference share capital and qualifying subordinated loans that a holder may include as its financial resources shall be not more than 200% of its base capital, or such higher percentage not greater than 300% of its base capital as a securities exchange, futures exchange, or clearing house of which the holder is a member may allow for any temporary period, subject to the total temporary periods not exceeding 30 days in a year.

(3) For the purposes of sub-paragraph (1), a holder may include its redeemable preference share capital in its financial resources if the redeemable preference share has a redemption period of not less than 2 years when the preference share is issued and paid up, subject to such conditions or restrictions as the Authority, or a securities exchange, futures exchange or clearing house of which the holder is a member, may impose.

(4) In this paragraph, unless the context otherwise requires —

“charged asset” means an asset which is subject to a charge under which a third party has a right of retention or sale of the asset upon default of the holder;

“counterparty risk requirement” means a counterparty risk requirement calculated in accordance with paragraph 3 of the Third Schedule;

“general provision”, in the case of a holder that is a member of the Singapore Exchange Securities Trading Limited, does not include any

provision for contingency in the accounts of the holder made in accordance with the business rules of that securities exchange;

“illiquidity adjustment” means the sum of the following in the latest available accounts of the holder:

- (a) asset which cannot be converted to cash within 30 days, except such asset as the Authority may specify in a guideline issued by the Authority;
- (b) non-current assets;
- (c) pre-paid expenses;
- (d) deposits other than qualifying deposits;
- (e) unsecured amounts due from directors of the holder and their connected persons that are included as current assets;
- (f) unsecured loans and advances made by the holder that are included as current assets;
- (g) any unsecured amount owed by a related corporation, other than an amount arising from any qualifying deposit or transaction in a regulated activity for which the holder has calculated a counterparty risk requirement;
- (h) intangible assets;
- (i) charged assets, except to the extent that —
 - (i) the holder has not drawn down on the credit facility if the charge is created to secure a credit facility;
 - (ii) a liability is incurred by the holder in respect of the charged asset for use in the holder’s conduct of regulated activities; or
 - (iii) the asset is provided as a collateral for a transaction for which the holder is required to calculate a counterparty risk requirement,
 as permitted by the Authority or the securities exchange, futures exchange or clearing house, as the case may be;
- (j) future income tax benefits included as current assets; and
- (k) an amount equal to 8% of the value of any contingent liability, which shall include any letter of credit or guarantee issued on behalf of the holder, except —
 - (i) where the contingent liability is created to secure a transaction or an asset for which the holder is required to calculate a counterparty risk requirement; or
 - (ii) where the contingent liability is excluded by a securities exchange, futures exchange or clearing house of which the holder is a member;

“qualifying deposit” means —

- (a) a current account balance, saving account deposit or fixed deposit, including accrued interest, with —
 - (i) a bank licensed under the Banking Act (Cap. 19);

- (ii) a merchant bank approved as a financial institution under the Monetary Authority of Singapore Act (Cap. 186);
 - (iii) a finance company licensed under the Finance Companies Act (Cap. 108); or
 - (iv) a bank outside Singapore which is subject to the supervision of a banking or financial services regulatory authority and that has a credit rating of investment grade; or
- (b) a deposit with any of the following:
- (i) a securities exchange;
 - (ii) a futures exchange;
 - (iii) a recognised group A exchange;
 - (iv) a clearing house;
 - (v) a clearing house designated by a recognised group A exchange; or
 - (vi) a corporation which is a member of any exchange or clearing house referred to in sub-paragraphs (i) to (v);

“qualifying subordinated loan” has the same meaning as in paragraph 4.

Adjusted net head office funds

2.—(1) “Adjusted net head office funds”, in relation to a holder of a licence, means the net head office funds of the holder less any illiquidity adjustment.

(2) In sub-paragraph (1), “illiquidity adjustment” has the same meaning as in paragraph 1(4).

Qualifying letters of credit

3.—(1) Subject to sub-paragraphs (2) and (3), and to such conditions or restrictions as the Authority, or the securities exchange, futures exchange or clearing house of which the holder of a licence is a member, may impose on the holder, “qualifying letter of credit” means any legally enforceable and irrevocable letter of credit that is —

- (a) made in favour of the securities exchange, futures exchange or clearing house, as the case may be; and
- (b) issued by a bank approved by, and in a form acceptable to, the securities exchange, futures exchange or clearing house, as the case may be.

(2) For the avoidance of doubt, “qualifying letter of credit” does not include any letters of credit provided by the holder to a securities exchange, futures exchange or clearing house to satisfy the business rules or other requirements of the securities exchange, futures exchange, or clearing house, as the case may be.

(3) Where the total amount payable under qualifying letters of credit exceeds 50% of the total risk requirement of the holder, the amount in excess shall not be taken into account for any purpose under these Regulations except for determining the aggregate resources of the holder under regulation 25.

(4) In sub-paragraph (3), “total risk requirement” has the same meaning as in the Third Schedule.

Qualifying subordinated loan

4.—(1) “Qualifying subordinated loan” means a subordinated loan of an amount specified under sub-paragraph (2) and made under a subordinated loan agreement to a holder of a licence by a lender (referred in this paragraph as the subordinated creditor) which complies with the following (in addition to any other condition or restriction that the Authority, or a securities exchange, futures exchange or clearing house of which the holder is a member, may impose):

- (a) the subordinated loan has not less than 2 years to maturity at the time the loan is first drawn down;
- (b) the subordinated loan agreement is in a form specified by a securities exchange, futures exchange or clearing house of which the holder is a member (if applicable), or in a form that includes the following:
 - (i) a term that the subordinated creditor shall not claim or receive from the holder, by set-off or in any other manner, any subordinated loan repayment until all senior debt has been paid or unless the holder has obtained the prior written approval of the Authority;
 - (ii) a term that claims of the subordinated creditor are fully subordinated to the claims of all unsubordinated creditors;
 - (iii) an option for the holder to defer interest payment on the subordinated loan;
 - (iv) a term that the subordinated loan shall automatically be converted into capital to provide a cushion for losses arising from bad or doubtful debts if an appropriate reconstruction of the capital of the holder which is acceptable to the Authority has not been undertaken;
 - (v) a term that, in the event of any payment or distribution of assets of the holder, whether in cash, in kind or in securities (referred to in this sub-paragraph as a distribution), upon any dissolution, winding-up, liquidation or reorganisation of the holder —
 - (A) the senior creditors shall first be entitled to receive payment in full of the senior debt before the subordinated creditor receives any payment in respect of the subordinated debt; and
 - (B) any distribution to which the subordinated creditor would be entitled but for the provisions of the subordinated loan agreement shall be paid or delivered by the liquidator, Official Assignee in bankruptcy or any other person making the distribution directly to the senior creditors rateably according to their senior debt until they have been paid in full (taking into account other distributions to the senior creditors); and
 - (vi) a term that if, notwithstanding sub-paragraphs (i) to (v), any distribution is received by the subordinated creditor in respect of the subordinated debt, the distribution shall be paid over to the senior creditors for application rateably according to their senior debt until they have been paid in full (taking into account other distributions to the senior creditors) and until such

payment in full, the distribution shall be held in trust for the senior creditors;

- (c) the subordinated loan agreement is in a form that does not contain any term which would enable the subordinated creditor to demand the early or accelerated repayment of the subordinated loan; and
- (d) the subordinated loan agreement is not subject to any cross-default or negative pledge.

(2) For the purposes of sub-paragraph (1), the amount of a qualifying subordinated loan is —

- (a) in a case of a subordinated loan which has a remaining maturity of more than 2 years, the principal of the subordinated loan; or
- (b) in a case of a subordinated loan which has a remaining maturity of 2 years or less, the principal of the loan reduced, at least on a monthly basis, on a straight line basis over 2 years.

(3) In sub-paragraph (1) —

“senior creditor” means the creditors who for the time being hold or are entitled to the senior debt;

“senior debt” means the unpaid claims of all the creditors for the time being of the holder howsoever incurred.

THIRD SCHEDULE

Regulation 2

TOTAL RISK REQUIREMENT FOR HOLDER OF LICENCE REFERRED TO IN REGULATION 5

Total risk requirement

1.—(1) “Total risk requirement” means the sum of the following:

- (a) operational risk requirement calculated in accordance with paragraph 2;
- (b) counterparty risk requirement calculated in accordance with paragraph 3;
- (c) position risk requirement calculated in accordance with paragraph 4;
- (d) large exposure requirement calculated in accordance with paragraph 5; and
- (e) underwriting requirement calculated in accordance with paragraph 6,

which shall be calculated for each business day no later than the end of the following business day.

(2) In this Schedule —

“acceptable collateral”, in relation to a holder, means any collateral that —

- (a) is liquid and readily convertible into cash;
- (b) is in the possession or control of the holder;
- (c) is subject to a collateral agreement between the counterparty and the holder which is evidenced in writing, legally binding on them, irrevocable and enforceable against the counterparty, and which provides the holder with an unconditional right to apply the collateral, or to sell the collateral or otherwise convert the collateral into cash;
- (d) is not a security issued by the counterparty that gives rise to the counterparty exposure or by a related corporation of that counterparty; and
- (e) is not a security that is prohibited from serving as collateral by a securities exchange, futures exchange or clearing house (as the case may be);

“holder” means the holder of a licence referred to in regulation 5;

“qualifying deposit” has the same meaning as in the Second Schedule.

Operational risk requirement

2.—(1) The holder shall calculate an operational risk requirement as the sum of —

- (a) the base requirement as specified in sub-paragraph (2);

- (b) the variable requirement calculated in accordance with sub-paragraph (3); and
 - (c) such secondary requirement as the Authority or the securities exchange, futures exchange or clearing house of which the holder is a member (if applicable) may impose on the holder.
- (2) The base requirement —
- (a) in the case of a holder which is a member of a clearing house, is \$1 million, whether or not the holder is also a member of a securities exchange or a futures exchange or both; and
 - (b) in any other case, is \$500,000.
- (3) The holder shall calculate a variable requirement as the product of —
- (a) 8%; and
 - (b) the sum of the following risk requirements:
 - (i) counterparty risk requirement calculated in accordance with paragraph 3;
 - (ii) position risk requirement calculated in accordance with paragraph 4; and
 - (iii) large exposure risk requirement calculated in accordance with paragraph 5.

Counterparty risk requirement

3.—(1) The holder shall calculate a counterparty risk requirement as the sum of individual counterparty risk requirements.

(2) Subject to sub-paragraphs (3) to (11), the holder shall calculate an individual counterparty risk requirement for each counterparty exposure in accordance with sub-paragraphs (12) to (58), or in such manner as the Authority may specify in a guideline issued by the Authority.

Assets included in illiquidity adjustment

(3) The holder is not required to calculate a counterparty exposure for any asset included as an illiquidity adjustment to the holder's financial resources in accordance with the Second Schedule.

Reduction in counterparty exposure

- (4) The holder may reduce any counterparty exposure —
- (a) by the amount of any specific provision that the holder has made in its accounts for that counterparty exposure;
 - (b) by netting the holder's claims on and liabilities to a counterparty in accordance with sub-paragraphs (5) to (7);
 - (c) by the amount of any acceptable collateral in accordance with sub-paragraph (8); or
 - (d) as otherwise permitted under sub-paragraph (21).

Netting

(5) Subject to sub-paragraph (6), the holder may reduce its counterparty exposure to a single counterparty by netting its claims on and liabilities to the counterparty, if and only if —

- (a) the netting is subject to a novation agreement or bilateral agreement with the counterparty that —
 - (i) is evidenced in writing;
 - (ii) is legally enforceable in all relevant jurisdictions;
 - (iii) creates a right for the holder to receive (or to pay) a single net sum in the event of default, bankruptcy, liquidation or similar circumstances affecting the counterparty or the holder; and
 - (iv) does not contain a provision that permits a non-defaulting counterparty to make limited payments or no payment to the defaulting holder; and
- (b) it does not involve the netting of on-balance sheet items against off-balance sheet items.

(6) For the purposes of sub-paragraphs (12) to (17), the holder shall not offset a positive counterparty exposure against any negative counterparty exposure, whether arising from an open contract or a contract that remains unsettled on or after the due date, to the same counterparty.

(7) In sub-paragraph (5), “single counterparty” means —

- (a) where the counterparty is a corporation, that corporation only; or
- (b) where the counterparty is an individual, that individual only.

Acceptable collateral

(8) The holder may reduce its counterparty exposure to a counterparty by the amount of any acceptable collateral held by the holder and valued in accordance with sub-paragraph (9).

(9) Except for sub-paragraphs (29), (30), (31) and (37), an acceptable collateral shall have a value equal to —

- (a) in the case of cash, 100% of face value;
- (b) in the case of eligible securities issued by a government or a public authority as a securities exchange, futures exchange or clearing house may approve, 95% of the current market value of the securities;
- (c) in the case of securities issued by a recognised multilateral agency, 90% of the current market value of the securities;
- (d) in the case of equities listed on a recognised group A exchange, 70% of the current market value of the equities; and
- (e) in any other case, nil value.

Counterparty exposure for which no counterparty risk requirement has been prescribed

(10) The holder shall immediately notify the Authority, and the securities exchange, futures exchange or clearing house of which the holder is a member (if applicable), if no method is prescribed for determining the counterparty

exposure or counterparty risk requirement on a counterparty exposure arising from a financial instrument.

Negative counterparty risk requirement

(11) The holder shall not include any individual counterparty risk requirement that is a negative amount in the calculation of its counterparty risk requirement.

Delivery-versus-payment transactions

(12) Subject to sub-paragraph (13), the holder shall calculate an individual counterparty risk requirement on counterparty exposure arising from a delivery-versus-payment transaction in accordance with sub-paragraphs (14) to (17).

(13) Where a contract that is settled on a delivery-versus-payment basis has been offset by a contra contract on or before the due date of settlement of the contract, or has been offset by a forced sale or buying-in transaction after the due date of the contract, the holder shall calculate a counterparty risk requirement in accordance with sub-paragraphs (18) to (22).

Contracts unsettled at end of or after due date

(14) The holder shall calculate a counterparty exposure on any purchase or sale contract transacted by a counterparty in the cash account in relation to any security, which is settled on a delivery-versus-payment basis and which remains unsettled at the end of or after the due date —

- (a) in the case of a purchase contract which remains fully or partially unpaid, as the excess of the amount owed by the counterparty over the current market value of the security purchased; or
- (b) in the case of a sale contract where the security is yet to be delivered by the counterparty to the holder, as the excess of the current market value of the security sold over the contract value of the sale contract.

(15) The holder shall calculate an individual counterparty risk requirement on any positive counterparty exposure calculated in accordance with sub-paragraph (14) as 100% of the counterparty exposure.

Open contracts in securities traded on exchange other than securities exchange or recognised group A exchange

(16) The holder shall calculate a counterparty exposure on any open purchase contract or open sale contract transacted by a counterparty in the cash account in relation to a security traded on an exchange other than a securities exchange or a recognised group A exchange, and which is settled on a delivery-versus-payment basis —

- (a) in the case of a purchase contract which is fully or partially unpaid, as the excess of the amount owed by the counterparty over the current market value of the security purchased; or
- (b) in the case of a sale contract where the security is yet to be delivered by the counterparty to the holder, as the excess of the current market value of the security sold over the contract value of the sale contract.

(17) The holder shall calculate an individual counterparty risk requirement on any positive counterparty exposure calculated in accordance with sub-paragraph (16) as 8% of the counterparty exposure.

Contract which is offset by contra contract or forced-sale or buying-in transaction

(18) Where a contract referred to in sub-paragraph (14) or (16) has been offset by a contra transaction on or before the due date of the contract, or has been offset by a forced-sale or buying-in transaction after the due date of the contract, the holder shall calculate a counterparty risk requirement in accordance with sub-paragraphs (19) to (22).

(19) Subject to sub-paragraph (21), the holder shall calculate a counterparty exposure to a counterparty from the day the contra transaction takes effect and as the full amount of contra loss incurred by the counterparty arising from the contra transaction.

(20) Subject to sub-paragraph (21), the holder shall calculate a counterparty exposure to a counterparty whose purchase or sale contract remains unsettled after the due date, from the day that a forced sale or buying-in transaction, respectively, is effected against the contract and as the full amount of loss incurred by the counterparty arising from the forced sale or buying-in transaction.

(21) The holder may reduce any counterparty exposure calculated in accordance with sub-paragraph (19) or (20) by the amount of moneys of the representative of the counterparty which is retained by the holder specifically for the purpose of securing contra losses or losses arising from forced sale or buying-in transactions of clients of the representative, provided the holder has a contractual agreement with the representative which is evidenced in writing, is legally binding on the parties, is irrevocable and is enforceable against the representative, and which provides the holder with an unconditional right to effect such an offset.

(22) The holder shall calculate an individual counterparty risk requirement on any positive counterparty exposure calculated in accordance with sub-paragraph (19) or (20) as 100% of the counterparty exposure.

Free deliveries

(23) The holder shall calculate a counterparty exposure to a counterparty from the date it makes a free delivery, except where the free delivery is made to a clearing house, —

- (a) as the full contract value of the securities or physical commodities, where the holder has sold the securities or physical commodities to the counterparty under a sale contract and the delivery has been made under the contract but the holder has not received payment for the securities or physical commodities sold; or
- (b) as the current market value of the securities or physical commodities, where the holder has purchased the securities or physical commodities from the counterparty under a purchase contract and has made payment to the counterparty under the contract but has not received the securities or physical commodities.

(24) The holder shall calculate an individual counterparty risk requirement on a counterparty exposure calculated in accordance with sub-paragraph (23) as 100% of the counterparty exposure.

Securities financing

(25) The holder shall calculate a counterparty exposure to a counterparty to whom it has extended securities financing —

- (a) where the equity in the counterparty's margin account is less than 130% but greater than 110% of the debit balance in the counterparty's margin account, as 100% of the amount that would restore the equity in the counterparty's margin account to 130% of the debit balance in the counterparty's margin account on a liquidation method; and
- (b) where the equity in the counterparty's margin account is 110% or less than 110% of the debit balance in the counterparty's margin account, as the sum of the following:
 - (i) 200% of the amount that would restore the equity in the counterparty's margin account to 110% of the debit balance in the counterparty's margin account on a liquidation method; and
 - (ii) 100% of the amount that would restore the equity in the counterparty's margin account to 130% of the debit balance in the counterparty's margin account on a liquidation method.

(26) The holder shall calculate a counterparty exposure under sub-paragraph (25) from the day an event described under sub-paragraph (25)(a) or (b) occurs.

(27) In this paragraph —

- (a) “debit balance”, “equity” and “marginable securities” have the same meanings as in regulation 24; and
- (b) “liquidation method” means the method that determines the amount of the securities in the margin account, valued at current market value, which if liquidated would bring the equity-to-debit balance in the counterparty's margin account to a specified percentage.

(28) The holder shall calculate an individual counterparty risk requirement on a counterparty exposure calculated in accordance with sub-paragraph (25) as 100% of the counterparty exposure.

Repurchase, reverse repurchase, or securities borrowing and lending agreements and similar agreements

(29) Subject to sub-paragraph (30), the holder shall calculate a counterparty exposure from trade date —

- (a) in the case of a repurchase or securities lending agreement or similar agreement with any counterparty other than a clearing house, as the excess of the current market value of the securities sold or lent over 100% of the current market value of acceptable collateral received under the agreement, if this excess is a positive amount; or
- (b) in the case of a reverse purchase or securities borrowing agreement or similar agreement with any counterparty other than a clearing house, as the excess of amount paid or 100% of the current market value of acceptable collateral given over the current market value of the securities bought or borrowed under the agreement, if this excess is a positive amount,

and for the purposes of this sub-paragraph, the current market value of acceptable collateral and securities includes accrued interest.

(30) Where the holder has entered into more than one repurchase, reverse repurchase, or securities borrowing or lending agreement and similar agreement with the same counterparty, and these agreements are subject to a netting agreement that satisfies the conditions specified in sub-paragraph (5), the holder may calculate an individual counterparty exposure arising from these agreements on a portfolio basis, as the excess of —

- (a) the aggregate current market value of all securities sold or lent and acceptable collateral given; minus
- (b) the aggregate current market value of all securities bought or borrowed and acceptable collateral received,

if the excess is a positive amount.

(31) The holder shall calculate an individual counterparty risk requirement on any counterparty exposure calculated in accordance with sub-paragraph (29) or (30) —

- (a) in the case of any repurchase, reverse repurchase, or securities borrowing and lending agreement or similar agreement that is due to be completed within 30 days and where the counterparty exposure is not greater than 10% of the current market value of acceptable collateral given or received, as 8% of the counterparty exposure; or
- (b) in the case of any other repurchase, reverse repurchase, or securities borrowing and lending agreement or similar agreement, including any repurchase, reverse repurchase, or securities borrowing and lending agreement or similar agreement that is not closed out after the due day, or which does not have a completion date, or which has a rollover option that if exercised would extend the completion period to greater than 30 days, as 100% of the counterparty exposure.

Transactions in exchange-traded marginable products and leveraged foreign exchange

(32) In the case where the holder enters into, either on behalf of or with a counterparty —

- (a) any derivatives contract that is traded on a futures exchange, or an overseas futures exchange and which is subject to margining requirements; or
- (b) any leveraged foreign exchange transaction,

the holder shall calculate a counterparty exposure to the counterparty in accordance with sub-paragraphs (33) to (35).

(33) Subject to sub-paragraph (35), where a counterparty's account —

- (a) does not have an outstanding margin call; or
- (b) has either —
 - (i) a margin call outstanding not more than 3 business days from the day the margin call is made, if the margin call is to be satisfied by remittance denominated in Japanese Yen; or
 - (ii) a margin call outstanding not more than 2 business days from the day the margin call is made, if the margin call is to be satisfied by remittance denominated in currencies other than Japanese Yen,

the holder shall calculate a counterparty exposure to the counterparty as 3% of the maintenance margins in respect of open contracts in the counterparty's account.

(34) Subject to sub-paragraph (35), where a counterparty's account —

- (a) has a margin call outstanding at the end of or after 3 business days from the day the margin call is made, where the margin call is to be satisfied by remittance denominated in Japanese Yen; or
- (b) has a margin call outstanding at the end of or after 2 business days from the day the margin call is made, where the margin call is to be satisfied by remittance denominated in a currency other than Japanese Yen,

the holder shall calculate a counterparty exposure to the counterparty as the sum of —

- (i) 6% of the maintenance margins in respect of open futures contracts in the counterparty's account; and
- (ii) 100% of the margin deficiency in the counterparty's account.

(35) In the case where a counterparty's account that has a margin call outstanding has a negative equity, the holder shall, in addition to sub-paragraph (34) or (35), calculate a counterparty exposure to the counterparty from the day the negative equity occurs, as 100% of the amount of negative equity.

(36) The holder shall calculate an individual counterparty risk requirement as 100% of the counterparty exposures calculated in accordance with sub-paragraphs (33), (34) and (35).

(37) In this paragraph, the values attributable to the assets deposited by a counterparty to satisfy maintenance margin requirements of a futures exchange, a clearing house, an overseas futures exchange, or a clearing house designated by an overseas futures exchange shall be determined in accordance with the relevant business rules of that futures exchange, clearing house, overseas futures exchange or clearing house designated by an overseas futures exchange (as the case may be).

(38) In this paragraph, —

“equity” means the ledger balance of the counterparty's account, including adjustments to the account arising from unrealised gains or losses on open contracts, and margins deposited by the counterparty;

“maintenance margin” means the amount of maintenance margin prescribed by the futures exchange, clearing house, overseas futures exchange, or clearing house designated by an overseas futures exchange; and

“margin deficiency”, in relation to a counterparty's account subject to a margin call, means the amount required to bring the ledger balance of the counterparty's account, which shall be zero in the case of a counterparty's account with a negative equity, to meet the relevant maintenance margin requirements for open futures contracts or leveraged foreign exchange transactions in the counterparty's account;

“negative equity”, in relation to a counterparty's account subject to a margin call, means the amount required to restore the ledger balance of the counterparty's account to zero, but does not include the amount required to meet the relevant maintenance margin requirements for open

futures contracts or leveraged foreign exchange transactions in the counterparty's account.

Over-the-counter derivatives transactions: option sold to or purchased on behalf of counterparty

(39) When the holder sells or writes an option to a counterparty or buys an option on behalf of a counterparty and the counterparty has not paid the option premium on the due date of payment of the premium, the holder shall calculate a counterparty exposure from the due date of payment as 100% of the amount of unpaid premium.

(40) The holder shall calculate an individual counterparty risk requirement as 100% of the counterparty exposure calculated in accordance with sub-paragraph (39).

Any other over-the-counter derivatives contracts

(41) The holder shall calculate a counterparty exposure from the trade date for any other over-the-counter derivatives contract or derivatives contract traded on an exchange which is dependent on the issuer for performance of the contract, but does not include a leveraged foreign exchange transaction, as 100% of the credit equivalent amount of the contract.

(42) In sub-paragraph (41) —

“credit equivalent amount” of a contract means —

- (a) in the case of an over-the counter foreign exchange contract with an original maturity of 14 days or less, zero; or
- (b) in any other case —
 - (i) if the replacement cost of the contract is positive, the sum of the replacement cost of the contract and the potential credit exposure of the contract; or
 - (ii) if the replacement cost of the contract is negative, the potential credit exposure;

“replacement cost of the contract” means the current market value of the contract;

“potential credit exposure” means the product of —

- (a) the nominal or notional principal underlying the contract; and
- (b) the relevant credit exposure factor as prescribed in Table 2 of the Fourth Schedule.

(43) The holder shall calculate an individual risk requirement on the counterparty exposure calculated in accordance with sub-paragraph (40) as the product of 8% of the counterparty exposure and counterparty risk weight.

(44) The holder shall calculate a counterparty exposure to a counterparty where a counterparty has not paid, whether in full or partially, an amount due to the holder on the closing out, or as periodic settlement, or in final settlement, of an over-the-counter derivatives contract, from the date the amount is due and as 100% of the unpaid amount due from the counterparty.

(45) The holder shall calculate an individual counterparty risk requirement on the counterparty exposure calculated in accordance sub-paragraph (44) as 100% of the counterparty exposure.

Qualifying deposit with bank or deposit-taking institution

(46) The holder shall calculate a counterparty exposure to a bank or deposit-taking institution with which the holder has a qualifying deposit which the holder cannot unconditionally withdraw within 30 days from the date of computation of the total risk requirement, as 100% of the qualifying deposit.

(47) The holder shall calculate an individual counterparty risk requirement on the counterparty exposure calculated in accordance with sub-paragraph (46) as the product of 8% of the counterparty exposure and the counterparty risk weight.

(48) The counterparty exposure calculated in accordance with sub-paragraph (46) shall be an excluded exposure for purposes of calculation of the large exposure requirement in accordance with paragraph 5.

Other qualifying deposits

(49) The holder shall not be required to calculate a counterparty exposure for any qualifying deposit provided by the holder to —

- (a) a securities exchange;
- (b) a futures exchange;
- (c) a recognised group A exchange;
- (d) a clearing house;
- (e) a clearing house designated by a recognised group A exchange; or
- (f) a corporation which is a member of any person mentioned in sub-paragraphs (a) to (e),

to meet margin requirements prescribed by any person referred to in sub-paragraphs (a) to (f) to secure or guarantee obligations of the holder in relation to its dealing in securities or trading in futures contracts.

(50) The holder shall calculate a counterparty exposure from the day the holder provides any qualifying deposit to any person referred to in sub-paragraph (49)(a) to (f) in excess of the margin requirements prescribed by that person to secure or guarantee obligations of the holder in relation to its dealing in securities or trading in futures contracts.

(51) The holder shall calculate an individual counterparty risk requirement on the counterparty exposure calculated in accordance with sub-paragraph (50) as the product of 8% of the counterparty exposure and counterparty risk weight.

Interest charged on amounts owed by counterparty

(52) The holder shall calculate a counterparty exposure for interest charged on an amount owed by a counterparty, to the extent that such interest is brought into the accounts of the holder as income, as 100% of the interest amount.

(53) The holder shall calculate an individual counterparty risk requirement for the counterparty exposure calculated in accordance with sub-paragraph (52) —

- (a) in the case where the interest is outstanding for 14 days or less from the date it is accrued in the accounts of the holder, as 8% of the counterparty exposure; or
- (b) in the case where the interest is outstanding for more than 14 days from the date it is accrued in the accounts of the holder, as 100% of the counterparty exposure.

Amount owed by counterparty in relation to subscription to securities

(54) The holder which has obtained a commitment from a counterparty to sub-underwrite, to accept placement of or subscribe to securities shall, on the day after the date of placement, close of applications to subscribe for those securities, or announcement of allotment of those securities, whichever is the latest and (as the case may be) calculate a counterparty exposure to that counterparty, as 100% of the excess of any amount that remains unpaid by the counterparty over the current market value of the securities.

(55) The holder shall calculate an individual counterparty risk requirement on the counterparty exposure calculated in accordance with sub-paragraph (54) as 100% of the counterparty exposure.

Any other amount owed by counterparty

(56) The holder shall calculate a counterparty exposure from the trade date in relation to any amount owed by a counterparty, except to the extent the amount is —

- (a) permitted to be excluded from the calculation of any counterparty exposure;
- (b) included in the calculation of any counterparty exposure in the preceding sub-paragraphs; or
- (c) excluded from the holder's financial resources,

as 100% of the amount owed by the counterparty.

(57) For the purposes of sub-paragraph (56), the holder may exclude any amount deducted under sub-paragraphs (a) to (f) of the definition of "total exposure of the holder to a counterparty" in paragraph 5(4).

(58) The holder shall calculate an individual risk requirement on the counterparty exposure calculated in accordance with sub-paragraph (56) as the product of 8% of the counterparty exposure and the counterparty risk weight.

Position risk requirement

4.—(1) The holder shall calculate a position risk requirement for any position in a securities, futures contract, forward contract, physical commodity, derivative on a physical commodity or foreign exchange contract that the holder holds as a principal, except that where the holder holds such a position as a result of a net underwriting commitment, the holder shall calculate an underwriting risk requirement for that position in accordance with paragraph 6.

(2) Subject to sub-paragraphs (3) to (10), the holder shall calculate its position risk requirement —

- (a) in accordance with sub-paragraphs (10) to (85);
- (b) where the holder has prior written approval from the Authority, in accordance with a risk measurement model and subject to such conditions and restrictions as the Authority may impose; or
- (c) in such other manner as the Authority may specify in a guideline issued by the Authority.

(3) The holder shall calculate a position risk requirement as the sum of the following:

- (a) equity position risk requirement;

- (b) equity derivative position risk requirement;
- (c) debt position risk requirement;
- (d) debt derivative position risk requirement;
- (e) commodity position risk requirement;
- (f) commodity derivative position risk requirement; and
- (g) foreign exchange risk requirement.

(4) The holder shall calculate the position risk requirement in sub-paragraph (3) based on the country or territory where the instrument is listed or where the issuer is incorporated (as the case may be) and shall include any depository receipt on a share in the country or territory where the underlying share is listed.

Valuation

(5) For the purposes of this paragraph, the holder shall value, on a daily basis, any position at the current market value of the position.

(6) The holder shall value a notional position in a share as the current market value of the share, except in the case of a notional position derived from a warrant or a convertible security, in which event the holder shall value the notional position as —

- (a) the sum of the current market value of the underlying share and an amount equal to any loss on conversion; or
- (b) the current market value of the underlying share less an amount equal to any profit on conversion, subject to a minimum value of zero.

Position risk requirement for non-standard instruments

(7) Where the holder acquires or holds a position as a principal in any securities, futures contract, forward contract, physical commodity, derivative on a physical commodity, foreign exchange contract or any other financial instrument for which no method for computation of a position risk requirement has been prescribed in this paragraph, the holder shall —

- (a) immediately consult the Authority and the securities exchange, futures exchange or clearing house of which the holder is a member (if applicable); and
- (b) until otherwise directed by the Authority or the securities exchange, futures exchange or clearing house (as the case may be), calculate an appropriate position risk requirement for the position, which shall be either —
 - (i) 100% of the current market value of the position; or
 - (ii) a percentage of the current market value of the non-standard instrument or a method of computation as the Authority or the securities exchange, futures exchange, or clearing house (as the case may be) may allow.

Swap positions

(8) The holder shall deem a position in a swap as 2 notional positions —

- (a) where the holder receives (or pays) a principal amount based on the change in value of any share, debt security or interest rate, as a notional long (or short) position in a forward or an option on the

share, debt security or zero-coupon government debt security, whichever is the more appropriate; and

- (b) as a notional short (or long) position in a zero-coupon government debt security,

and shall include these positions in the calculation of the appropriate position risk requirement.

Netting

(9) For the purpose of determining its position in any equity security, debt security, equity derivative, debt derivative, physical commodity, or commodity derivative, the holder may net a long position against a short position in the same instrument to derive its net position, before the calculation of any equity position risk requirement, subject to the following:

- (a) where the holder includes a warrant, convertible security, or equity derivative on a share in the calculation of its equity position risk requirement, the holder shall derive the equity equivalent position of the position in the warrant, convertible security or equity derivative before the calculation of its net position in the share;
- (b) for the purpose of determining its net position in a debt security, the holder may net —
 - (i) a long position and a short position in the same debt security;
 - (ii) a long position in one tranche of a debt security against a short position in a different tranche of the same debt security, provided the tranches rank equally in all rights and are fungible for settlement purposes; or
 - (iii) a notional long position against a notional short position in a government debt security, provided —
 - (A) the notional long position and notional short position are denominated in the same currency;
 - (B) the difference in the interest rates underlying the notional long and short position is not more than 15 basis points; and
 - (C) the interest rate fixing dates of the notional long position and notional short position are the same, if the maturity of the government debt security is 30 days or less, or the interest rate fixing dates are within 7 days of each other, if the maturity of the government debt security is greater than 30 days; and
- (c) the holder may net any long and short position held as an arbitrage, subject to such conditions or restrictions as a securities exchange, futures exchange or clearing house (as the case may be) may impose.

Equity position risk requirement

(10) The holder shall include in the calculation of its equity position risk requirement in accordance with sub-paragraphs (11) to (23) for any position it holds as a principal in the following equity instruments:

- (a) an equity share, except a share hedging an option, to the extent to which the nominal amount of the share is matched by the nominal

amount of the share underlying the option, which the holder is to include in the calculation of the equity derivative position risk requirement of the holder;

- (b) a depository receipt; and
- (c) a warrant or a convertible security, if —
 - (i) less than 30 days remain to the first date on which conversion may take place; and
 - (ii) the warrant or convertible security is trading at a premium of less than 10%.

(11) For the purposes of sub-paragraph (10), “premium” means the excess of the current market value of the convertible over the current market value of the underlying share, expressed as a percentage of the current market value of the underlying share.

(12) Where a warrant or convertible security is not a warrant or convertible security that meets the conditions in sub-paragraph (10)(c), the holder may include any position in such a warrant or convertible security in the calculation of the equity position risk requirement of the holder, provided the warrant or convertible security is in the money by at least the appropriate standard method position risk factor.

Equity derivatives

(13) The holder may include in the calculation of the equity position risk requirement of the holder any position it holds as a principal in the following equity derivatives:

- (a) a futures or forward contract on a share, basket of shares or share index;
- (b) an option on a share, basket of shares or share index if the option is in the money by at least the appropriate standard method position risk factor;
- (c) a synthetic long or short position in a share, basket of shares or share index; and
- (d) such other equity derivatives as a securities exchange, futures exchange or clearing house may specify from time to time.

(14) For the purpose of including a position in a depository receipt, a warrant, a convertible security or an equity derivative in the calculation of the equity position risk requirement of the holder, the holder shall derive the equity equivalent position of the depository receipt, warrant, convertible security or equity derivative so included.

(15) In sub-paragraph (14), “equity equivalent position” —

- (a) in relation to a depository receipt, a warrant, a convertible security, futures on a single stock, or a forward on a single stock, means a notional position in the underlying share;
- (b) in relation to a future or a forward on a single country basket of shares or share index, means notional positions in the constituent shares of the basket of shares or share index;
- (c) in relation to a purchased call option or a written put option, means a long position in the underlying share; or

- (d) in relation to a purchased put option or a written call option, means a short position in the underlying share.

Methods to calculate equity position risk requirement

(16) The holder may use one or both of the following 2 methods to calculate the equity position risk requirement of the holder:

- (a) equity standard method; and
 (b) equity building block method.

(17) The equity position risk requirement of the holder shall be the sum of equity position risk requirements calculated using the 2 methods referred to in sub-paragraph (16).

(18) The holder may apply the building block approach to equity net positions in a country portfolio provided —

- (a) there are at least 5 long or 5 short equity net positions, each of which is a constituent share of —
- (i) the Straits Time Index;
 - (ii) the MSCI Singapore Index; or
 - (iii) an index of a recognised group A exchange; and
- (b) each individual equity net position is not more than 20% of the gross value of the country portfolio.

Equity standard method

(19) The holder applying the equity standard method to calculate its equity position risk requirement shall carry out the following steps:—

- (a) determine the net position in each share in each country or territory, by allocating each gross position to an appropriate country or territory and netting positions in the share;
- (b) calculate an equity position risk requirement for each net position in a share, as the product of the absolute value of the current market value of the share and the appropriate standard method equity position risk factor;
- (c) calculate the equity position risk requirement for each country or territory as the aggregate of the equity position risk requirements for all net positions in shares allocated to that country or territory calculated in accordance with sub-paragraph (b); and
- (d) calculate the equity position risk requirement of the holder as the aggregate of the equity position risk requirements for all countries and territories calculated in accordance with sub-paragraph (c).

Equity building block method

(20) The holder applying the equity building block method to calculate its equity position risk requirement shall carry out the following steps:

- (a) calculate the equity position risk requirement for each country or territory as the sum of —
- (i) the equity specific risk requirement for that country or territory calculated in accordance with sub-paragraph (21) and (22); and

- (ii) the equity general risk requirement for that country or territory calculated in accordance with sub-paragraph (23); and
- (b) calculate the equity position risk requirement as the aggregate of equity position risk requirements for all countries and territories.

Equity specific risk requirement

(21) To calculate the equity specific risk requirement for a country or territory, the holder shall —

- (a) allocate each gross position in a share to an appropriate country or territory in accordance with sub-paragraph (4);
- (b) net positions in a share for each share allocated to that country or territory;
- (c) for each net position in a share allocated to that country or territory, calculate the product of the —
 - (i) absolute value of the current market value of the net position; and
 - (ii) appropriate equity specific position risk factor; and
- (d) calculate the equity specific risk requirement of that country or territory as the sum of the product calculated in sub-paragraph (c) for all net positions in shares allocated to that country or territory.

(22) For the purposes of sub-paragraph (21), the holder may apply an equity specific position risk factor of 2 percent to a net position in a share if, and only if —

- (a) the share is a constituent stock of the Straits Time Index, MSCI Singapore Index, or an index of a recognised group A exchange;
- (b) each net position in a share allocated to the country or territory is less than 10% of the aggregate of the absolute current market values of all net positions in shares allocated to that country or territory; and
- (c) the aggregate of current market values of net positions in shares allocated to the country or territory which are each less than 10% but not less than 5% of the aggregate of the absolute current market value of all net positions in shares allocated to that country or territory, is less than 50% of the aggregate of the absolute current market value of all net positions in shares allocated to that country or territory.

Equity general risk requirement

(23) To calculate the equity general risk requirement for a country or territory, the holder shall —

- (a) allocate each gross position in a share to an appropriate country or territory;
- (b) net positions in all shares allocated to that country or territory, including net positions in different shares; and
- (c) calculate the equity general risk requirement for that country or territory as the product of the —

- (i) absolute value of the current market value of the net long or short position calculated in accordance with sub-paragraph (b); and
- (ii) appropriate equity general position risk factor.

Equity derivative position risk requirement

(24) The holder shall calculate an equity derivative position risk requirement in accordance with sub-paragraphs (25) to (37) for any position in an equity derivative, except to the extent that the holder is required or permitted under this paragraph to elect and has elected to calculate an equity position risk requirement for the equity derivative.

(25) The holder may use one or more of the following methods, as applicable, to calculate the equity derivative position risk requirement of the holder:

- (a) equity hedging method;
- (b) equity margin method; and
- (c) equity basic method.

(26) The equity derivative position risk requirement of the holder shall be the sum of the equity derivative position risk requirements calculated using the 3 methods referred to in sub-paragraph (25).

Equity hedging method

(27) The holder may use the equity hedging method, as prescribed under Table 15 of the Fourth Schedule, to calculate an equity derivative position risk requirement in relation to a position in a share hedging a position in an option on that share, to the extent the position in the share matches the notional position of the share underlying the option.

Equity margin method

(28) The holder may use the equity margin method to calculate an equity derivative position risk requirement for a position in an equity derivative traded on any securities exchange, futures exchange, overseas securities exchange or overseas futures exchange and that is subject to a positive margin requirement prescribed by the securities exchange, futures exchange, clearing house, overseas securities exchange, clearing house designated by the overseas exchange, overseas futures exchange, or clearing house designated by the overseas futures exchange.

(29) The holder applying the equity margin method shall calculate the equity derivative position risk requirement —

- (a) in the case of an equity derivative traded on a securities exchange, futures exchange, or a recognised group A exchange, as 2 times the margin prescribed by the securities exchange, futures exchange, clearing house, recognised group A exchange, or a clearing house designated by the recognised group A exchange; and
- (b) in the case of an equity derivative traded on any other exchange, as 3 times the margin prescribed by the exchange or a clearing house designated by the exchange.

(30) In sub-paragraph (29), “margin” means net margin in a case where margin requirements for equity derivative positions of the holder is calculated on a net basis.

Equity basic method

(31) The holder may use the equity basic method to calculate an equity derivative position risk requirement for a position in a warrant, futures contract, forward contract, purchased option or written option in relation to an equity security.

(32) Subject to sub-paragraphs (33) and (34), the holder applying the equity basic method shall calculate the equity derivative position risk requirement as the product of—

- (a) the absolute value of the current market value of the equity equivalent position; and
- (b) the appropriate equity standard method position risk factor.

(33) In the case of a warrant or option, the holder shall restrict the equity derivative position risk requirement calculated in sub-paragraph (32) to the current market value of the warrant or option, respectively.

(34) The holder shall adjust the equity derivative position risk requirement for a written option calculated in sub-paragraph (32) by deducting an amount equal to—

- (a) any positive excess of the exercise value over the current market value of the underlying share, in the case of a call option; or
- (b) any positive excess of the current market value of the underlying share over the exercise value, in the case of a put option,

restricted to an adjusted equity derivative position risk requirement of no less than zero.

Interest rate add-on for equity derivatives

(35) The holder shall calculate a position risk requirement to cover the interest rate risk in a position in an equity derivative, by applying one of the following 2 approaches to a notional position in a debt security derived in accordance with sub-paragraph (36):

- (a) calculate an interest rate position risk requirement using the interest rate add-on basic method, and include this as the equity derivative position risk requirement of the holder; or
- (b) include the notional position in the calculation of the debt position risk requirement of the holder.

(36) For each position in an equity derivative, the holder shall derive a notional position in a zero-coupon government debt security in the currency concerned, which—

- (a) shall have a maturity equal to the period up to the expiry of the equity derivative contract;
- (b) shall be of a value equal to the current market value of the underlying equity; and
- (c) shall be either—
 - (i) a long position, in a case where the underlying equity position is a short position; or
 - (ii) a short position, in a case where the underlying equity position is a long position.

Interest rate add-on basic method

(37) The holder shall calculate an interest rate position risk requirement for each notional position as the product of —

- (a) the absolute value of notional government debt security; and
- (b) the appropriate standard method debt position risk factor under Table 8 of the Fourth Schedule.

Debt position risk requirement

(38) The holder shall calculate a debt position risk requirement in accordance with sub-paragraphs (39) to (53) for any position it holds as a principal in the following debt instruments:

- (a) a debt security, except a debt position hedging an option to the extent that the nominal amount of the debt position is matched by the nominal amount of the debt security underlying the option, which the holder shall include in the calculation of the debt derivative position risk requirement of the holder;
- (b) a non-convertible preference share; and
- (c) such security as the Authority may specify in a guideline issued by the Authority, or as a securities exchange, futures exchange or clearing house may specify from time to time.

Currency

(39) For the purposes of sub-paragraph (38), the holder shall allocate each debt position to an appropriate currency portfolio, and calculate the debt position risk requirement on a currency portfolio by currency portfolio basis.

Maturity

(40) Unless otherwise stated, for the purposes of this Schedule, “maturity”, in relation to a debt security, means either —

- (a) the period remaining till the maturity of the security; or
- (b) in the case of a debt security with a floating rate coupon, the period remaining till the determination of the next coupon.

Convertible security

(41) For the purposes of sub-paragraph (38), the holder may include a convertible security other than a convertible security that meets the conditions in sub-paragraph (10)(c) in the calculation of its debt position risk requirement.

Debt derivatives

(42) For the purposes of sub-paragraph (38), the holder may include in the calculation of the debt position risk requirement of the holder any position it holds as a principal in the following equity derivatives:

- (a) a futures or forward contract on a debt security;
- (b) a futures contract on an interest rate or a forward rate agreement;
- (c) an option on a debt security or an interest rate, provided the option is in the money by at least the appropriate standard method position risk factor for the underlying debt security;

- (d) an option on a futures or forward contract on a debt security or an interest rate, provided the option is in the money by at least the appropriate standard method position risk factor for the underlying debt position;
- (e) an option on a swap, provided the option is in the money by at least the appropriate standard method position risk factor for the underlying debt position; and
- (f) a warrant on a debt security, provided the warrant is in the money by at least the standard method position risk factor for the underlying security.

(43) For the purpose of including a position in a debt derivative in the calculation of the debt position risk requirement of the holder, the holder shall derive the debt equivalent position of the debt derivative so included.

(44) In sub-paragraph (43), “debt equivalent position” —

- (a) in relation to a long (or short) futures or forward contract on a debt security, means a notional long (or short) position in the underlying debt security and a notional short (or long) position in a zero-coupon government debt security with a maturity equal to the time to expiry of the futures or forward contract;
- (b) in relation to a futures contract on an interest rate or a forward rate agreement, means —
 - (i) a notional short position in a zero-coupon government debt security with a maturity equal to the sum of the period to expiry of the futures contract or the settlement date of the forward rate agreement and the maturity of the borrowing period, and a notional long position in a zero-coupon government debt security with a maturity equal to the period to expiry of the futures contract or the settlement date of the forward rate agreement, where the holder sells a futures contract on an interest rate or buys a forward rate agreement; and
 - (ii) a notional short position in a zero-coupon government debt security with a maturity equal to the period to expiry of the futures contract or the settlement date of the forward rate agreement, and a notional long position in a zero-coupon government debt security with a maturity equal to the sum of the period to expiry of the futures contract or the settlement date of the forward rate agreement and the maturity of the deposit period, where the holder buys a futures contract on an interest rate or sells a forward rate agreement;
- (c) in relation to a purchased call option or written put option on a debt security, means a notional long position in the underlying debt security;
- (d) in relation to a purchased put or written call option on a debt security, means a notional short position in the underlying debt security;
- (e) in relation to an option on an interest rate, means a notional position in a zero-coupon government security —
 - (i) which is a long position, in the case of a purchased call option or a written put option, or a short position, in the case of a purchased put option or written call option;

- (ii) of a value equal to the nominal value of the option; and
 - (iii) which has a maturity equal to the sum of the period until the expiry of the option and the period for which the interest rate is fixed;
- (f) in relation to an option on a futures or forward contract on a debt security, means a notional position in the underlying futures or forward contract; and
- (g) in relation to an option on a futures contract on an interest rate or a forward rate agreement, means a notional position in the underlying futures contract or forward rate agreement.

Methods to calculate debt position risk requirement

(45) The holder may use one or both of the following methods to calculate the debt position risk requirement of the holder:

- (a) debt standard method;
- (b) debt building block method.

(46) The debt position risk requirement of the holder shall be the sum of the debt position risk requirements calculated using the 2 methods referred to in sub-paragraph (45).

Debt standard method

(47) The holder applying the debt standard method shall calculate its debt position risk requirement by carrying out the following steps:

- (a) allocate each gross position to an appropriate currency portfolio, in accordance with sub-paragraph (39) and determine its net position in each debt security;
- (b) calculate a debt position risk requirement for each net position, as the product of the absolute value of the current market value of the debt security and the appropriate standard method debt position risk factor;
- (c) calculate the debt position risk requirement for each currency portfolio, as the aggregate of the debt position risk requirements for all net positions in debt securities in the currency portfolio; and
- (d) calculate the debt position risk requirement of the holder, as the aggregate of the debt position risk requirements calculated in accordance with sub-paragraph (c) for all currency portfolios.

Debt building block method

(48) The holder applying the debt building block method shall calculate its debt position risk requirement by carrying out the following steps:

- (a) calculate the debt position risk requirement for each currency portfolio, as the sum of the debt specific risk requirement calculated in accordance with sub-paragraph (49) and the debt general risk requirement calculated in accordance with sub-paragraph (50); and
- (b) calculate the debt position risk requirement of the holder, as the aggregate of the debt position risk requirements calculated in sub-paragraph (a) for all currency portfolios.

Debt specific risk requirement

(49) To calculate the debt specific risk requirement for a currency portfolio, the holder shall —

- (a) allocate each gross position in debt securities to an appropriate currency portfolio in accordance with sub-paragraph (39);
- (b) net long and short positions in each debt security allocated to that currency portfolio;
- (c) calculate, for each net position in a currency portfolio, the product of —
 - (i) the absolute value of the current market value of the net position; and
 - (ii) the appropriate debt specific position risk factor; and
- (d) calculate the debt specific risk requirement as the aggregate of the product calculated in sub-paragraph (c) for all net positions in that currency portfolio.

Debt general risk requirement

(50) To calculate the debt general risk requirement for a country, the holder shall —

- (a) allocate each gross position in debt securities to an appropriate currency portfolio in accordance with sub-paragraph (39);
- (b) net long and short positions in each debt securities allocated to that currency portfolio; and
- (c) apply the maturity method or, where the holder is permitted under sub-paragraph (52) to elect and has elected to, the duration method, to calculate the debt general risk requirement for that currency portfolio.

Maturity method

(51) For the purpose of calculating the debt general risk requirement for a currency portfolio under the maturity method, the holder shall —

- (a) allocate each net position in debt securities in that currency portfolio into an appropriate maturity band according to the maturity and coupon of the debt securities in accordance with Table 10 of the Fourth Schedule;
- (b) for each maturity band, calculate the total gross long positions as the aggregate of all long positions in the maturity band, and calculate the total gross short position as the aggregate of all short positions in the maturity band;
- (c) for each maturity band, calculate the risk-weighted long position as the product of the total gross long position and the appropriate maturity band general position risk factor; and calculate the risk-weighted short position as the product of the total gross short position and the appropriate maturity band general position risk factor;
- (d) for each maturity band, calculate the net position requirement as the absolute value of the aggregate of the risk-weighted long position and risk-weighted short position;

- (e) calculate the maturity band requirement, as follows:
 - (i) for each maturity band, calculate the maturity band matched amount, being the absolute value of the lesser of the risk-weighted long or short positions;
 - (ii) for each maturity band, calculate the product of (a) the maturity band matched amount and (b) the appropriate maturity band matching factor;
 - (iii) aggregate the product calculated in sub-paragraph (ii) for all maturity bands;
- (f) calculate the zone requirement, as follows:
 - (i) for each zone, calculate the zone matched amount, as the absolute value of the lesser of the aggregate of all risk-weighted long positions of maturity bands in that zone, and the aggregate of all risk-weighted short positions of maturity bands in that zone;
 - (ii) for each zone, calculate the product of the zone matched amount and the appropriate zone matching factor;
 - (iii) aggregate the product calculated in sub-paragraph (ii) for all zones;
- (g) calculate the adjacent zone requirement, as follows:
 - (i) for each zone, calculate the zone unmatched amount as the net of the aggregate of all risk-weighted long positions of maturity bands in that zone, and the aggregate of all risk-weighted short positions in that zone;
 - (ii) for a first pair of adjacent zones, to the extent that an offset can be made, calculate the “adjacent zone matched amount” as the absolute value of the lesser of the 2 zone unmatched amounts of the 2 adjacent time zones;
 - (iii) calculate the product of the adjacent zone matched amount and the appropriate adjacent zone matching factor;
 - (iv) calculate the net amount of the 2 offsetting zone unmatched amounts of the first pair of adjacent zones and allocate this to one of the 2 zones;
 - (v) for the second pair of adjacent zones, to the extent that there are zone unmatched amounts that can be offset, repeat the steps in sub-paragraphs (ii) and (iii), and continue to carry out the step in sub-paragraph (vi);
 - (vi) calculate the net amount of the 2 offsetting zone unmatched amounts of the second pair of adjacent zones, and allocate this to one of the 2 adjacent zones;
 - (vii) aggregate the product calculated in accordance with sub-paragraph (iii) for the 2 pairs of adjacent zones;
- (h) to the extent that there are unmatched amounts in non-adjacent zones after sub-paragraph (g) and an offset can be made, calculate a non-adjacent zone requirement, as follows:

- (i) calculate the non-adjacent zone matched amount as the absolute value of the lesser of the non-adjacent zone unmatched amounts; and
 - (ii) calculate the product of the non-adjacent zone matched amount and the appropriate non-adjacent zone matching factor;
- (i) calculate the debt general risk requirement as the aggregate of the —
- (i) net position requirement;
 - (ii) maturity band requirement;
 - (iii) zone requirement;
 - (iv) adjacent zone requirement; and
 - (v) non-adjacent zone requirement,
- as determined in sub-paragraphs (d) to (h).

Duration method

(52) The holder may apply the duration method to calculate the debt general risk requirement of the holder provided it has received the prior written approval of the Authority or the securities exchange, futures exchange or clearing house (as the case may be).

(53) For the purpose of calculating the debt general risk requirement of a currency portfolio under the duration method, the holder shall apply the steps in sub-paragraph (51), as modified in the following manner:

- (a) instead of the risk-weighted net position in sub-paragraph (51)(c), the holder shall calculate the duration weight of each position, as the product of the current market value of a position, modified duration of the position, and duration method debt general position risk factor, where modified duration is calculated in accordance with the formula below:

$$\text{Modified duration} = \frac{\text{Duration (D)}}{(1+r)}$$

$$D = \frac{\sum_{t=1}^m \frac{t C_t}{(1+r)^t}}{\sum_{t=1}^m \frac{C_t}{(1+r)^t}}$$

where —

r = yield to maturity

C_t = cash payment in time t

m = total maturity;

- (b) any reference to “maturity” in sub-paragraph (51) shall be read as a reference to “duration”; and
- (c) any reference to “matching factor” in sub-paragraph (51) shall be read as a reference to the “matching factor” in the duration method.

Debt derivative position risk requirement

(54) The holder shall calculate a debt derivative position risk requirement in accordance with sub-paragraphs (55) to (64) for any position in a debt derivative, except to the extent the holder is required or permitted under this paragraph to and has elected to calculate a debt position risk requirement for the debt derivative.

(55) The holder may use one or more of the following methods, as applicable, to calculate the debt derivative position risk requirement of the holder:

- (a) debt hedging method;
- (b) debt margin method; and
- (c) debt basic method.

(56) The debt derivative position risk requirement of the holder shall be the aggregate of the debt derivative position risk requirements calculated using the 3 methods referred to in sub-paragraph (55).

Debt hedging method

(57) The holder may use the debt hedging method prescribed in Table 15 of the Fourth Schedule to calculate a debt derivative position risk requirement in relation to a position in a debt security hedging a position in an option on that debt security, to the extent that the position in the debt security matches the notional position in the debt security underlying the option.

Debt margin method

(58) The holder may use the debt margin method to calculate a debt derivative position risk requirement for a position in a debt derivative traded on a securities exchange, futures exchange, clearing house, recognised group A exchange, recognised group B exchange, clearing house designated by a recognised group A exchange, or clearing house designated by a recognised group B exchange and that is subject to a positive margin requirement prescribed by the securities exchange, futures exchange, clearing house, recognised group A exchange, recognised group B exchange, clearing house designated by the recognised group A exchange, or clearing house designated by the recognised group B exchange (as the case may be).

(59) The holder shall calculate the debt derivative position risk requirement —

- (a) in the case of a debt derivative traded on a securities exchange, futures exchange or recognised group A exchange, as 2 times the margin prescribed by the securities exchange, the futures exchange, a clearing house, the recognised group A exchange, or a clearing house designated by the recognised group A exchange (as the case may be); and
- (b) in the case of a debt derivative traded on a recognised group B exchange, as 3 times the margin specified by the recognised group B exchange or a clearing house designated by the recognised group B exchange.

(60) In sub-paragraph (59), “margin”, in a case where margin requirements for debt derivative positions are calculated on a net basis, means the net margin so calculated.

Debt basic method

(61) The holder may use the debt basic method to calculate a debt derivative position risk requirement for a position in a futures contract, a forward contract, a purchased option or a written option in relation to a debt security or an interest rate.

(62) Subject to sub-paragraphs (63) and (64), the holder shall calculate the debt derivative position risk requirement as the product of —

- (a) the absolute value of the current market value of the debt equivalent position; and
- (b) the appropriate debt standard method position risk factor.

(63) In the case of a purchased option, the holder may restrict the debt derivative position risk requirement calculated in accordance with sub-paragraph (62) to the current market value of the option.

(64) The holder shall adjust the debt derivative position risk requirement for a written option calculated in accordance with sub-paragraph (62) by deducting an amount equal to —

- (a) any positive excess of the exercise value over the current market value of the underlying debt securities, in the case of a call option; or
- (b) any positive excess of the current market value of the underlying debt securities over the exercise value, in the case of a put option,

provided the resultant debt derivative position risk requirement shall not be less than zero.

Commodity position risk requirement

(65) The holder shall calculate a commodity position risk requirement in accordance with sub-paragraphs (66) to (70) for any spot position it holds as a principal in any physical commodity except gold and, where permitted in this Schedule, a position it holds as a principal in a physical commodity derivative except a gold derivative.

(66) For the purpose of calculating its commodity position risk requirement, the holder shall —

- (a) express any position in terms of the standard unit of measurement for that position;
- (b) value any position at the current spot price of the physical commodity, converted to the reporting currency of the holder; and
- (c) group all its physical commodity positions on a commodity-by-commodity basis, including commodity equivalent positions in the relevant physical commodity arising from the holder's positions in physical commodity derivatives.

(67) For the purposes of sub-paragraph (66), the holder shall not treat different brands or grades of the same physical commodity as the same physical commodity unless —

- (a) the physical commodities are fungible for settlement purposes, or close substitutes for each other whose price movements fluctuate in a very similar manner; or

- (b) the holder has obtained the prior written approval of the Authority or the securities exchange, futures exchange or clearing house of which the holder is a member (if applicable).

(68) The holder may include the following physical commodity derivatives in the calculation of the commodity position risk requirement of the holder:

- (a) a futures or a forward contract on a physical commodity;
- (b) an option on a physical commodity, provided the option is in the money by more than the commodity net position risk factor.

(69) The holder shall, in calculating a commodity position risk requirement, also calculate the equivalent position for a physical commodity futures or forward contract or an option on a physical commodity as a notional position equal to the total or principal quantity underlying the contract or option.

(70) The holder shall calculate the commodity position risk requirement for each physical commodity as the aggregate of —

- (a) the product of —
 - (i) the net position, being the absolute value of the aggregate of the long and short positions, preserving the signs; and
 - (ii) the commodity net position risk factor of 20%; and
- (b) the product of —
 - (i) the gross position, being the aggregate of —
 - (A) the absolute value of aggregate of the long positions; and
 - (B) the absolute value of the aggregate of the short positions; and
 - (ii) the commodity gross position risk factor of 3%.

Commodity derivative position risk requirement

(71) The holder shall calculate a commodity derivative position risk requirement in accordance with sub-paragraphs (72) to (75) for any position in a physical commodity derivative, except to the extent that the holder is required or permitted under this sub-paragraph to elect and has elected to calculate a commodity position risk requirement for the physical commodity derivative.

(72) The holder shall use the commodity basic method to calculate the commodity derivative position risk requirement.

Commodity basic method

(73) The holder shall calculate the commodity derivative position risk requirement as the product of —

- (a) the absolute value of the current market value of the commodity equivalent position; and
- (b) the commodity derivative net position risk factor of 20%.

(74) In the case of a purchased option, the holder may restrict the physical commodity derivative position risk requirement calculated in accordance with sub-paragraph (73) to the current market value of the option.

(75) The holder shall adjust the commodity derivative position risk requirement for a written option calculated in accordance with sub-paragraph (73) by deducting an amount equal to —

- (a) any positive excess of the exercise value over the current market value of the underlying physical commodity, in the case of a call option; or
- (b) any positive excess of the current market value of the underlying physical commodity over the exercise value, in the case of a put option,

provided the resultant commodity derivative position risk requirement shall not be less than zero.

Foreign exchange risk requirement

(76) The holder shall calculate a foreign exchange risk requirement in accordance with sub-paragraphs (77) to (85) for its positions in foreign currencies and gold.

Net open position in each foreign currency

(77) Subject to sub-paragraph (78), the holder shall calculate for each foreign currency the holder's net position in the foreign currency as the absolute value of the aggregate of the following:

- (a) net spot position, being the amount of all assets less all liabilities denominated in the foreign currency, and including options denominated in the foreign currency;
- (b) the aggregate of amounts in the foreign currency to be received by the holder less the aggregate of amounts in the foreign currency to be paid by the holder in relation to foreign currency positions arising from any futures contract or forward contract including a forward contract associated with cross-currency swaps or other derivatives;
- (c) net positions in products denominated in the foreign currency in relation to any non-foreign currency futures contract, forward contract and other derivatives;
- (d) net underwriting positions in securities denominated in the foreign currency which are unplaced, unsold or unallotted from the day the underwriting arrangement ends, being a day no later than the day after allotment of or close of applications for subscription for securities, whichever is the later; and
- (e) any other off-balance sheet commitment that would result in an asset or liability that is denominated in the foreign currency,

but does not include —

- (i) at the election of the holder, any asset excluded from the financial resources of the holder;
- (ii) any asset or exposure for which the holder has calculated a risk requirement equal to 100% of the value of the asset or the full contract value, as appropriate, under this Schedule; and
- (iii) any position the holder holds to hedge against a foreign currency position referred to in sub-paragraph (i) or (ii) where the hedging contract is clearly earmarked as a hedge, to the extent that the

nominal amount underlying each hedging contract matches the nominal amount of the contract being hedged.

(78) The holder shall include a futures contract, forward contract or option on a foreign currency in the calculation of a net open position in the foreign currency as the foreign exchange equivalent position of the futures contract, forward contract (including a forward contract associated with a cross-currency swap) or option.

(79) In sub-paragraph (78), “foreign exchange equivalent position” means —

- (a) in the case of a purchased call option or a written put option, a long position in the commodity currency and a short position in the term currency, each of an amount equivalent to the notional face value of the underlying contract;
- (b) in the case of a purchased put option or a written call option, a short position in the commodity currency and a long position in the term currency, each of an amount equivalent to the notional face value of the underlying contract; and
- (c) in the case of a futures contract or forward contract, 2 notional positions, being —
 - (i) a long position in the commodity currency of an amount equivalent to the notional value of the underlying contract; and
 - (ii) a short position in the term currency of an amount equivalent to the notional value of the underlying contract.

(80) The holder shall convert its net open position in each foreign currency to the reporting currency of the holder (preserving the sign) at the prevailing market spot rate or on a basis as permitted by a securities exchange, futures exchange or clearing house (as the case may be).

(81) The holder shall calculate its net currency open position as the higher of —

- (a) the aggregate of net short foreign currency positions; or
- (b) the aggregate of net long foreign currency positions.

Net gold open position

(82) The holder shall calculate its net gold open position as the absolute value of the aggregate of the following:

- (a) net spot gold positions, including options on gold;
- (b) the aggregate of all amounts to be received less the aggregate of all amounts to be paid under gold derivatives; and
- (c) any other off-balance sheet commitment that would result in an asset or liability that is denominated in gold,

converted into the reporting currency of the holder at the prevailing market spot rate or on a basis as permitted by a securities exchange, futures exchange or clearing house (as the case may be).

Overall net FX position

(83) The holder shall calculate its overall net FX position as the aggregate of its net currency open position calculated in accordance with sub-paragraph (77) and its net gold open position calculated in accordance with sub-paragraph (82).

Calculation of foreign exchange risk requirement

(84) Subject to sub-paragraph (85), the holder shall calculate its foreign exchange risk requirement as the product of —

- (a) the overall net FX position calculated in sub-paragraph (83); and
- (b) the foreign exchange position risk factor of 8%.

(85) The foreign exchange risk requirement of the holder shall be zero if the overall net FX position of the holder is not greater than 2% of the financial resources of the holder.

Large exposure requirement

5.—(1) In this paragraph—

“counterparty”, in relation to a holder, includes —

- (a) where the counterparty is an individual, any other individual whom the first-mentioned individual is able to control or influence;
- (b) where the counterparty is a corporation, any other corporation or group of corporations which is or are deemed to be related to the first-mentioned corporation pursuant to section 6 of the Companies Act (Cap. 50); or
- (c) a corporation 50% or more of the issued share capital of which is owned by any of the individuals mentioned in sub-paragraph (a), or the composition of the board of directors of which is controlled by those individuals; and for this purpose the composition of the board of directors of the corporation shall be deemed to be controlled by those individuals if they, by the exercise of some power exercisable by them without the consent or concurrence of any other person, can appoint or remove all or a majority of the directors of that corporation;

“excluded issuer exposure” means any exposure in relation to —

- (a) Singapore Government securities;
- (b) securities issued by a public authority in Singapore;
- (c) a futures contract, forward contract or other derivatives, the value of which is based on the value of Singapore Government securities or securities issued by a public authority in Singapore;
- (d) a futures contract or forward contract on an interest rate that does not give rise to an exposure to an issuer;
- (e) a forward rate agreement;
- (f) an interest rate swap;
- (g) a currency swap;
- (h) an interest rate leg of an equity swap; and
- (i) such other exposure as the Authority may specify in a guideline issued by the Authority or as permitted by a securities exchange, futures exchange or clearing house (as the case may be).

(2) A reference to the total debt exposure of the holder to an issuer is a reference to the net position that the holder holds as a principal in debt securities

issued by the issuer, including notional positions arising from derivatives on debt securities issued by the issuer, and —

- (a) in the case of a futures contract or forward contract on a debt securities, the underlying debt securities;
- (b) in the case of an option (including a warrant) on debt securities that is in the money, the underlying debt securities; or
- (c) where the holder has entered into an agreement or arrangement to underwrite or to sub-underwrite an offer of securities, a position in those securities which are unplaced or unallotted after the date of subscription or the date of allotment of the securities,

but does not include any excluded issuer exposure.

(3) A reference to the total equity exposure of the holder to an issuer is a reference to the net position that the holder holds as a principal in equity securities issued by the issuer, including notional positions arising from derivatives on equity securities issued by the issuer, and —

- (a) in the case of a futures contract or forward contract on an equity securities, the underlying equity securities;
- (b) in the case of an option (including a warrant) on equity securities that is in the money, the underlying equity securities; and
- (c) where the holder has entered into an agreement or arrangement to underwrite or to sub-underwrite an offer of securities, a position in those securities which are unplaced or unallotted after the date of subscription or the date of allotment of the securities,

but does not include any excluded issuer exposure.

(4) A reference to the total exposure of the holder to a counterparty is a reference to the sum of the counterparty exposures that the holder calculates in accordance with paragraph 3 in relation to the counterparty, except the following:

- (a) any exposure to the Singapore Government or a public authority in Singapore;
- (b) any exposure to the Authority;
- (c) any exposure to a foreign central bank or a foreign state government of a country or territory with a sovereign rating of B or better from a recognised credit rating agency;
- (d) any qualifying deposit that is not subject to a counterparty risk requirement in paragraph 3;
- (e) any free delivery;
- (f) any repurchase, reverse repurchase, or securities borrowing or lending agreement or similar agreement before the due date of the agreement;
- (g) in the case of securities financing, where the proportion of equity in a counterparty's margin account to debit balance in the counterparty's margin account is greater than 110% but less than 130%, any exposure calculated in relation to increasing the proportion of equity in a counterparty's margin account to debit balance in the counterparty's margin account to 130%;

- (h) any exposure calculated in relation to a counterparty's account for the trading of any derivatives contract on a futures exchange or an overseas futures exchange and which is subject to maintenance margin requirements or a leveraged foreign exchange transaction, where the counterparty —
 - (i) does not have an outstanding margin call;
 - (ii) has either —
 - (A) a margin call outstanding not more than 3 business days from the day the margin call is made, if the margin call is to be satisfied by remittance denominated in Japanese Yen; or
 - (B) a margin call outstanding not more than 2 business days from the day the margin call is made, if the margin call is to be satisfied by remittance denominated in currencies other than Japanese Yen;
- (i) any excluded asset;
- (j) exposures secured by any acceptable collateral;
- (k) such other exposure as the Authority may specify in a guideline issued by the Authority or as permitted by a securities exchange, futures exchange or clearing house (as the case may be); and
- (l) provided the holder has received the prior written approval from a securities exchange, futures exchange or clearing house of which the holder is a member (if applicable), 80% of any other exposure to a counterparty which is —
 - (i) a multilateral agency;
 - (ii) a financial institution licensed or approved by the Authority under the Banking Act (Cap. 19), the Finance Companies Act (Cap. 108), the Securities and Futures Act 2001 (Act 42 of 2001), the Monetary Authority of Singapore Act (Cap. 186) or the Insurance Act (Cap. 142);
 - (iii) a securities exchange;
 - (iv) a futures exchange;
 - (v) a clearing house;
 - (vi) a recognised group A exchange;
 - (vii) a clearing house designated by a recognised group A exchange; and
 - (viii) a person which is a member of any person mentioned in subparagraphs (iii) to (vii).

(5) A reference to the total exposure of the holder to an issuer, is a reference to the aggregate of the total equity exposure and total debt equity exposure of the holder to the issuer.

(6) The holder shall calculate a large exposure requirement for any large exposure it has to a counterparty or an issuer, as the sum of its —

- (a) counterparty large exposure requirement calculated in accordance with sub-paragraphs (7) to (9), or in such manner as the Authority may specify in a guideline issued by the Authority; and
- (b) issuer large exposure requirement calculated in accordance with sub-paragraphs (10) to (20), or in such manner as the Authority may specify in a guideline issued by the Authority.

Counterparty large exposure requirement

(7) The holder shall calculate an individual counterparty large exposure requirement where it has a large exposure to a counterparty; and shall calculate a counterparty large exposure requirement as the sum of individual counterparty large exposure requirements.

(8) For the purposes of sub-paragraph (7), “large exposure to a counterparty” means the holder’s total exposure to the counterparty which is equal to or exceeds 20% of the holder’s financial resources.

(9) In each case that a holder has a large exposure to a counterparty, the holder shall calculate an individual counterparty large exposure requirement as follows:

- (a) calculate a risk requirement for each counterparty exposure that is included as part of the total exposure of the holder to the counterparty, as 100% of the counterparty risk requirement calculated in accordance with paragraph 3 but the risk requirement shall be restricted to an amount equal to the difference between the full value of the contract giving rise to the counterparty exposure and the counterparty risk requirement calculated in accordance with paragraph 3; and
- (b) aggregate the risk requirements that are calculated in accordance with sub-paragraph (a).

Issuer large exposure requirement

(10) The holder shall calculate —

- (a) an individual issuer large exposure requirement where it has a large exposure to an issuer; and
- (b) an issuer large exposure requirement, as the aggregate of individual issuer large exposure requirements.

Large exposure

(11) For the purposes of sub-paragraph (6), the holder shall be deemed to have a large exposure to an issuer if the holder has a total equity exposure, or a total debt exposure, or a total exposure to the issuer that exceeds the exposure limits prescribed under Table 16 of the Fourth Schedule.

Calculation of individual issuer large requirement

(12) Where the holder has net positions in both equity and debt securities issued by an issuer, the holder shall calculate an issuer large exposure requirement as the higher of —

- (a) the sum of the issuer (equity) large exposure requirement and the issuer (debt) large exposure requirement; or
- (b) the issuer (combined debt and equity) large exposure requirement.

(13) For the purposes of this Schedule, the sum of the position risk requirements for the holder's principal positions in the equity and debt securities of an issuer and the large exposure requirements for the holder's exposure to the equity and debt securities of the issuer shall be restricted to 100% of the holder's net long or short positions in those equity and debt securities.

Issuer (equity) large exposure requirement

(14) Where the holder has a large equity exposure to an issuer, it shall calculate an issuer (equity) large exposure requirement as the product of—

- (a) the large equity exposure to the issuer; and
- (b) an appropriate standard method equity position risk factor.

(15) Where the holder has a large equity exposure under both the financial resources and issue size tests as specified in Table 16 of the Fourth Schedule, the large equity exposure for the purposes of sub-paragraph (14) shall be the higher of the exposures calculated under these 2 tests.

Issuer (debt) large exposure requirement

(16) Subject to sub-paragraphs (17) and (18), where the holder has a large debt exposure to an issuer, it shall calculate an issuer (debt) large exposure requirement as the product of—

- (a) the large debt exposure to an issuer; and
- (b) the appropriate standard method debt position risk factor.

(17) Where the holder has a large debt exposure to an issuer under the financial resources test, the relevant standard method debt position risk factor shall be the factor applicable to the debt securities with the greatest date-to-maturity period.

(18) Where the holder has a large debt exposure to an issuer under the issue size test, the holder shall calculate an individual issuer (debt) large exposure requirement for each individual series of the debt securities; and calculate the debt issuer large exposure of the holder as the aggregate of the individual issuer (debt) large exposure requirements.

(19) Where the holder has a large debt exposure to an issuer under both the financial resources test and the issue size test, the large debt exposure to an issuer shall be the higher of the exposures calculated under the 2 tests.

Issuer (combined equity and debt) large exposure requirement

(20) Where the holder has a large combined equity and debt exposure to an issuer, it shall calculate an issuer (combined equity and debt) large exposure requirement, as the product of—

- (a) the combined equity and debt exposure to an issuer; and
- (b) the appropriate standard method position risk factor, which is—
 - (i) the standard method position risk factor applicable to the instrument held in the larger proportion; or
 - (ii) the higher standard method position risk factor applicable if both equity and debt securities are held in equal proportions.

Underwriting risk requirement

6.—(1) The holder shall calculate an underwriting risk requirement in accordance with sub-paragraphs (2) and (3), or in such manner as the Authority may specify in a guideline issued by the Authority, in respect of any legally binding agreement or arrangement to underwrite or to sub-underwrite any securities that it enters into.

(2) The holder shall calculate a net underwriting exposure to securities, from the day it commits to underwriting the securities or the day when an underwriting agreement is signed, whichever is the earlier, to the day the underwriting arrangement ends, not being a day that is later than the day after allotment of or close of application for the subscription for the securities, whichever is the later, as the gross underwriting commitment of the holder less the aggregate of amounts which the holder has sub-underwritten to, placed with, sold to or allotted to —

- (a) a bank licensed under the Banking Act (Cap. 19);
- (b) a merchant bank approved as a financial institution under the Monetary Authority of Singapore Act (Cap. 186);
- (c) a finance company licensed under the Finance Companies Act (Cap. 108);
- (d) a company or society registered under the Insurance Act (Cap. 142);
- (e) the holder of a capital markets services licence under the Act to deal in securities or trade in futures contracts or for fund management;
- (f) a financial institution outside Singapore which is licensed or regulated by a financial services regulatory authority and has a long-term credit rating of investment grade; and
- (g) any other person, provided that —
 - (i) full payment has been received by the holder for the sub-underwritten, placed, sold or allotted amount; or
 - (ii) the sub-underwritten, placed, sold or allotted amount can be offset against acceptable collateral received by the holder under a netting agreement that satisfies the conditions specified in paragraph 3(5).

(3) The holder shall calculate an underwriting risk requirement as the product of —

- (a) the net underwriting exposure calculated under sub-paragraph (2);
- (b) the appropriate standard method position risk factor applicable to the issue as prescribed under Table 5 or 8 of the Fourth Schedule; and
- (c) the underwriting risk factor, which is 20%, or such percentage as the Authority may specify in a guideline issued by the Authority.

FOURTH SCHEDULE

TABLE 1 – COUNTERPARTY RISK WEIGHTS

Regulation 2 and Third Schedule

<i>First column</i>	<i>Second column</i>
<i>Counterparty</i>	<i>Counterparty Risk Weight</i>
(1) The Government	0%
(2) The Authority	0%
(3) A government or a central bank of a country with a sovereign rating of investment grade	0%
(4) A central or state government in a country with sovereign rating of investment grade	0%
(5) A securities exchange, futures exchange or clearing house	0%
(6) A recognised multilateral agency	10%
(7) A bank licensed under the Banking Act (Cap. 19)	10%
(8) A holder of a licence as defined in paragraph (a), (b) or (c) of the definition of “holder” in regulation 5	10%
(9) A recognised group A exchange or a clearing house designated by a recognised group A exchange	10%
(10) A bank outside Singapore subject to the supervision of a banking or financial services regulatory authority and which has a credit rating of investment grade	20%
(11) A member of a recognised group A exchange or a member of a clearing house designated by a recognised group A exchange	20%
(12) A holder of a licence, other than a holder specified in item 8	50%
(13) A finance company licensed under the Finance Companies Act (Cap. 108)	50%
(14) A company or society registered under the Insurance Act (Cap. 142) for the purpose of carrying out insurance business	50%
(15) A merchant bank approved as a financial institution under the Monetary Authority of Singapore Act (Cap. 186)	50%
(16) Any other counterparty	100%.

TABLE 2 – CREDIT EXPOSURE FACTORS

Third Schedule

For the purposes of the Third Schedule, “credit exposure factor” is as specified in the table below, after making the following adjustments:

- (a) in the case of contracts with multiple exchange of principal, the factors are multiplied by the number of remaining payments in the contract; and
- (b) the credit exposure factor of a single currency floating or floating interest rate swap is zero.

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Type of Transaction</i>	<i>Residual Maturity of Contract</i>	<i>Credit Exposure Factor</i>
(1) Physical commodity contracts	(a) one year or less	10%
	(b) more than one year but not more than 5 years	12%
	(c) more than 5 years	15%
(2) Equity contracts	(a) one year or less	6%
	(b) more than one year but not more than 5 years	8%
	(c) more than 5 years	10%
(3) Foreign exchange contracts (other than leveraged foreign exchange contracts which are subject to margin requirements), or gold contracts	(a) one year or less, except a contract with original maturity of 14 calendar days or less	1%
	(b) a contract with original maturity of 14 calendar days or less	0%
	(c) more than one year but not more than 5 years	5%
	(d) more than 5 years	7.5%
(4) Interest rate contracts	(a) one year or less	0 %
	(b) more than one year but not more than 5 years	0.5%
	(c) more than 5 years	1.5%.

TABLE 2 – RECOGNISED MULTILATERAL AGENCIES

Third Schedule,
Tables 1, 9 of this Schedule

For the purposes of the Third Schedule, and Tables 1 and 9 of this Schedule, a recognised multilateral agency is an agency specified in the table below or such other entity as the Authority may specify in a guideline issued by the Authority.

Name of Multilateral Agency

- (1) The African Development Bank
- (2) The Asian Development Bank
- (3) The Bank for International Settlements
- (4) The European Bank for Reconstruction and Development
- (5) The European Economic Community
- (6) The European Investment Bank
- (7) The Inter-American Development Bank
- (8) The International Bank for Reconstruction and Development (The World Bank)
- (9) The International Finance Corporation
- (10) The International Monetary Fund.

**TABLE 4 – RECOGNISED GROUP A
AND RECOGNISED GROUP B EXCHANGES**

Regulation 2, Third Schedule,
Tables 1, 5, 6, 7 of this Schedule

For the purposes of the Third Schedule, and Tables 1, 5, 6 and 7 of this Schedule, a recognised exchange is an overseas securities exchange or an overseas futures exchange regulated by a financial services regulatory authority of a country or territory specified in the table below or such other country or territory as the Authority may specify in a guideline issued by the Authority.

<i>Country or Territory of Group A Exchanges</i>	<i>Country or Territory of Group B Exchanges</i>
(1) Australia	(1) China
(2) Austria	(2) Greece
(3) Belgium	(3) Finland
(4) Canada	(4) India
(5) France	(5) Indonesia
(6) Germany	(6) Ireland
(7) Hong Kong	(7) Luxembourg
(8) Italy	(8) Norway
(9) Japan	(9) Philippines
(10) Malaysia (except Labuan)	(10) Portugal
(11) Netherlands	
(12) New Zealand	
(13) South Korea	
(14) Spain	
(15) Sweden	
(16) Switzerland	
(17) Taiwan	
(18) Thailand	
(19) United Kingdom	
(20) United States of America.	

TABLE 5 – STANDARD METHOD:
EQUITY POSITION RISK FACTORS

Third Schedule, Table 15
of this Schedule

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Equity Securities or Index</i>	<i>Type</i>	<i>Equity Position Risk Factor</i>
(1) Index	(a) Straits Times Index, MSCI Singapore Index or a market index of a recognised group A exchange	8%
	(b) A market index of a recognised group B exchange	16%
	(c) Any other market index	100%
(2) Shares listed on a securities exchange	(a) A constituent stock of the Straits Times Index or MSCI Singapore Index	12%
	(b) Any other single stock	16%
(3) Shares listed on a recognised group A exchange	(a) A constituent stock of a market index of a recognised group A exchange	12%
	(b) Any other single stock	16%
(4) Shares listed on a recognised group B exchange	Any single stock	32%
(5) Shares listed on an exchange other than a securities exchange, or a recognised group A exchange, or a recognised group B exchange	Any single stock	100%

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Equity Securities or Index</i>	<i>Type</i>	<i>Equity Position Risk Factor</i>
(6) Broad-based collective investment schemes (including exchange-traded funds)	(a) Investments are restricted to constituent stocks of — (i) Straits Times Index; (ii) MSCI Singapore Index; (iii) any market index of a recognised group A exchange; (iv) any other index as permitted by a securities exchange, or a futures exchange, or a clearing house.	8%
	(b) Investments are restricted to shares listed on one or both of the following: (i) a securities exchange; (ii) a recognised group A exchange.	12%
	(c) Investments are restricted to shares listed on — (i) a securities exchange; (ii) any recognised group A exchange; (ii) any recognised group B exchange.	32%

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Equity Securities or Index</i>	<i>Type</i>	<i>Equity Position Risk Factor</i>
(7) Broad-based collective investment schemes (including exchange-traded funds)	(a) Investments are restricted to constituent stocks of a sectoral index of a securities exchange, or a recognised group A exchange, or both	8%
	(b) Investments are restricted to shares — (i) in sectors or industry segments; and (ii) listed on a securities exchange, or any recognised group A exchange, or both	12%
	(c) Investments are restricted to shares — (i) in sectors or industry segments; and (ii) listed on a securities exchange, or any recognised group A exchange, or any recognised group B exchange, or more than one of these.	32%
(8) Other collective investment schemes		100%
(9) Unlisted shares	(a) Long-term debt servicing ability of an issuer with a credit rating of investment grade	32%
	(b) Other issuers	100%.

TABLE 6 – MARKET INDICES OF
RECOGNISED GROUP A EXCHANGES

Third Schedule, Table 5
of this Schedule

<i>First column</i>	<i>Second column</i>
<i>Country or Territory of Recognised Group A Exchanges</i>	<i>Index</i>
(1) Australia	All Ordinaries
(2) Austria	Austria Traded Index
(3) Belgium	BEL 20
(4) Canada	Toronto Stock Exchange 300 Composite Index, Toronto Stock Exchange 300 Capped Index, Toronto Stock Exchange 100 Index
(5) France	Compagnie des Agents de Change 40 Index (CAC 40)
(6) Germany	Deutsche Aktienindex (DAX)
(7) Hong Kong	Hang Seng Index (HSI)
(8) Italy	Milano Italia Borsa Telematico (MIBTEL)
(9) Japan	Nikkei 225 Stock Average, TOPIX
(10) Malaysia (except Labuan)	Kuala Lumpur Composite Index
(11) Netherlands	Amsterdam Exchanges Index (AEX)
(12) New Zealand	New Zealand Stock Exchange Gross Index (NZSE)
(13) South Korea	Korea Composite Stock Price Index (KOSPI)
(14) Spain	IBEX 35
(15) Sweden	Stockholm Stock Exchange SX 16, OMX
(16) Switzerland	Swiss Market Index (SMI)
(17) Taiwan	Taiwan Stock Exchange Capitalization Weighted Stock Index (Taiex)
(18) Thailand	The Stock Exchange of Thailand Index
(19) United Kingdom	FTSE All Share, FTSE 100
(20) United States of America	Standard & Poor's 500, Dow Jones Industrial Average Index, Nasdaq Composite Index.

TABLE 7 – BUILDING BLOCK METHOD:
EQUITY SPECIFIC AND GENERAL POSITION
RISK FACTORS

Third Schedule		
<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Equity Securities or Index</i>	<i>Equity Specific Position Risk Factor</i>	<i>Equity General Position Risk Factor</i>
(1) Straits Times Index, MSCI Singapore Index or a market index of a recognised group A exchange	0%	8%
(2) A constituent stock of the Straits Times Index, MSCI Singapore Index or a market index of a recognised group A exchange	4%	8%
(3) Any other single stock listed on a securities exchange or a recognised group A exchange	8%	8%.

TABLE 8 – STANDARD METHOD:
DEBT POSITION RISK FACTORS

Third Schedule, Table 15
of this Schedule

<i>Maturity Band</i>		<i>Debt Position Risk Factor</i>		
<i>Coupon</i>		<i>(%)</i>		
<i>3% or more</i>	<i>less than 3%</i>	<i>Government Debt Securities</i>	<i>Qualifying Debt Securities</i>	<i>Other Debt Securities</i>
(1) One month or less	One month or less	0.00	0.25	8.00
(2) More than one month but not more than 3 months	More than one month but not more than 3 months	0.20	0.45	8.20
(3) More than 3 months but not more than 6 months	More than 3 months but not more than 6 months	0.40	0.65	8.40
(4) More than 6 months but not more than 12 months	More than 6 months but not more than 12 months	0.70	1.70	8.70
(5) More than one year but not more than 2 years	More than one year but not more than 1.9 years	1.25	2.25	9.25
(6) More than 2 years but not more than 3 years	More than 1.9 years but not more than 2.8 years	1.75	3.35	9.75
(7) More than 3 years but not more than 4 years	More than 2.8 years but not more than 3.6 years	2.25	3.85	10.25
(8) More than 4 years but not more than 5 years	More than 3.6 years but not more than 4.3 years	2.75	4.35	10.75
(9) More than 5 years but not more than 7 years	More than 4.3 years but not more than 5.7 years	3.25	4.85	11.25
(10) More than 7 years but not more than 10 years	More than 5.7 years but not more than 7.3 years	3.75	5.35	11.75
(11) More than 10 years but not more than 15 years	More than 7.3 years but not more than 9.3 years	4.50	6.10	12.50
(12) More than 15 years but not more than 20 years	More than 9.3 years but not more than 10.6 years	5.25	6.85	13.25
(13) More than 20 years	More than 10.6 years but not more than 12.0 years	6.00	7.60	14.00
(14)	More than 12.0 years but not more than 20 years	8.00	9.60	16.00
(15)	More than 20 years	12.50	14.10	20.50.

TABLE 9 – BUILDING BLOCK METHOD:
DEBT SPECIFIC RISK POSITION RISK FACTORS

Third Schedule

<i>Debt Specific Risk Position Risk Factor</i>				
<i>Government Debt Securities</i>	<i>Qualifying Debt Securities</i>			<i>Other Debt Securities</i>
	<i>Maturity</i>			
	Not more than 6 months	More than 6 months but not more than 24 months	More than 24 months	
0.00%	0.25%	1.00%	1.60%	8.00%

In this Table —

“government debt security” means a debt security which is either —

- (a) issued or fully guaranteed by the Government;
- (b) issued or fully guaranteed by a central government or central bank of a country or territory which has a sovereign rating of investment grade; or
- (c) issued or fully guaranteed by a central government or central bank of a country or territory which does not have a sovereign rating of investment grade and denominated in the national currency of that country and has a residual maturity of one year or less;

“qualifying debt security” means a debt security which is —

- (a) issued or fully guaranteed by a central government or central bank of a country or territory which does not have a sovereign rating of investment grade and denominated in the national currency of that country and has a residual maturity of over one year;
- (b) issued or fully guaranteed by a public authority in Singapore;
- (c) issued or fully guaranteed by a state or local government with a credit rating of investment grade;
- (d) issued or fully guaranteed by a recognised multilateral agency;
- (e) issued or fully guaranteed by a bank licensed under the Banking Act (Cap. 19);
- (f) issued or fully guaranteed by a bank which has a long-term rating of investment grade and the issue ranks as a senior debt; or
- (g) any other debt security which has a rating of investment grade and ranks as a senior debt.

TABLE 10 – BUILDING BLOCK METHOD:
MATURITY METHOD DEBT GENERAL RISK
POSITION RISK FACTORS

<i>Maturity Band</i>		<i>Zone</i>	<i>Debt General Risk Position Risk Factor</i>
<i>Coupon</i>			
<i>More than 3%</i>	<i>Not more than 3%</i>		(%)
(1) Not more than one month	Not more than one month	1	0.00
(2) More than one month but not more than 3 months	More than one month but not more than 3 months		0.20
(3) More than 3 months but not more than 6 months	More than 3 months but not more than 6 months		0.40
(4) More than 6 months but not more than 12 months	More than 6 months but not more than 12 months		0.70
(5) More than one year but not more than 2 years	More than one year but not more than 1.9 years	2	1.25
(6) More than 2 years but not more than 3 years	More than 1.9 years but not more than 2.8 years		1.75
(7) More than 3 years but not more than 4 years	More than 2.8 years but not more than 3.6 years		2.25
(8) More than 4 years but not more than 5 years	More than 3.6 years but not more than 4.3 years	3	2.75
(9) More than 5 years but not more than 7 years	More than 4.3 years but not more than 5.7 years		3.25
(10) More than 7 years but not more than 10 years	More than 5.7 years but not more than 7.3 years		3.75
(11) More than 10 years but not more than 15 years	More than 7.3 years but not more than 9.3 years		4.50
(12) More than 15 years but not more than 20 years	More than 9.3 years but not more than 10.6 years		5.25
(13) More than 20 years	More than 10.6 years but not more than 12.0 years		6.00
(14)	More than 12.0 years but not more than 20 years		8.00
(15)	More than 20 years	12.50	

TABLE 11 – BUILDING BLOCK METHOD:
DURATION METHOD DEBT GENERAL
RISK POSITION RISK FACTORS

Third Schedule

<i>First column</i>		<i>Second column</i>	<i>Third column</i>
	<i>Modified Duration</i>	<i>Zone</i>	<i>Debt General Risk Position Risk Factor (%)</i>
(1)	Not more than one month	1	1.00
(2)	More than 1 month but not more than 3 months		1.00
(3)	More than 3 months but not more than 6 months		1.00
(4)	More than 6 months but not more than 1 year		1.00
(5)	More than 1 year but not more than 1.9 years	2	0.90
(6)	More than 1.9 years but not more than 2.8 years		0.80
(7)	More than 2.8 years but not more than 3.6 years		0.75
(8)	More than 3.6 years but not more than 4.3 years	3	0.75
(9)	More than 4.3 years but not more than 5.7 years		0.70
(10)	More than 5.7 years but not more than 7.3 years		0.65
(11)	More than 7.3 years but not more than 9.3 years		0.60
(12)	More than 9.3 years but not more than 10.6 years		0.60
(13)	More than 10.6 years but not more than 12.0 years		0.60
(14)	More than 12.0 years but not more than 20 years		0.60
(15)	More than 20 years		0.60.

TABLE 12 – BUILDING BLOCK METHOD:
GENERAL RISK REQUIREMENT - MATCHING FACTORS
FOR MATURITY AND DURATION METHODS

Third Schedule

<i>Item</i>	<i>Matching Factor</i>	
	<i>Maturity Method</i>	<i>Duration Method</i>
(1) Maturity Band Matching Factor	10%	5%
(2) Zone Matching Factor (Zone 1)	40%	40%
(3) Zone Matching Factor (Zone 2)	30%	30%
(4) Zone Matching Factor (Zone 3)	30%	30%
(5) Adjacent Zone Matching Factor	40%	40%
(6) Non-adjacent Zone Matching Factor	100%	100%.

TABLE 13 – INVESTMENT GRADE CREDIT RATINGS

Regulation 2, Second Schedule,
Third Schedule, Tables 1, 5, 9 of
this Schedule

<i>Credit Rating Agency</i>		
	<i>Sovereign Rating</i>	
(1) Sovereign Issuers		
(a) Moody's Investor Services	B	
(b) Standard and Poor's Corporation	B	
(c) Fitch, Inc	B	
	<i>Rating of Securities</i>	<i>Rating of Money Market Debt Securities</i>
(2) All Issuers except Sovereign Issuers		
(a) Moody's Investor Services	Baa3	P3
(b) Standard and Poor's Corporation	BBB	A3
(c) Fitch, Inc	BBB	F3
(3) For Canadian Issuers and Issues in Canadian dollars		
(a) Canadian Bond Rating Service	B++	A3
(b) Dominion Bond Rating Service	BBB	R2
(4) For Japanese Issuers and Issues in Japanese Yen		
(a) Japan Credit Rating Agency, Ltd	BBB	J2
(b) Japan Rating and Investment Information, Inc	BBB	a2
(c) Mikuni & Co Ltd	BBB	M3.

TABLE 14 – INTEREST RATE POSITION RISK FACTORS
FOR INTEREST RATE ADD-ON BASIC METHOD

Third Schedule

<i>First column</i>		<i>Second column</i>
<i>Time to Maturity of the Notional Government Debt Security</i>		<i>Interest Rate Position Risk Factor</i>
(1)	3 months or less	0.20%
(2)	More than 3 months but not more than 6 months	0.40%
(3)	More than 6 months but not more than 12 months	0.70%
(4)	More than one year but not more than 2 years	1.25%
(5)	More than 2 years but not more than 3 years	1.75%
(6)	More than 3 years but not more than 4 years	2.25%
(7)	More than 4 years but not more than 5 years	2.75%
(8)	More than 5 years but not more than 7 years	3.25%
(9)	More than 7 years but not more than 10 years	3.75%
(10)	More than 10 years but not more than 15 years	4.50%
(11)	More than 15 years but not more than 20 years	5.25%
(12)	More than 20 years	6.00%

TABLE 15 – HEDGING METHOD

Third Schedule

<i>Member's securities position</i>	<i>Member's option position</i>	<i>Position Risk Requirement</i>		
		<i>Option is in the money by</i>		<i>Option is out of the money</i>
		<i>Not less than PRF</i>	<i>Less than PRF</i>	
(1) Long securities	(a) Long put (b) Short call	Zero Y	Wp Y	X Hedging Method is not Permitted
(2) Short securities	(a) Long call (b) Short put	Zero Y	Wc Y	X Hedging Method is not Permitted

In this Table —

PRF is the appropriate Standard Method Position Risk Factor

Wp is $\{(PRF-1) \times \text{securities position at exercise price}\}$ plus the current market value of underlying securities position

Wc is $\{(1+PRF) \times \text{securities position at exercise price}\}$ minus the current market value of underlying securities position

X is the current market value of underlying securities position \times PRF

Y is the higher of —

(a) (current market value of underlying securities position \times PRF) minus the current market value of option; or

(b) zero.

TABLE 16 – TEST OF ISSUER LARGE EXPOSURE

Third Schedule

<i>Exposure</i>	<i>Financial Resources Test</i>	<i>Issue Size Test</i>	<i>Large Exposure Amount</i>
	<i>Large Exposure Exists if Absolute Value of Net Position</i>		
(1) Equity	Exceeds 10% of the holder's financial resources	Exceeds 5% of issue size i.e. the market capitalisation of the issue	Amount in excess of 10% of the holder's financial resources or amount in excess of 5% of issue size
(2) Debt	Net position in all series of debt securities issued by an individual issuer exceeds 10% of the holder's financial resources	Net position in an individual series of debt securities issued by an issuer exceeds 10% of issue size of that series of debt securities	Amount in excess of 10% of the holder's financial resources or amount in excess of 10% of issue size of series
(3) Combined Equity and Debt	Aggregate of absolute value of net equity and net debt exposure to an issuer exceeds 10% of the holder's financial resources	Not applicable	Amount in excess of 10% of the holder's financial resources.

FIFTH SCHEDULE

Regulations 9(5), 11(7),
24(7) and 25(3)

ADJUSTED NET CAPITAL AND ADJUSTED NET CAPITAL
REQUIREMENT FOR HOLDER OF LICENCE REFERRED
TO IN REGULATION 8(1)

Adjusted net capital for holder to deal in securities

1.—(1) “Adjusted net capital”, in relation to the holder of a licence referred to in regulation 8(1)(a) (referred to in this paragraph as the holder), means —

- (a) where it is incorporated in Singapore, the shareholders’ funds of the holder;
- (b) where it is a foreign company, the net head office funds of the holder,

adjusted by deducting the following:

- (i) non-current assets and pre-paid expenses and deposits made by the holder (including the security deposit lodged with the Authority under section 91 of the Act and such other deposits as the Authority may specify in a guideline issued by the Authority) other than deposits placed by the holder with financial institutions;
- (ii) all unsecured loans and unsecured advances made by the holder that are included as current assets;
- (iii) deficits in clients’ accounts, less any provision for bad and doubtful debts already made in the accounts;
- (iv) subject to sub-paragraphs (2), (3) and (4), a percentage of the difference between the contract sum for resale of government securities under a reverse-purchase agreement and the market value of those securities (if less than the contract sum), determined on the basis of the date to maturity of the reverse-repurchase agreement, as at the date of adjusted net capital computation, as follows:

(A) 7 days or less	0%
(B) 8 days to 14 days	5%
(C) 15 days to 30 days	10%
(D) 31 days to 60 days	25%
(E) 61 days to 90 days	50%
(F) 91 days or more	100%;
- (v) the excess of the book value of the securities carried in the holder’s own account over their market value;
- (vi) all current assets doubtful of collection less any provision already made in the accounts of the holder;
- (vii) the diminution in the value of securities underwritten or sub-underwritten by or placed with the holder; and

(viii) all amounts arising by way of service fees, reimbursable expenses and other similar liabilities that are due and owing by a related corporation of the holder.

(2) Notwithstanding sub-paragraph (1)(iv), if the market value of the securities subject to the reverse-repurchase agreement declines to below 50% of the contract sum for resale under that agreement, the applicable deduction shall be 100% of the difference between the contract sum for resale of the securities under the agreement and the market value of those securities.

(3) Notwithstanding sub-paragraphs (1)(iv) and (2), a deduction on account of a reverse-repurchase agreement may be offset by any margin or other deposits held by the holder on account of the reverse-repurchase agreement or by any excess of the market value of the securities over the contract sum for the resale of those securities under any other reverse-repurchase agreement with the same person.

(4) Notwithstanding sub-paragraph (1)(iv), the holder shall deduct an amount equal to the excess of the difference between the contract sum for resale of the securities under reverse-repurchase agreements and the market value of the securities (if less than the contract sum) in the account or accounts of any single client if, in the aggregate, the differences exceed 5% of the holder's adjusted net capital.

(5) In sub-paragraph (1) —

“cash accounts”, in relation to clients' accounts carried by the holder, means accounts against which, in the case of a purchase of securities, the clients will promptly make full cash payment for the securities before selling them and in the case of a sale of securities, the clients will promptly deliver the securities;

“client” means any person from whom, or on whose behalf, the holder has received or acquired or holds moneys or securities for the account of such person, but does not include the holder, directors of the holder and their connected persons;

“deficits in clients' accounts” means —

(a) in relation to each client's cash account —

- (i) the excess of the amount owed by the client over the market value of the underlying securities of which the client had failed to take delivery more than 7 calendar days after the due date and of any additional securities lodged by the client with the holder as collateral;
- (ii) where any purchase or sale contract has been offset by a contra transaction on or before the due date, the amount of the contra loss, if any, on the date on which the contra transaction takes effect; and
- (iii) where any purchase or sale contract has been offset by a forced-sale or buying-in transaction after the due date, the amount of the loss, if any, arising from the forced-sale or buying-in transaction on the date on which the transaction takes effect;

(b) in relation to each client's margin account, the amount of margin deficiency determined in accordance with the margin

maintenance requirement provided in the holder's margin agreement with the client; and

- (c) in relation to interest and other receivables arising from securities transactions, the amount which is not secured and which is outstanding for more than 14 calendar days;

“financial institution” means a bank licensed under the Banking Act (Cap. 19), a merchant bank that is approved as a financial institution under the Monetary Authority of Singapore Act (Cap.186), a finance company licensed under the Finance Companies Act (Cap. 108), or such other financial institution as the Authority may, on the application of the holder, approve;

“margin accounts”, in relation to clients' accounts carried by the holder, means accounts to which the holder extends or has extended credit for the purchase or carrying of securities, and the credit is or has been extended pursuant to margin agreements already made between the holder and its clients;

“shareholders' funds”, in relation to the holder, means the sum of the ordinary paid-up capital, non-redeemable preference share capital and reserves after deduction of any debit balance appearing in the profit and loss account of the holder.

Adjusted net capital for holder to trade in futures contracts or carry out leveraged foreign exchange trading

2.—(1) “Adjusted net capital”, in relation to the holder of a licence referred to in regulation 8(1)(b) or (c) (referred to in this paragraph as the holder), means the net capital of the holder, less the following —

- (a) the amount by which any advance paid by the holder on cash commodity contracts and used in computing net capital exceeds 95% of the market value of the commodities covered by such contracts;
- (b) in the case of all inventories which are hedged by hedging positions in any market, the amount by which the value of the inventories used in computing the net capital exceeds 95% of the market value of such inventories;
- (c) in the case of all inventories which are not hedged by any hedging positions in any market, the amount by which the value of the inventories in computing the net capital exceeds 80% of the market value of such inventories;
- (d) in the case of government securities used by the holder in computing the net capital, the amount by which the value of such security exceeds 100% of the market value of such security;
- (e) in the case of shares and other securities used by the holder in computing the net capital, the amount by which the value of the shares or securities exceeds 90% of the market value of such shares or securities;
- (f) for under-margined futures trading or leveraged foreign exchange trading accounts —
- (i) the amount of money required for each account to meet the relevant maintenance margin requirements, if that amount shall

have been outstanding after the trade date for more than 3 business days; or

- (ii) if there are no such relevant maintenance margin requirements, then when the original margin has been depleted by 50% or more, the amount of money required to restore the original margin if that amount shall have been outstanding after the trade date for more than 3 business days,

except that to the extent a deficit is excluded from current assets in accordance with sub-paragraph (2), such amount shall not also be deducted, and if a customer shall have deposited any asset other than cash into his account, the value attributable to the asset for purposes of this sub-paragraph shall be the value attributable to the asset pursuant to the relevant margin rules of a futures exchange or an overseas futures exchange, as the case may be;

- (g) the maintenance margin requirement on open futures contracts or open leveraged foreign exchange transactions held in the proprietary accounts of the holder which are not hedged; and
- (h) the total amount of money for which the holder is contingently liable under any security, guarantee or indemnity granted, other than a security, guarantee or indemnity granted by the holder for the purpose of securing, guaranteeing or indemnifying any obligation of the holder to —
 - (i) a futures exchange or a clearing house; or
 - (ii) any other holder of a licence as margin for, or to guarantee or secure, futures contracts;

(2) For the purposes of sub-paragraph (1) —

- (a) “current assets” means cash and other assets which are reasonably expected to be realised in cash or sold during the following 12 months and —
 - (i) shall not include any unsecured futures trading account and leveraged foreign exchange trading account containing a debit balance which has remained unpaid for more than one business day;
 - (ii) shall not include all unsecured advances, unsecured loans, and other receivables; except for dividends, interest and commissions due within 30 days and receivables from merchandising incurred in the normal course of business due within 90 days;
 - (iii) shall not include all assets doubtful of collection or realisation except for any reserves established therefor;
 - (iv) shall include receivables from clearing houses and from holders of licences arising out of trading in futures contracts and securities which are listed on a securities exchange and have not been suspended;
 - (v) shall include receivables from holders of licences arising out of leveraged foreign exchange trading and from other parties; and
 - (vi) shall include or exclude such other items as the Authority may specify in a guideline issued by the Authority;

- (b) “net capital”, in relation to the holder, means the amount by which the current assets of the holder exceed its liabilities, and in determining “net capital” —
- (i) unrealised profits shall be added and unrealised losses shall be deducted in the accounts of the holder, including unrealised profits and losses on fixed price commitments and forward contracts; and
 - (ii) all long and all short futures contracts trading and leveraged foreign exchange trading positions shall be marked to their market value;
- (c) a loan or advance or any other form of receivable shall not be considered “secured” unless the following conditions exist:
- (i) the receivable, which is to be considered only to the extent of the market value of such collateral after application of such percentage deductions as prescribed in sub-paragraph (1), is secured by collateral which is otherwise unencumbered and which can be readily converted into cash; and
 - (ii) either —
 - (A) the collateral is in the possession or control of the holder; or
 - (B) the holder has a legally enforceable written security agreement executed by the debtor in its favour under which the holder shall have the power to readily sell or otherwise convert the collateral into cash;
- (d) for the purposes of computing “net capital”, the word “liabilities” does not include —
- (i) liabilities of the holder which are subordinated to the claims of all general creditors of the holder pursuant to a satisfactory subordination agreement, as defined in sub-paragraph (e);
 - (ii) the amount of money, securities and property due to customers which are held in segregated accounts in accordance with section 104 of the Act, where such money, securities and property held in segregated accounts have been excluded from current assets in computing net capital; and
 - (iii) liabilities which would be classified as long-term liabilities in accordance with generally accepted accounting principles to the extent of the net book value of the plant, property and equipment which are used in the ordinary course of the holder’s business and which are not included in current assets;
- (e) for the purposes of sub-paragraph (d)(i), “satisfactory subordination agreement” means an agreement between the holder and its lender (referred to in this Schedule as the subordinated creditor) which agreement shall be in such form and shall contain such terms as the Authority may from time to time require but shall at least contain the following terms:
- (i) the subordinated creditor will not claim or receive from the holder, by set-off or in any other manner, any subordinated debt

until all senior debt has been paid or except with the prior written approval of the Authority;

- (ii) the subordination agreement shall provide that claims of the subordinated creditor are fully subordinated to the claims of all unsubordinated creditors;
 - (iii) the subordination agreement shall have not less than 2 years to maturity at the time of adjusted net capital computation;
 - (iv) the subordinated debt shall not be redeemed before the maturity of the subordination agreement without the prior written approval of the Authority, and for this purpose, interest payments on the subordinated debt shall not be construed as early redemption of the subordinated debt;
 - (v) the subordination agreement shall not be subject to cross-default or negative pledges or contain any term which would enable the subordinated creditor to demand the early or accelerated repayment of the subordinated debt;
 - (vi) the subordination agreement shall have the option for the holder to defer interest payment on the subordinated debt;
 - (vii) the subordinated debt shall automatically be converted into capital as a provision for losses arising from bad and doubtful debts if an appropriate reconstruction of the capital of the holder, which is acceptable to the Authority, has not been undertaken;
 - (viii) in the event of any payment or distribution of assets of the holder, whether in cash, in kind or in securities (referred to in this Schedule as a distribution), upon any dissolution, winding-up, liquidation or reorganisation of the holder —
 - (A) the senior creditors shall first be entitled to receive payment in full of the senior debt before the subordinated creditor receives any payment in respect of the subordinated debt;
 - (B) any distribution to which the subordinated creditor would be entitled but for the provisions of the subordination agreement shall be paid or delivered by the liquidator, Official Assignee in bankruptcy or any other person making the distribution directly to the senior creditors rateably according to their senior debt until they have been paid in full (taking into account other distributions to the senior creditors); and
 - (ix) if, notwithstanding sub-paragraphs (i) to (viii), any distribution is received by the subordinated creditor in respect of the subordinated debt, the distribution shall be paid over to the senior creditors for application rateably according to their senior debt until the senior debt has been paid in full (taking into account other distributions to the senior creditors) and until such payment in full, the distribution shall be held in trust for the senior creditors; and
- (f) in sub-paragraph (e) —

“senior creditor” means the creditors who for the time being hold or are entitled to the senior debt;

“senior debt” means the unpaid claims of all the creditors for the time being of the holder howsoever incurred.

(3) In this paragraph and paragraph 3 —

“customer” has the same meaning as in regulation 15(1) of the Securities and Futures (Licensing and Conduct of Business) Regulations 2002 (G.N. No. S 457/2002);

“maintenance margin” means the amount of margin required to be deposited with —

- (a) a futures exchange or a clearing house; or
- (b) any other holder of a licence or other person,

as a margin for, or to guarantee or secure, futures contracts or leveraged foreign exchange transactions, as the case may be.

Adjusted net capital requirement

3. “Adjusted net capital requirement” means the sum of —

- (a) 2% of every amount of funds that a customer of the holder of a licence deposits with the holder that is in excess of the maintenance margins of that customer; and
- (b) 4% of the maintenance margins of customers relating to all futures contracts and leveraged foreign exchange trading transactions.

SIXTH SCHEDULE

Regulations 12 and 24(6)

FINANCIAL RESOURCES AND TOTAL RISK REQUIREMENT FOR
HOLDER OF LICENCE REFERRED TO IN REGULATION 12(1)**Financial resources**

1. “Financial resources” —

- (a) in relation to the holder of a licence referred to in regulation 12(1) (referred to in this Schedule as the holder) that is incorporated in Singapore, means the sum of —
 - (i) base capital; and
 - (ii) irredeemable and cumulative preference share capital in the latest accounts of the holder,
 less any intangible asset in the latest accounts of the holder; or
- (b) in relation to the holder that is a foreign company, means the net head office funds less any intangible asset in the latest accounts of the holder.

Total risk requirement

2.—(1) “Total risk requirement” —

- (a) in relation to the holder of a licence to carry out securities financing, means the sum of the following:
 - (i) operational risk requirement calculated in accordance with sub-paragraph (2); and
 - (ii) counterparty risk requirement calculated in accordance with paragraph 3(25) to (28) of the Third Schedule; or
- (b) in relation to any other holder, means the operational risk requirement calculated in accordance with sub-paragraph (2).

(2) The holder referred to in sub-paragraph (1)(a) shall calculate the operational risk requirement as 10% of the total revenue of the holder as stated in the latest statement lodged by the holder in Form 6 of the Seventh Schedule to these Regulations, adjusted by deducting the following:

- (a) profit on the sale or termination of an operation;
- (b) profit on disposal of a fixed asset; and
- (c) such other item as the Authority may specify in a guideline issued by the Authority.

(3) Where the first annual audited accounts of the holder is not available, the holder shall consult with the Authority.

SEVENTH SCHEDULE

Regulation 26(1)

LIST OF FORMS

<i>Provisions of these Regulations for which forms are prescribed</i>	<i>Description of forms</i>	<i>Number of form in this Schedule</i>
27(1)(a), (3)(a) and (6) and (8)(a) and (d)	Statement of assets and liabilities	1
27(1)(b), (6) and (8)(a)	Statement of financial resources, total risk requirement and aggregate indebtedness	2
27(2)(a), (6) and (8)(b)	Statement of assets and liabilities, and adjusted net capital	3
27(2)(b), (6) and (8)(c)	Statement of assets and liabilities, adjusted net capital, and segregation requirement and location of segregated funds	4
27(3)(b), (6) and (8)(d)	Statement of financial resources and total risk requirement	5
27(8)	Statement relating to the accounts of a holder of a capital markets services licence	6
27(8)	Auditor's report — for a holder of a capital markets services licence	7
27(8)	Auditor's certification — for a holder of a capital markets services licence	8
27(5) and (6)	Statement of aggregate margin exposure to single securities exchange	9
27(5) and (6)	Statement of exposure to margin customers	10
27(5) and (6)	Statement of exposure to margined single security	11

SECURITIES AND FUTURES ACT 2001
(Act 42 of 2001)

SECURITIES AND FUTURES (FINANCIAL AND MARGIN
REQUIREMENTS FOR HOLDERS OF CAPITAL MARKETS
SERVICES LICENCES) REGULATIONS 2002

REGULATION 27(1)(a), (3)(a), (6) AND (8)(a) AND (d)

STATEMENT OF ASSETS AND LIABILITIES

FORM

1

Name of the holder of a capital markets services licence: _____

Statement of assets and liabilities as at: _____

(dd/mm/yy)

	\$	\$
SHAREHOLDERS' FUNDS/ NET HEAD OFFICE FUNDS		
<i>Paid-up Capital</i>		
Ordinary Shares		_____
Preference Shares		_____
(a) Redeemable	_____	_____
(b) Irredeemable and Cumulative	_____	_____
(c) Irredeemable and Non-Cumulative	_____	_____
<i>Share Premium</i>		_____
<i>Revaluation Reserves¹</i>		_____
<i>Statutory Reserves</i>		_____
<i>Unappropriated Profit/Loss</i>		_____
<i>Other Reserves</i>		_____
 <i>Net Head Office Funds</i>		_____
 Total Shareholders' Funds / Net Head Office Funds		=====
 LIABILITIES		
<i>Current Liabilities</i>		
Trade Creditors for Securities Dealing		_____
(a) Customers' Margin Accounts		_____
(b) Open Contracts		_____
(i) Customers	_____	_____
(ii) Clearing Houses	_____	_____
(c) Contra Profits		_____
(d) Securities Sold Under Agreements to Repurchase		_____
(e) Payable to Customers in connection with assets or moneys received on account of the customers		_____

¹ "Revaluation Reserves" should only be used for fixed assets revaluation purposes.

(i) Amounts segregated in Trust Accounts	_____	
(ii) Others	_____	_____
(f) Other than the Above		
(i) Customers	_____	
(ii) Clearing Houses	_____	_____
Trade Creditors for Futures Trading		
(a) Payable to Customers		
(i) Brokers	_____	
(ii) Others	_____	_____
(b) Payable to Clearing Houses		_____
(c) Other than the Above		_____
Other Trade Creditors		_____
Total Trade Creditors		=====
Bank Loans		
(a) Secured	_____	
(b) Unsecured	_____	_____
Amounts Due to Directors and Connected Persons		_____
Subordinated Loans — Maturity within one year		_____
Loans and Advances from Related Corporations and Associated Companies		_____
Other Current Liabilities		_____
<i>Total Current Liabilities</i>		=====
<i>Non-Current Liabilities</i>		
Bank Loans		
(a) Secured	_____	
(b) Unsecured	_____	_____
Deferred Income Tax		_____
Amounts Due to Directors and Connected Persons		_____
Subordinated Loans – Maturity greater than one year		_____
Loans and Advances from Related Corporations and Associated Companies		_____
Other Non-Current Liabilities		_____
<i>Total Non-Current Liabilities</i>		=====
Total Current and Non-Current Liabilities		=====
Total Shareholders' Funds and Liabilities		=====
ASSETS		
<i>Current Assets</i>		
Trade Debtors for Securities Dealing		
(a) Customers' Margin Accounts		_____
(b) Open Contracts		
(i) Customers	_____	
(ii) Clearing Houses	_____	_____
(c) Shares Awaiting for Collection		_____
(d) Shares Delivered before Receipt of Payment		_____
(e) Contra Losses		_____
(f) Securities Bought Under Agreement to		_____

Resell		
(g) Other than the Above		
(i) Customers		
(ii) Clearing Houses		
Trade Debtors for Futures Trading		
(a) Receivables from Customers		
(i) Brokers		
(ii) Others		
(b) Receivables from and Margin Deposit with Clearing Houses		
(c) Other than the Above		
Other Trade Debtors		
Total Trade Debtors		
Less: Provision for Contingency		
Less: Provision for Bad and Doubtful Debts		
Net Trade Debtors		
Securities (at fair value)		
(a) Amount Segregated in Trust Accounts		
(b) Amount Held as Trading Stock		
(c) Others		
Inventories (at fair value) of Physical Commodities		
Deposits with Banks and Cash Balances		
(a) Amount Segregated in Trust Accounts		
(b) Company's Own Balances		
(c) Others		
Amount Due from Directors & Connected Persons		
(a) Secured		
(b) Unsecured		
Loans and Advances to Related Corporations and Associated Companies		
Security Deposit with Clearing Houses		
Other Current Assets		
(a) Deposits		
(b) Pre-payments		
(c) Others		
Total Current Assets		
Non-Current Assets		
Fixed Assets (net of accumulated depreciation)		
Securities Held as Long Term Investments		
(a) at cost		
(b) at fair value		
Investments in Subsidiaries and Associated Companies		
Goodwill and Other Intangible Assets		
Other Non-Current Assets		
Total Non-Current Assets		
Total Current and Non-Current Assets		
Net Underwriting Commitment		

**SEGREGATION REQUIREMENTS AND LOCATION OF
SEGREGATED FUNDS**

	\$
Segregation Requirements	
1. Net Ledger Balances in Accounts of Customers	
2. Securities (at fair value) Belonging to Customers	
3. Net Unrealised Profit/(Loss) in Open Contracts	
4. Net Equity of Customers (Sum of Items 1, 2 and 3)	
5. Add Deficit Accounts	
6. Amount Required to be Segregated (Sum of Items 4 and 5)	
Location of Segregated Funds	
7. Segregated Cash on Hand	
8. Deposited in Segregated Bank Accounts	
9. Segregated Securities Deposited by Customers	
10. Receivables from and Margin Deposits with Clearing House	
11. Net Equities with Futures Brokers	
12. Receivables from and Margin Deposits with Other Parties	
13. Investments in Securities or Other Instruments	
14. Others (please specify)	
15. Total Amount Segregated (Sum of Items 7 to 14)	
16. Excess/(Deficiency) Funds in Segregation (Item 15 minus Item 6)	

Note: Applicable only to a holder to trade in futures contracts or carry out leveraged foreign exchange trading.

	\$	\$
SUPPLEMENTARY INFORMATION		
<i>Guarantees given in respect of:</i>		
1	Subsidiaries and Related Companies	_____
2	Directors and Related Parties	_____
3	Others (to specify if significant)	_____
<i>Contingent Liabilities:</i>		
1	Underwriting	_____
2	Sub-underwriting	_____
	Less: Amount Covered by Sub-underwriting with Approved Financial Institutions	_____
3	Others (to specify if significant)	_____
<i>Capital Commitments:</i>		
1	Within 1 year	_____
2	Within 2-5 years	_____
3	More than 5 years	_____
<i>Value of Company's Assets Pledged:</i>		
1	For Obligations of the Company	_____
2	For the Benefit of Third Parties	_____

Note: The above supplementary information shall accompany the Statement of Assets and Liabilities.

STATEMENT BY HOLDER OF CAPITAL
MARKETS SERVICES LICENCE

I certify that the above statement has, to the best of my knowledge and belief, been drawn up to comply with the requirements of regulation 27 of the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations 2002 and the information contained herein is true and correct.

Dated this _____ day of _____ 20_____.

Signature: _____

(Name of Director/Secretary*)

* Delete whichever is inapplicable.

SECURITIES AND FUTURES ACT 2001
(Act 42 of 2001)

SECURITIES AND FUTURES (FINANCIAL AND MARGIN
REQUIREMENTS FOR HOLDERS OF CAPITAL MARKETS
SERVICES LICENCES) REGULATIONS 2002

REGULATION 27(1)(b), (6) AND (8)(a)

**STATEMENT OF FINANCIAL
RESOURCES, TOTAL RISK
REQUIREMENT AND AGGREGATE
INDEBTEDNESS**

FORM
2

Name of the holder of a capital markets services licence: _____

Statement as at: _____

(dd/mm/yy)

	\$	\$
(I) BASE CAPITAL/NET HEAD OFFICE FUNDS		
Paid-up Capital		
Ordinary shares	_____	_____
Irredeemable and Non-Cumulative preference shares	_____	_____
Share Premium		_____
Statutory Reserves		_____
Unappropriated Profit/Loss Account		_____
Less: Interim losses		_____
Base Capital		=====
Net Head Office Current Account		_____
Base Capital/Net Head Office Funds		=====

**(II) FINANCIAL RESOURCES/
ADJUSTED NET HEAD OFFICE FUNDS**

Base Capital/Net Head Office Funds		_____
Add:		
Irredeemable and Cumulative Preference Share		_____
Redeemable Preference Share		_____
Qualifying Subordinated Loans		_____
Revaluation Reserves		_____
Other Reserves		_____

General Provisions			_____
Interim Profits			_____
Less:			
Illiquid Adjustment			
(a) non-current asset			_____
(b) pre-paid expenses			_____
(c) deposits other than qualifying deposits			_____
(d) current asset			
	unsecured amounts due from each director of the firm and his connected person		_____
	unsecured amounts due from a related company		_____
	other unsecured amounts		_____
	other assets not convertible to cash within 30 days		_____
(e) intangible assets			_____
(f) charged assets			_____
(g) tax assets			_____
(h) 8% of contingent liability			_____
Total Illiquidity Adjustment			_____
Financial Resources/Adjusted Net Head Office Funds			_____
Add:			_____
Qualifying letters of credit (restricted to 50% of Total Risk Requirement)			_____
Financial Resources/Adjusted Net Head Office Funds plus Qualifying Letters of Credit (Item 1)			=====

\$

(III) TOTAL RISK REQUIREMENT**(A) OPERATION RISK REQUIREMENT**

Base Requirement	_____
Variable Requirement	_____
Secondary Requirement	_____
Total Operation Risk Requirement	=====

(B) COUNTERPARTY RISK REQUIREMENT

Cash versus Delivery Transactions	
Securities Traded on SGX-ST	_____
Securities Traded on Recognised Group A Exchanges	_____
Securities Traded on other Exchanges	_____
Free Deliveries	_____
Securities Margin Financing	_____
Repurchase, Reverse Repurchase, Securities Borrowing and Lending Agreements	_____
Exchange-Traded Derivatives and Leveraged Foreign Exchange Transactions	_____
Over-the-Counter Derivatives Transactions	_____
Qualifying Deposits	_____
Debit Balances Arising From Contra Transactions, Forced-Sale or Buy-In Transactions or Margined Derivatives Transactions	_____
Other Counterparty Exposure	_____
Total Counterparty Risk Requirement	=====

(C) POSITION RISK REQUIREMENT

Equity	_____
Equity Derivative	_____
Debt	_____
Debt Derivative	_____
Commodity	_____
Commodity Derivative	_____
Foreign Exchange	_____
Others	_____
Total Position Risk Requirement	=====

(D) LARGE EXPOSURE REQUIREMENT

Counterparty Large Exposure Requirement	_____
Issuer Large Exposure Requirement	_____
Total Large Exposure Requirement	=====

(E) UNDERWRITING RISK REQUIREMENT

Underwriting Risk Requirement	=====
Total Risk Requirement (Item 2)	=====
Ratio: Item 1/Item 2 x 100%	_____

(IV) AGGREGATE INDEBTEDNESS

Total Liabilities	_____
Less:	
Open Contracts	_____
Deferred Income Taxes	_____
Trust Creditors	_____
Payable to Customers arising from Futures Trading	_____
Payable to Customers in connection with moneys or assets received on account of the customer arising from securities dealing	_____
Non-Current Liabilities Fully Secured by Assets	_____
Excluded from Financial Resources/Adjusted Net Head Office Funds	_____
Qualifying Subordinated Loans	_____
Aggregate Indebtedness	=====
Financial Resources/Adjusted Net Head Office Funds	_____
Add:	
Qualifying letters of credit (restricted to 50% of Total Risk Requirements)	_____
Less:	
Total Risk Requirements	_____
Aggregate Resources	=====
Percentage of Aggregate Indebtedness to Aggregate Resources	=====

I certify that the above account and information is to the best of my knowledge and belief true and correct.

Dated this _____ day of _____ 20____.

Signature: _____

(Name of Director/Secretary*)

*Delete whichever is inapplicable.

SECURITIES AND FUTURES ACT 2001
(Act 42 of 2001)

SECURITIES AND FUTURES (FINANCIAL AND MARGIN
REQUIREMENTS FOR HOLDERS OF CAPITAL MARKETS
SERVICES LICENCES) REGULATIONS 2002

REGULATION 27(2)(a), (6) AND (8)(b)

FORM
3

Name of the holder of a capital markets services licence: _____

Statement as at: _____

(dd/mm/yy)

ASSETS AND LIABILITIES

	\$	\$
Shareholders' Funds/Net Head Office Funds		_____
Current Liabilities		
Bank Loans		_____
Trade creditors		_____
Government securities sold under agreement to repurchase		_____
Other current liabilities		_____
Total Current Liabilities		_____
Non-Current Liabilities		
Bank Loans		_____
Other non-current liabilities		_____
Total Non-Current Liabilities		_____
Total Liabilities		_____
Current Assets		
Trade debtors (gross)		_____
Government securities purchased under agreement to resell		_____
Less : Provision for bad and doubtful debts	()	_____
Securities held as trading stock or short term investment (at cost)		_____
Less : Provision for diminution in the value of securities	()	_____
Deposits with banks and cash balances (excluding trust account balances)		_____

Loans and advances		
Secured	_____	
Unsecured	_____	_____
Other current assets		
Pre-paid expenses	_____	
Deposits	_____	_____
Others	_____	_____
Total Current Assets		_____
Non-Current Assets		
Land and buildings (net of accumulated depreciation)		_____
Other non-current assets		_____
Total Non-Current Assets		_____
Total Assets		_____
Total Net Assets		=====
 ADJUSTED NET CAPITAL		
Shareholders' funds/Net Head Office Funds		_____
(from statement of assets and liabilities)		
Less:		
Non-current assets, pre-paid expenses		
and deposits (excluding deposits with financial institutions)		_____
Unsecured loans and advances		
granted by the licence holder (included as current assets)		_____
Deficits in clients' accounts		
(i) cash accounts	_____	
(ii) margin accounts	_____	
(iii) interest receivables	_____	
(iv) shortfall in collateral deposited for scrip borrowing/lending	_____	
(v) reverse-purchase agreements	_____	
Less: Provision for bad and doubtful debts	()	_____
Diminution in the value of licence holder's inventory in securities	_____	
Less : Provision already made in the accounts	()	_____
Amounts (including service fees and reimbursable expense)		
due and owing by related company		_____

Diminution in the value of security underwritten or
sub-underwritten by placed with the licence holder

Other current assets doubtful of collection
(less provision already made)

Adjusted Net Capital

Does the business of the licence holder include
dealing in Government securities

Yes

No

I certify that the above account and information is to the best of my knowledge
and belief true and correct.

Dated this _____ day of _____ 20__.

Signature: _____

(Name of Director/Secretary*)

* Delete whichever is inapplicable.

SECURITIES AND FUTURES ACT 2001
(Act 42 of 2001)

SECURITIES AND FUTURES (FINANCIAL AND MARGIN
REQUIREMENTS FOR HOLDERS OF CAPITAL MARKETS
SERVICES LICENCES) REGULATIONS 2002

REGULATION 27(2)(b), (6) AND (8)(c)

**STATEMENT OF ASSETS AND
LIABILITIES, ADJUSTED NET
CAPITAL, AND SEGREGATION
REQUIREMENT AND LOCATION OF
SEGREGATED FUNDS**

FORM

4

Name of the holder of a capital markets services licence: _____

Statement as at: _____

(dd/mm/yy)

Financial Condition

ASSETS	Current \$	Non-Current \$	Total \$
1 Cash in banks and on hand			
A Amount segregated for customers			
B Others			
2 Receivables from and margin deposits with clearing house			
A Amount segregated for customers			
B Others			
3 Receivables from futures brokers			
A Amount segregated for customers			
B Others			
C Allowance for doubtful accounts	()	()	()
4 Receivables from customers			
A Debit balances			
B Allowance for doubtful accounts	()	()	()

5	Receivables from other parties			
	A Amount segregated for customers			
	B Others			
	C Allowance for doubtful accounts	()	()	()
6	Other receivables, advances and loans			
	A Advances and loans to directors			
	B Advances and loan to related corporations			
	C Advances on cash commodities and associated companies			
	D Others			
	E Allowance for doubtful accounts	()	()	()
7	Securities segregated for customers			
	A Government securities			
	B Other securities			
8	Securities held for proprietary account			
	A Government securities			
	B Other securities			
9	Inventories of physical commodities			
	A Hedged			
	B Unhedged			
10	Security deposits with clearing house			
11	Exchange memberships			
12	Investments in related corporations and associated companies			
	A Provision for diminution in value of investments	()	()	()
13	Fixed assets (plant, property, equipment, etc.) at net book value			
14	Intangible assets			
15	Other assets			
16	Total assets			

LIABILITIES AND SHAREHOLDERS' FUNDS	\$
17 Bank overdrafts and bank loans payable	
18 Loans and advances from related corporations and associated companies	
19 Payables to clearing house	
A Amount segregated for customers	
B Others	
20 Payables to futures brokers	
A Amount segregated for customers	
B Others	
21 Payables to customers	
A Amount segregated for customers	
B Others	
22 Payables to other parties	
A Amount segregated for customers	
B Others	
23 Liabilities subordinated to claims of general creditors	
A Subject to satisfactory subordinated agreement	
B Not subject to satisfactory subordinated agreement	
24 Other payables and accrued liabilities	
25 Total Liabilities	
26 Shareholders' funds/net head office funds	
A Paid-up capital	
B Share premium	
C Capital Reserve	
D Unrealised profit/(loss)	
E Unappropriated profit/(accumulated losses)	
27 Total shareholders' funds/net head office funds	
28 Total liabilities and shareholders' funds/net head office funds	
29 Value of company's assets pledged	
A For obligations of the company	
B For the benefit of third parties	

	\$
30 Contingent liabilities	
A Guarantees in favor of SGX-DT/SGX-DC	
B Guarantees in favor of other exchanges	
C Guarantees in favor of others (to specify)	
D Commitments entered into but not booked in Company's accounts	

Adjusted Net Capital

	\$
1 Current assets	
2 Less adjustments to current assets	
A Amount segregated for customers (to the extent liabilities are deducted in 5B below)	
3 Net current assets (Item 1 minus Item 2)	
4 Total liabilities	
5 Less adjustments to liabilities	
A Liabilities subject to satisfactory subordinated agreement	
B Amount segregated for customers that are payable to them	
C Allowable long-term liabilities	
6 Adjusted liabilities (Item 4 minus Item 5)	
7 Net capital (Item 3 minus Item 6)	
<i>Charges to net capital</i>	
8 Excess of value of advances paid on cash commodity contracts used in computing net capital over 95% of the market value of commodities covered by such contracts	
9 Excess of value of hedged inventories used in computing net capital over 95% of their market value	
10 Excess of value of unhedged inventories used in computing net capital	
11 Excess of value of Government securities used in computing net capital over 100% of their market value	

<p>12 Excess of value of other securities used in computing net capital over 90% of their market value</p> <p>13 All amount of moneys required to meet the maintenance margin/original margin (under-margined unsecured accounts)</p> <p>14 Relevant maintenance margin requirement for all uncovered proprietary positions</p> <p>15 Guarantees given by futures broker in favour of others</p>	
<p>16 Total charges</p>	
<p>17 Adjusted net capital (Item 7 minus Item 16)</p>	
<p>18 Qualifying letters of credit</p>	

Segregation Requirements and Location of Segregated Funds

	\$
Segregation Requirements	
1. Net Ledger Balances in Accounts of Customers	
2. Securities (at fair value) Belonging to Customers	
3. Net Unrealised Profit/(Loss) in Open Contracts	
4. Net Equity of Customers (Sum of Items 1, 2 and 3)	
5. Add Deficit Accounts	
6. Amount Required to be Segregated (Sum of Items 4 and 5)	
Location of Segregated Funds	
7. Segregated Cash on Hand	
8. Deposited in Segregated Bank Accounts	
9. Segregated Securities Deposited by Customers	
10. Receivables from and Margin Deposits with Clearing House	
11. Net Equities with Futures Brokers	
12. Receivables from and Margin Deposits with Other Parties	
13. Investments in Securities or Other Instruments	
14. Others (please specify)	
15. Total Amount Segregated (Sum of Items 7 to 14)	
16. Excess/(Deficiency) Funds in Segregation (Item 15 minus Item 6)	

I certify that the above account and information is to the best of my knowledge and belief true and correct.

Dated this _____ day of _____ 20__.

Signature: _____

(Name of Director/Secretary*)

* Delete whichever is inapplicable.

SECURITIES AND FUTURES ACT 2001
(Act 42 of 2001)

SECURITIES AND FUTURES (FINANCIAL AND MARGIN
REQUIREMENTS FOR HOLDERS OF CAPITAL MARKETS
SERVICES LICENCES) REGULATIONS 2002

REGULATION 27(3)(b), (6) AND (8)(d)

FORM
5

Name of the holder of a capital markets services licence: _____

Statement as at: _____
(dd/mm/yy)

\$

(I) BASE CAPITAL/NET HEAD OFFICE FUNDS

Paid-up Capital	
Ordinary shares	
Irredeemable and Non-Cumulative preference shares	
Share Premium	
Statutory Reserves	
Unappropriated Profit/Loss Account	
Less:	
Interim Losses	
Base Capital	
Net Head Office Current Account	
Base Capital/Net Head Office Funds	

**(II) FINANCIAL RESOURCES/
ADJUSTED NET HEAD OFFICE FUNDS**

Base Capital/Net Head Office Funds	_____
Add:	
Irredeemable and Cumulative Preference Share	_____
Redeemable Preference Share	_____
Revaluation Reserves	_____
Other Reserves	_____
Interim Profits	_____
Less:	
Intangible Assets	_____
Financial Resources/Adjusted Net Head Office Funds (A)	=====

**(III) TOTAL RISK REQUIREMENT
(A) OPERATION RISK REQUIREMENT**

10% of Total Revenue	_____
Total Operation Risk Requirement	=====

(B) COUNTERPARTY RISK REQUIREMENT

Securities Margin Financing	_____
Total Counterparty Risk Requirement	=====

Total Risk Requirement (B) _____

Ratio: $A/B \times 100\%$ _____

I certify that the above account and information is to the best of my knowledge and belief true and correct.

Dated this _____ day of _____ 20____.

Signature: _____

(Name of Director/Secretary*)

* Delete whichever is inapplicable.

SECURITIES AND FUTURES ACT 2001
(Act 42 of 2001)
SECURITIES AND FUTURES (FINANCIAL AND MARGIN
REQUIREMENTS FOR HOLDERS OF CAPITAL MARKETS
SERVICES LICENCES) REGULATIONS 2002
REGULATION 27(8)

FORM
6

Name of the holder of a capital markets services licence: _____

1. The balance sheet and profit and loss account below, including the notes thereto, are a true copy of the audited accounts of _____(name of holder) for the year ended _____20____, and the attached auditor’s report is a true copy of the auditor’s report thereon.
2. The accounts referred to in paragraph 1 have been drawn up in accordance with generally accepted accounting principles.
3. The following supplementary information is submitted in support of the attached balance sheet and profit and loss account.
4. Profit and loss account

	<i>Last year</i>	<i>This Year</i>
	20__	20__
	\$	\$
Revenue -		
Brokerage and commission from:		
- Securities Business	_____	_____
- Derivatives Business	_____	_____
Profit/(losses) from proprietary trading:		
- Securities business	_____	_____
- Derivatives business	_____	_____
- Others	_____	_____

Leveraged foreign exchange trading income ¹	_____	_____
Underwriting commission	_____	_____
Portfolio management fees ²	_____	_____
Corporate finance fees	_____	_____
Trustee and custodian fees	_____	_____
Commission rebates	_____	_____
Interest:		
- Securities Financing	_____	_____
- Others	_____	_____
Dividend	_____	_____
Other revenue (to specify if significant ³)	_____	_____
Total Revenue	_____	_____
Less Expenses -		
Bad debts written off	_____	_____
Provision for doubtful debts	_____	_____
Diminution in the value of securities	_____	_____
Brokerage and commission from:		
- Securities Business	_____	_____
- Derivatives Business	_____	_____
Interest expense	_____	_____
Directors' remuneration	_____	_____
Salaries and other employment costs (excluding directors' remuneration)	_____	_____
Other expenses (to specify if significant ⁴)	_____	_____
Total Expenses	_____	_____

¹ Including profit or losses arising from this business activity.

² Including advisory fees related to fund management activity.

³ Significant if amount is greater or equal to 5% of Total Revenue.

⁴ Significant if amount is greater or equal to 5% of Total Expenses.

Net profit before tax and extraordinary items (To provide details in 5)	_____	_____
Less Taxation	_____	_____
Net profit after tax but before extraordinary items	_____	_____
Extraordinary items (net of tax)	_____	_____
Net profit after tax and extraordinary items for the year	_____	_____

5. Supplementary information

(a) Total Funds under management	=====	=====
(b) Breakdown		
(i) Institutional clients		_____
Individual clients ⁵		_____
Total ⁶		=====
(ii) Funds under discretionary management ⁷ :		
- CPF		_____
- Non-CPF		_____
Others ⁸		_____
Total ⁹		=====

⁵ Including unit trusts and high net worth individuals.

⁶ This amount should tally with current year's funds under investment management as reported in (a)

⁷ Refer to the management of funds where institution has substantial input in the investment process and where it has the authority to make investment decisions. If the institution manages a portion of the fund, include only the portion where the fund manager has discretionary management responsibility.

⁸ Refer to the management of funds where the institution acts in the capacity as an adviser, without the authority to make investment decisions or where the institution is performing client servicing activities.

⁹ This amount should tally with current year's funds under investment management as reported in (a).

I certify that the above account and information is to the best of my knowledge and belief true and correct.

Dated this _____ day of _____ 20__.

Signature: _____

(Name of Director/Secretary*)

Note:

If any part of this report is qualified, attach a separate detailed report.

* Delete whichever is inapplicable.

<p>SECURITIES AND FUTURES ACT 2001 (Act 42 of 2001)</p> <p>SECURITIES AND FUTURES (FINANCIAL AND MARGIN REQUIREMENTS FOR HOLDERS OF CAPITAL MARKETS SERVICES LICENCES) REGULATIONS 2002</p> <p>REGULATION 27(8)</p>

<p>FORM</p> <p>7</p>

Name of the holder of a capital markets services licence: _____

Name of auditor(s) of the abovestated holder: _____

Financial Year Ended: _____

1. I/We* have inspected the holder's licence and noted any condition or restriction thereon.

2. I/We* have conducted a check or examination of —

- (a) the internal control procedures for recording transactions relating to all regulated activities;
- (b) all transactions from the point of receipt of customers' money or assets to payment into the trust account maintained with the custodian;
- (c) all transactions from the point of withdrawal of customers' money or assets from the trust account to ultimate correct application;
- (d) the customers' records including the reconciliation of customers' ledger, trust accounts, the market value of security held for unpaid accounts and the incidence of doubtful debts;
- (e) the operation and control of margin account procedures;
- (f) the operation and control of trust account procedures;
- (g) the internal control procedures relating to the safe custody of customers' assets including the confirmation from custodian and other persons holding customers' assets;
- (h) the computation of capital requirements under the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations 2002; and
- (i) such other ledgers or records as I/we* have considered necessary to examine for the purposes of this audit.

3. After conducting the check or examination in accordance with paragraph 2 and after making the necessary enquiries, I am/we are* of the opinion that —

- (a) the accounting and other records kept by the holder comply/do not comply* with section 102 of the the Act;

- (b) the internal control procedures of the holder are/are not* adequate having regard to the nature and size of the business of the holder;
- (c) the internal control procedures designed to ensure compliance with all the conditions or restrictions applicable to the holder's licence are adequate/not adequate*;
- (d) the trust account has/has not* been maintained at all times during the financial year in accordance with section 104 of the Act and the records therefore are adequate/inadequate*;
- (e) proper records have/have not* been maintained for the safe custody of the customers' securities and assets; and adequate internal control procedures have/have not* been implemented to minimise risk of mishandling and misappropriation of the customers' securities and assets;
- (f) margin requirements have/have not* been maintained at all times during the year in accordance with regulation 24 of the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations 2002;
- (g) no matter/no other matter* has arisen during the year which would have required me/us* to report to the relevant authority pursuant to section 108 of the Act;
- (h) all conditions and restrictions of a financial nature applicable to the holder's licence have/have not* been complied with;
- (i) all financial requirements prescribed under section 86(3) of the Act have/have not* been complied with; and
- (j) all conditions and restrictions varied or imposed by the Authority by notice in writing to the holder pursuant to section 88(1) of the Act have/have not* been complied with.

4. The checks and examinations referred to in this report, the audit of the accompanying balance sheet of the holder as at _____ 20____, the profit and loss account for the year ended on that date and notes have/have not* been carried out in accordance with Singapore Standards on Auditing and included/did not include* such tests of the accounting records and such other auditing procedures as I/we* considered necessary.

5. The holder has placed restriction/no restriction* on the scope of the audit and all the information and explanations required were/were not* received.

Dated this _____ day of _____ 20_____.

Signature(s) of Auditor(s): _____

Note:

If any part of this report is qualified, attach a separate detailed report.

* Delete whichever is inapplicable.

SECURITIES AND FUTURES ACT 2001
(Act 42 of 2001)

SECURITIES AND FUTURES (FINANCIAL AND MARGIN
REQUIREMENTS FOR HOLDERS OF CAPITAL MARKETS
SERVICES LICENCES) REGULATIONS 2002

REGULATION 27(8)

FORM

8

I/We* report that in my/our* opinion, the Statements of Assets and Liabilities¹ and the statement relating to the accounts of a holder of a capital markets services licence in Form 6 in the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations 2002, of _____ (name of holder of capital markets services licence) have been properly drawn up in accordance with the requirements of regulation 27 of the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations 2002 and the Singapore Statements of Accounting Standards.

Dated this _____ day of _____ 20_____

Signatures of Auditors: _____

(Names of Auditors)

* Delete whichever is inapplicable.

¹ The Statement of Assets and Liabilities mentioned above shall be —
(a) in the case of a holder referred to in regulations 5 and 12(1), Form 1.
(b) in the case of a holder referred to in regulation 8(1)(a), Form 3.
(c) in the case of a holder referred to in regulation 8(1)(b) of (c), Form 4.

SECURITIES AND FUTURES ACT 2001
(Act 42 of 2001)

SECURITIES AND FUTURES (FINANCIAL AND MARGIN
REQUIREMENTS FOR HOLDERS OF CAPITAL MARKETS
SERVICES LICENCES) REGULATIONS 2002

REGULATION 27(5) AND (6)

FORM

9

Name of the holder of a capital markets services licence: _____

Statement as at: _____
(dd/mm/yy)

Top 5 aggregate margin exposure in respect of securities listed on each securities exchange

	Name of Securities Exchange	Margin Exposure \$	Margin exposure as a percentage of average free financial resources/average adjusted net capital*
1			
2			
3			
4			
5			
Sub-total			
Other securities exchanges			
Total			

I certify that _____(name of the holder) complied/did not comply* with regulation 24(3)(a) and (b) of the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations 2002 for the quarter ended _____(dd/mm/yy).

I certify that the above information is to the best of my knowledge and belief true and correct.

Note:

If statement is qualified, please attach detailed report.

Dated this _____ day of _____ 20__

Signature: _____

(Name of Director/Secretary*)

* Delete whichever is inapplicable.

SECURITIES AND FUTURES ACT 2001
(Act 42 of 2001)

SECURITIES AND FUTURES (FINANCIAL AND MARGIN
REQUIREMENTS FOR HOLDERS OF CAPITAL MARKETS
SERVICES LICENCES) REGULATIONS 2002

REGULATION 27(5) AND (6)

FORM

10

Name of the holder of a capital markets services licence: _____

Statement as at: _____
(dd/mm/yy)

Top 10 margin customers with largest debit balances

	Name of Customer	Account Debit Balance \$	Equity \$	Account Debit Balance as a percentage of average free financial resources/average adjusted net capital*
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
Sub-total				
Other margin customers				
Total				

I certify that _____(name of the holder) complied/did not comply* with regulation 24(3)(c) of the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations 2002 for the quarter ended _____(dd/mm/yy).

I certify that the above information is to the best of my knowledge and belief true and correct.

Dated this _____ day of _____ 20____

Signature: _____

(Name of Director/Secretary*)

Note:

If statement is qualified, please attach detailed report.

* Delete whichever is inapplicable.

SECURITIES AND FUTURES ACT 2001
(Act 42 of 2001)

SECURITIES AND FUTURES (FINANCIAL AND MARGIN
REQUIREMENTS FOR HOLDERS OF CAPITAL MARKETS
SERVICES LICENCES) REGULATIONS 2002

REGULATION 27(5) AND (6)

**STATEMENT OF EXPOSURE TO
MARGINED SINGLE SECURITY**

FORM
11

Name of the holder of a capital markets services licence: _____

Statement as at: _____
(dd/mm/yy)

Top 10 margined single security with largest margin exposure

	Name of Security	Margin Exposure \$	Margin exposure as a percentage of average free financial resources/average adjusted net capital*
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
Sub-total			
Other margined securities			
Total			

I certify that the above information is to the best of my knowledge and belief true and correct.

Dated this _____ day of _____ 20__.

Signature: _____

(Name of Director/Secretary*)

* Delete whichever is inapplicable.

Made this 23rd day of September 2002.

KOH YONG GUAN
Managing Director,
Monetary Authority of
Singapore.

[FSG SRDD 01/2002; AG/LEG/SL/288A/2001/1 Vol. 4]

jk/RBC Reg.7 (L:MM Zip) (24.9.02)