

**DRAFT SECURITIES AND FUTURES (MARKETS)
REGULATIONS 2009**

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**SECURITIES AND FUTURES ACT
(CHAPTER 289, SECTION 45)**

DRAFT SECURITIES AND FUTURES (MARKETS) REGULATIONS

PART I

PRELIMINARY

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PART II

APPROVAL, RECOGNITION AND EXEMPTION

[.....]

PART III

REGULATION OF APPROVED EXCHANGES

Division 1 – Obligations and matters relating to approved exchanges

Obligation to notify Authority of certain matters

9.—(1) For the purposes of section 17(1) of the Act, an approved exchange shall, as soon as practicable after the occurrence of any of the following circumstances, notify the Authority of such circumstance:

- (a) any civil or criminal legal proceeding instituted against the approved exchange, whether in Singapore or elsewhere;

- (b) any disciplinary action taken against the approved exchange by any regulatory authority, whether in Singapore or elsewhere, other than the Authority;
- (c) any significant change to the regulatory requirements imposed on the approved exchange by any regulatory authority, whether in Singapore or elsewhere, other than the Authority;
- ~~(d) a failure by the approved exchange to adhere to the trading days, hours or sessions of the approved exchange;~~
- (e) any disruption of, delay in, suspension of or termination ~~in~~of any trading procedure or trading practice of the approved exchange including those resulting from any system failure.

(2) Where a circumstance referred to in paragraph (1)(a), (b), ~~(d)~~ or (e) has occurred, the approved exchange shall, in addition to the notification required under paragraph (1), within 14 days of the occurrence of the circumstance or such longer period as the Authority may permit, submit a report to the Authority of the circumstances relating to the occurrence, the remedial actions taken at the time of the occurrence, and the subsequent follow-up actions that the approved exchange has taken or intends to take.

(3) An approved exchange shall, within a reasonable period of time prior to entering into negotiations to establish a trading linkage, clearing arrangement or co-operative arrangement with the person establishing or operating an overseas market or clearing facility, notify the Authority of such intent to enter into negotiations.

(4) In paragraph (3), “co-operative arrangement” shall not include —

- (a) any joint development of products and services;
- (b) any joint marketing efforts between the approved exchange and the person operating an overseas market or clearing facility in promoting the services of either entity; or
- (c) any memoranda of understanding for the exchange of information.

Determination of position ~~and trading~~ limits

~~15. (1) The position and trading limits in respect of—~~

- ~~(a) any futures contract listed on an approved exchange; or~~
- ~~(b) any other contract traded by, through or with a member of an approved exchange which holds a capital markets services licence to trade in futures contracts;~~

~~shall be determined from time to time by the approved exchange using such criteria or methodology as may be established by the approved exchange with the approval of the Authority.~~

~~(2) The position and trading limits under paragraph (1) may include limits on a person holding or controlling positions, separately or in combination, net long or net short, for the purchase or sale of a futures contract or an option for the futures contract on a futures equivalent basis.~~

~~(3) The approved exchange—~~

- ~~(a) shall require a person, or any person acting for him pursuant to an express or implied agreement or understanding, who holds or controls net long or net short positions in any futures contract in excess of the position limits determined under paragraph (1), to trade under such conditions and restrictions as the approved exchange considers necessary to ensure compliance with the position limits determined under that paragraph; and~~
- ~~(b) may require the person referred to in sub-paragraph (a) to do one or more of the following actions:
 - ~~—(i) cease any further increase in his position;~~
 - ~~—(ii) liquidate his position to comply with the position limits determined under paragraph (1) within such time as may be determined by the approved exchange; or~~
 - ~~—(iii) be subject to higher margin requirements in respect of his position.~~~~

~~(4) The Authority may—~~

- ~~(a) require a person, or any person acting for him pursuant to an express or implied agreement or understanding, who holds or controls net long or net short positions in any futures contract in excess of the position limits determined under paragraph (1), to trade under such conditions and restrictions as the Authority considers necessary to ensure compliance with the position limits determined under that paragraph; and~~
- ~~(b) require the person referred to in sub-paragraph (a) to do one or more of the following actions:~~

- ~~—(i) cease any further increase in his position;~~
- ~~—(ii) liquidate his position to comply with the position limits determined under paragraph (1) within such time as may be determined by the Authority; or~~
- ~~—(iii) be subject to higher margin requirements in respect of his position;~~

~~and where the Authority does so, the requirement imposed by the Authority under sub-paragraph (a) or (b) shall supersede a requirement imposed by the approved exchange under paragraph (3)(a) or (b), as the case may be.~~

~~(5) Where the Authority has imposed any requirement under paragraph (4), any person who fails to comply with such requirement shall be guilty of an offence and shall be liable on conviction —~~

~~(a) in the case of an individual, to a fine not exceeding \$25,000 or to imprisonment for a term not exceeding 12 months or to both; or~~

~~(b) in the case of a corporation, to a fine not exceeding \$50,000.~~

~~(6) In paragraph (2), “futures equivalent basis” means the basis by which an option is adjusted by the risk factor or delta coefficient of that option, such risk factor or delta coefficient being calculated at the close of trading on the last day on which that option was traded or at such other time as the Authority may determine.~~

15.—(1) For the purposes of section 45(1A) of the Act, in determining whether a person has exceeded any position limit established or varied by an approved exchange pursuant to section 16A of the Act in respect of a futures contract, the approved exchange shall reckon —

(a) any position held by any other person directly or indirectly controlled by the first-mentioned person;

(b) any position held by any other person acting, pursuant to an express or implied agreement or understanding, as if such position were held by the first-mentioned person; and

(c) any position held in respect of options on the futures contract, calculated on a futures equivalent basis.

(2) For the purposes of section 45(1A) of the Act, an approved exchange shall require a person who has exceeded any positions limit as established or varied by the approved exchange, or any other person whose position has been included for the purposes of making any determination in accordance with paragraph (2)(a) or (b), to trade under such conditions and restrictions as the approved exchange considers necessary to ensure compliance with any position limit established or varied by the approved exchange.

(3) In paragraph (1)(c), “futures equivalent basis” means the basis by which an option is adjusted by the risk factor or delta coefficient of that option, such risk

factor or delta coefficient being calculated at the close of trading on the last day on which that option was traded or at such other time as the approved exchange may determine.

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PART IV

REGULATION OF RECOGNISED MARKET OPERATORS

Obligation to notify Authority of certain matters

23.—(1) For the purposes of section 38 of the Act, a recognised market operator shall, as soon as practicable after the occurrence of any of the following circumstances, notify the Authority of such circumstance:

- (a) any civil or criminal legal proceeding instituted against the recognised market operator, whether in Singapore or elsewhere, which may have a material impact on the operations or finances of the recognised market operator;
- (b) any disciplinary action taken against the recognised market operator by any regulatory authority, whether in Singapore or elsewhere, other than the Authority;
- (c) any material change to the regulatory requirements imposed on the recognised market operator by any regulatory authority, whether in Singapore or elsewhere, other than the Authority;
- (e) any material disruption of, delay in, suspension of or termination in any trading procedure or trading practice of the recognised market operator, including those resulting from any system failure;
- (f) the recognised market operator becoming aware of any acquisition or disposal by any person of a substantial shareholding in the recognised market operator;

~~(g) where the recognised market operator is one specified in the Second Schedule, any amendment to its business rules.~~

~~(2) Where a circumstance under paragraph (1)(a), (b), (d) or (e) has occurred, the recognised market operator shall, in addition to the notification required under paragraph (1), within 14 days of the occurrence of the circumstance, or such longer period as the Authority may permit, submit a report to the Authority of the circumstances relating to the occurrence, the remedial actions taken at the time of~~

~~the occurrence, and the subsequent follow-up actions that the recognised market operator has taken or intends to take.~~

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Business continuity plan

25.—(1) A recognised market operator shall maintain at all times a plan of action (referred to in this regulation as a business continuity plan) setting out the procedures and establishing the systems necessary to restore fair, orderly and transparent operations of any market it operates, in the event of any disruption to the operations of the market.

(2) A recognised market operator shall review the procedures and systems referred to in paragraph (1) on such regular basis as may be specified in the business continuity plan.

~~(3) A recognised market operator shall immediately notify the Authority of any activation of its business continuity plan and of any action taken or intended to be taken to restore fair, orderly and transparent operations of any market it operates.~~

~~(4) A recognised market operator shall, within 14 days or such longer period as the Authority may permit, inform the Authority of any material change to the business continuity plan, and shall submit, at the request of the Authority, a copy of the new plan to the Authority.~~

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PART V

MISCELLANEOUS

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PART VI

REVOCATION

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FIRST SCHEDULE

Regulation 4

FEEES

[.....]

SECOND SCHEDULE

Regulations 23(1) and 28

RECOGNISED MARKET OPERATORS

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