

SECURITIES AND FUTURES ACT

(CHAPTER 289)

SECURITIES AND FUTURES (SHORT SELLING) REGULATIONS 2017

In exercise of the powers conferred by sections 44 and 137ZM of the Securities and Futures Act, the Monetary Authority of Singapore makes the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Securities and Futures (Short Selling) Regulations 2017 and come into operation on [date].

Definitions

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

“customer” means a person on whose behalf a fund manager carries on or will carry on fund management;

“designated market maker” means a person which is registered as a designated market maker by an approved exchange specified in the First Schedule;

“fund manager” means a person, whether in Singapore or elsewhere, which carries on fund management by undertaking on behalf of a customer, on a discretionary authority granted by the customer, the management of a portfolio of capital markets products which includes any specified capital markets products;

“position day” means the last day of each week in which an approved exchange in Singapore is open for the trading of any specified capital markets products;

“registered market maker” means a person which is registered as a registered market maker by an approved exchange specified in the First Schedule;

“segmented short position” —

- (a) in relation to a trading desk, means the amount by which the quantity, volume or value of any specified capital markets products in the portfolio of the trading desk in which the specified person of the trading desk has an interest, is less than the quantity, volume or value of the specified capital markets products which the specified person is under an obligation to deliver in respect of that portfolio; and
- (b) in relation to a customer, means the amount by which the quantity, volume or value of any specified capital markets products in a portfolio of the customer that

a fund manager manages on behalf of the customer, in which the customer has an interest, is less than the quantity, volume or value of the specified capital markets products which the customer is under an obligation to deliver, or the fund manager is under an obligation to deliver on behalf of the customer, in respect of that portfolio,

where the quantity, volume or value of any specified capital markets products is determined in accordance with regulation 3;

“segmented short sell order” –

- (a) in relation to a trading desk, means an order made by the trading desk to sell any specified capital markets products in respect of the portfolio of the trading desk, where the specified person does not, at the time of the order, have an interest in the specified capital markets products in respect of the portfolio of that trading desk; and
- (b) in relation to a customer, means an order made by a fund manager to sell any specified capital markets products in respect of a portfolio of the customer which the fund manager manages on behalf of the customer, where the customer does not, at the time of the order, have an interest in the specified capital markets products in respect of that portfolio;

“specified person” means a corporation or a limited liability partnership;

“trading desk” means the highest level in a separate and distinct department, division, section or unit of a specified person, at which independent investment decisions in respect of any specified capital markets products are made in the ordinary course of business; and

“week” means a continuous period of 7 days beginning on Monday.

(2) For the purposes of determining –

- (a) if a specified person of a trading desk, or customer on whose behalf a fund manager manages a portfolio, has an interest in specified capital markets products in respect of the portfolio of that trading desk, or customer’s portfolio (as the case may be), section 137ZH(2) and (3) of the Act applies as if every reference in that section to the person were a reference to the specified person in respect of the portfolio of that trading desk or the customer in respect of its portfolio managed by that fund manager, as the case may be; and
- (b) if a specified person of a trading desk, or customer on whose behalf a fund manager manages a portfolio, is under an obligation to deliver in the definition of “segmented short position”, section 137ZH(4) of the Act applies as if every reference in that section to the person were a reference to the specified person in respect of the portfolio of that trading desk, or customer in respect of its portfolio managed by that fund manager, as the case may be.

Quantity, volume or value of specified capital markets products

3. For the purposes of the definition of “short position” in section 137ZH(1) of the Act and the definition of “segmented short position” –

- (a) the quantity or volume of any specified capital markets products is determined at the close of trading on the position day on which the specified capital markets products were traded; and
- (b) the value of any specified capital markets products is determined at the closing price of the relevant class of shares in respect of the specified capital markets products at the close of trading on the position day on which the specified capital markets products were traded.

Specified capital markets products

4. For the purpose of the definition of “specified capital markets products” in section 137ZH(1) of the Act, the following capital markets products are prescribed as specified capital markets products:

- (a) any shares of a corporation which is listed on an approved exchange, such listing being a primary listing;
- (b) any shares of a corporation –
 - (i) which is listed on an approved exchange, such listing being a secondary listing; and
 - (ii) which satisfies either of the following conditions:
 - (A) the shares of the corporation are a constituent of an index specified in the Second Schedule;
 - (B) the shares are of a corporation specified in the Third Schedule.

Short position threshold

5. — (1) For the purpose of section 137ZK(1) of the Act, the short position threshold in respect of any specified capital markets product is the lower of —

- (a) 0.05% of the outstanding shares in the relevant class of shares of the corporation in respect of the specified capital markets products; or
- (b) \$1,000,000 in aggregate value of the outstanding shares in the relevant class of shares of the corporation in respect of the specified capital markets products.

(2) For the purpose of section 137ZK(1) of the Act, the person (A) must report the information specified in paragraph (3) to the Authority directly or through another person (B) –

- (a) within 2 business days after the position day; and

- (b) by lodging the form set out at the Authority's Internet website at [*website*], in the manner specified in that website.
- (3) For the purposes of section 137ZK(1)(a) of the Act and paragraph (2) –
- (a) the information on the identity of *A* and (if applicable) *B* includes –
- (i) *A*'s name and (if applicable) *B*'s name;
 - (ii) where *A* or (if applicable) *B*, is an individual, his identity card number or passport number;
 - (iii) where *A* or (if applicable) *B*, is an entity or trust, the type of business entity or trust that *A* or (if applicable) *B* is, and (if applicable) its registration number; and
 - (iv) any other information in relation to *A* and (if applicable) *B*, sufficient to enable the Authority to identify *A* and (if applicable) *B*; and
- (b) the information on *A*'s short position in relation to the specified capital markets products includes –
- (i) the position day on which the short position is determined;
 - (ii) the stock code of the specified capital markets products;
 - (iii) the short position; and
 - (iv) any other information in relation to the short position, sufficient for the Authority to establish the short position of *A*.

Publication of short sell orders

6. – (1) For the purpose of section 44(1) of the Act, an approved exchange mentioned in section 137ZJ(1) or (3) of the Act, or paragraph 9(2) or 11(3), must before the start of every trading day –

- (a) determine the aggregate volume of short sell orders and segmented short sell orders in relation to a specified capital markets products –
- (i) which were disclosed to the approved exchange by the following persons in the immediately preceding trading day:
 - (A) person (*A*) or the other person (*B*) under section 137ZJ of the Act;
 - (B) the trading desk in paragraph 9(2);
 - (C) the fund manager in paragraph 11(3); and
 - (ii) which were matched and executed on the immediately preceding trading day; and

- (b) publish the aggregate volume of short sell orders and segmented short sell orders in relation to the specified capital markets products determined pursuant to subparagraph (a).
- (2) Any approved exchange that contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000, and in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

Exemption from sections 137ZJ and 137ZK of the Act for designated market makers

7. A designated market maker is exempt under section 137ZI(3) of the Act from –
- (a) section 137ZJ(1) of the Act in respect of any short sell order made on the approved exchange by the designated market maker as a designated market maker; and
 - (b) section 137ZK(1) of the Act in respect of reporting its short position in relation to any specified capital markets products, which arises in relation to the transactions made on the approved exchange by the designated market maker as a designated market maker.

Exemption from section 137ZJ of the Act for registered market makers

8. A registered market maker is exempt under section 137ZI(3) of the Act from section 137ZJ(1) of the Act in respect of any short sell order made on the approved exchange by the registered market maker as a registered market maker.

Exemption from section 137ZJ of the Act for corporations and limited liability partnerships with trading desks

9. — (1) Subject to the satisfaction of the conditions in paragraph (2), a specified person which has 2 or more trading desks is exempt under section 137ZI(3) of the Act from section 137ZJ(1) of the Act in respect of any short sell order made by the specified person on any approved exchange.
- (2) For the purposes of paragraph (1), the condition is that a trading desk of the specified person which makes a segmented short sell order on any approved exchange must, before or at the time of the segmented short sell order, disclose to the approved exchange –
- (a) that the specified person or the trading desk intends to make or is making a segmented short sell order; and
 - (b) the quantity, volume or value of the specified capital markets products in relation to which the specified person or trading desk, as the case may be, intends to make

or is making the segmented short sell order but in which the trading desk does not have an interest.

(3) The condition in paragraph (2) may be satisfied if a relevant person places the segmented short sell order mentioned in paragraph (2) on behalf of the trading desk and discloses the information mentioned in paragraph (2)(a) and (b) to the approved exchange.

(4) For purposes of this regulation and regulation 10, “relevant person” means –

- (a) another trading desk of the specified person; or
- (b) a person other than the specified person.

Exemption from section 137ZK of the Act for corporations and limited liability partnerships with trading desks

10. – (1) Subject to the satisfaction of the conditions in paragraph (2), a specified person which has 2 or more trading desks is exempt under section 137ZI(3) of the Act from section 137ZK(1) of the Act in respect of reporting its short position in relation to any specified capital markets products.

(2) For the purposes of paragraph (1), the condition is that a trading desk of the specified person must report the information specified in paragraph (3) to the Authority directly, or through a relevant person, in the form and manner specified in paragraph (4).

(3) The information to be reported to the Authority is –

- (a) the segmented short position of the trading desk in relation to the specified capital markets products; and
- (b) such information in relation to the identity of the trading desk and specified person, as the Authority may require and, if applicable, the relevant person.

(4) The information mentioned in paragraph (3) is to be reported –

- (a) within 2 business days after the position day; and
- (b) by lodging the form set out at the Authority’s Internet website at [*website*], in the manner specified in that website.

Exemption from sections 137ZJ and 137ZK of the Act for a customer with 1 or more fund managers

11. – (1) Subject to the conditions in paragraph (3), a customer which has 1 or more fund managers is exempt under section 137ZI(3) of the Act from section 137ZJ(1) of the Act in respect of any short sell order made by any fund manager on behalf of the customer, on any approved exchange.

(2) Subject to the conditions in paragraph (5), a customer which has 1 or more fund managers is exempt under section 137ZI(3) from section 137ZK(1) of the Act in respect of reporting any short position in relation to any specified capital markets products entered into by any or all of the fund managers on the customer's behalf.

(3) For the purposes of paragraph (1), the condition is that the fund manager of the customer which makes a segmented short sell order on any approved exchange must, before or at the time of the segmented short sell order, disclose to the approved exchange –

- (a) that the customer or fund manager, intends to make or is making a segmented short sell order; and
- (b) the quantity, volume or value of the specified capital markets products in relation to which the customer or fund manager, as the case may be, intends to make or is making the segmented short sell order but in which the customer's portfolio managed by the fund manager does not have an interest.

(4) The condition in paragraph (3) may be satisfied if another person places the segmented short sell order mentioned in paragraph (3) on behalf of the fund manager and discloses the information mentioned in paragraph (3)(a) and (b) to the approved exchange.

(5) For the purposes of paragraph (2), the condition is that a fund manager of the customer must report the information specified in paragraph (6) to the Authority directly, or through a relevant person, in the form and manner specified in paragraph (7).

(6) The information to be reported to the Authority is –

- (a) the segmented short position of the customer in relation to the specified capital markets products to be taken by the fund manager; and
- (b) such information in relation to the identity of the customer and the fund manager, as the Authority may require and, if applicable, the relevant person.

(7) The information mentioned in paragraph (6) is to be reported –

- (a) within 2 business days after the position day; and
- (b) by lodging the form set out at the Authority's Internet website at [website], in the manner specified in that website.

FIRST SCHEDULE

Regulation (2)(1)

Approved Exchanges

1. Singapore Exchange Securities Trading Limited

SECOND SCHEDULE

Regulation (4)(b)

Indices

1. FTSE Straits Times Index

THIRD SCHEDULE

Regulation (4)(b)

Corporations

1. There is no corporation specified for the purposes of regulation 4(b).