

## AMENDMENTS TO CDP CLEARING RULES

### Proposed Changes

#### 1.2.1

In these Clearing Rules, unless the context otherwise requires:—

Where a provision of these Clearing Rules refers to or has effect for the purposes of a particular provision of the SFA or the Companies Act (Cap. 50) or any subsidiary legislation promulgated under it ("the Companies Act") — the word or expression has in that provision of these Clearing Rules the same meaning as it has in that provision of the SFA or the Companies Act; in any other case, the word or expression has the same meaning in these Clearing Rules as it has in the SFA or the Companies Act.

Unless the context requires otherwise, where the terms defined below are defined in relation to a holder of a Capital Markets Services Licence, such definitions shall, with the necessary modifications, apply to a Clearing Member as those definitions apply to a holder of a Capital Markets Services Licence whether or not that Clearing Member holds a Capital Markets Services Licence.

Term	Meaning
<u>A</u>	
"adjusted net head office funds"	when used in reference to:—  (1) a General Clearing Member incorporated outside Singapore, has the meaning ascribed to it in <u>Regulation 2 paragraph 2 of the Second Schedule</u> of the SFR (Financial and Margin Requirements); and  (2) a Bank Clearing Member incorporated outside Singapore which has satisfied Rule 3.1.3 <del>(11)</del> <u>(10)</u> (c), has the meaning ascribed to it in <u>Regulation 2 paragraph 2 of the Second Schedule</u> of the SFR (Financial and Margin Requirements), less the capital requirements for its banking business.
"aggregate resources"	when used in reference to:—  (1) a Clearing Member incorporated in Singapore, means its financial resources <u>(including and</u> qualifying letters of credit referred to in Rule 5.1C) less its total risk requirement;  (2) a General Clearing Member incorporated outside Singapore or a Bank Clearing Member incorporated outside Singapore which has satisfied Rule 3.1.3(10)(c), means its adjusted net head office funds <u>(including and</u> qualifying letters of credit referred to in Rule 5.1G) less its total risk

#### Legend:

Blue underlined: Insertions

Blue struckthrough: Deletions

## Proposed Changes

	<p>requirement; and</p> <p>(3) a Bank Clearing Member incorporated outside Singapore which has satisfied Rule 3.1.3(10)(a) or (b), means its cash and/or acceptable government securities deposited with CDP pursuant to Rule 5.1D.2(1) less its total risk requirement.</p>
<b><u>F</u></b>	
"financial resources"	<p>when used in reference to:—</p> <p>(1) a General Clearing Member incorporated in Singapore, has the meaning ascribed to it in <a href="#">Regulation 2 paragraph 1 of the Second Schedule</a> of the SFR (Financial and Margin Requirements); and</p> <p>(2) a Bank Clearing Member incorporated in Singapore, has the meaning ascribed to it in <a href="#">Regulation 2 paragraph 1 of the Second Schedule</a> of the SFR (Financial and Margin Requirements), less the capital requirements for its banking business.</p>
<b><u>I</u></b>	
" <a href="#">Irredeemable and Non-Cumulative Preference Share Capital</a> "	<a href="#">has the meaning ascribed to it in Regulations 2 of the SFR (Financial and Margin Requirements).</a>
<b><u>O</u></b>	
"Operational Risk Requirement"	<a href="#">has the meaning ascribed to it in <del>paragraph 2 of Third Schedule of the SFR (Financial and Margin Requirements)</del> <a href="#">the Notice on Risk Based Capital Adequacy Requirements for Holders of Capital Markets Services Licences.</a></a>

### Legend:

Blue underlined: Insertions

Blue struckthrough: Deletions

## Proposed Changes

<b>Q</b>	
<u>"Qualifying Letter of Credit"</u>	<u>has the meaning ascribed to it in Regulation 2 of the SFR (Financial and Margin Requirements).</u>
"Qualifying Subordinated Loan"	has the meaning ascribed to it in <del>paragraph 4 of Second Schedule</del> <u>Regulation 2</u> of the SFR (Financial and Margin Requirements).
<b>S</b>	
<del>"Secondary Requirement"</del>	<del>has the meaning ascribed to it in paragraph 2(1)(c) of Third Schedule of the SFR (Financial and Margin Requirements).</del>
<b>T</b>	
"total risk requirement"	<p>when used in reference to:—</p> <p>(1) a General Clearing Member, has the meaning ascribed to it in <del>paragraph 1 of the Third Schedule</del> <u>Regulation 2</u> of the SFR (Financial and Margin Requirements);</p> <p>(2) a Bank Clearing Member incorporated in Singapore or a Bank Clearing Member incorporated outside Singapore which has satisfied Rule 3.1.3<del>(11)</del><u>(10)</u>(c), has the meaning ascribed to it in <del>paragraph 1 of the Third Schedule</del> <u>Regulation 2</u> of the SFR (Financial and Margin Requirements), except that such Bank Clearing Member shall only compute the total risk requirement for all Customers' and proprietary positions in securities and derivatives contracts traded on any exchange, and OTC Contracts novated to any clearing facility; and</p> <p>(3) a Bank Clearing Member incorporated outside Singapore which has satisfied Rule 3.1.3<del>(11)</del><u>(10)</u>(a) or (b), has the meaning ascribed to it in <del>paragraph 1 of the Third Schedule</del> <u>Regulation 2</u> of the SFR (Financial and Margin Requirements), except that such Bank Clearing Member shall only compute the total risk requirement for all Customers' and proprietary positions in securities and derivatives contracts traded on SGX-ST and SGX-DT, and OTC Contracts novated to CDP and SGX-DC.</p>

### Legend:

Blue underlined: Insertions

Blue struckthrough: Deletions

## Proposed Changes

### Rule 5 – Financial/Capital Requirements

#### 5.1C Qualifying Letter of Credit

##### 5.1C.1

For the purpose of Rules 5.1, ~~and~~ 5.1A ~~and 5.1B~~, a Clearing Member may include one (1) or more ~~qualifying letter(s) of credit~~ Qualifying Letter(s) of Credit deposited with CDP or SGX-DC in its calculation of ~~aggregate resources~~ financial resources subject to the total amount payable under the ~~qualifying letter(s) of credit~~ Qualifying Letter(s) of Credit or 50% of its total risk requirement, whichever is lower. In the case of a Clearing Member admitted as a clearing member of CDP and SGX-DC, and which has deposited such ~~qualifying letter(s) of credit~~ Qualifying Letter(s) of Credit with SGX-DC, pursuant to the corresponding provision in the SGX-DC Clearing Rules, it need not deposit another ~~qualifying letter(s) of credit~~ Qualifying Letter(s) of Credit with CDP.

#### 5.1G Qualifying Letter of Credit

##### 5.1G.1

For the purpose of Rules 5.1D, ~~and~~ 5.1E ~~and 5.1F~~, a Clearing Member may include one (1) or more ~~qualifying letter(s) of credit~~ Qualifying Letter(s) of Credit deposited with CDP or SGX-DC in its calculation of ~~aggregate resources~~ adjusted net head office funds subject to the total amount payable under the ~~qualifying letter(s) of credit~~ Qualifying Letter(s) of Credit or 50% of its total risk requirement, whichever is lower. In the case of a Clearing Member admitted as a clearing member of CDP and SGX-DC, and which has deposited such ~~qualifying letter(s) of credit~~ Qualifying Letter(s) of Credit with SGX-DC, pursuant to the corresponding provision in the SGX-DC Clearing Rules, it need not deposit another ~~qualifying letter(s) of credit~~ Qualifying Letter(s) of Credit with CDP.

#### **Legend:**

Blue underlined: Insertions

Blue struckthrough: Deletions

## Proposed Changes

### 5.1G.3

CDP reserves the right to call on any of the ~~qualifying letter of credit~~ Qualifying Letter of Credit furnished pursuant to this Clearing Rules and apply the proceeds thereof in respect of the Clearing Member's default to CDP. In the case of a Clearing Member admitted as a clearing member of CDP and SGX-DC, CDP shall have the discretion to apportion in any manner, the use of the proceeds between CDP and SGX-DC. In deciding on the apportionment, CDP may, in consultation with SGX-DC, take into account factors, including but not limited to, the amount owed by the Clearing Member to CDP and SGX-DC respectively.

### ~~5.1H Secondary Requirement Under Operational Risk Requirement~~

#### ~~5.1H.1~~

~~For the purposes of calculating the operational risk requirement as prescribed in Third Schedule of the SFR (Financial and Margin Requirements), a Clearing Member shall include a secondary requirement computed in the following manner:—~~

~~(1) S\$250,000 x number of Trading Members qualified by the Clearing Member, if the Clearing Member clears its own trades executed on the Exchange; or~~

~~(2) S\$250,000 x (number of Trading Members qualified by the Clearing Member minus 1), if the Clearing Member does not clear its own trades executed on the Exchange.~~

[Rule has been deleted.]

### 5.1I Total Risk Requirement

#### 5.1I.1

(1) Total risk requirement shall be calculated in the same manner as prescribed in the Notice on Risk Based Capital Adequacy Requirements for Holders of Capital Markets Services Licences Third Schedule of the SFR (Financial and Margin Requirements).

(2) For the purposes of calculating total risk requirement under rule 5.1I.1(1):

(a) structured warrants must be treated according to their classification under the SFA;

#### **Legend:**

Blue underlined: Insertions

Blue struckthrough: Deletions

## Proposed Changes

- (b) "margin deficiency" referred to in the [Notice on Risk Based Capital Adequacy Requirements for Holders of Capital Markets Services Licences SFR \(Financial and Margin Requirements\)](#) is the amount required for the Customer Asset Value to meet the Variation Margin and Maintenance Margin, and in the case where Customer Asset Value is not sufficient to meet Variation Margin, the margin deficiency is the amount of Maintenance Margin; and
- (c) "negative equity" referred to in the [Notice on Risk Based Capital Adequacy Requirements for Holders of Capital Markets Services Licences SFR \(Financial and Margin Requirements\)](#) is the amount required for the Customer Asset Value to meet the Variation Margin

## 5.8 Monthly Returns

### 5.8.1

Each Clearing Member must make and keep as a record formal computations of its capital and financial requirements pursuant to:—

- (1) in the case of a General Clearing Member, Rules 5.1, 5.1A, 5.1B, 5.1C, 5.1D, 5.1E, 5.1F, 5.1G, ~~5.1H~~, 5.4, 5.5, 5.6 and 5.7; or
- (2) in the case of a Bank Clearing Member, Rules 5.1, 5.1A, 5.1B, 5.1C, 5.1D, 5.1E, 5.1F, 5.1G, ~~5.1H~~ and 5.4.

The computations must be in such form as CDP may prescribe and submitted to CDP within fourteen (14) calendar days after the end of each month.

~~Refer to Schedule 1A: Monthly Statements.~~

## 5.11 Other Financial Requirements

### 5.11.1 Reduction in Paid-Up Ordinary Share Capital or Paid-Up Irredeemable and Non-Cumulative Preference Share Capital

Each General Clearing Member incorporated in Singapore shall not reduce its paid-up ordinary share capital or paid-up irredeemable and non-cumulative preference share capital without the prior written approval of CDP.

### 5.11.2 Preference Shares

- (1) Each General Clearing Member incorporated in Singapore shall immediately notify CDP prior to the date of issue of any preference share.
- (2) A General Clearing Member incorporated in Singapore shall not repay the principal of redeem any redeemable preference share (other than any paid-up irredeemable and non-cumulative preference share capital) that is computed as part of its financial resources, through

#### Legend:

Blue underlined: Insertions

Blue struckthrough: Deletions

## Proposed Changes

repurchase or redemption:—

- (a) unless the General Clearing Member notifies CDP within such time before the proposed date of repurchase or redemption as prescribed by the SFR (Financial and Margin Requirements);
- (b) if at the date of repurchase or redemption:—
  - (i) its financial resources (~~including qualifying letters of credit referred to in Rule 5.1C~~) is less than 150% of its total risk requirement; or
  - (ii) its aggregate indebtedness exceeds 600% of its aggregate resources;
- (c) if such repurchase or redemption will cause an event in Rule 5.11.2(2)(b) to occur; or
- (d) if CDP has prohibited in writing such a repurchase or redemption.

### 5.11.3 Qualifying Subordinated Loan

- (1) A Clearing Member shall obtain the prior approval of CDP if it enters a subordinated loan agreement in a format other than the format prescribed by CDP from time to time.
- (2) Each Clearing Member incorporated in Singapore, shall immediately notify CDP when it draws down a qualifying subordinated loan, no later than the date of draw down.
- (3) A Clearing Member incorporated in Singapore:—
  - (a) shall not repay, whether in part or in full, any subordinated loan principal before the maturity date without the prior approval of CDP;
  - (b) shall not repay, whether in part or in full, any subordinated loan principal that has matured:—
    - (i) unless the Clearing Member notifies CDP at least one (1) Market Day before the date of repayment;
    - (ii) if the financial resources (~~including qualifying letters of credit referred to in Rule 5.1C~~) of the Clearing Member, are less than 150% of its total risk requirement;
    - (iii) in the case of a General Clearing Member, if its aggregate indebtedness exceeds 600% of its aggregate resources;
    - (iv) if such a repayment will cause an event in Rules 5.11.3 (2)(b)(ii) or (iii) to occur; or
    - (v) if CDP has prohibited in writing such a repayment.

#### **Legend:**

Blue underlined: Insertions

Blue struckthrough: Deletions

## Proposed Changes

### 5.11.4 Making of Unsecured Loan or Advance, Payment of Dividend or Director's Fees or Increase in Director's Remuneration by General Clearing Member

Each General Clearing Member shall not, without the prior written approval of CDP, make any unsecured loan or advance, pay any dividend or director's fees or increase any director's remuneration if:—

(1) in the case where the General Clearing Member is incorporated in Singapore:—

- (a) the base capital of the General Clearing Member is less than the base capital requirement as prescribed in Rules 5.1.1(1) and 5.4;
- (b) the financial resources (~~including qualifying letters of credit referred to in Rule 5.1G~~) of the General Clearing Member are less than 150% of its total risk requirement;
- (c) the aggregate indebtedness of the General Clearing Member exceeds 600% of its aggregate resources; or
- (d) such a loan, advance, payment or increase will cause an event in Rule 5.11.4(1)(a), (b) or (c) to occur; or

(2) in the case where the General Clearing Member is incorporated outside Singapore:—

- (a) the net head office funds of the General Clearing Member are less than the net head office funds requirement as prescribed in Rules 5.1D.1(1) and 5.4;
- (b) the adjusted net head office funds (~~including qualifying letters of credit referred to in Rule 5.1G~~) of the General Clearing Member are less than 150% of its total risk requirement;
- (c) the aggregate indebtedness of the General Clearing Member exceeds 600% of its aggregate resources; or
- (d) such a loan, advance, payment or increase will cause an event in Rules 5.11.4(2)(a), (b) or (c) to occur.

## Rule 14 – Transitional Provisions

### 14.1 Transitional Provisions Regarding Capital/Financial Requirements

#### 14.1.1 Applicability

This Rule establishes the transitional provisions relating to Rules 1.2, 5.1C.1, 5.1G.1, 5.1I, 5.11.1, 5.11.2, 5.11.3, 5.11.4 of the CDP Clearing Rules that was amended on and in force from 29 December 2014.

#### **Legend:**

Blue underlined: Insertions

Blue struckthrough: Deletions



## **Proposed Changes**

### **14.1.2 Transitional Arrangements**

Rules 1.2, 5.1C.1, 5.1G.1, 5.1I, 5.11.1, 5.11.2, 5.11.3, 5.11.4 (as amended on and in force from 29 December 2014), except for the definition of Base Capital, shall not apply to a Transitional Clearing Member during the Transitional Period, and the aforesaid Rules as in force immediately before 29 December 2014 shall continue to apply to a Transitional Clearing Member during the Transitional Period. A reference to any provision of the SFR (Financial and Margin Requirements) in the aforesaid Rules as in force immediately before 29 December 2014 is to that provision in the SFR (Financial and Margin Requirements) as in force immediately before 3 April 2013. For avoidance of doubt, the definition of Base Capital applicable to a Transitional Clearing Member has the same meaning ascribed in the SFR(Financial and Margin Requirements) as in force on 3 April 2013.

### **14.1.3 Transitional Period**

For the purposes of Rule 14.1.2, “Transitional Period” means the period commencing on 3 April 2013 and:-

- (1) in relation to all rule amendments except the definition of Base Capital, till 2 April 2015; or
- (2) ending on such date, before the expiry date stated in Rule 14.1.3(1), specified in a written notice to CDP informing CDP of the Transitional Clearing Member’s intention to adopt the requirements pursuant to Rule 14.1.4,

whichever is the earlier.

### **14.1.4 Notification by Writing**

For the purpose of Rule 14.1.3(2), the Transitional Clearing Member shall notify CDP in writing at least 14 days before the intended date to adopt the requirements.

### **14.1.5 Transitional Clearing Member**

“Transitional Clearing Member” means

(1) in the case of a Clearing Member who is a holder of the Capital Markets Services License, is a “specified holder” as defined under Regulation 25 of the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) (Amendment) Regulations 2013 or a “new holder” as defined under Regulation 26 of the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) (Amendment) Regulations 2013

(2) in the case of a Clearing Member who is not a holder of the Capital Markets Services Licence, is an existing Clearing Member prior to 3 April 2013 or one who applied to be a Clearing Member prior to 3 April 2013.

#### **Legend:**

Blue underlined: Insertions

Blue struckthrough: Deletions

**Proposed Changes****Schedule A****Rule 5 – Financial /Capital Requirements****5.1H Secondary Requirement under Operational Risk Requirement**

5.1 H.1	<del>Clearing Member to include prescribed secondary requirement for the purpose of calculating operational risk requirement under the Third Schedule of the SFR (Financial and Margin Requirements)</del>	Compound dable	<del>\$2,000</del> – <del>\$4,000</del>	<del>\$4,000–</del> <del>\$7,000</del>	<del>\$7,000–</del> <del>\$10,000</del>	<del>N.A.</del>
------------	--	-------------------	---	---	--	-----------------

**Legend:**

Blue underlined: Insertions

Blue struckthrough: Deletions