

## PROPOSED AMENDMENTS TO THE CDP CLEARING RULES

NEW / AMENDED RULES
<b>1.2 Definitions</b>
"Clearing Member Maintenance Margins" means that component of the Clearing Member Required Margins, as determined by CDP, deposited by the Clearing Member with CDP for <u>or in relation to</u> all <del>positions in Marginable Futures Novated</del> Contracts carried in its books.
"Clearing Member Required Margins" means the sum of Clearing Member Maintenance Margins and Clearing Member Variation-Margins.
"Clearing Member Variation Margins" means that component of Clearing Member Required Margins comprising the mark-to-market gains and losses, in relation to the price at which the <del>Marginable Futures Novated</del> Contract was bought and sold, arising from CDP's daily valuation of positions. A net loss increases the Clearing Member Required Margins amount, and a net profit decreases the Clearing Member Required Margins amount.
<u>"Collateral" means all or any of the monies and assets deposited with, or otherwise provided to, CDP by or for a Clearing Member as margin, credit support and/or security as may be required under these Clearing Rules or as otherwise directed by CDP and shall not include the monies and assets of the Clearing Fund.</u>
"Customer Asset Value" means the market value of the moneys and assets in a customer's account subject to such hair-cut as specified by CDP.
"Customer Maintenance Margins" means that component of Customer Required Margins, as determined by CDP, which must be maintained in a customer's account subsequent to the deposit of Initial Margins for that customer's positions in Marginable Futures Contracts.
"Customer Required Margins" means the sum of Customer Maintenance Margins and Customer Variation Margins.
"Customer Variation Margins" means that component of Customer Required Margins arising from CDP's daily valuation of positions. It comprises the mark-to-market gains and losses, in relation to the price at which the Marginable Futures Contract was bought or sold. A net loss increases the Customer Variation Margins and Customer Required Margins amount, and a net profit decreases the Customer Variation Margins and Customer Required Margins amount.
"Excess Margin" means the amount of Customer Asset Value or deposited collateral value that is in excess of the sum of the Initial Margins and Customer Variation Margins.
"Initial Margins" means that minimum amount, as determined by CDP, required to be deposited for positions in Marginable Futures Contracts. This minimum amount is distinct from and in addition to Customer Variation Margins.
"Marginable Futures Contract" means <del>a</del> <u>such</u> Futures Contract, <u>as CDP may prescribe</u> , approved for listing on SGX-ST and which is subject to margin requirements.

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## NEW / AMENDED RULES

“Security Deed” means the deed, in such form as prescribed by CDP, setting out the terms under which a Clearing Member’s Collateral is provided to, and held by CDP.

“Security Interest” means any mortgage, charge, assignment by way of security, pledge, encumbrance, lien, right of set-off, right of consolidation of accounts, retention of title, trust or flawed asset arrangement for the purpose of, or which has the effect of, granting security or credit support or other interests of any kind whatsoever over or in respect of Collateral.

"Valuation Price" means the official price of ~~Marginable Futures~~ Novated Contracts determined by CDP for the purpose of determining Customer Variation Margins or Clearing Member Variation Margins.

### **5.4 Powers to Impose Other Requirements**

5.4.1 If CDP is notified by the Clearing Member or becomes aware that the Clearing Member has failed to comply with the minimum capital and financial requirements prescribed in these Rules, CDP may exercise any of the powers described in Rules 6A.9A and 6.10.

5.4.2 CDP may prescribe for 1 or more Clearing Members, capital, financial and other requirements in excess of the minimum prescribed under Rule 5 herein on the basis of volume, risk exposure of positions carried, risk concentration, margin policies, nature of business conducted or to be conducted or its membership in any exchange or market and such other criteria as deemed necessary by CDP.

### **6.1 Clearing of Exchange Trades**

6.1.1 All Exchange Trades shall be cleared and settled through CDP under Inter-Broker Settlement in accordance with these Clearing Rules. For the avoidance of doubt, Marginable Futures Contracts (whether such contracts open new positions or offset existing positions) are settled through CDP under Inter-Broker Settlement on Settlement Day.

6.1.2 Only Clearing Members shall be permitted to clear and settle Exchange Trades through CDP under Inter-Broker Settlement.

6.1.3(1) Subject to Rule 6.1.3(2), at the election of a Clearing Member, an Exchange Trade may be taken out of Inter-Broker Settlement and cleared and settled through CDP under DVP Settlement in accordance with the DVP Rules.

(2) CDP shall have the discretion to allow or disallow DVP Settlement for such Exchange Trades or classes of Exchange Trades.

6.1.4 Settlement of transactions between the Clearing Member and CDP shall be in the currency as determined by CDP.

### **6.2 Novation in Inter-Broker Settlement**

6.2.1 Subject to Rule 6.2.1A, when a transaction between 2 SGX-ST Trading Members is matched on the Trading System, or is reported to SGX-ST as a reported trade pursuant to the SGX-ST

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## NEW / AMENDED RULES

Rules on "Direct Business", or is otherwise accepted for clearing by the CDP in Inter-Broker Settlement, the following occurs:—

- (1) Where the 2 SGX-ST Trading Members are both Clearing Members, the transaction shall be novated to CDP and Rules 6.2.2, 6.2.3 and 6.2.4 will apply.
- (2) Where 1 of the 2 SGX-ST Trading Members is a Trading only Member, the Clearing Member who has qualified the Trading Member shall, as against the Trading Member, assume the rights, duties and obligations of the counterparty SGX-ST Trading Member to the transaction; i.e. the Clearing Member who has qualified the Trading Member shall become the buyer or seller, as the case may be, to the Trading Member. As against the counterparty SGX-ST Trading Member, the Clearing Member who has qualified the Trading Member shall assume the rights, duties and obligations of the Trading Member and the transaction shall thereupon be novated to CDP and Rules 6.2.2, 6.2.3 and 6.2.4 shall apply.

Thus, for example:— A, a Trading Member, contracts to buy 1,000 shares and the contract is matched on the Trading System with B, a Clearing Member. The Clearing Member who has qualified A is C. Immediately upon the matching of the trade on the Trading System, the following occurs:—

- (a) A's obligation to pay the purchase consideration for 1,000 shares to B is replaced by A's obligation to pay the purchase consideration for 1,000 shares to C and A's right to receive 1,000 shares from B is replaced by A's right to receive 1,000 shares from C.
- (b) B's obligation to deliver 1,000 shares to A is replaced by B's obligation to deliver 1,000 shares to C and B's right to receive the purchase consideration for 1000 shares from A is replaced by B's right to receive the purchase consideration for 1,000 shares from C.
- (c) C assumes A's obligation to pay the purchase consideration for 1,000 shares to B and acquires the corresponding right to receive 1,000 shares from B.

Thereafter, the transaction between C and B is novated to CDP so that:—

- (d) C's obligation to pay the purchase consideration for 1,000 shares to B is replaced by C's obligation to pay the same to CDP; and the corresponding right of C to receive the 1,000 shares from B is replaced by the right of C to receive the 1,000 shares from CDP; and
  - (e) B's obligation to deliver 1,000 shares to C is replaced by B's obligation to deliver the same to CDP; and the corresponding right of B to receive the purchase consideration for the 1,000 shares from C is replaced by the right of B to receive the purchase consideration from CDP.
- (3) Where the 2 SGX-ST Trading Members are Trading only Members, the Clearing Members who have qualified the Trading Members respectively shall assume the rights, duties and obligations of the Trading Members to each other and as against the Trading Member which they have respectively qualified, they shall assume the rights, duties and obligations of the counterparty SGX-ST Trading Member to the transaction. Thereafter the transaction

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## NEW / AMENDED RULES

shall be novated to CDP and Rules 6.2.2, 6.2.3 and 6.2.4 will apply. Thus, for example:—

A, a Trading only Member, contracts to buy 1,000 shares and the contract is matched on the Trading System with B, a Trading only Member. The Clearing Member who has qualified A is C. The Clearing Member who has qualified B is D. Immediately upon the matching of the trade on the Trading System, the following occurs:—

- (a) A's obligation to pay the purchase consideration for 1,000 shares to B is replaced by A's obligation to pay the purchase consideration for 1,000 shares to C and A's right to receive 1,000 shares from B is replaced by A's right to receive 1,000 shares from C.
- (b) B's obligation to deliver 1,000 shares to A is replaced by B's obligation to deliver 1,000 shares to D and B's right to receive the purchase consideration for 1,000 shares from A is replaced by B's right to receive the purchase consideration for 1,000 shares from D.
- (c) C assumes A's obligation to pay the purchase consideration for 1,000 shares to D and acquires the corresponding right to receive 1,000 shares from D.
- (d) D assumes B's obligation to deliver 1,000 shares to C and acquires the corresponding right to receive the purchase consideration for 1,000 shares from C.

Thereafter, the transactions between C and D are novated to CDP so that:—

- (e) C's obligation to pay the purchase consideration for 1,000 shares to D is replaced by C's obligation to pay the same to CDP; and the corresponding right of C to receive 1,000 shares from D is replaced by the right of C to receive 1,000 shares from CDP; and
- (f) D's obligation to deliver 1,000 shares to C is replaced by D's obligation to deliver the same to CDP; and the corresponding right of D to receive the purchase consideration for 1,000 shares from C is replaced by the right of D to receive the purchase consideration for 1,000 shares from CDP.

6.2.1A For transactions in Marginable Futures Contracts between 2 SGX-ST Trading Members which are reported to SGX-ST pursuant to the SGX-ST Rules on "Direct Business", novation under Rules 6.2.1(1)–(3) only takes place when payment of the Clearing Member Required Margins has been confirmed by both settlement bank(s) of the Clearing Members, as a result of the first margin call.

6.2.2 Upon novation of an Exchange Trade to CDP:—

- (1) (a) the obligation of the buying Clearing Member to pay the purchase consideration to the selling Clearing Member is replaced by the obligation of the buying Clearing Member to pay the purchase consideration to CDP; and
- (b) the right of the buying Clearing Member to receive the securities from the selling Clearing Member is replaced by the right of the buying Clearing Member to receive the securities from CDP; and

- (2) (a) the obligation of the selling Clearing Member to deliver the securities to the buying

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## NEW / AMENDED RULES

Clearing Member is replaced by the obligation of the selling Clearing Member to deliver the securities to CDP; and

- (b) the right of the selling Clearing Member to receive the sale consideration from the buying Clearing Member is replaced by the right of the selling Clearing Member to receive the sale consideration from CDP.

6.2.3 The obligations and rights under the Novated Contracts:—

(1) between the buying Clearing Member and CDP; and

(2) between the selling Clearing Member and CDP,

are owed by and to the parties as principals to each other notwithstanding that the buying and selling Clearing Members may have acted as agents for their respective customers in executing or clearing and settling the relevant Exchange Trade.

6.2.4 Subject as otherwise provided in these Clearing Rules the terms of the Novated Contracts shall be on the same terms as the relevant Exchange Trade replaced by such Novated Contracts.

### 6.3 Set-Off of Payment Obligations Under Novated Contracts

6.3.1 In respect of any Clearing Member, its obligation to make payment under Novated Contracts is discharged by, and its entitlement to receive payment under Novated Contracts is satisfied by, net payment in accordance with these Clearing Rules.

6.3.2 In respect of any Clearing Member, its payment obligations arising under the Novated Contracts which are due for settlement on any Settlement Day shall be set-off so that the total of all amounts that such Clearing Member is obliged to pay CDP on that Settlement Day shall be set off against the total of all amounts that such Clearing Member is entitled to receive from CDP on that Settlement Day. The resultant net amount shall be known as the "Net Inter-Broker Settlement Balance". CDP shall issue to the Clearing Member the "Daily Settlement of Account with CDP" by such time as set out in Appendix 1 on any Settlement Day to notify the Clearing Member of its Net Inter-Broker Settlement Balance.

6.3.3 For any Settlement Day, the Net Inter-Broker Settlement Balance shall:

(1) be further set-off against any net amount owing by CDP to the Clearing Member or any net amount owing to CDP by the Clearing Member for Exchange Trades cleared and settled through CDP under DVP Settlement pursuant to the DVP Rules; and

(2) not include the amount owing by CDP to the Clearing Member in respect of every security which is not available in accordance with Rule 6.5.2A and which the Clearing Member has not delivered.

The resultant net amount (the "Final Settlement Balance") shall be payable to CDP by, or payable by CDP to, the Clearing Member on any Settlement Day. The Final Settlement Balance shall be notified to the Clearing Member by on-line transmission (the "On-Line

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<b>NEW / AMENDED RULES</b>
Transmission") to the Clearing Member's terminal by such time as set out in Appendix 1 on each Settlement Day.
<b>6.4 Settlement of Payment Obligations Between Clearing Members and CDP</b>
6.4.1 Unless otherwise notified by CDP to the Clearing Members, settlement of the Final Settlement Balance for each Settlement Day between the Clearing Members and CDP shall be effected by such time as set out in Appendix 1 on that Settlement Day.
6.4.1A If CDP is of the opinion that settlement of the Final Settlement Balance is unlikely to commence at the scheduled time, CDP shall inform Clearing Members of the following matters:  (1) that settlement of the Final Settlement Balance is unlikely to commence at the scheduled time; and  (2) the estimated time at which the delayed settlement will commence.  CDP shall provide adequate time for Clearing Members to make payment and Clearing Members shall effect settlement of the Final Settlement Balance by such time as stipulated by CDP.
6.4.2 The "Daily Settlement of Account with CDP" statement shall be deemed binding and conclusive on each Clearing Member as to the Net Inter-Broker Settlement Balance for each Settlement Day. The On-Line Transmission shall be deemed binding and conclusive on each Clearing Member as to the Final Settlement Balance for each Settlement Day.
6.4.3 Payment of the Final Settlement Balance shall be made by or to a Clearing Member in accordance with Rule 6.4.1 irrespective of any dispute between the Clearing Member and CDP as to the Final Settlement Balance. CDP shall consider any disputes relating to the Final Settlement Balance only after 5.00 p.m. on the Settlement Day and any moneys to be refunded shall be refunded free of interest on the Settlement Day following the day on which the dispute is resolved.
6.4.4 CDP shall be entitled to charge interest on any amount owing to CDP which remains outstanding by such relevant time as set out in Appendix 1 on any Settlement Day at such rate as may be determined by CDP.
<b>6.5 Settlement of Securities Under Novated Contracts</b>
6.5.1 The obligation of CDP to make delivery of securities to a buying Clearing Member pursuant to a Novated Contract on any Settlement Day shall be discharged by CDP crediting such securities to the Clearing Account of the buying Clearing Member before 12.00 midnight on the Settlement Day. Upon such crediting, unless an Exchange Trade is settled by FOP Transaction Settlement or CPF Trade Settlement (see Rule 6.5.1), the buying Clearing Member irrevocably authorises CDP to credit such securities into the "Available" balance of the Securities Account or sub-account of the customer of the buying Clearing Member on whose behalf the buying Clearing Member executed the relevant Exchange Trade for Inter-Broker Settlement.

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## NEW / AMENDED RULES

6.5.1A Pursuant to DVP Rule 6.5.1, where CDP credits securities to the Clearing Account of the buying Clearing Member and an Exchange Trade is settled by FOP Transaction Settlement or CPF Trade Settlement, the buying Clearing Member irrevocably authorises CDP to credit such securities into the "Free" balance of the securities sub-account of the customer of the buying Principal Clearing Member on whose behalf the buying Clearing Member executed the relevant Exchange Trade for Inter-Broker Settlement.

6.5.2 The right of CDP to receive securities on any Settlement Day from a selling Clearing Member pursuant to a Novated Contract shall be satisfied by CDP debiting such securities from the Clearing Account of the selling Clearing Member before 12.00 midnight on the Settlement Day. Upon such debiting, the selling Clearing Member irrevocably authorises CDP to recover such securities from the balance of the Securities Account or sub-account of the customer of the selling Clearing Member on whose behalf the selling Clearing Member executed the relevant Exchange Trade for Inter-Broker Settlement by debiting the said Securities Account or sub-account and to thereafter credit such securities to the Clearing Account of the selling Clearing Member. In the event that there are insufficient or no securities in the balance of such Securities Account or sub-account, the selling Clearing Member shall be responsible for such shortfall. The shortfall in the securities shall be debited to the selling Clearing Member's Clearing Account.

6.5.2A The selling Clearing Member shall ensure that such security referred to in Rule 6.5.2 is available in the balance of the Securities Account or sub-account of its customer by 12.00 noon on Settlement Day, or such time as determined by CDP. Failure to do so shall subject the selling Clearing Member to buying-in under Rule 6.7.

6.5.2B The securities referred to in Rule 6.5.2, in the balance of the Securities Account or sub-account of the customer of the selling Clearing Member on whose behalf the selling Clearing Member executed the relevant Exchange Trade for Inter-Broker Settlement, shall be deemed to be in the "Free" Balance of such Securities Account or sub-account for the purposes of Rule 8.5.1.

6.5.3 For the purposes of Rule 6, the Trading Member qualified by the Clearing Member shall be treated as the buying or selling customer (as the case may be) of the Clearing Member and the settlement of securities bought or sold shall be credited or debited, as the case may be, firstly, to or from the Clearing Member's Clearing Account and thereafter to or from the Securities Account or sub-account of the Trading Member on whose behalf the Clearing Member cleared and settled the relevant Exchange Trade.

### 6.6 CDP'S Obligations Under the Novated Contracts

6.6.1 Without prejudice to Rule 8.2, to the extent that the aggregate of the funds or assets available to CDP are insufficient at any time to meet the aggregate of CDP's liabilities to Clearing Members under all Novated Contracts and/or buying or selling customers under any New Purchase Contracts or New Sale Contracts (as respectively defined under Rule 8.2.2) subsisting at any time, based on the amount of the funds or assets available to CDP for such purpose at the time (taking into account CDP's other liabilities then subsisting), as certified in writing by CDP, each Clearing Member or buying or selling customer to whom CDP is liable under the Novated Contracts or New Purchase Contracts or New Sale Contracts shall only be

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## NEW / AMENDED RULES

entitled to receive payment pro-rata to the amount due to it as compared with the aggregate amount due to all Clearing Members and buying and selling customers under the Novated Contracts or New Purchase Contracts or New Sale Contracts; CDP shall remain liable for such Novated Contracts or New Purchase Contracts or New Sale Contracts but payment of the balance of such amounts due shall only be made as and when and to the extent that such funds or assets are subsequently available.

6.6.2 Without prejudice to Rule 8.2, in respect of CDP's obligations to deliver securities under the Novated Contracts or New Purchase Contracts, to the extent that CDP determines that it is not or may not be possible or reasonably practicable to deliver securities, CDP's obligation shall be to make money compensation to Clearing Members or the buying customers concerned by reference to the market value of such securities at the time such securities were due to be delivered or the value at such other time as CDP shall consider fair and appropriate in the circumstances.

### ~~6.6A Large Exposure Collateralisation for Clearing Members~~

~~6.6A.1 CDP may require a Clearing Member to deposit collateral with CDP if CDP determines the Clearing Member's exposure to be large according to such methodologies as may be determined by CDP from time to time.~~

~~6.6A.2 CDP shall determine and notify the Clearing Member in writing of:~~

- ~~(1) the amount of collateral to be deposited by the Clearing Member;~~
- ~~(2) the time by which the Clearing Member shall deposit this amount of collateral to CDP; and~~
- ~~(3) the form(s) of collateral which CDP will accept from the Clearing Member.~~

~~6.6A.3 CDP shall return any collateral deposited by the Clearing Member pursuant to Rule 6.6A.1 at such time when, in CDP's opinion, such collateral is no longer required.~~

### **6.7 Buying-In by CDP**

Each Clearing Member shall ensure that the securities for all sale transactions are made available in accordance with Rule 6.5.2A and delivered on the Settlement Day in accordance with Rule 6.5.2.

#### 6.7.1 Terminology

For clarity under Rules 6.7 and 6.7A:—

"short Clearing Member" refers to the Clearing Member who fails to comply with the obligation set out in Rule 6.5.2A or has failed to deliver the securities on the Settlement Day in accordance with Rule 6.5.2; and

"selling Clearing Member" refers to the Clearing Member who has sold securities in the buy-in market.

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## NEW / AMENDED RULES

6.7.2 (1) In accordance with the procedures set out below, CDP shall conduct buying-in against a short Clearing Member without giving prior notice to it.

(2) The securities bought-in shall be:

(a) credited to the Securities Account or sub-account of the short Clearing Member's customer in the case where it is the customer who has not made such securities available in his Securities Account or sub-account by such time as specified under Rule 6.5.2A, or failed to deliver the securities in accordance with Rule 6.5.2; and

(b) in any other case, the Stock Account of the short Clearing Member.

(3) The securities bought-in shall thereafter be debited from the short Clearing Member's customer's Securities Account or sub-account or the short Clearing Member's Stock Account, as the case may be, and credited to the short Clearing Member's Clearing Account.

(4) The costs of the buying-in shall be paid by the short Clearing Member.

### 6.7.3 Ready Trades

(1) CDP shall make available a report, at the scheduled time as determined by CDP, listing down all trades for each and every security in respect of which the short Clearing Member has either failed to comply with the obligation set out in Rule 6.5.2A or failed to deliver on the Settlement Day in accordance with Rule 6.5.2.

(2) Buying-in against the short Clearing Member may proceed according to this report and in accordance with Rule 6.7.4, on the Settlement Day or such other Market Day as may be prescribed by CDP.

### 6.7.4 Buying-In Procedures

(1) CDP shall schedule a time for commencement of buying-in and inform Clearing Members of the scheduled time via circular. On the day of buying-in, CDP shall, as far as practicable, by the scheduled time for commencement of buying-in, enter into the Trading System a list of securities to be bought-in, naming the security, the number to be bought, the short Clearing Member and the proposed price. CDP shall, at least 3 working days before changing the scheduled time for commencement of buying-in, inform Clearing Members of the details of such change via circular.

(1A) If CDP is of the opinion that, due to an emergency on a particular day, buying-in is unlikely to commence at the scheduled time, CDP shall, via circular and the electronic trading platform provided by the Exchange, inform Clearing Members of the following matters:

(a) that buying-in will not commence at the scheduled time; and

(b) after assessing the impact of the emergency, the estimated time at which the delayed buying-in will commence.

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## NEW / AMENDED RULES

In any case where the commencement of buying-in is delayed, the delayed buying-in shall only commence at least 30 minutes after the original scheduled time.

- (2) Where the securities to be bought-in are in excess of a board lot, the selling Clearing Member may deliver a board lot or a multiple thereof in reduction of the securities to be bought-in.
- (3) For physical securities to be bought-in, when the offer by the selling Clearing Member exceeds the buy-in quantity, it shall not stop CDP from buying-in.
- (4) CDP shall have the discretion not to buy-in any security in which case CDP shall remove such security from the list shown in the Trading System.
- (5) The buying-in bid price, as determined by CDP, will be 2 minimum bids above the highest of the closing price of the previous day, the reference transacted price or the reference bid price.

For the purpose of this Rule, the reference transacted price and the reference bid price will be any of the last transacted prices and bid prices in the 1 hour preceding the commencement of buying-in, as determined by CDP.

- (6) Subject to paragraph (1A), buying-in shall commence at the time scheduled by CDP on the Settlement Day or the following and successive Market Days and sellers may offer for immediate delivery any securities shown in the list, the first offer at the price bid to be matched by the Trading System. Offers may be in whole or in part of any particular security to be bought-in, provided that where only part is being offered, such part shall be in board lots.
- (7) If the securities are not obtained, CDP shall have absolute discretion to raise the price bid by 2 minimum bids, as determined by SGX-ST, from time to time throughout the Settlement Day until the securities are bought or delivered to CDP.
- (8) If the securities cannot be obtained during the Settlement Day, the buying-in shall continue on the following and successive Market Days at 2 minimum bids, as determined by SGX-ST, higher than the buying-in bid price at the close of the Settlement Day or the previous Market Day, and thereafter CDP shall have absolute discretion to raise the buying-in bid price by 2 minimum bids, as determined by SGX-ST, from time to time throughout the Market Day until the securities are bought or delivered to the CDP.
- (8A) If the securities cannot be obtained by the close of the second Market Day, CDP may require the short Clearing Member to procure the securities within the time stipulated by CDP.
- (9) CDP shall have power to suspend the increase in bids if it is considered advisable.
- (10) For physical securities, the selling Clearing Member, unless it is the purchaser in the original trade, shall deliver the securities to CDP before 1.00 p.m. for buying-ins effected in the morning trading session and by 4.00 p.m. for buying-ins effected in the afternoon

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## NEW / AMENDED RULES

trading session on the same Market Day. CDP shall pay the selling Clearing Member by 11.00 a.m. on the following Market Day.

- (11) For book-entry securities, CDP shall debit the securities from the selling investor's Securities Account or sub-account or the selling Clearing Member's Stock Account, as the case may be, during the settlement run on the same Market Day the buying-in was effected. CDP shall pay the seller's Clearing Member on the following Market Day. This payment shall be set-off against the amounts that such Clearing Member is obliged to pay CDP on the following Market Day, in accordance with Rule 6.3.1.

### 6.7.5 Buying-In Requests by Clearing Members

When a customer or a Trading Member qualified by a Clearing Member, does not make available such securities in its Securities Account or sub-account by such time as specified under Rule 6.5.2A or fails to deliver securities to the Clearing Member by the Settlement Day in accordance with Rule 6.5.2, that Clearing Member may instruct CDP to buy-in against the customer or Trading Member qualified by it.

### 6.7.6 Suspension of Buying-In

- (1) The buying-in procedures shall not apply whenever SGX-ST suspends trading of a security.
- (2) Notwithstanding Rule 6.7.6(1), CDP may suspend either indefinitely or for such time as it thinks fit the buying-in of any securities when circumstances appear to make such suspension desirable. CDP may from time to time, either during the continuance or after the termination of any such suspension, remove, renew or re-impose such suspension.

### 6.7.7 Commission for Buying-In Trades

- (1) Buying-in commission at a rate, to be advised by CDP from time to time, shall be charged and borne by the short Clearing Member.
- (2) All resulting settlement deficiencies or differences shall be settled between CDP and the short Clearing Member, at the normal time for settlement on the Market Day following completion of the transactions in the buying-in market.

6.7.8 CDP shall have the discretion to require a short Clearing Member to furnish reports and confirmations that the delivery requirements have been complied with in respect of all sale contracts.

6.7.9 CDP reserves the right to institute buying-in against open sale positions although the net delivery position of the short Clearing Member with CDP is not a short position.

### **6.7A Penalties for the Non-Delivery of Securities in the Ready Market and Buy-In Market**

6.7.A1 (1) Where a short Clearing Member has failed to deliver securities by the end of the Settlement Day in accordance with Rule 6.5.2, CDP may impose upon the short Clearing Member a fine of \$1,000 or 5% of the contract value of the undelivered securities (whichever is higher).

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## NEW / AMENDED RULES

For the purposes of this Rule, a Clearing Member is deemed to have failed to deliver securities where such securities have not been obtained through buying-in by the end of the Settlement Day.

(2) Nothing in the foregoing prevents CDP from waiving the fine under Rule 6.7A.1 for:

(a) market makers of cross-listed exchange traded funds; or

(b) such class of market participants that SGX may determine in its discretion from time to time, if it is in the interests of the market.

6.7A.2 Where a short Clearing Member is required to procure securities pursuant to Rule 6.7.4(8A), CDP shall impose upon the Clearing Member a penalty of \$5,000 at the end of each day of procurement in which the Clearing Member has failed to procure the short securities.

6.7A.3 CDP may refer a Clearing Member to the Disciplinary Committee where CDP is satisfied that the Clearing Member has frequently failed to deliver securities by the Settlement Day.

6.7A.4 (1) CDP may refer a Clearing Member to the Disciplinary Committee where:

(a) the Clearing Member fails to procure securities as directed by CDP, pursuant to Rule 6.7.4(8A); or

(b) the selling Clearing Member fails to deliver securities in the buying-in market in accordance with the buying-in procedures as prescribed by CDP.

(2) If the Disciplinary Committee is satisfied that CDP has proved on a balance of probabilities that the Clearing Member has committed the conduct described in the charge, the Disciplinary Committee:

(a) shall impose a penalty, pursuant to its power under Rule 11.5.4, not lower than \$20,000; and

(b) may choose to impose, in addition to the penalty in subsection (i), any one or more of the sanction(s) as set out in Rule 11.5.4.

## 6.8 Physical Delivery and Settlement

6.8.1 This Rule applies to securities designated by CDP as being ineligible for clearance or settlement on a book entry.

### 6.8.2 Delivery of Scrips

6.8.2.1 (1) Share certificates and transfer forms for all trades shall be delivered in board lots on a Market Day or as prescribed by CDP.

(2) Unless otherwise determined by CDP, valid transfer documents, duly executed by the transferor and acceptable to the registrar concerned, shall constitute good delivery,

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## NEW / AMENDED RULES

notwithstanding that the transferee's name may not be acceptable to the registrar provided that the transfer receipts shall not be good delivery after 6 months from the time when certificates were available in exchange for the transfer receipts.

(3) Delivery of securities, including special parcels shall be made in the exact quantity sold or, in the case of partial delivery, in normal board lots.

(4) Terms of delivery and settlement for Singapore Government securities and Asian Currency Bonds shall be by mutual arrangement between all parties concerned.

### 6.8.2.2 Scrip Delivery to CDP

(1) Clearing Member shall deliver certificates to CDP by 4.00 p.m. on the Settlement Day of the contracts.

(2) Clearing Member shall ensure that all certificates delivered to CDP constitute good delivery under Rule 6.8.2.1.

### 6.8.2.3 Scrip Delivery by CDP

Delivery from CDP to Clearing Member shall be effected between 9.00 a.m. and 11.00 a.m. on the Market Day following the Settlement Day of the contract.

### 6.8.2.4 Registration for Corporate Actions

(1) Delivery of securities from Clearing Members to CDP, in time for registration of the corporate entitlements, means:—

(a) Where the register or branch register is in Singapore, receipt by CDP of documents 3 clear Market Days before the book closure date, or the date set for determination of entitlements, or the last date of acceptance as the case may be,

(b) Where the register or branch register is outside Singapore and there is no such register in Singapore, receipt by CDP of documents 5 clear Market Days before the relevant dates as in Rule 6.8.2.4(1)(a).

(2) Delivery of securities from CDP to Clearing Members, in time for registration of the corporate entitlements, means:

(a) Where the register or branch register is in Singapore, receipt by the buying Clearing Member of documents 2 clear Market Days before the book closure date, or the date set for determination of entitlements, or the last date of acceptance as the case may be,

(b) Where the register or branch register is outside Singapore and there is no such register in Singapore, receipt by the buying Clearing Member of documents 4 clear Market Days before the relevant dates as in Rule 6.8.2.4(2)(a).

### 6.8.3 Cash Settlement Between Clearing Members and CDP

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(1) By 9.30 a.m. of each Market Day, CDP shall provide a "Statement of Account with CDP" for each Clearing Member showing the net amount receivable from CDP or net amount payable to CDP, being the difference between:—

(a) the amount due from CDP in respect of securities delivered to CDP, and

(b) the amount due to CDP in respect of securities received from CDP.

(2) Settlement between the Clearing Member and CDP shall be effected between 10.00 a.m. and 11.00 a.m. on the Market Day on which the "Statement of Account with CDP" was received. Where a net amount is payable by a Clearing Member, the Clearing Member shall effect settlement of this amount to CDP between the hours of 10.00 a.m. and 11.00 a.m. on the same Market Day. A Clearing Member which effects settlement of the net amount due to CDP after 11.00 a.m. may, at the discretion of CDP, be charged interest on the amount owing at such rate as may be determined by CDP, notwithstanding that CDP may take action against the Clearing Member under Rule 8.

### ~~6.9 General Lien and Right to Set Off~~

~~6.9.1 CDP shall have a lien on all moneys and other properties deposited with CDP and on any other assets of the Clearing Member which may be or become available to CDP.~~

~~6.9.2 Without prejudice to the generality of the foregoing, CDP may at any time combine any account of the Clearing Member with its liabilities to CDP and set off and/or transfer and/or apply any funds in such account towards satisfaction of any liabilities of the Clearing Member to CDP whether or not such accounts are denominated in the same currency.~~

### 6.10 Emergency Powers

6.10.1 In relation to Novated Contracts, where CDP deems it necessary or desirable for ensuring a fair and orderly market or for ensuring a safe and efficient clearing facility, or for ensuring the integrity of the market or for proper management of systemic risk in the market, CDP may, in relation to 1 or more Clearing Members:

(1) require that margins (whether additional or otherwise) be deposited with CDP during the next banking hour after demand or at such time as may be specified by CDP;

(2) require that a portion of the positions carried in any account(s) on the books of such Clearing Member be transferred to the books of 1 or more Clearing Members;

(3) require such Clearing Member to liquidate any of the positions carried in any account(s) on its books;

(4) modify any term in any Contract Specifications, which may include bringing forward the Last Trading Day, or modifying the settlement obligations as set out in ST Rule 9.4.1;

(5) require such Clearing Member to close any accounts;

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<p>(6) require such Clearing Member to deposit additional funds with CDP by such time as it shall specify and in the amount it deems necessary to meet settlements obligations;</p> <p>(7) impose such additional capital requirements on such Clearing Member as CDP deems necessary or desirable;</p> <p>(8) impose such limits and/or conditions to control the activities of such Clearing Member as CDP deems necessary or desirable; and</p> <p>(9) take such action or require the Clearing Member to take such action as CDP deems necessary or desirable.</p>
<p>6.10.2 CDP shall, as soon as practicable, notify the Authority of any action taken by CDP pursuant to Rule 6.10.1.</p>
<p><b>6.11 Market Disorders, Impossibility of Performance, Emergency Situations</b></p>
<p>6.11.1 Without prejudice to Rule 1.1.3, if CDP determines that 1 of the following conditions is satisfied, namely:—</p> <p>(1) a state of war exists or is imminent or threatened and is likely to affect or has affected the normal course of business, including, but not limited to, performance under any Novated Contract or New Purchase Contract or New Sale Contract;</p> <p>(2) the government of any nation, state or territory or any institution or agency thereof has proclaimed or given notice of its intention to exercise, vary or revoke controls which appear likely to affect the normal course of business, including, but not limited to, performance under any Novated Contract or New Purchase Contract or New Sale Contract;</p> <p>(3) any international organisation, or any institution or agency thereof, has introduced, varied, terminated or allowed to lapse any provision so as to be likely to affect the normal course of business, including, but not limited to, performance under any Novated Contract or New Purchase Contract or New Sale Contract, or has given notice of its intention to do so or appears to be about to do so;</p> <p>(4) CDP determines that excessive positions or unwarranted speculation or any other undesirable situation or practice is developing or has developed which is affecting or capable of affecting a market in any Marginable <a href="#">Futures</a> Contract or its underlying;</p> <p>CDP shall be entitled to exercise the powers under Rules <a href="#">6A.9A and</a> 6.10.</p>
<p><b>RULE 6A — MARGIN REQUIREMENTS</b></p>
<p><b>6A.1 Applicability</b></p>
<p>6A.1.1 This Chapter shall be applicable to the margin requirements imposed by CDP for Novated Contracts, the conduct of accounts and other related matters.</p>

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**NEW / AMENDED RULES**

**6A.2 Clearing Member to Procure Customer Margins for Marginable Futures Contract**

6A.2.1 A Clearing Member must procure Initial Margins from its customers and must require that its customers meet the Customer Required Margins for the purpose of meeting margin requirements of Marginable Futures Contracts.

6A.2.2 A Clearing Member must comply with such requirements on the computation and monitoring of a customer's margins as CDP may prescribe.

6A.2.3 A Clearing Member may allow Excess Margins to be withdrawn provided such withdrawal will not cause the deposited collateral to be less than zero.

6A.2.4 Except in respect of Marginable Futures Contracts, nothing in this Clearing Rules shall be construed as requiring a Clearing Member to procure margins from its customers for any other Novated Contract.

**6A.3 Margin Management for Clearing Members In Respect of Margins from Customers for Marginable Futures Contracts**

6A.3.1 Except for trades which reduce Customer Required Margins, a Clearing Member must not accept new orders or new trades in Marginable Futures Contracts for clearing from any customer unless:—

- (1) the minimum Initial Margins for the new trade are deposited or the Clearing Member has reason to believe that the minimum Initial Margins will be deposited within two Market Days from the trade date (T+2); and
- (2) the Customer Asset Value complies with the Customer Required Margins, or the Clearing Member has reason to believe that the additional margins to be deposited pursuant to Rule 6A.3.2 will be deposited within two Market Days from the trade date (T+2).

6A.3.2 If the Customer Asset Value falls below the Customer Required Margins, the Clearing Member must call for additional margins from the customer to bring the Customer Asset Value to no less than the sum of Initial Margins and Customer Variation Margins within two Market Days from the date the Customer Asset Value falls below the Customer Required Margins.

~~6A.3.3 If a Clearing Member is unable to contact a customer to call for margins, a written notice sent to the customer at the most recent address furnished by the customer to the Clearing Member shall be deemed sufficient.~~

~~6A.3.4 The Clearing Member may take actions as it deems appropriate, without giving notice to the customer, to reduce its exposure to the customer. Such actions may include liquidating all or such part of the customer's collateral deposited with the Clearing Member, or taking action to offset all or such part of the customer's positions. CDP may also order such Clearing Member to immediately take such action to offset all or such part of the positions of the customer to rectify the deficiency.~~

~~6A.3.5 Nothing in these Clearing Rules prohibits a Clearing Member from imposing stricter margin~~

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<b>NEW / AMENDED RULES</b>
<del>requirements, higher hair cut rates, shorter payment periods for customers to deposit collateral, more frequent valuations of positions and collateral, and making calls for additional margins, as it sees fit.</del>
6A.3.6 <u>In respect of Marginable Futures Contracts</u> , Clearing Members must not set margin requirements that are less stringent than those prescribed by CDP.
<b>6A.4 Acceptable Collateral for Clearing Members <u>In Respect of Margins from Customers for Marginable Futures Contract</u></b>
6A.4.1 Initial Margins and Customer Required Margins <u>collected by the Clearing Member pursuant to Rule 6A.2.1</u> must be met in the form of collateral as prescribed by CDP from time to time. Such collateral must be in the form of cash, government securities, selected common stocks, bank certificates of deposit, gold bars, gold certificates or such other instruments as CDP permits. Valuation of such collateral must be in accordance with the hair-cut rates specified by CDP.
6A.4.2 Currency and financial instruments denominated in currencies which are subject to exchange controls such that they are illegal tender outside the currency's home country, or are restricted by any form of capital controls are not acceptable forms of collateral for the purpose of meeting customer margin requirements of Marginable Futures Contracts.
<b><u>6A.4A Margin Management for Clearing Members In Respect of Any Margins from Customers</u></b>
6A.4A.1 <u>Where a Clearing Member collects margins from customer in connection with any Exchange Trade, regardless of whether it is required to under the Clearing Rules, the following shall apply:</u>
<p><u>(1) subject to Rule 6A.3.6, nothing in these Clearing Rules prohibits a Clearing Member from imposing margin requirements, hair-cut rates, payment periods for customers to deposit collateral, valuations of positions and collateral, and making calls for additional margins, as it sees fit;</u></p> <p><u>(2) if a Clearing Member is unable to contact a customer to call for margins in respect of a Novated Contract, a written notice sent to the customer at the most recent address furnished by the customer to the Clearing Member shall be deemed sufficient; and</u></p> <p><u>(3) where a customer fails to meet such margin that the Clearing Member may call from the customer, the Clearing Member may take actions as it deems appropriate, without giving notice to the customer, to reduce its exposure to the customer. Such actions may include liquidating all or such part of the customer's collateral deposited with the Clearing Member, or taking action to offset all or such part of the customer's positions. CDP may also order such Clearing Member to immediately take such action to offset all or such part of the positions of the customer to rectify the deficiency.</u></p>
<b>6A.5 Clearing Member to Deposit Margins with CDP</b>
6A.5.1 Clearing Member Required Margins <u>may be determined by CDP from time to time.</u> A Clearing Member shall deposit <del>such margins</del> <u>Clearing Member Required Margins</u> with CDP, <del>as</del>

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**NEW / AMENDED RULES**

~~required by CDP from time to time by such time as CDP prescribes.~~

6A.5.1A If CDP is of the opinion that it is unable to inform Clearing Members, at the prescribed time, of the margins that they are required to deposit with CDP, CDP shall inform Clearing Members accordingly. CDP shall provide adequate time for Clearing Members to deposit such margins.

6A.5.2 The amount of Clearing Member Required Margins ~~required to which must~~ be deposited by any Clearing Member with CDP shall be calculated and determined in accordance with procedures prescribed by CDP, ~~on a gross basis with reference to all accounts carried by such Clearing Member, by aggregating the margin requirements for all accounts carried by such Clearing Member.~~

6A.5.3 All margins deposited with or provided to CDP by a Clearing Member shall be retained by CDP in whole or in part, as CDP may deem necessary but, subject to these Clearing Rules and in particular ~~Rule 6.9~~, Rule 6A.8, Rule 6B.3, and Rule 8.6B and the Security Deed, may be returned to the Clearing Member when the obligations under the Novated Contracts for which such margins have been deposited or provided have been met.

6A.5.4 A Clearing Member shall not deposit with or provide to CDP, monies and assets of its customer for the purpose of meeting Clearing Member Required Margins for Novated Contracts other than Marginable Futures Contracts.

For the purpose of this Rule 6A.5.4, "customer" means a Customer, except where such Customer is:

- (1) a director, officer, employee or representative of the Clearing Member; and
- (2) a related corporation of the Clearing Member with respect to accepted instructions to deal for an account belonging to, and maintained wholly for the benefit of the related corporation.

**6A.6 ~~Forms of Collateral Monies and Assets~~ Acceptable by CDP as Margins**

6A.6.1 Forms of ~~collateral monies and assets~~ acceptable by CDP as margins are:

(1) cash;

(2) Singapore and US Government Securities;

~~(2) letters of credit to the order of CDP in a form and from a bank acceptable to CDP (and in accordance with such procedures as may be prescribed by CDP); or~~

(3) selected common stocks, units of listed business trusts and units of real estate investment trusts; and

~~(4)~~ any other instruments as may be approved by CDP from time to time,

all of which must be and remain unencumbered, unless otherwise permitted or contemplated under these Clearing Rules, the Security Deed or the SFA.

~~6A.6.2 Letters of credit issued by the Clearing Member or the Clearing Member's related~~

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## NEW / AMENDED RULES

~~corporation are not acceptable forms of collateral.~~

~~6A.6.3 A Clearing Member may on approval and as prescribed by CDP deposit such collateral, subject to such terms and conditions as shall have been approved by CDP, and in such denominations as may be prescribed by CDP from time to time, towards the satisfaction of margin requirements prescribed under these Rules.~~

6A.6.4 The Clearing Member shall ~~designate~~ notify CDP as to whether such Collateral ~~collateral~~ is to be maintained as margin solely for Customer Accounts or otherwise ~~House Accounts~~. Such Collateral ~~collateral~~ will be held by CDP ~~for that relevant account~~ accordingly.

~~6A.6.5 CDP shall value such collateral for margin purposes as it deems appropriate. CDP shall, at its sole discretion, determine when any collateral will cease to be acceptable as margin.~~

~~6A.6.6 If any collateral lodged by any Clearing Member is found in any way to be unacceptable by CDP, such collateral will immediately be given zero value for the purposes of satisfying the Clearing Member's margin requirements under these Rules. Replacement margin may be immediately required from the Clearing Member in such an event.~~

~~6A.6.7 CDP's decision in relation to any matter under this Rule shall be final and binding.~~

### 6A.7 Composition of Margins Deposited with CDP

6A.7.1 Without prejudice to the generality of Rule 6A.6, Rule 6B.4 and Rule 6B.6, the aggregate amount of Collateral ~~collateral~~ deposited with or provided to CDP in respect of the ~~total margin requirements in relation to~~ aggregate Customer Required Margins Accounts and House Accounts ~~the aggregate amount of collateral deposited with CDP in respect of all other margin requirements~~ must each separately comply with the following:

- (1) ~~for Clearing Members whose~~ where the relevant total margin requirements are US\$1,000,000 (or its equivalent) or less, the entire margin requirements must be in the form of cash and/or government securities;
- (2) ~~for Clearing Members whose~~ where the relevant total margin requirements are more than US\$1,000,000 (or its equivalent), cash and/or government securities must constitute at least the first US\$1,000,000 of the total margin requirements ~~or 40 percent of the total margin requirements whichever is the greater~~; and
- (3) 60 percent of the relevant total margin requirements must be in the form of cash and/or government securities ~~Letters of Credit~~.

### 6A.8 Mark to Market Gains ~~and Excess Margins~~

6A.8.1 ~~Mark to market gains of an account may be utilised by the Clearing Member or CDP, as the case may be, to meet margin requirements for the same account.~~

Mark-to-market gains may be utilised by the Clearing Member or CDP as follows:

(1) in respect of Novated Contracts other than Marginable Futures Contracts, mark-to-market

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## NEW / AMENDED RULES

gains may only be utilised to meet margin requirements for such other Novated Contracts; and

(2) in respect of Marginable Futures Contracts, mark-to-market gains of an account may only be utilised to meet margins requirements for the same account.

### 6A.9 Valuation Price

6A.9.1 For the computation of Customer Variation Margins and Clearing Member Variation Margins, the Valuation Price of a ~~Marginable Futures Novated~~ Contract shall be determined in accordance with the relevant formula and procedures applicable to each ~~Marginable Futures Novated~~ Contract, as determined by CDP. In arriving at such formula, CDP may, in consultation with SGX-ST, take into account factors, including but not limited to:

- (1) the last traded price;
- (2) bid and offer spread at the close of market; and
- (3) price data derived from pricing models, as selected or established by CDP from time to time.

6A.9.2 Notwithstanding the foregoing, CDP shall reserve the right to amend the Valuation Price of any ~~Marginable Futures Novated~~ Contract under these Rules as it deems fit.

### 6A.9A Additional Margins

6A.9A.1 Notwithstanding anything to the contrary in the Clearing Rules, in relation to Novated Contracts, CDP may call for additional margins from one or more Clearing Members in the following situations:

- (1) when, in CDP's opinion, unstable conditions exist or market conditions or price fluctuations relating to one or more securities or Futures Contracts at any time require that additional margins to maintain an orderly market or to preserve financial integrity or for any other reason;
- (2) when CDP believes that any Clearing Member is carrying exposure that:
  - (a) is larger than is justified by the financial condition of that Clearing Member; or
  - (b) places or may place CDP at risk;
- (3) where the Clearing Member is found to have a record of frequent rule violations or inadequate or unsound management or serious operational defects which, in CDP's opinion, places or may place CDP at risk; or
- (4) where market conditions or price fluctuations are such that CDP deems it necessary, to call upon the Clearing Members whom it believes are affected by such conditions or fluctuations to deposit additional funds.

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## NEW / AMENDED RULES

6A.9A.2 Where CDP calls for additional margins from a Clearing Member in accordance with Rule 6A.9A.1, the Clearing Member shall deposit such margins with CDP by such time as CDP shall specify and in such forms as CDP prescribes.

### **6A.10 Segregation of Customer's Money and Assets**

#### 6A.10.1 General

- (1) A Clearing Member shall comply with the customer segregation requirements under these Rules and/or the SFA at all times.
- (2) A Clearing Member shall ensure that it shall at all times inform and keep CDP informed of such information as would be required for CDP to discharge its segregation obligations under the SFA and/or to enable CDP to issue to the Authority the verification of margin funds statement placed with CDP as required under the SFA.

#### 6A.10.2 Use and Set-off

~~CDP shall be entitled to use and deal with any of the money and any other collateral acceptable to CDP, which has been received by CDP from a Clearing Member, in such manner as CDP shall in its absolute discretion think fit, provided that CDP shall only use any money or assets received and notified to it as being solely in relation to a Customer Account to settle any obligation in relation to one or more accounts classified or reported to CDP as a Customer Account, in accordance with the conditions for the use of such monies and collateral under the SFA.~~

### **6A.11 Notification of Under-Segregation**

6A.11.1 Every Clearing Member shall immediately report to CDP of any under-segregation of moneys or assets as required under these Rules and/or the SFA.

### **6A.12 Safekeeping Indemnity**

~~6A.12.1 Any collateral accepted by CDP as margin shall be, where necessary, deposited with the appropriate custodian(s) designated by CDP for safekeeping in a CDP account designated for House Accounts or in a CDP account designated for Customer Accounts, as the case may be, and CDP shall retain control over such collateral as a part of the margin of such Clearing Member.~~

~~6A.12.2 CDP shall not have any obligation or responsibility to preserve, protect, collect or realise, and under no circumstances shall CDP be liable for any loss or diminution in value or depreciation in or in connection with, the collateral maintained pursuant to this Rule.~~

~~6A.12.3 A Clearing Member who maintains collateral with CDP shall indemnify and hold CDP harmless from any loss, damage, costs, charges and/or expenses of whatsoever nature and howsoever arising ("Loss") suffered or incurred by CDP to any designated custodian which may result from or arise with respect to:~~

- ~~(1) any act, delay or omission in connection with collateral (whether by such Clearing Member or CDP) deposited with such designated custodian; or~~

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## NEW / AMENDED RULES

~~(2) any contract or agreement between CDP and any designated custodian, or any representation, warranty or undertaking given by CDP to any designated custodian, in relation to or otherwise in connection with collateral deposited with such designated custodian,~~

~~PROVIDED THAT this indemnity shall not cover any Loss and/or liability of CDP attributable or referable to the gross negligence or wilful misconduct of CDP or any of CDP's officers, agents and/or employees.~~

~~6A.12.4 Each Clearing Member shall pay CDP for all fees, expenses, charges and costs incurred by CDP in relation to its acceptance of collateral as CDP may determine from time to time, and shall make such deposits of margins (in such form as may be acceptable to CDP) as may be required by CDP by reason of any depreciation in the market value of such collateral.~~

~~6A.12.5 If a Clearing Member defaults in fulfilling its obligations to CDP in accordance with the provisions of these Rules, the collateral maintained in CDP's account may be disposed of, without notice, in any manner deemed appropriate by CDP and the proceeds from the sale of the collateral shall be applied in accordance with Rule 8.6B.~~

### **6A.13 Margin Returns**

~~6A.13.1 CDP shall credit all Clearing Member Maintenance Margins, Clearing Member Variation Margins and margins required pursuant to Rule 6.10, which a Clearing Member has on deposit with CDP pursuant to these Rules with interest and any other entitlements on the full amount in accordance with a schedule to be prescribed by CDP from time to time except for money continued to be held pursuant to Rule 6.9 consequent/subsequent to a Clearing Member's default.~~

### **6A.14 Under-Margined Accounts**

6A.14.1 Each Clearing Member shall immediately notify CDP when any account does not comply with the Customer Required Margins by an amount which exceeds its aggregate resources, except that no notification is required for the Clearing Member's own proprietary House Account.

6A.14.2 CDP may require the Clearing Member to submit to CDP information pertaining to any matter in such form and within such time as may be stipulated by CDP.

### **6A.15 Regulatory Information**

~~6A.15.1 Clearing Members shall provide CDP with any information necessary in relation to such collateral deposited with CDP as margin for regulatory purposes including but not limited to withholding tax purposes.~~

## **COLLATERAL**

### **6B.1 Trust Arrangements**

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6B.1.1 Subject to all rights and remedies of CDP against or in respect of Collateral under these Clearing Rules, the Security Deed and the SFA, Collateral held by or otherwise provided to CDP shall be held on trust by CDP for the benefit of:

(1) Clearing Members, except where such Collateral is held by or otherwise provided to CDP solely in respect of Customer Accounts; and

(2) the relevant customers of the Clearing Member pursuant to the SFA where such Collateral is held by or otherwise provided to CDP solely in respect of Customer Accounts.

6B.1.2 CDP shall have the right to commingle any or all Collateral held by or otherwise provided to it by Clearing Members, except where such Collateral is held by or otherwise provided to CDP solely in respect of Customer Accounts, in the same account.

6B.1.3 CDP shall have the right to commingle any or all Collateral held by or otherwise provided to it by Clearing Members solely in respect of Customer Accounts in the same account.

### 6B.2 Security Deed to be executed by Clearing Member

6B.2.1 Prior to CDP commencing any clearing activities in respect of any Clearing Member, the Clearing Member shall execute and deliver a Security Deed in the form and on terms prescribed by CDP, setting out the terms under which its Collateral are provided to, and held by, CDP.

### 6.9.16B.3 General Lien and Right to Set-Off

~~6.9.16~~6B.3.1 Without prejudice and in addition to any Security Interest or other right or remedy which CDP may have under these Clearing Rules, contract, law or equity, and subject to any applicable restrictions pursuant to the provisions of the SFA and/or imposed by the Authority, CDP shall have a lien on all ~~moneys and other properties~~ Collateral deposited with or provided to CDP and on any other ~~monies and/or~~ assets of the Clearing Member which may be or become available to CDP.

~~6.9.26~~6B.3.2 Without prejudice to the generality of the foregoing, in addition to any Security Interest or other right or remedy which CDP may have under these Clearing Rules, contract, law or equity, and subject to any applicable restrictions pursuant to the provisions of the SFA and/or imposed by the Authority, CDP may at any time ~~combine~~ consolidate any or all accounts, notwithstanding that any relevant positions remain open, of the Clearing Member with its liabilities to CDP and set-off and/or transfer and/or apply any Collateral funds in such accounts towards satisfaction of any liabilities of the Clearing Member to CDP, whether or not:

(1) such Collateral and liabilities ~~accounts~~ are denominated in the same currency; and

(2) such liabilities are due, owing or incurred, or joint or several.

### 6B.4 Collateral Deposit

6B.4.1 A Clearing Member shall deposit or otherwise provide to CDP such Collateral, in such

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## NEW / AMENDED RULES

acceptable form and denomination as may be prescribed by CDP from time to time, subject to such terms and conditions prescribed by CDP from time to time.

### **6B.5 Collateral Withdrawal**

6B.5.1 Where any obligation under these Clearing Rules, the Security Deed, or as may otherwise be owing to CDP remains outstanding on the part of a Clearing Member, such Clearing Member shall have no right to withdraw any Collateral or request for the repayment of any credit balance held with or subject to the control of CDP without CDP's prior consent.

6B.5.2 Any withdrawal of Collateral consented to by CDP under these Clearing Rules shall not be deemed to be a release of the existing or future Security Interest over any remaining Collateral held with or subject to the control of CDP, other than the withdrawn Collateral.

6B.5.3 A request for withdrawal of Collateral may only be made by a Clearing Member subject to Rule 6B.5.1. A Third Party may not withdraw or request for the withdrawal of any Collateral held with or subject to the control of the CDP, other than through the Third Party's Clearing Member. All Collateral permitted by the CDP to be withdrawn shall be returned only to the Clearing Member.

### **6B.6 Valuation of Collateral**

~~6A.6-56B.6.1~~ CDP shall value such Collateral deposited with or provided to CDP collateral for margin purposes as it deems appropriate. CDP shall, at its sole discretion, determine when collateral will cease to be acceptable as margin

- (1) what monies and assets are acceptable as Collateral;
- (2) when any monies and/or assets cease to be acceptable as Collateral; and
- (3) the valuation to be attributed thereto.

~~6A.6-66B.6.2~~ If any ~~collateral lodged~~ Collateral deposited or provided by any Clearing Member is found in any way to be unacceptable by CDP, CDP shall have the right to immediately give a zero value to such collateral ~~Collateral will immediately be given zero value~~ for the purposes of satisfying such Clearing Member's obligations under these Clearing Rules or as may otherwise be owing to CDP, pursuant to which such Collateral was deposited or provided ~~the Clearing Member's margin requirements under these Rules. Replacement margin may be immediately required from the Clearing Member in such an event.~~

6B.6.3 Following revaluation of any Collateral deposited with or provided to CDP, where such Collateral is found to be insufficient to meet any obligation of the Clearing Member under these Clearing Rules or as may otherwise be owing to CDP, pursuant to which such Collateral was deposited or provided, the Clearing Member shall deposit with or provide to CDP such additional Collateral as may be required to meet such obligation, within such time as CDP may require.

~~6A.6-7~~ 6B.6.4 In the event of any dispute as to any matters covered under this Rule, CDP's decision in relation to any matter under this Rule shall be final and binding.

### **6B.7 Investment and Use of Collateral**

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## NEW / AMENDED RULES

6B.7.1 CDP may invest, manage and use Collateral in such manner as it shall deem fit provided that:

(1) Collateral solely in respect of Customer Accounts shall be invested in accordance with these Clearing Rules, the Security Deed and the SFA; and

(2) CDP shall not use any Collateral received and notified to it as Collateral solely in respect of Customer Accounts, to settle any obligations that are incurred in relation to any House Account, except in accordance with these Clearing Rules, the Security Deed and the SFA.

6B.7.2 All Collateral deposited or provided by each Clearing Member to CDP shall be subject to these Clearing Rules, the Security Deed and the SFA (each as amended or supplemented from time to time). Each Clearing Member shall ensure that all Collateral deposited or provided to CDP are deposited or provided only on the foregoing basis and shall also ensure that, prior to depositing or providing any Collateral to CDP for the account or for the contracts of any person, such person has been notified of and has accepted the foregoing.

### **6B.8 Interest and fees**

6B.8.1 The Clearing Member shall pay CDP such administrative fees as may be prescribed by CDP and notified to the Clearing Member from time to time for the investment and management of the Collateral. Administrative fees may be deducted from the interest on the Collateral payable to the Clearing Member by CDP pursuant to this Rule 6B.8 or paid directly to CDP as determined by CDP.

6B.8.2 Unless otherwise provided for in these Clearing Rules, CDP shall pay the Clearing Member interest on the Collateral at such rate and in such manner as prescribed by CDP and notified to a Clearing Member.

6B.8.3 Except as set forth in this Rule, CDP shall have no obligation to make payment of any other fees, interest and investment earnings arising from or in connection with the Collateral to any person.

### **6A.12 6B.9 Safekeeping Indemnity**

6A.12.1 6B.9.1 Any Collateral ~~collateral~~ accepted by CDP ~~as margin~~ shall be, where necessary, deposited with the appropriate custodian(s) designated by CDP for safekeeping in a CDP account designated for House Accounts or in a CDP account designated for Customer Accounts, as the case may be, and CDP shall retain control over such Collateral ~~collateral as a part of the margin of such Clearing Member.~~

6A.12.2 6B.9.2 CDP shall not have any obligation or responsibility to preserve, protect, collect or realise, and under no circumstances shall CDP be liable for any loss or diminution in value or depreciation in or in connection with, the Collateral ~~collateral~~ maintained pursuant to this Rule.

6A.12.3 6B.9.3 A Clearing Member who maintains Collateral ~~collateral~~ with CDP shall indemnify and hold CDP harmless from any loss, damage, costs, charges and/or expenses of whatsoever nature and howsoever arising ("Loss") suffered or incurred by CDP to any designated

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## NEW / AMENDED RULES

custodian which may result from or arise with respect to:

- (1) any act, delay or omission in connection with Collateral ~~collateral~~ (whether by such Clearing Member or CDP) deposited with such designated custodian; or
- (2) any contract or agreement between CDP and any designated custodian, or any representation, warranty or undertaking given by CDP to any designated custodian, in relation to or otherwise in connection with Collateral ~~collateral~~ deposited with such designated custodian,

PROVIDED THAT this indemnity shall not cover any Loss and/or liability of CDP attributable or referable to the gross negligence or wilful misconduct of CDP or any of CDP's officers, agents and/or employees.

6B.9.4 ~~If any loss of Collateral occurs, or any Collateral becomes unavailable to CDP such that any obligation of the Clearing Member under these Clearing Rules or as may otherwise be owing to CDP, pursuant to which such Collateral was deposited or provided, cannot be fully met as determined by CDP, the Clearing Member shall deposit with or provide to CDP such additional Collateral as may be required to meet such obligation within such time as CDP may require.~~

### ~~6A.15~~ 6B.10 Regulatory Information

~~6A.15.1~~ 6B.10.1 Clearing Members shall provide CDP with any information necessary in relation to such Collateral ~~collateral~~ deposited with or provided to CDP to enable CDP to meet its reporting obligations to the Authority and/or other relevant governmental or regulatory authorities or as margin ~~for any other~~ regulatory purposes including but not limited to withholding tax purposes.

## CLEARING FUND

### 7.1 Establishment of Clearing Fund

7.1.1 CDP shall establish and maintain a fund to be called the Clearing Fund.

7.1.2 The assets of the Clearing Fund shall be vested in CDP but shall be segregated from CDP's other property and shall be held by CDP on trust for the purposes set out in these Clearing Rules.

7.1.3 The Clearing Fund shall comprise:—

- (1) Contributions by Clearing Members;
- (2) CDP Contribution (as defined in Rule 7.4.1);
- (3) moneys paid by an insurer under a contract of insurance (if any) entered into by CDP under Rule 7.5; and
- (4) any other contributions to the Clearing Fund.

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## NEW / AMENDED RULES

### 7.2 Contributions by Clearing Members

7.2.1 Except as otherwise provided in this Clearing Rules or as determined by CDP, each Clearing Member shall pay to CDP such amounts as may be determined under this Clearing Rules or as determined by CDP in its absolute discretion (the "Contribution") in respect of every Exchange Trade cleared and/or settled by the Clearing Member herein. Each Clearing Member shall pay to CDP its Contribution to the Clearing Fund by such time or times as stipulated by CDP.

7.2.1A The Contribution of a Clearing Member shall consist of the Collateralised Contribution and the Contingent Contribution. Each Clearing Member shall pay:

- (1) in respect of the Contribution, an amount as specified by CDP from time to time, in its discretion which shall not exceed 0.9 basis points of the Clearing Member's Turnover;
- (2) in respect of the Collateralised Contribution, an amount as specified by CDP from time to time, in its discretion which shall not exceed 0.6 basis points of the Clearing Member's Turnover; and
- (3) in respect of the Contingent Contribution, an amount which is determined by the rate which is the difference between the Contribution rate as specified by CDP under Rule 7.2.1A(1) and the Collateralised Contribution rate as specified by CDP under Rule 7.2.1A(2).

7.2.2 The aggregate Collateralised Contributions from Clearing Members shall at all times be at least \$40 million or such lower amount as may be specified by CDP from time to time in its discretion.

7.2.3 Notwithstanding Rule 7.2.1A:

- (1) A Clearing Member's Collateralised Contribution shall be at least ~~\$1,000,000~~ \$500,000, or such lower amount as may be specified by CDP from time to time in its discretion; and
- (2) If the aggregate Collateralised Contributions from all Clearing Members do not meet the minimum amount specified in Rule 7.2.2, the shortfall shall be contributed by each Clearing Member according to its Proportion.

7.2.4 Where there is reason to believe that the operations of the Clearing Member is or is likely to be impaired by any event or circumstances, or such action is in the interests of maintaining a safe and efficient clearing facility, CDP may require:

- (1) such additional amounts to be paid as a top-up to the Contribution of the Clearing Member as it may, in its absolute discretion, decide; or
- (2) a Clearing Member's Contingent Contribution to be deposited with CDP; or
- (3) both

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<b>NEW / AMENDED RULES</b>
7.2.5 CDP shall notify each Clearing Member in writing of its Contribution required under Rules 7.2.1A and 7.2.4.
<b>7.3 Form of Contributions</b>
7.3.1 Each Clearing Member shall provide its Contribution in cash or in such other forms and subject to such conditions as may be prescribed by CDP from time to time. Such Contribution shall form part of the assets of the Clearing Fund.
7.3.2 Where a Clearing Member provides its Contribution (or any part thereof) in the form of cash, CDP shall place the entire cash amount in an interest-bearing account with its bankers. CDP shall not be obliged to segregate the cash Contributions and may commingle cash Contributions for ease of administration.
<del>7.3.3 The interest earned on the cash Contributions shall not form part of the assets of the Clearing Fund. Interest earned on cash Contributions (or part thereof) shall be paid to the relevant Clearing Members, provided that interest shall not be payable on any cash Contributions (or any part thereof) if, at the time of payment to CDP, such Contribution (or part thereof) is less than the sum of \$1,000 or the minimum sum for moneys to be placed in a fixed deposit account with a bank in Singapore, whichever is the higher.</del>
7.3.4 CDP shall have the absolute discretion to decide upon the bank or banks with which the cash Contributions are to be placed on deposit and the terms of deposit, provided that any such bank shall be a licensed bank in Singapore within the meaning of the Banking Act (Cap. 19).
<b>7.4 Contributions by CDP</b>
7.4.1 Contributions by CDP shall be an amount not less than 25% of the clearing fund size, as determined by CDP, and shall consist of: <p style="margin-left: 40px;">(1) an amount not less than 15% of the clearing fund size or \$30 million, whichever is the higher (the "CDP Contribution"), to be applied pursuant to Rule 7.9.1(2); and</p> <p style="margin-left: 40px;">(2) such other sums referred to in Rule 7.1.3(4), to be applied pursuant to 7.9.1(6).</p>
7.4.2 Contribution by CDP shall be in the form of cash or in such other form and subject to such conditions as may be determined by CDP. If any contributions by CDP (or any part thereof) is in the form of cash, such cash amount shall be placed in an interest bearing account with CDP's bankers and the entire interest earned on such contributions (or such part thereof) shall be paid to CDP.
<del>7.4.3 The interest earned on the cash portion of contributions by CDP shall not form part of the assets of the Clearing Fund.</del>
7.4.4 CDP shall have the absolute discretion to decide upon the bank or banks with which the cash portion of contributions by CDP is to be placed on deposit and the terms of deposit, provided that any such bank shall be a licensed bank in Singapore within the meaning of the Banking Act (Cap. 19).

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<b>NEW / AMENDED RULES</b>
<b>7.5 Insurance Policy</b>
7.5.1 CDP may take out a policy of insurance in respect of the Clearing Fund for such amount and with such insurer as it may, at its absolute discretion, determine and on such terms and conditions as it shall, at its absolute discretion, deem fit.
7.5.2 The premium payable on such insurance policy and any other related costs and expenses shall be payable by CDP, provided always that CDP may, at its absolute discretion, require Clearing Members to reimburse it in respect of such moneys paid, in the Proportion, or in such other manner as CDP may, at its absolute discretion, consider fair and appropriate.
<b>7.6 [Rule has been deleted.]</b>
<b>7.7 Investment of Assets of Clearing Fund</b>
7.7.1 CDP may invest the assets and resources of the Clearing Fund in such manner as it shall deem fit.
<del>7.7.2 Interest or any other sums accruing to the assets of the Clearing Fund shall, unless otherwise provided in these Clearing Rules, be appropriated by CDP to the Clearing Fund.</del>
7.7.3 CDP may appoint such persons as it may deem suitably qualified to invest the assets and resources of the Clearing Fund.
7.7.4 CDP, if acting in good faith and in the absence of fraud or wilful misconduct on its part, shall not be liable for any losses in the investment of the assets or resources of the Clearing Fund.
<b><u>7.7A Interest and fees</u></b>
<u>7.7A.1 Each Clearing Member shall pay CDP such administrative fees as may be prescribed by CDP and notified to the Clearing Member from time to time for the investment and management of the assets of the Clearing Fund and any excess monies or assets placed with CDP in respect of the Clearing Fund. Administrative fees may be deducted from the interest on the assets of the Clearing Fund, and on any excess monies or assets placed with CDP in respect of the Clearing Fund, payable to the Clearing Member by CDP pursuant to this Rule 7.7A or paid directly to CDP as determined by CDP.</u>
<u>7.7A.2 Interest and any other sums accruing to the assets of the Clearing Fund shall not form part of the assets of the Clearing Fund.</u>
<u>7.7A.3 CDP shall pay the Clearing Member interest on their respective Contributions and on any excess monies or assets placed with CDP in respect of the Clearing Fund at such rate and in such manner as prescribed by CDP and notified to the Clearing Member.</u>
<u>7.7A.4 Except as set forth in this Rule, CDP shall have no obligation to make payment of any other fees, interest and investment earnings arising from or in connection with the assets of the Clearing Fund, and any excess monies or assets placed with CDP in respect of the Clearing Fund, to any person.</u>

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## NEW / AMENDED RULES

### 7.8 Application of Clearing Fund

7.8.1 Subject to Rule 7.8.2 and ~~Unless unless~~ otherwise provided in the Clearing Rules or as determined by CDP, ~~where the Defaulting Clearing Member's Collateral deposited with or provided to CDP are insufficient for the following purposes,~~ the Clearing Fund may be applied:—

- (1) to make good all losses suffered by CDP as a result of the breach by a Defaulting Clearing Member of any of its Novated Contracts;
- (2) to make good any shortfall (resulting from the inapplicability of Rule 6.4 to the New Purchase Contracts and New Sale Contracts) of moneys payable by CDP to the other Clearing Members pursuant to Rule 6.4; and
- (3) in respect of the obligations and liabilities of CDP arising out of the Novated Contracts (including but not limited to the costs and expenses incurred in relation to making recoveries from a Defaulting Clearing Member and in relation to any action taken by CDP pursuant to Rule 8).

7.8.2 CDP shall apply the Clearing Fund only after the Defaulting Clearing Member's Collateral deposited with or provided to CDP has been fully applied to satisfy the obligations of the Clearing Member to CDP in accordance with Rule 8.6B.

### 7.9 Order of Application of Contributions

7.9.1 Subject to the provisions of Rule 7.9, payments out of the Clearing Fund shall be in the following order:—

- (1) firstly, against the Contributions made by the Defaulting Clearing Member;
  - (2) secondly, against CDP Contributions;
  - (3) thirdly, against the Collateralised Contributions required from all other non-Defaulting Clearing Members on a pro rata basis of each Clearing Member's required Collateralised Contribution to the aggregate required Collateralised Contributions made by all other non-Defaulting Clearing Members';
  - (4) fourthly, against the Contingent Contributions required from all other non-Defaulting Clearing Members on a pro rata basis of each Clearing Member's required Contingent Contribution to the aggregate required Contingent Contributions made by all other non-Defaulting Clearing Members';
  - (5) fifthly, against such policy(ies) of insurance (if any) as may be in effect at the time; and
  - (6) lastly, against any other contributions to the Clearing Fund,
- (the "Order", and each stage thereof shall be referred to as a "Stage" of the Order or as a certain "Stage of the Order").

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## NEW / AMENDED RULES

7.9.2 Subject to Rule 7.9.2 and Rule 7.9.3, in any Relevant Period, the Order shall be followed irrespective of the number of drawings on the Clearing Fund. In such Relevant Period, in the event that a drawing on the Clearing Fund shall draw on part only of the funds available at any Stage under Rules 7.9.1(2) to (6) of the Order (the "Unexhausted Stage") (whether or not funds from a previous Stage or previous Stages have also been drawn upon for that drawing), the next drawing on the Clearing Fund in the Relevant Period shall, after exhausting the Contributions made by the Defaulting Clearing Member in the Stage under Rule 7.9.1(1), draw first from the remaining funds available at the Unexhausted Stage before drawing from the next Stage(s) of the Order.

7.9.3 Once all the Stages of the Order have been exhausted in any Relevant Period, any current or subsequent drawing on the Clearing Fund in that Relevant Period shall revert to the strict sequence of the Order, provided always that:—

- (1) (subject to Rule 7.12) CDP shall not be required to top up the CDP Contribution, once paid out in full. Nothing in this Rule prevents CDP from topping up the CDP Contribution, in such amounts as CDP may determine, during any Relevant Period or upon commencement of a new Relevant Period; and
- (2) the policy(ies) of insurance (referred to in Rule 7.9.1(5)), once paid out in full in any Relevant Period, may have limitations on the time periods during which the insured amount, after having been fully paid out in that Relevant Period, will be next available for payment out of the Clearing Fund (whether in that Relevant Period or the next Relevant Period), and any such current or subsequent drawing will be subject to any terms and conditions of the policy(ies) of insurance.

7.9.4 Upon the commencement of a new Relevant Period, regardless of the Stage of the Order from which the last payment out from the Clearing Fund was made in the previous Relevant Period, the first drawing on the Clearing Fund in the new Relevant Period shall revert to the first Stage of the Order in Rule 7.9.1(1) and the subsequent Stages of the Order shall follow accordingly, provided always that subject to Rule 7.12, CDP shall not be required to top up the CDP Contribution, once paid out in full. Nothing in this Rule prevents CDP from topping up the CDP Contribution, in such amounts as CDP may determine, during any Relevant Period or upon the commencement of a new Relevant Period.

7.9.5 Notwithstanding Rule 7.9.1, CDP shall be entitled to draw upon its available lines of credit or other such liquidity resources available to CDP at any time for the purposes set out in Rule 7.8 in the event that there is any delay in obtaining payment from the Clearing Fund in any Stage of the Order, such delays arising for example, where the cash deposits of the Clearing Fund are placed in fixed deposit accounts and penalty charges may be incurred for the premature termination of the fixed deposit accounts or arising out of the realisation or disposal of the resources and assets of the Clearing Fund or delay in obtaining payment from the policies, guarantees or other facilities of the Clearing Fund or where CDP, in its absolute discretion, deems it advisable to draw upon its available lines of credit or other such liquidity resources available to CDP first.

7.9.6 Where the CDP draws down on any lines of credit or other such liquidity resources available to CDP pursuant to Rule 7.9.5, CDP shall be entitled to be reimbursed for this amount and all costs in relation to drawing down such lines of credit or other such liquidity resources

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<b>NEW / AMENDED RULES</b>
available to CDP from the moneys which are eventually obtained from any relevant Stage of the Order.
<b>7.10 Top-Up of Clearing Member's Contributions in an Event of Default</b>
7.10.1 CDP shall notify a Clearing Member in writing whenever its Contribution (or any part thereof) is applied in accordance with Rule 7.9.1.
7.10.2 A Defaulting Clearing Member shall reimburse the Clearing Fund for any amount (except such Contributions made by the Defaulting Clearing Member) which was applied out of the Clearing Fund (the "Default Amount") as a result of his default.
7.10.3 If any amount is paid out of a Clearing Member's Contributions pursuant to the third Stage of the Order in Rule 7.9.1(3) or fourth stage of the Order in Rule 7.9.1(4), the Clearing Member shall, upon demand by CDP, top-up the deficiency in its Contribution arising from the said payment. CDP shall notify each of the Clearing Members in writing of the amount payable by it to CDP under this Rule.
<b>7.11 Resignation</b>
7.11.1 A Clearing Member who is required to make any payment to the Clearing Fund pursuant to Rule 7.10, may resign in accordance with Rule 3.11 to CDP after settlement of such payment.
7.11.2 From the date of receipt by CDP of the resignation notice, such Clearing Member's aggregate liability to make payment into the Clearing Fund by reason of events occurring before the termination of its status as a Clearing Member shall not exceed an amount equal to its required Contribution at the date of the resignation notice, plus 2 times such amount.
<b>7.12 Recovery of Sums</b>
7.12.1 Subject to the provisions of this Rule, if any amount paid out of the Clearing Fund pursuant to Rule 7.8 and in accordance with Rule 7.9 is subsequently recovered by CDP in whole or in part, CDP shall credit the amount so received to the Clearing Fund in the reverse of the Order in which it was paid out. Where Contributions by Clearing Members had been paid out of the Clearing Fund, the amount so received for the relevant Stage of the Order shall be paid back to such Clearing Members on a pro-rata basis of each Clearing Member's required Contribution to the aggregate required Contributions from all Clearing Members other than the Defaulting Clearing Member for that relevant Stage of the Order, provided that if any Clearing Member has not paid any part of the moneys required to be paid into the Clearing Fund pursuant to Rule 7.10, such Clearing Member's Contribution of such amount shall be paid first into the Clearing Fund together with any interest accruing thereon from the date such amount was due to date of actual payment of such amount, and any excess shall be paid back to such Clearing Member. Where contributions by CDP have been paid out of the Clearing Fund, the amount so received shall be paid towards the relevant stage of the Order and not to CDP.
7.12.2 Where insurance moneys have been paid out of the Clearing Fund in any Relevant Period, any recovered moneys shall notwithstanding Rule 7.12.1 above:—

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## NEW / AMENDED RULES

- (1) if the recovery is made in that Relevant Period, be paid to the insurer provided that the insurer agrees that the recovered moneys shall be used to reset the applicable limits on insurance coverage for the Relevant Period under the insurance policy; and
- (2) if the recovery is not made in that Relevant Period and:—
  - (a) no other drawing has subsequently been made on the Clearing Fund (whether or not in that Relevant Period), be paid to the insurer; or
  - (b) drawings have subsequently been made on the Clearing Fund (whether or not in that Relevant Period), be paid in the reverse of the Stages of the Order in which such drawings were made if moneys have not already been recovered for such Stages, and any excess shall be paid to the insurer.

### 7.13 Return of Contributions

7.13.1 Within 6 months of the termination of membership of the Clearing Member, provided that all liabilities of such Clearing Member to CDP at the time of termination, whether actual or contingent, shall have been satisfied or paid for in full, CDP may return to the Clearing Member the balance of its Contribution (taking into account any pending and previous applications of the Clearing Fund at the time of such termination).

### 7.14 [Rule has been deleted.]

### 7.15 Time of Payment of Contributions

7.15.1 Clearing Members shall pay any amount required by CDP as its Collateralised Contribution or as a top-up to its Collateralised Contribution promptly within 3 Settlement Days after the date of the written notice from CDP requiring such payment, or within such other period as may from time to time be determined by CDP.

7.15.1A Clearing Members shall pay any amount required to be deposited with CDP as its Contingent Contribution or as a top-up to its Contingent Contribution promptly, within such time as specified in the written notice from CDP requiring such payment.

7.15.2 CDP shall be entitled to charge interest (at such rates and upon such terms, as it may in its absolute discretion determine) on any amount payable by a Clearing Member as its Contribution or as a top-up to its Contribution at such rate as may be determined by CDP in the event that such Clearing Member does not pay the required amount in accordance with these Clearing Rules.

### 8.1 Events of Default

8.1.1 In the event that:—

- (1) a Clearing Member fails duly to perform or is, in the opinion of CDP, in breach of any provision of these Clearing Rules or Clearing Directives or of any agreement, understanding or arrangement which the Clearing Member has from time to time with CDP;

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## NEW / AMENDED RULES

- (2) a Clearing Member, not being an Exempt Person, ceases to hold a valid Capital Markets Services Licence under the SFA or ceases to be authorised to conduct banking business in Singapore pursuant to section 4 of the Banking Act (Chapter 19);
- (3) without prejudice to the generality of Rule 8.1.1(1), a Clearing Member defaults in payment of any sum payable to CDP or payable under these Clearing Rules or Clearing Directives towards the Clearing Fund;
- (4) a Clearing Member fails to pay when due any sum due and payable, including margins required by CDP, or is otherwise in material default under the terms of any loan or other agreement relating to the Clearing Member's indebtedness, or threatens or proposes to suspend, stop, defer or reschedule payment or to default under the terms of such loan or agreement;
- (5) a Clearing Member is insolvent, or unable to pay its debts when they fall due, or a judicial management or winding up petition is presented, or a notice of a proposal for a resolution for its winding-up is given, or an arrangement or assignment or composition is proposed or made for the benefit of creditors or any of them, or if CDP considers in its absolute discretion that the occurrence of any such events or their equivalent is imminent or likely in any jurisdiction;
- (6) in respect of a Clearing Member, a liquidator (including a provisional liquidator), receiver, judicial manager, trustee, administrator or similar officer is appointed or a scheme of arrangement requiring creditors' consent and involving the compromise or rescheduling of debts is proposed or made, or if CDP considers in its absolute discretion that the occurrence of any such events or their equivalent is imminent or likely in any jurisdiction;
- (7) any distress, execution or other process is levied or enforced or served upon or against any property or assets of a Clearing Member;
- (8) without prejudice to the generality of Rule 8.1.1(1), any failure by the Clearing Member to comply with or settle any of its financial obligations under the Clearing Rules, the Clearing Directives, SGX-ST Rules, SGX-ST Directives or the rules and regulations of any exchange or clearing house in which it is a participant or member; or
- (9) in view of the Clearing Member's financial or operating conditions, CDP, in its absolute discretion, considers it necessary or desirable to protect its own interests and/or the interests of other Clearing Members;

CDP shall be entitled, at its absolute discretion, then or at any time thereafter, whether or not such event is, in the opinion of CDP, continuing, to declare that an Event of Default has occurred and to give notice thereof to all Clearing Members.

8.1.2 Immediately upon CDP declaring that an Event of Default has occurred in respect of any Clearing Member, such Clearing Member (the "Defaulting Clearing Member") shall be deemed:—

- (1) to be in breach of its obligations to CDP under its Novated Contracts; and

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**NEW / AMENDED RULES**

(2) to be unable to meet its obligations to CDP

and to the extent permitted by law, Rules 8.2 to 8.7 herein shall apply.

**8.2 Effect of Default on Novated Contracts other than Marginable Futures Contracts**

8.2.1 Except for Rule 8.6A, Rules 8.2 to 8.7 shall apply to Novated Contracts other than Marginable Futures Contracts.

8.2.2 Immediately upon such breach under Rule 8.1.2:—

(1) each Novated Contract for the purchase of securities between CDP and the Defaulting Clearing Member shall be terminated. In respect of each such Novated Contract, a new contract (the "New Purchase Contract") shall be deemed to have been made between CDP and the relevant buying customer of the Defaulting Clearing Member, pursuant to which the buying customer shall have the obligation to pay the relevant purchase consideration to CDP and, subject to Rule 6.6.1 shall have the right to receive the relevant securities from CDP; and

(2) each Novated Contract for the sale of securities between CDP and the Defaulting Clearing Member shall be terminated. In respect of each such Novated Contract, a new contract (the "New Sale Contract") shall be deemed to have been made between CDP and the relevant selling customer of the Defaulting Clearing Member, pursuant to which the selling customer shall have the obligation to deliver the relevant securities to CDP and, subject to Rule 6.6.1 shall have the right to receive the relevant sale consideration from CDP.

Subject as otherwise provided in these Clearing Rules, the terms of each New Purchase Contract and New Sale Contract shall be on the same terms as its corresponding Novated Contract. For the avoidance of doubt, the termination of each Novated Contract shall be without prejudice to any of the rights or remedies of CDP thereunder and CDP's right to damages in respect of any breach (whether antecedent or otherwise) under each Novated Contract shall not be extinguished.

8.2.3 Rules 6.3 to 6.5 shall not apply to each New Purchase Contract or New Sale Contract.

8.2.4 For the purposes of Rule 8, the Trading Member qualified by the Defaulting Clearing Member shall be regarded as a buying or selling customer (as the case may be) of the Defaulting Clearing Member.

**8.3 Payment by Buying Customer Under New Purchase Contract**

8.3.1 In respect of a New Purchase Contract:—

(1) if the buying customer has paid the purchase consideration to the Defaulting Clearing Member prior to 4.00 p.m. on the Settlement Day, and if such consideration has not been deposited into a trust account by the Defaulting Clearing Member, the buying customer shall pay a further sum towards payment of the purchase consideration to CDP by 5.00

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## NEW / AMENDED RULES

p.m. on the Market Day following the Settlement Day. The buying customer's recourse for the repayment of the purchase consideration already paid to the Defaulting Clearing Member shall be against the Defaulting Clearing Member; or

(2) if the buying customer has paid the purchase consideration to the Defaulting Clearing Member prior to 4.00 p.m. on the Settlement Day, and if such consideration has been deposited into a trust account by the Defaulting Clearing Member, the Defaulting Clearing Member or its agent shall pay such purchase consideration to CDP by 5.00 p.m. on the Market Day following the Settlement Day; and

(3) if the buying customer has not paid the purchase consideration to the Defaulting Clearing Member prior to 4.00 p.m. on the Settlement Day, the buying customer shall pay the purchase consideration to CDP by 5.00 p.m. on the Market Day following the Settlement Day and title and right to such moneys shall not at any time pass to the Defaulting Clearing Member.

### 8.4 Delivery of Securities Under New Purchase Contract

8.4.1 Subject to Rule 6.6, the obligation of CDP to make delivery of securities to a buying customer pursuant to a New Purchase Contract shall be discharged by CDP crediting such securities to the Securities Account or sub-account of the buying customer upon payment by the buying customer. Title and right to such securities shall not at any time pass to the Defaulting Clearing Member.

8.4.2 In the event that the buying customer does not pay the purchase consideration to CDP by 5.00 p.m. on the Market Day following the Settlement Day, CDP shall be entitled to force-sell the securities or any part of the securities for which the buying customer has not made full payment.

8.4.3 Notwithstanding that the Clearing Fund may have been drawn upon, CDP may at any time thereafter claim all losses and expenses consequent upon such force-sale, and all damages which CDP may sustain in this connection (regardless of whether such losses, expenses and damages have been insured against) shall be recoverable by CDP from:—

(1) the buying customer and, failing him;

(2) the Defaulting Clearing Member.

### 8.5 Delivery of Securities Under New Sale Contract

8.5.1 The obligation of the selling customer to make delivery of securities to CDP pursuant to a New Sale Contract shall be discharged by CDP debiting such securities from the "Free" balance of the Securities Account or sub-account of the selling customer and crediting CDP's suspense account before 12 midnight on the Settlement Day. Title and right to such securities shall not at any time pass to the Defaulting Clearing Member. In the event that there are insufficient or no securities in the "Free" Balance of such Securities Account or sub-account, the selling customer shall be responsible to CDP for such shortfall.

In addition, the selling customer shall ensure that the securities are available in the balance

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## NEW / AMENDED RULES

of his Securities Account or sub-account by 12.00 noon on Settlement Day, or such time as determined by CDP.

Where the selling customer who:

(1) has not made available in the balance of his Securities Account or sub-account the securities or sufficient securities by 12.00 noon on Settlement Day or such time as determined by CDP; or

(2) has failed to deliver the securities or sufficient securities at any time after the Settlement Day,

such securities will be acquired in the manner prescribed by CDP.

The securities acquired shall thereafter be debited from the selling customer's Securities Account or sub-account. Notwithstanding that the Clearing Fund may have been drawn upon, CDP may at any time thereafter claim the difference and all losses and expenses consequent upon such acquiring of securities, and all damages which CDP may sustain in this connection (regardless of whether such losses, expenses and damages have been insured against) shall be recoverable by CDP from:—

(1) the selling customer and, failing him;

(2) the Defaulting Clearing Member.

### **8.6 Payment to Selling Customer Under New Sale Contract**

8.6.1 Subject to Rule 6.6, in respect of a New Sale Contract, CDP shall pay the purchase consideration to the selling customer by 5.00 p.m. on the Market Day following the Settlement Day and title and right to such moneys shall not at any time pass to the Defaulting Clearing Member, provided always that if the selling customer is indebted to the Defaulting Clearing Member, the selling customer agrees that CDP shall pay such purchase consideration or such part thereof (if the debt is less than the purchase consideration) to the Defaulting Clearing Member in satisfaction or part satisfaction of such selling customer's debt to the Defaulting Clearing Member.

8.6.2 Subject to Rule 8.6.3, CDP has the right to offset the sale consideration pursuant to Rule 8.6.1 against the purchase consideration pursuant to Rule 8.3.1, if the New Sales Contract and the New Purchase Contract are for the same customer, whether or not the New Sales Contract and the New Purchase Contract have the same Settlement Day.

8.6.3 CDP may require the buying customer of the New Purchase Contract to pay CDP the purchase consideration pursuant to Rule 8.3.1 on the Market Day following the Settlement Day irrespective of whether the buying customer has a New Sales Contract.

### **8.6A Effect of Default on Novated Marginable Futures Contracts**

8.6A.1 This Rule shall apply only to Novated Contracts in respect of Marginable Futures Contracts (hereafter "novated Marginable Futures Contracts").

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## NEW / AMENDED RULES

8.6A.2 For positions in novated Marginable Futures Contracts, immediately upon such breach under Rule 8.1.2, CDP may:-

- (1) appoint 1 or more Clearing Members to whom all or any part of such positions shall be transferred to be handled for the ~~defaulted~~ Defaulting Clearing Member. When positions are so transferred, margins deposited thereon and any settlement due or collected must be delivered to CDP, to be entrusted to the Clearing Member or Members designated to handle the transactions;
- (2) borrow securities, execute buying-in or offset against the customer's obligations under New Purchase Contracts and New Sale Contracts, on behalf of and at the risk of the ~~defaulted~~ Defaulting Clearing Member, for the purpose of meeting settlement obligations;
- (3) execute hedging transactions, on behalf of and at the risk of the ~~defaulted~~ Defaulting Clearing Member, to eliminate or reduce market risk resulting from such positions; and
- (4) without prejudice to Rule 8.6A.2(1), appoint 1 or more Trading Members to liquidate such positions on the behalf of and at the risk of the ~~defaulted~~ Defaulting Clearing Member.

8.6A.3 All costs and expenses sustained by CDP in connection with any steps which are or may be taken by CDP pursuant to Rule 8.6A.2, including losses incurred from authorised hedging transactions and the unwinding of such hedging transactions, shall be charged to the account of the ~~defaulted~~ Defaulting Clearing Member.

### 8.6B Application of ~~Margins and~~ Collateral

8.6B.1 Without prejudice and subject to the other provisions of these Clearing Rules, in particular Rule 7.9.1:

- (1) ~~Where~~ Where a Clearing Member has failed promptly to discharge any of its obligations to CDP, CDP may apply ~~margins or Collateral collateral~~, (including without limitation letters of credit procured by the Clearing Member to be issued to CDP), deposited or provided by the Clearing Member ~~in relation to House Accounts, except where such margins or other Collateral were deposited solely in relation to a Customer Account;~~
- (2) notwithstanding Rule 8.6B.1(1), Where a Clearing Member has failed promptly to discharge any of its obligations to CDP, and CDP has reasonable grounds for forming an opinion that the failure is directly attributable to the failure of any Customer Account holder to meet its obligations, CDP may apply:
  - (a) margins or other Collateral collateral (including without limitation letters of credit procured by the Clearing Member to be issued to CDP) deposited or provided by the Clearing Member solely in relation to Customer Accounts provided that the conditions in the SFA are satisfied; and

(b) any qualifying letters of credit deposited with or provided to CDP by a Trading Member sponsored by the Clearing Member, provided that the Clearing Member's default is attributable to such Trading Member's act or omission.

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## NEW / AMENDED RULES

8.6B.1A In exercising its powers under Rule 8.6B.1, CDP may liquidate any non-cash Collateral deposited with it by a Clearing Member. Such Clearing Member shall be liable to CDP for any costs and expenses incurred in connection with the liquidation. CDP shall not be liable for any losses to any person arising from such liquidation.

8.6B.2 The Clearing Member shall not take any action or do anything that will directly or indirectly interfere with, prohibit, restrict or inhibit the ability of CDP to so apply such Contributions, margins or other Collateral collateral and CDP shall, except where it has acted in bad faith, be under no liability to the Clearing Member or any other person whatsoever in so applying such Contributions, margins or other Collateral collateral and the Clearing Member shall fully indemnify and keep indemnified CDP and hold CDP harmless against any such liability.

8.6B.3 Where the Clearing Member has failed to settle its financial obligations to CDP, CDP shall be entitled to retain any Collateral deposited or provided by the Clearing Member which have not been utilised pursuant to this Rule 8.6B, except where such Collateral were deposited with or provided to CDP solely in relation to Customer Accounts.

### 8.7 Certification of Net Sum Due

8.7.1 Upon CDP declaring that an Event of Default has occurred, CDP shall as soon as reasonably practicable certify the net sum payable by the Defaulting Clearing Member in respect of its rights and obligations arising under these Clearing Rules. The Defaulting Clearing Member shall pay any net amount so payable by it to CDP forthwith.

### ~~8.8 Application of Cash and Government Securities Deposited by Bank Clearing Members Incorporated Outside Singapore~~

~~8.8.1 Where a Bank Clearing Member incorporated outside Singapore has failed promptly to discharge any of its obligations to CDP or where CDP has declared an Event of Default in respect of that Bank Clearing Member:~~

~~(1) CDP shall apply the cash and/or acceptable government securities deposited by that Bank Clearing Member pursuant to Rule 5.1D.2(1),~~

~~(2) thereafter, apply the Clearing Fund in the order specified in Rule 7.9.1.~~

~~to satisfy the obligations of such Bank Clearing Member to CDP.~~

### 10.2 Force Majeure

10.2.1 CDP shall not be liable for any action or omission or for any failure, hindrance, suspension, restriction or delay in the provision of services and facilities to clear and settle any Exchange Trade or the performance in whole or in part of its obligations under these Clearing Rules or Clearing Directives if such action, omission, failure, hindrance, suspension, restrictions or delay arises out of causes beyond its reasonable control.

10.2 Such causes may include, but shall not be limited to, acts of God, war, civil disturbances, riots, acts of a civil or military authority, embargoes, fires, floods, explosions, accidents, labour

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**NEW / AMENDED RULES**

disputes, mechanical breakdowns, computer or system failures or other failures of equipment, failures of or defects in computer or system software, unavailability of or restrictions on any on-line communications system or communication media or facilities, interruptions (whether in whole or in part) of power supplies or other utility or service, any suspension, restriction or closure of any market, any market emergency, failure, interruption or suspension of any depository or custodian, bank or financial institution, any law, decree, regulation or order or directive of any government, competent authority or any court or tribunal, and any other causes beyond CDP's reasonable control.

10.2.3 On the happening of any 1 or more of the events or circumstances referred to in Rule 10.2.1 above, CDP and any party affected shall immediately notify the same to the relevant party or parties.

10.2.4 In respect of affected Clearing Members, CDP shall be entitled, at any time after the receipt of such notice by CDP or any relevant party or parties, to exercise the powers under Rules [6A.9A](#) and 6.10.

10.2.5 Without prejudice to the generality of the foregoing, CDP shall not be liable for any failure, hindrance or delay in the performance (in whole or in part) of any of its obligations to Clearing Members with regard to any ~~collateral accepted as margin~~ [Collateral](#) where such failure, hindrance or delay arises from causes beyond CDP's control, such as but not limited to the failure whether partial or total, interruption or suspension of any depository or custodian or other service ("depository", which expression shall include banks or financial institutions with which such ~~collateral~~ [Collateral](#) is placed with) CDP is using, the termination or suspension of CDP's membership or use of the depository or any variation of the depository's operational timetable, whether or not occasioned by action of the depository operator or other party, or any embargo, unavailability or restriction of bank transfer systems or wires, malfunction or overload of the depository or other emergency.

**Legend**

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## Practice Note 1.2 Marginable Futures Contracts [\(NEW\)](#)

Issue Date	Cross Reference	Enquiries
	Rule 1.2 – Definition of Marginable Futures Contract	Please contact Clearing Risk:  Facsimile No : 6532 0297

### **1 Introduction**

- 1.1. This Practice Note sets out the Futures Contracts approved for listing on SGX-ST designated as Marginable Futures Contracts by CDP.

### **2 Marginable Futures Contracts**

- 2.1. Marginable Futures Contracts refers to Extended Settlement Contracts.

## Practice Note 6A.6 Forms of Collateral Acceptable by CDP as Margins [\(NEW\)](#)

Issue Date	Cross Reference	Enquiries
	Rule 6A.6	Please contact Clearing Risk: Facsimile No : 6532 0297 E-Mail Address: <a href="mailto:margins@sgx.com">margins@sgx.com</a>

### 1 Introduction

- 1.1. This Practice Note sets out the forms of collateral that CDP accepts as margins.

### 2 Forms of Collateral Acceptable by CDP as Margins

- 2.1. Rule 6A.6.1 states that CDP accepts the following forms of collateral:
- cash
  - Singapore and US government securities, and
  - selected common stocks, units of listed business trusts and units of real estate investment trusts.

#### Cash

- 2.2. Cash denominated in Singapore Dollars and US Dollars are accepted as collateral.

#### Singapore and US government securities, and selected common stocks

- 2.3. Singapore and US government debt securities of varying maturities are acceptable as collateral.
- 2.4. CDP also accepts constituent stocks of the MSCI Singapore Free Index and FSSTI Index as collateral. This may include units of listed business trusts and units of real estate investment trusts.

### 3 Collateral is subject to appropriate hair-cuts

- 3.1. The collateral, referred to in paragraph 2, are subjected to appropriate hair-cuts as prescribed by CDP to reflect the price risk of the collateral.
- 3.2. The haircuts for government securities are available on the SGX website [http://www.sgx.com/wps/portal/sgxweb/home/clearing/securities/acceptable\\_collaterals](http://www.sgx.com/wps/portal/sgxweb/home/clearing/securities/acceptable_collaterals).

**Practice Note 6A.5.2 Calculation of Amount of Clearing Member Required Margins**  
**(NEW)**

Issue Date	Cross Reference	Enquiries
	Rule 6A.5.2	Please contact Clearing Risk:  Facsimile No : 6532 0297 E-Mail Address: <a href="mailto:margins@sgx.com">margins@sgx.com</a>

**1 Introduction**

- 1.1. This Practice Note sets out the procedures pursuant to Rule 6A.5.2, for the calculation of the amount of Clearing Member Required Margins that a Clearing Member must deposit with CDP.

**2 Composition of Clearing Member Required Margins**

- 2.1. Pursuant to Rule 6A.5.1, a Clearing Member is required to deposit Clearing Member Required Margins with CDP by such time as CDP prescribes.
- 2.2. Clearing Member Required Margins comprise margin requirements in respect of Marginable Futures Contracts and Novated Contracts other than Marginable Futures Contracts.
- 2.3. The procedures for the calculation of margin requirements in respect of Marginable Futures Contracts and Novated Contracts other than Marginable Futures Contracts differ, and their respective procedures are set out in this Practice Note.

**3 Calculation of Clearing Member Required Margins for Novated Contracts other than Marginable Futures Contracts**

- 3.1. The Clearing Member Required Margins for Novated Contracts other than Marginable Futures Contracts cannot be met by collateral belonging to customers of the Clearing Member, as defined under the SFA in relation to Part III of the SFA.

Calculation of Clearing Member Maintenance Margins for Novated Contracts other than Marginable Futures Contracts

- 3.2. The Clearing Member Maintenance Margins for Novated Contracts other than Marginable Futures Contracts is calculated based on the Valuation Price of securities in the Novated Contracts.
- 3.3. The Clearing Member Required Margins that a Clearing Member is required to place for Novated Contracts other than Marginable Futures Contracts is calculated with reference to all outstanding settlement obligations of such Clearing Member. The calculation methodology is set out below:
- 3.3.1. A margin rate will be applied on the Clearing Member's Aggregate Net Buy Position or Net Sell Position, whichever is higher.
- 3.3.2. The Clearing Member's Aggregate Net Buy Position or Aggregate Net Sell Position are derived by:
- calculating the value of the Clearing Member's buy and sell positions in each security which have not been settled, based on the Valuation Price and quantity of securities in the buy and sell trades;

- b) in respect of each security, netting the total value of the Clearing Member's buy positions, against the total value of its sell positions to arrive at a net buy value or a net sell value in respect of that security;
  - c) aggregating the net buy values and the net sell values separately in respect of all of the Clearing Member's unsettled Novated Contracts to arrive at the Aggregate Net Buy Position and Aggregate Net Sell Position. The net buy value for a security with an inverse payoff function (for example, put warrant and inverse ETFs) will be treated as a net sell value for aggregation purpose. Conversely, its net sell value will be treated as a net buy value.
- 3.3.3. Sell transactions for which the Clearing Member has not made available the required number of shares for delivery and therefore failed to deliver on Settlement Day, will be included in the aggregation process set out in paragraph 3.3.2.
- 3.3.4. Presently, CDP clears securities denominated in Singapore Dollars, as well as the following foreign currencies: Australian Dollars, Chinese Yuan, US Dollars and Hong Kong Dollars. For the purpose of determining the Aggregate Net Buy Position and Aggregate Net Sell Position, CDP will convert net buy values and net sell values into a common currency for aggregation.
- 3.3.5. The margin rate comprises two components:
- a) base rate calculated based on the volatility of the FTSE Straits Times Index; and
  - b) mark-up rate calculated based on the volatility of relevant indices of the Singapore securities market, subject to a minimum of 0.5%.
- 3.3.6. The margin rate is reviewed regularly by CDP and the applicable margin rate will be published on SGX's website.
- 3.3.7. CDP may prescribe higher margin rates in respect of specific securities that exhibit higher volatility or unusually high trading value to cover their potential future price fluctuations.

#### Calculation of Clearing Member Variation Margins for Novated Contracts other than Marginable Futures Contracts

- 3.4. Novated Contracts other than Marginable Futures Contracts are individually marked-to-market in order to determine the Clearing Member Variation Margins. The marked-to-market gain or loss of each Novated Contract is calculated based on the difference between the Valuation Price of the security of the Novated Contract and the price at which the Novated Contract is bought and sold, as well as the quantity of securities in the Novated Contract.
- 3.5. The marked-to-market gains and losses of a Clearing Member's Novated Contracts are aggregated to determine its Clearing Member Variation Margins:
- Clearing Member Variation Margins = Sum of (Valuation Price – Traded Price) × (buy quantity – sell quantity) of securities in each Novated Contract across all unsettled Novated Contracts of the Clearing Member
- Positive results are Clearing Member Variation Margin gains. Negative results are Clearing Member Variation Margin losses.
- 3.6. Clearing Member Variation Margins will be collateralised. This means that:
- a) Mark to market losses must be met by depositing acceptable collateral with CDP; and

- b) Mark to market gains will not be paid out by CDP, but will be used to offset Clearing Member Maintenance Margins.
- 3.7. The Clearing Member Variation Margins is calculated separately for Marginable Futures Contracts and Novated Contracts other than Marginable Futures Contracts. Mark to market gains for Novated Contracts other than Marginable Futures Contracts cannot be used to offset margin requirements for Marginable Futures Contracts, and vice versa.

Calculation of Clearing Member Required Margins for Novated Contracts other than Marginable Futures Contracts

- 3.8. The Clearing Member Required Margins for Novated Contracts other than Marginable Futures Contracts is the sum of the Clearing Member Maintenance Margins and Clearing Member Variation Margins for such Novated Contracts:

Clearing Member Required Margins = Maximum of (Clearing Member Maintenance Margins – Clearing Member Variation Margins, 0)

- 3.9. Clearing Member Variation Margins gains decrease the Clearing Member Required Margins and Clearing Member Variation Margins losses increase the Clearing Member Required Margins.
- 3.10. Where the Clearing Member Variation Margins is greater than the Clearing Member Maintenance Margins, the Clearing Member Required Margins is zero. This means the Clearing Member's Maintenance Margins is fully met through its Clearing Member Variation Margins gains.
- 3.11. Clearing Member Variation Margins will reset to zero when all outstanding positions are settled.

Examples

- 3.12. An example of the calculation of Clearing Member Maintenance Margins for Novated Contracts other than Marginable Futures Contracts is set out below.

# Clearing Member Maintenance Margins for Novated Contracts other than Marginable Futures Contracts

- Calculation of Maintenance Margin (“MM”) requirement
- Hypothetical member’s outstanding positions for cash securities (in S\$),

Securities	Buy S\$	Sell S\$
SIA		7,000
KepCorp	5,000	
DBS		4,000
Keppel T&T		1,000
OSIM	3,000	
HSI Call Warrant	1,000	
<b>Total</b>	<b>9,000</b>	<b>12,000</b>

**Step 1 - Paragraph 3.2.2 (a)**  
Value of Clearing Member’s outstanding positions are marked to Valuation Price

**Step 2 - Paragraph 3.2.2 (b)**  
With respect to a Member’s outstanding positions in each security - Netted across settlement days and accounts to arrive at a net buy or net sell position per security. The net buy and sell security positions will be aggregated respectively.

**Step 3 - Paragraph 3.2.2 (c)**  
The respective buy and sell values are aggregated; higher of the aggregated buy or sell position is marginable.

- Clearing Member MM requirements = S\$12,000 x Maintenance Margin Rate

3.13. An example of the calculation of Clearing Member Variation Margins for Novated Contracts other than Marginable Futures Contracts is set out below.

## Clearing Member Variation Margins for Novated Contracts other than Marginable Futures Contracts

- Calculation of Clearing Member Variation Margins (“VM”)

Securities	Buy S\$	Sell S\$	Variation gains / loss (S\$)
SIA		7000	500
KepCorp	5,000		200
DBS		4,000	(150)
Keppel T&T		1,000	0
OSIM	3,000		(50)
HSI Call Warrant	1,000		0
<b>Total</b>	<b>9,000</b>	<b>12,000</b>	<b>500</b>

← Paragraph 3.4 - Variation Margin gains / loss = Valuation Price - Traded price, and aggregated across all outstanding transactions.

Clearing Member Variation Margins = 500, i.e. gain to member

- This VM gains will be collateralized (ie not paid out by CDP), and can be used to meet Clearing Member’s Maintenance Margin requirements.

3.14. An example of the calculation of Clearing Member Required Margin for Novated Contracts other than Marginable Futures Contracts is set out below.

## Clearing Member Required Margins for Novated Contracts other than Marginable Futures Contracts

- Clearing Member Required Margins  
= Higher of [ (Maintenance Margin - Variation Margin), 0 ]
- Examples of Clearing Member Required Margins (in S\$). Assume margin rate = 5%

Scenarios	Maintenance Margin S\$	Variation Margin S\$	Total Margin S\$
1 VM gain: $IM > abs(VM)$	$12,000 \times 5\% = 600$	500	100
2 VM gain: $IM < abs(VM)$	600	900	0
3 VM loss	600	(150)	750

Total Margin floor at zero.

#### **4 Calculation of Clearing Member Required Margins for Marginable Futures Contracts**

##### Calculation of Clearing Member Required Margins for Marginable Futures Contracts

- 4.1. The Clearing Member Required Margin for Marginable Futures Contracts is calculated on a gross basis with reference to all accounts carried by the Clearing Member, by aggregating the margin requirements for all such accounts. In addition, Marginable Futures Contracts that fail to settle on the intended settlement date are added to the Clearing Member Required Margin in respect of House Accounts.

##### Calculation of Clearing Member Maintenance Margin for Marginable Futures Contracts

- 4.2. The calculation methodology is set out below:
- 4.2.1. An outright margin rate and a spread margin rate are determined for each underlying security of Marginable Futures Contract. A delivery margin rate is determined for each contract month of Marginable Futures Contract.
- 4.2.2. The relevant outright margin rate for each underlying security is based on the volatility for the price of the corresponding Marginable Futures Contracts.
- 4.2.3. The relevant spread margin rate for each underlying security is based on the volatility for the spread differential between different contract months of the corresponding Marginable Futures Contracts.
- 4.2.4. The margin rates are reviewed regularly by CDP and the applicable margin rates will be published on SGX's website.

##### Calculation of Clearing Member Maintenance Margin in respect of a single account

- 4.3. The outright margin requirement for each underlying security for each account is determined by multiplying the net buy or sell quantity across all contract months by the valuation price and outright margin rate of the underlying security.
- 4.4. The spread margin requirement for each underlying security for each account is determined as follows:
- a) determine net position in each contract month by netting the total quantity of securities in outstanding buy contracts against total quantity of securities in outstanding sell contracts to obtain net long position or net short position in the contract month;
  - b) aggregate the net positions across all contract months with net long positions to obtain gross long position and gross short position;
  - c) determine the number of spreads formed by taking the minimum of gross long and gross short positions; and
  - d) determine spread margin requirement by multiplying the number of spreads formed by spread margin rate and valuation price of the underlying security.
- 4.5. The Clearing Member Maintenance Margin in respect of an account is the sum of outright margin requirement and spread margin requirement of each underlying security across all underlying securities of Marginable Futures Contracts in unsettled contracts held in the account.



#### Calculation of Clearing Member Variation Margin in respect of a single account

- 4.6. The Clearing Member Variation Margin for each account is calculated based on the difference between the Valuation Price of such Marginable Futures Contracts and the price at which such Marginable Futures Contracts are bought and sold, in accordance with the methodology below:

Clearing Member Variation Margins for each account = Sum of (Valuation Price - Traded Price) × (buy quantity – sell quantity) of securities in each unsettled Marginable Futures Contract across all unsettled Marginable Futures Contracts in the account

- 4.7. Mark to market gains will not be paid out, but can be used to offset the Clearing Member Maintenance Margins for the same account.

#### Calculation of Clearing Member Required Margin

- 4.8. The Clearing Member Maintenance Margin and Clearing Member Variation Margin for each account are aggregated to arrive at the Clearing Member Required Margin for the account, in accordance with the formula below:

Clearing Member Required Margin = Maximum of (Clearing Member Maintenance Margin - Clearing Member Variation Margin, 0)

- 4.9. The Clearing Member Required Margin for each Customer Account is aggregated across all Customer Accounts of the Clearing Member.

Clearing Member Required Margin for Customer Accounts = Sum of Account Required Margin across all Accounts of the Clearing Member

- 4.10. The Clearing Member Required Margin for each House Account is aggregated across all House Accounts of the Clearing Member.

Clearing Member Required Margin for House Accounts = Sum of Account Required Margin across all House Accounts of the Clearing Member

## Practice Note 6A.9A Additional Margins [\(NEW\)](#)

Issue Date	Cross Reference	Enquiries
	Rule 6A.9A	Please contact Clearing Risk: Facsimile No : 6532 0297 E-Mail Address: <a href="mailto:margins@sgx.com">margins@sgx.com</a>

### 4 Introduction

4.1. Rule 6A.9A.1 states that in relation to Novated Contracts, CDP may call for additional margins from one or more Clearing Members in the following situations:

- (1) when, in CDP's opinion, unstable conditions exist or market conditions or price fluctuations relating to one or more securities or Futures Contracts at any time require additional margins to maintain an orderly market or to preserve financial integrity or for any other reason;
- (2) when CDP believes that any Clearing Member is carrying exposure that:
  - (a) is larger than is justified by the financial condition of that Clearing Member; or
  - (b) places or may place CDP at risk;
- (3) where the Clearing Member is found to have a record of frequent rule violations or inadequate or unsound management or serious operational defects which, in CDP's opinion, places or may place CDP at risk; or
- (4) where market conditions or price fluctuations are such that CDP deems it necessary, to call upon the Clearing Members whom it believes are affected by such conditions or fluctuations to deposit additional funds.

4.2. The objective of additional margin requirements is to provide greater assurance that specific risks which may potentially not be captured under CDP's margin setting methodologies are appropriately accounted for and collateralised for a safer and more robust clearing system.

4.3. CDP conducts daily stress testing of Clearing Members' positions under a comprehensive range of stressed scenarios, to monitor Clearing Member's exposures and to ascertain the adequacy CDP Clearing fund. In addition, as part of its continuing risk management process, CDP

monitors news and developments which may affect a Clearing Member, and conducts risk-based inspections on Clearing Member's risk and credit management practices.

- 4.4. In the event that any of the circumstances specified in paragraph 4.1 (“**Specified Circumstances**”) exist, CDP may impose additional margin requirements. Such additional margin requirements will typically be one of the following:
- (1) Concentration risk add-on;
  - (2) Specific Security add-on; or
  - (3) Credit Risk add-on.
- 4.5. This Practice Note provides guidance on the additional margin requirements set out in paragraph 4.4.

## **5 Concentration risk add-on**

- 5.1. Where one of the Specified Circumstances exist, CDP may impose a concentration risk add-on if:
- (a) the Clearing Member's portfolio is concentrated in a security; or
  - (b) the Clearing Member's outstanding trades result in large potential stress test exposures, net of its margin, under CDP's stress testing regime.

### **5.2. Where a Clearing Member's portfolio is concentrated in a security**

5.2.1. For guidance, a Clearing Member portfolio is deemed to be concentrated in a security if its net Mark-to-Market (MTM) buy or sell value in that security is more than 10% of its Aggregate (across all securities) net MTM buy or sell value respectively.

5.2.2. The concentration margin add-on for a portfolio may range between 10% and 30% of the Clearing Member Maintenance Margin if the concentrated security is a FSSTI constituent. A higher add-on of 25% to 50% applies for all other securities. Deviations from this range may occur depending on factors such as the risk profile of the security, the concentration level of the portfolio in that security, and the side (buy or sell) that is used to compute the portfolio maintenance margin.

5.2.3. Clearing Member will be notified if concentration margin add-on is to be imposed. The concentration add-on will be effective until such time that trades are settled and CDP considers that there is no

longer any undue concentration risk in the Clearing Member's portfolio. CDP may impose the add-on as early as the next clearing cycle after the Clearing Member is notified.

5.3. Where the Clearing Member's outstanding trades result in large potential stress test exposures, net of its margin, under CDP's stress testing regime

CDP conducts stress testing of Clearing Members outstanding positions in line with CPSS-IOSCO and other global best practice standards to assess Clearing Fund adequacy. CDP applies a comprehensive range of stressed scenarios and provides sufficient resources to cover the simultaneous default of the Clearing Member and its affiliated Clearing Members with the largest aggregate loss, and two other financially weaker Clearing Members. CDP also simulates its obligation to settle outstanding cash trades with the direct customers of the Clearing Member should the Clearing Member default ("renovation"). Stress testing is performed at every end of day, as well as intraday.

- 5.3.1. CDP may impose concentration risk add-ons on a Clearing Member if the Clearing Member's outstanding positions are so large as to undermine the adequacy of the Clearing Fund. CDP takes into consideration the size of the Clearing Member's potential stress test exposure, net of margins, relative to the Clearing Fund and the credit standing of the Clearing Member.
- 5.3.2. CDP may require this additional margin to be deposited with CDP on the day the trades are executed or reported to SGX-ST.
- 5.3.3. To provide Clearing Members with more time to prepare any necessary funding arrangements to meet the higher margin requirements, Clearing Members are encouraged to engage CDP early on potential additional margin requirements if they expect significant traded values or large direct business transactions that may result in unusually large potential stress test exposures.
- 5.3.4. For early engagement with CDP, Clearing Members should notify CDP when their aggregated 3-day gross buy value or gross sell value, whichever is higher, is expected to exceed S\$500 mil. For specific Clearing Members, this guiding threshold may be adjusted to reflect credit standing, portfolio composition and other relevant stress testing outcomes.

5.3.5. CDP will consider whether a concentration risk add-on needs to be imposed based on the factors set out in paragraph 5.3.1. The concentration risk add-on may be sized to cover the potential stress test exposure, net of margins, that is in excess of the level deemed acceptable for maintaining Clearing Fund adequacy.

## **6 Specific security add-on**

6.1. CDP may impose a specific security add-on if there are concerns that trading in the security may be unfair or disorderly. This includes, without limitation:

- (a) where there is adverse news that may have a significant impact on its market price (e.g. irregular practices in the listed company); or
- (b) where the security is declared a designated security in accordance with SGX-ST Rule 8.8.

6.2. In determining whether a specific security add-on is warranted, CDP will take into account all relevant factors, including the following:

- (a) trading value of the security relative to total traded value; and
- (b) observable or expected price volatility of the security.

6.3. The Margin Circular issued by CDP will indicate the list of securities that will be margined at different rates. In respect of changes arising from an ad-hoc review arising from exceptional events, CDP will give Clearing Members at least a 1-day notice period before applying the specific security margin.

## **7 Credit risk add-on**

7.1. CDP may impose a credit risk add-on if there are concerns regarding the liquidity, solvency or credit-worthiness of a Clearing Member. Indicators of potential heightened credit risk posed by a Clearing Member includes, without limitation:

- (a) downgrading of the credit rating or credit outlook of the Clearing Member or its parent/affiliates;
- (b) widening credit default swaps of the Clearing Member or its parent/affiliates;
- (c) adverse market sentiments/news on the Clearing Member or its parent/affiliate or where CDP believes the Clearing Member or its parent/affiliate may be adversely affected by unstable market conditions or price fluctuations which CDP deems a concern;
- (d) reduction of Clearing Member's financial resources;

- (e) in CDP's view, there is an increase in the Clearing Member's risk exposure, for example, increased operational risk due to unsound risk or credit practices or exceptional large non-SGX exposures, that potentially places CDP at greater risk; and
- (f) other specific issues or concerns relating to the Clearing Member, which may arise from SGX's on-site inspection, the Authority's audit findings; or frequent rule violations committed by the Clearing Members

7.2. In determining the quantum of the credit add-on, CDP may consider the following:

- (a) prevailing market conditions;
- (b) the Clearing Member's available financial resources, including liquidity resources; and
- (c) the size of Clearing Member's positions.

7.3. The credit risk add-on may be imposed as an absolute dollar amount, or as a percentage add-on to a Clearing Member's maintenance margin requirements.