

AMENDMENTS TO SGX-DC CLEARING RULES

Proposed Changes

2.02.1

Unless otherwise prescribed by the Clearing House, to be eligible for Clearing Membership as a General Clearing Member, an applicant must satisfy the Clearing House that:—

2.02.1.1 it is a corporation with the requisite financial and business standing and repute and is or will upon admission be carrying on the business whether in Singapore or elsewhere;

a. it has a base capital of not less than S\$5,000,000; or

b. in the case of an applicant admitted as a clearing member of the Clearing House and CDP, it has a base capital of not less than S\$8,000,000;

or such other capital and financial requirements as may be prescribed by the Clearing House from time to time;

2.02.1.2 [Rule has been deleted];

2.02.1.2A it holds a ~~capital markets services licence~~ Capital Markets Services Licence unless exempted under the SFA or SFR (Licensing and Conduct of Business);

2.02.1.3 it has, and upon admission will maintain, minimum capital and financial requirements pursuant to Rule 2.07 or Rule 2.08;

2.02.1.4 it has, and upon admission will maintain, a special reserve fund pursuant to Rule 2.09 or Rule 2.10, as the case may be;

2.02.1.5 its managerial or executive staff have a high standard of integrity and a level of knowledge (as may be deemed acceptable by the Clearing House) on the nature, risks and obligations in respect of the market or contracts that it wishes to clear;

2.02.1.6 it must have in place sufficient resources and establish and maintain adequate systems for preserving a sound liquidity and financial position at all times including the maintaining of adequate staff and facilities for monitoring its cashflow and funding requirements and maintaining sufficient liquidity for its day to day operations;

2.02.1.7 it must maintain segregated and adequate back-office functions; and

2.02.1.8 it satisfies any and all other requirements and criteria for such Clearing Membership, which the Clearing House may from time to time hereafter prescribe.

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2.07C Qualifying Letter of Credit

2.07C.1

For the purpose of Rules 2.07, ~~and~~ 2.07A ~~and 2.07B~~, a Clearing Member may include one (1) or more qualifying letter(s) of credit deposited with the Clearing House in its calculation of aggregate resources ~~financial resources~~, subject to the total amount payable under the qualifying letter(s) of credit or 50% of its total risk requirement, whichever is lower. In the case of a Clearing Member admitted as a clearing member of the Clearing House and CDP, and which has deposited such qualifying letter(s) of credit with CDP, pursuant to the corresponding provisions in the CDP Clearing Rules, it need not deposit another qualifying letter(s) of credit with the Clearing House.

2.08C Qualifying Letter of Credit

2.08C.1

Unless otherwise exempted under Rule 2.08.8, for the purpose of Rules 2.08, ~~and~~ 2.08A ~~and 2.08B~~, a Clearing Member may include one (1) or more qualifying letter(s) of credit deposited with the Clearing House in its calculation of aggregate resources ~~adjusted net head office funds~~ subject to the total amount payable under the qualifying letter(s) of credit or 50% of its total risk requirement, whichever is lower. In the case of a Clearing Member admitted as a clearing member of the Clearing House and CDP, and which has deposited such qualifying letter(s) of credit with CDP, pursuant to the corresponding provisions in the CDP Clearing Rules, it need not deposit another qualifying letter(s) of credit with the Clearing House.

2.11 Other Financial Requirements

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

2.11.1.1 Each Clearing Member incorporated in Singapore, except in the case of a Bank Clearing Member, shall not reduce its paid-up ordinary share capital or paid-up irredeemable and non-cumulative preference share capital without the prior approval of the Clearing House.

2.11.2 Preference Share

2.11.2.2 A Clearing Member incorporated in Singapore, except in the case of a Bank Clearing Member, shall not repay the principal of redeem any redeemable preference share (other than any paid-up irredeemable and non-cumulative preference share capital) that is computed as part of its financial resources, through repurchase or redemption:—

a. unless the Clearing Member notifies the Clearing House within such time before the proposed date of repurchase or redemption as prescribed by the SFR (Financial and Margin Requirements);

b. if at the date of repurchase or redemption:—

i. the financial resources ~~(including qualifying letters of credit referred to in Rule 2.07C)~~ of the Clearing Member ~~are is~~ less than 150% of its total risk requirement; or

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- ii. the aggregate indebtedness of the Clearing Member exceeds 600% of its aggregate resources;
- c. if such a [repurchase or](#) redemption will cause an event in Rule 2.11.2.2.b above to occur; or
- d. if the Clearing House has prohibited in writing such a [repurchase or](#) redemption.

2.11.3 Qualifying Subordinated Loans

2.11.3.1 Each Clearing Member incorporated in Singapore, shall immediately notify the Clearing House when it draws down a qualifying subordinated loan no later than the date of draw down.

2.11.3.2 A Clearing Member incorporated in Singapore:—

- a. shall not repay, whether in part or in full, any subordinated loan principal before the maturity date without the prior approval of the Clearing House;
- b. shall not repay, whether in part or in full, any subordinated loan principal that has matured:—
 - i. unless the Clearing Member notifies the Clearing House at least one (1) Business Day before the date of repayment;
 - ii. if the financial resources (~~including qualifying letters of credit referred to in Rule 2.07C~~) of the Clearing Member, are less than 150% of its total risk requirement;
 - iii. in the case of a General Clearing Member or Direct Clearing Member, if the aggregate indebtedness of the General Clearing Member or Direct Clearing Member exceeds 600% of its aggregate resources;
 - iv. if such a repayment will cause an event in Rules 2.11.3.2.b.ii or iii to occur; or
 - v. if the Clearing House has prohibited in writing such a repayment.

2.11.4 Making of Unsecured Loan or Advance, Payment of Dividend or Director's Fees or Increase in Director's Remuneration

2.11.4.1 Each Clearing Member, except for a Bank Clearing Member, shall not, without the prior written approval of the Clearing House, make any unsecured loan or advance, pay any dividend or director's fees or increase any director's remuneration if:—

- a. in the case where the Clearing Member is incorporated in Singapore:—
 - i. the base capital of the Clearing Member is less than the base capital requirement applicable to the Clearing Member under Rule 2.07;
 - ii. the financial resources (~~including qualifying letters of credit referred to in Rule 2.07C~~) of the Clearing Member are less than 150% of its total risk requirement;
 - iii. the aggregate indebtedness of the Clearing Member exceeds 600% of its aggregate resources;or
- iv. such a loan, advance, payment or increase will cause an event in Rules 2.11.4.1.a.i, ii or iii to occur;
- or
- b. in the case where the Clearing Member is incorporated outside Singapore:—
 - i. the net head office funds of the Clearing Member are below the net head office funds requirement applicable to the Clearing Member under Rule 2.08;

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- ii. the adjusted net head office funds ~~(including qualifying letters of credit referred to in Rule 2.08C)~~ of the Clearing Member are less than 150% of its total risk requirement;
- iii. the aggregate indebtedness of the Clearing Member exceeds 600% of its aggregate resources; or
- iv. such a loan, advance, payment or increase will cause an event in Rules 2.11.4.1.b.i, ii or iii to occur.

7A.01.1

The Clearing House shall be entitled to restrict the activities of the Clearing Member on the Clearing House or suspend the Clearing Member without prior notice if:

7A.01.1.1 the Clearing Member becomes insolvent or is deemed insolvent;

7A.01.1.2 unless exempted, ceases to hold a valid ~~capital markets services licence~~ Capital Markets Services Licence as prescribed under the SFA, or ceases to be authorised to conduct banking business in Singapore pursuant to section 4 of the Banking Act, where applicable;

7A.01.1.3 the Clearing House is of the opinion that the integrity of the Clearing Member, in relation to its financial integrity or conduct, or the Clearing House's ability to operate a safe and efficient clearing facility is, or may be, materially compromised in any of the following events:

- a. the parent company or related corporation of the Clearing Member becomes insolvent or is deemed insolvent;
- b. the Clearing Member is suspended or expelled from membership of any Relevant Market or its clearing house;
- c. the Clearing Member fails to comply with or settle any of its financial obligations under the rules and regulations of any exchange or clearing house of which it is a member;
- d. the Clearing Member fails duly to perform or is, in the opinion of the Clearing House, in breach of:
 - i. any provision of this Rules;
 - ii. any Directive which is in force from time to time; or
 - iii. any agreement, understanding or arrangement which the Clearing Member has with the Clearing House from time to time; or

7A.01.1.4 the Clearing House, in its absolute discretion, considers it necessary or desirable to protect its own interests, the interests of other Clearing Members and/or the interests of the customers of the Clearing Member.

9.01.1

Unless the context otherwise requires,

(1) the following words and expressions shall be defined as ~~follows set forth herein below:—~~; and

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

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Term	Meaning
A	
"adjusted net head office funds"	<p>— when used in reference to:—</p> <p>a. a General Clearing Member or Direct Clearing Member incorporated outside Singapore, shall bear the meaning ascribed thereto in paragraph 2 of the Second Schedule <u>Regulation 2</u> of the SFR (Financial and Margin Requirements);</p> <p>b. a Bank Clearing Member incorporated outside Singapore which has satisfied Rule 2.02B.1.11.c, shall bear the meaning ascribed thereto in paragraph 2 of the Second Schedule <u>Regulation 2</u> of the SFR (Financial and Margin Requirements), less the capital requirements for its banking business; and</p> <p>c. a Remote Clearing Member, shall bear the meaning as ascribed to the term "financial resources" in paragraph 1 of the Second Schedule <u>Regulation 2</u> of the SFR (Financial and Margin Requirements), read as if the Remote Clearing Member is a capital market services licensee to which the SFR (Financial and Margin Requirements) applies.</p>
"aggregate resources"	<p>— when used in reference to:—</p> <p>a. a Clearing Member incorporated in Singapore, means its financial resources <u>and</u> (including qualifying letters of credit referred to in Rule 2.07C) less its total risk requirement;</p> <p>b. a General Clearing Member or Direct Clearing Member incorporated outside Singapore or a Bank Clearing Member incorporated outside Singapore which has satisfied Rule 2.02B.1.11.c, means its adjusted net head office funds <u>and</u> (including qualifying letters of credit referred to in Rule 2.08C) less its total risk requirement;</p> <p>c. a Bank Clearing Member incorporated outside Singapore which has satisfied Rule 2.02B.1.11.a or b, means its cash and/or acceptable government securities deposited with the Clearing House or CDP pursuant to Rule 2.08.1B.1 less its total risk requirement; and</p> <p>d. a Remote Clearing Member, means its adjusted net head office funds <u>and</u> (including qualifying letters of credit referred to in Rule 2.08C) less its total risk requirement.</p>

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C	
<u>"Capital Markets Services Licence"</u>	<u>has the meaning ascribed to it in the SFA.</u>
"counterparty risk requirement"	shall have the meaning ascribed to it in paragraph 3 of Third Schedule of the SFR (Financial and Margin Requirements) <u>the Notice on Risk Based Capital Adequacy Requirements for Holders of Capital Markets Services Licences.</u>
F	
"financial resources"	<p>— when used in reference to:—</p> <p>a. a General Clearing Member or a Direct Clearing Member incorporated in Singapore, shall bear the meaning ascribed thereto in paragraph 1 of the Second Schedule <u>Regulation 2</u> of the SFR (Financial and Margin Requirements);</p> <p>b. a Bank Clearing Member incorporated in Singapore, shall bear the meaning ascribed thereto in paragraph 1 of the Second Schedule <u>Regulation 2</u> of the SFR (Financial and Margin Requirements), less the capital requirements for its banking business; and</p> <p>c. a Remote Clearing Member, shall bear the meaning ascribed thereto in paragraph 1 of the Second Schedule <u>Regulation 2</u> of the SFR (Financial and Margin Requirements), read as if the Remote Clearing Member is a capital market services licensee to which the SFR (Financial and Margin Requirements) applies.</p>
I	
<u>" Irredeemable and Non-Cumulative Preference Share</u>	<u>has the meaning ascribed to it in Regulation 2 of the SFR (Financial and Margin Requirements).</u>

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Capital"

Q

"qualifying letter of credit"

has the meaning ascribed to it in Regulation 2 of the SFR (Financial and Margin Requirements).

"qualifying subordinated loan"

has the meaning ascribed to it in ~~paragraph 4 of Second Schedule~~ Regulation 2 of the SFR (Financial and Margin Requirements).

T

"total risk requirement"

—when used in reference to:—

a. a General Clearing Member or a Direct Clearing Member, shall bear the meaning ascribed thereto in ~~paragraph 1 of the Third Schedule~~ Regulation 2 of the SFR (Financial and Margin Requirements);

b. a Bank Clearing Member incorporated in Singapore or a Bank Clearing Member incorporated outside Singapore which has satisfied Rule 2.02B.1.11.c, shall bear the meaning ascribed thereto in ~~paragraph 1 of the Third Schedule~~ Regulation 2 of the SFR (Financial and Margin Requirements) except that such Bank Clearing Member shall only compute the total risk requirement for all Third Parties' and proprietary positions in derivatives and securities contracts traded on ~~any exchange and all contracts (but shall not include any positions in~~

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OTCF Contracts in such computations) novated to any clearing facility;

c. a Bank Clearing Member incorporated outside Singapore which has satisfied Rule 2.02B.1.11.a or b, shall bear the meaning ascribed thereto in ~~paragraph 1 of the Third Schedule~~ Regulation 2 of the SFR (Financial and Margin Requirements) except that such Bank Clearing Member shall only compute the total risk requirement for all Third Parties' and proprietary positions in derivatives and securities contracts traded on the Exchange and SGX-ST and all contracts (but shall not include any positions in OTCF Contracts in such computations) novated to the Clearing House and CDP; and

d. a Remote Clearing Member, shall bear the meaning ascribed thereto in ~~paragraph 1 of the Third Schedule~~ Regulation 2 of the SFR (Financial and Margin Requirements), read as if the Remote Clearing Member is a capital market services licensee to which the SFR (Financial and Margin Requirements) applies.

Chapter 10 Transitional Provisions

10.1 Transitional Provisions for Capital and Financial Requirements

10.1.1 Applicability

This Rule establishes the transitional provisions relating to Rules 2.07C.1, 2.08C.1, 2.11, and 9.01.1 of the SGX-DC Clearing Rules that was amended on and in force from 29 December 2014.

10.1.2 Transitional Arrangements

Rules 2.07C.1, 2.08C.1, 2.11, and 9.01.1 (as amended on and in force from 29 December 2014), except for the definition of Base Capital, shall not apply to a Transitional Clearing Member during the Transitional Period, and the aforesaid Rules as in force immediately before 29 December 2014 shall continue to apply to a Transitional Clearing Member during the Transitional Period. A reference to any provision of the SFR (Financial and Margin Requirements) the aforesaid Rules as in force immediately before 29 December 2014 is to that provision in the SFR (Financial and Margin Requirements) as in force immediately before 3 April 2013. For avoidance of doubt, the definition of Base Capital applicable to a Transitional Clearing Member has the same meaning ascribed in the SFR(Financial and Margin Requirements) as in force on 3 April 2013.

10.1.3 Transitional Period

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

10.1.3.1 in relation to all rule amendments except the definition of Base Capital, till 2 April 2015;
or

10.1.3.2 ending on such date, before the expiry date stated in Rule 10.1.3.1, specified in a written notice to SGX-DC informing SGX-DC of the Transitional Clearing Member’s intention to adopt the requirements pursuant to Rule 10.1.4,

whichever is the earlier.

10.1.4 Notification by Writing

For the purpose of Rule 10.1.3.2, the Transitional Clearing Member shall notify SGX-DC in writing at least 14 days before the intended date to adopt the requirements.

10.1.5 Transitional Clearing Member

“Transitional Clearing Member” means

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

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

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