

Amendments to SGX-ST Rules

New/Amended Rule
Definitions and Interpretation
R
"Relevant Regulatory Authority" Shall mean: (a) the authority(ies) or regulatory body(ies) that regulate(s) a Trading Member's or its Trading Representatives' activities in the country where it is carrying on such activities <u>and from which it has applied for membership or registration with SGX-ST</u> ; and (b) where the Trading Member or its Trading Representatives are carrying on regulated activities in Singapore, the Authority,
Section D — Regulatory Framework
Chapter 11 — Capital and Financial Requirements
11.1 Definitions and Interpretation
11.1.1
In this Chapter,
Term Meaning
B
"Base capital" <u>(1) in the case of a Trading Member that holds a Capital Markets Services Licence,</u> has the meaning ascribed to it in Regulation 2 of the SFR (Financial and Margin Requirements). <u>(2) in the case of a Trading Member that holds a licence specified in Rule 4.1.1(1)(b), the sum of its paid-up ordinary share capital and unappropriated profit or loss;</u>
N
" Net liquid capital"

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~~means the financial resources of a Trading Member that holds a licence specified in Rule 4.1.1(1)(b) computed under such methodology prescribed by SGX-ST. [Deleted]~~

11.2 Base Capital Requirement

[Rule has been deleted.]

~~This Rule 11.2 shall apply to a Trading Members that holds a Capital Markets Services Licence.~~

11.2.1

(a) A Trading Member that holds a Capital Markets Services Licence shall not cause or permit:—

- (1) where the Corporation is incorporated in Singapore, its base capital; or
 - (2) where the Corporation is incorporated outside Singapore, its net head office funds,
- to fall below the base capital requirement.

(b) A Trading Member that holds a licence specified in Rule 4.1.1(1)(b) shall not cause or permit its base capital to fall below the base capital requirement specified in this Rule 11.2, or such other base capital requirement as SGX-ST may impose.

11.2.2

The base capital requirement of:—

- (1) a Trading Member shall be at least \$1 million,
- (2) a Clearing Member shall be at least \$5 million,
- (3) a Clearing Member which is also a member of SGX-DC shall be at least \$8 million

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11.2.3

If a Trading Member fails to comply or becomes aware that it will fail to comply with the base capital requirement prescribed under Rule 11.2, or such higher base capital requirement as SGX-ST may have imposed under Rule 11.5, it shall immediately notify SGX-ST.

11.2.4

~~Regardless whether or not there has been any notification by a Trading Member under Rule 11.2.3, if the base capital or net head office funds of the Trading Member, as the case may be, is/are~~

~~(a) A Trading Member that holds a Capital Markets Services Licence shall not cause or permit:~~

~~(i) where the Trading Member is incorporated in Singapore, its base capital; or~~

~~(ii) where the Trading Member is incorporated outside Singapore, its net head office funds,~~

~~to at any time fall below the base capital requirement prescribed under Rule 11.2 or such higher specified in this Rule 11.2, or such other base capital requirement as SGX-ST may have imposed under Rule 11.5, it shall be deemed a breach of a provision of the SGX-ST Rules by the Trading Member if the base capital or, as the case may be, net head office funds fall(s) below such base capital requirement, whether or not the Trading Member makes or has made the notification specified in Rule 11.2.3.~~

~~(b) A Trading Member that holds a licence specified in Rule 4.1.1(1)(b) shall not cause or permit its base capital to at any time fall below the base capital requirement specified in this Rule 11.2, or such other base capital requirement as SGX-ST may impose. It shall be a breach of the Rules by the Trading Member if the base capital falls below such base capital requirement, whether or not the Trading Member makes or has made the notification specified in Rule 11.2.3.~~

SGX-ST may refer the matter to the Disciplinary Committee, and may take such interim control measures, including but not limited to do all or any of the following, as SGX-ST deems fit and appropriate:—

(1) require the Trading Member to operate its business subject to such restrictions or conditions as SGX-ST decides;

(2) suspend the Trading Member for a period SGX-ST decides. The suspension may be announced to all Trading Members. During the suspension, the Trading Member:—

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(a) must not enter into a new transaction without the approval of SGX-ST;

(b) remains liable to complete all contracts outstanding at the time of suspension. However, it must not deliver any securities or settle any transaction without the approval of SGX-ST.

(3) require a Director to step down from day-to-day conduct of the business affairs of the Trading Member; and

(4) appoint a person or persons (which may include a firm of auditors) as Manager to manage the business of the Trading Member. SGX-ST will fix the remuneration of the Manager, which must be paid by the Trading Member. The Trading Member is solely responsible for the Manager's acts and defaults. The Manager must carry out directions given by SGX-ST in relation to the business of the Trading Member, including carrying on the business of the Trading Member in accordance with instructions.

11.2A ~~Net Liquid Capital~~ [Rule has been deleted.]

~~This Rule 11.2A shall apply to a Trading Member that holds a licence specified in Rule 4.1.1(1)(b).~~

11.2A.1

~~[Rule has been deleted.]~~

~~A Remote Trading Member that holds a licence specified in Rule 4.1.1(1)(b) shall at all times maintain its net liquid capital above the net liquid capital requirement.~~

11.2A.2

~~[Rule has been deleted.]~~

~~The net liquid capital requirement of such Trading Member shall be not less than \$1 million.~~

11.2A.3

~~[Rule has been deleted.]~~

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~~If a Trading Member fails to comply or becomes aware that it will fail to comply with the net liquid capital requirement prescribed under Rule 11.2A, or such higher net liquid capital requirement as SGX-ST may have imposed under Rule 11.5, it shall immediately notify SGX-ST.~~

11.2A.4

~~[Rule has been deleted.]~~

~~Regardless whether or not there has been any notification by a Trading Member under Rule 11.2A.3, if the net liquid capital of the Trading Member is below the net liquid capital requirement prescribed under Rule 11.2A or such higher net liquid capital requirement as SGX-ST may have imposed under Rule 11.5, it shall be deemed a breach of a provision of the SGX-ST Rules by the Trading Member. SGX-ST may refer the matter to the Disciplinary Committee, and may take such interim control measures, including but not limited to all or any of the following, as SGX-ST deems fit and appropriate:—~~

~~(1) require the Trading Member to operate its business activities on SGX-ST subject to such restrictions or conditions as SGX-ST decides;~~

~~(2) suspend the Trading Member's business activities on SGX-ST for a period SGX-ST decides. The suspension may be announced to all Trading Members. During the suspension, the Trading Member:—~~

~~(a) must not enter into a new transaction without the approval of SGX-ST;~~

~~(b) remains liable to complete all contracts outstanding at the time of suspension. However, it must not deliver any securities or settle any transaction without the approval of SGX-ST.~~

~~(3) require a Director to step down from day-to-day conduct of the business affairs of the Trading Member on SGX-ST; or~~

~~(4) appoint a person or persons (which may include a firm of auditors) as Manager to manage the business of the Trading Member on SGX-ST. SGX-ST will fix the remuneration of the Manager, which must be paid by the Trading Member. The Trading Member is solely responsible for the Manager's acts and defaults. The Manager must carry out directions given by SGX-ST in relation to the business of the Trading Member, including carrying on the business of the Trading Member in accordance with instructions.~~

11.10 Submission of Returns

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11.10.1

A Trading Member shall submit to SGX-ST financial returns as follows:

(1) in the case of a Trading Member that holds a Capital Markets Services Licence, submit by the 14th calendar day of each month statements of assets and liabilities, base capital, financial resources, total risk requirement, aggregate indebtedness;

(2) in the case of a Trading Member that holds a licence specified in Rule 4.1.1(1)(b), submit by ~~the 14th calendar day of each month~~ such time specified by SGX-ST financial returns based on such computation methodology and in the form prescribed by SGX-ST; and

(3) and such other statements as SGX-ST may from time to time require in the format specified by SGX-ST.

Refer to SGX Data Submission Website (<https://esub.sgx.com>) for the submission template.

11.11 Annual Financial Audit

11.11.2

A Trading Member shall, within 5 months after the close of the financial year, furnish to SGX-ST the following information:

(1) relevant forms in respect of its annual financial audit which a Trading Member is required to lodge with its Relevant Regulatory Authority, translated into English, and as prescribed by SGX-ST. In the case of a Trading Member who holds a Capital Markets Services Licence, the forms shall be in the prescribed format under Regulation 27(9) of the SFR (Financial and Margin Requirements);

(2) audited accounts of the Trading Member and its subsidiaries; and

(3) a ~~certificate~~ in respect of its annual financial audit signed by the auditor appointed by the Trading Member to carry out such an annual financial audit, in such form prescribed by the Relevant Regulatory Authority. ~~and stating, at a minimum: —~~

~~(a) whether, in the opinion of the auditor, the Trading Member has complied with the relevant applicable laws and regulatory requirements relating to the regulation of markets and licenced entities, or in the case of a Trading Member that holds a Capital Markets Services Licence, financial requirements as set out in the SGX-ST Rules and SFR (Financial and Margin Requirements);~~

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~~(b) whether, in the opinion of the auditor, the Trading Member's books of accounts and records are those usual in a business of that nature and appear to have been kept in a proper manner in accordance with the provisions of the SGX-ST Rules relevant applicable laws and regulatory requirements relating to the regulation of markets and licenced entities, or in the case of a Trading Member that holds a Capital Markets Services Licence, and the SFA;~~

~~(c) whether, in the opinion of the auditor, the financial position of the Trading Member is such as to enable it to conduct its business on sound lines, having regard to the nature and volume of the business transacted during its past financial year as shown by its books of accounts and records; and~~

~~(d) whether the auditor has obtained all the necessary information and explanations for the proper conduct of the audit and to enable the auditor to furnish the Certificate.~~

11.13 Other Financial Requirements-

11.13.5

Rules 11.13.1 to 11.13.4 shall not apply to a Trading Member that holds a licence specified in Rule 4.1.1(1)(b). Such a Trading Member shall notify the Exchange immediately of any actions taken relating to:

(1) any reduction in paid-up ordinary share capital;

(2) any issue of any preference share;

(3) the entry into a subordinated loan agreement in a format other than the format prescribed by SGX-ST from time to time, drawing down on a qualifying subordinated loan or repayment whether in part or in full, any subordinated loan principal before or upon maturity;

(4) [Rule has been deleted.]

~~the making of any unsecured loan, advance, payment of dividend or director's fees or increase in director's remuneration, if its net liquid capital requirement is less than its net liquid capital requirement as prescribed in Rule 11.2A by SGX-ST or such action will cause its net liquid capital requirement to be less than its net liquid capital requirement; or~~

(5) that ~~which~~ has or may have a financial or capital impact on the Trading Member and required to be reported to the Relevant Regulatory Authority.

Directive No. 7 – Computation of Net Liquid Capital for Trading Members that Hold a Licence Specified in Rule 4.1.1(1)(b)

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Directive No. 7 — Computation of Net Liquid Capital for Trading Members that Hold a Licence Specified in Rule 4.1.1(1)(b)	
<u>[Directive has been deleted.]</u>	
1. Introduction	
<u>1.1. Rule 3.3 states that the net liquid capital requirement of a Remote Trading Member shall be at least S\$1 million.</u>	
<u>1.2 This Regulatory Notice sets out the computation of the net liquid capital requirement for a Remote Trading Member that holds a licence specified in Rule 4.1.1(1)(b) pursuant to Rules 11.1A.1(2)(b) and 11.10.1(2) 3.3.</u>	
2. Net Liquid Capital	
<u>2.1 A Remote Trading Member that holds a licence specified in Rule 4.1.1(1)(b) shall compute its net liquid capital as follows:</u>	
COMPUTATION OF NET LIQUID CAPITAL	
Shareholders' Funds¹	=====
Less:	
(a) Illiquid assets ²	=====
(b) Pre-paid expenses ³	=====
(c) Deposits ⁴	=====
(d) Deferred tax assets	=====
(e) Investments in unquoted securities	=====
(f) Deficits in clients' accounts less any provisions for bad and doubtful debts ⁵	=====
(g) Charged assets ⁶	=====
(h) Excess of book value of securities carried in own account over market value	=====
(i) Current assets doubtful of collection less any provisions already made	=====
(j) Diminution in the value of securities underwritten	=====

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(k) Unsecured loans and unsecured advances included as current assets	_____
(l) Unsecured amounts due from each director and his connected person	_____
(m) Unsecured amounts due from related companies	_____
NET LIQUID CAPITAL	_____
3. Submission of Financial Returns to SGX-ST	
3.1. A Trading Member that holds a licence specified in Rule 4.1.1(1)(b) shall submit financial returns in the form as set out in paragraph 2.1 on a monthly basis pursuant to Rule 11.10 and on an annual basis pursuant to Rule 11.11.	
¹ Shareholders' funds means the sum of the ordinary paid-up capital, non-redeemable preference share capital and reserves after deduction of any debit balance appearing in the profit and loss account of the Trading Member.	
² These are assets considered not readily convertible into cash within 30 days which includes intangible assets (goodwill); fixed assets (furniture, fixtures, and building etc).	
³ These include items such as rent and insurance.	
⁴ Deposits exclude items such as:--	
i. a current account balance, saving account deposit or fixed deposit, including accrued interest, with:	
(a) a bank licensed under the Banking Act (Cap. 19);	
(b) a merchant bank approved as a financial institution under the Monetary Authority of Singapore Act (Cap. 186);	
(c) a finance company licensed under the Finance Companies Act (Cap.108); or	
(d) a bank outside Singapore which is subject is approved, licensed, registered or otherwise regulated by a banking regulatory authority in a foreign jurisdiction to carry on banking business; or	
ii. a deposit with any of the following:	

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~~(a) an approved exchange;~~

~~(b) a recognised exchange;~~

~~(c) a designated clearing house;~~

~~(d) a clearing facility appointed by a recognized exchange; or~~

~~(e) an entity which is a member of any entity referred to in sub-paragraphs (a) to (d);~~

~~where a recognised exchange means an overseas exchange regulated by a financial service regulatory authority of a country or territory specified under Group A in Table 4 of the Fourth Schedule of the SFR (Financial and Margin Requirements).~~

~~⁵ Deficits in clients' accounts means:--~~

~~i. For a purchase contract which remains fully or partially unpaid, the excess of the amount owed by the client over the market value of the underlying securities of which the client had failed to take delivery after the due date and of any additional securities lodged by the client with the Trading Member as collateral;~~

~~ii. For a sale contract where the securities is yet to be delivered, the excess of the current market value of the underlying securities sold and any additional securities lodged by the client with the Trading Member as collateral, over the contract value of the sale contract;~~

~~iii. Where any purchase or sale contract has been offset by a contra transaction on or before the due date, the amount of loss, if any, on the date on which the contra transaction takes effect;~~

~~iv. Where any purchase or sale contract has been offset by a forced sale or buying in transaction after the due date, the amount of loss, if any, arising from the forced sale or buying in transaction on the date on which the transaction takes effect;~~

~~v. In relation to each client's margin account carried on the books of the Trading Member, the amount of margin deficiency determined in accordance with the maintenance margin requirement provided in the Trading Member's agreement with the client; and~~

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~~vi. In relation to interest and other receivables arising from securities transactions, the amount which is not secured and which is outstanding for more than 14 calendar days.~~

~~⁶Charged assets refer to assets which are subject to a charge under which a third party has a right of retention or sale of the assets upon default of the Trading Member.~~

Schedules

Schedule A

Chapter 11 – Capital and Financial Requirements

Rule Violation		Whether composition may be offered	Composition amount that may be offered by SGX-ST, where SGX-ST has determined the Trading Member, Chief Executive Officer and/or Trading Representative to be liable									Mandatory minimum penalty imposed by the Disciplinary Committee
Rule Chapter / Number	Brief Description of Rule		Trading Members (or Designated Market Maker, where applicable)			Chief Executive Officer			Trading Representatives (or Market Making Representative, where applicable)			
			1st Violation	2nd Violation	3rd Violation	1st Violation	2nd Violation	3rd Violation	1st Violation	2nd Violation	3rd Violation	
Chapter 11 – Capital and Financial Requirements												
11.2A	Net Liquid Capital											
11.2A.1	Trading Member not to cause or permit its net liquid capital to fall below the net liquid capital requirement [Rule has been deleted.]	Compoundable	\$2,000 = \$4,000	\$4,000 = \$7,000	\$7,000 = \$10,000	\$1,000 = \$3,000	\$3,000 = \$6,000	\$6,000 = \$8,000	N.A.	N.A.	N.A.	N.A.
11.2A.3	Trading Member to notify SGX-ST in the case of failure to comply or awareness of impending failure to comply with the net liquid requirement [Rule has been deleted.]	Compoundable	\$2,000 = \$4,000	\$4,000 = \$7,000	\$7,000 = \$10,000	\$1,000 = \$3,000	\$3,000 = \$6,000	\$6,000 = \$8,000	N.A.	N.A.	N.A.	N.A.
11.2A.4	Trading Member to comply with SGX-ST's requirements when net liquid capital falls below the net liquid capital requirement. [Rule has been deleted.]	Not Compoundable	Not Compoundable						N.A.	N.A.	N.A.	\$10,000