

Regulatory Notice

4.1.11 Negotiated Large Trades

Issue date	Cross Reference	Enquiries
23 January 2008	Rule 4.1.11	Please contact International Products for policy issues: 6236-5324 Please contact Market Control (Derivative Operations) (“MCD”) for operational issues: 6538-0261 or 6536-3504 Facsimile No: 6536-6480 Email address : GPOPSMCDOP@sgx.com

1. INTRODUCTION

- 1.1 This Regulatory Notice sets out the minimum volume thresholds, notification requirements and procedures that Persons effecting Negotiated Large Trades or “NLTs” are required to observe.

2. MINIMUM VOLUME THRESHOLDS

- 2.1 The minimum volume thresholds for NLTs are set out in Appendix A.
- 2.2 Within the same Underlying, a NLT is deemed to be in accordance with the minimum volume threshold if at least one (1) of the legs meets the minimum volume threshold.

Example: Minimum volume threshold for NK Futures = 300 lots
Minimum volume threshold for NK Options = 100 lots

The following NLT will be in accordance with the minimum volume threshold as one (1) of the legs (NK Options Jan 06 Call 14000) meets the minimum volume threshold of 100 lots:

Contract	Qty	Price
NK Futures Mar 06	200 lots	14200
NK Options Jan 06 Call 14000	50 lots	300
NK Options Jan 06 Call 14000	50 lots	301
NK Options Feb 06 Put 13750	2 lots	610

3. GENERAL POLICY

3.1 Trading Hours

3.1.1 The NLT facility shall be available twenty-four (24) hours a day. All NLTs executed during or before the Contract “T” trading hours shall be “T Trades” while NLTs executed after the Contract “T” trading hours shall be “T+1 Trades”.

3.2 Reporting and Registration of NLTs

3.2.1 All NLTs must be reported to the Exchange. Clearing Members are required to submit Form CH31 (*Negotiated Large Trade Registration Form*), duly filled up and signed by their authorised personnel on behalf of their Customers.

3.2.2 Clearing Members are required to register all “T Trades” and “T+1 Trades” via the SGX Trade Allocation and Registration (“STAR”) system in a timely manner. In any event, Clearing Members are required to register all “T Trades” no later than thirty (30) minutes after the relevant “T” session closes and all “T+1 Trades” no later than thirty (30) minutes after the next Business Day’s “T” session closes.

3.3 NLT Execution

3.3.1 Members shall ensure that NLTs are not transacted for Customers who have the same beneficial interest in both sides of the transactions. Members may submit NLT orders from two (2) separate Customers under the same Omnibus Account, provided that the Members’ record keeping and audit trails are able to demonstrate the separate beneficial ownership.

3.3.2 A Member shall ensure that its Customers are aware of and have given their approval for the execution of the Customers’ orders via the NLT facility. Where a Member receives a Customer’s order that is not a NLT order but meets the requirements of the NLT facility, such Member may execute the Customer’s order via the NLT facility provided that such Member has obtained the prior approval from the Customer, either specifically for the transaction or as a general blanket approval (and such blanket approval has not been terminated by the Customer). If a Customer’s approval is obtained verbally, the Member shall ensure that a tape recording of the conversation where the Customer’s approval was obtained is retained for record keeping purposes. A Member shall also inform its Customers if the Member may be or is a counterparty to the Customer’s NLT and obtain the Customer’s prior written approval.

- 3.3.3 Members may obtain a general blanket approval from their Customers provided the conditions below are met. Members shall disclose to their Customers all NLTs executed pursuant to the general blanket approval in the contract notes sent to their Customers. The conditions for obtaining a general blanket approval from the Customer are as follows:
- (a) Members shall inform the Customer that the general blanket approval is subject to compliance with the rules, laws and regulations in the Customer's country of domicile;
 - (b) the general blanket approval shall be in writing and shall provide details on the nature and scope of the general blanket approval given;
 - (c) Members shall highlight to the Customer the risks and liabilities that the Customer may be exposed to in giving such general blanket approval. In particular, the Member shall highlight that in some instances, NLT orders may not be executed at the best possible price and that the timeliness of order execution may be compromised. The Customer must also be informed that the Customer is obligated to accept all NLTs executed pursuant to the general blanket approval; and
 - (d) the Customer shall acknowledge that it has read, understood, and received a copy of the signed general blanket approval.
- 3.3.4 In order to ensure that Customers' interests are not compromised, the Members shall, unless their Customers specifically request for a trade to be done through the NLT facility, place all Customers orders on QUEST for execution. After the Customers' orders have been placed on QUEST for execution, Members' employees may then seek their Customers' approval to accept the order as a NLT. However, Members may only withdraw an order from QUEST for subsequent execution as a NLT if the price for the NLT is at least equal to or better than the prevailing bid/offer quoted in QUEST at the time the order is withdrawn, unless otherwise instructed by Customers.
- 3.3.5 Members shall not combine individual Customers' orders in order to meet the NLT minimum volume threshold requirements. Members shall not combine separate Customers' orders of different Contracts to create an inter-commodity spread or strategy transaction. However, individual orders greater than or equal to the minimum volume threshold may be combined by Members to match a larger NLT counter bid/offer, subject to the condition that the NLTs should, upon execution, be individually reported.

- 3.3.6 Members may use various price combinations within the same NLT or within the same leg of a NLT in the case of spreads or combinations, to set an ‘average’ price, provided that the trade is for the same entity and that each respective price must meet the minimum tick for the Market in question.
- 3.3.7 Upon execution, a Member may give up a NLT to another Clearing Member or different Clearing Members via the STAR system for allocation(s) to various Customer Accounts maintained with that other Clearing Member(s). The allocated number of Contracts to each such account may be less than the minimum volume threshold for the Contract in question provided that the NLT was executed for fund managers, commodity trading advisors etc. who may at times be required to allocate in part to ‘sub-funds’, high net worth individuals/investors, etc. who may maintain their own accounts with the other Clearing Member(s).
- 3.3.8 The Exchange shall have the sole and absolute discretion to cancel or adjust the price of any NLT, even after the registration of the NLT.

3.4 Publicising of NLT

The Exchange shall publish information relating to the details of NLTs on the Exchange’s website.

3.5 NLT Fees

The standard clearing fees applicable to the relevant Contracts shall be imposed on all NLTs. In addition, a special facility fee charge shall also be imposed on all NLTs.

3.6 Deterrence Fees

- 3.6.1 The Exchange shall impose a deterrence fee for any NLT that does not have at least one (1) leg that meets the required minimum volume threshold. The deterrence fee will be charged separately for each leg in the NLT and be equal to US\$20 x minimum volume threshold.

Example: Contract	Qty	Price
NK Futures Mar 07	200 lots	16000
NK Options Jan 07 Call 16000	50 lots	300

Deterrence Fee Charged for NK Futures Mar 07 = US\$20 x 300
Deterrence Fee Charged for NK Options Jan 07 Call 16000 = US\$20 x 100
Total = US\$8,000

- 3.6.2 Clearing Members are required to register their NLTs on the STAR

system under paragraph 3.2 above. A deterrence fee of US\$20 x the total NLT quantity per leg will be imposed for all late reporting.

Example: If the NLT in the example above was also late, it will be charged an additional deterrence fee of

Deterrence Fee Charged for NK Futures Mar 07 =	US\$20 x 200
Deterrence Fee Charged for NK Options Jan 07 Call 16000 =	US\$20 x 50
Total =	US\$5,000

Appendix A

MINIMUM VOLUME THRESHOLDS FOR NLTS

Contract	Minimum Volume Threshold (Lots)
Eurodollar Futures and Options	500
Euroyen Tibor Futures	Contract maturity up to 2 years: 500 Contract maturity beyond 2 years: 100 Spread/Strategy: 100
Euroyen Tibor Options	Outrights: 200 Spread/Strategy: 100
Euroyen Libor Futures	Contract maturity up to 2 years: 500 Contract maturity beyond 2 years: 100 Spread/Strategy: 100
Euroyen Libor Options	Outrights: 200 Spread/Strategy: 100
Singapore Dollar Interest Rate Futures	50
Singapore Government Bond Futures	100
Mini JGB Futures and Options	100
Nikkei 225 Index Futures	200
Nikkei 225 Index Options	100
MSCI Taiwan Index Futures	200
MSCI Taiwan Index Options	100
MSCI Singapore Index Futures	200
Straits Times Index Futures	100
SGX CNX Nifty Index Futures	100
MSCI Japan Index Futures	100
SGX FTSE Xinhua China A50 Index Futures	200
JADE TSR20 Futures	50
JADE CPO Futures	<u>20</u>