

Amendments to the SGX-ST Rules

Rule amendments are marked in blue.

Sample: Rule insertion

~~Sample~~: Rule deletion

Chapter 11 – Cancellation of Contracts and Error Trades
<p>11.1.2</p> <p>SGX-ST may cancel a contract in any of the following circumstances:</p> <p>(a) if the contract arises from an Error Trade (as defined in Rule 11.2.1) and:</p> <ul style="list-style-type: none">(i) the Trading Members to the contract agree to the cancellation; or(ii) SGX-ST is satisfied that the trade should be cancelled; <p><u>(b) the contract arises from a Trade at Close and subsequent to the trade, SGX-ST:</u></p> <ul style="list-style-type: none"><u>(i) invalidates the Closing Auction Price on which the trade is based; or</u><u>(ii) determines an alternate closing price for the security;</u> <p>(bc) there is prima facie evidence of fraud or wilful misrepresentation in relation to the contract; or</p> <p>(ed) in SGX-ST's opinion, it is desirable to cancel the contract to protect the financial integrity, reputation or interests of the markets established or operated by SGX-ST.</p>
13.1 Definitions
<p><u>“Closing Auction Price”</u>: In relation to a security on a Market Day, refers to the single price at which orders were matched at the end of the closing routine, as described in Regulatory Notice 8.2.1, for that security on that day.</p> <p>...</p> <p><u>“Trade at Close”</u>: A trade executed in the trade at close trading phase as described in Regulatory Notice 8.2.1.</p>

Regulatory Notice 8.2.1 — Trading Hours, Market Phases, Application of Market Phases and Principles and Rules for Trade Matching

1. Introduction

- 1.1 Rule 8.2.1 states that the trading hours, market phases, application of the market phases and principles and rules for trade matching, are as published by SGX-ST.
- 1.2 This Regulatory Notice sets out the trading hours, market phases, application of the various market phases and the principles and rules used by SGX-ST for trade matching.

2. Market Phases

2.1 Pre-Open/Pre-Close

- (a) This phase allows order entry, order modification and withdrawal of orders but no matching of orders.
- (b) The bid (offer) can be higher (lower) than the offer (bid).

2.2 Non-Cancel

- (a) No order entry and amendment are allowed in this phase.
- (b) All existing orders that can be matched are matched at a single price according to the algorithm set by SGX-ST.
- (c) All unmatched orders, ~~except at the close of trading,~~ are carried over to the next phase unless they expire.

2.3 Trading

- (a) This phase allows order entry, order modification and withdrawal of orders.
- (b) All orders are matched in accordance with price priority, subject to Rule 8.14, followed by time priority.

2.4 Adjust

- (a) An Adjust Phase operates upon the lifting of a suspension of a security or futures contract pursuant to Rule 8.13.7, and may also be applied pursuant to Rule 8.13.2.
- (b) The Adjust Phase sets in for 15 minutes unless a longer time is specified.
- (c) Orders can be entered, modified or withdrawn.
- (d) The bid (offer) can be higher (lower) than the offer (bid).

- (e) Orders that can be matched will be matched at the end of the Adjust Phase at a single price computed based on an algorithm set by SGX-ST before normal trading resumes. Unmatched orders at the end of the Adjust Phase are carried forward into the phase of the market applicable when the Adjust Phase ends, except in the following scenarios:
- (i) When the end of the Adjust Phase coincides with the Opening Routine, Mid-Day Break or Closing Routine. In these circumstances, orders entered are carried forward into and matched accordingly in the respective Opening Routine, Mid-Day Break or Closing Routine.
 - (ii) When SGX-ST specifies that the Adjust Phase is to be followed immediately by a Non-Cancel Phase. In these circumstances, the Non-Cancel Phase will begin simultaneously with the end of the Adjust Phase, which may be at any time within a one-minute window. Orders are carried forward into the Non-Cancel Phase. Orders that can be matched will be matched at a single price computed based on an algorithm set by SGX-ST before normal trading resumes. Unmatched orders at the end of the Non-Cancel Phase are carried forward into the phase of the market applicable when the Non-Cancel Phase ends.

For illustrative purposes only:

10.00	10.15-10.16	10.17
Suspension	Adjust	Non-Cancel
		Trading

SGX-ST specifies the Adjust Phase is to be followed immediately by a Non-Cancel Phase and further specifies that the Non-Cancel Phase will begin from 10:15 hours to 10:16 hours. In this case, the Adjust Phase will end simultaneously with the beginning of the Non-Cancel Phase at any time from 10:15 hours to 10:16 hours. Normal trading will begin at 10:17 hours.

- (iii) When SGX-ST closes the market or suspends trading pursuant to Rule 8.13.1, at the end of the Adjust Phase. In this case, SGX-ST will inform participants on the status of unmatched orders.

2.5 Trade at Close

- (a) For each security, this phase will occur only if an Equilibrium Price (as defined in paragraph 4) is determined at the end of the Closing Routine.
- (b) This phase allows order entry, withdrawal of orders and order amendment with regard to volume and price, save that any order amendment with regard to price can only be made to the Equilibrium Price determined at the end of the Closing Routine.
- (c) Orders may be entered in this phase only at the Equilibrium Price determined at the end of the Closing Routine.

(d) All orders are matched in accordance with time priority, at the Equilibrium Price determined at the end of the Closing Routine.

(e) All unmatched orders are carried over to the next phase unless they expire.

3. Trading hours and application of market phases

3.1 Summary

- (a) Normal Day Trading
[Opens/Starts at: 08:30 hours](#)
[Closes/Ends at: 17:16 hours](#)

08.30 08.58-59 09.00 12.00 12.58-59 13.00 17.00 17.04-05 17.06 [17.16](#)

Pre-Open	Non-Cancel	Trading	Pre-Open	Non-Cancel	Trading	Pre-Close	Non-Cancel	Trade at Close
Opening Routine			Mid-Day Break			Closing Routine		

- (b) Half-Day Trading
[Opens/Starts at: 08:30 hours](#)
[Closes/Ends at: 12:16 hours](#)

08.30 08.58-59 09.00 12.00 12.04-12.05 12.06 [12.16](#)

Pre-Open	Non-Cancel	Trading	Pre-Close	Non-Cancel	Trade at Close
Opening Routine			Closing Routine		

3.2 Opening Routine

- (a) The Opening Routine is a 30-minute session before normal trading starts at 09:00 hours. It comprises a Pre-Open Phase and a Non-Cancel Phase.
- (b) Pre-Open Phase (08:30 hours to 08:58–59 hours)
- (i) This phase begins at 08:30 hours and ends randomly at any time from 08:58 hours to 08:59 hours.
- (c) Non-Cancel Phase (08:58–59 hours to 09:00 hours)
- (i) This phase begins simultaneously with the end of the Pre-Open Phase, which may be at any time from 08:58 to 08:59 hours.

- (ii) The computed price will be the opening price for the day.
- (iii) Unmatched orders are carried forward into the morning trading session.

3.3 Trading Session

- (a) ~~In N~~normal day trading ~~comprises, there is~~ a morning trading session and an afternoon trading session.
 - (i) The morning trading session consists of a Trading Phase which begins at 09:00 hours and ends at 12:00 hours.
 - (ii) The afternoon trading session consists of a Trading Phase which begins at 13:00 hours and ends at 17:00 hours.
- (b) ~~In H~~half day trading ~~comprises, there is~~ one trading session which consists of a Trading Phase that begins ~~from at~~ 09:00 hours and ends at 12:00 hours.
- (c) Unmatched orders after the Trading Phase in the morning trading session (for normal day trading) are carried forward to the Mid-Day Break.
- (d) Unmatched orders after the Trading Phase in the afternoon trading session (for normal day trading) and after the Trading Phase (for half days trading) are carried forward to the Closing Routine.

3.4 Mid-Day Break

- (a) The Mid-Day Break is a 60-minute session that begins after the morning trading session ends at 12:00 hours, and ends before the afternoon trading session begins at 13:00 hours. It comprises a Pre-Open Phase and a Non-Cancel Phase.
- (b) Pre-Open Phase (12:00 hours to 12:58–59 hours)
 - (i) This phase will end randomly at any time from 12:58 hours to 12:59 hours.
- (c) Non-Cancel Phase (12:58–59 hours to 13:00 hours)
 - (i) This phase begins simultaneously with the end of the Pre-Open Phase, which may be at any time from 12:58 hours to 12:59 hours.
 - (ii) The computed price will be the opening price for the afternoon trading session.
 - (iii) Unmatched orders are carried forward into the afternoon trading session.

3.5 Closing Routine

- (a) The Closing Routine is a six-minute session after trading stops at 17:00 hours for normal day trading, or 12:00 hours for half-day trading. It comprises a Pre-Close Phase and a Non-Cancel Phase.
- (b) All unmatched orders are carried forward to the Closing Routine at 17:00 hours (for normal day trading) or 12:00 hours (for half-day trading).
- (c) Pre-Close Phase (17:00 hours to 17:04-17:05 hours/12:00 hours to 12:04-12:05 hours)
 - (i) This phase will end randomly at any time from 17:04 hours to 17:05 hours (for normal day trading) or 12:04 hours to 12:05 hours (for half-day trading).
- (d) Non-Cancel Phase (17:04-05 hours to 17:06 hours/12:04-05 hours to 12:06 hours)
 - (i) This phase will begin simultaneously with the end of the Pre-Close Phase, which may be at any time from 17:04 hours to 17:05 hours (for normal day trading) or 12:04 hours to 12:05 hours (for half-day trading).
 - (ii) Unless otherwise specified, the computed price will be the closing price for the day. Unmatched orders are carried forward into the Trade at Close Phase.
- (e) The Closing Routine is designed to reduce the risk of manipulating closing prices with a single transaction at an unusually high or low price, just before the trading session ends.

3.6 Trade at Close Phase

- (a) The Trade at Close Phase is a ten-minute session that begins after the Closing Routine ends at 17:06 hours (for normal day trading) and 12:06 hours (for half-day trading).
- (b) Unless they expire, unmatched orders after the Trade at Close Phase will remain in the order book and will be carried forward to the Opening Routine of the next Market Day.

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Practice Note 5.12 — False Trading and Market Rigging

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3.4 Rule 5.12.2(d): Whether the execution of the transaction is likely to coincide with or is likely to influence the calculation of reference prices, settlement prices and valuations.

3.4.1 A Trading Member or Trading Representative should consider carefully any orders placed with instructions to execute them ~~at in~~ or near the ~~close of trading~~ [Closing Routine](#), particularly if a price target is set. A Trading Member or Trading Representative should also be alert to orders placed [in or](#) near the ~~close~~ [Closing Routine](#) on the last trading day of the month, quarter or year, or on the expiry dates of options, warrants or futures contracts, which will move the price when executed.

3.4.2 A customer who, to the knowledge of the Trading Member or Trading Representative, declines the opportunity to obtain a better price during the day and prefers to pay a higher (or lower) price [in or](#) near the ~~close~~ [Closing Routine](#) should be queried as to the strategy. This is important if the order is to buy (or sell) a small volume of the security or futures contract, which is likely to move the price and possibly fix the closing price. Further, if the Trading Member or Trading Representative received a series of similar orders over a number of days, each of which generated a price movement [in or](#) near the ~~close of trading~~ [Closing Routine](#), the Trading Member or Trading Representative should be satisfied that the customer is not attempting to create a false or misleading appearance with respect to the price of the security or futures contract.

3.4.3 Examples:

- (a) A fund manager's quarterly performance will improve if the valuation of his portfolio at the end of the quarter in question is higher. By placing a large order to buy relatively illiquid securities and/or futures contracts, which are also components of his portfolio, to be executed ~~at in~~ or just before the ~~close~~ [Closing Routine](#), his purpose might be to distort the price in his favour.
- (b) The expiry of futures contracts may require a timed unwinding of the countervailing security position. In these circumstances, price impact in some securities may be inevitable, particularly in less liquid securities. However, a Trading Member or Trading Representative should be alert to a customer seeking to cause unnecessary price impact to improperly generate a profit or move the index.

Practice Note [11.1.2](#) and 11.3 — ~~Error~~ Trade Cancellation Procedures

1. Introduction

1.1 [Rule 11.1.2](#) states that SGX-ST may cancel a contract in various circumstances including the following:

(a) [if the contract arises from an Error Trade and:](#)

(i) [the Trading Members to the contract agree to the cancellation; or](#)

(ii) [SGX-ST is satisfied that the contract should be cancelled; and](#)

(b) [if the contract arises from a Trade at Close and subsequent to the trade, SGX-ST:](#)

(i) [invalidates the Closing Auction Price on which the trade is based; or](#)

(ii) [determines an alternate closing price for the security.](#)

1.2 Rule 11.3 sets out the procedures for the cancellation of Error Trades. This Practice Note [further](#) sets out the steps that a Trading Member should take if it wishes to cancel an Error Trade.

[1.3](#) [This Practice Note also sets out the procedure when SGX-ST cancels a contract arising from a Trade at Close.](#)

2. Cancellation Procedures for Error Trades

2.1 [Definitions](#)

2.1.1 [Rule 11.2.1](#) states that an “Error Trade” refers to a trade that is executed on the Trading System and that results from:

(a) An erroneous entry in relation to the price and/or volume of an order; and/or

(b) An erroneous entry in relation to the name of the securities or futures contracts.

2.1.2 For the purpose of this Practice Note, the party that caused the Error Trade will be referred to as the “TM in error”; any counterparty to the Error Trade will be referred to as a “counterparty TM”; and both parties will be referred to collectively as the “parties”.

[32.2](#) [Preliminary Steps](#)

[32.2.1](#) When an Error Trade occurs, the TM in error must:

(a) Inform SGX-ST by telephone at (+65) 6713 7088 within 30 minutes from the time the Error Trade occurred; and

- (b) Contact the counterparty TM(s) without delay and seek its(their) agreement to cancel the Error Trade.

[32.2.2](#) Both the TM in error and the counterparty TM(s) must take all necessary steps to minimise any likely market impact caused by the Error Trade.

[32.2.3](#) Rule 11.4.1 gives SGX-ST the discretion to review any Error Trade if SGX-ST deems it necessary for the proper maintenance of a fair and orderly market. As such, market participants are advised that even if they do not initiate the procedure for cancelling an Error Trade, SGX-ST may exercise its discretion under Rule 11.4.1 to review the Error Trade.

[42.3](#) Cancellation Procedures

[42.3.1](#) Upon being notified by a TM in error of an Error Trade, the counterparty TM must contact all its affected clients to:

- (a) inform them of the Error Trade and seek their instructions on the cancellation of the Error Trade;
- (b) inform them on the possibility that the Error Trades may be referred by the TM in error to SGX-ST for review and may be cancelled upon the conclusion of the review; and
- (c) inform them not to close their position until the issue has been resolved.

Mutual cancellation

[42.3.2](#) In the event that the parties agree to cancel an Error Trade, the following procedures will apply:

- (a) The TM in error must inform SGX-ST of the mutual cancellation without delay; and
- (b) Both parties must submit the duly completed trade cancellation request forms to SGX-ST.

[42.3.3](#) If the counterparty TM agrees to cancel an Error Trade, the TM in error should consider compensating, on an *ex gratia* basis, the counterparty TM for any losses that would be incurred as a result of the mutual cancellation.

No mutual cancellation

[42.3.4](#) If the parties cannot mutually agree to cancel the Error Trade, the TM in error may submit a written request to SGX-ST to review the Error Trade.

[42.3.5](#) In making the request to SGX-ST to review an Error Trade, the TM in error must:

- (a) refer the matter to SGX-ST within 60 minutes from the time the Error Trade occurred or before 18:00 hours on the day the Error Trade occurred, whichever is earlier; and
- (b) notify the counterparty TM that it has referred the matter to SGX-ST for review.

[42.3.6](#) In a situation where multiple counterparty TMs are involved in an Error Trade and some agree to a mutual cancellation while the others do not, the TM in error must notify all the counterparty TMs of any referral to SGX-ST for review.

[42.3.7](#) If a TM in error makes a request to SGX-ST to review an Error Trade, the counterparty TM must provide the TM in error and SGX-ST with its reasons for not agreeing to a mutual cancellation of the Error Trade.

[2.3.8](#) The timeframe referred to in paragraph 2.3.5 for the TM in error to make the request to review an Error Trade is to minimise the impact of any cancellation on the market. In this regard, SGX-ST reserves the right not to facilitate any request to review an Error Trade if SGX-ST receives the request after the said timeframe.

[52.4](#) Review Procedures

[52.4.1](#) A TM in error must pay a non-refundable trade review fee of S\$1,000 for each referral accepted for review by SGX-ST, regardless of the outcome of the review.

[52.4.2](#) In its referral to SGX-ST for review, the TM in error shall provide details of:

- (a) the name of the counter to which the Error Trade pertains;
- (b) the price and volume at which the Error Trade was done;
- (c) the timestamp of the Error Trade;
- (d) the Trade ID; and
- (e) the reasons for the erroneous ~~order being entered into the Trading System~~ entry in relation to the Error Trade.

[52.4.3](#) Once ~~it~~ SGX-ST has reviewed an Error Trade, SGX-ST will inform the market of the outcome of the review (i.e. whether the Error Trade remains valid or has been cancelled) ~~via through various media which may include but not be limited to the use of~~ market broadcast and publication on any website by SGX.

[52.4.4](#) SGX-ST will also notify the parties of the outcome of the review in writing.

[62.5](#) No-cancellation Range

[62.5.1](#) Rule 11.4.1 gives SGX-ST the discretion to review any Error Trade if SGX-ST deems it necessary for the proper maintenance of a fair and orderly market, notwithstanding any no-cancellation range.

[62.5.2](#) Rule 11.5.3 states that SGX-ST has the discretion to apply or remove a no-cancellation range.

62.5.3 Market participants are advised that an Error Trade may be cancelled by SGX-ST even if the Error Trade falls within the no-cancellation range.

72.6 Extension of Time

72.6.1 SGX-ST may in its discretion allow for an extension of time for any submission of information and documents in relation to the Error Trade, particularly during the review stage.

3. **Cancellation Procedures for contracts arising from a Trade at Close**

3.1 **Cancellation Procedures**

3.1.1 **If SGX-ST cancels a contract arising from a Trade at Close, SGX-ST will inform the market of the cancellation through various media which may include but not be limited to the use of market broadcast and publication on any website by SGX.**

3.1.2 **Subsequently, SGX-ST will notify both parties to the Trade at Close in writing of the cancellation.**