

SGX - Derivatives Circular: For All Members

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SGX Amends Derivatives Electronic Trading Rules

Singapore Exchange Ltd (SGX) today announced changes to Chapter 11 of its derivatives trading rules which will take effect from 9 August 2004.

This follows the public consultation in June 2004 on amendments to Chapter 11. The amendments aim to update all electronic trading rules for the SGX derivatives market into one chapter, making it a “one-stop” reference.

Ms Yeo Lian Sim, EVP and Head of Risk Management and Regulation at SGX said, “Consolidating all rules on the electronic trading of derivatives into a single reference point makes them more user friendly to our market participants. We have also simplified the structure and language of the rules and updated them to better meet the changing needs of the marketplace.”

Key amendments include:

1. New Structure

To make the new rules more user friendly, we have simplified the language and incorporated relevant circulars on electronic trading. We have also removed obsolete rules and proposed changes in line with current market practices. The new structure sets out explanations on the application of the rules in Practice Notes and directions in Directives.

2. Direct Access to the SGX-DT electronic market

The Exchange will be allowing certain Corporate Non-Clearing Members, Commercial Associate Members – Proprietary Trading and SGX ETS Associate Members to apply for direct access to SGX Quest provided that they meet the requirements listed. The Exchange has taken into due consideration the comments raised by Members during the consultation stage and have tailored the requirements where appropriate.

3. Registration of Terminal Operators

The Exchange will only require the following people to be registered as Terminal Operators:

- (a) employees or agents of the Member;
- (b) Individual Non-Clearing Member;
- (c) any person who has direct access to SGX QUEST. Direct access for the purposes of this section means the ability to place an order without intermediation.

Previously, all end-users and customers had to be registered as well. This change recognises the practicalities of the current electronic market in an open-access environment.

4. Trading Practices

Regulation of SGX-DT Members' trading conduct and practices on the SGX-DT electronic market has now been encapsulated in Chapter 11. The Exchange has considered Members' concerns raised during the consultation exercise and has catered for situations of unintentional breaches of the Member (for example due to the system set-up) where possible. The new electronic trading practices have been relaxed in the following manner to cater for current business concerns:

- (a) Reduction of waiting period from 15 seconds to 10 seconds for trading against customer rule;
- (b) Removal of 15 seconds waiting period for cross trades rule.