



**THE CENTRAL DEPOSITORY (PTE) LIMITED (“CDP”)**

**PUBLIC CONSULTATION**

**PURSUANT TO SECTION 71(2) OF THE SECURITIES AND FUTURES ACT AND REGULATION 22 OF THE SECURITIES AND FUTURES (CLEARING FACILITIES) REGULATIONS 2005, CDP HEREBY CONSULTS ITS PARTICIPANTS ON THE PROPOSED AMENDMENTS TO ITS BUSINESS RULES.**

**PROPOSED AMENDMENTS TO THE CDP CLEARING RULES TO PROVIDE FOR THE ADMISSION OF BANK CLEARING MEMBERS**

DATE ISSUED: 30 March 2006

DEADLINE: 28 April 2006

CONTACT PERSON  
(FOR QUERIES): Ms Grace Mok, AVP, Member Supervision/  
Mr Lim Ming Siong, Senior Associate, Member Supervision  
2 Shenton Way, #19-00,  
SGX Centre 1,  
Singapore 068804  
Tel: (65) 6236 8764/6236 8165  
Fax: (65) 6557 2761  
Email: [rules@sgx.com](mailto:rules@sgx.com)

**PROPOSED AMENDMENTS TO THE CDP CLEARING RULES TO PROVIDE FOR THE  
ADMISSION OF BANK CLEARING MEMBERS**

**30 MARCH 2006**

**A. Background**

1. Currently, bank participants are required to incorporate a separate company in order to apply for clearing membership with CDP. To provide greater flexibility for market participants to do business, we propose to allow banks to become Clearing Members without having to incorporate a separate corporate vehicle.
2. This Consultation Paper sets out the proposed amendments to the CDP Clearing Rules (the “**Rules**”) to provide for the admission of Bank Clearing Members by CDP. CDP invites comments on the proposals in this paper.
3. The amendments are subject to notification to the Monetary Authority of Singapore (“MAS”).

**B. Proposed Rule Amendment**

1. The proposed amendments and the reasons for the amendments are set out in Annexure A. All capitalized items used herein and not otherwise defined shall have the meanings ascribed to them in the proposed Rules. In summary the key changes are:
  - 1.1 A new type of Clearing Membership – “Bank Clearing Members” (“BCM”) will be created. See CDP Rule 3.13. Existing Clearing Members will be referred to as “Non-Bank Clearing Members” (“NBCM”).
  - 1.2 This new type of Clearing Membership caters to Banks who wish to clear their own trades and trades of Third Parties. An applicant wishing to be admitted as BCM, apart from satisfying the current admission criteria applicable to NBCM, will also have to ensure that it:
    - a. holds a valid licence as contemplated under the Banking Act (Cap. 19). See Rule 3.1.1;
    - b. has a Moody’s financial strength rating or Standard & Poor’s bank fundamental strength rating of at least C. See proposed Rule 3.1.3(1); and
    - c. in the case of a Bank incorporated outside Singapore but with a branch in Singapore, has deposited cash or acceptable government securities of an amount not less than the higher of its Base Capital Requirement or 150% of its Total Risk Requirement with CDP. See proposed Rule 5.1.1(3). (“Acceptable government securities” means securities issued by a government with a Moody’s sovereign rating of at least Aaa, Standard & Poor’s sovereign rating of at least AAA or Fitch’s sovereign rating of at least AAA. See Rule 5.1.5.)
  - 1.3 In connection with the admission criteria, please note that :
    - a. a BCM who is in the lending and borrowing business is not subject to the existing Aggregate Indebtedness requirement.
    - b. the Financial Resources of a BCM incorporated in Singapore will bear the meaning ascribed thereto in paragraph 1 of the Second Schedule of the SFR(Financial and Margin Requirements), less the capital requirements in respect of its banking activities (see the proposed definition of “Financial Resources” at Rule 5.2.2).

- c. a BCM incorporated in Singapore need only compute the Total Risk Requirement for all customers' and proprietary positions in exchange-traded securities and derivatives contracts and exchange-cleared OTC contracts (see the proposed definition of "Total Risk Requirement" at Rule 5.2.4).
- d. a BCM incorporated outside Singapore need only compute the Total Risk Requirements for all customers' and proprietary positions in SGX-traded securities and derivatives contracts and SGX-cleared OTC contracts (see the proposed definition of "Total Risk Requirement" at Rule 5.2.4).

**Q1: What are your views on the proposed Membership framework, the admission criteria and the financial requirements for BCM?**

**C. Procedure and Deadline to submit comments**

1. Written submissions are to be sent to CDP through email *and* either by post/courier or by fax:

Email: rules@sgx.com

**AND**

Post/Courier: The Central Depository (Pte) Limited  
2 Shenton Way, SGX Centre 1  
#19-00,  
Singapore 068804  
Attn: Ms Grace Mok/ Mr Lim Ming Siong  
Fax: (65) 6557 2761

2. Comments should be organized in the following manner:
- (a) cover page (including the information specified in paragraph 4 of this Section);
  - (b) statement of interest
  - (c) table of contents;
  - (d) summary of major points;
  - (e) comments; and
  - (f) conclusion.
3. Supporting material may be placed in an annex. All submissions should be clearly and concisely written, and should provide a reasoned explanation for any proposed revision to the rules. Where feasible, participants should identify the specific rule on which they are commenting. In any case in which a participant chooses to suggest revisions to the text of the rules, the participant should state clearly the specific changes to the text that they are proposing.
4. All submissions should be made on or before 28 April 2006. Submissions must be submitted in both hard and soft copies (in Microsoft Word format) and font size should be no smaller than Times New Roman 11pt. Participants submitting comments should include their personal/company particulars as well as their correspondence address, contact numbers and email addresses on the cover page of their submissions.

5. CDP reserves the right to make public all or parts of any written submission and to disclose the identity of the source. Participants may request confidential treatment for any part of the submission that the participant believes to be proprietary, confidential or commercially sensitive. Any such information should be clearly marked and placed in a separate annex. If CDP grants confidential treatment, it will consider but will not publicly disclose the information. If CDP rejects the request for confidential treatment, it will return the information to the party that submitted it and will not consider the information as part of its review. As far as possible, participants should limit any request for confidential treatment of information submitted. CDP will not accept any submission that requests confidential treatment of all, or a substantial part, of the submission.

-----