



SINGAPORE EXCHANGE DERIVATIVES CLEARING LIMITED (“SGX-DC”)

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, SGX-DC HEREBY CONSULTS ITS PARTICIPANTS ON THE PROPOSED AMENDMENTS TO ITS BUSINESS RULES.

PROPOSED AMENDMENTS TO THE SGX-DC CLEARING RULES TO PROVIDE FOR THE ADMISSION OF BANK CLEARING MEMBERS

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**PROPOSED AMENDMENTS TO THE SGX-DC 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 SGX-DC. 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 SGX-DC Clearing Rules (the “**Rules**”) to provide for the admission of Bank Clearing Members by SGX-DC. SGX-DC 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 A1. 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 General Clearing Membership – “Bank General Clearing Members” (“BGCM”) will be created. See SGX-DC Rule 2.02A. Existing Clearing Members will be referred to as “Non-Bank General Clearing Members” (“NBGCM”).
 - 1.2 This new type of General Clearing Membership caters to Banks who wish to clear their own trades and trades of Third Parties. An applicant wishing to be admitted as BGCM, apart from satisfying the current admission criteria applicable to NBGCM (except for the requirement to be a corporation with the requisite financial and business standing and repute and the requirement to maintain a special reserve fund which is only applicable to Banks incorporated in Singapore), will also have to ensure that it:
 - a. holds a valid licence as contemplated under the Banking Act (Cap. 19). See Rule 2.02.1;
 - b. has a Moody’s financial strength rating or Standard & Poor’s bank fundamental strength rating of at least C. See Rule 2.02A.1.1; and
 - c. has deposited with the Clearing House an irrevocable Letter of Credit of S\$8,000,000 to limit its common bond liability. See Rule 2.02A.1.4.
 - d. 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 the Clearing House. See Rules 2.02A.1.1.2 and 2.08.1A. (A “acceptable government security” is a security 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.)

- 1.3 In connection with the admission criteria, please note that :
- a. a BGCM who is in the lending and borrowing business is not subject to the existing Aggregate Indebtedness requirement.
 - b. a BGCM who is a settlement bank of the Clearing House cannot act as a settlement bank for the trades cleared by itself (see proposed Rule 2.13.1.2).
 - c. the Financial Resources of a BGCM 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 9.01).
 - d. a BGCM incorporated in Singapore need only compute the Total Risk Requirement for all customers’ and proprietary positions in exchange-traded derivatives and securities contracts and exchange-cleared OTC contracts (see the proposed definition of “Total Risk Requirement” at Rule 9.01).
 - e. a BGCM incorporated outside Singapore need only compute the Total Risk Requirements for all customers’ and proprietary positions in SGX-traded derivatives and securities contracts and SGX-cleared OTC contracts (see the proposed definition of “Total Risk Requirement” at Rule 9.01).

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

C. Procedure and Deadline to submit comments

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

Email: rules@sgx.com

AND

Post/Courier: Singapore Exchange Derivatives Clearing 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. SGX-DC 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 SGX-DC grants confidential treatment, it will consider but will not publicly disclose the information. If SGX-DC 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. SGX-DC will not accept any submission that requests confidential treatment of all, or a substantial part, of the submission.
