



SGX – Derivatives Circular For All Members

6 February 2006

Circular No. DT/ AM – 16 of 2006

SGX Launches Public Consultation on Rules relating to SGX FTSE/Xinhua China A50 Index Futures

The Exchange is pleased to inform Members and market participants that it will be launching SGX FTSE/Xinhua China A50 Index Futures by September 2006, pending regulatory clearance. The proposed rules and contract specifications are attached as per **Appendix 1** and **2** respectively. The Exchange would also like to use this opportunity to consult its members on the proposed rules (**Appendix 1**) relating to the SGX FTSE/Xinhua China A50 Index Futures as more fully set out in **Annex A**.

If you have further queries on the contents of this circular, please contact Ms. Ding Meiyang (Tel: 6236-5348) or Ms. Janice Kan (6236-8197) of International Products, Products & Services Group.

THOMAS TEY
SENIOR VICE PRESIDENT
HEAD OF INTERNATIONAL PRODUCTS
PRODUCTS & SERVICES GROUP

Annex A: Consultation on Proposed Rules for SGX FTSE/Xinhua China A50 Index Futures

Pursuant To Section 23(2) of the Securities and Futures Act and Regulation 19 (2) of the Securities and Futures (Markets) Regulations 2005 SGX hereby consults its members on the introduction of the enclosed proposed rules, Chapter 54 to its Derivatives Rulebook (**Appendix 1**). In particular, the Exchange seeks your views on the following rules to be included in the proposed Chapter 54.

1. 5404.D. (Positions Limits)

A person shall not own or control more than 5,000 contracts net long or net short in all Contract Months combined, unless otherwise separately approved by the Exchange.

2. 5404.E. (Accumulation of Positions)

For the purposes of this Rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated and deemed to be positions of each of such persons as if each owned or controlled all cumulated positions individually.

3. 5404.I. (Daily Price Limits)

1. For the purpose of this Rule 5404.I. and unless the context otherwise requires:-
 - a. "Cooling-Off Period" means a period of 10 minutes or such other period as the Board may from time to time prescribe during which each Contract may only continue to be traded at or within its price limits for the time being in force;
 - b. "initial upper limit" for any Contract means a price of 10% or such other amount as the Board may prescribe from time to time above the previous trading session's Settlement Price for such Contract;
 - c. "initial lower limit" for any Contract means a price of 10% or such other amount as the Board may prescribe from time to time below the previous trading session's Settlement Price for such Contract;

- d. "final upper limit" for any Contract means a price of 15% or such other amount as the Board may prescribe from time to time above the previous trading session's Settlement Price for such Contract; and
 - e. "final lower limit" for any Contract means a price of 15% or such other amount as the Board may prescribe from time to time below the previous trading session's Settlement Price for such Contract.
2. If in the course of any day on which the Exchange is open for trading in the Contract, the price for any such Contract reaches either its initial upper limit or initial lower limit, the SGX Market Control Official will signal a Cooling-Off Period.
 3. If after the Cooling-Off Period signalled pursuant to Rule 5404.1.2. the price for any such Contract reaches either the final upper limit or final lower limit, the SGX Market Control Official will signal a further Cooling-Off Period. After such Cooling-Off Period, there shall be no price limits for the remainder of such China business day.
 4. Notwithstanding any provision in Rule 5404.1., there shall be no price limits on the Last Trading Day for the expiring Contract.
 5. The initial price limits provided in Rule 5404.1.2. shall be deemed to have been reached upon the making of either the first unsatisfied bid at the initial upper limit in part or in whole or the first unsatisfied offer at the initial lower limit in part or in whole. Such unsatisfied bid/offer shall be determined and initiated by a message being sent out by the SGX Market Control Officials.
 6. The final price limits provided in Rule 5404.1.3. shall be deemed to have been reached upon the making of either the first unsatisfied bid at the final upper limit in part or in whole or the first unsatisfied offer at the final lower limit in part or in whole. Such unsatisfied bid/offer shall be determined and initiated by a message being sent out by the SGX Market Control Officials.

4. 5405.A. (Final Settlement Price)

The Final Settlement Price shall be the official closing price of the FTSE/Xinhua China A50 Index rounded to 2 decimal places on the last trading day.

Notwithstanding the foregoing, the Board may, where the Final Settlement Price prescribed in the foregoing is not available, resolve that the Final Settlement Price shall be determined by other means. For purposes of this Rule, the decision of the Board as aforesaid and the price determined by such other means shall be binding upon all parties to the Contract.

5. 5405.B. (Final Settlement)

Clearing Members holding open positions in the Contract at the time of termination of trading in that Contract shall make payment to or receive payment from the Clearing House in accordance with normal variation margin procedures based on a Settlement Price equal to the Final Settlement Price.

Members are required to revert with written comments, if any, on the above proposed rules contained in Chapter 54 (Appendix 1) to Ms Ding Meiyan or Ms Janice Kan of International Products at psv@sgx.com by **27 February 2006**. All submissions should be clearly and concisely written, and should provide a reasoned explanation for any proposed revision to the proposed rules. Where feasible, members should identify the specific rule on which they are commenting. In any case in which a member chooses to suggest revisions to the text of the rules, the members should state clearly the specific changes to the text that they are proposing. The Exchange reserves the right to make public all or parts of any written submission and to disclose the identity of the source. Members may request confidential treatment for any part of the submission that the participant believes to be proprietary, confidential or commercially sensitive.