



21 September 2018

Mr Chris Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st St., N.W.
Washington, DC 20581
United States of America

VIA EMAIL

Dear Mr Kirkpatrick,

Self-certification of amendments to the SGX-DC Clearing Rules

1 Introduction

1.1 Singapore Exchange Derivatives Clearing Limited (“**SGX-DC**”), a derivatives clearing organisation (“**DCO**”) registered with the Commodity Futures Trading Commission (the “**Commission**”), hereby submits a self-certification for amendments to its Clearing Rules (the “**Amendments**”) pursuant to Commission regulation 40.6(a).

2 Intended Implementation Date

2.1 Subject to regulatory approval, the Amendments are proposed to be implemented when the Securities and Futures (Amendment) Act 2017 (the “**SF(A)A**”) of Singapore comes into effect (see paragraph 3 below), which is currently expected to be in or after October 2018.

3 Explanation and Analysis

3.1 The SF(A)A of Singapore was passed by Singapore’s Parliament on 9 January 2017, and assented to by the President of Singapore on 10 February 2017. The SF(A)A will amend the Securities and Futures Act (Chapter 289) (“**SFA**”) of Singapore, and introduce certain new terms. The Amendments are technical changes to the SGX-DC Clearing Rules to align certain rules to or incorporate these new terms introduced by the SF(A)A.

3.2 The Amendments are to incorporate the following terms:

(a) “organised market”—The SF(A)A will consolidate the terms “futures market” and “securities market” under a new term “organised market” that encapsulates both a “futures market” and a “securities market” as described in the SFA today.

(b) “product financing”—The SF(A)A will replace the definition of the regulated activity “securities financing” with a definition of “product financing” that covers “specified

- (c) products” which refers to “securities”, “specified securities-based derivatives contracts” and “units in a collective investment scheme”.
- (d) “securities”—The SF(A)A will reduce the scope of products in the term “securities” as used in the SFA today to include only (i) shares, units in a business trust or any instrument conferring a legal or beneficial ownership interest in a corporation, partnership or limited liability partnership; (ii) debentures; or (iii) any other product or class of products as may be prescribed.

However, as the term “securities” used in the SGX-DC Clearing Rules is meant to cover a wider range of products beyond the definition of “securities” under the SF(A)A (by also including for example, units in a collective investment scheme and securities-based derivatives contracts), the Amendments will include a new definition of the term “securities” to reflect this wider range of products.

4 Description of Amendments

- 4.1 SGX-DC Clearing Rules 2.22.1, 2.34.1A, 4.17.1 and 9.01.1 will be amended to reflect the changes set out in paragraph 3 of this letter.
- 4.2 The text of the Amendments with the changes indicated is attached as **Appendix A**.

5 Certification of Compliance with Core Principles

- 5.1 The Amendments have been promulgated in respect of SGX-DC’s compliance with the following core principles:
 - (a) Core Principle D (Risk management)—To align the description of events in which a clearing member shall notify SGX-DC to incorporate the new term “product financing” introduced by the SF(A)A (for SGX-DC Rule 2.22.1), and to align the actions that SGX-DC may take with regard to a clearing member if it has been found guilty of a rule violation and inadequate management that places SGX-DC as the clearinghouse at risk to incorporate the new term “organised market” introduced by the SF(A)A (for SGX-DC Rule 2.34.1A); and
 - (b) Core Principle M (Information-sharing)—To align the definition of the term “Reciprocal Arrangement” to include the term “organised market” introduced by the SF(A)A (for SGX-DC Rule 4.17.1).
- 5.2 SGX-DC hereby certifies to the Commission that the Amendments comply with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

6 Public Notification of Pending Certification

6.1 SGX-DC has made publicly available a notice of the Amendments' pending certification with the Commission, together with a copy of this submission on its website at the following address:

[http://www.sgx.com/wps/portal/sgxweb/home/regulation/consult pub/dco submissions](http://www.sgx.com/wps/portal/sgxweb/home/regulation/consult_pub/dco_submissions).

7 Opposing Views

7.1 There were no opposing views expressed to SGX-DC by its board committee members, SGX-DC Clearing Members or market participants that were not incorporated into the Amendments. If any opposing views are received by SGX-DC during the Commission's review period, such views will be communicated to the Commission accordingly.

8 Contact Details

8.1 Please do not hesitate to contact the undersigned at nicodemus.tan@sgx.com or +65 6713 6515 should you require any clarification.

Yours sincerely,



Nicodemus Tan
Assistant Vice President
Regulation Development and Policy (Regulation)

Amendments to SGX-DC Clearing Rules

2.22.1

Without prejudice to any other provisions of this Rules, every Clearing Member shall forthwith notify the Clearing House upon, or where practicable, pre-notify the Clearing House of, the happening of all or any of the following events:—

...

2.22.1.7 the engagement or involvement or proposed engagement or involvement in any new business or any change in any of its business(es) or in the case of a Bank Clearing Member, its business governed by this Rules. For the purpose of this Rule 2.22.1.7, examples of such new business or change in business include, without limitation, market making and ~~securities~~ product financing activities;

2.34.1A

If a Clearing Member has been found guilty of a rule violation or is found to have a record of frequent rule violations and inadequate management, which in the opinion of the Clearing House, places or may place the Clearing House at risk or the financial condition of such Clearing Member is such that it jeopardizes or may jeopardize the integrity of the Clearing House, the Clearing House may carry out one (1) or more of the following against the Clearing Member:—

...

2.34.1A.5 order the Clearing Member to liquidate all or any portion of the open contracts cleared by it which are open contracts under its House Accounts and/or open contracts of its Customers as the Clearing House deems necessary for ensuring a fair and orderly market or for ensuring the integrity of, and proper management of systemic risk in the ~~futures~~ organised market and/or transfer all or any portion of the open contracts clearing by such Clearing Member to one (1) or more Clearing Members; and

...

4.17.1

For the purposes of this Rule:—

"Reciprocal Arrangement" means any agreement or arrangement between the Clearing House, any Relevant Market and/or any governmental agency or regulatory authority (including, without limitation, a futures exchange, organised market, or clearing house) in Singapore or elsewhere whose functions include the regulation of trading in commodities (in Singapore or elsewhere) which provides for the disclosure of information between the Clearing House, the Relevant Market and/or the other agency or authority relation to dealings in commodities (in Singapore or elsewhere).

Amendments to SGX-DC Clearing Rules	
9.01 Definitions	
9.01.1	
"Market"	shall have the meaning ascribed to " futures <u>organised market</u> " under the SFA while "market" shall include but not be limited to "Market".
<u>"securities"</u>	shall have the meaning ascribed to it in the <u>CDP Clearing Rules.</u>

