



## Circular Derivatives

14 Oct 2019

Circular No. **DC/AM - 62 of 2019**

### **Advisory on SGX-DC Rules and Futures Trading Rules on Customer Margining**

Singapore Exchange Regulation has observed some instances of non-compliance by Members with Singapore Exchange-Derivatives Clearing (SGX-DC) Rules and Futures Trading Rules (FTR) on Customer Margining. The instances observed include incorrect computation of margin requirements, and under-margining of customers and Member affiliates.

A failure to collect margins or under-margining is a serious breach of the relevant SGX Rules as it can have potential liquidity and systemic risk implications for the Member and market participants.

We would therefore like to remind Members to ensure compliance with the following SGX Rules in relation to Customer Margining at all times.

1. SGX-DC Rule 7.22.1 / FTR 3.3.12(a) – A Member shall procure the correct amount of Initial Margins and ensure compliance with Maintenance Margins
2. SGX-DC Rule 7.22.4 / FTR 3.3.12(e) – A Member shall procure sufficient margins from its Customers
3. SGX-DC Rule 7.22.7A / FR 3.3.12(h) – A Member shall comply with such requirements on the computation and monitoring of a Customer's margins as SGX may prescribe

Members are further advised to take note of SGX-DC Practice Note 7.22 and FTR Regulatory Notice 3.3.12 on Customer Margining, which stipulate that Members are advised to use the Standard Portfolio Analysis of Risk Margining System ("SPAN") to calculate margin requirements. Members using other margining systems to compute the minimum margin requirements must demonstrate that their systems will always produce margin requirements equal to or greater than the SPAN margin requirements.

Members should ensure that reconciliation is performed between SGX's margin requirements and Members' own margin calculations, in order to avoid any instances of under-margining of its customers and affiliates.

SGX takes a serious view on compliance with Customer Margining requirements. A breach of SGX Rules on Customer Margining may result in disciplinary action ranging from a warning letter, a composition fine, to a Notice of Charge before the Disciplinary Committee.

10/24/2019

Singapore Exchange Regulation  
*For and on behalf of SGX-DC*

Attachment(s):

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