

Securities Industry (Amendment No. 2) Regulations 1999

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No. S 579

SECURITIES INDUSTRY ACT (CHAPTER 289)

SECURITIES INDUSTRY (AMENDMENT NO. 2) REGULATIONS 1999

In exercise of the powers conferred by sections 2 (2) and 118 of the Securities

Industry Act, the Monetary Authority of Singapore hereby makes the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Securities Industry (Amendment No. 2) Regulations 1999 and shall come into operation on 1st January 2000.

Amendment of regulation 2

2. Regulation 2 of the Securities Industry Regulations (Rg 1) (referred to in these Regulations as the principal Regulations) is amended —

- (a) by renumbering the regulation as paragraph (1) of that regulation; and
- (b) by inserting, immediately after paragraph (1), the following paragraph:

“(2) Where the name of a body corporate referred to in these Regulations is changed pursuant to the Companies Act (Cap. 50), the change of name shall not affect the identity of that body corporate or the application of the relevant provisions of these Regulations to that body corporate.”.

Amendment of regulation 17

3. Regulation 17 of the principal Regulations is amended —

- (a) by deleting paragraph (1) and substituting the following paragraph:

“(1) Subject to this regulation, a person shall not be granted or permitted to hold a dealer’s licence unless —

- (a) in the case of a dealer which is a member of a securities exchange, its paid-up capital is not less than \$15 million; or
- (b) in the case of a dealer which is not a member of a securities exchange, its shareholders’ funds are not less than \$2 million, or where the dealer is a branch, its net head office funds are not less than \$2 million.”;

- (b) by deleting paragraphs (2) to (5); and

- (c) by deleting “(c)” in paragraph (7) and substituting “(b)”.

Amendment of regulation 18

4. Regulation 18 of the principal Regulations is amended —

- (a) by deleting “800%” in paragraph (1)(a) and substituting “1000%”;
- (b) by deleting the words “\$8 million” in paragraph (1)(b) and substituting the words “\$5 million”;
- (c) by deleting “600%” in the 2nd line of paragraph (2) and substituting “800%”;
- (d) by deleting the words “\$10 million” in the 3rd line of paragraph (2) and substituting the words “\$8 million”;
- (e) by deleting “600%” in the 6th line of paragraph (2)(b)(ii) and substituting “800%”;
- (f) by deleting the words “\$10 million” in the 8th line of paragraph (2)(b)(ii) and substituting the words “\$8 million”;
- (g) by deleting “7” and “10%” in paragraph (5)(e)(i) (B) (ii) and substituting “2” and “15%”, respectively;
- (h) by deleting “21” and “30%” in paragraph (5)(e)(i) (B) (iii) and substituting “4” and “40%”, respectively;
- (i) by inserting, immediately after the words “takes effect” in the last line of paragraph (5)(e)(v), the word “, and for the purposes of this sub-paragraph, the amount of the contra loss may be reduced by the moneys of the dealer’s representative of the client which have been retained by the member company specifically for the purpose of securing the contra loss of the client”;
- (j) by deleting the words “if the securities are quoted on a stock exchange in Singapore or the main board of a recognised stock exchange” in the 3rd, 4th and 5th lines of paragraph (5)(i) and substituting the words “or such percentage of the market value as determined by the Singapore Exchange Securities Trading Limited if the securities are quoted on a stock exchange in Singapore or elsewhere”; and
- (k) by deleting the words “if the securities are not quoted or are quoted other than on stock exchanges specified in sub-paragraph (i)” in the 2nd, 3rd and 4th lines of paragraph (5)(j) and substituting the words “or such other amount determined in accordance with such basis as may be adopted by the Singapore Exchange Securities Trading Limited if the securities are not quoted on a stock exchange in Singapore or elsewhere;”.

Amendment of regulation 25

5. Regulation 25 of the principal Regulations is amended —

- (a) by deleting paragraph (1) and substituting the following paragraph:

“(1) Subject to regulation 18 (3), every member company shall maintain a reserve fund to which shall be transferred out of the net profits of each year after due provision has been made for taxation —

- (a) a sum not less than 50% of the net profits, so long as the aggregate of the paid-up capital and the amount standing in the reserve fund is less than \$10 million; or
- (b) a sum not less than 30% of the net profits, so long as the aggregate of the paid-up capital and the amount standing in the reserve fund is not less than \$10 million but less than \$30 million.”; and

- (b) by inserting, immediately after paragraph (3), the following paragraph:

“(4) If the Authority is satisfied that the reserve fund of a member company is adequate for its business, the Authority may, by order in writing and on such conditions as the Authority may determine, allow such amount in the reserve fund of that member company as the Authority may specify to be available for distribution as dividends.”.

Amendment of regulation 26

6. Regulation 26 of the principal Regulations is amended —

- (a) by inserting, immediately after the word “account” in the 3rd line of paragraph (1), the words “, net of the cash collateral deposited by him,”;
- (b) by inserting, immediately after paragraph (1), the following paragraphs:

“(1A) A member company shall not permit the aggregate margin exposure in its clients’ margin accounts to exceed 300% of its average adjusted net capital, provided that the aggregate margin exposure in respect of securities quoted on the main board of any recognised stock exchange does not exceed 100% of its average adjusted net capital.

(1B) A member company shall not permit the debit balance in the margin account of a single client to exceed 20%, or such other percentage as the Authority may determine from time to time, of its

average adjusted net capital.

(1C) A member company shall not permit the aggregate number of shares or other securities in a single security bought or carried, or deposited as collateral in all margin accounts to exceed 5% of the issued shares or other securities, as the case may be, of the corporation issuing the security.

(1D) For the purpose of paragraph (1C), the issued shares or other securities, as the case may be, shall be based on the latest audited accounts of the corporation issuing the security.”;

- (c) by deleting the words “not later than the next market day” in paragraph (2) and substituting the words “within 2 market days”;
- (d) by deleting the definition of “debit balance” in paragraph (5) and substituting the following definition:

“ “debit balance” means the amount owed by a client in his margin account and shall include —

- (a) amounts to be financed by the member company in respect of outstanding purchases made in the margin account of the client, net of the cash collateral and sales proceeds receivable from outstanding sales made in the margin account of the client; and
 - (b) all commission charges, interest expenses and all other related expenses;”;
- (e) by inserting, immediately after the definition of “margin” in paragraph (5), the following definition:

“ “margin exposure” means the debit balance in a client’s margin account as determined in accordance with the basis adopted by the Singapore Exchange Securities Trading Limited;”.

Amendment of regulation 41

7. Regulation 41 of the principal Regulations is amended —

- (a) by deleting the words “a prescribed notice” in paragraph (5)(a) and substituting the words “a notice of commencement of business in the