

Futures Trading (Amendment No. 3) Regulations 1996

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No. S 352

FUTURES TRADING ACT (CHAPTER 116)

FUTURES TRADING (AMENDMENT NO. 3) REGULATIONS 1996

In exercise of the powers conferred by sections 24 and 70 of the Futures Trading Act, the Monetary Authority of Singapore hereby makes the following Regulations:

1. These Regulations may be cited as the Futures Trading (Amendment No. 3) Regulations 1996 and shall come into operation on 2nd January 1997.

2. Regulation 12 of the Futures Trading Regulations (referred to in these Regulations as the principal Regulations) is amended —

(a) by deleting paragraphs (1), (2), (3), (3A), (3B), (3C) and (4) and substituting the following paragraphs:

“(1) Subject to this regulation, every futures broker shall not allow its adjusted net capital to fall for 4 consecutive weeks below the higher of \$2 million or the sum of —

(a) 3% of every amount of funds that a customer of the

futures broker has deposited with the futures broker which is in excess of the maintenance margins of that customer; and

(b) where —

- (i) the adjusted net capital of the futures broker is more than \$50 million, 4% of the maintenance margins of customers and non-customers;
- (ii) the adjusted net capital of the futures broker is not less than \$15 million but not more than \$50 million, 6% of the maintenance margins of customers and non-customers; or
- (iii) the adjusted net capital of the futures broker is less than \$15 million, 8% of the maintenance margins of customers and non-customers.

(2) If the adjusted net capital of a futures broker falls below the amount specified in paragraph (1), the futures broker shall immediately notify the Authority and, in the case of a futures broker which is a member of an Exchange, notify the Authority and the Exchange, that the futures broker does not comply with the financial requirements under paragraph (1).

(3) A futures broker which is a member of an Exchange shall immediately notify the Exchange if its adjusted net capital falls below the higher of \$3 million or the sum of —

(a) 3% of every amount of funds that a customer of the futures broker has deposited with the futures broker which is in excess of the maintenance margins of that customer; and

(b) where —

- (i) the adjusted net capital of the futures broker is more than \$50 million, 6% of the maintenance margins of customers and non-customers;

- (ii) the adjusted net capital of the futures broker is not less than \$15 million but not more than \$50 million, 8% of the maintenance margins of customers and non-customers; or
- (iii) the adjusted net capital of the futures broker is less than \$15 million, 10% of the maintenance margins of customers and non-customers.

(3A) Where the Authority becomes aware of or is notified by a futures broker that —

- (a) the futures broker does not comply with the financial requirements under paragraph (1); or
- (b) the futures broker is unable to demonstrate compliance with the financial requirements under paragraph (1),

the Authority may direct the futures broker to immediately do any one or more of the following:

- (i) transfer all or any part of a customer's futures trading and leveraged foreign exchange trading positions, margins and accounts to one or more futures brokers;
- (ii) cease carrying on business as a futures broker until such time as it is able to demonstrate to the Authority that it complies with the financial requirements under paragraph (1), except that the futures broker may continue trading for the purposes of liquidation only or unless otherwise directed by the Authority; or
- (iii) operate its business in such manner and on such conditions as the Authority may determine.

(3B) If a futures broker does not comply with the financial requirements in paragraph (3), or is unable to demonstrate compliance with such financial requirements, it shall immediately notify the Authority of that fact and if such a state of affairs continues for 5 consecutive business days or more, the Authority

may issue directions requiring the futures broker to do any one or more of the following:

- (a) forthwith submit the statements prescribed in paragraph (6) to the Authority on a weekly basis, or at such regular intervals as may be determined by the Authority, until the adjusted net capital of the futures broker exceeds the amount required under paragraph (3) for 8 consecutive weeks, and thereafter the futures broker may submit the prescribed statements monthly;
- (b) immediately cease any further increase in positions for any account carried by the futures broker; or
- (c) transfer all or any part of a customer's futures trading and leveraged foreign exchange trading positions, margins and accounts to one or more futures brokers if the futures broker is unable to demonstrate compliance with the minimum financial requirements in paragraph (3) within one week from the date the futures broker failed to comply, or is unable to demonstrate compliance, with the financial requirements in paragraph (3).

(3C) A futures broker shall comply with any direction issued by the Authority under paragraphs (3A) and (3B).

(3D) If a futures broker has failed to comply with the financial requirements in paragraph (1), but immediately demonstrates to the satisfaction of the Authority that it is able to achieve compliance with such financial requirements, the Authority may, in its discretion, allow the futures broker up to a maximum of 5 business days within which to achieve compliance before the Authority issues any direction under paragraph (3A).

(3E) The statements required to be submitted in paragraph (3B)(a) shall be signed by a director of the futures broker and shall be lodged with the Authority not later than one business day after the end of the weekly or other interval determined by the Authority under that paragraph.

(4) The Authority may, after assessing the financial condition of a futures broker, direct the futures broker to meet such additional financial or other requirements as the Authority may determine.”;

- (b) by deleting the word “contract” in paragraph (5)(a)(ii) and substituting the words “trading and leveraged foreign exchange trading”;
- (c) by deleting the word “contract” in paragraph (5)(b)(i) and substituting the words “trading account and leveraged foreign exchange trading”;
- (d) by inserting, immediately after sub-paragraph (iii) of paragraph (5)(b), the following sub-paragraph:

“(iii a) exclude exchange memberships;”;

- (e) by deleting the words “futures contract transactions” in the second and third lines of paragraph (5)(b)(iv) and substituting the words “trading in futures contracts”;
- (f) by deleting the word “and” at the end of sub-paragraph (iv) of paragraph (5)(b), and by inserting immediately thereafter the following sub-paragraph:

“(iv a) include receivables from futures brokers arising out of leveraged foreign exchange trading and from other parties; and”;

- (g) by deleting the words “a Futures Exchange” in the seventh and eighth lines of paragraph (5)(e)(i) and substituting the words “an Exchange”;
- (h) by deleting the word “Futures” in the last line of paragraph (5)(e)(i);
- (i) by inserting, immediately after the word “Exchange” at the end of paragraph (5)(e)(ic), the words “, and for this purpose, interest payments on the subordinated debt shall not be construed as early redemption of the subordinated debt”;
- (j) by inserting, immediately after the words “sub-paragraphs (i)” in the first line of paragraph (5)(e)(iii), the words “, (ia), (ib), (ic), (id), (ie), (if)”;
- (k) by deleting the words “contracts accounts belonging to customers” in the first and second lines of paragraph (5) (f) (vi) and substituting the words “trading or leveraged foreign exchange trading accounts”;
- (l) by deleting the words “(after call)” wherever they appear in paragraph (5) (f) (vi) and substituting in each case the words “after the trade date”;
- (m) by deleting the words “a Futures Exchange or futures market” at the end of paragraph (5)(f)(vi) and substituting the words “an Exchange, futures market or foreign exchange market”;
- (n) by deleting sub-paragraph (vii) of paragraph (5) (f) and substituting the