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SECURITIES AND FUTURES ACT  
(CHAPTER 289)

SECURITIES AND FUTURES  
(MARGIN REQUIREMENTS  
FOR EXEMPT FINANCIAL INSTITUTIONS)  
REGULATIONS 2018

ARRANGEMENT OF REGULATIONS

Regulation

1. Citation and commencement
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In exercise of the powers conferred by sections 100(1) and 341 of the Securities and Futures Act, the Monetary Authority of Singapore makes the following Regulations:

**Citation and commencement**

1. These Regulations are the Securities and Futures (Margin Requirements for Exempt Financial Institutions) Regulations 2018 and come into operation on 8 October 2018.

**Definitions**

2. In these Regulations, unless the context otherwise requires —
- “broad-based index” means an index that satisfies all the following conditions:
- (a) the index contains shares of at least 20 corporations;
  - (b) the weighting of the largest constituent share is not greater than 20% of the index;

- (c) the total weighting of the largest 5 constituent shares is not greater than 60% of the index;

“contract for differences” means any over-the-counter derivatives contract which is traded on a margin basis, the purpose or purported purpose of which is to secure a profit or avoid a loss by reference to fluctuations in —

- (a) the value or amount of one or more underlying things;
- (b) the value or price of any group of underlying things;  
or
- (c) an index of one or more underlying things,

and which does not involve the actual taking or physical delivery of any of the underlying things;

“customer”, in relation to an exempt financial institution, means a person —

- (a) on whose behalf the exempt financial institution carries on or will carry on any regulated activity; or
- (b) with whom the exempt financial institution enters or will enter into a transaction as principal for the sale or purchase of capital markets products,

but does not include an accredited investor, an expert investor or an institutional investor;

“debt security” includes any debenture stock, bond and note;

“exempt financial institution” means a person who is exempted under section 99(1)(a), (b) or (c) of the Act from the requirement to hold a capital markets services licence;

“market index of a recognised group A exchange” means a broad-based index of shares listed on a recognised group A exchange;

“recognised group A exchange” means an overseas exchange regulated by a financial services regulatory authority of a country or territory specified under the heading “*Country or Territory of Group A Exchanges*” in Table 4 of the Fourth

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Schedule to the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations (Rg 13).

### **Margin requirements**

3.—(1) Subject to paragraph (2), an exempt financial institution dealing in contracts for differences or spot foreign exchange contracts for the purpose of leveraged exchange trading must obtain from its customers margin that meets the minimum margin requirements in respect of each contract for differences or spot foreign exchange contract for the purpose of leveraged exchange trading (as the case may be) that it enters into with its customers.

(2) An exempt financial institution that was carrying on business in dealing in contracts for differences or spot foreign exchange contracts for the purpose of leveraged exchange trading (as the case may be) immediately before 8 October 2018 need not comply with paragraph (1) but must on and after 8 October 2019 obtain from its customers margin that meets the minimum margin requirements in respect of each contract for differences or spot foreign exchange contract for the purpose of leveraged exchange trading (as the case may be) that the exempt financial institution enters into with a customer —

(a) before 8 October 2019 and which remains in force on or after that date; or

(b) on or after 8 October 2019.

(3) The minimum margin requirements required under paragraphs (1) and (2) must be in the form of acceptable collateral.

(4) An exempt financial institution that is required to obtain margin from a customer under paragraph (1) or (2) must, if the current market value of acceptable collateral in the customer's trading account falls below the minimum margin requirements, contact that customer immediately and inform the customer to provide additional acceptable collateral to make good the shortfall in value within 2 business days after being so informed by the exempt financial institution.

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- (5) In this regulation, unless the context otherwise requires —
- “acceptable collateral”, in relation to the margin obtained by the exempt financial institution, means —
- (a) cash;
  - (b) gold;
  - (c) a share or convertible bond listed on the Singapore Exchange Securities Trading Limited;
  - (d) a share or convertible bond listed on a recognised group A exchange that is —
    - (i) in the case of a share, included in a market index of that recognised group A exchange; or
    - (ii) issued by a corporation with shareholders’ funds of not less than \$200 million or its equivalent in any foreign currency;
  - (e) a debt security —
    - (i) issued by a government or public entity of any country or territory, or a recognised multilateral agency specified in Table 3 of the Fourth Schedule to the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations, with a long-term rating of —
      - (A) not less than BB-minus by Fitch Ratings;
      - (B) not less than Ba3 by Moody’s Investor Services; or
      - (C) not less than BB-minus by Standard & Poor’s;
    - (ii) issued by any other entity with a long-term rating of —
      - (A) not less than BBB-minus by Fitch Ratings;

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- (B) not less than Baa3 by Moody's Investor Services; or
    - (C) not less than BBB-minus by Standard & Poor's;
  - (iii) being a short-term debt instrument with a rating of —
    - (A) not less than F3 by Fitch Ratings;
    - (B) not less than P3 by Moody's Investor Services; or
    - (C) not less than A3 by Standard & Poor's; or
  - (iv) listed on the Singapore Exchange Securities Trading Limited or a recognised group A exchange if, and only if, the issuer's shares are listed on that exchange and qualify as a share mentioned in paragraph (c) or (d);
- (f) a collective investment scheme —
- (i) authorised by the Authority under section 286 of the Act (other than an exchange traded fund or a property fund); or
  - (ii) recognised by the Authority under section 287 of the Act (other than an exchange traded fund or a property fund) —
    - (A) for which prices are published daily; and
    - (B) which invests at least 90% of the deposited property of the collective investment scheme in instruments being all or any of the instruments specified in paragraphs (a) to (l) (including this paragraph);
- (g) an exchange traded fund quoted on the Singapore Exchange Securities Trading Limited or a recognised group A exchange, which tracks an index of, or a basket of, stocks quoted on —

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- (i) the Singapore Exchange Securities Trading Limited; or
    - (ii) a recognised group A exchange;
  - (h) a property fund listed on the Singapore Exchange Securities Trading Limited or a recognised group A exchange;
  - (i) any contract traded on —
    - (i) the Singapore Exchange Securities Trading Limited; or
    - (ii) a recognised group A exchange, where the shares of the issuer of the contract, and the shares of the issuer of the underlying security, qualify as a share mentioned in paragraph (c) or (d);
  - (j) specified products in an initial public offer that are to be listed for quotation or to be quoted on the Singapore Exchange Securities Trading Limited, and which have been fully paid for by a customer of the exempt financial institution;
  - (k) specified products quoted on the Central Limit Order Book (CLOB) International; or
  - (l) such other specified products or financial instruments as may be specified in a notice issued by the Authority and published on its website at <http://www.mas.gov.sg>;

“exchange traded fund” means a collective investment scheme concerned with the acquisition, holding, management or disposal of a portfolio of predetermined constituent assets in predetermined proportions, which constituent assets principally comprise specified products listed for quotation on any approved exchange or overseas exchange;

“minimum margin requirements” means the minimum margin requirements specified in the Schedule;

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“property fund” means a scheme which invests or proposes to invest primarily in real estate and real estate-related assets;

“public entity” means —

- (a) a regional government or local authority that is able to exercise one or more functions of the central government at the regional or local level;
- (b) an administrative body or non-commercial undertaking responsible to, or owned by, a central government, regional government or local authority, which performs regulatory or non-commercial functions;
- (c) a statutory board in Singapore (other than the Authority); or
- (d) a town council in Singapore established pursuant to the Town Councils Act (Cap. 329A);

“share”, in relation to acceptable collateral in a customer’s trading account, includes —

- (a) a bonus share that has yet to be credited to the trading account if, and only if, the exempt financial institution is legally entitled to the receipt and deposit of such bonus share into the trading account; and
- (b) a depository receipt;

“trading account”, in relation to a customer, means an account of the customer through which an exempt financial institution enters or has entered into any transaction in —

- (a) any contract for differences; or
- (b) any spot foreign exchange contracts for the purposes of leveraged foreign exchange trading.

## Offences

4. A person who contravenes regulation 3(1), (2), (3) or (4) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$50,000.

## THE SCHEDULE

Regulation 3(5)

MINIMUM MARGIN REQUIREMENTS  
FOR CONTRACTS FOR DIFFERENCES OR SPOT FOREIGN EXCHANGE  
CONTRACTS FOR THE PURPOSES OF LEVERAGED FOREIGN  
EXCHANGE TRADING

<i>First column</i>	<i>Second column</i>
<i>Products</i>	<i>Minimum margin requirements</i>
1. Equity CFDs without stop-loss features	(a) 10% for index stocks; and (b) 20% for non-index stocks.
2. Index CFDs without stop-loss features	5%
3. Foreign Exchange CFDs without stop-loss features	5%
4. CFDs with non-guaranteed stop-loss features	Lesser of — (a) the sum of the amount at risk and 30% of the standard margin; or (b) the standard margin.
5. CFDs with guaranteed stop-loss features	Lesser of — (a) the amount at risk; or (b) the standard margin.
6. CFDs with guaranteed stop-loss features, if the relevant CFD is subject to any adjustment for dividend, interest or commission	Lesser of — (a) the sum of the amount at risk and 10% of the amount at risk; or (b) the standard margin.

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 THE SCHEDULE — *continued*

<i>First column</i>	<i>Second column</i>
<i>Products</i>	<i>Minimum margin requirements</i>
7. Any other CFD without stop-loss features	20%
8. Spot foreign exchange contracts for the purposes of leveraged foreign exchange trading with non-guaranteed stop-loss features	Lesser of — (a) the sum of the amount at risk and 30% of the standard margin; or (b) the standard margin.
9. Spot foreign exchange contracts for the purposes of leveraged foreign exchange trading with guaranteed stop-loss features	Lesser of — (a) the amount at risk; or (b) the standard margin.
10. Spot foreign exchange contracts for the purposes of leveraged foreign exchange trading with guaranteed stop-loss features, if the relevant spot foreign exchange contract for the purposes of leveraged foreign exchange trading is subject to any adjustment for dividend, interest or commission	Lesser of — (a) the sum of the amount at risk and 10% of the amount at risk; or (b) the standard margin.
11. Any other spot foreign exchange contracts for the purposes of leveraged foreign exchange trading without stop-loss features	5%

*Note:*

In this Schedule —

“amount at risk” means the maximum loss a customer may incur based on the difference between the contract price and stop-loss price;

“CFD” means a contract for differences;

“index” means the Straits Times Index, MSCI Singapore Index or a market index of a recognised group A exchange;

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THE SCHEDULE — *continued*

“standard margin” means the minimum margin for either of the following:

- (a) CFDs without stop-loss features;
- (b) spot foreign exchange contracts for the purposes of leveraged foreign exchange trading, without stop-loss features;

“stop-loss” means —

- (a) in the case of a CFD, a feature attached to an open CFD position to close the CFD if the relevant price reaches a specified level;  
or
- (b) in the case of a spot foreign exchange contract for the purposes of leveraged foreign exchange trading, a feature attached to a position in such contract to close such contract if the relevant price reaches a specified level.

Made on 4 October 2018.

RAVI MENON  
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