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SECURITIES AND FUTURES ACT
(CHAPTER 289)

SECURITIES AND FUTURES
(FINANCIAL AND MARGIN REQUIREMENTS FOR
HOLDERS OF CAPITAL MARKETS SERVICES LICENCES)
(AMENDMENT) REGULATIONS 2018

In exercise of the powers conferred by sections 100(1), 337(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 (Financial and Margin Requirements for Holders of Capital Markets Services Licences) (Amendment) Regulations 2018 and come into operation on 8 October 2018.

Amendment of regulation 2

2. Regulation 2 of the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations (Rg 13) (called in these Regulations the principal Regulations) is amended —

(a) by deleting paragraph (b) of the definition of “customer” in paragraph (1) and substituting the following paragraph:

“(b) with whom the holder of a licence enters or will enter into a transaction as principal for the sale or purchase of capital markets products;”;

(b) by deleting the definition of “futures contract” in paragraph (1);

(c) by deleting the definitions of “open purchase contract”, “open sale contract” and “public authority” in paragraph (1) and substituting the following definitions:

““open purchase contract” means any contract to purchase specified products which is not yet due for payment in accordance with the business rules of an approved exchange, a recognised market operator or an overseas exchange, or the terms of the contract, as the case may be;

“open sale contract” means any contract to sell specified products which are not yet due for delivery in accordance with the business rules of an approved exchange, a recognised market operator or an overseas exchange, or the terms of the contract, as the case may be;”;

(d) by deleting the word “securities” in paragraph (f) of the definition of “qualifying subordinated loan” in paragraph (1) and substituting the words “specified products”;

(e) by deleting the definitions of “recognised group A exchange” and “recognised group B exchange” in paragraph (1) and substituting the following definitions:

““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 Schedule;

“recognised group B 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 B Exchanges*” in Table 4 of the Fourth Schedule;” and

(f) by deleting “22(2)(b)(ii)” in paragraph (2) and substituting “22(2)(b)(iii)”.

Amendment of regulation 4

3. Regulation 4 of the principal Regulations is amended by deleting the word “securities” in paragraph (3)(a)(ii).

New regulation 4A

4. The principal Regulations are amended by inserting, immediately after regulation 4, the following regulation:

“Exemption from regulation 4(1)

4A.—(1) A specified holder of a licence who maintains a base capital of \$150,000 is exempt from complying with regulation 4(1) until 8 October 2019.

(2) In paragraph (1), a specified holder of a licence is a person who —

(a) was granted a licence to carry on business in dealing in capital markets products between 8 October 2018 and 7 October 2019 (both dates inclusive); and

(b) immediately before 8 October 2018, was a holder of a financial adviser’s licence for the marketing of any collective investment scheme under section 13(1) of the Financial Advisers Act (Cap. 110).”.

Amendment of regulation 6

5. Regulation 6 of the principal Regulations is amended by deleting paragraph (5).

Deletion and substitution of regulation 15

6. Regulation 15 of the principal Regulations is deleted and the following regulation substituted therefor:

“Holder of licence

15. In this Part, unless the context otherwise requires, “holder of a licence” means a corporation that is one or more of the following:

- (a) the holder of a licence to deal in capital markets products which is a member of an approved exchange, not including the holder of a licence —
 - (i) which does not carry any customer’s position, margin or account in its own books; and
 - (ii) which either —
 - (A) deals in capital markets products solely with one or more of the following types of investors:
 - (AA) accredited investors;
 - (AB) expert investors;
 - (AC) institutional investors; or
 - (B) carries on the business of soliciting or accepting orders for the purchase or sale of any capital markets products from any customer, and no other business;
 - (b) the holder of a licence which is a member of an approved clearing house,
- whether or not the corporation is also permitted to carry on business in any other regulated activity.”.

Amendment of regulation 16

7. Regulation 16 of the principal Regulations is amended by deleting paragraph (4).

Amendment of regulation 19

8. Regulation 19(1) of the principal Regulations is amended by deleting the words “securities or trade in futures contracts, or both,” and substituting the words “capital markets products”.

Amendment of regulation 23

9. Regulation 23 of the principal Regulations is amended by deleting the words “securities or trade in futures contracts” and substituting the words “capital markets products”.

Amendment of regulation 24

10. Regulation 24 of the principal Regulations is amended —

- (a) by deleting the words “securities, other than securities quoted on a securities exchange” in paragraph (3)(b) and substituting the words “specified products, other than specified products quoted on an approved exchange”;
- (b) by inserting, immediately after paragraph (a) of the definition of “acceptable collateral” in paragraph (6), the following paragraph:
 - “(aa) gold;”;
- (c) by deleting the words “public authority” in paragraph (d)(i) of the definition of “acceptable collateral” in paragraph (6) and substituting the words “public entity”;
- (d) by deleting paragraph (i) of the definition of “acceptable collateral” in paragraph (6) and substituting the following paragraph:
 - “(i) 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 holder of a licence;”;
- (e) by deleting the word “securities” in paragraphs (j) and (k) of the definition of “acceptable collateral” in paragraph (6) and substituting in each case the words “specified products”;
- (f) by deleting the words “securities listed for quotation on any securities exchange or overseas securities exchange” in the definition of “exchange traded fund” in

paragraph (6) and substituting the words “specified products listed for quotation on any approved exchange or overseas exchange”;

(g) by deleting the definition of “margin exposure” in paragraph (6) and substituting the following definition:

““margin exposure”, in respect of a margin account, means —

- (a) where the specified products bought or carried, or deposited as collateral, in the margin account comprise a single specified product, the debit balance in the margin account; or
- (b) where the specified products bought or carried, or deposited as collateral, in the margin account comprise 2 or more specified products, an amount computed by the following formula:

$$\text{Debit balance} \times \frac{A}{B},$$

where —

- (i) A is the current market value of each specified product bought or carried, or deposited as collateral, in the margin account; and
- (ii) B is the aggregate of the current market value of all specified products bought or carried in the margin account, and the current market value of all specified products deposited as collateral in the margin account;”;

(h) by deleting the definition of “property fund” in paragraph (6) and substituting the following definitions:

““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);”.

Deletion and substitution of regulation 24A

11. Regulation 24A of the principal Regulations is deleted and the following regulation substituted therefor:

“Margin requirements for contracts for differences and spot foreign exchange contracts for the purposes of leveraged foreign exchange trading

24A.—(1) Subject to paragraph (2), a holder of a licence dealing in contracts for differences must obtain from its customers margin that meets the minimum margin requirements in respect of each contract for differences that the holder enters into with a customer —

(a) before 8 October 2018 and which remains in force on or after that date; or

(b) on or after 8 October 2018.

(2) A holder of a licence that was carrying on business in dealing in foreign exchange contracts for differences 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 foreign exchange contract for differences that the holder 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) Subject to paragraph (4), a holder of a licence dealing in 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 spot foreign exchange contract for the purpose of leveraged exchange trading that it enters into with its customers.

(4) A holder of a licence that was carrying on business in dealing in spot foreign exchange contracts for the purpose of leveraged exchange trading immediately before 8 October 2018 need not comply with paragraph (3) but must on and after 8 October 2019 obtain from its customers margin that meets the minimum margin requirements in respect of each spot foreign exchange contract for the purpose of leveraged exchange trading that the holder 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.

(5) The minimum margin requirements required under paragraphs (1) to (4) must be in the form of acceptable collateral.

(6) A holder of a licence that is required to obtain margin from a customer under paragraph (1), (2), (3) or (4) 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 holder of the licence.

(7) In this regulation —

“acceptable collateral” has the same meaning as in regulation 24(6);

“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;

“minimum margin requirements” means the minimum margin requirements specified in Table 18 of the Fourth Schedule;

“over-the-counter derivatives contract” means a derivatives contract that is not an exchange-traded derivatives contract;

“trading account”, in relation to a customer, means an account of the customer through which a holder of a licence 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.”.

Amendment of regulation 28A

12. Regulation 28A of the principal Regulations is amended by deleting the words “24A(1) or (3)” in paragraph (a) and substituting the words “24A(1), (2), (3), (4), (5) or (6)”.

Deletion and substitution of First Schedule

13. The First Schedule to the principal Regulations is deleted and the following Schedule substituted therefor:

“FIRST SCHEDULE

Regulations 3 and 4

BASE CAPITAL REQUIREMENTS

1. Subject to paragraph 2, the base capital requirement applicable to a corporation granted or to be granted a capital markets services licence (called in this Schedule the applicant), in respect of a regulated activity in the first column of the table below is set out opposite to that regulated activity, in the second column of that table.

2. Except in the circumstances mentioned in paragraph 3, where more than one base capital requirement is applicable to the applicant mentioned in paragraph 1, the base capital requirement applicable to the applicant is the higher or (as the case may be) highest of the applicable base capital requirements.

3. Where an applicant trades only in futures contracts in respect of one or more of the following commodities (called in this Schedule specified commodity futures contracts), the applicant may opt for the applicable base capital requirement corresponding to either item 1 or 3 in the table below:

- (a) gold;
- (b) any produce, item, goods or article, including an index, right or interest in any produce, item, goods or article.

<i>First column</i>	<i>Second column</i>
<i>Regulated activity</i>	<i>Base capital requirement applicable</i>
1. Dealing in capital markets products that are securities, units in a collective investment scheme or exchange-traded derivatives contracts and —	
(a) the applicant is a member of an approved clearing house;	\$5 million
(b) the applicant (not being an applicant to which paragraph (d) or (e) applies) is a member of an approved exchange;	\$1 million
(c) the applicant (not being an applicant to which paragraph (d) or (e) applies) is not a member of an approved exchange;	\$1 million
(d) the applicant (not being an applicant to which paragraph (e) applies) does not carry any customer's positions in those capital markets products, margins or accounts in its own books, and either —	\$500,000
(i) carries on the business only of soliciting or accepting orders for the purchase or sale of any of those capital markets products from any customer; or	
(ii) accepts money or assets from any customer as settlement of, or a margin for, or to guarantee or secure, any contract for the purchase or sale of those capital markets products by that customer; or	

<i>First column</i>	<i>Second column</i>
<i>Regulated activity</i>	<i>Base capital requirement applicable</i>
(e) the applicant —	\$50,000
(i) does not carry any customer's positions in those capital markets products, margins or accounts in its own books;	
(ii) deals in those capital markets products only with accredited investors, expert investors or institutional investors;	
(iii) does not accept money or assets from any customer as settlement of, or as a margin for, or to guarantee or secure, any contract for the purchase or sale of those capital markets products by that customer; and	
(iv) does not enter into any transaction with any customer to deal in those capital markets products as principal.	
2. Dealing in capital markets products that are over-the-counter derivatives contracts and —	
(a) the applicant is a member of an approved clearing house;	\$5 million
(b) the applicant (not being an applicant to which paragraph (c) applies) is not a member of an approved clearing house and deals in those capital markets products with —	
(i) any customer who is not an accredited investor, an expert investor or an institutional investor; or	\$5 million

<i>First column</i>	<i>Second column</i>
<i>Regulated activity</i>	<i>Base capital requirement applicable</i>
(ii) only customers who are accredited investors, expert investors or institutional investors; or	\$1 million
(c) the applicant does not carry any customer's positions in those capital markets products, margins, or accounts in its own books, and either —	\$500,000
(i) carries on the business only of soliciting or accepting orders for the purchase or sale of any of those capital markets products from any customer; or	
(ii) accepts money or assets from any customer as settlement of, or a margin for, or to guarantee or secure, any contract for the purchase or sale of those capital markets products by that customer.	
3. Dealing in capital markets products that are specified commodity futures contracts only and —	
(a) the applicant is a member of an approved clearing house, where the applicant's membership is limited to specified commodity futures contracts;	\$1 million
(b) the applicant (not being an applicant to which paragraph (d) or (e) applies) is a member of an approved exchange;	\$500,000
(c) the applicant (not being an applicant to which paragraph (d) or (e) applies) is not a member of an approved exchange;	\$500,000

<i>First column</i>	<i>Second column</i>
<i>Regulated activity</i>	<i>Base capital requirement applicable</i>
(d) the applicant does not carry any customer's positions in specified commodity futures contracts, margins or accounts in its own books, and either —	\$250,000
(i) carries on the business only of soliciting or accepting orders for the purchase or sale of any of those capital markets products from any customer (not being an applicant to which paragraph (e) applies); or	
(ii) accepts money or assets from any customer as settlement of, or a margin for, or to guarantee or secure, any purchase or sale of those capital markets products by that customer; or	
(e) the applicant —	\$250,000
(i) does not carry any customer's positions in those capital markets products, margins or accounts in its own books;	
(ii) deals in those capital markets products only with accredited investors; and	
(iii) does not accept money or assets from any customer as settlement of, or a margin for, or to guarantee or secure, any purchase or sale of those capital markets products by that customer.	

<i>First column</i>	<i>Second column</i>
<i>Regulated activity</i>	<i>Base capital requirement applicable</i>
4. Dealing in capital markets products that are spot foreign exchange contracts for the purposes of leveraged foreign exchange trading with or on behalf of —	
(a) any customer who is not an accredited investor, an expert investor or an institutional investor; or	\$5 million
(b) only customers who are accredited investors, expert investors or institutional investors.	\$1 million
5. Advising on corporate finance.	\$250,000
6. Carrying out fund management —	
(a) of any collective investment scheme offered to any investor other than an accredited investor or institutional investor;	\$1 million
(b) on behalf of any customer other than an accredited investor or institutional investor, whether on a discretionary authority granted by the customer or otherwise;	\$500,000
(c) solely as a venture capital fund manager; or	0
(d) in any other case.	\$250,000
7. Real estate investment trust management.	\$1 million
8. Carrying out product financing.	\$1 million
9. Providing credit rating services.	\$250,000
10. Providing custodial services.	\$1 million

”.

Amendment of Fourth Schedule

14. The Fourth Schedule to the principal Regulations is amended —

(a) by deleting Table 3 and substituting the following Table:

“TABLE 3 — RECOGNISED
MULTILATERAL AGENCIES

Regulation 24(6)

1. For the purposes of regulation 24(6), a recognised multilateral agency is an agency specified below:

- (a) The African Development Bank
- (b) The Asian Development Bank
- (c) The Asian Infrastructure Investment Bank
- (d) The Bank for International Settlements
- (e) The Caribbean Development Bank
- (f) The Council of Europe Development Bank
- (g) The European Bank for Reconstruction and Development
- (h) The European Central Bank
- (i) The European Financial Stability Facility
- (j) The European Investment Bank
- (k) The European Investment Fund
- (l) The European Stability Mechanism
- (m) The European Union
- (n) The Inter-American Development Bank
- (o) The International Finance Facility for Immunisation
- (p) The International Monetary Fund
- (q) The Islamic Development Bank
- (r) The Nordic Investment Bank
- (s) The World Bank Group, including the International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation and the Multilateral Investment Guarantee Agency”.

(b) by deleting the words “an overseas securities exchange or an overseas futures exchange” in Table 4 and substituting the words “an overseas exchange”; and

(c) by deleting Table 18 and substituting the following Table:

“TABLE 18 — MINIMUM MARGIN REQUIREMENTS
FOR CONTRACTS FOR DIFFERENCES OR SPOT
FOREIGN EXCHANGE CONTRACTS FOR PURPOSES
OF LEVERAGED FOREIGN EXCHANGE TRADING

Regulation 24A(7)

<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	(a) 2% for any contract entered into only with a customer who is an accredited investor, expert investor or institutional investor; and (b) 5% for any contract entered into with a customer who is not an accredited investor, expert investor or institutional investor.

<i>First column</i>	<i>Second column</i>
<i>Products</i>	<i>Minimum margin requirements</i>
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.
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.

<i>First column</i>	<i>Second column</i>
<i>Products</i>	<i>Minimum margin requirements</i>
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 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	(a) 2% for contracts entered into only with customers who are accredited investors, expert investors or institutional investors; and (b) 5% for contracts entered into with a customer who is not an accredited investor, an expert investor or an institutional investor.

Note:

In this Table —

“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;

“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.”.

Miscellaneous amendments

15. The principal Regulations are amended by deleting the words “securities financing” wherever they appear in the following provisions and substituting in each case the words “product financing”:

Regulations 4(3)(a)(i), 7(2)(a)(i) and (3)(b), 17(2)(b), 24(1) and (6) (definitions of “acceptable collateral” and “margin account”) (including the regulation heading), 24B and 27(5).

Transitional provision

16.—(1) Despite anything in these Regulations, where a holder of a licence had been carrying on business in dealing in foreign exchange contracts for differences immediately before 8 October 2018 and continues to carry on that business on or after that date, the holder must, on or after 8 October 2018 and until the end of 7 October 2019, obtain from its customers margin that meets the previous minimum margin requirements in respect of each foreign exchange contract for differences that the holder enters into with a customer —

- (a) before 8 October 2018; or
- (b) between 8 October 2018 and 7 October 2019 (both dates inclusive).

(2) In paragraph (1), “previous minimum margin requirements” means the minimum margin requirements specified opposite the item relating to “Foreign Exchange CFDs” in Table 18 of the Fourth Schedule to the principal Regulations as in force immediately before 8 October 2018.

*[G.N. Nos. S 372/2005; S 78/2006; S 507/2006;
S 677/2006; S 445/2007; S 101/2008; S 375/2008;
S 77/2009; S 714/2010; S 19/2012; S 384/2012;
S 192/2013; S 463/2013; S 395/2015; S 522/2016;
S 588/2017]*

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