

## **Exhibit A-3/A-4 SGX-DC's Clearing Activities, Business Plan and Rationale For Application**

### **Rationale for Application**

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") generally requires US persons to clear "swaps" (as defined) with a Derivatives Clearing Organization ("**DCO**") that is registered with, or exempted from registration by, the U.S. Commodity Futures Trading Commission.

As a result of SGX-DC's commitment to full compliance with applicable US law and because it desires to be treated in the US market as a DCO, SGX-DC is applying to the Commission for registration as a DCO to enable SGX-DC's Members and their customers that may be considered US persons for the purposes of the Dodd-Frank Act and Commodity Exchange Act to comply with their applicable regulatory obligations with respect to clearing of swaps.

This application is solely in respect of SGX-DC's clearing of swaps contracts and its scope is not intended to apply to SGX-DC's clearing of exchange-traded derivatives.

### **Clearing house for exchange-traded derivatives**

SGX-DC clears all standardized futures contracts as well as options on futures that are listed and traded on Singapore Exchange Derivatives Trading Limited ("**SGX-DT**"). These contracts include equity index (including dividend index) futures and options, interest rate futures and options, and commodity futures. The nature, terms and conditions of each contract are set out in the relevant contract specifications and can be found in Exhibit C-2.1 (*List of All SGX-DC Contracts and Contract Specs*). Trades executed via SGX-DT's trading engine are immediately routed to SGX-DC's system for clearing.

## **AsiaClear – SGX-DC OTC clearing business**

SGX-DC operates a multi-asset class clearing facility that clears Exchange Traded Derivatives Contracts as well as OTC Financial Derivatives through its central counterparty (“**CCP**”) clearing platform, AsiaClear.

### *OTC Commodities*

SGX-DC has operated its AsiaClear facility since 2006 providing CCP services for OTC Commodities Contracts which primarily consist of freight, energy, iron ore and coal swaps.

SGX-DC’s current membership clearing OTC commodities are its “General Clearing Members” (brokerage firms) who are all incorporated in Singapore and licensed under Singapore’s Securities and Futures Act. Up to 8 General Clearing Members may clear such contracts on behalf of US-based clients who may be regarded as a ‘swaps customer’ for the purposes of US laws. It is expected that the Commission will provide further interpretative guidance on what constitutes as ‘swaps customer’ in due course.

### *OTC Financial Derivatives*

AsiaClear extended its CCP service in November 2010 to include the clearing of proprietary positions in OTC financial derivatives, starting with interbank trades for Interest Rate Swaps (“**IRS**”), denominated in Singapore dollars (“**SGD**”) and US dollars (“**USD**”). SGX-DC further extended its service in October 2011 to clear Asian Foreign Exchange (FX) Forwards (IRS and FX Forward contracts are together referred to as “**OTC Financial Derivatives Contracts**”). Asian FX Forward contracts are non-deliverable contracts settled in USD and will include most Asian currencies, Chinese Yuan, Indonesian Rupiah, Indian Rupee, Korean Won, Malaysian Ringgit, Philippine Peso and Taiwanese Dollar.

SGX-DC’s current membership for OTC Financial Derivatives comprises “Bank Clearing Members” which include locally incorporated banks and regional and global banks that have a Singapore Branch licensed by the Monetary Authority of Singapore (“**MAS**”) under Singapore’s Banking Act. Please see Appendix A-3-A-4 for additional information.

## **No-action relief and future business plans**

On 21 December 2012, SGX-DC submitted a letter of request to the Commission for no-action relief (“**Relief**”) from section 5b(a) of the Commodity Exchange Act, in respect of SGX-DC, and section 4d(f)(1) of the Commodity Exchange Act, in respect of its Clearing Members clearing OTC Commodities Contracts. The Relief was granted by the Commission on 21 December 2012.

The Relief applies to SGX-DC and its Clearing Members whose customers include US persons as at 21 December 2012 (“**Affected US Persons**”). The Relief permits such Clearing Members to accept, clear, and carry new positions in OTC Commodities Contracts for Affected US Persons on certain conditions. The Relief granted expires at the earlier of (a) 31 December 2013 or (b) the date upon which SGX-DC registers as a DCO and the transfer of all positions in OTC Commodities Contracts cleared for Affected US Persons to Clearing Members that are futures commission merchants (“**FCMs**”).

SGX-DC’s registration as a DCO is therefore necessary to continue its existing business activities in the US after the expiration of the Relief. In line with SGX-DC’s DCO application, SGX-DC has developed a framework to introduce a new category of remote clearing membership. This would allow FCMs based outside of Singapore to become members of SGX-DC to clear swaps contracts through SGX-DC and to hold associated margin for their US customers. An FCM may also be admitted as an SGX-DC Clearing Member under one of the other existing membership classes (i.e. General Clearing Member, Bank Clearing Member or Direct Clearing Member). The framework for remote clearing and the admission of FCMs as SGX-DC Clearing Members is further discussed in Exhibit C-1 (*Participant Eligibility*) to this application.

Further, as part of its application for registration as a DCO, SGX-DC has introduced a framework for clearing client positions in OTC Financial Derivatives Contracts (“**Framework for Client Clearing**”), whereas the Rules previously only allowed for the clearing of proprietary positions in OTCF Contracts. The Framework for Client Clearing extends SGX-DC’s clearing services to end-customers, which may include US persons for the purposes of the Dodd-Frank Act. The Framework for Client Clearing has received regulatory approval from the MAS.

In light of the Commission's release on 18 October 2011 of its final regulations governing the implementation of certain provisions of the Dodd-Frank Act relating to DCOs, SGX-DC has worked to align the Framework for Client Clearing to meet these final rules. SGX-DC's registration as a DCO would also be necessary to facilitate the Framework for Client Clearing, where SGX-DC's clearing services are offered to US persons.

### **Representative Offices in Foreign Jurisdictions**

SGX-DC has representative offices set up in the United Kingdom, Japan and Beijing, China. The roles of these representative offices are discussed in Exhibit A-7.1 (*List of Representative Offices*).