



9 January 2017

Mr. Chris Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st St., N.W.
Washington, DC 20581
United States of America

Dear Mr. Kirkpatrick,

Self-certification of Amendments to SGX-DC Clearing Rules

1. Introduction

- 1.1 Singapore Exchange Derivatives Clearing Limited ("**SGX-DC**"), a derivatives clearing organisation ("**DCO**") registered with the Commodity Futures Trading Commission (the "**Commission**"), hereby submits a self-certification for amendments to its Clearing Rules (the "**Amendments**") pursuant to Commission regulation 40.6(a).

2. Intended Implementation Date

- 2.1 The Amendments are proposed to be implemented on 25 January 2017, but will not be implemented prior to the Commission's 10 business day review period.

3. Explanation and Analysis

- 3.1 The Amendments are made in respect of the removal of the margin requirements for over-the-counter ("**OTC**") spot trades under SGX-DC Clearing Rule 7.22.1A, which was put in place to ensure that risks arising from Members' exposure to these contracts are adequately managed.
- 3.2 The margin requirements imposed under Clearing Rule 7.22.1A are no longer necessary as the risks arising from Members' exposures to OTC spot trades are adequately managed by the financial resources or adjusted net capital requirements under the Securities and Futures (Financial and Margin Requirements for Holders of Capital Market Services Licences) Regulations. Furthermore, as OTC spot trades are not traded on SGX-DT nor cleared by SGX-DC, the SGX-prescribed margin requirements for these spot trades may not be in line with market practice

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4. Description of Amendments

- 4.1 Chapter 7, 9 and Practice Note 7 of the SGX-DC Clearing Rules will be changed as a result of the Amendments.
- 4.2 The text of the Amendment with the changes indicated is attached as Appendix A.

5. Certification of Compliance with Core Principles

- 5.1 The Amendments have been promulgated in respect of SGX-DC's compliance with Core Principle L on public information.
- 5.2 SGX-DC hereby certifies to the Commission that the Amendments comply with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

6. Public Notice of Pending Certification

- 6.1 SGX-DC has made publicly available a notice of the Amendments' pending certification with the Commission, together with a copy of this submission on its website at the following address:
http://www.sgx.com/wps/portal/sgxweb/home/regulation/consult_pub/dco_submissions.

7. Opposing Views

- 7.1 There were no opposing views expressed to SGX-DC by its board or committee members, SGX-DC Clearing Members or market participants that were not incorporated into the Amendments. If any opposing views are received by SGX-DC during the Commission's review period, such views will be communicated to the Commission accordingly.

8. Contact Details

- 8.1 Please do not hesitate to contact the undersigned at kahmun.huay@sgx.com or +65 6713 6504 should you require any clarification.

Yours sincerely



Huay Kah Mun
Senior Associate
Regulatory Development and Policy (Regulation)

APPENDIX A
Amendments to SGX-DC Clearing Rules

Note: Amendments are made in **red**.

Rule Amendments

Chapter 7 Clearing and Margins

7.22 Margins of Third Parties

7.22.1A **Deleted**

~~A Clearing Member, except in the case of a Bank Clearing Member, shall collect margins for over-the-counter spot trades in Loco-London and foreign currency contracts from Third Parties (including Customers) for whom the Clearing Members procure the over-the-counter spot trades and from the direct buying or selling counterparties. No margins need to be collected from a Third Party (including a Customer) or a counterparty if it is a Clearing Member or a corporate Trading Member, a bank in Singapore or any of its overseas branches or a merchant bank in Singapore. The margins required to be collected shall not be less than:~~

~~7.22.1A.1 the minimum margins prescribed by the Clearing House for a Contract equivalent to the over-the-counter spot trade concerned;~~

~~7.22.1A.2 the minimum margins prescribed by those exchanges or clearing houses where the equivalent futures contracts are being traded, if the over-the-counter spot trade has no equivalent Contract; or~~

~~7.22.1A.3 4% for initial margins and 3% for maintenance margins of the underlying contract value, if the over-the-counter spot trade has no equivalent contracts being traded on the Exchange and any other exchange.~~

7.22.3

Except for trades which reduce a Third Party's maintenance margins requirements, a Clearing Member shall not accept orders or new trades for clearing from any Third Party (including any Customer) unless:

7.22.3.2 the Third Party's total net equity complies with the maintenance margins for its existing open positions, ~~unsettled over-the-counter spot trades~~ and in relation to potential Flat Rate adjustment applicable to freight forward contracts for tanker voyage routes or additional margins to be posted pursuant to Rule 7.22.4 are forthcoming within a reasonable period from the trade date.

For settlement currency denominated in Japanese Yen, "reasonable period" in Rule 7.22.3.1 or 7.22.3.2 means a period which shall not exceed three (3) Trading Days from the trade date (T+3). For all other settlement currencies it means a period which shall not exceed two (2) Trading Days from the trade date (T+2).

7.22.3.3 Credits in excess of required initial margins on all open positions, ~~unsettled over-the-counter spot trades~~, and in relation to any potential Flat Rate adjustment applicable to freight forward contracts for tanker voyage routes of a Third Party (including a Customer), may be utilised by a Clearing Member as initial margins on a new position of the same Third Party (including a Customer).

Chapter 9 Definitions and Interpretation

9.01.1

Term	Meaning
I	
"initial margin"	<p>means the minimum amount required to be deposited by Third Parties (including Customers) with a Clearing Member:</p> <ul style="list-style-type: none">a. for each open Contract as prescribed by the Clearing House;b. for each open contract traded on an exchange other than the Exchange, as prescribed by the relevant exchange or clearing house; orc. for each new over-the-counter spot trade as prescribed under Rule 7.22.1A; or [Deleted]d. in relation to any potential Flat Rate adjustment applicable to freight forward contracts for tanker voyage routes, as prescribed by the Clearing House.
M	
"maintenance margin"	<p>shall:</p> <ul style="list-style-type: none">a. for the purpose of Rule 7.22, refer to the minimum balance which shall be maintained in a Third Party's (including a Customer's) account subsequent to the deposit of the initial margins:<ul style="list-style-type: none">i. for that Third Party's open positions in Contracts as prescribed by the Clearing House;ii. for that Third Party's open positions in contracts traded on exchanges other than the Exchange, as prescribed by the relevant exchanges or clearing houses; andiii. for that Third Party's unsettled over-the-counter spot trades, as prescribed under Rule 7.22.1A; and [Deleted]iv. in relation to any potential Flat Rate adjustment applicable to freight forward contracts for tanker voyage routes, as prescribed by the Clearing House for that Third Party.b. for the purpose of the rest of this Rules, mean the minimum balance prescribed by the Clearing House which shall be maintained in a Clearing Member's account for that Clearing Member's open position in respect of each Contract.

Practice Note 7.22 Margins of Third Parties

2.2 Margin Rates and Requirements (Rules 7.22.1 and 7.22.1A)

2.2.3 ~~For over-the-counter ("OTC") spot trades, Clearing Members shall ensure that their Customers comply with the minimum margin requirements prescribed under Rule 7.22.1A. **[Deleted]**~~