

15 April 2016

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 ("**Commission**"), hereby submits a self-certification for amendments ("**Amendments**") to its Clearing Rules ("**SGX-DC Clearing Rules**") pursuant to Commission regulation 40.6(a).

2. Intended Implementation Date

- 2.1 The Amendments are proposed to be implemented in May 2016, 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 to offer affiliate segregation as an option to all of SGX-DC's clearing members ("**Clearing Members**"). Affiliate segregation is an arrangement that protects the collateral of a Clearing Member's affiliate from being used for the Clearing Member's contracts; and that enables the affiliate's positions to be transferred to non-defaulting Clearing Member(s) in the event the Clearing Member defaults ("**Affiliate Segregation**").
- 3.2 The introduction of Affiliate Segregation is an initiative to help Clearing Members' bank affiliates achieve greater capital efficiency under the capital requirements for bank exposures to central counterparties issued by the Basel Committee on Banking Supervision ("**Basel III**"). Basel III requires a bank (e.g. a bank affiliate of a Clearing Member) to maintain adequate capital for its exposures arising from cleared positions with central counterparties. A bank can achieve greater capital efficiency when there are arrangements that prevent losses to the bank due to the default or insolvency of other clearing participants.

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4. Description of Amendments

Opting for Affiliate Segregation

- 4.1 A new SGX-DC Clearing Rule 7.31 will be introduced to provide that a Clearing Member who opts for Affiliate Segregation for its affiliates will have to identify to SGX-DC the accounts on its books for which it opts for Affiliate Segregation. Those accounts will then be designated as "Affiliate Account" and contracts booked into each of those accounts will be recorded as "Affiliate Contracts".
- 4.2 SGX-DC Clearing Rule 7.20.1 will be amended to provide that when a Clearing Member deposits collateral with SGX-DC in respect of Affiliate Contracts, it must notify SGX-DC accordingly. SGX-DC will keep records of collateral deposited in respect of Affiliate Contracts separate from records of collateral deposited in respect of other House contracts. However, SGX-DC may, as is currently the case, physically commingle all such collateral.

Use of collateral

- 4.3 SGX-DC Clearing Rules 7.03A.7, 7A.05.1.1 and 7A.05.1.3 will be amended, and a new SGX-DC Clearing Rule 7A.05.1.1A will be introduced to provide that SGX-DC will not use collateral deposited in relation to a Clearing Member's Affiliate Contracts to discharge the Clearing Member's obligations in relation to its own contracts; and may use such collateral to discharge the Clearing Member's obligations in relation to Affiliate Contracts and/or customer contracts only.

Porting

- 4.4 A new SGX-DC Clearing Rule 7A.02.1.1A will be introduced to provide that if a Clearing Member that opts for Affiliate Segregation defaults, SGX-DC may transfer the positions in Affiliate Contracts to another (non-defaulting) Clearing Member, subject to conditions.

Others

- 4.5 Other editorial rule amendments will be made for clarity, for consistency in rule drafting and to better reflect current practices.
- 4.6 The text of the Amendments with the changes indicated is attached in [Appendix 1](#).
- 4.7 Consequential changes to the Futures Trading Rules of the Singapore Exchange Derivatives Trading Limited will also be made. These are attached in [Appendix 2](#).

5. Certification of Compliance with Core Principles

- 5.1 The Amendments have been promulgated in respect of SGX-DC's compliance with Core Principles C, D and G on Participant and Product Eligibility, Risk Management and Default Procedures respectively.
- 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

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

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

Please do not hesitate to contact the undersigned at siulin.tan@sgx.com or +65 6236 8276 should you require any clarification.

Yours sincerely



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Regulation

