

6 June 2019

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 or after 24 June 2019, and will not be implemented prior to the Commission's 10 business day review period.

#### **3 Explanation and Analysis**

3.1 The Amendments are to remove one of the criteria for non-relevant market transactions, negotiated large trade transactions, exchange for physical transactions and exchange for swap transactions (together, "**off-market trades**") to be registered for clearing.

3.2 The criterion to be removed relates to price band checks being applied to off-market trades. Specifically, where an off-market trade has a price which does not fall within the price band prescribed by SGX-DC, the off-market trade will not be eligible for registration with SGX-DC, unless the Clearing Member acting for the Seller and the Clearing Member acting for the Buyer both signify their respective agreement to clear the transaction.

#### **Singapore Exchange Derivatives Clearing Limited**

Company Reg No. 200005878M  
(A wholly-owned subsidiary of Singapore Exchange Limited)

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- 3.3 The criteria for price band checks and Clearing Member approval was originally introduced to help Clearing Members manage their risk exposure to client trades. However, following surveys with our Clearing Members, we understand that they do not use price band checks for this purpose, but rather rely on other pre-trade risk controls to manage client risks. As such, we propose to remove this criterion as it is no longer relevant and reduces clearing efficiency for market participants.

#### **4 Description of Amendments**

- 4.1 SGX-DC Clearing Rule 7.02A.1.1.c would be removed, and Clearing Rule 7.02A.2.9 would be changed as a result of the Amendments.
- 4.2 The text of the Amendments with the changes indicated is attached as [Appendix 1](#).

#### **5 Certification of Compliance with Core Principles**

- 5.1 The Amendments have been promulgated in respect of SGX-DC's compliance with Core Principle C on participant and product eligibility. The Amendments establish appropriate standards for determining the eligibility of off-market trades submitted to SGX-DC for clearing, and seek to improve clearing efficiency and trade certainty.
- 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: <https://www2.sgx.com/regulation/about-sgx-regco#Meeting%20International%20Standards>.

#### **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 [lynne.chan@sgx.com](mailto:lynne.chan@sgx.com) or +65 6713 6360 should you require any clarification.

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Yours sincerely,



Lynne Chan  
Senior Associate, Regulation Development and Policy  
Singapore Exchange Regulation

## Appendix 1

### Proposed Rule Change

#### Proposed Changes to SGX-DC Clearing Rules

##### **7.02A.1 Non-Relevant Market Transactions, NLT transactions, EFP transactions and EFS transactions**

7.02A.1.1 Only Non-Relevant Market Transactions, NLT transactions, EFP transactions and EFS transactions which meet the following criteria will be eligible for registration with the Clearing House:

a. a transaction:

- i. which falls under one of the classes of Eligible Non-Relevant Market Contracts; or
- ii. in respect of a Contract listed on the Exchange which has been designated by the Exchange for NLT transactions and which meets the minimum volume thresholds and other procedures prescribed by the Exchange from time to time; or
- iii. in respect of a Contract listed on the Exchange for EFP transactions and EFS transactions which meets the procedures prescribed by the Exchange from time to time; and

b. a transaction where:

- i. the Seller and the Buyer have satisfied the credit and position thresholds prescribed by their respective Clearing Members; or
- ii. notwithstanding that either the Seller or the Buyer has not, its Clearing Member has signified its agreement to clear the transaction. ~~;~~ ~~and~~

~~c. a transaction where:~~

- ~~i. the trade price falls within the price band prescribed by the Clearing House; or~~
- ~~ii. notwithstanding that the trade price does not fall within the price band prescribed by the Clearing House, the Clearing Member acting for the Seller and the Clearing Member acting for the Buyer have both signified their respective agreement to clear the transaction.~~

Once the criteria in Rule 7.02A.1.1 are satisfied, the Clearing Members acting for the Seller and the Buyer respectively shall be responsible for the relevant transaction as principals to the Clearing House.

##### **7.02A.2 Registration of Non-Relevant Market Transactions, NLT transactions, EFP transactions and EFS transactions**

[...]

7.02A.2.9 For each Non-Relevant Market Transaction, NLT transaction, EFP transaction or EFS transaction, (a) complete registration as set out in Rule 7.02A.2.7 and (b) where applicable, the

signifying of a Clearing Member's agreement to the clearing of a trade as set out in Rules 7.02A.1.1.b.ii and 7.02A.1.1.c.ii, must be carried out by the timelines set out below:

i. For a transaction concluded in a "T" trading session on a Trading Day: No later than thirty (30) minutes after the "T" session closes.

ii. For a transaction concluded in a "T+1" trading session on a Trading Day: No later than thirty (30) minutes after the "T session" on the next Trading Day closes.

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