

Exhibit B Membership Criteria

1. A description of the categories of membership and participation in the foreign board of trade and the access and trading privileges provided by the foreign board of trade. The description should include any restrictions applicable to members and other participants to which the foreign board of trade intends to grant direct access to its trading system.

Categories of Membership/ General Admission Criteria

SGX-DT admits two classes of Trading Members¹ (Trading Rule 2.2.2):

- (a) General Trading Members; and
- (b) Bank Trading Members.

The Trading Members are required to observe the Trading Rules² and any other requirement prescribed by SGX-DT from time to time. The key distinction between a Bank Trading Member (“**BTM**”)³ and General Trading Member (“**GTM**”)⁴ is that BTMs are institutions licensed to conduct banking business in Singapore under the Banking Act (Chapter 19 of Singapore) (“**Banking Act**”), while GTM are licensed by the Monetary Authority of Singapore⁵ (“**MAS**”) to engage in agency broking or exempted from licensing to engage solely in proprietary trade⁶s for themselves or their related corporations. The MAS regulates both types of licensees (i.e. the BTM engaging in agency broking, but not the GTM engaging in proprietary trades).

Finally, SGX-DT allows for participants other than its Members to directly access the Market⁷, if these persons are authorized to do so by its Member. This is referred to as Direct Market Access⁸. Subject to the Trading Rule 2, Direct Market Access is available to all Customers⁹ and is not a right attached to the different categories of membership. Pursuant to Trading Rule 2.6.2, the Member must have security arrangements in place to ensure that unauthorized persons are denied access to the Market. Upon a Member’s authorization of its Customer, the Customer will have Direct Market Access through the Member (please refer to section below on Direct Market Access and Sponsored Arrangements in this Exhibit).

¹ “**Trading Member**” refers to an individual or corporation granted trading privileges by SGX-DT, as contemplated in the Trading Rules, and shall include a General Trading Member and a Bank Trading Member.

² “**Trading Rule(s)**” refers to the Futures Trading Rules of SGX-DT.

³ A Bank Trading Member (“**BTM**”) refers to a Trading Member with such rights and obligations as set out in Chapter 2, Trading Rules. For the avoidance of doubt, a reference to a BTM incorporated outside Singapore shall refer to the branch located in Singapore, or a parent bank incorporated in Singapore.

⁴ A General Trading Member (“**GTM**”) refers to a Trading Member with such rights and obligations as set out in Chapter 2, Trading Rules. For the avoidance of doubt, a reference to a GTM shall not include a Bank Trading Member.

⁵ The Monetary Authority of Singapore was established under the Monetary Authority of Singapore Act (Chapter 186 of Singapore).

⁶ “**Proprietary Trades**” refer to trades executed by a Person for its own account.

⁷ “**Market(s)**” refer to any market as contemplated under the Securities and Futures Act that is operated by SGX-DT.

⁸ “**Direct Market Access**” refers to a Customer’s direct access to SGX’s order matching engine, QUEST, via an SGX or SGX-approved order management system.

⁹ “**Customer(s)**” refer to an indirect SGX-DT participant.

SGX-DT has established appropriate admission and continuing participation requirements for Trading Members that are objective, publicly disclosed, and risk based. It has transparent and non-discriminatory rules based on objective criteria, governing access to its trading facilities. Under Singapore law, this is part of SGX-DT's overarching requirement under the Securities and Futures Act 2008 Rev Ed (Chapter 289 of Singapore) ("**SFA**") Section 16(1)(g) to operate a fair, orderly and transparent market. SFA Section 16(1)(d) specifically requires SGX-DT to ensure that access for participation in its facilities is subject to criteria that are fair and objective, and that are designed to ensure the orderly functioning of the market and to protect the interests of the investing public. SFA Section 16(1)(e) provides that SGX-DT must maintain business rules and, where appropriate, listing rules that make satisfactory provision for (i) a fair, orderly and transparent market in securities or futures contracts that are traded through its facilities; and (ii) the proper regulation and supervision of its Members.

SGX-DT has a robust admission framework. SGX-DT only admits Members who meet eligibility criteria under the Trading Rules. Under the Trading Rules 2.3.1 and 2.4.1, Members must be of sufficient financial standing and have adequate internal processes. In establishing the capital and financial requirements for its Members, SGX-DT mirrors the appropriate legislative requirements set out under capital markets licensing requirements imposed under the SFA and the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Licenses) Regulations, 2002 ("**Financial and Margin Regulations**").

In the context of Singapore's legal and regulatory framework, the membership criteria and the ongoing obligations of Trading Members are governed by the following instruments, in order of precedence (see Trading Rule 1.10.3):

- (a) the statutory requirements under the SFA or the Banking Act, and their subsidiary legislation;
- (b) the Trading Rules, in particular Chapter 2;
- (c) Directives;
- (d) Regulatory Notices; and
- (e) Practice Notes.

Trading Rules on membership standards are publicly available on the SGX website¹⁰ and are accessible to all participants and prospective participants. SGX-DT promotes fair and open access by allowing all market participants who satisfy admission requirements to become Trading Members.

Regulation 18, Securities and Futures (Markets) Regulations 2005 ("**2005 Regulations**"), requires SGX-DT to provide in the Trading Rules, *inter alia*: (a) the criteria that it would use to determine the admission or denial of admissions of persons from membership; and (b) the continuing requirements for each Trading Member, including requirements:

- (a) relating to the proper conduct of the Trading Member when participating in SGX-DT's trading facilities;
- (b) that the Trading Member has sufficient financial resources to reasonably fulfill all its financial obligations arising out of its activities on SGX-DT; and
- (c) that provide for the expulsion, suspension or disciplining of the Trading Member for a contravention of the Trading Rules.

Through its admission criteria, SGX-DT ensures that all Trading Members have adequate financial resources¹¹ in relation to their exposure with SGX-DT.

¹⁰ http://rulebook.sgx.com/en/display/display_main.html?rbid=3271&element_id=889

2. A description of all requirements for each category of membership and participation on the trading system and the manner in which members and other participants are required to demonstrate their compliance with these requirements. The description should include, but not be limited to, the following:

(i) **Professional Qualification:** A description of the specific professional requirements, qualifications, and/or competencies required of members or other participants and/or their staff and a description of the process by which the foreign board of trade confirms compliance with such requirements.

(ii) **Authorization, Licensure and Registration:** A description of any regulatory and self-regulatory authorization, licensure or registration requirements that the foreign board of trade imposes upon, or enforces against, its members and other participants including, but not limited to any authorization, licensure or registration requirements imposed by the regulatory regime/authority in the home country jurisdiction(s) of the foreign board of trade. Please also include a description of the process by which the foreign board of trade confirms compliance with such requirements.

(iii) **Financial Integrity:** A description of the following:

A. The financial resource requirements, standards, guides or thresholds required of members and other participants.

B. The manner in which the foreign board of trade evaluates the financial resources/holdings of its members or participants.

C. The process by which applicants demonstrate compliance with financial requirements for membership or participation including, as applicable:

(a) Working Capital and Collateral Requirement

(b) Risk Management Mechanism for members allowing customers to place orders

(iv) **Fit and Proper Standards:** A description of how the foreign board of trade ensures that potential members/other participants meet fit and proper standards.

SGX-DT Trading Membership – Admission Requirements

SGX-DT complies with Regulation 18, 2005 Regulations which stipulates that the rules of approved exchanges provide, *inter alia*, for the criteria that it would use to determine the admission, or denial of admission, of persons to or from membership, as well as requirements that provide for the expulsion, suspension or disciplining of Members for conduct inconsistent with just and equitable principles in the transaction of business, or for a contravention of the business rules of the approved exchange.

There are no separate membership criteria or requirements for US applicants. The requirements for membership or criteria for access by US persons compared to access by other members (domestic or otherwise) is the same.

An applicant must make an application under Trading Rule 2.11 for membership to SGX-DT and pay the requisite fees prior to admission as a Member. For SGX-DT, the considerations for the admission

¹¹ “**Financial resources**” when used in reference to:-

(a) a GTM, shall bear the meaning ascribed thereto in paragraph 1 of the Second Schedule of the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Licenses) Regulations 2002; and

(b) a BTM which has satisfied the Base Capital or Net Head Office Funds requirement under Trading Rule 2.5.2(c)(i), shall bear the meaning ascribed thereto in paragraph 1 of the Second Schedule of the Financial and Margin Regulations less the capital requirements for its banking business.

of members are set out in Trading Rule 2.3, and prospective Members are required to submit a membership application form (attached as Exhibit A-3-1) containing information relating to these considerations. Each applicant will then be assessed by the Member Supervision Unit, which is responsible for the admission, monitoring and oversight of Members and assessed according to the principles below:

- (a) financial requirements as set forth in Trading Rule 2.5;
- (b) technical matters and risk management controls as set forth in Trading Rule 2.6;
- (c) fit and proper requirements as set forth in Trading Rule 2.7; and
- (d) clearing arrangement with a Clearing Member¹² as set forth in Trading Rule 2.10.

SGX-DT may request further information and may undertake investigation to verify information submitted by the applicant, as it may consider appropriate. SGX-DT will publish from time to time the names of successful applicants (except for individual Trading Members) for membership by means of a circular or such other means as SGX-DT may determine (Trading Rule 2.11.2).

SGX-DT may reject the application if it is of the view that the requirements for admission are not met or that the applicant is otherwise not fit for membership (Trading Rule 2.11.3). SGX-DT may impose fees, levies and charges to be paid by Members by means of a circular or by posting a schedule of fees, levies and charges on SGX-DT's website.

Trading Rule 2.3.2 lists the requirements that apply in relation to membership in other exchanges. SGX-DT may consider an application from a member of another exchange if such applicant is able to satisfy SGX-DT that it meets the requirements set forth in Trading Rule 2.3.1; and a Member engaging in Agency Trades must notify SGX-DT at the time of submission of its application for concurrent membership in another exchange. SGX-DT may impose additional requirements and conditions on such Member as it may consider necessary.

Requirements for General Trading Member

(A) Professional Qualifications and Fit and Proper Standards

SGX-DT is able and willing to promote and maintain high standards of integrity and fair dealing by persons using the facilities provided by SGX-DT. It does this by prescribing standards in its Trading Rules and procedures as described in this Exhibit. SGX-DT requires, by way of admission criteria, that its Members (and specifically their executive staff and key personnel) are suitably qualified and sufficiently experienced to implement, oversee and maintain adequate internal procedures and risk management controls as contemplated under the Trading Rules. These standards must be met both at the time of admission and on a continuous basis until the termination of the Membership, pursuant to Trading Rule 2.3.1.

To assist SGX-DT to promote and maintain high standards of integrity and fair dealing, Trading Rule 3.2.1 requires that, when trading on the Market, it is a requirement that Members, Approved Traders¹³ and Registered Representatives¹⁴:

¹² "**Clearing Member**" refers to any corporation granted clearing privileges by SGX-DC as contemplated in the SGX-DC Clearing Rules ("**Clearing Rules**").

¹³ "**Approved Trader**" refers to an individual who is either an employee or agent of a corporate Member and is duly authorized to execute House Trades or Agency Trades as the case may be; or an individual Trading Member. "**House Trades**" are trades executed by Members on the account in which only the Member is the legal and beneficial owner, while "**Agency Trades**" are trades executed on a Customer Account.

- i. observe high standards of integrity, market conduct and fair dealing;
- ii. act with due skill, care and diligence; and
- iii. refrain from any act or course of conduct that is likely to harm the reputation of Markets or any Members.

SFA Section 86(4)(h) empowers the MAS to refuse an application for a Capital Markets Services (“CMS”) license if the applicant fails to satisfy the MAS that it is a fit and proper person to be licensed or fails to satisfy the MAS that all of its officers, employees and substantial shareholders are fit and proper persons. Further, the Guidelines on Criteria for the Grant of a Capital Market Services License (attached as Exhibit B-1) provides that the applicant, its officers, employees, representatives and substantial shareholders must be fit and proper, in accordance with the criteria set out in the MAS Guidelines on Fit and Proper Criteria (“**MAS Fit and Proper Guidelines**”) (attached as Exhibit B-3). Pursuant to Paragraph 8, MAS Fit and Proper Guidelines, the criteria for considering whether a relevant person is fit and proper include but are not limited to the following:

- i. honesty, integrity and reputation;
- ii. competence and capability; and
- iii. financial soundness.

(B) Authorization and Licenses required

Pursuant to Trading Rule 2.4.1, GTMs are required to have and maintain a CMS license (or the necessary exemption from licensing) and registrations with the MAS. GTMs must independently satisfy such licensing and registration requirements as are contemplated under the laws and regulations applicable to CMS license holders.

SFA Section 82 provides that no person shall carry on business in any Regulated Activity¹⁵ unless he/she is the holder of a CMS license holder for that Regulated Activity. CMS licenses are granted by the MAS, which is authorized, pursuant to SFA Section 86(2) to specify in the license the permissible Regulated Activity and describe it in such manner as the MAS considers appropriate. A CMS license will only be granted by the MAS if the applicant meets minimum financial and other requirements as prescribed by the MAS, and as are provided for in the Trading Rules. These requirements are explained in detail below.

Banks are exempt from holding a CMS license as they are subject to regulatory oversight by the MAS by virtue of the Banking Act.

SFA Section 86(4) empowers the MAS to refuse an application for a CMS license if:

- i. the applicant fails to provide the MAS with such information or documents relating to it and to circumstances likely to affect the applicant’s manner of conducting business;
- ii. any information or document provided by the applicant to the MAS is false or misleading;
- iii. the applicant or its substantial shareholder is in the course of being wound up or otherwise dissolved, whether in Singapore or elsewhere;
- iv. execution against the applicant or its substantial shareholder in respect of a judgment debt has been returned unsatisfied in whole or in part;

¹⁴ “**Registered Representative**” refers to an individual sponsored by a corporate Member, an employee of a Bank or a trading representative of a SGX-ST member.

¹⁵ “**Regulated Activity**” refers to any activity listed in Part 1, Second Schedule, SFA. Trading in Futures Contracts is listed as a Regulated Activity.

- v. a receiver, a receiver and manager, judicial manager or an equivalent person has been appointed, whether in Singapore or elsewhere, in relation to property of the applicant or its substantial shareholder;
- vi. the applicant or its substantial shareholder has, whether in Singapore or elsewhere, entered into a compromise or scheme of arrangement with its creditors and that compromise or scheme of arrangement is still in operation;
- vii. the applicant or its substantial shareholder, or any officer of the applicant (i) has been convicted, whether in Singapore or elsewhere, of an offence involving fraud or dishonesty; or (ii) has been convicted of an offence under the SFA;
- viii. the MAS is not satisfied as to the educational or other qualification or experience of the officers or employees of the applicant having regard to the nature of the duties they are to perform in connection with the holding of the CMS license;
- ix. the applicant fails to satisfy the MAS that it is a fit and proper person to be licensed or that all of its officers, employees and substantial shareholders are fit and proper persons;
- x. the MAS has reason to believe that the applicant may not be able to act in the best interests of its customers having regard to the reputation, character, financial integrity and reliability of the applicant or its officers, employees or substantial shareholders;
- xi. the MAS is not satisfied as to the financial standing of the applicant or its substantial shareholders or the manner in which the applicant's business is to be conducted;
- xii. the MAS is not satisfied as to the record of past performance or expertise of the applicant having regard to the nature of the business which the applicant will pursue in connection with the holding of the license;
- xiii. there are other circumstances which are likely to (i) lead to improper business conduct by the applicant, any of its officers, employees or substantial shareholders; or (ii) reflect discredit on the manner of business conduct of the applicant or its substantial shareholders;
- xiv. the MAS has reason to believe that the applicant, or any of its officers or employees, will not perform its business functions efficiently, honestly or fairly;
- xv. the MAS is of the opinion that it would be contrary to public interests to grant the license; or
- xvi. a prohibition order is made by MAS under SFA Section 101A.

CMS license holders must also comply with requirements on market conduct and practices. These include:

- i. satisfying minimum academic qualification and examination requirements as prescribed in the MAS Notice on Minimum Entry and Examination Requirements for Representatives of Holders of Capital Markets Service License and Exempt Financial Institutions (attached as Exhibit B-2);
- ii. satisfying requirements set out in the MAS Guidelines on Fit and Proper Criteria (attached as Exhibit B-3); and
- iii. complying with requirements on market conduct and practices and other requirements as specified in the Securities and Futures (Licensing and Conduct of Business Regulations) 2002 ("**Conduct of Business Regulations**") (attached as Exhibit A-5-3).

Pursuant to SFA Section 86(3) the MAS will not grant a CMS license to a corporation or renew the license of a corporation unless, where the corporation is incorporated in Singapore, its Base Capital¹⁶,

¹⁶ "**Base Capital**" means the sum of—

- (a) paid-up ordinary share capital;
 - (b) irredeemable and non-cumulative preference share capital; and
 - (c) any unappropriated profit or loss in its latest audited accounts;
- less any interim loss in its latest accounts and any dividend that has been declared since its latest audited accounts.

or, where the corporation is a foreign company, its Net Head Office Funds¹⁷, is less than SGD¹⁸ 1 million or such other requirement as the MAS may approve. (See Regulation 3, Financial and Margin Regulations).

In addition, pursuant to the Financial and Margin Regulations, the holder of a CMS license must not permit where it is incorporated in Singapore, its financial resources; or, where it is a foreign company, its Adjusted Net Head Office Funds, to fall below its Total Risk Requirement. Total Risk Requirement¹⁹ is defined in the Third Schedule of the Financial and Margin Regulations to mean the sum of: operational risk requirement; counterparty risk requirement; position risk requirement; large exposure requirement; and underwriting, which shall be calculated for each business day no later than the end of the following business day.

If the CMS license-holder fails to comply with the requirement to maintain its Total Risk Requirement or becomes aware that it will fail to comply with the requirement, it must immediately notify the MAS and SGX-DT. If so notified, the MAS may revoke the Member's license pursuant to SFA Section 95(2)(a). Regardless of any intervention by the MAS, the Member's license will automatically lapse if its financial resources or Adjusted Net Head Office Funds (as the case may be) fall below its Total Risk Requirement for four consecutive weeks. (See Regulation 6, Financial and Margin Regulations).

(C) *Financial Resource Requirement*

By virtue of Trading Rule 2.4.1, where a GTM engages in any Regulated Activity in the markets, such GTM is required to procure and maintain the requisite license(s) and registration(s) with the MAS and independently satisfy such licensing and registration requirements. A GTM is required: (a) to maintain a Base Capital or Net Head Office Funds, of not less than SGD1 million; (b) not cause or permit its Financial Resources²⁰ or Adjusted Net Head Office Funds, to fall below its Total Risk Requirement;

¹⁷ "**Adjusted Net Head Office Fund**" when used in reference to:-

- (a) a GTM incorporated outside Singapore, shall bear the meaning ascribed thereto in paragraph 2 of the Second Schedule of the Financial and Margin Regulations; and
- (b) a BTM incorporated outside Singapore which has satisfied the Net Head Office Funds requirement in Rule 2.5.2(c)(i) of the Trading Rules, shall bear the meaning ascribed thereto in paragraph 2 of the Second Schedule of the Financial and Margin Regulations, less the capital requirements for its banking business

¹⁸ "**SGD**" refers to Singapore dollars

¹⁹ "**Total Risk Requirements**" when used in reference to:-

- (a) a GTM, shall bear the meaning ascribed thereto in paragraph 1 of the Third Schedule of the Financial and Margin Regulations;
- (b) a BTM which has satisfied the Base Capital or Net Head Office Funds requirement under Rule 2.5.2(c)(i), shall bear the meaning ascribed thereto in paragraph 1 of the Third Schedule of the Financial and Margin Regulations except that such Bank Trading member shall only compute the total risk requirement for all customers' and proprietary positions in derivatives and securities contracts traded on any exchange and over-the-counter ("**OTC**") contracts novated to any clearing facility; and
- (c) a BTM which has satisfied Rule 2.5.2(c)(i) by depositing cash and/or government securities with the Clearing House, shall bear the meaning ascribed thereto in paragraph 1 of the Third Schedule of the Financial and Margin Regulations except that such BTM shall only compute the total risk requirement for all customers' and proprietary positions in derivatives and securities contracts traded on SGX-DT and Singapore Exchange Securities Trading Limited ("**SGX-ST**"), and OTC contracts novated to the Clearing House and the Central Depository (Pte) Ltd ("**CDP**").

²⁰ "**Financial Resources**" when used in reference to:-

- (a) a GTM, shall bear the meaning ascribed thereto in paragraph 1 of the Second Schedule of the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Licenses) Regulations 2002; and
- (b) a BTM which has satisfied the Base Capital or Net Head Office Funds requirement under Trading Rule 2.5.2(c)(i), shall bear the meaning ascribed thereto in paragraph 1 of the Second Schedule of the Financial and Margin Regulations less the capital requirements for its banking business.

and (c) not cause or permit its Aggregate Indebtedness²¹ to exceed 1200% of its Aggregate Resources²².

In addition to this admission criteria, a GTM must comply with the obligations under the Financial and Margin Regulations relating to the issue of any preference share and redemption of any redeemable preference share, drawing down and repayment in part or in full of any Qualifying Subordinated Loan principal, making of any unsecured loan or advance, payment of any dividend or director's fees or increase in any director's remuneration. Under the Trading Rules, a more stringent 150% of Total Risk Requirement notification is required. Further, a GTM must not reduce its paid-up ordinary share capital without the prior written approval of SGX-DT (Trading Rule 2.5.7).

(D) Working capital and collateral requirement

In respect of Trading Member's Customers, the Trading Rules prescribe certain requirements in relation to a Member's fiduciary obligations to its Customers regarding Customer's monies and assets. Trading Rule 3.3.10(a) stipulates that a Member has a fiduciary obligation to:

- i. segregate Customer's monies and assets from Member's monies and assets;
- ii. deposit Customer's monies and assets into trust and custody accounts; and
- iii. separately account for the monies and assets of each account.

In addition Members are bound by the Securities and Futures (Licensing and Conduct of Business Regulations) 2002 ("**Conduct of Business Regulations**") (attached as Exhibit A-5-3). Division 3, Conduct of Business Regulations sets out the obligations of CMS license-holders, which all GTMs are, in relation to how Customer's assets, received by the holder of a CMS license, are to be held on account of the Customer or as collateral for any amount owed by the Customer to the holder. Regulation 26(2), Conduct of Business Regulations requires that the license holder shall deposit the Customer's assets into a custody account no later than the business day immediately following the day on which the assets were received.

Pursuant to Regulation 27, Conduct of Business Regulations, the custody account in which the license holder deposits Customer's assets must be with:

- i. a bank licensed under the Banking Act;
- ii. a merchant bank approved as a financial institution by the MAS;
- iii. a finance company licensed under the Finance Companies Act;
- iv. a depository agent within the meaning of Section 130A of the Companies Act for the custody of securities listed for quotation on the SGX-ST or deposited with CDP;

²¹ "**Aggregate Indebtedness**" refers to the total liabilities of a CMS license holder, not including any contingent liability of the holder or any of the following:

- (a) any amount payable on open contracts;
- (b) any amount payable to a customer of the holder in connection with monies or assets received on account of the customer;
- (c) any deferred income tax payable;
- (d) any liability that is fully secured by assets that are not included as the financial resources of the holder under paragraph 1 of the Second Schedule, if the sole recourse of the creditor for non-payment of such liability is to such assets only; and
- (e) any qualifying subordinated loan as defined in paragraph 4 of the Second Schedule to the Financial and Market Regulations.

²² "**Aggregate Resources**" in reference to Trading Member incorporated in Singapore refers to Financial Resources less its Total Risk Requirement; in reference to Trading Member incorporated outside Singapore this refers to its Adjusted Net Head Office Funds less its Total Risk Requirement; and in reference to Bank Trading Member by means of cash and/or acceptable government securities deposited with SGX-DC or CDP.

- v. an approved trustee for a collective investment scheme within the meaning of section 289 of the SFA; or
- vi. any person licensed under the SFA to provide custodial services for securities.

However, Regulation 30, Conduct of Business Regulations permits the CMS license holder to deposit its Customer's assets with SGX-DC, a member of a futures exchange or a member of an overseas futures exchange -

- i. for the purpose of the continued holding of a futures position or facilitating a transaction in a Futures Contract²³ to be entered into for the Customer;
- ii. for the settlement of a transaction in a Futures Contract for the Customer; or
- iii. for any other purpose specified under the Clearing or Trading Rules or the business rules of an overseas futures exchange, as the case may be; and

Except as allowed under the Conduct of Business Regulations, a Member is prohibited by Trading Rule 3.3.10(b) from depositing or co-mingling the Member's own monies and assets with its Customer's monies and assets.

In respect of Clearing Members' Customers, the same regulatory purpose is achieved by Section 62, SFA, which requires that where money or assets are deposited with or paid to SGX-DC (being market contracts which are cleared or settled by SGX-DC), a Clearing Member must notify SGX-DC to enable SGX-DC to determine:

- i. whether a market contract is a Contract of a Clearing Member's Customer, and
- ii. whether the money or assets being deposited with or paid to SGX-DC is or are deposited with or paid for or in relation to a Contract of a Clearing Member's Customer.

SGX-DC records instructions given in relation to Customer assets from Clearing Members. SFA Section 62(2)(c) sets out that SGX-DC must keep books for monies and assets deposited or paid for or in relation to Contracts of Customers of one Clearing Member separate from books for money and assets deposited or paid for in relation to Contracts of Customers of another Clearing Member.

In accordance with SFA Sections 62(2)(a) and (b), SGX-DC must ensure that such money is deposited in a trust account and kept separate from all monies and assets received by it from its Clearing Members.

Records of assets held and the identity of the owners of these assets are maintained by the Derivatives Trading and Clearing Unit in SGX. The Collateral Management team, contained within the supervision of the Derivatives Trading and Clearing Unit, identifies the assets through the Clearing Member's House or the Customer Accounts²⁴ and keeps book records of the assets held in each of these accounts. In addition, there is clear segregation between Customer and Clearing Member assets.

SGX-DC uses the Collateral Submission Management and Optimization System ("**COSMOS**"), a depository system, for managing collateral deposited by the Clearing Members (including the monies and assets of the Clearing Members' Customers). The collateral can be in cash, letter of credit, Singapore securities and government securities. This ensures that any rights arising in relation to the

²³ "**Futures Contract**" refers to any Contract, over any asset, Commodity instrument, index, reference rate or any other thing whose price movement determines the value of the Contract, designated by SGX-DT as a futures contract. "**Contract**" refers to rights and obligations incurred through a trade on an exchange, an over-the-counter trade or a financial derivative trade.

²⁴ "**Customer Account**" refers to an account carried on the books of a Member for a Customer.

assets SGX-DC holds are held, transferred or acted upon in a timely and accurate manner in accordance with the express instructions of the Clearing Member. The Clearing Member is then in turn responsible for effecting its Customers' instructions in a timely and accurate manner. Further, an independent unit carries out daily reconciliation by comparing SGX-DC ledgers against custodian and settlement banks' statements. Any discrepancy between SGX-DC records and these statements will be flagged and promptly investigated by SGX-DC.

For cash collateral, the COSMOS system collates the accrued interest on cash collateral daily and credits Clearing Members' balances by the 5th and 6th business day of the following month. For collateral in the form of government securities, COSMOS tracks the coupon rates, coupon dates and maturity dates of the collateral. On the date of coupon settlement or maturity, COSMOS calculates the amount of cash to be refunded to the relevant Clearing Members. Upon confirmation of the receipt of coupon/par value payments from SGX-DC's custodian bank, such entitlements are added to Clearing Members' cash collateral held with SGX-DC and can be withdrawn by the Clearing Members if they have total collateral value above their obligations.

(E) Risk management mechanics

Trading Rule 2.6.3 requires that Members have risk management controls in place including ensuring that the OMS²⁵ conducts pre-execution checks for all Customers' orders (unless granted exemption from pre-execution credit checks with certain safeguards) and includes the ability to set and manage automated limits. These pre-execution checks and filters may include but are not limited to the following or such other functionalities that are able to prevent overtrading:

- i. total quantity limit (taking into account the total long and short positions, including all resting orders and executed orders);
- ii. maximum long per contract (taking into account the total long positions, including resting long orders and net executed orders);
- iii. maximum short per contract (taking into account the total short positions, including resting short orders and net executed orders); and
- iv. total maintenance margin requirements for the absolute worst positions (i.e. the higher of absolute maximum long and absolute maximum short), computed by using the margin rate prescribed by the exchange.

For example, built-in functions residing in the OMS may include the following:

- i. the ability to adjust credit or quantity limits in real time during a trading session;
- ii. the ability to set permission levels (e.g. access to selected products/ instruments) and revoke the access of an Approved Trader or Customer; and
- iii. the ability to intercept orders that exceed credit limits and trigger error-prevention alerts. This ensures that the trade systems in place prevent Clearing Members and/or their customers from exceeding various risk limits.

From the third quarter of 2012, SGX-DC will introduce pre-trade risk controls at the SGX trading engine level to reduce systematic risks. Clearing Members will be able to set limits on their Customers at the trading engine level instead of relying on their OMS.

Requirements for Bank Trading Member

(A) Professional Qualifications and Fit and Proper Standards

²⁵ "OMS" is an order management system through which orders are routed to the Quotation and Execution System for Trading ("QUEST")

SGX-DT is able and willing to promote and maintain high standards of integrity and fair dealing by persons using the facilities provided by SGX-DT. It does this by prescribing standards in its Trading Rules and procedures as described in this Exhibit. SGX-DT requires, by way of admission criteria, that its Members (and specifically their executive staff and key personnel) are suitably qualified and sufficiently experienced to implement, oversee and maintain adequate internal procedures and risk management controls as contemplated under the Trading Rules. These standards must be met both at the time of admission and on a continuous basis until the termination of the Membership, pursuant to Trading Rule 2.3.1.

To assist SGX-DT to promote and maintain high standards of integrity and fair dealing, Trading Rule 3.2.1 requires that, when trading on the Market, it is a requirement that Members, Approved Traders and Registered Representatives:

- i. observe high standards of integrity, market conduct and fair dealing;
- ii. act with due skill, care and diligence; and
- iii. refrain from any act or course of conduct that is likely to harm the reputation of Markets or any Members.

(B) Authorization and Licenses required

For the purposes of admitting an applicant BTM to membership, Trading Rules 8.1 defines a bank as an entity licensed under the Banking Act (attached at as Exhibit A-5-1). The licensing requirements for Banks²⁶ in Singapore are set out in Part III of the Banking Act.

The Banking Act prescribes, and the MAS requires, entities with bank licenses to meet international capital requirements in accordance with the international regulatory framework for banks. Banking Act Section 9 requires a minimum of SGD 1,500 million Base Capital for banks incorporated in Singapore and SGD 200 million in head office capital funds for banks incorporated outside Singapore. "**Head office capital funds**", in this context, means the aggregate of paid-up capital (or its equivalent recognized by the MAS as applicable to the bank under the laws of the country or territory in which the bank is incorporated) and the entity's published reserves (excluding such reserves as the MAS may specify in writing), deduction having been made for any loss appearing in the accounts of the bank.

To qualify for admission as a BTM, Trading Rule 2.4.2 requires that the BTM, or its parent bank, have a bank financial strength rating of at least C from Moody's Investors Service, Standard & Poor's Corporation and Fitch Inc. or an equivalent rating from any other international rating agency deemed acceptable by SGX-DT.

In addition, the BTM must satisfy the requirements of Part III of the Banking Act (Licensing of Banks) which, at Section 10, sets out the risk-based capital requirements that apply to all banks in Singapore. The MAS may, by notice in writing, require any bank in Singapore, or class of banks in Singapore, to maintain capital funds in Singapore of such amount and in such manner as the MAS considers appropriate, having regard to the risks arising from the activities of the bank or class of banks, as the case may be, and such other factors as the MAS considers relevant.

Banking Act Section 10(2) prescribes that a bank incorporated in Singapore shall not, at any time, have a capital adequacy ratio of less than 12%, or such other percentage as may be determined by the MAS.

²⁶ "**Bank(s)**" refers to a bank licensed under the Banking Act

If, upon admission as a BTM, there is any downgrade in the rating of the BTM, or its parent bank, such that it falls below the minimum prescribed rating, then, pursuant to Trading Rule 2.4.3, SGX-DT may, at its discretion, impose additional conditions as it deems fit, for permitting the BTM to continue its trading activities as a BTM.

(C) *Financial Resource Requirement*

Under Trading Rule 2.5.2(c), for admission, a BTM must: (i) maintain a Base Capital or Net Head Office Funds of not less than SGD 1 million, failing which, the BTM must deposit an amount of not less than SGD 1 million in cash and/or Acceptable Government Securities²⁷ with the Clearing House; and (ii) not cause or permit its Financial Resources or Adjusted Net Head Office Funds or cash and/or Acceptable Government Securities deposited with the Clearing House or CDP to fall below its Total Risk Requirements.

Trading Rule 2.4.2 provides that a BTM must ensure that it, or its parent bank, has a bank financial strength rating of at least C from Moody's Investors Service, Standard & Poor's Corporation and Fitch Inc. (or an equivalent rating from any other international rating agency deemed acceptable by SGX-DT).

(D) *Working capital and collateral arrangements*

Please refer to GTM section above.

(E) *Risk management mechanics*

Please refer to GTM section above. Also refer to Pre-Trade Risk Controls in section below.

Direct Market Access and Sponsored Arrangements

As a third category, apart from its GMTs and BTMs, SGX-DT also has arrangements in place to permit Direct Market Access to its facilities by persons other than Members. Subject to the Trading Rule 2, Direct Market Access is available to all Customers and is not a right attached to the different categories of membership. Pursuant to Trading Rule 2.6.2, the Member must have security arrangements in place to ensure that unauthorized persons are denied access to the Market. Upon a Member's authorization of its Customer, the Customer will have Direct Market Access through the Member's OMS. The Trading Rules contemplate two types of Direct Market Access, (i) arrangements where a Trading Member permits a Customer to trade or route orders electronically through the Trading Member's own trading system, subject to the Trading Member's risk and other controls, and (ii) "sponsored arrangements" pursuant to which the Trading Member permits the customer direct electronic access to the SGX-DT trading facilities, without going through the Trading Member's own systems.

With respect to each Customer for which the Member has authorized Direct Market Access, Trading Rule 2.1.2(a) provides that the Member is required to provide the Customer with information concerning its access to QUEST. The Member must also provide the Customer with information concerning the Trading Rules and other applicable laws. Pursuant to Trading Rule 2.1.2(b), the Member must assist SGX-DT in any investigation into potential violations of the Trading Rules and applicable laws. Such assistance shall be timely and shall include requiring the Customer to produce documents, to answer questions from SGX-DT or to appear in connection with any investigation.

As a preliminary remark, SGX-DT notes that it is currently proposing amendments to its Trading Rules, Practice Notes and Regulatory Notices with regard to Direct Market Access which is relevant in relation to Members' obligations to impose certain requirements on their Customers. Where relevant

²⁷ "Acceptable Government Securities" refers to securities issued by a government with a Moody's Investors Service sovereign rating of at least Aaa, Standard & Poor's Corporation sovereign rating of at least AAA or Fitch, Inc sovereign rating of at least AAA.

in this section, SGX-DT refers to its proposed amended rules as “SGX-DT’s Proposed Amendment to the Trading Rules”, “SGX-DT’s Proposed Amendment to Practice Note” or “SGX-DT’s Proposed Amendment to Regulatory Notice”. SGX-DT’s proposed amendments are outlined in the Consultation Paper on Proposed Removal of Bypass Privileged in the SGX-DT Market (attached as Exhibit B-4). In SGX-DT’s Proposed Amendment to Trading Rule 2.1.2, an additional requirement will oblige the Member to enter into a recorded, legally binding agreement with the Customer, governing the terms under which Direct Market Access is authorized.

In the case of sponsored arrangements, which allow the Customer to directly access the Markets, the Member takes full responsibility of its Customer’s trade and retains supervisory responsibilities to supervise and manage the sponsored arrangement. In addition to the conditions applying to Direct Market Access described in Trading Rule 2.1.2, sponsored arrangements will also be subject to requirements set out in SGX-DT’s Proposed Amendments to Trading Rule 2.1.2A. Pursuant to Trading Rule 2.1.2A, the Member must require such Customer to have minimum standards including matters such as the Customer’s financial standing, credit history, and knowledge and proficiency in the use of the OMS. The Member must also keep a record over such Customers and ensure that the Customers comply with relevant requirements in the Trading Rules.

Pre-Trade Risk Controls

SGX requires all Clearing Members to set pre-execution limits on their trading participants, including any persons who are granted Direct Market Access. To facilitate Direct Market Access, SGX has in place certain risk tools to enable Clearing Members to set trading limits on their clients, giving their clients with sponsored arrangements the option of connecting their OMS directly to QUEST without having to go through their Clearing Members’ infrastructure, significantly reducing costs and time-to-market.

With pre-trade risk controls, orders sent by clients are checked against a preset trading limit that is defined and controlled by their Clearing Members before being matched. Orders with nominal value exceeding the preset limit are rejected. This eliminates concerns associated with algorithmic and high frequency trading as all orders to SGX are subject to pre-execution limit checks at either a Clearing Member’s hosted system, or using pre-trade risk controls hosted at SGX.

Pre-trade risk controls are designed to complement Members’ existing risk controls and operate as a backstop system outside the Clearing Member’s infrastructure to limit the risk exposure the Member can accumulate intra-day. These controls are consistent with initiatives at the Chicago Mercantile Exchange and the Eurex Exchange. They are tools offered to Clearing Members to control the trading limits of Direct Market Access clients that connect directly to QUEST. They provide Trading-Limit management capabilities to Clearing Members with minimal impact on trading engine latency.

Please refer to the diagram in Exhibit B-B-1 for an illustration of the interaction between the SGX pre-trade risk controls and the Clearing Member’s risk management system.

SGX-DT Trading Membership – Ongoing Obligations (applicable to both GTMs and BTMs)

After admission to membership, adherence to the admission requirements becomes part of the ongoing obligations for all Members of SGX-DT. A Member is required to comply with such technical, operational, information technology, security, risk management and other requirements or restrictions as specified in Trading Rule 2.6. These include:

- (a) a corporate Member shall have security arrangements in place to ensure that unauthorized persons are denied Direct Market Access;
- (b) a corporate Member is required to have written policies and procedures and demonstrate compliance in the following areas:
 - (i) monitoring the credit risks arising from the acceptance of orders of Customers;
 - (ii) monitoring account activity on an intraday basis;
- (c) ensuring that the OMS conducts pre-execution checks for all Customers' orders and includes the ability to set and manage automated limits;
- (d) ensuring that the OMS has error-prevention alerts so that when Approved Traders or Customers enter orders, the Member is alerted to possible erroneous entries of quantity, price and other data fields;
- (e) defining and managing the Member's sources of liquidity to ensure that there are sufficient liquidity facilities to meet increased settlement obligations;
- (f) limiting the impact of significant market movements through the use of tools such as cash flow projection, stress testing or position limits; and
- (g) maintaining a strict separation between the credit control, trading, dealing and marketing departments so as to ensure independence and to mitigate the risks and consequences of conflicts of interests.

In addition, Trading Rule 2.6.4 requires that a corporate Member maintain proper records and audit trails that evidence compliance with the Trading Rules. The corporate Member is required to comply with such accounting, reporting and book-keeping requirements as prescribed by SGX-DT.

Business continuity requirements also apply pursuant to Trading Rule 2.6.6 and these require that a Member:

- (a) assess its business and operational risks and maintain adequate business continuity arrangements;
- (b) document its business continuity arrangements in a business continuity plan;
- (c) has senior management who are responsible for the Member's business continuity plan. Sufficient awareness of the risks, mitigating measures and state of readiness must be demonstrated by way of an attestation to the Member's Board;
- (d) must review and test its business continuity plan regularly; and
- (e) must appoint emergency contact persons, and furnish the contact information of such persons to SGX-DT. The Member's emergency contact persons must be contactable at all times, and must immediately notify SGX-DT in the event of emergencies.

In compliance with SFA Section 16(g)(iii), SGX-DT must provide adequate security arrangements to ensure that there are adequate safeguards in place for the operation of its trading facilities, including safeguards against financial crime and provisions of these safeguards includes appropriate supervision of Trading Members both inside and outside Singapore. These measures include:

- (a) by way of admission and registration criteria, ensuring that its Trading Members observe high standards of integrity, market conduct and fair dealing and refrain from any course of conduct which is likely to harm the reputation of the markets or any Members (Trading Rule 3.2.1). This requirement continues to apply as part of Trading Members' ongoing compliance obligations under Trading Rules 3.2.3 and 3.2.4;
- (b) requiring Trading Members to conduct credit assessment and know-your-customer due diligence before opening any trading accounts for a new Customer (Trading Rule 3.3.1). Trading Members are required, under Trading Rule 3.3.1, to comply with the MAS Notice (SFA04-N02) on the Prevention of Money Laundering and Countering the Financing of Terrorism—Capital Markets Intermediaries (“**MAS Notice on AML/CFT (MAS SFA 04-N02)**”)

(attached as Exhibit B-5). BTMs are required to comply with the corresponding MAS Notice (MAS 626) on the Prevention of Money Laundering and Countering the Financing of Terrorism—Banks (“**MAS Notice on AML/CFT (MAS 626)**”) attached as Exhibit B-6 (which applies to BTMs). Both notices are in similar terms and require Members to perform customer due diligence and confirm that the Member has:

- (i) obtained key particulars relating to the Customer (and any person authorized to trade for the Customer);
- (ii) verified the identity of the Customer and that the Customer has the requisite authority to open the account; and
- (iii) understood the Customer's risk appetite and investment objectives all in a manner consistent with industry best practices on know-your-customer requirements.

During SGX's inspections, the Member Supervision Unit may also review the account opening process of Clearing Members with trading privileges (see Trading Rule 3.5.1). The frequency of such review is determined based on the Member's risk profile.

SGX-DT's Powers upon occurrence of Adverse Events

Under Trading Rule 7.1.1, if any of the following events occur and adversely impacts a Trading Member, Approved Trader or Registered Representative's ability to meet its obligations, then SGX-DT may exercise its powers set out in Trading Rule 7.3 (collectively “**Adverse Events**”):

- (a) an emergency;
- (b) a delivery default;
- (c) force majeure;
- (d) SGX-DC declares an event of default against a Clearing Member as contemplated in Clearing Rule 7.03.2.1;
- (e) a Trading Member, Approved Trader or Registered Representative is charged before a disciplinary body in any other exchange or regulated market or charged in any court of law in relation to market misconduct;
- (f) a Trading Member, Approved Trader or Registered Representative who trades in non-SGX-DT instruments such as over-the-counter instruments, foreign exchange instruments or other instruments, whether onshore or offshore, suffers an adverse event which impacts on the Trading Member's ability to meet its financial obligations to SGX-DT; or
- (g) any other event which, materially impacts or is likely to materially impact on a Trading Member, Approved Trader or Registered Representative's ability to meet its obligations under the Trading Rules.

Under Trading Rule 7.3, upon the occurrence of any of the Adverse Events, SGX-DT may exercise any of the following powers as may be considered necessary:

- (a) limit trading to liquidation of positions only or order liquidation of all or a portion of the positions in a Trading Member's House Account or Customer Account or both;
- (b) fix a settlement price for the liquidation of positions in any Contract;
- (c) require additional margins to be deposited with the Clearing House for any Contract;
- (d) confine trading of any Contract to a specific price range or modify trading days or hours; or
- (e) defer delivery or designate alternative delivery points or procedures or alter conditions of delivery with respect to deliverable Futures Contracts.
- (f) If a Trading Member's act or omission results in a Clearing Member defaulting under Clearing Rule 7.03.2.1, SGX-DT or Clearing House, as the case may be, reserves the right to call on

any of the Qualifying Letters of Credit²⁸ posted by the Trading Member to meet its Financial Resources requirements set forth in Clearing Rule 2.5, and apply the proceeds toward the discharge of liabilities incurred by the Clearing Member to the Clearing House.

- (g) take such other actions against any Trading Member, Approved Trader or Registered Representative as it deems fit to discharge its regulatory obligations under the SFA to maintain a fair, orderly and transparent market.

Resignation, Suspension and Termination of Membership

Trading Rule 2.15.1 lists the requirements that apply in relation to a Member's suspension or resignation:

- (a) a Member may request SGX-DT to temporarily suspend its Membership and SGX-DT may grant to the requesting Member a temporary suspension of up to twenty-four months; or
- (b) a Member may cease to be a Member by virtue of giving SGX-DT a written notice of its wish to resign from Membership (a "**Resignation Notice**"). The Member must provide SGX-DT with information concerning the circumstances of the resignation. SGX-DT may refuse to accept a Resignation Notice given by a Member or may postpone the effective date if it considers it necessary for the protection of Customers, or is otherwise in the interests of the Markets.

Under Trading Rule 2.15.2, SGX-DT may suspend in whole or in part a Member's trading privileges for up to a period of one year upon the occurrence of any of the following events:

- (a) a Member's failure to pay any fees, levies or charges as contemplated under Trading Rule 2.12;
- (b) a Member's application for Membership contains material errors or omissions or is misleading in a
- (c) material respect;
- (d) a Member fails to satisfy SGX-DT that it meets such financial requirements, licensing, risk management or other material obligations as required under the Trading Rules; or
- (e) if, in SGX-DT's opinion, it is necessary or desirable to protect the financial integrity, reputation or interest of the Markets or to promote the operation of a fair, orderly and transparent market.

SGX-DT may terminate any Membership under Trading Rule 2.15.3 upon the occurrence of any of the following events:

- (a) upon the death, mental incapacity, bankruptcy or filing of a bankruptcy petition by any individual Trading Member;
- (b) if a corporate Member becomes insolvent or calls a meeting of its creditors, or enters into an arrangement or composition under insolvency laws or suffers winding up, dissolution or other similar event;
- (c) revocation of a license by MAS with respect to the Member's trading in futures contracts; or
- (d) in the case of a BTM, revocation of its license under the Banking Act or removal of its exemption from holding a CMS license under SFA.

²⁸ Subject to such conditions or restrictions as the MAS, SGX-DT or SGX-DC, may impose on the holder, "qualifying letter of credit" means any legally enforceable and irrevocable letter of credit that is made in favor of SGX-DT, SGX-DC; and issued by a bank approved by, and in a form acceptable to SGX-DT or SGX-DC. It does not include any letters of credit provided by the holder to a SGX-DT or SGX-DC to satisfy the business rules or other requirements of SGX-DT or SGX-DC. Where the total amount payable under qualifying letters of credit exceeds 50% of the total risk requirement of the holder, the amount in excess shall not be taken into account.

In the event of suspension or termination of trading privileges, SGX-DT may direct the affected Member to close out any open positions or take such other steps that SGX-DT deems fit for the protection of Customers or the maintenance of a fair, orderly and transparent market. A suspension or termination of trading privileges does not in any way affect the liabilities of the Member to SGX-DT and other Members and all such liabilities shall subsist until they are satisfied or discharged (Trading Rule 2.15.4).

Enforcing Compliance with the Trading Rules

SFA Section 16(1)(f) requires SGX-DT to establish and enforce compliance by its Members with its Trading Rules. Under SFA Section 24(1), the Trading Rules of SGX-DT shall be deemed to be, and shall operate as, a binding contract between:

- (a) SGX-DT and each Member; and
- (b) each Member and every other Member.

By virtue of SFA Section 24(2), SGX-DT and each Member shall be deemed to have agreed to observe the business rules. Where any person who is under an obligation to comply with the Trading Rules fails to do so, the High Court may be appointed to make an order on the application of the MAS, SGX-DT or a person aggrieved by the failure. The High Court may after giving the first-mentioned person an opportunity to be heard make an order directing them to comply with, observe, enforce or give effect to the Trading Rules.

Trading Rule 1 confirms that the purpose of the Trading Rules is to assist SGX-DT to discharge its regulatory obligations under the SFA so as to maintain a fair, orderly and transparent Market. Under Trading Rule 3.2.1, Members are required to:

- (a) observe high standards of integrity, market conduct and fair dealing;
- (b) act with due skill, care and diligence; and
- (c) refrain from any act or course of conduct which is likely to harm the reputation of the Markets or any Trading Members.

(A) Investigation

Trading Rule 7.4.3 sets out the powers of investigation by SGX-DT which includes the ability to direct a Member to:

- (i) render all assistance as SGX-DT requires, at SGX-DT's premises or elsewhere; and
- (ii) provide SGX-DT with information, books and records which, in SGX-DT's opinion, may be relevant to the investigation.

(B) Inspection

SGX-DT is authorized by the Trading Rule 3.5.1 to conduct an inspection on a Member at any point in time and take copies of accounts, books, contracts, other records and documents must be made available to it. SGX-DT may also appoint an independent Person to do the inspection. Such Person shall report to SGX-DT on the following:

- (i) whether the Member's accounts are being kept and maintained in compliance with the Trading Rules;
- (ii) whether the Member's financial position is being maintained in compliance with the Trading Rules;

- (iii) whether that Member's business is being conducted in compliance with the Trading Rules;
- (iv) whether that Member's accounts, financial position or any non-compliance with the Trading Rules may jeopardize the integrity of SGX-DT; and
- (v) such other matter as SGX-DT may direct.

The Member Supervision Unit reviews regular reports submitted by Members. Tools such as self-assessment questionnaires and annual audited accounts submitted by Members are also used to enhance the capability of monitoring and overseeing compliance with the Trading Rules. During the course of any inspections, the significance of any non-compliance and/or lapse in internal control procedures is promptly raised with the Trading Member's senior management.

(C) *Financial Monitoring*

In terms of financial reporting, Trading Rule 3.3.28 requires all Members to submit their financial reports (i.e. the annual accounts duly audited by, and certified by, its auditors who shall be a public accountant or a firm of public accountants acceptable to SGX-DT) to SGX-DT within 5 months of the end of its financial year or within such longer period as may be permitted by SGX-DT.

Under rules governing notification and early warning of financial requirements, a corporate Member must immediately notify SGX-DT in the event of any material changes to its Financial Resources or Adjusted Net Head Office Funds or cash and/or Acceptable Government Securities deposited with the clearing house or CDP pursuant to Trading Rule 2.5.2(c)(i): (a) an initial notification if it falls below 150% of its Total Risk Requirement; or (b) a warning notification if it fall below 120% of its Total Risk Requirement; or (c) in case of a GTM, if its Aggregate Indebtedness exceeds 600% of its Aggregate Resources.

Where a corporate Member's Financial Resources or Adjusted Net Head Office Funds or cash and/or Acceptable Government Securities deposited with SGX-DC or CDP pursuant to Trading Rule 2.5.2(c)(i), has fallen or will fall below 150% of its Total Risk Requirement or such higher percentage as SGX-DT may have imposed under Trading Rule 2.5.4, SGX-DT will be entitled to require that Member to:

- (a) submit its statements of assets and liabilities, Financial Resources, cash and/or government securities deposited with SGX-DC or CDP pursuant to Trading Rule 2.5.2(c)(i), Total Risk Requirement, Aggregate Indebtedness, and such other statements as required by SGX-DT; and
- (b) operate its business or in the case of a BTM, that part of its business governed by Trading Rules, in such manner and on such conditions as SGX-DT may impose.

Where a corporate Members' Financial Resources or Adjusted Net Head Office Funds or cash and/or Acceptable Government Securities deposited with SGX-DC or CDP pursuant to Trading Rule 2.5.2(c)(i), has fallen or will fall below 120% of its Total Risk Requirement or such higher percentage as SGX-DT may have imposed under Trading Rule 2.5.4, SGX-DT may direct that Member to comply with any or all of the requirements described under Regulation 7(3), Financial and Margin Regulations. In the case of a BTM, SGX-DT will only require that Member to comply with directions in respect of that part of BTM's business that is governed by the Trading Rules.

If SGX-DT is notified by a GTM under Trading Rule 2.5.6, or otherwise becomes aware that a GTM's Aggregate Indebtedness exceeds or will exceed 600% of its Aggregate Resources, or such lower percentage as SGX-DT may have imposed under Trading Rule 2.5.4, SGX-DT may direct that Member to comply with any or all of the requirements described under Regulation 17(2), Financial and Margin Regulations.

(D) Reporting Requirements

In respect of other matters, a Member must inform SGX-DT immediately in writing if any of its Approved Traders, Registered Representatives, directors, officers or employees (Trading Rule 3.2.4):

- (a) breaches the SFA, 2005 Regulations or the Trading Rules;
- (b) breaches rules of other exchanges and/or market;
- (c) breaches provisions involving fraud and/or dishonesty;
- (d) breaches director's duties;
- (e) is the subject of a written complaint/investigation involving an allegation of fraud and/or dishonesty;
- (f) is the subject of disciplinary action taken by the Member involving suspension, termination, withholding of commissions, fines or other significant limitation of activities;
- (g) engages in conduct otherwise circumventing the Securities and Futures Act, its Regulations or the Trading Rules;
- (h) engages in conduct inconsistent with good business practices;
- (i) engages in conduct detrimental to the financial integrity, reputation or interests of SGX-DT, or the markets; or
- (j) is insolvent, issued with bankruptcy or winding up proceedings.

(E) Disciplinary Actions

SGX-DT may subsequently charge a Member before the Disciplinary Committee if an investigation or inspection shows that the Member may have breached any Trading Rules (Trading Rule 7.2.1(a)). Penalties generally include reprimands, fines, restrictions or conditions on activities, suspension, expulsion, undertaking an educational or compliance program, ordering directors to step down from their day-to-day business, and appointing a manager to manage the business (Trading Rule 7.6.2). Charges established and penalties imposed by the Disciplinary Committee and Appeals Committee, together with such details as SGX-DT deems appropriate, are published via Circulars to Members and posted on the SGX website.

Trading Rule 7.6.2 specifically authorizes SGX-DT to take appropriate disciplinary action against members in breach of its rules. Depending on the severity of the breach, disciplinary actions could include issuing a letter of warnings or charging a Member before the Disciplinary Committee. Further, Rule 7.4.2 also provides that SGX-DT shall conduct an investigation if the MAS so directs.