

**Exhibit E- The terms and conditions of contracts proposed to be made available in the US**

**Exhibit E-1- A description of the terms and conditions of futures, option or swap contracts intended to be made available for direct access. With respect to each contract, indicate whether the contract is regulated or otherwise treated as a futures, option or swap contract in the regulatory regime(s) of the foreign board of trade's home country.**

**Contracts to be Made Available for Direct Access**

Under the Securities and Futures Act (Chapter 289 of Singapore) ("**SFA**") Section 29, SGX-DT is required to seek the Monetary Authority of Singapore's ("**MAS**")<sup>1</sup> approval for trading of any futures contract, or right, option, index or derivative in respect of any debentures, stocks or shares.

OTCF Contracts<sup>2</sup> and OTC Commodity Contracts<sup>3</sup> that are cleared by SGX-DC are not traded on SGX-DT. They are not subject to the Trading Rules<sup>4</sup> and are not a subject of this application.

SGX-DT intends to offer direct access to US customers its full suite of exchange-traded derivatives Contracts<sup>5</sup>, which include equity index, foreign exchange, interest rates and commodity futures and options contracts ("**Offered Contracts**"), with certain exceptions for products that may not currently be sold to U.S. persons. The Offered Contracts are regulated under the SFA.

The details of the various Offered Contracts that will be available to be traded by US persons via direct market access are as follows:

| Equity index futures/options   | Foreign exchange or interest rates futures/options  | Commodity futures/options  |
|--|---|--|
| <ul style="list-style-type: none"> <li>• SGX MSCI Indonesia Index Futures</li> <li>• SGX MSCI Thailand Index Futures</li> <li>• SGX-PSE MSCI Philippines Index Futures</li> <li>• SGX MSCI India Index Futures</li> <li>• SGX CNX Nifty Index Futures</li> <li>• SGX FTSE China A50 Index Futures</li> <li>• SGX Nikkei</li> </ul> | <ul style="list-style-type: none"> <li>• SGX AUD/JPY FX Futures</li> <li>• SGX AUD/USD FX Futures</li> <li>• SGX CNY/USD FX Futures</li> <li>• SGX INR/USD FX Futures</li> <li>• SGX KRW/JPY FX Futures</li> <li>• SGX KRW/USD FX Futures</li> <li>• SGX THB/USD FX Futures</li> <li>• SGX USD/CNH FX Futures</li> <li>• SGX USD/JPY (Standard) FX Futures</li> </ul> | <ul style="list-style-type: none"> <li>• SGX Hot-Rolled Coil Steel CFR ASEAN Index Futures</li> <li>• SGX TSI Iron Ore CFR China (62% Fe Fines) Index Futures</li> <li>• SGX API 4 FOB Richards Bay Coal Futures</li> <li>• SGX API 5 FOB Newcastle Coal Futures</li> <li>• SGX API 8 CFR China Coal Index Futures</li> <li>• SGX IHS McCloskey Indonesian Sub-Bit FOB Index Futures</li> <li>• SGX TSI CFR China Premium JM25 Coking Coal Futures</li> <li>• SGX TSI FOB Australia Premium Coking Coal Futures</li> <li>• SGX Baltic Capesize Time Charter Average Futures</li> </ul> |

<sup>1</sup> The MAS was established under the Monetary Authority of Singapore Act (Chapter 186 of Singapore)

<sup>2</sup> "**OTCF Contract**" or "**OTC Financial Contract**" refers to a Contract or transaction that is not listed or quoted for trading on the Exchange or any Relevant Market and relates to a financial derivative.

<sup>3</sup> "**OTC Commodity Contract**" refers to a Contract or a transaction that is not listed or quoted for trading on the Exchange or any Relevant Market but does not include any OTCF Contract or OTCF transaction.

<sup>4</sup> "**Trading Rule(s)**" refers to the Futures Trading Rules of SGX-DT.

<sup>5</sup> "**Contract(s)**" refers to rights and obligations incurred through a trade on an exchange, an OTC trade or a financial derivative trade.

| Equity index futures/options  | Foreign exchange or interest rates futures/options  | Commodity futures/options  |
|---|---|--|
| <ul style="list-style-type: none"> <li>225 Index Futures</li> <li>• SGX Nikkei 225 Index Options</li> <li>• SGX Mini Nikkei 225 Index Futures</li> <li>• SGX USD Nikkei 225 Index Futures</li> <li>• SGX MSCI Taiwan Index Futures &amp; Options</li> <li>• SGX MSCI Singapore Index Futures &amp; Options</li> <li>• SGX MSCI Hong Kong+ Index Futures</li> <li>• SGX MSCI Asia APEX 50 Index Futures</li> </ul> | <ul style="list-style-type: none"> <li>• SGX USD/JPY (Titan) FX Futures</li> <li>• SGX USD/SGD FX Futures</li> <li>• SGX Eurodollar Futures &amp; Options</li> <li>• SGX Euroyen LIBOR Futures &amp; Options</li> <li>• SGX Euroyen TIBOR Futures &amp; Options</li> <li>• SGX 10-Year Full Sized Japanese Government Bond Futures</li> <li>• SGX 10-Year Mini Sized Japanese Government Bond Futures</li> <li>• SGX 10-Year Mini Sized Japanese Government Bond Options</li> </ul> | <ul style="list-style-type: none"> <li>• SGX Baltic Panamax Time Charter Average Futures</li> <li>• SGX Baltic Supramax Time Charter Average Futures</li> <li>• SGX Baltic Handysize Time Charter Average Futures</li> <li>• SGX Platts Singapore Fuel Oil 180cst Index Futures</li> <li>• SGX Platts Singapore Fuel Oil 380cst Index Futures</li> <li>• SGX Singapore Visco Spread Futures</li> <li>• SGX Platts Kerosene FOB Singapore Index Futures</li> <li>• SGX Platts Gasoil FOB Singapore Index Futures</li> <li>• SGX Singapore Regrade Spread Futures</li> <li>• SGX Platts Naphtha CFR Japan Index Futures</li> <li>• SGX Electricity Futures</li> <li>• SGX Singapore Kilobar Gold Contract</li> <li>• SGX TSI Iron Ore CFR China (62% FE Fines) Index Option</li> <li>• SGX Baltic Capesize Time Charter Average Options</li> <li>• SGX Baltic Panamax Time Charter Average Options</li> <li>• SGX Baltic Supramax Time Charter Average Options</li> <li>• SGX Baltic Handysize Time Charter Average Options</li> <li>• SICOM TSR20 Futures</li> <li>• SICOM RSS3 Futures</li> <li>• SGX Fuel Oil 380cst Futures</li> </ul> |

The full specifications of the Contracts are set out on the SGX website at the following addresses: <http://www.sgx.com/wpsportal/sgxweb/home/products/derivatives> and <http://www.sgx.com/wps/portal/sgxweb/home/products/commodities/>.

Pursuant to Regulation 18(e), Securities and Futures (Markets) Regulations 2005 (“**2005 Regulations**”), SGX-DT is required to include in its Trading Rules the terms and conditions relating to the calculation of the final settlement price, daily price limits and the accumulation of positions of Futures Contracts<sup>6</sup>. Pursuant to SFA Section 23 and Regulation 19, 2005 Regulations, SGX-DT is required to conduct a public consultation unless the rule amendments are of limited impact and must notify the MAS at least 21 days before the rule amendments comes into effect.

<sup>6</sup> “**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.

## **Regulatory Submission Framework**

SGX-DT has a regulatory submission framework for listing of new Contracts (“**new product listing**”). The regulatory framework is underpinned by Sections 23 and 29, SFA. A request for approval from the MAS would be made by the Regulation unit once the necessary regulatory internal assessments have been conducted.

The framework for regulatory submission is as follows:

- (a) *Project Registration* - The new product listing is registered with the Regulation unit for assessment and ultimately formal submission to the MAS.
- (b) *Regulatory Assessment* - Regulatory assessment is conducted by the Regulation unit which will assess whether a fair, orderly, and transparent market will be maintained. During this process, risk and regulatory issues are identified and addressed, in consultation with the project owner. Approvals at higher management levels such as the Management Committee and Risk Management Committee may be required for issues of higher complexity.

The Regulation unit may at times engage the MAS in early consultation to agree on a range of appropriate regulatory solutions before a public consultation is issued or a formal submission is made. Typically, the risk and regulatory assessment of the Contract specifications will cover:

- (i) daily settlement price methodology, to ensure that it is sufficiently robust;
- (ii) final settlement price methodology, to ensure that it is sufficiently reliable and fair in order to preserve market integrity;
- (iii) position limits, to ensure that the risk exposure to SGX-DC arising from the limits is acceptable;
- (iv) price limits, to ensure operation of a fair, orderly and transparent market; and
- (v) settlement basis, whether it is cash-settled or physically settled. If the Contract is physically settled, to identify potential problems and propose solutions with delivery mechanism.

In addition, the Regulation unit will assess the impact on the clearing fund and clearing issues arising from the introduction of the new product. As part of its risk monitoring function, the Regulation unit also performs historical back testing to set appropriate margin requirements before launch of the Contract, validates the suitability of intra-day settlement price methodologies, identifies risk attributes arising from the introduction of new products and performs necessary stress test scenarios.

- (c) *Public Consultation*- After the risk and regulatory assessment and the proposed contract specifications are determined, SGX-DT will conduct a public consultation on the proposed amendments to the Trading Rules. This public consultation occurs for at least 10 days.
- (d) *MAS Submission*- Post public consultation, both the project owner and the Regulation unit will assess if changes are required to the proposal in light of the feedback given. Any changes to the proposal are then incorporated and highlighted in the submission to the MAS. SGX-DT will then seek the approval of the MAS to list the new product, as well as seek the MAS’ no-objection to the proposed consequential rule amendments.
- (e) *Product Launch*- If the MAS approves the new product and gives its no-objection to the proposed rule amendments, SGX-DT will inform its members in the form of circular containing

information such as the launch date, the Contract specifications, the clearing fees, margin requirements as well as the consequential amendments to the business rules.

**Exhibit E-2- Demonstrate that the contracts are not prohibited from being traded by US persons, i.e., the contracts are not prohibited security futures or single stock contracts or narrow-based index contracts. For non-narrow based stock index futures contracts, demonstrate that the contracts have received Commission certification (pursuant to the procedures set forth in § 30.13 and Appendix D to part 30 of this chapter).**

The Commodity Exchange Act (“CEA”) and the CFTC Regulations<sup>7</sup> generally do not restrict the offer or sale of foreign exchange-traded futures and commodity option products to customers located in the U.S., except for security index or foreign government debt products, which are subject to special procedures or approval. The offer and sale of foreign futures and options to customers located in the U.S. remains subject to the applicable laws and regulations in the foreign jurisdiction in which the listing exchange is located. Although U.S. customers may be permitted under the CEA to buy or sell a particular product, foreign law or regulations may not permit such activity to occur. In addition, non-U.S. intermediaries may not be able to enter into or carry a foreign exchange-traded future or option contract for a U.S. customer unless appropriate relief has been granted to the relevant foreign regulator or the exchange pursuant to Rule 30.10, CFTC Regulations.

SGX-DT intends to offer direct access to US customers to its equity index futures and options on futures Contracts, which are non-narrow based security index Contracts. The following equity index futures Contracts have previously received CFTC no-action relief:

- (a) SGX Nikkei 225 Stock Index futures contract (in 1986)<sup>8</sup>;
- (b) SGX MSCI Taiwan Stock Index futures contract (in 1997)<sup>9</sup>;
- (c) SGX MSCI Singapore Free Stock Index futures contract (in 2000)<sup>10</sup>;
- (d) SGX CNX Nifty Index futures contract (in 2004)<sup>11</sup>;
- (e) SGX USD Nikkei 225 Index futures contract (in 2007)<sup>12</sup>; and
- (f) SGX Nikkei 225 Index mini futures contract (in 2009)<sup>13</sup>.

As per Rule 30.13(n), CFTC Regulations, any non-narrow-based securities index futures contracts that is a subject of an existing no-action letter issued by the Office of General Counsel was deemed to be in conformance with the criteria of CEA Section 2(a)(1)(C)(ii) provided that the FBOT submitted a written statement representing that the contracts remain fully compliant with the requirements of such letter. On the basis on this requirement, SGX-DT submitted a letter to the CFTC dated 12 December 2011, stating that these existing Contracts in respect of which the CFTC has granted a no-action relief, are in conformance with the CEA and subject to the new certification regime on the basis that the requirements under Rule 30.13(n), CFTC Regulations have been met.

The CFTC had also certified the following non-narrow-based securities index futures contracts offered by SGX-DT as meeting the requirements of CEA Section 2(a)(1)(C)(ii):

- (a) SGX FTSE China A50 Index futures contract (26 January 2012);
- (b) SGX MSCI Asia APEX 50 Index futures contract (26 January 2012);
- (c) SGX EURO STOXX 50 Index futures contract (22 March 2012);
- (d) SGX MSCI Indonesia Index futures contract (2 October 2012);
- (e) SGX MSCI Thailand Index futures contract (20 January 2014);

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<sup>7</sup> “CFTC Regulations” refer to Title 17 Chapter I of the Code of Federal Regulations.

<sup>8</sup> CFTC Staff Letter No. 86-6 (December 5, 1986).

<sup>9</sup> CFTC Staff Letter No. 97-71 (August 29, 1997).

<sup>10</sup> CFTC Staff Letter No. 00-77 (June 21, 2000).

<sup>11</sup> CFTC Staff Letter No. 04-02 (January 7, 2004).

<sup>12</sup> CFTC Staff Letter No. 07-07 (May 24, 2007).

<sup>13</sup> CFTC Staff Letter No. 09-48 (December 23, 2009).

- (f) SGX-PSE MSCI Philippines Index futures contract (20 January 2014);
- (g) SGX MSCI India Index futures contract (20 January 2014); and
- (h) SGX MSCI Malaysia Index futures contract (25 November 2014).

Specific CFTC approval is not required for SGX-DT to provide direct market access to U.S. customers to its other foreign exchange, interest rates and commodities futures and options contracts under the CEA or the CFTC Regulations. Such contracts have been approved by the MAS pursuant to SFA Section 29.

**Exhibit E-3- Demonstrate that the contracts are required to be cleared.**

Trading Rule 2.10.1 provides that all trades executed on SGX-DT shall be cleared by SGX-DC through a Clearing Member<sup>14</sup> of SGX-DC pursuant to the Clearing Rules<sup>15</sup>. Each Trading Member<sup>16</sup> shall be required to have the requisite clearing arrangements with a Clearing Member of SGX-DC.

SGX-DC clears all OTCF Contracts, OTC Commodity Contracts and exchange-traded derivatives traded on SGX-DT. Pursuant to Trading Rule 2.10.1, it is a requirement that all trades executed on the Market by SGX-DT Members be cleared exclusively by SGX-DC through a Clearing Member pursuant to the Clearing Rules.

SGX-DC is a wholly-owned subsidiary of SGX and is regulated by MAS as a designated clearing house under the SFA and a derivatives clearing organization by the CFTC under the U.S. Commodity Exchange Act. SGX-DC acts as the central counterparty on all cleared transactions; it requires clearing members to maintain separate accounts for house and customer positions; it margins positions on a gross<sup>17</sup> (not a net) basis (using SPAN methodology); and it applies daily mark-to-market to all open positions. It also has standardized procedures to address the default of a Clearing Member.

Please refer to Exhibit A-3-2 of this Application for details on Clearing Agreements.

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<sup>14</sup> “**Clearing Member**” refers to any corporation granted clearing privileges by SGX-DC as contemplated in the Clearing Rules.

<sup>15</sup> “**Clearing Rule(s)**” refers to SGX-DC Clearing Rules.

<sup>16</sup> “**Trading Member**” refers to an individual or corporation granted trading privileges by SGX-DT, as contemplated in the Trading Rules, and shall include a GTM and BTM.

<sup>17</sup> This means that the margins are computed at each end Customer’s positions level.

**Exhibit E-4- Identify any contracts that are linked to a contract listed for trading on a US-registered entity, as defined in section 1a(40) of the Act. A linked contract is a contract that settles against any price (including the daily or final settlement price) of one or more contracts listed for trading on such registered entity.**

SGX-DT does not have any Contracts that are linked to a contract listed for trading on a U.S.-registered entity.

SGX-DT calculates daily settlement prices for its Contracts based on methodologies set out in Clearing Rule 7.11.1 and Clearing Practice Note 7.11.1. The final settlement prices of its index contracts are derived from the index values calculated by the respective index providers, and not from a “registered entity” that lists such contracts for trading.



**Exhibit E-5- Identify any contracts that have any other relationship with a contract listed for trading on a registered entity, i.e., both the foreign board of trade's and the registered entity's contract settle to the price of the same third party-constructed index.**

SGX-DT lists similar contracts as CME and NYMEX as shown in the table below:

| <b>Asset Class</b>      | <b>SGX-DT</b>  | <b>CME</b>  | <b>NYMEX</b>   |
|-------------------------|--|---|--|
| <b>Equity Index</b>     | Yen-Denominated Nikkei 225 Index Futures                           | Yen-Denominated Nikkei 225 Index Futures  | -  |
|                         | Yen-Denominated Nikkei 225 Index Options                           | Yen-Denominated Nikkei 225 Index Options  | -  |
|                         | USD-Denominated Nikkei 225 Index Futures                           | USD-Denominated Nikkei 225 Index Futures  | -  |
|                         | USD-Denominated S&P CNX Nifty Index Futures                        | E-Micro S&P CNX Nifty Index Futures   | -  |
|                         |  | E-Mini S&P CNX Nifty Index Futures  | -  |
| <b>Interest Rates</b>   | Eurodollar Futures and Options                                     | Eurodollar Futures and Options  | -  |
|                         | Euroyen (TIBOR) Futures & Options                                  | Euroyen (TIBOR) Futures & Options   | -  |
| <b>Foreign Exchange</b> | KRW/USD Futures  | Korean Won Futures  | -  |
|                         | CNY/USD Futures  | Chinese Renminbi/USD Futures<br>USD/Chinese Renminbi Futures<br>E-micro USD/Chinese Renminbi Futures  | -  |
|                         | USD/CNH Futures  | E-micro USD/Offshore RMB(CNH) Futures   | -  |
|                         | INR/USD Futures  | Indian Rupee/USD Futures<br>E-micro Indian Rupee/ USD Futures   | -  |
|                         | USD/JPY Futures  | Japanese Yen Futures<br>E-micro Japanese Yen/American Dollar Futures<br>E-micro American Dollar/Japanese Yen Futures<br>E-mini Japanese Yen Futures | -  |
|                         | AUD/JPY Futures  | Australian Dollar/Japanese Yen Futures<br>E-micro AUD/JPY Futures<br>E-micro AUD/JPY Futures  | -  |
|                         | AUD/USD Futures  | AUD/USD Futures<br>E-micro AUD/USD Futures  | -  |
| <b>Commodities</b>      | SGX TSI Iron Ore 62% Index Futures                                 | -   | Iron Ore 62% Fe, CFR China (TSI) Futures               |
|                         | SGX TSI Iron Ore 62% Index Options on Futures                      | -   | Iron Ore 62% Fe, CFR China (TSI) Average Price Options |
|                         | SGX IHS McCloskey Indonesian Sub-Bituminous FOB Coal Index Futures | -   | Indonesian Coal (McCloskey sub-bituminous) Futures     |
|                         | SGX API 4 FOB Richards Bay Thermal Coal Index                      | -   | Coal (API4) FOB Richards Bay (ARGUS-McCloskey)         |

| Futures  |   | Futures  |
|--|---|--|
| SGX API 5 FOB New Castle Thermal Coal Index Futures  | - | Coal (API 5) FOB Newcastle (Argus/McCloskey) Futures                         |
| SGX API 8 CFR South China Thermal Coal Index Futures | - | Coal (API 8) CFR South China (Argus/McCloskey) Futures                       |
| SGX Baltic Capesize Time Charter Average Futures     | - | Capesize Timecharter Average (Baltic) Futures                                |
| SGX Baltic Panamax Time Charter Average Futures      | - | Panamax Timecharter Average (Baltic) Futures                                 |
| SGX Baltic Supramax Time Charter Average Futures     | - | Supramax Timecharter Average (Baltic) Futures                                |
| SGX Baltic Handysize Time Charter Average Futures    | - | Handysize Timecharter Average (Baltic) Futures                               |
| SGX Fuel Oil 180cst Futures                          | - | Fuel Oil 180cst (Platts) Futures   |
| SGX Fuel Oil 380cst Futures                          | - | Fuel Oil 380cst (Platts) Futures   |
| SGX Visco Spread Futures                             | - | Fuel Oil 180cst (Platts) Futures v/s Fuel Oil 380cst (Platts) Futures Spread |
| SGX Kerosene Futures                                 | - | Singapore Jet Kerosene (Platts) Futures                                      |
| SGX Gasoil Futures                                   | - | Singapore Gasoil (Platts) Futures  |
| SGX Regrade Spread Futures                           | - | Singapore Jet Kerosene (Platts) Futures v/s Gasoil (Platts) Futures          |

**Exhibit E-6- Demonstrate that the contracts are not readily susceptible to manipulation. In addition, for each contract to be listed, describe each investigation, action, proceeding or case involving manipulation and involving such contract in the three years preceding the application date, whether initiated by the foreign board of trade, a regulatory or self-regulatory authority or agency or other government or prosecutorial agency. For each such action, proceeding or case, describe the alleged manipulative activity and the current status or resolution thereof.**

The SGX-DT equity index derivatives Contracts certified or granted no-action relief by the Commission have underlying equity indices which are broad-based stock indices as defined by the Commission. As set forth in the requests for no-action relief and/or certification for such contracts under Rule 30.13, such contracts are not readily susceptible to manipulation. In particular, there is less likelihood of manipulation of the underlying indices because the indices are broad-based and widely used, with prices of the underlying indices based on significant trading activity and available from multiple sources such as data vendors such as Bloomberg and Reuters, as well as via the SGX website.

In addition, for all its contracts, SGX-DT operates a deep and liquid derivatives market with a range of traders including private individuals, professional traders, proprietary trading firms, bank proprietary trading teams and funds. The wide variety and range of trader types serves to reduce the risk of mispricing Contracts and reduced the prospect of contract price manipulation.

SGX-DT and its clearing house SGX-DC impose stringent requirements for daily and for final settlement of Contracts. Please see Exhibit S-1 D-1-3 for details of the settlement requirements. In addition, as described in Exhibit E-1, SGX-DT undertakes a detailed risk assessment of all new contracts that addresses, among other matters, the ability to maintain a fair, orderly, and transparent market in the contract.

Moreover, Singapore law (including the SFA) and the SGX-DT rules and procedures contain strict prohibitions on manipulative activity. The 2005 Regulations, at Regulation 18(h), provide that the business rules of SGX-DT must make provision to the satisfaction of the MAS for measures to prevent and deal with market manipulation, market rigging and artificial market conditions. To this end, the Trading Rules include prohibitions on market manipulation with rules governing conduct of members in relation to this and with rules about disciplinary actions where there are breaches (Chapter 3 and Chapter 7, Trading Rules). The Clearing Rules set out a robust methodology for determining daily settlement price and final settlement price (Trading Rules 4.1.19 and 4.1.20, Clearing Rules Chapter 7 and Clearing Rules Practice Note 7.11.1.2). The Trading Rules and Clearing Rules thus serve to facilitate the operation of efficient markets for the allocation of capital and transfer of risks.

SFA, Section 16(1)(f) provides that an approved exchange must enforce the compliance of participants in Singapore with its business rules.

SFA Sections 206, 207, 208, 209, 210, 211 and Division 3 expressly prohibits the following conducts and trading practices:

- (a) Insider trading

Pursuant to SFA Section 219, an insider in possession of information that is not generally available and which a reasonable person would expect to have a material effect on the price or value of securities<sup>18</sup> must not (whether as principal or agent):

- (i) subscribe for, purchase or sell, or enter into an agreement to subscribe for, purchase or sell, any such securities; or
- (ii) procure another person to subscribe for, purchase or sell, or to enter into an agreement to subscribe for, purchase or sell any such securities.

Where trading in the securities is permitted on the futures market of a futures exchange, the insider must not, directly or indirectly, communicate the information, or cause the information to be communicated, to another person if the insider knows, or ought reasonably to know, that the other person would or would be likely to:

- (i) subscribe for, purchase or sell, or enter into an agreement to subscribe for, purchase or sell, any such securities; or
- (ii) procure a third person to subscribe for, purchase or sell, or to enter into an agreement to subscribe for, purchase or sell any such securities.

For the purposes of this provision, “procure” means to incite, induce, or encourage an act or omission by another person.

Trading Rule 3.4 provides that Members<sup>19</sup>, Approved Traders<sup>20</sup> and Registered Representative<sup>21</sup> must at all times observe the trading practices and conduct rules set forth in the SFA and the Trading Rules.

(b) False trading

This is covered by SFA Section 206 which prohibits the following activities:

- (i) creation of a false or misleading appearance of active trading in any futures contract or futures market;
- (ii) creation of a false or misleading appearance in connection with leveraged foreign exchange trading;
- (iii) creation of false or misleading appearance with respect to the market for, or the price of futures contracts on a futures market; and
- (iv) creation of false or misleading appearance with respect to the market for, or foreign exchange in connection with leveraged foreign exchange trading.

Trading Rule 3.4.3(a) reinforces the prohibition set out in SFA Section 206, by providing that a Member, Approved Trader or Registered Representative shall not engage in, or knowingly act with any other Person in, any act or practice that will or is likely to create a false or misleading

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<sup>18</sup> For the purposes of this paragraph, ‘**securities**’ means and includes –....any right, option or derivative in respect of any debenture, stocks or shares; a future contract only if the commodity which is the subject of the Futures Contract is a share or stock of a corporation; or such other product or class of products as the MAS may prescribe.

<sup>19</sup> “**Member**” refers to either a Trading member or a Clearing Member with trading privileges and Membership has the correlative meaning.

<sup>20</sup> “**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.

<sup>21</sup> “**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.

appearance of active trading in any contract or a false or misleading appearance with respect to the price of any Contract.

(c) Bucketing

SFA Section 207 provides that:

- (i) no person shall execute, or hold himself out as having executed, an order for the purchase or sale of a futures contract on a futures market, without having effected a bona fide purchase or sale of the Futures Contract in accordance with the business rules and practices of the futures market; and
- (ii) no person shall execute, or hold himself out as having executed, an order to make a purchase or sale of foreign exchange in connection with leveraged foreign exchange trading, without having effected a bona fide purchase or sale in accordance with the order.

(d) Manipulation of prices of futures contracts and cornering

SFA Section 208 prohibits any person from directly or indirectly manipulating or attempting to manipulate the price of a Futures Contract that may be dealt in on a futures market, or of any commodity which is the subject of such Futures Contract. It is also prohibited to corner, or attempt to corner, any commodity which is the subject of a Futures Contract.

In addition to the prohibitions in the SFA, the Trading Rules, at Rule 3.4.1, also prohibit market manipulation:

“A Member, Approved Trader or Registered Representative shall not manipulate or attempt to manipulate the price of a contract or of any Underlying, or corner, or attempt to corner, any Underlying.”

(e) Fraudulently inducing persons to trade in futures contracts

SFA Section 209(1) relates to fraudulently inducing persons to trade in futures contracts. SFA Section 209(1) provides that:

“No person shall —

- (i) by making or publishing any statement, promise or forecast that he knows or ought reasonably to have known to be false, misleading or deceptive;
- (ii) by any dishonest concealment of material facts;
- (iii) by the reckless making or publishing of any statement, promise or forecast that is false, misleading or deceptive; or
- (iv) by recording or storing in, or by means of, any mechanical, electronic or other device information that he knows to be false or misleading in a material particular,

induce or attempt to induce another person to trade in a Futures Contract or engage in leveraged foreign exchange trading.”

In addition to the prohibition in the SFA, Trading Rule 3.4.3(c) also prohibits the dissemination of false, misleading or deceptive information by a Member:

“A Member, Approved Trader or Registered Representative shall not induce or attempt to induce another person to trade in a contract:

- (i) by making or publishing any statement, promise or forecast that it knows or ought reasonably to know to be false, misleading or deceptive;
- (ii) by any dishonest concealment of material facts;
- (iii) by the reckless making or publishing of any statement, promise or forecast that is false, misleading or deceptive”

In addition, Trading Rule 3.4.5 provides that:

“A Member, Approved Trader or Registered Representative shall not disseminate false or misleading reports concerning market information or conditions that may affect the price of any contract, if the Member, Approved Trader or Registered Representative:

- (i) knows or ought reasonably to know that the information is false or misleading; or
- (ii) is reckless about the truth of the information.

This prohibition includes circulation or aiding in the circulation in any manner of rumors which cast doubt on the integrity of any contract or Underlying.”

(f) Employment of fraudulent or deceptive devices

SFA Section 210(a) provides that no person shall, in connection with any transaction involving trading in a Futures Contract or leveraged foreign exchange trading employ any device, scheme or artifice to defraud.

Further, SFA Section 210(b)-(d) provides that no person shall:

- (i) engage in any act, practice or course of business which operates as a fraud or deception, or is likely to operate as a fraud or deception, upon any person;
- (ii) make any false statement of a material fact; or
- (iii) omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

In addition to the prohibition in the SFA, Trading Rules 3.4.3(c)(iv) and 3.4.3(d)(i), also prohibit the use of manipulating devices. These Rules prescribe that a Member, Approved Trader or Registered Representative shall not induce or attempt to induce another person to trade in a contract by recording or storing in any mechanical, electronic or other device information that is knowingly false or materially misleading; or directly or indirectly in connection with any trading in a contract; or employ any device, scheme or artifice to defraud.

(g) Dissemination of information about illegal transactions

SFA Section 211 prohibits circulation or dissemination of any statement or information to the effect that the of a class of futures contracts or foreign exchange in connection with leveraged foreign exchange trading will rise, fall or be maintained because of the market operations of one or more persons which, to his knowledge, are conducted in contravention of Section 206, 207, 208, 209 or 210 if —

- (i) the person, or a person associated with the person, has conducted such market operations; or

- (ii) the person, or a person associated with the person, has received, or expects to receive, directly or indirectly, any consideration or benefit for circulating or disseminating, or authorizing or being concerned in the circulation or dissemination, the statement or information.

Trading Rule 3.4 prescribes trading practices and conduct rules of Members, Approved Traders and Registered Representatives. It confirms that market manipulation, market rigging and other forms of trade misconduct set forth in the SFA distort the operation of a fair, orderly and transparent market and are serious offences. A Member, Approved Trader and Registered Representative shall at all times observe the trading practices and conduct rules set forth in the SFA and the Trading Rules. Trading Rule 3.4 specifically prohibits the following conducts and trading practices:

- (a) market manipulation (Trading Rule 3.4.1): manipulating or attempting to manipulate the price of a Contract or of any Underlying, or corner, or attempt to corner, any Underlying;
- (b) churning (Trading Rule 3.4.2): generating commissions through creating excessive transactions in a Customer's Account;
- (c) false trading, bucketing, fraudulent inducement to trade, employment of fraudulent device (Trading Rule 3.4.3). This includes:
  - (i) engaging in, or knowingly acting with any other Person in, any act or practice that will or is likely to create a false or misleading appearance of active trading in any Contract or a false or misleading appearance with respect to the price of any Contract;
  - (ii) knowingly executing, or holding out as having executed, an order for the purchase or sale of a contract, without having effected a bona fide purchase or sale of the Contract in accordance with the Trading Rules;
  - (iii) inducing or attempting to induce another person to trade in a Contract:
    - (A) by making or publishing any statement, promise or forecast that it knows or ought reasonably to know to be false, misleading or deceptive;
    - (B) by any dishonest concealment of material facts;
    - (C) by the reckless making or publishing of any statement, promise or forecast that is false, misleading or deceptive; or
    - (D) by recording or storing in any mechanical, electronic or other device information that is knowingly false or materially misleading; or
  - (iv) directly or indirectly in connection with any trading in a contract:
    - (A) employing any device, scheme or artifice to defraud;
    - (B) engaging in any act, practice or course of business which operates as a fraud or deception, or is likely to operate as a fraud or deception upon any Person;
    - (C) making any false statement of a material fact; or
    - (D) omitting to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Trading Rule 3.4.4 provides that a Member, Approved Trader or Registered Representative shall immediately inform SGX-DT if it reasonably suspects, or knows of, any commission or attempted commission of the acts prohibited under Trading Rules 3.4.1, 3.4.2 and 3.4.3.

By virtue of Trading Rule 3.3.17, Trading Members are required to submit to SGX-DC the identities of the owners or controlling parties of any House Account<sup>22</sup> or Customer Account<sup>23</sup> which is used for trading of Contracts or carrying of Contracts. Trading Rule 3.3.18 also requires Trading Members to submit a daily report of open positions, in the form prescribed by SGX-DT. The Regulation unit employs a Form BC4A which requires the reporting of account identities for position and risk monitoring. The Form BC4A accounts for positions at the ultimate beneficial owner level and identifies the nature of trading in that account, whether for speculative, hedging, or arbitrage purposes. This helps to combat possible instances of market abuse and financial crime, for example, by detecting suspicious patterns in the use of its facilities.

Trades which do not have a valid account number specified flow into a holding account. SGX-DT monitors these holding accounts on a daily basis, ensuring that there is no build-up of trades. SGX-DT also engages its Trading Members to explain these trades.

In addition, under Trading Rule 3.3.17 and 3.3.18, Trading Members are required to identify the owners and controlling parties for any Omnibus Account<sup>24</sup> to ensure that such information is made available directly to SGX-DT within such time as SGX-DT may prescribe (Trading Rule 3.3.18(b)).

### ***Powers of Investigation***

SGX-DT's power to investigate and inspect its Trading Members is also relevant to SGX-DT's commitment to assist the MAS (and any relevant authority) in fighting, preventing, and investigating market abuse and financial crime. SGX-DT may conduct investigations, *inter alia*, if in its opinion the circumstances warrant (Trading Rule 7.4.1(d)) and may at any time conduct an inspection of a Member (Trading Rule 3.5.1). SGX-DT publicly discloses any charges (together with such details as it thinks appropriate) established by the Disciplinary Committee involving a breach of the Trading Rules (Trading Rule 7.1.7).

SGX-DT has a dedicated Surveillance Unit which oversees real-time surveillance of the derivatives markets. The Surveillance Unit conducts daily surveillance to detect unusual trading activity and prohibited trading practices, including market manipulation. The Unit conducts surveillance of expiring contracts to detect market manipulations by close monitoring of cash and futures prices, volume of trading, total open interest and open positions of large traders. Surveillance analysts analyze market-related alerts and review identified exceptions for any unusual trading or trading irregularities. Once a potential trading irregularity is identified, the analysts conduct an in-depth review. Potential violations are referred to the Enforcement Unit for further investigations. The Surveillance Unit checks that the settlement prices for Contracts are in line with the underlying markets. These settlement prices are derived from daily settlement price methodologies administered by the Derivatives Trading and Clearing Unit.

The Enforcement Unit will investigate suspected infractions and complaints received from various sources and it will take necessary disciplinary actions against offenders including, in escalating order of severity, issuing written warnings, imposing fines, or taking steps to have the Member, Approved Executive Director or Trading Representative charged so that the matter can be heard by the relevant Disciplinary Committee (Trading Rule 7.1.2). Cases involving suspected breaches of the law are referred to the relevant authorities for appropriate action.

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<sup>22</sup> "House Account" refers to the account in which only the Member is the legal and beneficial owner.

<sup>23</sup> "Customer Account" refers to an account carried on the books of a Member for a Customer.

<sup>24</sup> "Omnibus Account" refers to a single account with one (1) or more sub-accounts, each held by Persons beneficially entitled to positions established under such account.



Over the past 3 years, until December 2014, SGX-DT concluded investigations in 24 cases. Of these 24 cases, 7 cases involved market manipulation. More details on these 7 cases are provided in the following table:

| S/No. | Resolution Date  | Contract                   | Description   | Findings  | Conclusion   |
|-------|------------------|----------------------------|---|---|--|
| 1.    | 11 January 2012  | SGX LME Metals Futures     | Investigation was made into trades executed in 2 accounts held by a client of a trading member between 17 February and 10 March 2011.                         | Investigations found a relatively high incidence of crossed trades (39%) between the 2 accounts and concluded that collusion with the intention to create a false or misleading appearance of active trading may have occurred.                               | MAS opined that this case was suitable for the civil track.  |
| 2.    | 21 December 2012 | SICOM TSR20 Rubber Futures | Investigation was made into trades executed in the accounts held by a non-member company of SGX-DT between 1 and 30 April 2012 involving front-running.       | Investigations found a relatively high incidence of proprietary orders entered shortly before its agency orders for the same futures contract. Investigations also found a high proportion of proprietary trades involving no change in beneficial ownership. | MAS informed that this matter has been placed on the criminal track.   |
| 3.    | 31 January 2013  | SGX MSCI Taiwan Futures    | Investigation was made into trades executed in the accounts held by a client of a trading member between 7 and 9 November 2011 involving pre-arranged trades. | Client admitted that his intention was to create a "tax shelter". In addition, investigations found that the client's trades caused the price of the derivative to increase 6.9% daily. Consequently, a 7% price limit was triggered on the 3 days.           | MAS informed that they will take no further action on this case. However, MAS will notify the Financial Supervisory Commission of Chinese Taipei for their information and necessary action. |
| 4.    | 11 March 2013    | SICOM TSR20 Rubber Futures | Investigation was made into trades executed in the accounts held by a non-member company of SGX-DT between 1 April 2012 and 30                                | Investigations found 142 pairs of crossed trades between 1 April 2012 and 30 June 2012 and concluded that the SGX-DT trading member ought to have reasonably suspected  | MAS informed that this matter has been placed on the criminal track.   |

|    |                   |                            |  |   |   |
|----|-------------------|----------------------------|--|---|---|
|    |                   |                            | June 2012.   | potential trading malpractices on the part of its non-member company.   |   |
| 5. | 24 July 2013      | SGX RSS3 Rubber Futures    | Investigation was made into suspected breaches of SGX-DT Futures Trading Rules concerning wash trades executed by a proprietary trader between 4 October 2011 and 25 April 2012. | Investigations did not disclose sufficient evidence to show that the proprietary trader intended to match his own orders. It appeared that there was a "lack of robustness" in the proprietary trader's algorithm trading system. | The proprietary trader was issued with a Letter of Warning on 24 July 2013. |
| 6. | 23 September 2013 | SICOM TSR20 Rubber Futures | Investigation was made into trades executed in the accounts held by a non-member company of SGX-DT between 1 April 2012 and 30 June 2012.  | The non-member company will relinquish their futures license and give up operations by end 2013.  | MAS informed that they will take no further action on this case.            |
| 7. | 25 March 2014     | SGX MSCI Taiwan Futures    | Investigation was made into trades executed in the accounts held by clients of a trading member between 25 June and 30 July 2013 involving pre-arranged trades and wash trades.  | Investigations did not disclose sufficient evidence to prove any breaches of SGX-DT Futures Trading Rules had occurred.   | No further action was taken in this case.                                   |