

Exhibit F Regulatory Regime Governing FBOT in its home country

The following (including, where appropriate, an indication as to whether the applicable regulatory regime is dependent on the home country's classification of the product being traded on the foreign board of trade as a future, option, swap, or otherwise, and a description of any difference between the applicable regulatory regime for each product classification type):

1. A description of the regulatory regime/authority's structure, resources, staff, and scope of authority; the regulatory regime/authority's authorizing statutes, including the source of its authority to supervise the foreign board of trade; the rules and policy statements issued by the regulator with respect to the authorization and continuing oversight of markets, electronic trading systems, and clearing organizations; and the financial protections afforded customer funds.

SGX-DT and its Members¹ are subject to a comprehensive regulatory regime. The Securities and Futures Act 2008 Rev Ed (Chapter 289 of Singapore) ("**SFA**"), which came into effect in phases on 1 January 2002 and 1 July 2002, introduced a single licensing framework to regulate the carrying out of one or more regulated activities in either the securities or futures market² and also introduced a risk-based capital regime which required Member companies to maintain levels of capital corresponding more closely with the risks arising from the business activity which they undertake. Pursuant to amendments to the SFA made in July 2005, SGX was recognized by the Monetary Authority of Singapore³ ("**MAS**") as an approved holding company. SGX-DT is an approved exchange pursuant to SFA Section 8(1). As an approved exchange, SGX-DT is required to, *inter alia*, maintain a fair, orderly and transparent market and prohibit fraud, abuse and market manipulation in each market which it operates. The MAS is the primary authority charged with powers of approval, suspension and enforcement of the provisions of the SFA and it is able to prescribe subsidiary legislation under the SFA.

The SFA provides the legal basis for the regulation of activities and institutions in Singapore's securities and futures industry, including approved exchanges, designated clearing houses, approved holding companies, holders of Capital Market Services ("**CMS**") licenses and other related matters (Part II to IV). It also provides the legal basis for the regulation of offers of investments, such as shares and debentures (Part XIII Division 1), business trusts (Part XIII Division 1A), and Collective Investment Schemes ("**CISs**"), which includes Real Estate Investment Trusts ("**REITs**") (Part XIII Division 2). Approved exchanges, designated clearing houses, and any holders of a CMS license based or operating in Singapore are subject to the provisions in the SFA, and its subsidiary legislation. Similarly, any person making an offer of an investment in Singapore is also subject to the specific provisions set out in the SFA and its subsidiary legislation.

The key regulations issued by the MAS pursuant to the SFA, its objectives and intended purposes are as follows:

- (a) the Securities and Futures (Markets) Regulations 2005 ("**2005 Regulations**"), which set out detailed obligations of approved exchanges in relation to trading, operation, business rules, and matters requiring the MAS' approval (attached as Exhibit A-5-2);

¹ "**Member**" refers to either a Trading Member or a Clearing Member with trading privileges and Membership has the correlative meaning.

² SGX-DT only makes futures and options available for trading.

³ The Monetary Authority of Singapore was established under the Monetary Authority of Singapore Act (Chapter 186 of Singapore)

- (b) the Securities and Futures (Corporate Governance of Approved Exchanges, Designated Clearing Houses and Approved Holding Companies) Regulations 2005 (“**Governance Regulations**”), which sets out detailed governance requirements for approved exchanges, designated clearing houses and approved holding companies (attached as Exhibit A-1-5);
- (c) the Securities and Futures (Licensing and Conduct of Business) Regulations 2002 (“**Conduct of Business Regulations**”) which sets out CMS licensing requirements, and CMS license holders' obligations in relation to treatment of customers' monies and assets as well as conduct of business (attached as Exhibit A-5-3); and
- (d) the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Licenses) Regulations 2002 (“**Financial and Margin Regulations**”) which sets out base capital, financial resources and margin requirements for holders of CMS licenses (attached as Exhibit A-5-4).

The SFA and the 2005 Regulations together contain the bulk of the legislative requirements governing the supervision of SGX-DT.

Supervision by the MAS

For more information, refer to Exhibit F-F-1 Regulation of SGX-DT.

SGX-DT, as an approved exchange subsidiary of SGX, is regulated by the MAS under the SFA framework. SGX-DT is considered an institution of systemic importance and therefore subject to intensified supervision and regulation by the MAS. As a central bank, the MAS is committed to promoting sustained, non-inflationary economic growth, as well as molding Singapore into a sound and progressive financial center. In line with this function, the MAS is involved in the conduct of monetary policy, the issuance of currency, the oversight of payment systems, and it also serves as a banker to, and as financial agent to, the Singapore government. Additionally, the MAS manages the official foreign reserves of Singapore and is responsible for the integrated supervision of financial services.

SGX-DT is obliged to conduct itself in the manner specified by key legislation, regulations or guidelines as follows:

- (a) SGX-DT must operate a fair, orderly and transparent market (SFA Section 16(1)(a));
- (b) SGX-DT must manage any risks associated with its business and operations prudently (SFA Section 16(1)(b) and Regulation 29(iv), 2005 Regulations);
- (c) in discharging its obligations under the SFA, SGX-DT must not act contrary to the interests of the public, having particular regard to the interests of the investing public (SFA Section 16(1)(c));
- (d) SGX-DT must 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)(d));
- (e) SGX-DT must maintain business rules and, where appropriate, listing rules that make satisfactory provision for (i) a fair, orderly and transparent market in futures contracts that are traded through its facilities; and (ii) the proper regulation and supervision of its Members (SFA Section 16(1)(e));
- (f) SGX-DT must observe due process when amending its business rules which includes notification and consultation obligations (Regulation 19, 2005 Regulations and SFA Section 23);
- (g) SGX-DT must enforce compliance by its members with its Rules (SFA Section 16(1)(f) and Regulation 18(b)(iv), 2005 Regulations);
- (h) SGX-DT must have sufficient financial, human and system resources to:

- (i) operate a fair, orderly and transparent market;
 - (ii) meet contingencies or disasters; and
 - (iii) provide adequate security arrangements (SFA Section 16(1)(g)); and
- (i) ensure that it appoints or employs fit and proper persons as its chairman, chief executive officer, directors and key management officers (SFA Section 16(1)(h)).

Financial protection afforded to customer funds

SGX-DT has appointed SGX-DC to clear and settle all trades entered and executed on its platform. Pursuant to Trading Rule⁴ 2.10.1, it is a requirement that all trades executed on the Market⁵ by SGX-DT Members be cleared exclusively by SGX-DC through a Clearing Member⁶ pursuant to the Clearing Rules⁷. Customer funds are managed through SGX-DC as SGX-DT's clearing entity. Therefore, in the event of a default, all unsettled market contracts, which have been novated by SGX-DC, will be subject to the Clearing Rules and Default Management Framework. In this way, SGX-DT affords financial protection to its customer funds.

SFA Section 62 establishes standards and procedures to protect and ensure the safety of participant funds and assets, where:

- (a) monies or assets (referred together under this section as "**collateral**") are deposited with or paid to SGX-DC (in relation to Contracts which are cleared or settled by SGX-DC), the Clearing Members must notify SGX-DC to enable SGX-DC to determine (i) whether a market Contract is a contract of a Clearing Member's Customer⁸, and (ii) whether the collateral being deposited or paid for with SGX-DC is in relation to a Contract of a Clearing Member's Customer; and
- (b) after being notified in accordance with (a) above, SGX-DC must ensure that (i) such money is deposited in a trust account or such assets are deposited in a custody account, to be held for the benefit of the Clearing Member's Customer and disposed of or used only for or in relation to Contracts⁹ of the Clearing Member's Customer; (ii) such collateral is kept separate from all monies and assets received by SGX-DC which have been notified by its Clearing Members as not being deposited in relation to Contracts of Customers; and (iii) books for collateral deposited in relation to contracts of customers of one Clearing Member is kept separate from books for collateral deposited in relation to contracts of customers of another Clearing Member.

SGX-DC may however commingle all monies or assets deposited with SGX-DC within the same account category (i.e. house or customer) in the same trust account or custody account, as the case may be. In terms of SGX-DC's rights of use over this collateral, SGX-DC may not use the monies or assets deposited with SGX-DC save upon the occurrence of any of the circumstances set out in SFA Section 63 and only upon approval of the MAS. These are:

⁴ "**Trading Rule(s)**" refer to Futures Trading Rules of SGX-DT.

⁵ "**Market(s)**" refers to any market as contemplated under the Securities and Futures Act that is operated by SGX-DT.

⁶ "**Clearing Member**" refers to any corporation granted clearing privileges by SGX-DC as contemplated in the Clearing Rules.

⁷ "**Clearing Rule(s)**" refers to SGX-DC Clearing Rules.

⁸⁸ "**Customer**" means an indirect SGX-DT participant.

⁹ "**Contract**" refers to the rights and obligations incurred through a trade on an exchange, an Over-the-counter ("**OTC**") trade or a financial derivative trade.

- (a) where SGX-DC is of the opinion, formed in good faith, that the failure of the Clearing Member to meet its obligations is directly attributable to the failure of any of the Customers of the Clearing Member to meet such obligation under any market Contract; and
- (b) where either:
 - (i) any collateral deposited in relation to Contracts of the Clearing Member itself including any collateral (or guarantee) deposited by the Clearing Member for the purpose of satisfying all obligations owing by that Clearing Member to SGX-DC (excluding any Customers' monies or assets) have been wholly utilized to meet such obligations; and
 - (ii) SGX-DC has reasonable grounds for forming an opinion that the failure to use the Customer's monies or assets to meet its obligations may jeopardize the financial integrity of SGX-DC; and
- (c) where SGX-DC has made provision in its business rules for the use of Customers' monies or assets in the circumstances specified in paragraphs (a) and (b) (including any additional requirements which SGX-DC may impose in its discretion so long as such additional requirements are not inconsistent with (a) and (b)). Clearing Rule 7.03.1.2c makes such provision by providing that the Clearing House may apply margins, assets or securities deposited by the Clearing Member in relation to Customer Contracts provided that the conditions in (a) and (b) are satisfied.

Regulation 20, Securities and Futures (Clearing Facilities) Regulations 2005 ("**Clearing Facilities Regulations**"), requires SGX-DC to cause its auditors to certify that SGX-DC handles Customers' monies and assets held in a manner consistent with the SFA requirements. Under Regulation 20, Clearing Facilities Regulations, SGX-DC must, on a bi-annual basis, submit an auditor's report to the MAS certifying that:

- (a) the monies and assets deposited with or paid to SGX-DC by a Clearing Member, in respect of or in relation to a Contract of a Customer of that Clearing Member, meet the following requirements:
 - (i) segregated from the other monies and assets deposited by that member with SGX-DC;
 - (ii) deposited in a trust account or custody account and not commingled with monies and assets of SGX-DC or any other monies or assets received by SGX-DC which have been notified by its Clearing Members as not being deposited or paid for or in relation to contracts of customers of those Clearing Members; and
 - (iii) used only as permitted in accordance with the relevant provisions of the SFA.
- (b) setting out the amount, on an aggregated basis, of all monies and assets deposited by the Clearing Member with SGX-DC in respect of or in relation to each contract of the Clearing Members' Customers and any other market Contract.

Singapore law requires the segregation of monies or assets held for Clearing Members as a result of the requirement to segregate customers' monies under SFA Section 62. Over and above this requirement, SGX elects to hold Clearing Members' cash and securities collateral on trust due to the protection it affords to such participants particularly against the risk of SGX-DC's insolvency. The trust was instituted by way of Circular issued pursuant to the Clearing Rules¹⁰ on 7 December 2007. The Circular constitutes the primary trust document governing the terms and conditions of the trust. Pursuant to the trust, SGX-DC effectively holds the relevant collateral as trustee in a segregated trust account for the benefit of Clearing Members subject to SGX-DC's rights of use including its security

¹⁰ Circulars are binding notices issued by SGX-DC or SGX-DT regarding regulatory and non-regulatory matters pertaining to Clearing Members (Clearing Rule 1.02.2) or Trading Members (Trading Rule 8.1), as the case may be.

interest over such monies and its policy on the management of such collateral. To ensure full transparency and consistency, SGX-DC intends to introduce new rules in due course providing that all collateral provided by Clearing Members (including for proprietary positions) will be held on trust for their benefit (or that of their customers, as appropriate).

Under Clearing Rule 7.20.5, the government securities and common stocks (collectively, "**Securities**") accepted by the Clearing House as margin shall be deposited with the appropriate custodian(s) designated by the Clearing House for safekeeping in a clearing house account for house contracts or in a clearing house account for Customers' Contracts, as the case may be, and the Clearing House shall retain control over the Securities as a part of the margin of such Clearing Member. Assets are held with the custodians on a trust arrangement.

For more information, please refer to Exhibit F-F-2 Use of Custodians

In these ways, SGX-DC ensures that its custodians have sufficient resources, systems and controls as well as skill and competence to perform their functions, thereby minimizing the risk of loss or of delay in accessing the assets and funds of Members and participants.

In terms of permissible investments, SGX-DC is permitted to use or invest customers' monies and assets held by SGX-DC in the circumstances provided in Sections 63 and 64 of the SFA. Specifically, SGX-DC is allowed to invest customers' monies or assets in securities of the Government, negotiable certificates of deposit, money market funds, debt securities of the government of a specified foreign country or territory (where money deposited with or paid to SGX-DC is in foreign currency), or other form of investment arrangement as the MAS may prescribe (SFA Section 64, Regulation 18 Clearing Facilities Regulations).

SGX-DC is obliged to seek the MAS' approval before undertaking any such investments. In seeking the MAS' approval, SGX-DC is required to show that (a) investments made by it will be managed in a manner consistent with preserving and maintaining sufficient liquidity to meet customers' obligations; (b) prudential measures have been adopted to manage the risks in respect of SGX-DC's investment activities; and (c) SGX-DC complies with any other matter which the MAS considers necessary to the sound management of the investments (SFA Section 64(3)).

Further, Regulation 19 of the Clearing Facilities Regulations requires SGX-DC to compute the total amount of customers' monies and assets held by SGX-DC (including money that has been invested by SGX-DC) at least once each business day and such computation must be completed no later than noon of the next business day and kept by SGX-DC together with all supporting data.

For more information, please refer to F-F-3 Investment of Clearing Members monies

SGX's external auditor, PriceWaterhouseCoopers, conducts half-yearly confirmation of SGX-DC and reports on whether Members' margins, security deposits and financial resources are managed in the manner provided for by the law.

SGX-DT Investor Compensation Scheme or Fidelity Fund

In addition to the protection that SGX-DT has in place for dealing with the failure of a market intermediary is the protection afforded by the existence of the SGX-DT fidelity fund. Part XI (Investor Compensation Scheme) of the SFA provides, at Section 176(1), that SGX-DT shall establish, keep and administer a fidelity fund. The assets of the fidelity fund are kept separate from other property of SGX-DT. The SFA prescribes, at Section 181, that the fund must consist of an amount of not less than SGD20 million (or such other amount as the MAS may specify). The purpose of the fund is to

compensate any person (other than an Accredited Investor¹¹) who suffers pecuniary loss because of a defalcation committed —

- (a) in the course of, or in connection with, a dealing in securities, or the trading of a Futures Contract¹²;
- (b) by a Member that is a CMS license holder, or any of its directors, officers, employees or representatives (Trading Rule 1.5.1(1)(a)); and
- (c) in relation to any money or other property which was entrusted to or received—
 - (i) by that Member or by any of its agents for or on behalf of any other Person; or
 - (ii) by that Member either as the sole trustee or as trustee with any other Person or persons, or by any of its agents as trustee or for or on behalf of the trustees of that money or property.

The fidelity fund may be used to pay an Official Assignee or a trustee in bankruptcy within the meaning of the Bankruptcy Act 2009 Rev Ed (Chapter 20 of Singapore) ("**Bankruptcy Act**") (attached as Exhibit F-1) the amount that the Official Assignee or the trustee in bankruptcy, as the case may be, certifies is required in order to make up or reduce the total deficiency arising because the available assets of a bankrupt, who is a Member of SGX-DT, are insufficient to satisfy any debts arising from trading in Futures Contracts that have been proved in the bankruptcy by creditors of the bankrupt Member. This will also apply in the case of a SGX-DT Member who has made a voluntary arrangement with his creditors under Part V of the Bankruptcy Act.

The fidelity fund may also be used to pay to a liquidator of a Member of SGX-DT the amount that the liquidator certifies is required to make up or reduce the total deficiency arising because the available assets of the Member are insufficient to satisfy any debts arising from trading in Futures Contracts that have been proved in the liquidation of the Member.

SFA Section 186(10) provides that the amount that may be paid out of the fidelity fund for the purpose of compensating pecuniary loss under SFA Section 186(1); or making a payment under SFA Section 186 (2) or (5), shall not, in respect of each member, exceed SGD 2 million. Further, SFA Section 186(11) provides that the amount that may be paid out of the fidelity fund to each claimant under SFA Section 186(1) in relation to each member; or the amount that the Official Assignee, a trustee in bankruptcy, a nominee or a liquidator may pay to each creditor of a member from any amount paid to the Official Assignee, trustee in bankruptcy, nominee or liquidator under SFA Section 186(2) or (5), shall not exceed SGD 50,000.

¹¹ "**Accredited Investor**" in this context is (a) an individual (1) whose net personal assets exceed SGD2 million, or its equivalent in value in any foreign currency or (2) whose income in the preceding 12 months is not less than SGD300,000, or its equivalent in value in any foreign currency; (b) a corporation with net assets exceeding SGD10 million in value or its equivalent in value in any foreign currency, as determined by its most recent audited balance sheet or, in the case of a corporation which is not required to prepare audited accounts regularly, a balance sheet of the corporation certified by it to give a true and fair view of the state of affairs of the corporation as of the date of the balance sheet, which date shall be within the preceding 12 months; (c) a trustee of a trust of which all property and rights of any kind whatsoever held on trust for the beneficiaries of the trust exceed SGD10 million in value (or its equivalent in foreign currency); (d) an entity (other than a corporation) with net assets exceeding SGD10 million in value (or its equivalent in a foreign currency); (e) a partnership (other than a limited liability partnership within the meaning of the Limited Liability Partnerships Act, (Chapter 163A of Singapore) in which each partner is an accredited investor; or (f) a corporation, the sole business of which is to hold investments and the entire share capital of which is owned by one or more persons, each of whom is an accredited investor. (SFA Section 4A)

¹² "**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.

SFA Section 186(14) provides that the fidelity fund may also be applied to trading of a Futures Contract which is done through a trading linkage of SGX-DT with an overseas futures exchange.

The fidelity fund cannot be used in the event of a Bank Trading Member¹³'s defalcation, winding up or bankruptcy.

Under Trading Rule 3.2.4, a Member shall inform SGX-DT in writing immediately if the Member, or any of its Approved Traders¹⁴, Registered Representatives¹⁵, directors, officers or employees, breaches any provisions of SFA, rules of any other exchange or market, is the subject of a written complaint, among others, including if the Member is insolvent, or is the subject of bankruptcy or winding up proceedings.

2. A description of and, where applicable, copies of the laws, rules, regulations and policies applicable to:

(a) The authorization, licensure or registration of the foreign board of trade.

In order to operate as an approved exchange in Singapore, a corporation must first obtain authorization of the MAS prior to operating a market by lodging certain prescribed forms (SFA Section 7 and Regulation 6, 2005 Regulations).

The MAS may approve a corporation as an approved exchange subject to such conditions or restrictions as it may think fit to impose, including conditions or restrictions relating to (SFA Section 8(4)):

- (a) the activities that the corporation may undertake;
- (b) the futures contracts that may be traded on any market established or operated by the corporation; and
- (c) the nature of the investors or participants who may use, invest in or participate in the futures contracts traded on any market established or operated by the corporation.

The MAS may make regulations relating to the exemption, recognition or approval of, and the requirements applicable to, persons who establish, operate or assist in establishing or operating markets, including: (a) requiring an approved exchange to reckon specified positions for the purpose of determining if limits established or varied under SFA Section 16A(1), have been exceeded; (b) requiring an approved exchange to take specified steps to ensure compliance with those limits; and (c) specifying measures to manage any risks assumed by an approved exchange (SFA Section 45).

SGX-DT is an approved exchange pursuant to SFA Section 8(1) and is subject to the relevant subsidiary legislation.

(b) The regulatory regime/authority's program for the ongoing supervision and oversight of the foreign board of trade and the enforcement of its trading rules

On-going supervision and oversight

¹³ A "Bank Trading Member" or a "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.

¹⁴ An "Approved Trader" is 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.

¹⁵ A "Registered Representative" is an individual sponsored by a corporate Member, an employee of a Bank or a trading representative of a Singapore Exchange Securities Trading Limited ("SGX-ST") member.

In meeting its general obligations, SGX-DT is accountable to the MAS. Among other things, this includes the requirement that SGX-DT notify the MAS of the occurrence of any of the circumstances listed in SFA Section 17(1) and Regulation 9, 2005 Regulations. These circumstances generally include:

- (a) where there is material change to the information provided by SGX-DT in its application to the MAS;
- (b) where SGX-DT proposes to carry on a business other than (i) a business of operating a Market, or (ii) a business incidental to operating a Market (SFA Section 17(1)(b));
- (c) where SGX-DT acquires a substantial shareholding in a corporation which does not carry on (i) a business of operating a market, or (ii) a business incidental to operating a Market (SFA Section 17(1)(c));
- (d) where SGX-DT becomes aware of certain financial irregularities or other matters which in its opinion (i) may affect its ability to discharge its financial obligations, or (ii) may affect the ability of one of its members to meet its financial obligations to SGX-DT (SFA Section 17(1)(d));
- (e) where SGX-DT reprimands, fines, suspends, expels or otherwise takes disciplinary action against one of its Members (SFA Section 17(1)(e));
- (f) any civil or criminal legal proceeding instituted against SGX-DT, whether in Singapore or elsewhere (Regulation 9(1)(a), 2005 Regulations);
- (g) any disciplinary action taken against SGX-DT by any regulatory authority, whether in Singapore or elsewhere, other than the MAS (Regulation 9(1)(b), 2005 Regulations);
- (h) any significant change to the regulatory requirements imposed on SGX-DT by any regulatory authority, whether in Singapore or elsewhere, other than the MAS (Regulation 9(1)(c), 2005 Regulations);
- (i) a failure by SGX-DT to adhere to the trading days, hours or sessions of SGX-DT (Regulation 9(1)(d), 2005 Regulations); or
- (j) any disruption of or delay in suspension or termination in trading procedures or trading practices of SGX-DT including those resulting from any system failure (Regulation 9(1)(e), 2005 Regulations).

In observing its accountability to the MAS on an on-going basis, SGX-DT is also obliged to submit periodic reports in the form and manner prescribed by the MAS as specified in SFA Section 19 and Regulation 10, 2005 Regulations. Regulation 10, 2005 Regulations, requires SGX-DT to submit:

- (a) its annual report and directors report (prepared in accordance with the provisions of the Companies Act) within three months after the end of its financial year (together with its auditor's long form report, which shall include the findings and recommendations of the auditors, if any, on the internal controls of SGX-DT and the non-compliance with the SFA, the MAS directions or other relevant laws or regulations);
- (b) a copy of profit and loss accounts and balance sheet within forty-five days after the end of each of the first three quarters of its financial year;
- (c) an annual report on how SGX-DT has discharged its responsibilities under the SFA and the 2005 Regulations within three months after the end of its financial year;
- (d) a copy of the balance sheet of the fidelity fund of SGX-DT within five months after the end of the financial year (in accordance with SFA Section 150);
- (e) Form 8 within ten business days from the end of each month (in relation to futures market);
- (f) a report relating to the business of the approved exchange, at such time or on such periodic basis as may be specified by the MAS; and
- (g) such other report as the MAS may require for the proper administration of the SFA, at such time or on such periodic basis as the MAS may specify.

Aside from established rules, obligations, regulations and guidelines prescribed under the SFA and 2005 Regulations, the MAS is authorized to impose or vary any conditions or restrictions on SGX-DT as it thinks fit.¹⁶ Examples of such conditions or restrictions include conditions or restrictions on the futures contracts that may be traded on any market established or operated by the corporation, activities that the approved exchange may undertake, or the nature of the investors or participants who may use, invest or participate in the futures contracts traded on any market established or operated by the corporation.

By virtue of SFA Sections 46 and 34, the MAS can also issue directions or use its emergency powers if it thinks it necessary or expedient to do so. SFA Section 44 equips the MAS with the ability to remove officers or, in more serious cases, revoke any approval of a corporation as an approved exchange.

In all such respects, and wherever possible, SGX-DT assists the MAS as may be required for the proper administration of the SFA and the 2005 Regulations.

Enforcement of the Trading Rules

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

- (a) the approved exchange and each Member; and
- (b) each Member and every other Member.

By virtue of SFA Section 24(2), the approved exchange 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 business rules fails to do so, the High Court may 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 him/her to comply with, observe, enforce or give effect to the business rules under SFA Section 25.

Trading Rule 1 makes clear that the purpose of the Trading Rules is to assist SGX-DT to discharge its regulatory obligations under the SFA and 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 Members.

For details on SGX-DT's powers of investigation, inspection and discipline please refer to Exhibit G-2 of this Application.

(c) The financial resource requirements applicable to the authorization, licensure or registration of the foreign board of trade and the continued operations thereof.

SGX-DT meets the requirement of SFA Section 16(1)(g) requiring approved exchanges to have sufficient financial, human and system resources to operate a fair, orderly and transparent market, to

¹⁶ SFA Section 8 (4) or (5), 14 (5), (6), (8) or (9), 17 (2), 27 (5) or (10), 28 (11), 29 (2), 35, 42(2) or 43A(2),

meet contingencies or disasters and to provide adequate security arrangements. In particular, SGX-DT meets the minimum base capital requirement of SGD10 million imposed by the MAS.

For more information please refer to F-F-4 Capital Requirements

(d) The extent to which the IOSCO Principles are used or applied by the regulatory regime/authority in its supervision and oversight of the foreign board of trade or are incorporated into its rules and regulations and the extent to which the regulatory regime/authority reviews the applicable trading systems for compliance therewith.

The MAS is a member of the International Organization of Securities Commissions (“**IOSCO**”) and generally seeks to ensure that SGX-DT, as an approved exchange, complies with IOSCO standards. SGX regularly undertakes review of IOSCO Principles as needed for relevance.

Further, since 2002 the MAS has been a signatory to the IOSCO Multilateral Memorandum of Understanding concerning consultation and cooperation and the exchange of information (“**MMOU**”). Pursuant to the MMOU, the MAS agree to provide mutual assistance and exchange of information for the purpose of enforcing and securing compliance with applicable securities and derivatives laws.

(e) The extent to which the regulatory regime/authority reviews and/or approves the trading rules of the foreign board of trade prior to their implementation.

By virtue of Regulation 19(1), 2005 Regulations, SGX-DT must notify the MAS of (i) any proposed amendment to the Trading Rules; (ii) the purpose of the proposed amendment; and (iii) the date on which the amendment is proposed to come into force. Further, SGX-DT is obliged, prior to notifying the MAS, to consult with Trading Members on the proposed Trading Rule changes unless the proposed changes are of limited impact.

In determining the type of consultation required for a particular proposal, SGX-DT is required to consider the impact that a proposed rule amendment would have on its participants. To make an assessment of the impact, SGX-DT must consider the likely effect that the amendment would have on the rights, obligations, operations and systems of its various participants (paragraph 6.3, MAS Guidelines on the Regulations of Markets (“**MAS Guidelines**”)). SGX-DT is also required to conduct a public consultation if the amendments are likely to affect the interests of the general investing public (paragraph 6.4, MAS Guidelines).

In terms of any amendments to its Trading Rules, SGX-DT must not make any amendment unless the amendment meets the requirements prescribed by the MAS (pursuant to SFA Section 23(2)). SGX-DT is prohibited from making any amendments to the Trading Rules unless the amendment complies with the requirements prescribed by the MAS in the 2005 Regulations and the MAS Guidelines or under the SFA. In addition, pursuant to SGX-DT’s Articles of Association, SGX-DT Board approval is required to effect any amendments to Trading Rules. For these purposes, an amendment is regarded as a change to the scope of any requirement, obligation or restriction under the Trading Rule, whether the change is made by an alteration to the text of the Trading Rule or by any other notice issued by or on behalf of SGX-DT.

The Regulatory Development & Policy Unit ensures compliance with these rule amendment requirements through the Rule Amendment Procedures (attached as Exhibit F-3). Under these procedures, once a business proposal has been established by an SGX business unit that has an impact on the rules, the Regulatory Development & Policy Unit reviews the proposal to identify and address any regulatory issues. The proposal may also be submitted to the SGX Executive Committee for approval. Where a proposal has an impact on SGX’s risk management policies,

approval of the Risk Management Committee (“RMC”) is also sought. Once the appropriate approvals have been received, both the business unit and the Regulatory Development & Policy Unit will draft the document for consultation. The consultation paper sets out the proposed rules, rationale for the amendment as well as the anticipated benefits and impacts (including any negative impact and how SGX-DT intends to manage such impact).

After receiving feedback on the consultation from Trading Members, both the business unit and the Regulatory Development & Policy Unit analyze and publish the market feedback (on an anonymous basis) together with SGX-DT’s responses to the issues raised. Publication is on the SGX website for public consultations; otherwise the feedback and responses are circulated directly to affected Trading Members.

SGX-DT responds to each comment received. After that, a copy of the final proposed rule amendments, the market feedback and SGX-DT’s responses are sent to the MAS to formally notify the MAS of the proposed rule amendment. The MAS subsequently has a minimum of twenty-one days to comment, edit, allow or disallow the proposed rule amendment (Regulations 19(3) and (6), 2005 Regulations), but the MAS may vary this period by notice in writing to SGX-DT (Regulations 19(3), (4) and (6), 2005 Regulations). In terms of internal requirements, approval must also be obtained by the SGX Board prior to effecting any rule amendments (Trading Rule 1.9.1 and SGX-DT’s articles of association as set out in rule amendment procedures). Once the MAS’ non-objection has been received and SGX Board¹⁷ approval obtained, the finalized rule amendments are uploaded onto the SGX website to take effect after the notification period.

The MAS recognizes the possibility that in urgent situations SGX-DT may need to propose and bring into effect rule amendments within a very short period of time, in order for it to maintain fair, orderly and transparent markets. In such situations the MAS may exempt SGX-DT (pursuant to Section 35, SFA) from the requirement to consult its participants under Regulation 19(2), 2005 Regulations. In such cases a minimum period of 2-weeks’ notice would be provided before the new rule would take effect, whenever possible.

(f) The extent to which the regulatory regime/authority reviews and/or approves futures, option or swap contracts prior to their being listed for trading.

Regulatory Submission Framework

For information, please refer to F-F-5 New Product Listing

Subsequent changes- Trading Rule 4.1.21 provides that SGX-DT may modify Contract Specifications in response to market developments. In the event of such modification SGX-DT must provide its Members with no less than two weeks’ prior notice before any modification to Contract Specifications takes effect. Modifications to the calculation of the final settlement price, price limits, position limits, accumulation of positions and delivery obligations set forth in any Contract Specifications shall be subject to public consultation and rule amendment procedures as contemplated in the SFA.

(g) The regulatory regime/authority’s approach to the detection and deterrence of abusive trading practices, market manipulation, and other unfair trading practices or disruptions of the market.

The regulatory regime and the MAS’ approach to the detection and deterrence of abusive trading practices, market manipulation, and other unfair trading practices are grounded in the provisions of the SFA. Under SFA Section 16(1)(a), SGX-DT is required to adopt measures to reduce the extent to

¹⁷ The “SGX Board” refers to officers sitting on SGX board of directors.

which it is exposed to market abuse or financial crime by virtue of its obligation to, as far as is reasonably practicable, ensure that every market it operates is fair, orderly and transparent. A safe trading facility, according to the MAS Guidelines, requires an understanding of the risks that arise from trading. To improve the safety of the trading facilities, these risks are to be effectively managed by the operator and participants of the trading facilities. This includes having measures in place to reduce the extent to which trading facilities can be used for a purpose connected with market abuse or financial crime. In addition, SFA Section 16(1)(c) requires that SGX-DT, in discharging its obligations under the SFA, must not act contrary to the interests of the investing public.

To comply with the obligations imposed by Regulation 28, 2005 Market Regulations, SGX-DT has implemented measures to ensure that there are adequate safeguards against market abuse and financial crime. These measures include:

- (a) having Membership admission criteria that requires Members, through their key personnel, to have a high standard of integrity and a level of knowledge (as may be deemed acceptable by SGX-DT) about the nature, risks and obligations in respect of the Market or Contracts that it wishes to trade (Trading Rule 2.7). This requirement continues to apply as part of Members' on-going compliance obligations required by Trading Rule 3.2.3 and 3.2.4;
- (b) requiring Members to conduct know-your-customer due diligence before opening any trading accounts for new customers (Trading Rule 3.3.1). Members are required, pursuant to the respective MAS Notices on the Prevention of Money Laundering and Countering The Financing of Terrorism (two notices have been issued, one (MAS Notice on AML/ CFT) applies to General Trading Members¹⁸ as holders of a CMS license and the other (MAS 626) to BTMs), to perform Customer due diligence and ensure that they have:
 - (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 requisite authority to open the account; and
 - (iii) understood the Customer's risk appetite and investment objectives in a manner consistent with industry best practices on know-your-customer requirements.
- (c) during inspections by the Member Supervision Unit, the Member Supervision Unit may also review the account opening process of SGX-DT's Members. The frequency of such reviews is determined based on the Trading Member's risk profile. Trading Members who are of higher risk are monitored more closely and more frequently.

Under 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 SFA04-N02)**”) (which applies to SGX-DT under the direction of the MAS), SGX-DT must:

- (a) exercise due diligence when dealing with Customers, Persons appointed to act on the Customer's behalf and beneficial owners;
- (b) conduct its business in conformity with high ethical standards, and guard against undertaking any transaction that is or may be connected with or may facilitate money laundering or terrorist financing; and
- (c) whenever possible and to the fullest extent possible, assist and cooperate with the relevant law enforcement authorities in Singapore in preventing money laundering and terrorist financing.

¹⁸A “**General Trading Member**” or “**GTM**” is a Trading Member with such rights and obligations as set out in Chapter 2, Trading Rules. For avoidance of doubt, a reference to a GTM shall not include a Bank Trading Member.

SGX-DT also abides by the SGX Framework on Anti-Money Laundering and Countering the Financing of Terrorism which was developed in response to paragraph 10 MAS Notice on AML/CFT (MAS SFA04-N02)(and which also ensures compliance with Sections 4 and 6, Terrorism (Suppression of Financing) Act 2003 Rev Ed (Chapter 325 of Singapore) and Section 39, Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act 2000 (Chapter 65A of Singapore)) requiring SGX-DT to develop and implement internal policies, procedures and controls to help prevent money laundering and terrorist financing, and the detection of unusual and/or suspicious transactions. SGX-DT complies with the Guidelines to the MAS Notice on AML/CFT (MAS SFA04-N02) which incorporates guidance and principles developed by IOSCO. Paragraph 10.12(a), MAS Notice on AML/CFT (MAS SFA04-N02), prescribes that SGX-DT shall ensure that its staff are kept abreast of anti-money laundering and counter-terrorist financing law and regulations and, in particular, regulations regarding the detection and reporting of suspicious transactions.

SGX-DT must also comply with other laws relating to the prevention of money laundering and countering the financing of terrorism. These are:

- (a) the Terrorism (Suppression of Financing) Act 2003 Rev Ed (Chapter 325 of Singapore) (attached at Exhibit F-4)) which criminalizes terrorism financing and imposes a duty on all persons to provide information pertaining to terrorism financing to the Police (Sections 4 and 6);
- (b) the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (attached at Exhibit F-5) imposes on all persons a duty to disclose knowledge or suspicion of any property that may be involved in acts of drug trafficking or criminal conduct (Section 39); and
- (c) the MAS Anti-Terrorism Measures Regulations 2002 also imposes a duty on SGX-DT to inform the MAS when SGX-DT has information about any transaction or proposed transaction in respect of any property belonging to any terrorist or any entity owned or controlled by any terrorist.

SGX-DT carries out its obligations under the SFA, and promotes high standards of integrity and fair dealing, through the standards imposed on Members by the Trading Rules and procedures. SGX-DT also requires by way of admission criteria that its Members have key personnel who are suitably qualified and experienced to implement, oversee and maintain adequate internal procedures and risk management controls as contemplated under the Trading Rules (see Trading Rule 2.7.1).

Trading Rule 3.2.1 provides that, when trading on the Markets, 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 Market or any Members.

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

- (i) 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;
- (ii) churning (Trading Rule 3.4.2);
generating commissions through creating excessive transactions in a Customer's Account;
- (iii) false trading, bucketing, fraudulent inducement to trade, employment of fraudulent device (Trading Rule 3.4.3);
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;
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;
inducing or attempting 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; or
 - (iv) by recording or storing in any mechanical, electronic or other device information that is knowingly false or materially misleading; or
 - (v) 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.

Regulation 28(b), 2005 Regulations provide that a recognized market operator specified in Second Schedule, 2005 Regulations must have in place measures to monitor the compliance of participants in Singapore with Part XII (Market Conduct), SFA.

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 securities¹⁹ 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.

¹⁹ 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.

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.

(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.

(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.”

(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.

SGX-DT's power to investigate and inspect its 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 notifies the Members Approved Traders, Registered Representatives and the general public via Circulars of the outcome of any proceedings before the Disciplinary Committee or Appeals Committee (Trading Rule 7.1.7).

Because of Trading Rule 3.3.17, Members are required to provide to SGX-DT's clearing house, SGX-DC, the identities of the owners or controlling parties of any House Account²⁰ or Customer Account²¹ which is used for trading of Contracts or carrying of Contracts. Trading Rule 3.3.18 also requires Members to submit a daily report of open positions in the form prescribed by the clearing house. For more information please refer to F-F-6 Reporting Account Identities

Trades which do not have a valid account number 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 contacts relevant Members for an explanation regarding these trades. Further, in the event that a Member reports a fictitious identity through the Form BC4A, the Risk Management Unit is able to identify this through various risk management reports which provide detailed account level information.

Under Trading Rules 3.3.17 and 3.3.18, Members are required to identify the owners and controlling parties of any Omnibus Account so as to ensure that such information is made available directly to SGX-DT within such time as SGX-DT may prescribe (Rule 3.3.18(b)).

For more information please refer to F-F-7 Market Surveillance.

Disciplinary Committee

Under Trading Rule 7.2.1, SGX-DT has the power to charge a Trading Member, Approved Trader or Registered Representative if an investigation or inspection shows that the Trading Member, Approved Trader or Registered Representative has breached any Trading Rule.

SGX-DT has a Disciplinary Panel and an Appeals Panel consisting of twelve and eight individuals, respectively. Prior to each hearing of the SGX-DT disciplinary matter, members are drawn from the relevant panel to form the Disciplinary Committee or Appeals Committee respectively. A constituted committee is valid only for hearing of that specific matter, including adjourned and reconvened proceedings relating to the same matter.

Disciplinary Committee powers are set out under Trading Rule 7.6.2 and include:

- (a) expelling the Trading Member, Approved Trader or Registered Representative concerned;
- (b) suspending the Trading Member, Approved Trader or Registered Representative concerned;

²⁰ A "**House Account**" is an account in which only the Member is the legal and beneficial owner.

²¹ A "**Customer Account**" refers to an account carried on the books of a Member for a Customer.

- (c) imposing a penalty not exceeding \$250,000 on the Member, Approved Trader or Registered Representative concerned, which may be paid in installments;
- (d) reprimanding the Trading Member, Approved Trader or Registered Representative concerned;
- (e) requiring an education program to be undertaken by the Trading Member, Approved Trader or Registered Representative concerned;
- (f) requiring a compliance program to be undertaken by the Trading Member, Approved Trader or Registered Representative concerned;
- (g) imposing any restrictions or conditions on activities that the Trading Member, Approved Trader or Registered Representative concerned undertakes, or, in the case of a BTM, undertakes for the BTM's business governed by the Trading Rules;
- (h) requiring the Trading Member, Approved Trader or Registered Representative concerned to make reimbursement or compensation of up to \$250,000 to any Person who has suffered pecuniary loss as a result of the conduct of that Member, Approved Trader or Registered Representative;
- (i) requiring any director of the Trading Member concerned, or in the case of a BTM, any director or person in a senior management position who is responsible for its business governed by the Trading Rules, to step down from day-to-day conduct of the business affairs of the Member; or
- (j) appointing a manager to manage the business of the Trading Member concerned, or, in the case of a BTM, its business governed by the Trading Rules. The Disciplinary Committee shall fix the remuneration of the manager, which shall be paid by the Trading Member concerned. The Trading Member concerned is solely responsible for the manager's acts and defaults. The manager shall carry out directions given by the Disciplinary Committee in relation to the conduct of the business of the Trading Member concerned.

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 Trading Members, Approved Traders or Registered Representatives and posted on the SGX website.

SGX-DT communicates information about market abuse and financial crime promptly and accurately to appropriate organizations. SGX-DT also cooperates with all relevant bodies in the prevention, investigation and pursuit of market abuse and financial crime.

In the event of any suggestion of market abuse or financial crime, the Market Surveillance Unit will conduct a preliminary investigation and send their findings to the Enforcement Unit. The Enforcement Unit will conduct their own investigation and, if there is a reasonable basis to suspect a breach of the Trading Rules and/or a contravention of Part XII of the SFA (Market Conduct), then an investigation report will be forwarded to the MAS for its attention.

From the MAS' perspective, SFA Section 41 imposes an obligation on SGX-DT to assist the MAS, including providing any information as the MAS may require to enable it to perform its functions and duties. SFA Section 142 specifically authorizes the MAS, where it considers necessary for the protection of investors, to require a futures exchange to disclose information regarding the acquisition and disposal of Futures Contracts as well as the names of its Members who were concerned in any act or omission relating to the transaction.

For matters relating to financial crime or market abuse, SFA Section 21(2) and Regulation 11(1)(a), 2005 Regulations permits SGX-DT to disclose user information²² (transaction information) where,

²² The confidentiality of user information is safeguarded by SFA Section 68. User information means transaction information that is referable to a named user or a group of users from which the name of a user can be directly inferred. Under Section 2 of the SFA, "user" is defined as a member or a customer of a member of the

inter alia, such disclosure is necessary for the making of a complaint or report under Singapore law for an offence alleged or suspected to have been committed under such laws; and, where the disclosure is necessary in any disciplinary hearing of SGX-DT (provided that reasonable steps are taken to ensure that user information disclosed is used strictly for the purposes it is disclosed) or for publication, in any form or manner, of disciplinary hearings and the outcome of those hearings (Regulation 11(1)(e), 2005 Regulations).

In terms of co-operating with all other relevant bodies in the prevention, investigation and pursuit of market abuse and financial crime, SGX's Framework on Anti-Money Laundering and Countering the Financing of Terrorism (attached as Exhibit F-6) requires an employee with misconduct to immediately highlight the matter to a senior member of the relevant Unit who will then seek clarifications from relevant persons or escalate the matter to the Unit head and to the Compliance Unit for review and comments. The Compliance Unit will review the case and provide advice to the Unit head on whether it should be reported.

Where the Unit head determines that the case should be reported to the Suspicious Transactions Reporting Office, Commercial Affairs Department of the Singapore Police Force (“**STRO**”) and to the MAS, the relevant Unit will prepare the report and circulate it to the Unit head and to the Compliance Unit. After the report is finalized and approved, the relevant Unit shall send it to STRO and send a copy to the MAS.

The reporting Unit will keep records of the reported transaction, internal findings, and analysis done in relation to the suspicious transactions. Records pertaining to a matter which is under investigation or which has been the subject of a suspicious transaction report are retained for as long as it may be necessary in accordance with any request or order from STRO or from other relevant competent authorities.

- 3. A description of the laws, rules, regulations and policies that govern the authorization and ongoing supervision and oversight of market intermediaries who may deal with members and other participants located in the United States, including:**
- (i) Recordkeeping requirements.**
 - (ii) The protection of customer funds.**
 - (iii) Procedures for dealing with the failure of a market intermediary in order to minimize damage and loss to investors and to contain systemic risk.**

Authorization of Market Intermediaries

For a discussion of the authorization/licensing requirements under Singapore law and SGX-DT Trading Rules for Members, please see Exhibit B-2.

SGX-DT has arrangements in place to permit Direct Market Access²³ to its Markets by Persons other than Members. These arrangements include sponsored arrangements whereby Members provide access to trade in the Market to a Person other than a trading representative. The Member retains controls and supervisory responsibilities to supervise and manage the sponsored arrangement. Subject to the Trading Rules, Direct Market Access is available to all Customers and is not conditioned on Membership (Trading Rule 2).

designated clearing house; and "transaction information" means, *inter alia*, information relating to transactions cleared or settled by a designated clearing house.

²³ “**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.

With respect to each Customer for which the Member has sponsored arrangements, Trading Rule 2.1.2(a) provides that the Member who is sponsoring a third party is required to provide the Customer with information concerning its access to the trading system. The Member must also provide the Customer with information concerning the Trading Rules and other applicable laws (see 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 prompt and may include requiring the Customer to produce documents, answer questions from SGX-DT or appear in connection with any investigation.

Supervision of Market Intermediaries

Trading Rule 3.4.6 lists behaviors which will be deemed, to be professional misconduct. It is deemed to be professional misconduct to:

- (a) permit the use of the Member's facilities or Membership privileges by another Member, Approved Trader or Registered Representative or non-Member in a manner that impairs the dignity or degrades the good name of SGX-DT, or creates a market or other situation detrimental to SGX-DT, or effectuates manipulations or cornerings or attempts at either, or to itself do any of the foregoing;
- (b) engage in any conduct which impairs or tends to impair the dignity or the good name of the SGX-DT;
- (c) commit an act which is substantially detrimental to the interest of SGX-DT;
- (d) refuse to comply with an order of SGX-DT, the Disciplinary Committee or the Appeals Committee;
- (e) refuse to comply with a final arbitration award;
- (f) fail to answer Customers' complaints promptly and in appropriate detail;
- (g) commit any fraudulent or dishonest act or any act of bad faith;
- (h) act in a dishonorable or uncommercial manner;
- (i) make a material misstatement to SGX-DT, the Disciplinary Committee or the Appeals Committee, or in any information supplied to SGX-DT or its officers;
- (j) make, or cause to be made, a false or misleading entry in any books, records, reports, slips, documents or statements relating to the business, affairs, transactions, conditions, assets or accounts of the Member;
- (k) omit from making, for whatever reason, a material entry in any books, records, reports, slips, documents or statements relating to the business, affairs, transactions, conditions, assets or accounts of the Member;
- (l) alter or destroy any books, records, reports, slips, documents or statements relating to the business, affairs, transactions, conditions, assets or accounts of the Member without a valid reason;
- (m) make use of or reveal any confidential information obtained by reason of participating in any investigative proceeding or hearing;
- (n) refuse to appear before SGX-DT, the Disciplinary Committee or the Appeals Committee at a duly convened hearing or in connection with any investigation; or
- (o) refuse to fully answer all questions or produce all books and records in relation to any audit, hearing or investigation.

In addition, Trading Rule 2.4.1 provides that, to the extent that any GTM engages in any Regulated Activity (which in the Schedule to the SFA includes trading in futures), the GTM must procure and maintain a CMS License. BTMs are separately licensed under the Banking Act. Both types of Trading Members, GTMs and BTMs, are subject to supervision by the MAS.

By virtue of Regulation 18, 2005 Regulations, SGX-DT must make provision in its Trading Rules, to the satisfaction of the MAS, for the following matters:

- (a) prohibiting Members from engaging in improper conduct when participating in any market operated by SGX-DT;
- (b) ongoing compliance obligations for membership in respect of Members' conduct when dealing as an agent for Customers and prohibiting improper conduct when participating in Markets operated by SGX-DT;
- (c) the financial condition of the Member so as to provide reasonable assurance that all obligations arising out of the activities of the Member in any Market operated by SGX-DT will be met;
- (d) the monitoring by SGX-DT of the compliance of the Member with the Trading Rules;
- (e) provide for the expulsion, suspension or disciplining of Members;
- (f) the class or classes of futures contracts that may be traded on any Market operated by SGX-DT;
- (g) the manner in which trades in Futures Contracts are effected by any Market operated by SGX-DT;
- (h) the measures to prevent and deal with manipulation, market rigging and artificial market conditions in any market operated by SGX-DT;
- (i) the arrangements for the safe and efficient clearing and settlement of trades concluded on any Market operated by SGX-DT;
- (j) the establishment of any compensation arrangement, or any other scheme or system accepted by the MAS, which would compensate any Customer who suffers pecuniary loss through the defalcation of a Member, or any of its directors, officers, employees or representatives, in respect of any money or other property -
 - (i) that was entrusted to or received by a Member, or any of its directors, officers, employees or representatives, for or on behalf of the Customer; or
 - (ii) in respect of which the Member was a trustee;
- (k) the dissemination of announcements by companies listed on any market operated by SGX-DT through a single and central facility; and
- (l) the carrying on of business of SGX-DT with due regard to the interests and protection of the investing public.

(i) Recordkeeping

In Singapore, Section 18, SFA requires SGX-DT to maintain a record of all transactions effected through its facilities in such form and manner as prescribed by the MAS including the extent to which the record includes details of each transaction and the period of time that the record is to be maintained.

SGX-DT must also comply with the MAS Guidelines (attached at Exhibit D-1-1) which, at paragraph 2.7, provides guidance on the requisite standard for ensuring that satisfactory arrangements are made for recording transactions effected on SGX-DT for the purposes of transparency in the Market. The MAS Guidelines provide that transparency may be defined as the degree to which information about trading (both pre-trade and post-trade) is made publicly available on a real-time basis. Pre-trade information, such as best bids and offers, should be made available to enable investors to know the transactions they may enter into and at what prices. Post-trade information on executed trades should be similarly publicized to reflect the market prices of executed trades. In addition, material information such as corporate announcements, required to assess the value of Futures Contracts, should be readily available to investors in a comprehensible manner and on a timely basis.

SGX-DT has proper systems in place for recording transactions. Under Trading Rule 3.3.6, other than orders made on-line by Customers, a Member may only accept orders on behalf of Customers through its Registered Representatives. Unless an order or amendment or cancellation of an order is immediately entered by an Approved Trader into the OMS²⁴, the Registered Representative must immediately record the order on an order form (as required under Regulation 39(3), Conduct of Business Regulations) and record any other information as prescribed by Trading Rules (see Trading Rule 3.3.8).

SGX-DT records the following information for every transaction traded on SGX-DT's trading facilities:

- (a) the name of the investment;
- (b) the underlying asset;
- (c) prices;
- (d) the quantity;
- (e) the date (for transacted derivatives Contracts);
- (f) name and account number of the counterparty; and
- (g) details regarding the counterparties in the transaction.

In addition to the requirements prescribed in Regulation 39(3) of the Conduct of Business Regulations, Trading Rule Regulatory Notice 3.3.8 requires that the order form include the following:

- (a) the Customer's designation, which shall readily identify the account for which the order was given;
- (b) the date and time that the Customer's order, amendment or cancellation was passed from the Registered Representative to the Approved Trader;
- (c) the Contract for which the Customer's order was given;
- (d) the Contract month of that Futures Contract;
- (e) the quantity of that Futures Contract;
- (f) the order type;
- (g) the price (if any) to buy or sell that Futures Contract;
- (h) in the case of an option contract, the class of options and the strike price; and
- (i) the date and time that the order or amended order was executed

Regulation 5, 2005 Regulations, requires SGX-DT to maintain all books and records for a minimum of six years. This includes transaction records.

Real-time information on these trades is disseminated to the Trading Members. The underlying assets of the traded derivatives Contracts are stated in the relevant Contract Specifications along with the settlement method (namely whether it is cash settled or settled via physical delivery).

SGX-DT has in place arrangements for creating, maintaining and safeguarding an audit trail of transactions for at least six years. Once a trade is entered, the SGX-DT trading system will automatically create an audit trail. Pursuant to Trading Rule Regulatory Notice 4.1.8 at 2.1.2, any amendment to a trade will have to be requested by a party to the trade and the amendment is recorded in the SGX-DT trading system as well. After the trade has been cleared, records of the trades remain in the SGX-DT trading system for a period of seven years in accordance with the SGX Document Retention and Destruction Policy. These systems enable access to historical data of all the transactions conducted under the systems operated by SGX-DT.

- (a) For each audit trail, a back-up copy is held by the SGX technology division's data center for a period of seven years, which ensures business continuity in case of disruption or emergency.

²⁴ The "OMS" is an order management system through which orders are routed to QUEST.

- (b) Records of the trade are retained and disposed of in accordance with the SGX Document Retention and Destruction Policy, which is applicable to SGX and its subsidiaries, including SGX-DT. While Regulation 5, 2005 Regulations, requires relevant books and other information, as may be required by the MAS, to be kept for a minimum of five years, the Document Retention and Destruction Policy requires SGX-DT to retain all relevant paper and electronic versions of work papers, files, records, documents, communication and data in any form, whether in electronic, printed, in the form of video or audio tapes, digital format, or any other mode of capturing information ("**Documents**"), for a period of seven years from the end of the financial year in which the transactions or operations to which the records relate are completed, save for excepted classes of Documents which are to be retained in perpetuity such as corporate records and books of the company, licenses, permits, leases, tax or license exemption documents and employee related documents (which should only be destroyed seven years after the employment ceases).
- (c) Upon expiry of the seven years, the Documents may be disposed of (save for the excepted classes of Documents) provided that:
 - (i) the recommended retention period (which is based on statutory requirements) for the Documents has lapsed; and
 - (ii) there is no on-going or expected litigation, enquiry or other circumstance relating to the Documents which may require their retention. Where such circumstances exist, care is taken to retain all relevant records, even if Documents are slated for destruction and even if no request has been made for them.

(ii) Protection of Customer Funds

Please refer to paragraph 1 of this Exhibit F for details about the protection of customer funds.

(iii) Procedure for dealing with the failure of a market intermediary

Default Management

SGX-DT has default rules where, in event of a Member, Registered Representative or an Approved Trader being unable to meet its obligations in respect of one or more market Contracts, enable action to be taken in respect of unsettled market Contracts to which it is party.

Under Trading Rule 4.2.1, a buyer or seller shall be in default if he fails to settle a cash settled Futures Contract or Option Contract. In the event of default, the Trading Member will have the right of Closing Out any Open Position in any Market on behalf of the buyer or seller, without further notice and without prejudicing any other legal action for recovery which the Trading Member may take or has taken. Trading Rule 4.2.2 stipulates that a seller of a deliverable Futures Contract who does not deliver as required under the Trading Rules or the Contract Specifications, and a buyer who does not take delivery as required by the Trading Rules or the Contract Specifications, shall be in default.

Prior to the last day on which a Futures Contract may be traded prior to its expiration, a Trading Member shall require evidence from the respective seller or buyer that all Open Positions which will not be offset on the last trading day shall be completed by delivery of the Underlying Commodity. If this evidence is not provided to the Trading Member then the Trading Member shall liquidate the remaining Open Position on or before the last trading day (Trading Rule 5.1.2).

Pursuant to Trading Rules 5.1.4 and 5.1.5, the material terms relating to the delivery obligations (including those set out in the Contract Specifications), are deemed to be incorporated in to the Trading Rules. Any Trading Member responsible for a delivery default is deemed to have committed a Trading Rule violation and may be subject to the sanctions contemplated by the Rules.

At no time is property or risk in an Underlying Commodity which is subject to a deliverable Futures Contract passed to SGX-DT. Instead, property and risk pass in accordance with the provisions of the relevant Contract Specifications or, if there are no such provisions, in accordance with the Sale of Goods Act 1999 Rev Ed (Chapter 393 of Singapore)(attached as Exhibit F-7)(Trading Rule 5.1.6).

Trading Rule 5.3.1 makes clear that SGX-DT accepts no liability nor does it guarantee the satisfactory discharge of any physical delivery obligations under any deliverable Futures Contract. SGX-DT further disclaims any liability arising from the non-delivery of title documents by any Clearing Member and it also expressly disclaims any liability in connection with any irregularities in the transfer of title in the Underlying Commodity. Nor is SGX-DT under any obligation to check any Commodity or document received from or delivered through a Clearing Member in relation to an obligation to make or take delivery under an open deliverable Futures Contract. Similarly SGX-DT is under no obligation to check the availability or suitability of any designated ports, factories, surveyors, samplers or analysts as identified in the relevant Contract. SGX-DT disclaims any liability and does not guarantee quality or suitability of fitness of any Commodity, document, designated port, factory, surveyor, sampler or analyst (Trading Rule 5.3.2).

GTMs (as distinct from BTMs) are prohibited from granting an advance, loan or credit facility to any buyer or seller to enable the posting of a performance deposit or other escrow assets to SGX-DC (Trading Rule 5.1.3).

In the event of default at settlement of a deliverable Futures Contract, the rights and obligations of the Trading Member of the buyer or seller who is in default, shall be as specified in the relevant Contract Specifications. Under Trading Rule 2.15.4, in the event of suspension or termination of trading privileges of a Member, SGX-DT may direct the affected Trading Member to close out any Open Positions or take such other steps that SGX-DT considers appropriate for the protection of Customers or the maintenance of a fair, orderly and transparent market. A suspension or termination of trading privileges of a Member does not in any way affect the liabilities of the Member to SGX-DT and its liabilities to other Members and all such liabilities subsist until satisfied or discharged.

Trading Rule 2.15.5 states that a Member which ceases to be a Member shall remain subject to the Trading Rules and to the jurisdiction of SGX-DT in respect of acts and omissions which occurred while it was a Member and in respect of any investigation or disciplinary proceedings relating to its acts or omissions (including the application of any sanction imposed) as if it was a Member.

Default of SGX-DC Clearing Members

In addition to the Trading Rules, the Clearing Rules will also apply in the event of default of a Clearing Member where the Clearing Member provides clearing services for Trading Members. The Clearing Rules set out the circumstances whereby SGX-DC may declare an event of default and recover any loss suffered. Under Clearing Rule 7.03.2 these include:

- (a) the insufficiency of a Clearing Member's Security Deposit, margins on deposit with SGX-DC, or any of its other assets or securities available to SGX-DC to fully discharge the Clearing Member's obligations to SGX-DC;
- (b) the insufficiency of the letters of credit, margins or any other assets or securities of any other market or any organization (whether an exchange, association, corporation or otherwise) responsible for administering a futures, options, stock or other market whose Contracts are cleared by, or novated (pursuant to a mutual offset system) to SGX-DC, including without limitation SGX-DT and any relevant Market, available to SGX-DC to fully meet such other relevant Market and/or its clearing houses' obligation to SGX-DC;

- (c) the insolvency of a Clearing Member, any other relevant Market which clears the opposite side of any Contract, including a participating Market, and/or its clearing house or any depository;
- (d) conversion, theft, breach of trust, embezzlement, or any other cause; or
- (e) any failure by a Clearing Member to post performance deposits (which is required to be posted to SGX-DC to secure the performance of a delivery Contract in cash or in the form of an irrevocable letter of credit or any other security in a form and issued by a bank acceptable to SGX-DC) with SGX-DC within the time specified in the relevant Contract Specifications.

Clearing Rules 2.30, provide that, upon SGX-DC becoming aware of a Clearing Member's insolvency or deemed insolvency, SGX-DC is entitled to suspend the Clearing Member without prior notice.

Clearing Rule 2.31 provides that where a Clearing Member having open positions has defaulted upon its obligations to SGX-DC or has been suspended for insolvency, SGX-DC may:

- (a) appoint one or more Clearing Members to whom all or any part of such positions shall be transferred to be handled for the defaulted or suspended Clearing Member. When positions are so transferred, the margins deposited and any settlement due or collected must be delivered to SGX-DC, to be entrusted to the Clearing Member(s) so designated to handle the transactions;
- (b) execute hedging transactions, on behalf of and at the risk of the defaulted Clearing Member, to eliminate or reduce market risk resulting from such open positions;
- (c) without prejudice to (a) above, appoint one or more inter-dealer brokers, Clearing Members or members of the applicable relevant Market (as described below) to Close Out such positions on behalf of and at the risk of the defaulting Clearing Member; and/or
- (d) where the Open Positions relate to an Over-the-counter ("**OTC**") Contract accepted by SGX-DC for clearing (as prescribed by SGX-DC from time to time) ("**Eligible OTC Contract**") or a Contract subject to physical delivery prior to the matching process, and it is in SGX-DC's good faith opinion impossible or impracticable for the Open Positions to be transferred or Closed Out, SGX-DC may, in addition to any other power or right it may have, invoice back such positions to the defaulting Clearing Member. SGX-DC shall also simultaneously invoice back the equivalent number of positions as SGX-DC may deem practical to other non-defaulting Clearing Members and/or any other non-defaulting Relevant Market (or its clearing house) holding appropriate opposite positions as at the date of such invoicing back, on a pro rata basis, calculated as the proportion of such gross opposite positions of each non-defaulting Clearing Member and/or relevant Market (or its clearing house) at the date of such transfer relative to the aggregate value of such Open Positions held by all non-defaulting Clearing Members.

Insolvency of a Clearing Member

Under Clearing Rule 2.30.1, a Clearing Member becomes insolvent or shall be deemed to be insolvent on the occurrence of any of the following events:

- (a) if it fails to fulfill or meet margin and settlement requirements (including posting of the performance deposit, as prescribed in the relevant Contract Specifications) or if it defaults upon any levy owing to SGX-DC arising out of events of default set out in Clearing Rule 7.03.2;
- (b) it is, or is deemed for the purposes of any law to be, unable to pay its debts as they fall due or insolvent;
- (c) it admits its inability to pay its debts as they fall due;

- (d) the value of its assets is less than its liabilities (taking into account contingent and prospective liabilities);
- (e) it suspends making payments on any of its debts or announces an intention to do so;
- (f) by reason of actual or anticipated financial difficulties, it commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness;
- (g) a moratorium is declared in respect of any of its indebtedness; or
- (h) it engages in insolvency proceedings and “**insolvency proceedings**” shall mean any corporate action, legal proceedings or other procedure or step taken in relation to or with a view to:
 - (i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration (whether out of court or otherwise) or reorganization (by way of voluntary arrangement, scheme of arrangement or otherwise) of the Clearing Member;
 - (ii) a composition, assignment or arrangement with any creditor of the Clearing Member;
 - (iii) the appointment of a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer (in each case, whether out of court or otherwise) in respect of the Clearing Member or any of its assets;
 - (iv) the enforcement of any security over any assets of the Clearing Member;
 - (v) a meeting of the Clearing Member, its directors or its members being convened for the purpose of considering any resolution for, petition for, application for or filing of documents with a court for its winding-up, administration (whether out of court or with any registrar or otherwise) or dissolution or any such resolution passed;
 - (vi) any person presenting a petition or an application for the Clearing Member's winding-up, administration (whether out of court or otherwise) or dissolution;
 - (vii) the Clearing Member's directors or other officers requesting the appointment of or giving notice of their intention to appoint or take any step with a view to appointing a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator (whether out of court or otherwise) or similar officer; or
 - (viii) any analogous procedure or step taken in any jurisdiction.

Pursuant to Trading Rule 2.10.1, it is a requirement that all trades executed on the Markets by Members be cleared exclusively by SGX-DC through a Clearing Member pursuant to the Clearing Rules. Therefore, in a default, all unsettled Market Contracts, which have been novated by SGX-DC, will be subject to the SGX-DC Clearing Rules and default management framework.

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 the 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.

If an Approved Trader or a Registered Representative suffers an Adverse Event, then the sponsoring corporate Member will be deemed to have also suffered an Adverse Event (Trading Rule 7.1.4).

SGX-DT's Powers upon occurrence of Adverse Events

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

- (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 Credit²⁵ 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; or
- (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.

Default Management by SGX-DC

The SGX-DC default management governance structure consists of a crisis management team and a default recovery team who have the following roles:

- (a) the crisis management team is an SGX senior management level decision-making body that has the authority to declare an event of default in respect of a Member and, thereafter, to provide oversight to ensure all procedures are carried out in an appropriate and timely manner; and
- (b) the default recovery team which is a pre-established team set-up to execute the default management procedures.

The diagram below shows the relationship between the crisis management team and default recovery team together with the constitution of the default recovery team.

²⁵ 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 favour 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.

Default Governance Structure

For information, please refer to F-F-8 Default Governance Structure

Default Management Framework

The framework is an internal protocol which covers the entire default process from pre-default triggers until the return of business-as-usual. The components of this framework include:

- (a) pre-default escalation processes;
- (b) default communications framework;
- (c) default governance structure; and
- (d) default management procedures.

Once there is an occasion of default, the default management procedures form the central focus for handling the default itself. The default management procedures for exchange-traded derivatives include:

- (a) a review of the open positions of the defaulting Clearing Members in the lead-up to the default in preparation for immediate action once the default is declared. House and defaulting Customer positions are segregated from those of non-defaulting Customers. Non-defaulting Customers will have a specified period of time within which they may transfer their positions to accepting non-defaulting Clearing Members (Clearing Rule 2.31.1). Positions not transferred within that period of time will be subject to settlement and/or liquidation;
- (b) hedging of positions: for products which may be immediately liquidated in a ready market (for example, certain exchange-traded derivatives), the process of hedging will not be required; and
- (c) liquidation of positions: if the size of positions to be liquidated is such that limited or no adverse market impact is expected, the positions may be sold through orders placed with appointed Clearing Members.

Non-defaulting Clearing Members also have certain obligations in a situation of default. These can be broadly summarized as follows:

- (a) pre-default obligation to meet calls for emergency margins and advance calls for settlement from SGX-DC under unstable market conditions ("**Emergency Order**") (Clearing Rule 7.23);
- (b) if the non-defaulting Clearing Member does not comply with the Emergency Order, an obligation to accept SGX-DC's direction to liquidate all or part of its positions, or thereafter to allow SGX-DC to carry out such liquidation and to provide for payment of any loss to SGX-DC (Clearing Rule 7.24);
- (c) obligation to allow SGX-DC to meet default losses with funds from the Clearing Fund (Clearing Rule 7.03.2.2);
- (d) obligation to accept an appointment by SGX-DC to receive defaulting positions or to Close Out the defaulting Clearing Member's open positions (Clearing Rules 2.31.1.1 and 2.31.1.3);
- (e) obligation to render all assistance and information necessary pursuant to an SGX-DC investigation (in the case of a suspected breach of a Clearing Rule) and inspection (Clearing Rules 4.01A and 4.01B); and
- (f) obligation to submit to disciplinary action taken by SGX-DC's Disciplinary Committee in respect of any breach of Clearing Rules (Clearing Rules 4.03A).

Termination of Membership

Another protection that SGX-DT has in place in order to deal with the failure of a market intermediary is that, under Trading Rule 2.15.3, SGX-DT may terminate any Membership 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 Member; or
- (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; or
- (c) revocation of a license by the 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 Trading Rule 7.2.3, if SGX-DT is of the opinion that a Member has insufficient assets or liquidity facilities for the conduct of its business, or that a review should be carried out in respect of the management policies or business conduct of a Member, SGX-DT may require the Member to operate its business subject to additional restrictions, including:

- (a) prohibiting the Member and its Approved Traders or Registered Representatives from entering into a new transaction or settling any transaction without the prior written approval of SGX-DT;
- (b) suspending the Member and its Approved Traders or Registered Representatives. Such Member and its Approved Traders or Registered Representatives remain liable to complete all Contracts outstanding at the time of suspension;
- (c) requiring the Member's director(s) to step down from day-to-day conduct of the business affairs of the Member; and
- (d) appointing a manager to manage the business of the Member. SGX-DT shall fix the remuneration of the manager, which shall be paid by the Member. The Member is solely responsible for the manager's acts and defaults. The manager shall carry out directions given by SGX-DT in relation to the conduct of the Member's business.

Under Trading Rule 3.3.11, unless otherwise approved by SGX-DT, a Member cannot trade, accept any Customer's monies or assets, or solicit any new orders after the Member's insolvency.

Pursuant to Regulation 13(1)(b)(v), 2005 Regulations, SGX-DT is required to provide information about any arrangement to compensate an investor who suffers pecuniary loss as a result of the actions or insolvency of a participant of SGX-DT.

Internal Controls and Risk Management Systems

SGX-DT ensures that appropriate internal controls and risk management systems are in place to deal with the failure of a market intermediary. The Trading Rules, at Trading Rule 2.6, deal with technical and risk management controls. Pursuant to this Trading Rule, Members are required to:

- (a) have security arrangements in place to ensure that unauthorized persons are denied direct market access;
- (b) maintain proper records and audit trails that evidence compliance with the Trading Rules;
- (c) comply with accounting, reporting and book-keeping requirements as prescribed by SGX-DT; and

- (d) meet business continuity requirements shown below:
 - (i) assess its business and operational risks and maintain business continuity arrangements;
 - (ii) document its business continuity arrangements in a business continuity plan;
 - (iii) senior management to be responsible for members' business continuity plan via an attestation;
 - (iv) review and test business continuity plan regularly; and
 - (v) appoint emergency contact persons and furnish contact information to SGX-DT.

Additionally, members are required to have written policies and procedures and demonstrate compliance with the following areas:

- (a) Monitoring the credit risks arising from acceptance of client orders;
- (b) Monitoring client account activity on an intraday basis;
- (c) Ensuring that the order management system conducts pre-execution checks for all client orders and includes the ability to set and manage automated limits;
- (d) Ensuring that the order management system has error prevention alerts for possible erroneous entries of quantity, price and other data fields;
- (e) Defining and managing their 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 cash flow projections, stress testing or position limits; and
- (g) Maintaining a strict separation between credit control, trading, dealing and marketing departments to ensure independence and mitigate the risks and consequences of conflicts of interest.

The Member Supervision Unit ensures member compliance with the above requirements via its supervision and inspection processes.

4. Description of the regulatory regime/authority's inspection, investigation and surveillance powers; and the program pursuant to which the regulatory regime/authority uses those powers to inspect, investigate, and enforce rules applicable to the foreign board of trade.

The MAS's inspection, investigation and surveillance powers are set out in Division 1 of Part IX of the SFA.

SFA Section 142 gives the MAS the power to require disclosure of the names of the persons concerned with the acquisitions or disposal of any Futures Contract.

Under SFA Section 150, the MAS may inspect, under conditions of secrecy, the books of SGX-DT. The MAS may (a) make copies of, or take possession of, any of the books; (b) use, or permit the use of, any of the books for the purposes of any proceedings under SFA; and (c) retain possession of any of the books for so long as is necessary for the purposes of exercising its powers under the SFA.

While the books are in the possession of the MAS, the MAS may not permit another person to inspect such books (if any) as the other person would be entitled to inspect if they were not in the possession of the MAS.

SFA Section 152 provides that the MAS may carry out an investigation, as it considers necessary or expedient, for any of the following purposes:

- (a) to perform any of its functions and duties under SFA;
- (b) to ensure compliance with SFA or any written direction issued under SFA; or
- (c) to investigate an alleged or suspected contravention of any provision of SFA or any written direction issued under SFA.

A requirement imposed by the MAS in the exercise of its powers will have effect notwithstanding any obligations as to secrecy or other restrictions upon the disclosure of information imposed by any prescribed written law or any requirement imposed thereunder, any rule of law, any contract or any rule of professional conduct.

The MAS may require any person to provide information or produce books relating to any matter under investigation (SFA Section 163).

SFA Section 154 states that the MAS may, for the purposes of an investigation, require a person to assist the MAS and to appear before an officer of the MAS to be examined on oath. Such an officer (known as an "**investigator**") may require the person being examined (the "**examinee**") to answer any questions that is put to the examinee that is relevant to the investigation (SFA Section 156(3)).

The examination will take place in private and the investigator may give directions as to who may be present during the examination. A person shall not be present at the examination unless he is (a) the investigator or the examinee; (b) a person approved by the MAS; or (c) entitled to be present by virtue of a direction by the MAS (SFA Section 157).

The investigator may cause a record to be made of statements made at the examination. If a record is reduced to writing, the investigator may require the examinee to read the record, or to have it read to him, and may require him to sign it; and the investigator will, if requested in writing by the examinee, give to the examinee a copy of the written record, comply with the request without charge but subject to such conditions as the investigator may impose (SFA Section 158).

Please refer to discussion at Exhibit F Section 2(g) above regarding the regulatory regime and the MAS' approach to the detection and deterrence of abusive trading practices, market manipulation, and other unfair trading practices or disruptions of the market.

For more information, please refer to F-F-9, MAS' Supervisory Powers

5. For both the foreign board of trade and the clearing organization (unless addressed in Supplement S-1), a report confirming that the foreign board of trade and clearing organization are in regulatory good standing, which report should be prepared subsequent to consulting with the regulatory regime/ authority governing the activities of the foreign board of trade and any associated clearing organization. The report should include:
- (i) Confirmation of regulatory status (including proper authorization, licensure and registration) of the foreign board of trade and clearing organization.
 - (ii) Any recent oversight reports generated by the regulatory regime/ authority that are, in the judgment of the regulatory regime/authority, relevant to the foreign board of trade's status as a registered foreign board of trade.
 - (iii) Disclosure of any significant regulatory concerns, inquiries or investigations by the regulatory regime/ authority, including any concerns, inquiries or investigations with regard to the foreign board of trade's arrangements to monitor trading by members or other participants located in the United States or the adequacy of the risk management controls of the trading or of the clearing system.
 - (iv) A description of any investigations (formal or informal) or disciplinary actions initiated by the regulatory regime/authority or any other self-regulatory, regulatory or governmental entity against the foreign board of trade, the clearing organization or any of their respective senior officers during the past year.

For more information, please refer to F-F-10, SGX-DT Regulatory Good Standing

6. For both the foreign board of trade and the clearing organization (unless addressed in Supplement S-1), a confirmation that the regulatory regime/ authority governing the activities of the foreign board of trade and the clearing organization agree to cooperate with a Commission staff visit subsequent to submission of the application on an “as needed basis,” the objectives of which will be to, among other things, familiarize Commission staff with supervisory staff of the regulatory regime/authority; discuss the laws, rules and regulations that formed the basis of the application and any changes thereto; discuss the cooperation and coordination between the authorities, including, without limitation, information sharing arrangements; and discuss issues of concern as they may develop from time to time.

For more information, please refer to F-F-11 Cooperation with Regulators