

**Exhibit G- The Rules of the FBOT and enforcement thereof**

**Exhibit G-1- A description of the foreign board of trade's regulatory or compliance department, including its size, experience level, competencies, duties and responsibilities.**

For information, please refer to Exhibit G-G-1: RMR Group.

## Exhibit G-2- FBOTs Trade Practice Rules

A description of the foreign board of trade's trade practice rules, including but not limited to rules that address the following—

- (a) **Capacity of the foreign board of trade to detect, investigate, and sanction persons who violate foreign board of trade rules.**
- (b) **Prohibition of fraud and abuse, as well as abusive trading practices including, but not limited to, wash sales and trading ahead, and other market abuses.**
- (c) **A trade surveillance system appropriate to the foreign board of trade and capable of detecting and investigating potential trade practice violations.**
- (d) **An audit trail that captures and retains sufficient order and trade-related data to allow the compliance staff to detect trading and market abuses and to reconstruct all transactions within a reasonable period of time.**
- (e) **Appropriate resources to conduct real-time supervision of trading.**
- (f) **Sufficient compliance staff and resources, including those outsourced or delegated to third parties, to fulfill regulatory responsibilities.**
- (g) **Rules that authorize compliance staff to obtain, from market participants, information and cooperation necessary to conduct effective rule enforcement and investigations.**
- (h) **Staff investigations and investigation reports demonstrating that the compliance staff investigates suspected rule violations and prepares reports of their finding and recommendations.**
- (i) **Rules determining access requirements with respect to the persons that may trade on the foreign board of trade and the means by which they connect to it.**
- (j) **The requirement that market participants submit to the foreign board of trade's jurisdiction as a condition of access to the market.**

Section 16, SFA, requires an approved exchange to, *inter alia*, as far as reasonably practicable ensure that the market is fair, orderly and transparent and maintain business rules that make satisfactory provision for a fair, orderly and transparent market in securities or futures contracts that are traded through its facilities. In addition, it must enforce compliance with its business rules. In respect of access for participation in its facilities, it must ensure that such access 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. It must also have sufficient financial, human and system resources to operate a fair, orderly and transparent market.

In addition, Regulation 18, Securities and Futures (Markets) Regulations 2005 ("**2005 Regulations**"), requires that the business rules must make provisions, *inter alia*, for the measures to prevent and deal with manipulation, market rigging and artificial market conditions in any market operated by the approved exchange. In respect of member conduct when participating in its facilities, the business rules must make provisions for requirements that prohibit or prevent the member from engaging in improper conduct.

In compliance with its statutory requirements, SGX-DT has Trading Rules that address market and regulatory developments and are specifically tailored to a screen-based and cross-border trading environment. Among other things, the Trading Rules (a) codify the requirement that directors, chief executives and key personnel of a member are fit and proper; (b) consolidate and streamline the membership categories for individuals and firms into two main categories – Clearing Members and Trading Members; (c) prohibit Members from comingling or depositing the Member's own money and assets into their Customers' Accounts<sup>1</sup>; (d) require Members to report all breaches of laws, rules or

---

<sup>1</sup> "**Customer Account**" refers to an account carried on the books of a Member for a Customer

regulations, whether they occur in Singapore or overseas; and (e) clarify the standard of proof in proceedings before the Disciplinary and Appeals Committees.

## (1) Capacity of the foreign board of trade

### ***SGX-DT's Regulatory Responsibilities***

SGX-DT is obligated under SFA Section 16(1) to ensure, as far as is reasonably practicable, that each Market it operates is fair, orderly and transparent (Trading Rule 1.3.1). In connection with this statutory obligation, SGX-DT undertakes surveillance, supervision and enforcement actions to ensure compliance with the Trading Rules. In discharging its obligations under SFA, SGX-DT cannot act contrary to the interests of the investing public and is required to have particular regard to the interests of the investing public.

SGX-DT may take any action or enter into any agreement or arrangement it considers necessary or desirable in furtherance of its regulatory responsibilities under any applicable law or regulation with any Person including, without limitation, the MAS, any other exchange, market, clearing house or Partner Market<sup>2</sup>, or any Person which, in the opinion of SGX-DT, exercises a legal or regulatory function under any law or regulation.

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. Please refer to Exhibit F Section 2(g) for a discussion of SGX-DT's approach to the detection and deterrence of abusive trading practices and to Exhibit F Section 3 for a description of the policies that govern the ongoing supervision and oversight by SGX-DT of market intermediaries.

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). If an investigation or inspection reveals that a Member has committed a violation of the Trading Rules, it may take disciplinary action against the Member, including charging it and having the charge determined by the Disciplinary Committee (Trading Rule 7.2.1(a)(i)). SGX-DT publicly discloses any charges involving a breach of the Trading Rules established by the Disciplinary Committee (together with such details as it thinks appropriate) (Trading Rule 7.1.7).

## (2) Prohibition of Abusive Trading Practices

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

---

<sup>2</sup> "**Partner Market**" refers to another exchange or market, in Singapore or elsewhere, accessible via the Quotation and Execution System for Trading ("**QUEST**") or such other means as approved by SGX-DT (see Trading Rule 2.1.3)

Under the Regulation 18, 2005 Regulations, SGX-DT is required to make provisions, *inter alia*, for measures to prevent and deal with market manipulation, market rigging and artificial market conditions in the markets that it operates. Trading Rule 3.4 deals with trading practices and conduct rules of Members, Approved Traders<sup>3</sup> and Registered Representatives<sup>4</sup>. Market manipulation, market rigging and other forms of trading misconduct set out in SFA distort the operation of a fair, orderly and transparent market and are serious offences. A Member, Approved Trader or Registered Representative is required at all times to observe the trading practices and conduct rules set out in the SFA and the Trading Rules.

Listed below are the types of misconduct prohibited in the SGX-DT market<sup>5</sup>:

- (a) market manipulation (Trading Rule 3.4.1);
- (b) churning (Trading Rule 3.4.2);
- (c) false trading, bucketing, fraudulent inducement to trade and employment of fraudulent device (Trading Rule 3.4.3);
- (d) dissemination of false or misleading information (Trading Rule 3.4.5);
- (e) professional misconduct (Trading Rule 3.4.6);
- (f) disclosure of orders (Trading Rule 3.4.7);
- (g) bids or offers other than in good faith (Trading Rule 3.4.8);
- (h) fictitious transactions without change in ownership, i.e. wash sales (Trading Rule 3.4.9);
- (i) overtrading by a Member, Approved Trader or Customer<sup>6</sup> (Trading Rule 3.4.10);
- (j) knowingly taking advantage of an error (Trading Rule 3.4.11);
- (k) deemed rule violation (Trading Rule 3.4.12);
- (l) front running (priority of Customer's Orders) (Trading Rule 3.4.13); and
- (m) trading against Customers orders (Trading Rule 3.4.14).

Trading Rule 4.1.22 sets out the actions that SGX-DT may take if circumstances warrant intervention in the interests of maintaining a fair, orderly and transparent market. SGX-DT may take such steps as it sees fit to provide for, correct or check the further development of circumstances, including situations where there is suspicion of market manipulation or such other misconduct such that a fair, orderly and transparent market cannot be maintained. These deterrent powers include:

- (a) the curtailment of trading in any Contract;
- (b) revocation or suspension of access to SGX-DT;
- (c) suspension of trading;
- (d) deferment of delivery;
- (e) designation of alternate delivery points; or
- (f) the modification of Contract Specifications.

SGX-DT retains the ability to summarily suspend a Member's trading access to the Market and this power to summarily suspend a Member's trading access operates to deter abusive market practices. So as to ensure that the Market is free of abusive market practices and so as to permit SGX-DT to maintain an orderly and efficient market and to limit risks to its clearing house, SGX-DT has the ability to summarily suspend a Member's trading access if SGX-DT is of the opinion that doing so is

---

<sup>3</sup> "**Approved Trader**" refers to an individual who is either an employee or agent of a corporate Member and is duly authorized to execute House Trades or Agency Trades as the case may be; or an individual Trading Member.

<sup>4</sup> "**Registered Representative**" refers to 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.

<sup>5</sup> Trading Rule 3.4

<sup>6</sup> "**Customer**" refers to an indirect SGX-DT participant.

necessary or desirable to protect the financial integrity, reputation or interest of the market or to promote the operation of a fair, orderly and transparent market (Trading Rule 2.15.2).

Also operating to deter market manipulation is the requirement, pursuant to the MAS Notice (SFA04-N02) on the Prevention of Money Laundering and Countering the Financing of Terrorism-Capital Markets Intermediaries (“**MAS Notice on AML/CFT (MAS SFA 04-N02)**”) (attached as Exhibit B-5) and the SGX Framework on Anti-Money Laundering & Countering the Financing of Terrorism (attached as Exhibit F-6), that Members perform Customer due diligence and identify that they have:

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

For more information, please refer to Exhibit G-G-2: Trade Surveillance System

SFA Section 16(1)(d) requires SGX-DT to ensure that access for participation in its Market is subject to criteria that are fair and objective and criteria designed to ensure the safe and efficient functioning of its facility and to protect the interests of the investing public. Regulation 18, 2005 Regulations, requires SGX-DT to provide in the Trading Rules, *inter alia*:

- (a) the criteria that it would use to determine the admission or denial of admission of Person from membership;
- (b) the continuing requirements for each Member, including requirements:
  - (i) relating to the proper conduct of the Member when participating in SGX-DT's trading facilities;
  - (ii) that the Member has sufficient financial resources to reasonably fulfill all its financial obligations arising out of its activities on SGX-DT; and
  - (iii) that provide for the expulsion, suspension or disciplining of the Member for a contravention of the Trading Rules.

SGX-DT has a robust admission framework. Under the Trading Rules, specifically Trading Rules 2.3.1 and 2.4.1, applicant Members must be of sufficient financial standing and have adequate internal processes. In establishing the capital and financial requirements for its Members, SGX-DT mirrors the appropriate legislative requirements set out under capital markets licensing requirements (imposed under the SFA) and the Financial and Margin Regulations (attached at Exhibit A-5-4) .

The Trading Rules are publicly available on the SGX website and are apparent to all Members. A financial institution wishing to qualify as a Member of SGX-DT must demonstrate to the satisfaction of SGX-DT that it meets the admission criteria set out under Chapter 2 of the Trading Rules.

SGX-DT admits two classes of Trading Members:

- (a) General Trading Members (“**GTM**”) for non-bank institutions that are licensed by the MAS to engage in agency broking or exempted from licensing to engage solely in proprietary trades for themselves or their related corporations; and
- (b) Bank Trading Members (“**BTM**”) for Singapore-licensed banks, regulated under Section 4, Banking Act.

For further details on membership and financial requirements, please refer to Exhibit B of this Application (Membership Criteria).

**(10) Jurisdiction**

SGX-DT requires market participants to submit to SGX-DT's jurisdiction as a condition of access to its Markets. As an approved exchange, SGX-DT operates the Markets in accordance with applicable laws of Singapore, including the SFA and its regulations.

The Trading Rules, as implemented by SGX-DT, seek to achieve the regulatory objectives of facilitating the operation of efficient Markets for the allocation of capital and transfer of risk while promoting robust and liquid Markets. SFA Section 24 provides that the business rules of an approved exchange i.e. the Trading Rules, operate as a binding contract between SGX-DT and each Member, and between each Member and every other Member. Trading Rule 1.11 provides that the Trading Rules is governed by the laws of Singapore and that the courts of Singapore shall have exclusive jurisdiction to determine any dispute arising from or in connection with the Trading Rules.

Other quasi-legislative instruments, such as directives issued pursuant to the Trading Rules, practice notes and regulatory circulars, also apply to the Market and its participants. To the extent that the Markets function in an efficient manner, SGX-DT will not intervene or impose unnecessary regulatory requirements that would inflate compliance or regulatory costs for its participants.

The hierarchy/order of precedence of the various legislative and quasi-legislative instruments applicable to the Market and its participants is, in descending order of precedence, as follows:

- (a) SFA, other statutes and regulations
- (b) Trading Rules
- (c) directives issued pursuant to the Trading Rules
- (d) practice notes
- (e) circulars (regulatory)

In the event of a conflict between any provisions in the instruments, provisions contained in the preceding instruments shall prevail.

### **Exhibit G-3- FBOT and its clearing organization's disciplinary rules**

**A description of the foreign board of trade's disciplinary rules, including but not limited to rules that address the following—**

- 1. Disciplinary authority and procedures that empower staff to recommend and prosecute disciplinary actions for suspected rule violations and that provide the authority to fine, suspend, or expel any market participant pursuant to fair and clear standards.**
- 2. The issuance of warning letters and/or summary fines for specified rule violations.**
- 3. The review of investigation reports by a disciplinary panel or other authority for issuance of charges or instructions to investigate further, or findings that an insufficient basis exists to issue charges.**
- 4. Disciplinary committees of the foreign board of trade that take disciplinary action via formal disciplinary processes.**
- 5. Whether and how the foreign board of trade articulates its rationale for disciplinary decisions.**
- 6. The sanctions for particular violations and a discussion of the adequacy of sanctions with respect to the violations committed and their effectiveness as a deterrent to future violations.**

For more information, please refer to Exhibit G-G-3: Disciplinary Authority and Procedures and Exhibit G-G-4: Market Surveillance Program.

## **For cash-settled contracts, methods of monitoring the settlement price or value**

### ***Methodologies for computation of daily settlement price***

Clearing Rule<sup>7</sup> 7.11.1.2 states that the daily settlement price for Contracts other than OTC Contracts shall be determined by SGX-DC in accordance with the relevant formula and procedures applicable to each Contract. In arriving at such formula, SGX-DC may, in consultation with the SGX-DT, take into account factors, including but not limited to: (a) the last traded price; (b) bid and offer spread at the close of market; (c) price data derived from pricing models, as selected or established by SGX-DC from time to time. Practice Note 7.11.1.2, Clearing Rules sets out the formulas and methodologies used by SGX-DC to compute the daily settlement price as contemplated in Clearing Rule 7.11.1.2.

Save for exceptional situations, SGX-DC can use any one of the following methodologies to compute the daily settlement price: (a) a price determined by a pre-closing routine; or (b) a price derived from the prices in the closing range; (c) a price determined by taking into account typical spread relationships with other contract months in the relevant Contract; (d) a price determined by theoretical pricing models selected by SGX-DC; or (e) a price determined through polling, conducted by SGX-DC, of market participants and/or any other price source deemed as reliable by SGX-DC. Higher bid or lower offer prices at the close may be used by the SGX-DC in the computation of the daily settlement price under methodologies (b), (c) and (d).

In exceptional cases when none of the methodologies set forth above yields a daily settlement price that is reflective of market conditions, SGX-DC may use any of the following alternative methodologies for the computation of the daily settlement price: (a) in regards to Futures Contracts<sup>8</sup>, the daily settlement price may be set at a price which when compared to the daily settlement price of the next contract month reflects the same differential that existed between the two contract months on the previous day, unless there is a higher bid or lower offer in existence at the close. In such case, the higher bid or lower offer may be the daily settlement price; or (b) in regards to Futures Contracts or Options Contracts, such other price that SGX-DC determines to be reflective of prevailing market conditions.

For more information, please refer to Exhibit G-G-5: Monitoring Daily Settlement Price

Clearing Rule 7.12.1 prescribes that when a Clearing Member is long or short on any amount of any Contract at the end of the day, settlement shall be made with SGX-DC to the daily settlement price for that day. Such Clearing Member shall be liable to pay to (or entitled to collect from) SGX-DC any loss or profit represented by the difference between the price at which the Contract was bought or sold and the daily settlement price of the Contract at the end of the day. Clearing Rule 7.12.2 requires that such settlement must be paid in cash in the respective currencies of the Contract.

This mark-to-market is performed on a daily basis and is followed by margin calls to Clearing Members where payments are due. Under Clearing Rule 7.14.1, where there is a net loss, Clearing Members shall receive a margin call and is required to deposit additional collateral to cover any shortage in its cash margin held with SGX-DC. Clearing Members are required to meet SGX-DC's margin call during each instance of clearing cycle or intraday settlement, and top-up the required margins within the time stipulated by SGX-DC.

---

<sup>7</sup> “**Clearing Rule(s)**” refers to SGX-DC Clearing Rules.

<sup>8</sup> “**Futures Contract**” refers to any Contract, over any asset, Commodity, instrument, index, reference rate or any other thing whose price movement determines the value of the Contract, designated by SGX-DT as a futures contract.



For more information, please refer to Exhibit G-G-6: Position Limits of Clearing Members