AMENDMENTS TO THE SGX-DC CLEARING RULES

PROPOSED RULE AMENDMENTS
SGX-DC CLEARING RULES
Chapter 2: Clearing Membership
2.11.5 Capital to Meet Loss Exposure 2.11.5.1 Before a Clearing Member can clear an Eligible ~~OTC~~ Non-Relevant Market Transaction which trade price falls outside the price band prescribed by the Clearing House (referred to at Rule 7.02A.1.1), it shall maintain at least the minimum capital required by the Clearing House, to meet the loss exposure in excess of the prescribed price band. The Clearing Member shall notify the Clearing House prior to the close of business of the next Business Day that it has fulfilled such capital requirements.
2.13 Duties and Responsibilities of Clearing Members **2.13.1** A Clearing Member shall, subject to the Rules, also have the following responsibilities and duties:— 2.13.1.1 To maintain bank accounts in the currencies that may incur settlement and with banks acceptable to the Clearing House; 2.13.1.2 Subject to the same being accepted by the Clearing House, to clear ~~OTC~~ Non-Relevant Market Contracts and/or Contracts made on any Relevant Market by such members of the Relevant Market with whom it has agreed to clear; 2.13.1.3 Not to directly carry any account and/or clear any Contract for the direct or indirect benefit of an employee or officer of another Clearing Member if such employee or officer shall be trading for his own account, unless the prior written approval of that other Clearing Member has been obtained; 2.13.1.4 Not to provide funds, credit or finance to any other Clearing Member or a member of any Relevant Market for any purpose except with the prior written approval of the Clearing House, and except that this Rule 2.13.1.4 shall not apply to Bank Clearing Members; 2.13.1.5 To provide and maintain such Security Deposit as specified in Rule 7A.06.2 in addition to any security deposit requirement that may be required of it as a Clearing Member of the Clearing House; 2.13.1.6 To maintain minimum capital and financial requirements as specified in Rule 2.07 or 2.08; 2.13.1.7 To clear such Contracts made on any Relevant Market by any person through any approved electronic trading terminal or facilities provided to it or to such members of the Relevant Market to whom it shall have agreed to provide clearing services; 2.13.1.8 To have in place sufficient resources and establish and maintain adequate internal control and risk management system for its business, and in the case of a Bank Clearing Member, its business governed by this Rules; and 2.13.1.9 To comply with such other requirements as may be prescribed by the Clearing House from time to time.

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Chapter 6: Delivery and Related Matters

6.01.1C

Eligible ~~OTC~~ Non-Relevant Market Contracts shall be settled or delivered in accordance with the relevant Delivery Rules.

Chapter 7: Clearing and Margins

7.01.1

The Clearing House shall facilitate the prompt adjustment of contractual obligations arising out of:

a. Contracts traded on the Exchange, a Relevant Market and the Participating Markets;

b. ~~OTC~~ Non-Relevant Market Contracts; and

c. OTCF Contracts

insofar as the same are duly accepted by the Clearing House or with respect to which the Clearing House is otherwise obliged to accept and to protect the integrity of such Contracts in accordance with these Rules.

7.02A Registration of Eligible ~~OTC~~ Non-Relevant Market Transactions

7.02A.1 Eligible ~~OTC~~ Non-Relevant Market Transactions

7.02A.1.1 Only ~~OTC~~ Non-Relevant Market Transactions which meet the following criteria will be eligible for registration with the Clearing House ("**Eligible ~~OTC~~ Non-Relevant Market Transactions**"):

a. a transaction which falls under one of the classes of Eligible ~~OTC~~ Non-Relevant Market Contracts; and

b. a transaction where the Seller and the Buyer have satisfied the risk limits prescribed by their respective Clearing Members; and

c. a transaction where:

i. the trade price falls within the price band prescribed by the Clearing House; or

ii. notwithstanding that the trade price does not fall within the price band prescribed by the Clearing House, the Clearing Member acting for the Seller and the Clearing Member acting for the Buyer have both signified their respective agreement to clear the transaction and have both met the capital and notification requirements prescribed by Rule 2.11.5.

Once the criteria in Rule 7.02A.1.1 are satisfied, the Clearing Members acting for the Seller and the Buyer respectively shall be responsible for the Eligible ~~OTC~~ Non-Relevant Market Transaction as principals to the Clearing House.

7.02A.1.2 If a~~n~~ ~~OTC~~ Non-Relevant Market Transaction does not fulfill the criteria in Rule 7.02A.1.1, the ~~OTC~~ Non-Relevant Market Transaction

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shall be deemed not to have been submitted to the Clearing House and the transaction shall remain in effect or be terminated, as the case may be, in accordance with any terms agreed between the Seller and the Buyer. 7.02A.1.3 The specifications of Eligible ~~OTC~~ Non-Relevant Market Contracts including Contract size, Contract Month, trading hours, underlying asset, exercise price, minimum price fluctuation, last trading day, settlement basis and method of exercise shall be set out in Circulars issued by the Clearing House from time to time.
7.02A.2 Registration of ~~OTC~~ Non-Relevant Market Transactions 7.02A.2.1 ~~OTC~~ Non-Relevant Market Transactions will be registered with the Clearing House for clearing through the Trade Registration System or other facility as prescribed by the Clearing House. 7.02A.2.2 An Eligible ~~OTC~~ Non-Relevant Market Transaction may only be registered by any of the following parties: a. an Inter Dealer Broker; b. a Clearing Member acting for a Seller; or c. such other party authorized by the Clearing Member acting for a Seller and approved by the Clearing House. 7.02A.2.3 Where registration of an Eligible ~~OTC~~ Non-Relevant Market Transaction is submitted by a Clearing Member acting for a Seller or a party authorised by such Clearing Member and approved by the Clearing House, confirmation of the Eligible ~~OTC~~ Non-Relevant Market Transaction may only be submitted by: a. a Clearing Member acting for a Buyer; or b. such other party authorized by the Clearing Member acting for a Buyer and approved by the Clearing House. 7.02A.2.4 Any of the parties submitting registration or confirmation of an Eligible ~~OTC~~ Non-Relevant Market Transaction through the Trade Registration System, or other facility prescribed by the Clearing House, shall comply with the terms and conditions governing the access to and operation of that system, as varied, amended, or supplemented from time to time. 7.02A.2.5 A Clearing Member acting for a Seller or Buyer, as the case may be, must submit to the Clearing House the name of each Inter Dealer Broker or such other party referred to at Rule 7.02A.2.2 who is authorized to register ~~OTC~~ Non-Relevant Market Transactions on the behalf of such Clearing Member. 7.02A.2.6 A Clearing Member acting for a Seller or Buyer, as the case may be, shall obtain the consent of such Seller or Buyer, before allowing an Inter Dealer Broker or such other party referred to at Rule 7.02A.2.2 to register ~~OTC~~ Non-Relevant Market Transactions on the behalf of such Clearing Member. 7.02A.2.7 Each registration of an Eligible ~~OTC~~ Non-Relevant Market Transaction must specify: a. the type(s) of Eligible ~~OTC~~ Non-Relevant Market Contract(s) which the ~~OTC~~ Non-Relevant Market Transaction falls under; b. the expiry month;

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c. the quantity;
d. the price;
e. the name of the Clearing Member acting for the Buyer;
f. the Seller's account number; and
g. such other particulars as may be prescribed by the Clearing House from time to time.
7.02A.2.8 Each confirmation of an Eligible ~~OTC~~ Non-Relevant Market Transaction shall include:—
a. the details of the trade set out in Rules 7.02A.2.7.a to 7.02A.2.7.e;
b. the Buyer's account number; and
c. such other particulars as may be prescribed by the Clearing House from time to time.
7.02A.2.9 Unless:
a. the registration of an Eligible ~~OTC~~ Non-Relevant Market Transaction or the complete specification of trade details pursuant to Rule 7.02A.2.7; and
b. the confirmation of the details set out in Rule 7.02A.2.8; and
c. the signifying of agreement to the clearing of a trade, if the trade price does not fall within the prescribed price band as set out in Rule 7.02A.1.1.c.ii,
are submitted to the Clearing House on the same day, prior to the trade submission deadline(s) prescribed by the Clearing House, such Eligible ~~OTC~~ Non-Relevant Market Transaction will not be registered.
7.02A.2.10 A Clearing Member acting for a Seller shall assume the duties and obligations of the Seller, as principal to the Clearing House, for an Eligible ~~OTC~~ Non-Relevant Market Transaction that has been registered and confirmed by any of the parties in Rules 7.02A.2.2 and 7.02A.2.3 respectively.
7.02A.2.11 A Clearing Member acting for a Buyer shall assume the duties and obligations of the Buyer, as principal to the Clearing House, for an Eligible ~~OTC~~ Non-Relevant Market Transaction that has been registered and confirmed by any of the parties in Rules 7.02A.2.2 and 7.02A.2.3 respectively.
7.02A.2.12 In allowing the submission of an Eligible ~~OTC~~ Non-Relevant Market Transaction for registration through the Trade Registration System or other facility as prescribed by the Clearing House, the Seller and Buyer of such Eligible ~~OTC~~ Non-Relevant Market Transaction shall be deemed to have mutually agreed (i) to substitute their contract for a contract based on the specifications referred to in Rule 7.02A.1.3, and (ii) for the Clearing House to become the central counterparty to the Clearing Members in whose names such Eligible ~~OTC~~ Non-Relevant Market Transaction has been registered pursuant to Rule 7.04.
7.02A.2.13 Once an Eligible ~~OTC~~ Non-Relevant Market Transaction has been submitted for registration, the terms of the Eligible ~~OTC~~ Non-

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Relevant Market Transaction shall be final and a Clearing Member shall be bound by the terms of the Eligible ~~OTC~~ Non-Relevant Market Transaction registered in its name. The Clearing House shall not be responsible for confirming the terms of such Eligible ~~OTC~~ Non-Relevant Market Transactions.
7.02B Withdrawal of Classes of ~~OTC~~ Non-Relevant Market Contracts and OTCF Contracts for Clearing by the Clearing House **7.02B.1** The Clearing House shall be entitled to withdraw any class of Eligible ~~OTC~~ Non-Relevant Market Contracts or Eligible OTCF Contracts for clearing at its discretion. The Clearing House will give the Clearing Members reasonable notice where possible, before such withdrawal. **7.02B.2** The Clearing House shall have the sole discretion to disallow the registration or substitution, as the case may be, of: a. an Eligible ~~OTC~~ Non-Relevant Market Transaction, other than a closing-out contract after it has given notice to withdraw the clearing of any class of Eligible ~~OTC~~ Non-Relevant Market Contract which the ~~OTC~~ Non-Relevant Market Transaction falls under; or b. an Eligible OTCF Transaction, other than a closing-out contract after it has given notice to withdraw the clearing of any class of Eligible OTCF Contract which the OTCF Transaction falls under. **7.02B.3** If a Clearing Member has not closed out all open Eligible ~~OTC~~ Non-Relevant Market Contracts or Eligible OTCF Contracts, as the case may be, novated with the Clearing House in its name pursuant to Rule 7.04 after the Clearing House has given such notice, the Clearing House shall, at its sole discretion, be entitled to: 7.02B.3.1 liquidate any or all of such Eligible ~~OTC~~ Non-Relevant Market Contracts or Eligible OTCF Contracts, as the case may be, and require such contracts to be cash settled at a price determined by the Clearing House; or 7.02B.3.2 postpone the withdrawal date until such time as the Clearing House determines.
7.04.1 Except with respect to trades made pursuant to Rule 7.27 (other than a Relevant Trade as defined in Rule 7.27.3), Exchanges for Physicals/Spot ("EFPs"), Exchanges for Swaps ("EFSs"), Negotiated Large Trades ("NLTs") and transfers of open positions to an appointed Clearing Member for the purpose of consolidation pursuant to Rule 6.05.2 or as otherwise provided by this Rules, if the Clearing House accepts the clearing memoranda in respect of one or more Contracts executed on a Relevant Market and matched on a Relevant Market to be cleared through the Clearing House or accepted by the Clearing House pursuant to an Mutual Offset System, or if the Clearing House accepts an Eligible ~~OTC~~ Non-Relevant Market Transaction registered for clearing pursuant to Rule 7.02A.2, the Clearing House shall be substituted as and shall assume the position of selling Clearing Member to the buying Clearing Member and buying Clearing Member to the selling Clearing Member, thereby becoming the central counterparty, and thereupon the Clearing House shall have all the rights and be subject to all the liabilities with respect to

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such transaction of the Clearing Members who were the parties to such transaction. Such substitution shall be effective in law for all purposes.
7.05 Open Positions/Open Contracts for Contracts Traded on the Exchange/Any Relevant Market and ~~OTC~~ Non-Relevant Market Contracts **7.05.1** All Contracts, except for OTCF Contracts, to which the Clearing House is a party shall remain open until liquidated by offset as provided in Rule 7.06, terminated in accordance with Rule 7A.07, or by delivery in accordance with Chapter 6 of this Rules, and 7.05.1.1 for ~~OTC~~ Non-Relevant Market Contracts, such liquidation or delivery shall be in accordance with these Rules; and 7.05.1.2 for other Contracts, except for OTCF Contracts, such liquidation or delivery shall be in accordance with the relevant provision(s) of the Relevant Market where the Contracts were traded and/or transferred or novated from pursuant to a Mutual Offset System and this Rules.
7.11.1 The daily settlement price of a Contract shall be determined: 7.11.1.1 in ~~OTC~~ Non-Relevant Market Contracts and/or OTCF Contracts, by using price data from market participants or derived from pricing models, as selected or established by the Clearing House from time to time; and Refer to Practice Note 7.11.1.1. 7.11.1.2 in all other Contracts, in accordance with the relevant formula and procedures applicable to each Contract, as determined by the Clearing House. In arriving at such formula, the Clearing House may, in consultation with the Exchange, take into account factors, including but not limited to: a. the last traded price; b. bid and offer spread at the close of market; and c. price data derived from pricing models, as selected or established by the Clearing House from time to time. Refer to Practice Note 7.11.1.2.
7.11A Final Settlement Price of Contracts Traded on the Exchange/Any Relevant Market and ~~OTC~~ Non-Relevant Market Contracts **7.11A.1** The Final Settlement Price of ~~OTC~~ Non-Relevant Market Contracts shall be determined in the manner as set out in Appendix 1, and of all other Contracts except for OTCF Contracts, in the manner as set out in the Trading Rules or relevant Contract Specifications. Refer to Appendix 1 — Final Settlement Price.

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7.13 Settlement Variation for Contracts Traded on the Exchange/Any Relevant Market or ~~OTC~~ Non-Relevant Market Contracts **7.13.1** Where a~~n~~ ~~OTC~~ Non-Relevant Market Contract is a freight forward contract for a tanker voyage route, the Clearing House shall adjust the Settlement Variation retrospectively whenever there is any adjustment to the Flat Rate.
7.17.1 Clearing Members shall not be permitted to carry a speculative long position and a speculative short position for any Third Party or for themselves in the case of futures contracts or ~~OTC~~ Non-Relevant Market Contracts, in the same Commodity for the same Contract Month and in the case of options contracts, in the same Commodity, for the same class, for the same Contract Month and for the same strike price.
7.20.2 Margin Composition Without prejudice to the generality of the foregoing, the aggregate amount of Assets or Properties deposited with the Clearing House in respect of the total margin requirements in relation to Customers' and House Contracts must separately comply with each of the following: 7.20.2.1 for Clearing Members whose total margin requirements are US$1,000,000 (of its equivalent) or less, the entire margin requirements must be in the form of cash and/or government securities; 7.20.2.2 for Clearing Members whose total margin requirements are more than US$1,000,000, cash and/or government securities must constitute the first US$1,000,000 or 40 percent of the total margin requirements whichever is the greater; and 7.20.2.3 for clearing of the following Contract Classes, 60 percent of the total margin requirements must be in the form of: (a) for clearing of Contracts traded on the Exchange or any Relevant Market or ~~OTC~~ Non-Relevant Market Contracts, cash, government securities and/or Letters of Credit; and (b) for clearing of OTCF Contracts, cash and government securities.
7A.02.1 When a Clearing Member having open positions has defaulted upon its obligation to the Clearing House, or has been suspended, the Clearing House may:— 7A.02.1.1 transfer all or any part of positions in Customer Contracts held by the defaulted or suspended Clearing Member to one (1) or more Clearing Members designated by the Clearing House. When such positions are so transferred, the following shall apply: a. subject to Rule 7A.02.1.1.c., margins deposited with the Clearing House in respect of the positions shall be entrusted to the designated Clearing Member or Clearing Members; b. the margins entrusted to a designated Clearing Member pursuant to this Rule 7A.02.1.1 may not be in such form as was originally deposited

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with the Clearing House;

c. the Clearing House shall have the discretion not to transfer all or any part of the margins and settlement monies to a designated Clearing Member as described in Rule 7A.02.1.1.a., if:

i. the positions are held in an omnibus account; or

ii. monies and other assets deposited with the Clearing House in relation to Customers' Contracts may be applied pursuant to Rule 7A.05.1.2.

Where margins and settlement monies are not transferred to the designated Clearing Member, the designated Clearing Member shall be required to collect the required margins and settlement monies from its Customer; and

d. The margins not entrusted to designated Clearing Members shall be retained by the Clearing House and may be applied in accordance with Rule 7A.05.1.2. Any unused margins shall be returned to the defaulted or suspended Clearing Member, or entrusted to the designated Clearing Members, as the Clearing House deems appropriate:

i. following the settlement of losses arising from the event of default; or

ii. at such time that the Clearing House determines that the margins may not be used.

7A.02.1.2 execute hedging transactions, on behalf of and at the risk of the defaulted or suspended Clearing Member, to eliminate or reduce market risk resulting from such open positions;

7A.02.1.3 appoint one or more Inter Dealer Brokers, Clearing Members or members of the applicable Relevant Market to close out positions in House Contracts, as well as Customer Contracts that have not been transferred pursuant to Rule 7A.02.1.1 within such time as the Clearing House may prescribe, on the behalf of and at the risk of the defaulted or suspended Clearing Member;

7A.02.1.4 where the open positions relate to an Eligible ~~OTC~~ Non-Relevant Market Transaction or a Contract subject to physical delivery prior to re-novation in Rule 6.02A.7, and it is in the Clearing House's good faith opinion impossible or impracticable for the open positions to be transferred or closed out pursuant to Rules 7A.02.1.1 and 7A.02.1.3 respectively, the Clearing House may, in addition to any other power or right it may have, invoice back such positions to the defaulting or suspended Clearing Member. The Clearing House shall then simultaneously invoice back the equivalent number of positions or as nearly equivalent number of such positions as the Clearing House may deem practical to the following:—

a. in the case of an Eligible ~~OTC~~ Non-Relevant Market Transaction or a Contract subject to physical delivery prior to the matching process in Rule 6.02A.7, to other non-defaulting and non-suspended Clearing Members, and/or any other non-defaulting Relevant Market (or its clearing house) holding appropriate opposite positions (whether reported to the Clearing House as being House or Customer 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 and non-suspended 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 and non-suspended Clearing Members (to be rounded down or up if the number of lots is not a whole number at the Clearing House's absolute discretion).

b. in the case of a Contract subject to physical delivery after the matching process in Rule 6.02A.7 and before re-novation in Rule 6.02A.7, to the non-defaulting and non-suspended Clearing Members and/or clearing member of another Relevant Market (or its clearing house), with which the

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defaulting or suspended Clearing Member has been matched in accordance with Rule 6.02A.7 (whether reported to the Clearing House as being House or Customer positions). The invoicing back shall be carried out by the Clearing House effecting and registering opposite positions between itself and each of the relevant affected persons. The Clearing House shall then settle the open positions against such opposite positions, at a price determined by it. The Clearing House's actions, including the timing of the transfer and the price determined by the Clearing House shall be binding on all affected Clearing Members; and/or 7A.02.1.5 where the open positions relate to OTCF Contracts, take one or more of the following actions: a. hedge or otherwise liquidate such open positions in OTCF Contracts; b. conduct an auction of such open positions in OTCF Contracts, whether hedged or otherwise; c. where it is in the Clearing House's good faith opinion that (b) is impossible or impracticable, assign and transfer any residual OTCF Contracts, whether hedged or otherwise, to a non-defaulting Clearing Member provided that: i. the residual OTCF Contracts, whether hedged or otherwise, assigned and transferred to the non-defaulting Clearing Member shall not be of such amount as to increase its risk margin requirement by more than 100% of its average end-of-day risk margin requirement for OTCF Contracts in the 30 days preceding, and excluding, the day on which the event of default occurs, as declared by the Clearing House; and ii. the non-defaulting Clearing Member has cleared such product group in such currency in the last three months, or d. undertake any action which is ancillary or incidental to activities set out under (a) – (c) above.
7A.06.2 Security Deposit 7A.06.2.1 Upon being granted eligibility by the Clearing House to clear a relevant Contract Class, each Clearing Member wishing to clear that Contract Class shall deposit with the Clearing House as security for its obligations to the Clearing House ("Security Deposit") the following amounts: A. for clearing Contracts which are listed for trading on the Exchange or any Relevant Market and/or ~~OTC~~ Non-Relevant Market Contracts, the higher of: a. S$1,000,000 or such lower amount as prescribed by the Clearing House time to time in its discretion; or b. 3.0%, or such lower amount as prescribed by the Clearing House from time to time in its discretion, of the daily average of the risk margin of such Clearing Member during the preceding three month period; B. for clearing OTCF Contracts, the higher of: a. US$5 million; or b. 3.0%, or such lower amount as prescribed by the Clearing House from time to time in its discretion, the daily average of the risk margin of such

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Clearing Member for such OTCF Contracts during the preceding three month period; or

C. for clearing (i) Contracts which are listed for trading on the Exchange or any Relevant Market and/or ~~OTC~~ Non-Relevant Market Contracts, and (ii) OTCF Contracts, the sum of the amounts set out in Rule 7A.06.2.1.A AND 7A.06.2.1.B.

7A.06.2.2 The Security Deposit shall be in the following forms:

A. for clearing Contracts traded on the Exchange or any Relevant Market or ~~OTC~~ Non-Relevant Market Contracts, cash, government securities or an irrevocable Letter of Credit in a form and from a bank acceptable to the Clearing House;

B. for clearing OTCF Contracts, cash or government securities; and

C. for clearing both (i) Contracts which are listed for trading on the Exchange or any Relevant Market and/or ~~OTC~~ Non-Relevant Market Contracts, and (ii) OTCF Contracts, a combination of:

a. any of the forms of collateral set out in Rule 7A.06.2.2.A in respect of the Security Deposit amount required for clearing Contracts listed for trading on the Exchange or any Relevant Market and/or ~~OTC~~ Non-Relevant Market Contracts; AND

b. any of the forms of collateral set out in Rule 7A.06.2.2.B in respect of the Security Deposit amount required for clearing OTCF Contracts, or any other securities acceptable to the Clearing House from time to time.

7A.06.2.3 Letters of Credit, government securities or any other security acceptable to the Clearing House shall not exceed a prescribed proportion of the Security Deposit, as the Clearing House may specify from time to time in its discretion.

7A.06.2.4 This deposit may be withdrawn when such Clearing Member ceases to be a Clearing Member if, in the opinion of the Clearing House, all Contracts and obligations of such Clearing Member with the Clearing House have been settled and all sums owing to the Clearing House have been paid.

7A.06.3 Further Assessment Amount

7A.06.3.1 The Further Assessment Amount shall be an amount up to three (3) times of a Clearing Member's Security Deposit requirement, as prescribed by the Clearing House from time to time in its discretion.

7A.06.3.2 Each Clearing Member shall be required to deposit with the Clearing House a percentage of its Further Assessment Amount as set out below:

a. in respect of Further Assessment Amount attributable to Contracts traded on the Exchange or any Relevant Market or ~~OTC~~ Non-Relevant Market Contracts, an amount up to 50% in the form of cash, government securities or an irrevocable Letter of Credit; or

b. in respect of Further Assessment Amount attributable to OTCF Contracts, an amount up to 100% in the form of cash or government securities,

or any other securities acceptable to the Clearing House from time to time.

7A.06.3.3 In the use and application of the Further Assessment Amounts pursuant to Rule 7A.06.5.2 in an event of default, the Clearing House shall be entitled to call for payment of any balance of the Further Assessment Amount, which has not been deposited with the Clearing House

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pursuant to Rule 7A.06.3.2, at such time as it deems appropriate. A Clearing Member shall immediately furnish such amount to the Clearing House, prior to the close of business on the Business Day immediately following such call.
7A.06.5 Losses Borne by Clearing House 7A.06.5.1 On the occurrence of any of the following events, or if the Clearing House in its discretion determines that any of the following events has occurred, the Clearing House may declare an event of default:— a. the insufficiency of a Clearing Member's Security Deposit, margins on deposit with the Clearing House, or any of its other assets or securities available to the Clearing House to fully discharge such Clearing Member's obligations to the Clearing House; or b. the insufficiency of the Letters of Credit, margins or any other assets or securities of any other Relevant Market, including a Participating Market, available to the Clearing House to fully meet such other Relevant Market's and/or its clearing house's obligations to the Clearing House; or c. the insolvency of a Clearing Member (as determined by Rule 7A.01.3), any other Relevant Market which clears the opposite side of any Contract, including a Participating Market, and/or its clearing house or any depository (as defined in Rule 2.35.4); or d. conversion, theft, breach of trust, embezzlement, or any other similar cause, caused or suffered by or in connection with a Clearing Member. 7A.06.5.2 Subject to Rule 7A.06.6.4, any loss suffered by the Clearing House arising from or in connection with an event of default shall be met and made good promptly by the use and application of funds from the following sources (collectively known as the "Clearing Fund") in the order of priority hereafter listed, with each source of funds to be completely exhausted, subject to the limitations contained therein, before the next source is applied:— a. Clearing House Contribution. b. Security Deposits of Clearing Members (excluding any Clearing Member who is insolvent or deemed to be insolvent) where each Clearing Member had: i. cleared Contracts belonging to the Contract Class in which the event of default occurred, during the six (6) month period preceding the day the event of default was declared by the Clearing House; or ii. an open commitment in Contracts belonging to the same Contract Class in which the event of default occurred, during the six (6) month period preceding the day the event of default was declared by the Clearing House (with the periods at Rules 7A.06.5.2.b.i and 7A.06.5.2.b.ii collectively referred to as the "Relevant Periods"). Such Clearing Member shall be liable for the loss remaining on a pro-rata basis, calculated as the proportion of its Security Deposit requirement relative to the aggregate Security Deposit requirement for the category of Clearing Members referred to in this Rule 7A.06.5.2.b. c. Further Assessment Amounts (as prescribed under Rule 7A.06.3, and excluding any Clearing Member who is insolvent or deemed to be insolvent) of the same category of Clearing Members referred to in Rule 7A.06.5.2.b. Such Clearing Member shall be liable for the loss remaining on a pro-rata basis, calculated as the proportion of its Further Assessment Amount requirement relative to the aggregate Further Assessment

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Amount requirement for the category of Clearing Members referred to in Rule 7A.06.5.2.b. c1. Any contributions to the Clearing Fund by the Clearing House or any of its related entities to that Contract Class in which the event of default occurred, the amount of such contributions (if any) to be determined by the Clearing House in its sole discretion. d. Security Deposits of Clearing Members (excluding any Clearing Member who is insolvent or deemed to be insolvent) where that Clearing Member had:— i. cleared Contracts, not belonging to the same Contract Class in which the event of default occurred, during the six (6) month period preceding the day the event of default was declared by the Clearing House; or ii. an open commitment in Contracts, not belonging to the same Contract Class in which the event of default occurred, during the six (6) month period preceding the day the event of default was declared by the Clearing House; or iii. not cleared or had no open commitment in Contracts belonging to the same Contract Class in which the event of default occurred, during the Relevant Periods. Such Clearing Member shall be liable for the loss remaining on a pro-rata basis, calculated as the proportion of its Security Deposit requirement relative to the aggregate Security Deposit requirement for the category of Clearing Members referred to in this Rule 7A.06.5.2.d, PROVIDED ALWAYS that if such Clearing Member's Security Deposit had been applied pursuant to Rule 7A.06.5.2.b, its Security Deposits shall not be applied again pursuant to this Rule 7A.06.5.2.d. e. Further Assessment Amounts (as prescribed under Rule 7A.06.3 of the same category of Clearing Members referred to in Rule 7A.06.5.2.d (excluding any Clearing Member which has been levied the maximum amount that may be levied against it pursuant to 7A.06.5.2.c). Such Clearing Member shall be liable for the loss remaining on a pro-rata basis, calculated as the proportion of its Further Assessment Amount requirement relative to the aggregate Further Assessment Amounts requirement for the category of Clearing Members referred to in Rule 7A.06.5.2.d; and f. any other contributions to the Clearing Fund. 7A.06.5.3 Where Clearing Members' Security Deposit or Further Assessment Amounts are used and applied in accordance with Rules 7A.06.5.2.b, c, d or e, the limits to one or more Clearing Members' liabilities in respect of such funds as set out in Rule 2.28.2A or Rule 7A.06.6.6 may be reached. As a consequence of the foregoing, the contributions of Clearing Members which remain liable in respect of the relevant source of funds may remain unexhausted, while outstanding losses remain following such use and application of the source of funds. In such instances, the following shall apply: a. the remaining contributions of Clearing Members in respect of the relevant source of funds shall be applied to meet the outstanding loss, subject to their limits set out in Rule 2.28.2A and Rule 7A.06.6.6; and b. the liability of each Clearing Member for such loss shall be determined as described in Rules 7A.06.5.2.b, c, d or e, whichever is applicable, subject always to the operation of Rule 7A.06.6.5. 7A.06.5.4 If the Clearing House is unable to ascertain any of its losses in relation to a potential Flat Rate adjustment promptly after an event of default, the Clearing House may estimate its loss as if such estimated loss has already been ascertained, and apply the Clearing Fund

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PROPOSED RULE AMENDMENTS
accordingly. Upon ascertaining its actual loss suffered in relation to a Flat Rate adjustment, the Clearing House will debit or credit the monies to the Clearing Fund accordingly. 7A.06.5.5 For the purpose of Rules 7A.06.5.2.b, c, d, and e, an event of default shall fall within either of the following: a. Contracts that are listed for trading on the Exchange or Relevant Market; b. ~~OTC~~ Non-Relevant Market Contracts; or c. OTCF Contracts (each a "Contract Class", and collectively, "Contract Classes") except as provided in Rules 7A.06.5.7 and 7A.06.5.9, when an event of default is deemed to fall within (i) any combination of Contract Class, or (ii) all of the Contract Classes, as the case may be. 7A.06.5.6 An event of default shall be deemed to have fallen within a particular Contract Class if the defaulting Clearing Member had open commitment or outstanding obligations to the Clearing House in that Contract Class at the time of such default. 7A.06.5.7 An event of default that is due to the insufficiency of a Clearing Member's Security Deposit, margins, or deposit with the Clearing House, or any of its other assets or securities available to the Clearing House to fully discharge such Clearing Member's obligations to the Clearing House, or is due to the insolvency of a Clearing Member, shall be deemed for the purpose of Rules 7A.06.5.2.b, c, d and e to have occurred in each Contract Class that Clearing Member was clearing or had open commitment in at the time of default. 7A.06.5.8 Where an event of default is due to the insufficiency of the Letter of Credit, margins or any of its other assets or securities of any other Relevant Market including a Participating Market, available to the Clearing House to fully meet the obligations of such Relevant Market and/or its clearing house to the Clearing House or the insolvency of the other Relevant Market, a default shall be deemed to have occurred in the class of Contracts that are listed for trading on the Exchange or the Relevant Market. 7A.06.5.9 An event of default that is due to conversion, theft, breach of trust or embezzlement of a Clearing Member, or any other cause shall be deemed to have occurred in each Contract Class that Clearing Member was clearing or had open commitment in at the time of default. 7A.06.5.10 While application of the Clearing Fund shall be mandatory, the detailed implementation of Rule 7A.05 and 7A.06 shall be the responsibility of the Clearing House.
Chapter 9: Definitions and Interpretation
9.01.1
"business governed by this Rules" or "operations governed by this Rules" when used in reference to:— a. a Bank Clearing Member incorporated in Singapore or a Bank Clearing Member incorporated outside Singapore which has satisfied Rule

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2.02B.1.11.c, shall mean its business or operations (whichever is applicable) involving all derivatives and securities contracts traded on any exchange and ~~OTC~~ all contracts novated to any clearing facility; and

b. a Bank Clearing Member incorporated outside Singapore which has satisfied Rule 2.02B.1.11.a or b, shall mean its business or operations (whichever is applicable) involving derivatives and securities contracts traded on the Exchange and SGX-ST and ~~OTC~~ all contracts novated to the Clearing House and CDP.

"Buyer"

shall:

a. for the purpose of Rule 5.01.2 and Chapter 6, refer to the buying party who is responsible for taking delivery of the underlying Commodity under a Contract or delivery contract through the Buying Member, unless such Buyer is itself the Buying Member.

b. for the purpose of Rule 7.02A, where it is not the Clearing Member itself, refer to a party for whom the Clearing Member maintains an account and who is a buyer in a~~n~~ ~~OTC~~ Non-Relevant Market Transaction and otherwise shall refer to the Clearing Member itself. Where the Buyer is the Clearing Member itself, references in Rule 7.02A to the Clearing Member "acting for a Buyer" shall be correspondingly read as if the words "acting for a Buyer" were superfluous.

"clearing"

— The process administered by the Clearing House by which all trades executed on or subject to the rules of the Exchange or any Relevant Market or executed pursuant to any ~~OTC~~ Non-Relevant Market Transaction are confirmed and settled daily until each is liquidated by offset or until delivery takes place, or settled by such other means as provided in this Rules.

"Contract"

means the rights and obligations incurred through:

a. unless otherwise excluded by the context, a trade on the Exchange or any Relevant Market which may be satisfied by offset or by delivery or such other means as provided in the rules of the Exchange or the Relevant Market or the relevant Contract Specifications (as the case may be) as novated to the Clearing House pursuant to Rule 7.04; or

b. unless otherwise excluded by the context, a trade pursuant to a~~n~~ ~~OTC~~ Non-Relevant Market Transaction which may be satisfied by offset or by delivery or such other means as provided in this Rules or the relevant Contract Specifications as novated to the Clearing House pursuant to Rule 7.04; or

c. unless otherwise excluded by the context, a trade pursuant to an OTCF Transaction which may be satisfied by any means provided for in this Rules or the relevant OTCF Contract Terms as novated to the Clearing House pursuant to Rule 7.04; and

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"Contract Specifications"

means the commercial and technical terms of a Contract which is listed for trading on the Exchange or any Relevant Market or a~~n~~ ~~OTC~~ Non-

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PROPOSED RULE AMENDMENTS
Relevant Market Contract, including the Contract size, Contract Month, trading hours, Underlying, exercise price, minimum price fluctuation, Last Trading Day, settlement basis and method of exercise.
"Eligible ~~OTC~~ Non-Relevant Market Contract" means any ~~OTC~~ Non-Relevant Market Contract accepted by the Clearing House for clearing (subject to this Rules), as prescribed by the Clearing House from time to time.
"Eligible ~~OTC~~ Non-Relevant Market Transaction" shall have the meaning ascribed to it in Rule 7.02A.1.1.
"Inter Dealer Broker" means a party who: a. has signed an agreement with the Clearing House for the access to and use of the Trade Registration System; and b. is designated by the Clearing House as eligible to submit ~~OTC~~ Non-Relevant Market Transactions to the Clearing House on behalf of a Clearing Member pursuant to this Rules.
"~~OTC~~ Non-Relevant Market Contract or Transaction" means a contract or transaction that is not listed or quoted for trading on the Exchange or any Relevant Market but shall not include any OTCF Contract or OTCF Transaction.
"**Relevant Market**" means any Market or any organisation (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, the Clearing House including without limitation the Exchange and each Participating Market~~ as the Clearing House may prescribe, and includes the Exchange and each Participating Market.
"Seller" shall, a. for the purpose of Rule 5.01.2 and Chapter 6, refer to the selling party who is responsible for making delivery of the underlying Commodity under a Contract or delivery contract through the Selling Member, unless such Seller is itself the Selling Member. b. for the purpose of Rule 7.02A, where it is not the Clearing Member itself, refer to a party for whom the Clearing Member maintains an account and who is a seller in a~~n~~ ~~OTC~~ Non-Relevant Market Transaction and otherwise shall refer to the Clearing Member itself. Where the Seller is the

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PROPOSED RULE AMENDMENTS
Clearing Member itself, references in Rule 7.02A to the Clearing Member "acting for a Seller" shall be correspondingly read as if the words "acting for a Seller" were superfluous.
"total risk requirement" —when used in reference to:— a. a General Clearing Member or a Direct Clearing Member, shall bear the meaning ascribed thereto in paragraph 1 of the Third Schedule of the SFR (Financial and Margin Requirements); b. a Bank Clearing Member incorporated in Singapore or a Bank Clearing Member incorporated outside Singapore which has satisfied Rule 2.02B.1.11.c, shall bear the meaning ascribed thereto in paragraph 1 of the Third Schedule of the SFR (Financial and Margin Requirements) except that such Bank Clearing Member shall only compute the total risk requirement for all Third Parties' and proprietary positions in derivatives and securities contracts traded on any exchange and ~~OTC~~ all contracts (but shall not include any positions in OTCF Contracts in such computations) novated to any clearing facility; and c. a Bank Clearing Member incorporated outside Singapore which has satisfied Rule 2.02B.1.11.a or b, shall bear the meaning ascribed thereto in paragraph 1 of the Third Schedule of the SFR (Financial and Margin Requirements) except that such Bank Clearing Member shall only compute the total risk requirement for all Third Parties' and proprietary positions in derivatives and securities contracts traded on the Exchange and SGX-ST and ~~OTC~~ all contracts (but shall not include any positions in OTCF Contracts in such computations) novated to the Clearing House and CDP.
"Trade Registration System" means the software and systems provided by the Clearing House or any third party systems provider approved by the Clearing House to Clearing Members, Inter Dealer Brokers or such other party authorised by the Clearing Member and, where required under this Rules, approved by the Clearing House, for the purpose of registering and confirming Eligible ~~OTC~~ Non-Relevant Market Transactions and/or Eligible OTCF Transactions with the Clearing House.

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Practice Note 7.11.1.1 — Daily Settlement Procedures for Eligible ~~OTC~~ Non-Relevant Market Contracts

Issue Date	Cross Reference	Enquiries
Added on 22 September 2006, amended on 23 November 2009 and xx 2012.	Rule 7.11.1.1	Please contact: **Operations, Clearing and Depository** Clearing Hotline Tel: (65) 6236 5319 Email: otclear@sgx.com **SGX OTC Clearing Business** Email: sgxotc@sgx.com

1. Introduction

1.1 This Practice Note describes the procedures for determining Daily Settlement Prices for Eligible ~~OTC~~ Non-Relevant Market Contracts.

1.2 Daily Settlement Price is the official daily closing price of a Contract determined in accordance with SGX-DC Clearing Rule 7.11.1.1. An Eligible ~~OTC~~ Non-Relevant Market Contract is any ~~OTC~~ Non-Relevant Market Contract accepted by the Clearing House for clearing, subject to SGX-DC Clearing Rules, as prescribed by the Clearing House from time to time.

1.3 The procedures in this Practice Note shall only be applicable for determining the Daily Settlement Price of an Eligible ~~OTC~~ Non-Relevant Market Contract from the first trading day to one day before last trading day.

The formulas for the computation of Daily Settlement Prices on the last trading day, otherwise also known as Final Settlement Prices, are provided in Appendix 1 of SGX-DC Clearing Rules.

Refer to Appendix 1.

2. Procedures

2.1 Clearing House shall prescribe a list of Price Contributors for each Eligible ~~OTC~~ Non-Relevant Market Contract.

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2.2 Clearing House shall obtain daily price assessments for each Eligible ~~OTC~~ Non-Relevant Market Contract from each Price Contributor.

2.3 The Daily Settlement Price for a contract month shall be the weighted average price assessments provided by each Price Contributor, whose weight shall be decided by Clearing House. Clearing House may discard the lowest or highest assessments before averaging.

2.4 In the event that no price assessment is obtained for a contract month, the Daily Settlement Price for that contract month shall be interpolated using the following but not limited to:

a) available price assessments for preceding months and following months;
b) current month's spot assessments;
c) prices of registered transactions.

3. Price Contributors

3.1 The Price Contributors for each Eligible ~~OTC~~ Non-Relevant Market Contracts group are:

Oil Swaps

a) Platts
b) Forward Market Curve Limited
c) Market Participants

Freight Forward Contracts

a) The Baltic Exchange Limited

Iron Ore Swaps

a) Market Participants:

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Practice Note 7.11.1.2 — Daily Settlement Price Methodology

Issue Date	Cross Reference	Enquiries
Added on 22 September 2006 and amended on 1 October 2009, and 24 January 2011.	Rule 7.11.1.2	Please contact Derivatives: Telephone No: 6236 8888

1. Introduction

Rule 7.11.1.2 of the Clearing Rules states that the Daily Settlement Price for Contracts other than ~~OTC~~ Non-Relevant Market Contracts shall be determined by the Clearing House in accordance with the relevant formula and procedures applicable to each Contract. In arriving at such formula, the Clearing House may, in consultation with the Exchange, 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 the Clearing House from time to time.

This Practice Note sets out the formulas and methodologies used by the Clearing House to compute the Daily Settlement Price as contemplated in the above Rule.

2. Methodology for Computation of Daily Settlement Price

2.1 Most Commonly Adopted Methodology.

Save for exceptional situations, the Clearing House 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 the Clearing House; or

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(e) a price determined through polling, conducted by the Clearing House, of market participants and/or any other price source deemed as reliable by the Clearing House.

Higher bid or lower offer prices at the close may be used by the Exchange in the computation of the Daily Settlement Price under methodologies b, c and d.

2.2 Exceptional Situations.

In exceptional cases when none of the methodologies set forth in paragraph 2.1 above yields a Daily Settlement Price that is reflective of market conditions, the Clearing House may use any of the following alternative methodologies for the computation of the Daily Settlement Price:
a) in regards to Futures Contracts, 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 the Clearing House determines to be reflective of prevailing market conditions.

"**Option Contracts**" and "**Futures Contracts**" shall have the meaning ascribed to them in the Trading Rules.

2.3 Contracts Traded On the Singapore Commodities Exchange.

In respect of Contracts traded on the Singapore Commodity Exchange ("SICOM"), the Clearing House shall use the Daily Settlement Price as derived by SICOM (or its clearing house).

Schedule A

Rule Violation		Whether composition may be offered	Composition Amount which may be Offered by the Clearing House, where the Clearing House has Determined the Clearing Member to be Liable			Mandatory minimum penalty imposable by the DC
Rule Chapter/ Number	**Brief Description of Rule**		**1st Violation**	**2nd Violation**	**3rd Violation**	
Chapter 2 — Clearing Membership						
2.13.1.2	Clearing Member to clear ~~OTC~~ Non-Relevant Market Contracts and/or Contracts made on any Relevant Market by such members of the Relevant Market with whom it has agreed to clear	Not Compoundable	Not Compoundable			$10,000
Chapter 7 — Clearing and Margins						
7.02A.2.2	Eligible ~~OTC~~ Non-Relevant Market transaction to be registered by certain parties	Compoundable	$2,000 – $4,000	$2,000 – $4,000	$7,000 – $10,000	N.A.
7.02A.2.3	Eligible ~~OTC~~ Non-Relevant	Compoundable	$2,000 – $4,000	$2,000 – $4,000	$7,000 – $10,000	N.A.

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	Market transaction to be registered by certain parties					
7.02A.2.4	Parties submitting registration or confirmation of an Eligible ~~OTC~~ Non-Relevant Market transaction to comply with the terms and conditions governing access to and operation of the Trade Registration System	Compoundable	$2,000 – $4,000	$2,000 – $4,000	$7,000 – $10,000	N.A.
7.02A.2.5	Clearing Member to submit name of Inter Dealer Broker authorised to register ~~OTC~~ Non-Relevant Market transactions	Compoundable	$500	$1,000	$2,000	N.A.

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7.02A.2.6	Clearing Member to obtain consent of Seller/Buyer before allowing Inter Dealer Broker to register ~~OTC~~ Non-Relevant Market transactions.	Compoundable	$500	$1,000	$2,000	N.A.
7.02A.2.7	Registration of Eligible ~~OTC~~ Non-Relevant Market transactions to specify the stipulated details	Compoundable	$500	$1,000	$2,000	N.A.
7.02A.2.8	Confirmation of Eligible ~~OTC~~ Non-Relevant Market transactions to specify the stipulated details	Compoundable	$500	$1,000	$2,000	N.A.

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