

CHANGES TO SGX-ST RULE 13.4 & PRACTICE NOTE 13.4.1 EFFECTIVE 1 JULY 2005

Existing SGX-ST Rule/Practice Note	Proposed SGX-ST Rule/Practice Note
<p>13.4 CUSTOMER ORDERS – PRECEDENCE</p> <p>13.4.1 A Trading Representative must not deal in securities for his or her own account or for a Prescribed Person's account if the Trading Member or the Trading Representative has an unexecuted order on the same terms from a customer. However, this Rule does not apply if:-</p> <p>(1) the Trading Representative does not have access to customer's order flow information while executing for his or her own account or for the Prescribed Person's account;</p> <p>(2) the customer has prescribed that the order be executed under specified conditions and the Trading Member or Trading Representative is unable to execute the customer's order by reason of those conditions; or</p> <p>(3) the transaction is entered into in prescribed circumstances.</p> <p><i>Please refer to Practice Note 13.4.1.</i></p>	<p>13.4 CUSTOMER ORDERS – PRECEDENCE</p> <p>13.4.1 A <u>Trading Member or a</u> Trading Representative must not deal in securities for his or her own account or for a Prescribed Person's account if the Trading Member or the Trading Representative has an unexecuted order on the same terms from a customer. However, this Rule does not apply if:-</p> <p>(1) the <u>Trading Member or the</u> Trading Representative does not have access to <u>has no knowledge of the</u> customer's order flow information while <u>when</u> executing <u>orders</u> for his or her own account or for the Prescribed Person's account;</p> <p>(2) the customer has prescribed that the order be executed under specified conditions and the Trading Member or Trading Representative is unable to execute the customer's order by reason of those conditions; or</p> <p>(3) the transaction is entered into in prescribed circumstances.</p> <p><i>Please refer to Practice Note 13.4.1.</i></p>
<p>13.4.2 In this Rule, "Prescribed Person" means:-</p> <p>(1) the Trading Representative's Trading Member;</p> <p>(2) a Director of the Trading Member;</p> <p>(3) an Employee or a Trading Representative of the Trading Member;</p>	<p>13.4.2 In this Rule, "Prescribed Person" means:-</p> <p>(1) the Trading Representative's Trading Member;</p> <p>(2) a Director of the Trading Member;</p> <p>(3) an Employee or a Trading Representative of the Trading Member;</p>

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<p>(4) a person, a group of persons, a Corporation or a group of Corporations, or family trusts, whom the Trading Member, Director, employee or Trading Representative of the Trading Member is able to control or influence or connected with; or</p> <p>(5) an employee of a related corporation or Associated Corporation of the Trading Member to whom the Trading Member has outsourced its operational functions.</p>			<p>(4) a person, a group of persons, a Corporation or a group of Corporations, or family trusts, whom the Trading Member, Director, employee or Trading Representative of the Trading Member is <u>associated with or connected to.</u> able to control or influence or connected with; or</p> <p>(5) an employee of a related corporation or Associated Corporation of the Trading Member to whom the Trading Member has outsourced its operational functions.</p> <p><u>However, this does not apply where the Trading Member, Director, employee or Trading Representative of the Trading Member has no control or influence over the associated or connected person, group of persons, Corporation or group of Corporations, or family trusts.</u></p>		
13.4.3 A Trading Member must not allocate a sale or purchase of securities to fulfil all or part of an order for a Prescribed Person if it has an unexecuted order on the same terms from a customer.			13.4.3 A Trading Member must not allocate a sale or purchase of securities to fulfil all or part of an order for a Prescribed Person if it has an unexecuted order on the same terms from a customer. <u>In this Rule, "own account" means an account in which the Trading Member or the Trading Representative has a beneficial interest in.</u>		
<p>Practice Note 13.4.1</p> <p>Customer Orders – Precedence</p>			<p>Practice Note 13.4.1</p> <p>Customer Orders – Precedence</p>		
Issue Date	Cross Reference	Enquiries	Issue Date	Cross Reference	Enquiries
1 December 2003	Rule 13.4.1	Please contact Risk Management and Regulation Group:- Mr Oh Tuan Chim 6236 8232 Ms Grace Koh 6236 8764 Ms Ng Geoy Hua 6236 8855	1 December 2003 <u>31 July 2005</u>	Rule 13.4.1	Please contact Risk Management and Regulation Group:- Mr Oh Tuan Chim 6236 8232 Ms Grace Koh 6236 8764 Ms Ng Geoy Hua 6236 8855

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<p>1 INTRODUCTION</p> <p>1.1 This Practice Note explains the application of Rule 13.4.1.</p> <p>1.2 Rule 13.4 states that a Trading Representative must not deal in securities for his or her own account or for a Prescribed Person's account if the Trading Representative has an unexecuted order on the same terms from a customer. However, this Rule does not apply if the Trading Representative does not have access to customer's order flow information while executing for his own account or for the Prescribed Person's account.</p>	<p>1 INTRODUCTION</p> <p>1.1 This Practice Note explains the application of Rule 13.4.1.</p> <p>1.2 Rule 13.4 states that <u>a Trading Member or</u> a Trading Representative must not deal in securities for his or her own account or for a Prescribed Person's account if the Trading Representative has an unexecuted order on the same terms from a customer. However, this Rule does not apply if the Trading Representative does not have access to customer's order flow information while executing for his own account or for the Prescribed Person's account.</p>
<p>2 APPLICATION OF RULE 13.4.1</p> <p>2.1 An order includes an order for a single stock futures contract.</p> <p>2.2 An unexecuted order from a customer includes an order that has been received but not entered into CLOB. If a Trading Representative has entered an order into CLOB for his own account or a Prescribed Person's account, and he subsequently receives an order on the same terms from a customer, he must withdraw the first order if it was not matched.</p> <p>2.3 "On the same terms" includes:- (1) orders for the same counter, same buy/sell instruction and limit price; (2) a price limit order and a careful discretion order in the same counter and same buy/sell instruction; and (3) an order for the underlying security on the one hand and an order for single stock futures over that underlying security on the other.</p>	<p>2 APPLICATION OF RULE 13.4.1</p> <p>2.1 An order includes an order for a single stock futures contract.</p> <p>2.2 An unexecuted order from a customer includes an order that has been received but not entered into CLOB. If a Trading Representative has entered an order into CLOB for his own account or a Prescribed Person's account, and he subsequently receives an order on the same terms from a customer, he must withdraw the first order if it was not matched.</p> <p>2.3 "On the same terms" includes:- (1) orders for the same counter, same buy/sell instruction and limit price; (2) a price limit order and a careful discretion order in the same counter and same buy/sell instruction; and (3) an order for the underlying security on the one hand and an order for single stock futures over that underlying security on the other.</p>

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<p>2.4 If a Trading Member receives an overnight order to sell a counter at careful discretion and has a house error position in the same counter, it cannot square off the error position. The squaring of error position is on the same term as the customer order. However, a Trading Member may designate a Trading Representative to square off an error position if the Trading Representative does not have access to the customer's order.</p>	<p>2.4 If a Trading Member receives an overnight order to sell a counter at careful discretion and has a house error position in the same counter, it cannot square off the error position. The squaring of error position is on the same term as the customer order. However, a Trading Member may designate a Trading Representative to square off an error position if the Trading Representative does not have access to the customer's order. <u>Rule 13.4.2(4) includes a person, group of persons, a Corporation or a group of Corporations or family trusts, whom the Trading Member, Director, employee or Trading Representative of the Trading Member is associated with or connected to under the definition of "Prescribed Person". However, this does not apply where the Trading Member, Director, employee or Trading Representative of the Trading Member has no control or influence over the associated or connected person, group of persons, Corporation or group of Corporations, or family trusts.</u></p> <p><u>2.5 The Trading Member or Trading Representative must ensure that customers' orders are not compromised when squaring off a house error position on the same terms. Where the customer's order is a careful discretion order, trades allocated to the customer's account must not be worse off to that allocated to the house error account.</u></p> <p><u>2.6 In considering whether Rule 13.4.1 has been complied with, the following factors are relevant:</u></p> <p><u>(a) the Trading Member or the Trading Representative acts in accordance with the Trading Member or the Trading Representative's customers' instructions;</u></p>

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	<p>(b) <u>orders that do not involve the exercise of discretion by the Trading Representative are entered in the sequence in which they are received, and otherwise as expeditiously as practicable;</u></p> <p>(c) <u>in the situation where the time the orders were received cannot be clearly established and one of the orders is for the Trading Member or the Trading Representative's own account, the Trading Member or the Trading Representative gives preference to the order of a customer over any order for the Trading Member or the Trading Representative's own account;</u></p> <p>(d) <u>the Trading Member or the Trading Representative who is aware of a customer's unexecuted instructions ensures that he or she does not use that information to:-</u></p> <p style="padding-left: 40px;">(i) <u>the disadvantage of the customer; or</u></p> <p style="padding-left: 40px;">(ii) <u>the Trading Member or the Trading Representative's own benefit.</u></p>