

## Practice Note 8.8.1 — Designated Securities and Futures Contracts

Issue Date	Cross Reference	Enquiries
Added on 13 June 2014	<a href="#">Rule 8.8.1</a> <a href="#">Rule 8.8.2</a>	Please contact Surveillance:  E-Mail Address:msursec@sgx.com

### 1. Introduction

- 1.1 This Practice Note explains the circumstances under which the Board may declare a listed or quoted security or Futures Contract to be a “Designated Security” or “Designated Futures Contract”.

### 2. Designation as a Regulatory Tool

- 2.1 SGX has three key regulatory tools to support a fair, orderly and transparent market. They are as follows:-
- (a) Query to listed companies - SGX may issue a query to listed companies in situations where there is unusual trading that is not explained by announced developments or industry trends. The query serves to raise investors’ awareness that trading activity is unusual;
  - (b) Designation of a security or Futures Contract – SGX may declare a listed or quoted security or Futures Contract to be a “Designated Security” or “Designated Futures Contract” where, in SGX’s judgment, there is possible manipulation or excessive speculation in the security or Futures Contract (or its underlying), or it is otherwise in the interest of the market to do so; and
  - (c) Suspension – SGX may suspend a security or Futures Contract where, in SGX’s opinion, the market is not orderly, informed or fair.
- 2.2 Designation is a tool that is used sparingly and only in exceptional circumstances which warrant such intervention. Such circumstances may include prolonged trading anomalies observed in the security or Futures Contract, such as order book imbalances and/or prolonged, excessive speculation in a security. The objective of designation is to restore market equilibrium by removing the impact of such anomalies on price formation, and allow the price of the security or Futures Contract to be formed through demand and supply forces in an informed market. Designation would be lifted once, in SGX’s opinion trading has returned to normalcy.

**3. Conditions that may be Imposed on a Designated Security or a Designated Futures Contract**

3.1 The conditions imposed on a Designated Security or a Designated Futures Contracts would depend on the circumstances leading to the designation of the security or Futures Contract. Examples of such conditions are listed below. One or more of these conditions may be imposed in a particular designation situation, and this list is not exhaustive.

- (a) Requirement for collateral to be furnished - Trading Members may be required to obtain margins from each customer in respect of the customer's dealing in the Designated Security or trading in a Designated Futures Contract. This may also be imposed as a requirement for the Trading Member to obtain partial or full payment for any buy order from a customer, prior to executing the order. Such requirements would be specified in the conditions for the designation;
- (b) Trading restrictions on specific Trading Members – Trading restrictions may also be imposed on specific Trading Members in relation to a Designated Security or Designated Futures Contract if the Trading Member has outstanding unsettled positions in the security (or the underlying security of the Futures Contract) that is more than 5% (or any percentage that the SGX-ST Board may prescribe) of the paid-up capital of the company whose securities are designated;
- (c) Restrictions on sale - A prospective seller of a Designated Security or Designated Futures Contract may be prohibited from placing a sell order unless he is already holding the security (or underlying security of the Futures Contract) at the time of sale. The seller may be required to provide evidence that he/she holds the security (or the underlying security of the Futures Contract).the Designated Security. This evidence could be in the form of statements by CDP or a custodian showing that the seller is holding a sufficient quantity of the security. Furthermore, the Trading Member may be required to sight such evidence prior to the execution of the sale order; and
- (d) Other conditions such as prohibitions on short-selling, contra trading or Internet Trading.