

Amendments to the SGX-ST Rules

Rule Amendment
Definitions and Interpretation
...
Term, Meaning
<p>"Futures Ccontract"</p> <p>Refers to a futures contract, as defined under The meaning ascribed to it in the Securities and Futures Act, which is approved for listing on SGX-ST;</p>
<p>"Short Sell Order"</p> <p>The meaning ascribed to it in Rule 8A.1.1;</p>
<p>"Specified Capital Markets Products"</p> <p>The meaning ascribed to it in Rule 8A.1.1;</p>
Chapter 8A – Marking of Sell Orders
8A.1 Definitions
<p>8A.1.1</p> <p>In this Rule:</p> <p>(a) A "Specified Capital Markets Product" means any securities or futures contract that is listed or to be listed on SGX-ST that is, or that belongs to a class of capital markets products (as defined in the Securities and Futures Act) that is, prescribed by regulations made under section 137ZM of the Securities and Futures Act.</p> <p>(b) In this chapter, A "Short Sell Order" refers to means any sell-order to sell any Specified Capital Markets Product where the seller person who makes the order does not own in full the quantity of the security to be sold, at the time of placing the order, have an interest in the Specified Capital Markets Product as specified under section 137ZH of the Securities and Futures Act, and "short sell" shall be construed accordingly.</p> <p>Refer to Practice Note 8A.</p>
8A.2 Ownership of Securities [Rule has been deleted]
8A.2.1

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~~For the purposes of Rule 8A.1.1, a seller shall be deemed to own a security if:~~

~~(a) he is the legal or beneficial owner of the security, unless such ownership is pursuant to a securities borrowing agreement;~~

~~(b) he:~~

~~(i) has purchased or has entered into an unconditional contract to purchase the security, but has not yet received delivery of such security;~~

~~(ii) has tendered other securities for conversion or exchange or has issued irrevocable instructions to convert or exchange other securities into the security, but has not yet received delivery of such security;~~

~~(iii) has a right or an obligation to purchase the security under an option and such option has been exercised, but has not yet received delivery of such security; or~~

~~(iv) has a right or warrant to subscribe for the security and such right or warrant has been exercised, but has not yet received delivery of such security; and~~

~~the delivery referred to in (i) to (iv) would, in the ordinary course, be before the settlement of the sale of the security; or~~

~~(c) he has lent a security pursuant to a securities lending agreement as a result of which he is no longer the legal or beneficial owner but has a right of recall under the securities lending agreement.~~

8A.3 Marking of Sell Orders

8A.3.1

~~All~~ Each sell orders for ~~securities~~ Specified Capital Markets Products shall be marked to indicate to SGX-ST whether it is a Short Sell Order or ~~otherwise~~ a normal sell order. The quantity, volume or value of the Specified Capital Markets Product in which a person intends to make or is making a Short Sell Order shall also be indicated.

8A.3.1A

A Trading Member and its Trading Representative shall not enter a sell order in the Trading System if a customer has not indicated whether the sell order is a Short Sell Order or a normal sell order and/or has not provided the information relating to the quantity, volume or value of the Specified Capital Markets Product in which the customer intends to make or is making a Short Sell Order.

8A.3.2

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The requirement to mark sell orders as set out in this Rule shall include Direct Business reported through the married trade reporting system of the Trading System pursuant to Rule 8.7.
8A.3.3 A Trading Member shall ensure that the necessary procedures and systems are implemented to facilitate compliance with the obligations set out in this Rule 8A.3.1 . Refer to Practice Note 8A.
8A.4 Exemptions
8A.4.1 SGX-ST may, at its discretion, exempt any specific security Specified Capital Markets Product from the requirement to mark sell orders as set out in this Rule 8A.3.1 .
8A.4.2 SGX-ST may, at its discretion, waive the requirement to mark sell orders for: specific classes of market participants . (a) market makers; or (b) such class of market participants that SGX-ST may determine in its discretion from time to time. Refer to Practice Note 8A.
8A.4.3 A Trading Member and its Trading Representatives shall not be required to comply with this Rule 8A.3.1 in respect of sell orders from such the market participants for whom SGX-ST has waived the requirement to mark sell orders for or in such securities Specified Capital Markets Products as exempted by SGX-ST.
8A.5 Publication of Report of Short Sell Orders
8A.5.1 SGX-ST shall report before the start of each Market Day the aggregate volume of Short Sell Orders matched and executed for the preceding Market Day and in respect of each security Specified Capital Markets Product for which marking is required.
8A.5.2

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SGX-ST may subsequently report corrections to such aggregate volume of Short Sell Orders matched and executed that have been reported pursuant to Rule 8A.5.1.

8A.6 Reporting of Erroneously Marked Sell Orders**8A.6.1**

A Trading Member may submit a report of erroneously marked sell orders through such facility that is provided by SGX-ST.

8A.6.2

A Trading Member shall ensure that the report:

- (a) adheres to the requirements for submission established by SGX-ST; and
- (b) is complete and accurate.

[Refer to Practice Note 8A.](#)

Amendments to the SGX-ST Rules (Practice Notes)

Practice Notes Amendments	
Practice Note 8A.3.3, 8A.4.1, 8A.4.2, 8A.6.2 — Obligations of Trading Members Under the Requirement to Mark Sell Orders	
1.	Introduction
1.1	<u>Rule 8A.3.1</u> requires each sell order for Specified Capital Markets Products to be marked to indicate to SGX-ST whether it is a Short Sell Order or a normal sell order. The quantity, volume or value of the Specified Capital Markets Product in which a person intends to make or is making a Short Sell Order shall also be indicated.
1.2	<u>Rule 8A.3.1A</u> states that a Trading Member and its Trading Representative shall not enter a sell order in the Trading System if a customer has not indicated whether the sell order is a Short Sell Order or a normal sell order and/or has not provided the information relating to the quantity, volume or value of the Specified Capital Markets Product in which the customer intends to make or is making a Short Sell Order.
1.3	<u>Rule 8A.1.1</u> defines a “Short Sell Order” as any order to sell any Specified Capital Markets Product where the person who makes the order does not, at the time of the order, have an interest in the Specified Capital Markets Product as specified under section 137ZH of the Securities and Futures Act.
1.4	<u>Rule 8A.3.3</u> requires a Trading Member to implement the necessary operational and technical systems and <u>procedures and systems</u> to facilitate compliance with the obligations to set out in <u>Rule 8A.3.1</u> . (a) mark all sell orders either as a Short Sell Order, or a normal sell order; and (b) reject a sell order from transmission in the Trading System if a customer has not indicated whether the sell order is a Short Sell Order or a normal sell order.
1.5	<u>Rule 8A.4.2</u> states that SGX-ST may, at its discretion, waive the requirement to mark sell orders for specific classes of market participants.
1.6	<u>Rule 8A.6.1</u> states that a Trading Member may submit a report of erroneously marked sell orders through such facility that is provided by SGX-ST and shall ensure that the report: (a) <u>adheres to the requirements for submission established by SGX-ST; and</u> (b) <u>is complete and accurate.</u>

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1.27 This Practice Note ~~clarifies~~ further sets out a Trading Member's obligations pursuant to Rule 8A.3.1, 8A.3.3, and 8A.6.

1.38 SGX-ST will publish the short sale information collected in this manner before the start of each Market Day. Greater transparency to the market of short selling activities can be beneficial, by providing more timely information to better look after investors' interests, and to reduce the risk of manipulative or other unfair trading practices.

2. Marking of Sell Orders

2.1 The marking of sell orders should be viewed as part of information required for order entry. ~~This facilitates the Trading Member's compliance with Rule 8A.3.3.~~

2.2 Trading Members who are concerned about confidentiality of clients' order information should include in their client agreement that trading activities are subject to ~~any~~ short selling requirements that ~~may be~~ are prescribed by SGX-ST ~~or~~ and the Authority.

2.3 Trading Members should have in place the following measures to be in compliance with Rule 8A.3.3:

(a) Sell orders received through voice broking-

Clear procedures ~~are~~ should be in place to require Trading Representatives to ask a customer whether a sell order is a Short Sell Order or a normal sell order. Procedures should also be in place to ensure that the Trading Representative or the ~~order entry clerk~~ dealing assistant correctly enters the sell order into the Trading System. The Trading Member is not required to put in place voice recording facilities beyond its existing practices.

(b) Sell orders entered through order management systems (including ~~Internet~~ ~~Trading platforms~~)-

The trading interface should ~~requires~~ the customer to indicate whether a sell order is a Short Sell Order or a normal sell order at the point of order entry. ~~The~~ It should also ensure that a sell order cannot be transmitted to the Trading System if it is not marked either as a Short Sell Order or a normal sell order.

(c) Sell orders entered by customers with Sponsored Access-

A Trading Member must ensure that all customers with Sponsored Access to the Trading System ("Sponsored Customers") can fulfil the requirements of Rule 8A.3.3. A Trading Member must ensure that all Sponsored Customers have the necessary operational and technical systems and procedures in place:

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- (i) to enable sell orders to be marked as a Short Sell Order or a normal sell order at the point of order entry in the customer's order management system; and
- (ii) to ensure that a sell order cannot be transmitted to the Trading System if it is not marked either as a Short Sell Order or a normal sell order.

When determining whether the obligation on Trading Members set out in this paragraph 2.3(c) has been fulfilled by Trading Members, a relevant consideration for SGX-ST is whether the requirements on Sponsored Customers have been set out in legally enforceable documents.

- (d) Record keeping of orders.

A Trading Member's daily record of orders received from customers, maintained in accordance with Rule 13.9, should show whether a sell order is a Short Sell Order or a normal sell order.

2.4 A Trading Member should also require each seller to split partial short orders, where he does not own the full quantity of securities to be sold, into two separate orders. One order is for the portion he owns (i.e., normal sell order) and the other for the portion that he does not (i.e., Short Sell Order).

3. Definition of a Short Sell Order

3.1 A Short Sell Order refers to any sell order where the seller does not own the security to be sold at the time of placing the order. Rule 8A.2.1 sets out the definition of ownership of a security. A person shall be deemed to have an interest in a Specified Capital Market Product if the person is deemed to have an interest in the Specified Capital Markets Product under section 137ZH of the Securities and Futures Act. Some examples of ownership of a security interest in a Specified Capital Markets Product are set out below:

- (a) An investor purchases the security shares on T. He subsequently sells the same quantity of the security shares two days later (i.e., on T+2) with settlement obligation accordingly due on T+5. On T + 3, the security which shares that he purchases is credited into his depository account maintained with CDP. (the account that a retail investor holds with CDP is also known as a Global Securities Account) and he pays his broker promptly. The security is released into the 'Free' balance of his Global Securities Account. On T + 5 when the security which he has sold on T + 2 falls due, the security is available to meet his sale settlement obligations. The order to sell the shares is a normal sell order.
- (b) An investor may hold a long position in Extended Settlement Contract ("ESC") on Company A. The ESC on Company A expires on 31 May 2010 and he will receive the shares of 3 June 2010. If the investor sells shares of Company A on 1 June 2010, the shares from the long ESC are available to meet his sale settlement obligations on 4 June 2010. [deleted]

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- (c) An investor sells shares of Company A on ~~21 June 2010~~-T and his settlement obligations are accordingly due on T+3. On the same day (i.e., T), he recalls the ~~security shares, which he had lent under a securities lending agreement.~~ and Under the terms of the securities lending agreement, the borrower must return the ~~security shares~~ by ~~12 noon~~ 12:00 hours on ~~24 June 2010~~ T+3. ~~Therefore, shares are available to meet his sale settlement obligations on 24 June 2010. The order to sell the shares is a normal sell order.~~

Compliance with Rule 8A.3.1 under specific circumstances

3.2 SGX-ST wishes to clarify the treatment of sell orders under the following scenarios:

- (a) A seller holds his shares in trust with an overseas custodian. In the ordinary course of business, the shares ~~would be~~ are available to CDP for settlement. An order to sell these shares is a normal sell order.
- (b) A seller holds shares listed on an overseas exchange and held with an overseas custodian. An order to sell these shares on SGX-ST is a normal sell order if in the ordinary course of business, the shares ~~would be~~ are available to CDP for settlement. In order for the shares to be available to CDP for settlement, the shares must be in the seller's depository account, or if he is settling through a depository agent, his depository agent's sub-account maintained with CDP. The seller ~~would be~~ is required to instruct the overseas custodian to transfer the shares into the seller's depository account or his depository agent's sub-account maintained with CDP.
- (c) A seller lends his shares but has a right of recall under the relevant securities borrowing and lending agreement. An order to sell these shares is a normal sell order if in the ordinary course of business where the seller recalls the shares, the shares ~~would be~~ are available to CDP for settlement. The seller is not required to recall the shares prior to placing the order.
- (d) A lender liquidates the shares ~~which that~~ a borrower had placed with him as collateral, due to the default of a borrower. An order to sell these shares is a normal sell order.
- (e) A seller borrows the amount of shares being sold prior to placing the sell order. The seller is not deemed to have ~~ownership of an interest in~~ the shares ~~pursuant to Rule 8A.2.1 (a) under the Securities and Futures Act~~. Therefore, the sell order is a Short Sell Order.
- (f) ~~The seller should split partial short orders, where they do not own the full quantity of securities to be sold, into two separate orders. One order is for the portion he owns (i.e. normal sell order) and the other for the portion that he does not (i.e. Short Sell Order).~~ [deleted]
- (g) A seller ~~who has~~ agrees to buy shares at the day's closing price or at a volume-weighted average pricing as part of his client facilitation activities and ~~he~~ does not have any reason to believe that the agreement would not be fulfilled. Before the price is confirmed, he sells the shares. The sell order is a normal sell order.

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3.3 The marking of sell orders should be based on what the investor knows about its positions at the time of order entry. An example is set out below:

- (a) An investor holds 5,000 shares of Stock A. He puts in a sell order for 5,000 shares of Stock A. This is a normal sell order. He also puts in a buy order for 3,000 shares of Stock A.
- (b) Subsequently he enters a sell order for 2,000 shares of Stock A. At the point where he enters the sell order, the buy order for 3,000 shares of Stock A has not been filled. The investor should mark this sell order as a Short Sell Order.

~~3.4 — Aggregation of trading units/books.~~

~~Where different trading units/books belong to the same legal entity, the following approaches can be adopted for the purposes of marking of sell orders:~~

- ~~(a) — mark sell orders at the trading unit/book level;~~
- ~~(b) — mark sell orders based on the aggregated positions of the trading units/books which the seller controls or has knowledge of; or~~
- ~~(c) — mark sell orders based on the aggregated positions of the entire legal entity.~~

~~A fund management company trading for separate portfolios can adopt similar approaches. [deleted]~~

4. Reporting of Erroneously Marked Sell Orders

4.1 A Trading Member can submit a report electronically to correct short sell information that was marked at order entry, in accordance with the requirements for submission established by SGX-ST.

4.2 The requirement to report erroneously marked ~~Short Sell Orders~~ sell orders only extends to erroneously marked ~~Short Sell Orders~~ sell orders which have been executed. If an erroneously marked Short Sell Order sell order has not been executed, there is no requirement to make an error report.

4.3 For purposes of error reporting, the customer has to determine whether his sell orders marked as Short Sell Orders is are accurate in light of the actual short sales volume executed and his actual shareholding. For example, a customer thought he does not own any shares of a counter, and entered an order to short sell 8,000 shares. The customer later discovers that he actually owned 2,000 shares of the counter.

- (a) ~~In the a case where the order was~~ is totally executed.

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~~In this case, t~~The customer has actually short sold only 6,000 shares (8,000 executed minus 2,000 owned). He will have to report the erroneously ly marked Short Sell Order, stating the ~~short sales~~ volume that was executed disclosed as short sold (8,000 shares) and the actual short sales volume (6,000 shares).

- (b) ~~In the a case where the order was is partially filled (e.g., only . In this case, the order was only half filled (4,000 shares were executed):~~

The customer has actually short sold only 2,000 shares (4,000 executed minus 2,000 owned). He will have to report the erroneously ly marked Short Sell Order, stating the ~~short sales~~ volume that was disclosed as short sold and that was executed (4,000 shares) and the actual short sales volume (2,000 shares).

4.4 SGX-ST relies on the submissions of the Trading Members to publish an updated weekly aggregate report. Therefore, Trading Members must ensure that the report:

- (a) adheres to the requirements for submission established by SGX-ST; and
(b) is complete and accurate.

4.5 A Trading Member is to ensure that the requisite fields in the report are completed in the correct format and the information communicated by their customers is accurately conveyed in the report. Reports ~~which that~~ are not in the correct format, named incorrectly or ~~which have~~ the securities name and code ~~are~~ not correctly entered will not be processed.

4.6 SGX-ST may request for records of corrections to short sell information at the individual order level from Trading Members. Trading Members should retain this information in accordance with Rule 12.1.1.

4.7 The report can be submitted from the start of the trading day following the date of the sale to ~~5:45 p.m.~~ 17:45 hours on that day.

4.8 A Trading Member may wish to take note of the following matters on the submission of the report:

- (a) A Trading Member should submit a single report for all ~~securities~~ Specified Capital Market Products that have been misreported. If the Trading Member wishes to update its report for the same Market Day, it should submit a revised report with the same file name before the deadline set out in paragraph 4.57.
- (b) The transmission of the report will be via a designated Secured File Transfer Protocol ("SFTP") folder. Trading Members who do not have access to the designated SFTP folder should contact SGX-ST to apply for the requisite access.

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- (c) In the event that the SFTP is unavailable, SGX ~~would~~ will extend the submission period. Trading Members will be informed of the extended submission period by way of circular.

5. Exemption from Marking of Sell Orders

5.1 SGX-ST ~~has the discretion to exempt from~~ may waive the requirement to mark sell orders ~~in respect of:~~ for specific classes of market participants.

~~(a) — specific securities; and~~

~~(b) — class of market participants.~~

5.2 ~~Presently, market makers are not required to mark sell orders of securities which they are obligated to make a market in, as they may submit sell orders, where they do not own the security to be sold, as part of their market making function. The inclusion of these orders by market makers would distort the short sales information published by SGX, and make it more difficult for them to fulfil their market making functions. All persons exempted from section 137Z(1) of the Securities and Futures Act are, to the same extent and subject to the same conditions, exempted from Rule 8A.3.~~

5.3 ~~Market makers include Designated Market Makers and such other entities appointed by SGX to carry out a market making function. The exemption does not extend to Trading Members with facilitation desks that provide liquidity to their clients.~~[deleted]

5.4 ~~SGX-ST will notify market participants who qualify for the exemption under paragraph 5.1(b). There is no application process for market makers.~~[deleted]

5.5 ~~The exemption from the requirement to mark sell orders of securities which that they are making a market in will be withdrawn if the market maker has been suspended or has resigned from its obligations to make markets in those securities. SGX-ST will notify market participants when they no longer qualify for the exemption under paragraph 5.1(b).~~[deleted]

Amendments to the SGX-ST Rules (Schedule A Composition Table)

Rule Violation		Whether composition may be offered	Composition amount which may be offered by SGX-ST, where SGX-ST has determined the Trading Member, Approved Executive Director and/or Trading Representative to be Liable									Mandatory minimum penalty imposed by the Disciplinary Committee
Rule Chapter / Number	Brief Description of Rule		Trading Members (or Designated Market Maker, where applicable)			Approved Executive Directors			Trading Representatives (or Market Making Representative, where applicable)			
			1st Violation	2nd Violation	3rd Violation	1st Violation	2nd Violation	3rd Violation	1st Violation	2nd Violation	3rd Violation	
Chapter 8 – Trading												
Chapter 8A – Marking of Sell Orders												
8A.3	Marking Of Sell Orders											
8A.3.1A	Trading Member or Trading Representative not to enter a sell order in the Trading System if a customer has not indicated whether the sell order is a Short Sell Order or a normal sell order <u>and /or has not indicated the required information</u>	Compoundable	\$500	\$1,000	\$2,000	N.A.	N.A.	N.A.	\$250	\$500	\$1,000	N.A.
8A.3.3	Trading Member to ensure that the necessary procedures and systems are implemented to facilitate compliance with the obligations set out in Rule 8A.3.1	Compoundable	\$2,000 – \$4,000	\$4,000 – \$7,000	\$7,000 – \$10,000	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.