



Regulatory Announcement - Singapore Exchange consults public on CBBC

9 November 2010 - Singapore Exchange (SGX) is consulting the public on proposed rule amendments to introduce Callable Bull/Bear Contracts (CBBC) on SGX-ST.

A CBBC is a leveraged financial product issued by a third-party financial institution, which tracks the performance of an underlying instrument such as an equity index or a stock. A CBBC is issued as a Bull contract (similar to a call option on the underlying instrument) or a Bear contract (similar to a put option on the underlying instrument). Investors may therefore take a positive or negative view of the underlying instrument, respectively. Typically, a CBBC is issued "in-the-money" and therefore closely tracks the price movements of the underlying instrument.

CBBCs have a specified expiry date. However, as the name suggests, a CBBC will be "called" (i.e. terminated) by the issuer when the price or level of the underlying instrument reaches a pre-determined call level before its specified expiry date. This is known as a Mandatory Call Event.

CBBCs provide investment opportunities in equity indices and individual stocks, adding to the suite of derivative products presently available on SGX, such as exchange traded funds, structured warrants and futures contracts. With the introduction of CBBCs, market participants are offered more investment choices.

The CBBC is not a new product. Similar products have been traded in Hong Kong, Korea and some European markets.

The consultation paper relates to the features of CBBCs as well as the operation and consequences of a Mandatory Call Event. The consultation paper will be available on the SGX website www.sgx.com from today until 30 November 2010. Market participants and members of the public can send in their comments and suggestions via email and either by post/courier or fax:

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and

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Regulatory Policy

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