



SGX proposes enhancements to default management framework for derivative contracts

Singapore Exchange (SGX) is consulting the public on amendments to the Singapore Exchange Derivatives Clearing Limited ("SGX-DC") rules, in relation to the proposed enhancements to its default management framework for exchange-traded and Over-the-Counter ("OTC") derivative contracts. This is part of SGX's continuing efforts to review its risk management practices in view of evolving market developments, and to uphold the integrity of its clearing system.

The proposed enhancements include:-

- i. Introducing a mechanism to limit SGX Clearing Members' default management liabilities as well as changes to the manner in which the Clearing Fund will be used in default scenarios, and
- ii. Refinements to the default management framework to strengthen SGX-DC's authority in the management of defaults and to provide greater clarity on procedures.

Global regulatory reforms towards the centralised clearing of OTC derivatives have led to the establishment of new standards for central counterparties ("CCPs"). In particular, the possible increase in concentration risk in CCPs have raised the need for CCPs to provide a comprehensive default management framework to cater for the remote but plausible event of several Clearing Members' defaulting in quick succession. Clearing Houses have also been called upon to provide greater clarity and transparency to their participants on the limits of their liabilities to the defaults of other participants. In this context, SGX-DC is expanding its default management framework to safeguard the clearing system in events of multiple defaults occurring in quick succession.

The consultation paper, which details the enhanced default management framework for SGX-DC, will be available on the SGX website www.sgx.com from today onwards. Market participants and members of the public can send in their comments and suggestions from today until 3 October 2011 via email and either by post/courier or fax to:

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and

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