



REGULATORY ANNOUNCEMENT - SGX Proposes Introduction of Clearing Services for Over-the-Counter Traded Financial Derivatives Products

21 April 2010 – The Singapore Exchange Derivatives Clearing Limited (“SGX-DC”) is seeking public comments on proposed rule amendments catering to the introduction of new Central Counterparty (“CCP”) Clearing Services for Over-The-Counter (“OTC”) traded financial derivative contracts (“OTCF Contracts”). The proposed clearing service will offer benefits to market participants, particularly local and international financial institutions trading OTCF Contracts.

The introduction of clearing services for OTCF Contracts will expand SGX-DC’s current clearing offerings for OTC Commodity Derivatives Contracts and Exchange Traded derivatives. These OTCF Contracts include Interest Rate Swap (“IRS”) and Asian Foreign Exchange Forward (“FXF”) contracts settled in US dollars.

The expansion of SGX-DC’s service is aligned with global recognition of the benefits of CCP clearing for OTC Contracts. CCP Clearing reduces counterparty credit risk and thereby benefits market participants. The SGX-DC clearing house will observe industry best practice in valuation, marking to market and margining to manage the risks associated with clearing of the new financial derivative contracts.

The key changes proposed to the SGX-DC Clearing Rules include: -

a. General revisions which affect all SGX-DC Clearing Members

- Introduce a provision to expand the Derivatives Clearing Fund structure to include OTC financial derivatives contracts.
- Propose a new rule which is aligned with international best practices for clearing houses, that allows for a Clearing Member to relinquish its outstanding contracts in the unlikely event that SGX-DC is unable to fulfil its obligations.

b. Revisions to the Bank Clearing Membership requirements

- Introduce provision for a Liquidity Margin Multiplier (“LMM”) for Bank Clearing Members (“BCMs”) clearing OTCF Contracts. This will replace the current financial requirements for BCMs which are based on Total Risk Requirements.
- Eliminate unnecessary compliance costs by reducing current reporting requirements of BCMs.

c. Revisions for CCP Clearing of OTCF Contracts.

To introduce (i) a new Trade Registration System to register OTCF Contracts and (ii) margin requirements tailored for OTCF Contracts.

The details of the proposed amendments of the SGX-DC rules can be found in [Appendix A](#).

The [Consultation Paper](#), which explains the rationale and proposed amendments in detail, will be available on SGX’s website at www.sgx.com from today. Market participants and members of the public can give their feedback and suggestions on the above proposed amendments from today until **12 May 2010** via email and post/courier or fax: