

## **Chapter 4**

### **Capital and Financial Requirements**

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**401. Minimum Capital and Financial Requirements for an Approved Supplier**

- 401.1 An Approved Supplier must at all times have and maintain Net Capital of not less than US\$1,000,000.
- 401.2 An Approved Supplier shall not allow its Net Capital to fall below US\$1,000,000 for 5 consecutive calendar days.
- 401.3 An Approved Supplier shall immediately notify the Exchange and the Book Depository if it is unable to, or becomes aware that it will be unable to, comply with Rule 401.2.
- 401.4 If the Exchange and the Book Depository are notified by an Approved Supplier under Rule 401.3 or become aware that an Approved Supplier is unable to comply with Rule 401.2, the Exchange and the Book Depository may issue such directions as the Exchange and the Book Depository consider necessary to such an Approved Supplier, and the Approved Supplier shall comply with the directions of the Exchange and the Book Depository.
- 401.5 An Approved Supplier shall, in respect of each quarter of a calendar year, submit to the Exchange and the Book Depository statements on the calculation of its Net Capital, in such forms as may be prescribed by the Exchange and the Book Depository, within 14 calendar days after the end of the quarter.
- 401.6 An Approved Supplier shall provide in favour of the Exchange and the Book Depository a bank guarantee for such value, and in the form prescribed by the Exchange and the Book Depository, to be issued by a licensed bank in Singapore acceptable to the Exchange and the Book Depository. The bank guarantee may be called upon by the Exchange and the Book Depository in such circumstances as it may prescribe, including but not limited any Adverse Event.

**402. Minimum Capital and Financial Requirements for a Broker Member**

- 402.1 This Rule 402 shall not apply to any Remote Broker Member.
- 402.2 A Broker Member which holds a capital markets services licence under the SFA shall meet the minimum capital and financial requirements applicable to it under the SFA, the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations and any regulations, directions, guidelines or other regulatory instruments issued by the Monetary Authority of Singapore.
- 402.3 A Broker Member which holds a capital markets services licence under the SFA shall immediately notify the Exchange and the Book Depository if:
- (a) its (where the Broker Member is incorporated in Singapore) financial resources or (where the Broker Member is a foreign company) adjusted net head office funds falls below 120% of its total risk requirement for 5 consecutive calendar days; and/or
  - (b) its aggregate indebtedness exceeds 600% of its aggregate resources for 5 consecutive calendar days.
- 402.4 A Broker Member which holds a spot commodity broker licence under the Commodity Trading Act shall meet the minimum financial requirements applicable to it under the Commodity Trading Act, the Commodity Trading Regulations 2001 and any regulations, directions, guidelines or other regulatory instruments issued by the International Enterprise Singapore Board.
- 402.5 A Broker Member which holds a spot commodity broker licence under the Commodity Trading Act shall immediately notify the Exchange and the Book Depository if its adjusted net capital falls below S\$400,000 or is less than 12.5% of the amount of customer funds required to be

segregated under the Commodity Trading Regulations 2001, whichever is the higher, for 5 consecutive calendar days.

402.6 A Broker Member shall immediately notify the Exchange and the Book Depository if it is unable to, or becomes aware that it will be unable to, comply with the minimum capital and/or financial requirements applicable to it (as specified under Rule 402.2 or Rule 402.4).

402.7 If the Exchange and the Book Depository are notified by a Broker Member under Rules 402.3, 402.5 or 402.6, or become aware that a Broker Member is unable to meet the minimum capital and/or financial requirements applicable to it (as specified under Rule 402.2 or Rule 402.4), the Exchange and the Book Depository may issue such directions as the Exchange and the Book Depository consider necessary to such a Broker Member, and the Broker Member shall comply with the directions of the Exchange and the Book Depository.

402.8 A Broker Member shall, in respect of each quarter of a calendar year, submit to the Exchange and the Book Depository statements on the calculation of:

(a) (where the Broker Member holds a capital markets services licence under the SFA) its (i) base capital or net head office funds; (ii) financial resources or adjusted net head office funds; (iii) total risk requirement; (iv) aggregate indebtedness; and (v) aggregate resources, in the same form as such Broker Member is required to submit to the Monetary Authority of Singapore; or

(b) (where the Broker Member holds a spot commodity broker licence under the Commodity Trading Act) its adjusted net capital or the amount of customer funds required to be segregated by it under the Commodity Trading Regulations 2001, in the same form as such Broker Member is required to submit to the International Enterprise Singapore Board,

within 14 calendar days after the end of the quarter.

402.9 In this Rule 402, unless the context otherwise requires:

**“adjusted net capital”** has the meaning given to it in regulation 4 of the Commodity Trading Regulations 2001; and

**“adjusted net head office funds”, “aggregate indebtedness”, “aggregate resources”, “base capital”, “financial resources”, “net head office funds”, “total risk requirement”,** each has the meaning given to it in regulation 2 of the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations.

#### **403. Minimum Capital and Financial Requirements for a Remote Broker Member**

403.1 A Remote Broker Member must at all times have and maintain Net Capital of not less than US\$1,000,000.

403.2 A Remote Broker Member shall not allow its Net Capital to fall below US\$1,000,000 for 5 consecutive calendar days.

403.3 A Remote Broker Member shall immediately notify the Exchange and the Book Depository if it is unable to, or becomes aware that it will be unable to, comply with Rule 403.2.

403.4 A Remote Broker Member shall immediately notify the Exchange and the Book Depository if its Net Capital falls below US\$1,200,000 for 5 consecutive calendar days.

403.5 If the Exchange and the Book Depository are notified by a Remote Broker Member under Rule 403.3 or Rule 403.4 or become aware that a Remote Broker Member is unable to comply with

Rule 403.2, the Exchange and the Book Depository may issue such directions as the Exchange and the Book Depository consider necessary to such a Remote Broker Member, and the Remote Broker Member shall comply with the directions of the Exchange and the Book Depository.

403.6 A Remote Broker Member shall, in respect of each quarter of a calendar year, submit to the Exchange and the Book Depository statements on the calculation of its Net Capital, in such forms as may be prescribed by the Exchange the Book Depository, within 14 calendar days after the end of the quarter.

#### **403A. Minimum Capital and Financial Requirements for a Proprietary Trading Member**

403A.1 A Proprietary Trading Member who is a corporation or a partnership must at all times have and maintain a Net Capital of not less than US\$300,000. A Proprietary Trading Member who is an individual must at all times have and maintain a total personal net worth of not less than US\$300,000. For the purposes of this Rule, the term “**total personal net worth**” shall refer to the total value of the individual’s assets less his total liabilities but shall not include the value of any residential property in Singapore or elsewhere.

403A.2 A Proprietary Trading Member shall not allow its total personal net worth or Net Capital, where applicable, to fall below US\$300,000 for 5 consecutive calendar days.

403A.3 A Proprietary Trading Member shall immediately notify the Exchange and the Book Depository if it is unable to, or becomes aware that it will be unable to, comply with Rule 403A.2.

403A.4 If the Exchange and the Book Depository are notified by a Proprietary Trading Member under Rule 403A.3 or become aware that a Proprietary Trading Member is unable to comply with Rule 403A.2, the Exchange and the Book Depository may issue such directions as the Exchange and the Book Depository consider necessary to such a Proprietary Trading Member, and the Proprietary Trading Member shall comply with the directions of the Exchange and the Book Depository.

403A.5 A Proprietary Trading Member shall, in respect of each calendar year or such period of time as the Exchange and the Book Depository may prescribe from time to time, submit to the Exchange and the Book Depository statements on the calculation of its total personal net worth or Net Capital, as applicable, in such forms as may be prescribed by the Exchange and the Book Depository, within 14 calendar days after the end of the calendar year or such period of time as the Exchange and the Book Depository may have prescribed.

#### **404. Accounts**

404.1 A Member shall keep such accounting and other records as will sufficiently explain the transactions and financial position of its business and enable true and fair profit and loss accounts and balance-sheets and any documents required to be attached thereto to be prepared from time to time, and shall cause those records to be kept in such manner as to enable them to be conveniently and properly audited.

404.2 Without prejudice to the generality of Rule 404.1, a Member shall keep records in sufficient detail to show particulars of:

- (a) all amounts received and paid by it, including, where applicable, amounts paid to and disbursed from Customer Accounts;

- (b) (for Broker Members only) entitlements of Customers to any Physical Diamonds, and any dealings by the Broker Member for the benefit of its Customers; and
  - (c) all purchases and/or sales of Products made by it.
- 404.3 Without prejudice to the generality of Rule 404.1, a Member shall keep records in sufficient detail to show separately, particulars of:
- (a) all transactions by it for its own account;
  - (b) (for Broker Members only) all transactions by it for the benefit of its related / associated corporations or entities, directors, officers, partners, employees, representatives or Registered Persons; and
  - (c) (for Broker Members only) all transactions by it for the benefit of its Customers.
- 404.4 The accounting and other records kept under this Rule 404 shall be kept in English and retained for a period of at least 6 years.

#### **405. Submission of Annual Accounts**

- 405.1 A Member shall, in respect of each financial year, submit its audited profit and loss account and balance-sheet to the Exchange and the Book Depository within 5 months after the end of the financial year.

#### **406. Definitions and Interpretation**

- 406.1 In this Chapter, unless the context otherwise requires:

“**Net Capital**” means the amount by which current assets exceed liabilities, less such other items as may be specified in any Guidance Note issued by the Exchange and the Book Depository, and in determining Net Capital:

1. unrealised profits shall be added and unrealised losses shall be deducted in the accounts of the Member; and
2. “**current assets**” and “**liabilities**” shall be computed in accordance with any Guidance Note issued by the Exchange and the Book Depository.