

CSDs: CDP (Singapore)

Date: 11 Mar 2009

SMI Markets: Singapore

CMIRR Markets: Singapore

SGX to Revise its Fails Management

Singapore Exchange Limited (SGX) has issued a public consultation which proposes to revise the Central Depository's (CDP) settlement processes in order to reduce the fails due to non-delivery of securities in the market. The proposed changes are part of SGX's measures to mitigate settlement risk and are in line with the consultation in November 2008 revising the penalty framework. The proposed changes are as follows:

Buy-in Process

- The deadline for the delivery of securities is to be synchronised for retail and institutional trades with participants ensuring they have sufficient securities in their account by 12.00pm on T+3. CDP will then identify those sellers that do not have the necessary securities.
- SGX is proposing to publish the list of securities on its website required in the buying-in market by 2.30pm and commence buying-in on these undelivered securities on T+3 at 3.00pm. This buying-in session will allow open positions identified at 12.00pm to be covered before the trade is deemed to have failed at the end of T+3. Withdrawal from the buying-in market will not be allowed on T+3.
- Penalties will not be imposed on the open positions that have been covered from the T+3 buying-in.
- Buying-in will continue on T+4 and T+5 from 3.00pm to 5.00pm for outstanding undelivered securities after the previous market day's settlement run. The current timing for buying-in is 11.30am.

Inter-Broker Money Settlement between CDP and Clearing Member

The CDP will make payment to broking houses ("Inter-Broker Money Settlement") for securities that are confirmed for delivery at the deadline of 12.00pm on T+3. The funds will be transferred at 3.00pm to 4.00pm, as per current practice. For securities not available for confirmation at 12.00pm, the CDP will withhold the payment till the shares are delivered.

The consultation paper is open to feedback and suggestions from market participants and members of the public until 31 March 2009.

SGX's news release is available at:

<http://info.sgx.com/webnewscentre.nsf/b9c790d0d5ba5d2548256dcf0049ce28/48256838002f07b14825757500377c44?OpenDocument>

CSD Risk Impact

CDP (Singapore)

CSD Rating: AA-

CSD Flash Impact: On Watch

Impacted Risk Type: Liquidity Risk

Current Rating = AA

Flash Impact = On Watch

The proposed changes by SGX are expected to reduce the risk of failed trades as buy-ins will be detected and dealt with earlier. This should also encourage participants to settle their trades on time as penalties will be lifted if positions have been covered from the T+3 buy-in. Nonetheless, the impact on liquidity risk has been placed 'On Watch' until the amendments are approved.

Market Information Impact

Singapore

This information affects the data contained in the Settlement sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

Singapore

Market Rating: AA-

Market Flash Impact: On Watch

Impacted Risk Type: Liquidity Risk

Current Rating = AA

Flash Impact = On Watch

The proposed changes by SGX are expected to reduce the risk of failed trades as buy-ins will be detected and dealt with earlier. This should also encourage participants to settle their trades on time as penalties will be lifted if positions have been covered from the T+3 buy-in. Nonetheless, the impact on liquidity risk has been placed 'On Watch' until the amendments are approved.

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