

RESPONSE TO FEEDBACK RECEIVED

November 2016

Response to Feedback Received – Proposed Amendments to the Securities and Futures Act, Financial Advisers Act and Trust Companies Act

MAS

Monetary Authority of Singapore

Contents

1	Preface	3
2	Pledging Securities held in CDP Direct Accounts for Collateralised Trading..	3
3	Foreign Regulators' Inspection of Market Infrastructure Operators and Approved Trustees.....	4

1 Preface

1.1 On 18 September 2015, MAS issued a consultation paper on Proposed Amendments to the Securities and Futures Act (“SFA”), Financial Advisers Act and Trust Companies Act. The proposed amendments were aimed at enhancing MAS’ supervisory powers and business conduct requirements. Additionally, MAS sought feedback on the option for investors to more conveniently pledge securities held in their direct accounts with The Central Depository (“CDP”) to their brokers. This would facilitate investors using these securities to meet collateral requirements.

1.2 The consultation period closed on 16 October 2015, and MAS would like to thank all respondents for their contributions.

1.3 MAS would now like to respond to the feedback received on the proposals to allow the pledging of securities held in CDP direct accounts for collateralised trading, as well as to extend sections 150B and 150C of the SFA in relation to inspections by foreign regulators to market infrastructure operators and approved trustees. MAS has considered carefully the feedback received, and will incorporate them where it has agreed with the feedback. Comments that are of wider interest, together with MAS’ responses are set out below. MAS will respond to the feedback received on the other proposals at a later date¹.

2 Pledging Securities held in CDP Direct Accounts for Collateralised Trading

2.1 Respondents were generally supportive of the proposal to allow the charging and discharging of securities within a sub-balance of a CDP Direct Account. Clarification was sought on the operational aspects of the securities pledging process, such as brokers’ processes for charging/discharging of securities, how balances would be displayed on CDP statements, whether the forms would be electronic or hardcopy, and the treatment of shares created from corporate actions. Some brokers expressed concerns on the timeline for implementation of collateralised trading as resources would be needed to enhance systems and processes.

2.2 Respondents sought clarification on whether the auto-charging/discharging process would apply to sub-accounts held with Depository Agents (“DA”).

¹ As the subsequent response paper will address the bulk of the proposals, MAS will publish the list of respondents and the responses received in full at a later date as well. This will allow MAS to present the responses as received in its entirety.

MAS' Response

2.3 As there is overall support for the introduction of automatic charging and discharging of securities in a sub-balance of a CDP Direct Account, MAS will be proceeding with the proposals, including on the removal of the requirement for a witness signature on Form I.

2.4 The pledging of securities held in a sub-balance would have to be initiated by the customer. This would be possible on a per-trade basis (e.g. the customer gives instruction to his broker to assign his securities purchase to a pledged sub-balance), or as a portfolio-level movement of securities (not tied to specific trades) from the main balance to the sub-balance. MAS has requested CDP to consider how best to display holdings in main balances and pledged sub-balances when implementing broker-linked balances.

2.5 MAS intends to allow the process of charging and discharging in electronic and hardcopy format.

2.6 The amendments to allow auto-charging/discharging of a segregated portion of securities will apply to CDP Direct Accounts only. The pledging of securities in DA sub-accounts are typically done by way of common law charge, i.e. a contractual agreement as opposed to a statutory one. Whether the securities in that sub-account would be auto-charged would depend on the agreement between the DA and its customer. As such, the amendments will not affect this process.

2.7 As other operational procedures, such as the avenues for submitting the charging/discharging forms and treatment of shares created from corporate actions, are still being developed by CDP, brokers can engage CDP to provide further views. We expect CDP to work with the brokers, and provide information on such operational procedures to investors when there is greater clarity. We have also requested that CDP take into account brokers' technical and operational readiness when planning the implementation timeline.

3 Foreign Regulators' Inspection of Market Infrastructure Operators and Approved Trustees

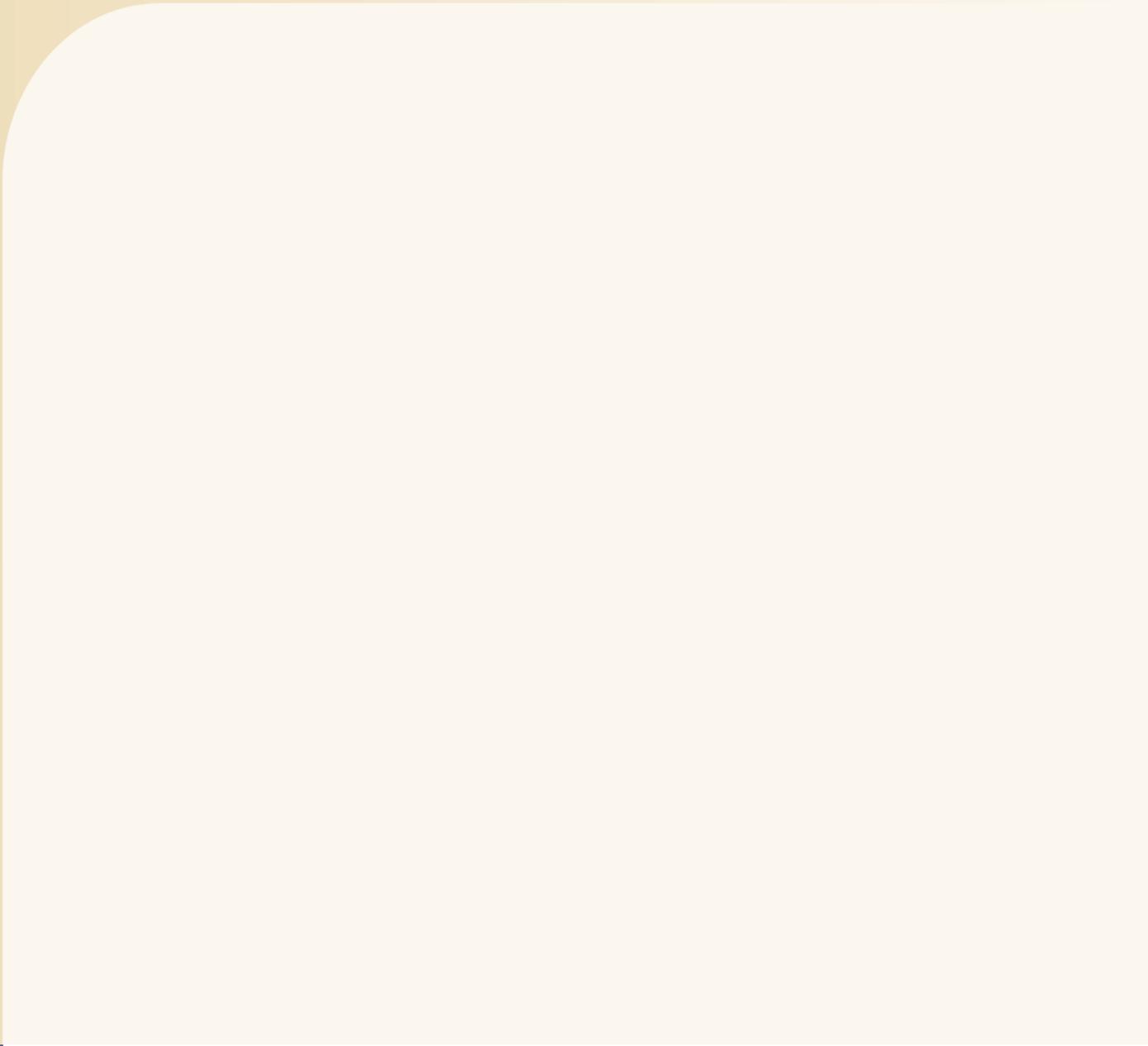
3.1 Respondents were supportive of the proposal to extend sections 150B and 150C of the SFA to approved exchanges, locally incorporated recognised market operators, approved clearing houses, locally incorporated recognised clearing houses, licensed trade repositories, approved holding companies and approved trustees.

MAS' Response

3.2 Given the support, MAS will proceed to implement this proposal. MAS would also like to clarify that these powers would only extend to entities under our jurisdiction, i.e. entities incorporated in Singapore and where MAS is the primary regulator.

MONETARY AUTHORITY OF SINGAPORE

7 November 2016



Monetary Authority of Singapore