

MAS 823

16 November 1987

NOTICE TO FINANCE COMPANIES  
FINANCE COMPANIES ACT, CAP 108

### **Dealing In Government Securities**

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1. A finance company may, without approval from the Authority, carry on, or include as part of its business of, dealing in Government securities, if and only if, in such dealing:-
  - (a) it deals for its own account;
  - (b) it deals with an exempt financial institution;
  - (c) it is neither a Primary, Registered, nor a Secondary dealer; and
  - (d) it complies with Clauses 1 and 2 herein.
  
2. A Finance Company securities dealer, whenever it acts as a custodian for securities entrusted to it, whether expressed or implied, by the counterparty in any securities transaction shall:-
  - (a) hold those securities on behalf of and for the account of the counterparty and as trustee for him;
  - (b) account in one or more separate trust accounts designated or evidenced as such, for all the securities received from the counterparty or accruing to the counterparty;
  - (c) pending the application of the securities or delivery of the securities to the counterparty, as the case may be, deposit the securities into the separate trust account by the next bank business day;
  - (d) not commingle these securities with the securities of the Finance Company securities dealer or use them to guarantee, pledge, hypothecate, charge or mortgage or extend the credit of any counterparty or person other than the person for whom they are held provided in no event shall the guarantee, pledge, hypothecation, charge or mortgage of the securities of the counterparty by the Finance

Company securities dealer exceed the sum owed by the counterparty to that Finance Company securities dealer;

(e) A Finance Company securities dealer shall not withdraw any securities from a trust account except for the purpose of making a payment or delivery:-

- (i) to the person entitled thereto;
- (ii) defraying brokerage and other proper charges; or
- (iii) that is otherwise authorised by law;

(f) establish and maintain two securities accounts with a Primary or Registered dealer or a bank in respect of any book-entry Government securities transactions as follows:-

- (i) a securities account for transactions relating to the Finance Company securities dealer's own transaction in book-entry securities; and
- (ii) a counterparty's securities account designated as a trust account, in relation to transactions in book-entry Government securities entered into by the Finance Company securities dealer on behalf of and for the account of its counterparty. The book-entry Government securities shall apply, with the necessary modifications, to the counterparty's securities trust account, as if the book-entry Government securities were issued by the Authority in the form of engraved or printed certificates and any transfer, delivery, pledge, charge, hypothecation or mortgage of the book-entry Government securities shall have effect in the same manner as if they are in engraved or printed certificates; and

(g) segregate and separately account for securities held for safe-custody or fully paid for by others, from other securities.

3. For the purposes of this Notice:-

*"Authority"* means the Monetary Authority of Singapore;

*"book-entry Government securities"* means book-entry Government securities and book-entry Treasury bills;

*"dealing in securities"* means (as principal) making or offering to make with any person, or inducing or attempting to induce any person to enter into or to offer to enter into:-

- (a) any agreement for or with a view to acquiring, disposing of, subscribing for, or underwriting securities; or
- (b) any agreement the purpose or pretended purpose of which is to secure a profit to any of the parties from the yield of securities or by reference to fluctuations in the price of securities;

*"an exempt financial institution"* means:-

- (a) a bank licensed under the Banking Act; Cap. 19.
- (b) a finance company licensed under the Finance Companies Act; Cap. 108.
- (c) a merchant bank that is approved as a financial institution under section 28 of the Monetary Authority of Singapore Act; Cap. 186.
- (d) the Post Office Savings Bank of Singapore established under the Post Office Savings Bank of Singapore Act; Cap. 237.
- (e) a company or society registered under the Insurance Act; Cap. 142.
- (f) a dealer licensed under the Securities Industry Act; Cap. 289.
- (g) a Primary dealer; and
- (h) a Registered dealer;

*"Finance Company Securities dealer"* means a finance company which carries on or includes as part of its business dealing in securities in the manner described in Clause 1 herein;

*"Government securities"* means securities issued or proposed to be issued by the Government and include:

- (a) debentures, stocks, Treasury bills, notes and bonds issued or proposed to be issued by the Government; and
- (b) any right or options in respect of any such debentures, stocks, Treasury bills, notes or bonds; and
- (c) book-entry Government securities and book-entry Treasury bills as defined in the Development Loan Act 1987 and the Local Treasury Bills Act;

*"Primary dealer"* means a Government securities dealer which is designated and approved as a Primary dealer by the Authority unless the context otherwise requires;

*"Registered dealer"* means a Government securities dealer which is designated and approved as a Registered dealer by the Authority unless the context otherwise requires; and

*"securities"* means Government securities unless the context otherwise requires.

Last modified on 19/3/2007