

Guidelines for Banks whose Business includes Dealing in Government Securities

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Reference: BFI SID 096

Issued by Banking and Financial Institutions Department

GUIDELINE 1: COMPLIANCE AND APPROVAL

1(1) Subject to Guideline 10, a bank whose business includes the business of dealing in Government securities whether as a Primary, Registered or Secondary dealer; shall observe and comply with these Guidelines.

(2) These Guidelines are in addition to and not in derogation of any other written law, Notices to banks, and other Guidelines to banks to which banks are subject to.

(3) Subject to Guideline 10, a bank shall not carry on a business of, or include as part of its business, dealing in Government securities whether as a Primary, Registered or Secondary dealer or hold itself out as carrying on such a business unless prior approval has been granted by the Authority to that bank to be a Primary, Registered or Secondary dealer as the case may be.

GUIDELINE 2: DEFINITIONS

2 In these Guidelines, unless the context otherwise requires:

"accounts" means profit and loss accounts and balance sheets and includes notes (other than auditor's reports) attached to or intended to be read with those profit and loss accounts or balance sheets;

"arbitrage transaction" means a purchase or sale of a security in one market together with an offsetting sale or purchase of the same security in a different market at as nearly the same time as practicable for the purpose of taking advantage of a difference in prices in the two markets;

"auditor" means an approved company auditor within the meaning of the Companies Act;

"Authority" means the Monetary Authority of Singapore;

"bank" means a bank licensed under the Banking Act;

"book" includes any register, document or other record of information and any account or accounting record, however compiled, recorded or stored whether in written or printed form or microfilm or by electronic process or otherwise;

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

"client" means any person from whom, or on whose behalf, a dealer has received or acquired or holds monies, securities or property for the

account of such person in relation to transactions in Government securities;

"company" has the same meaning as is assigned to that expression in the Companies Act;

"corporation" has the same meaning as is assigned to that expression in the Companies Act;

"dealing in securities" means (whether as principal or agent) 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;

"dealer" means a Government securities dealer and, unless the context otherwise requires, includes a Primary, Registered or Secondary dealer;

"director" has the same meaning as is assigned to that expression in the Companies Act;

"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;

"Government securities dealer" means a bank whose business includes dealing in Government securities and which is approved by the Authority to carry out that business as a Primary dealer or as a Registered dealer or as a Secondary dealer;

"Primary dealer" means a Government securities dealer which is designated and approved as a Primary dealer by the Authority;

"Registered dealer" means a Government securities dealer which is designated and approved as a Registered dealer by the Authority;

"repurchase agreement" means an agreement to sell securities with a commitment to repurchase from the same person at a later date securities of the same quantity, issue and maturity;

"reverse-repurchase agreement" means an agreement to purchase securities with a commitment to resell to the same person at a later date securities of the same quantity, issue and maturity;

"Rules and Market Practices" means the Rules and Market Practices, including any amendments and modifications thereto, of the Singapore Government securities market as promulgated from time to time by the Market Committee of the Government securities market provided that the Market Committee is recognised as such by the Authority;

"Secondary dealer" means a Government securities dealer which is approved by the Authority as such other than a Primary or Registered dealer; and

"securities" means Government securities.

GUIDELINE 3: CONDUCT OF BUSINESS

Obligations and Privileges of Dealers

3(1)(a) A Primary and a Registered dealer:

(i) shall regularly publish bone fide competitive bid and offer quotations in all securities; and

(ii) shall be ready, willing and able to effect transactions at its quoted prices with other persons in respect of those securities in such amounts as stipulated in the Rules and Market Practices;

provided that where a particular Government security is considered as illiquid by the Market Committee of the Government securities market, Guidelines 3(1)(a) (i) and (ii) shall not apply;

(b) Notwithstanding Guideline 3(1)(a), a Primary and a Registered dealer shall, at the request of the Authority, make bid and offer quotations for securities which shall give effect to the Authority's conduct of open market operations through transactions in such securities;

(c) Primary dealers shall tender for primary issues of securities provided such dealers evidence, to the satisfaction of the Authority, their willingness to tender for a percentage of each primary issue of securities

which approximately corresponds to their market share of securities transactions in the secondary market for such securities and provided further that nothing herein shall be construed as restricting the Authority from extending the privilege to any other person.

Certain Representations by Dealers Prohibited

3(2)(a) No dealer shall represent or imply or knowingly permit to be represented or implied in any manner to any person that its abilities or qualifications have in any respect been approved by the Authority;

(b) A statement that a corporation has been approved by the Authority as a Government securities dealer or as a Primary dealer or as a Registered dealer or as a Secondary dealer is not a contravention of Guideline 3(2)(a), provided that statement is true.

Confirmation of Transactions

3(3) A dealer shall in respect of a transaction in securities forthwith but in any event not later than the next business day send a confirmation note of the transaction to the person whether with or for whom the dealer has entered into the transaction.

Safeguarding of records

3(4) A dealer shall take reasonable precaution for safeguarding against falsification of books, accounts, documents or records required to be kept by him and for facilitating discovery of any falsification.

Clients' rights to copies of book entries

3(5)(a) Subject to Guideline 3(5)(b) a dealer shall supply on demand to its clients or any person authorised by the client copies of contract notes and vouchers and extracts of entries in its books relating to any transaction carried out on behalf of that client, and it shall be entitled to levy a reasonable charge therefor.

(b) A dealer shall not be required to keep copies of contract notes, vouchers and other documents relating to any securities transaction carried out on behalf of a client, exceeding six years from the date of the transaction.

Repurchase Transactions

3(6)(a) A dealer other than one which is also an "offshore bank", may enter into repurchase agreements with any persons.

(b) A dealer, which is also an "offshore bank" may enter into repurchase agreements only where the other party to the agreements is a financial institution.

(c) Notwithstanding Guideline 3(6)(b) a dealer which is also an "offshore bank" may enter into repurchase agreements where the other party to the agreements are non-residents and provided the value of the transaction of each repurchase agreement is not less than S\$250,000.

(d) In this Guideline:

(i) An "offshore bank" means a bank which is licensed under the Banking Act and which is subject to the restrictions as set out in the Guidelines for operation of "offshore banks" as specified in the Notices and Guidelines to Banks;

(ii) "A financial institution" means:-

(aa) a bank which is licensed under the Banking Act; Cap 19.

(bb) a finance company which is licensed under the Cap 108.Finance Companies Act;

(cc) a merchant bank that is approved as a financial Cap 186, institution under section 28 of the Monetary Authority of Singapore Act;

(dd) The Post Office Savings Bank of Singapore Cap 237. established under the Post Office Savings Bank of Singapore Act;

(ee) a company or society registered under the Cap 142. Insurance Act;

(ff) a dealer licensed under the Securities Industry Act; Cap 289.

(gg) a Primary dealer; and

(hh) a Registered dealer;

(iii) "Non-residents" have the same meaning as is assigned to that expression in the "Guidelines for operation of offshore banks".

GUIDELINE 4: RULES AND MARKET PRACTICES OF THE SINGAPORE GOVERNMENT SECURITIES MARKET

4(1) Subject to Guidelines 4(2) and 4(3), a dealer shall comply with the Rules and Market Practices, including any amendments and modifications thereto, of the Singapore Government securities market promulgated from time to time by the Market Committee of the Government securities market.

4(2) For the avoidance of doubt and subject to Guideline 4(3), a dealer shall be subject to such disciplinary action, including censure as the Market Committee may impose on that dealer.

4(3) Notwithstanding Guideline 4(2), the Authority may review, affirm or set aside any decision of the Market Committee with respect to disciplinary action against a dealer, or in a case where the Market Committee fails to act against a dealer, the Authority may itself discipline the dealer.

4(4) Where any provision of these Guidelines conflicts with any provision set out in the Rules and Market Practices, the former shall prevail.

4(5) Nothing herein shall be construed as restricting the Authority from exempting generally or in any particular case a dealer from compliance with all or any of the Rules and Market Practices upon application by a dealer or upon the Authority's own motion.

4(6) Notwithstanding anything in these Guidelines, where a dealer contravenes or fails to comply with any provision of these Guidelines or the Rules and Market Practices the Authority may withdraw the approval granted to that dealer as a dealer or if the Authority considers it desirable to do so, it may instead of withdrawing the approval, suspend the approval for a specific period and may at any time remove its suspension.

GUIDELINE 5: DEALINGS BY EMPLOYEES OF A DEALER

5 A dealer shall not give unsecured credit to an employee of that dealer or that employee's spouse, father, mother, son, daughter, adopted son, adopted daughter, step son, step-daughter, sister or brother, if:

(a) the unsecured credit is given for the purpose of enabling or assisting the person to whom the unsecured credit is given to purchase or subscribe for any securities; or

(b) that dealer giving the unsecured credit knows or has reason to believe that the unsecured credit will be used for the purpose of purchasing or subscribing for securities.

GUIDELINE 6: ACCOUNTS

6 (a) A dealer shall in relation to its business of dealing in Government securities maintain and keep records which:-

(i) are kept in sufficient detail to show particulars of:

(A) all monies received or paid by the dealer;

(B) all purchases and sales of Government securities made by the dealer, the charges and credits arising from them, and the names of the buyer and seller, respectively, of each of those Government securities;

(C) all income received from commissions, interest, and other sources, and all expenses, commissions, and interest paid, by the dealer;

(D) all the assets and liabilities (including contingent liabilities) of the dealer;

(E) all securities that are the property of the dealer, showing by whom the securities, or the documents of title to the securities, are held and, where they are held by some other person, whether or not they are held as security against loans or advances;

(F) all securities that are not the property of the dealer and for which the dealer or any nominee controlled by the dealer is accountable, showing by whom, and for whom, the securities or the documents of title to the securities are held and the extent to which they are either held for safe custody or deposited with a third party as security for loans or advances made to the dealer;

(G) all repurchases and reverse repurchases of Government securities made by the dealer and all charges (including interest) arising from them; and

(H) all arbitrage transactions in Government securities entered into by the dealer,.

(ii) are kept in sufficient detail to show separately particulars of every Government securities transaction by the dealer;

(iii) specify the day on which or the period during which each Government securities transaction by the dealer was entered into and its settlement date; and

(iv) contain copies of acknowledgements of the receipt of securities or of documents of title to securities received by the dealer from clients for sale or safe custody clearly showing the name or names in which the particular securities are kept.

(b) Without affecting the operation of Guideline 6(a), a dealer shall keep records in sufficient detail to show separately particulars of all Government securities transactions by the dealer with, or for the account of:

- (i) clients of the dealer;
- (ii) the dealer himself; and
- (iii) employees of the dealer.

(c) An entry in the accounting and other records of a dealer required to be kept in accordance with this Guideline shall be deemed to have been made by, or with the authority of; the dealer.

(d) The Authority may in any particular case exempt a dealer from complying with all or any of the requirements of Guideline 6(a) to (b) so long as the dealer complies with such other requirements relating to the keeping of books, accounts and records as may be directed by the Authority.

GUIDELINE 7: TIME STAMPING

7 In relation to each transaction of securities, a dealer shall at the time of receipt of each order from its client, enter forthwith onto an order form his client's order. The order shall forthwith be dated and time-stamped when received and upon execution or cancellation. The order form shall be in accordance with the format set out in the Rules and Market Practices.

GUIDELINE 8: TRUST ACCOUNTS

8(1) A dealer shall:-

(a) treat and deal with all securities or properties:-

- (i) received by him from a client for the purchase of Government securities; or
- (ii) received from or on account of the client from the sale of Government securities; or

(iii) held on behalf of or for the account of the client in relation to Government securities transactions, as belonging to and kept in trust for that client;

(b) account in one or more separate trust accounts designated or evidenced as such, for all the securities, or property received from the client or accruing to the client pursuant to paragraph (a);

(c) pending the application of the securities or property; or delivery of the securities or property to the client, as the case may be, deposit the securities or property into the separate trust account by the next bank business day; and

(d) not commingle these securities or property with the securities or property of the dealer or use them to guarantee, pledge, hypothecate, charge or mortgage or extend the credit of any client or person other than the person for whom they are held provided that in no event shall the guarantee, pledge, hypothecation, charge or mortgage of the securities or property of the client by the dealer exceed the sum owed by the client to that dealer.

8(2) A dealer shall not withdraw any securities or property from a trust account except for the purpose of making a payment or delivery:-

(a) to the person entitled thereto;

(b) defraying brokerage and other proper charges; or

(c) that is otherwise authorised by law.

8(3) Save as otherwise provided in this Guideline, securities or property held in a trust account shall not be available for payment of the debts of a dealer or be liable to be paid or taken in execution under an order or process at any court.

8(4) Nothing in this Guideline shall take away or affect a lawful claim or lien which any person has against or upon any securities, or property held in trust account or against or upon any securities, or property received from the purchase of Government securities or from the sale of Government securities before, such securities, or property are paid or deposited into the trust account.

8(5) In this Guideline:

(a) "securities" has the same meaning as is assigned to that expression Cap 289 in the Securities Industry Act and include Government securities and book entry securities;

(b) "property" means property other than monies.

8(6)(a) A Primary or Registered dealer shall establish and maintain two securities accounts with the Authority in respect of book-entry securities transactions as follows:-

(i) A securities account for transactions relating to the Primary dealer's or Registered dealer's own transactions in book-entry securities; and

(ii) A clients' securities account designated as a trust account for clients, in relation to transactions in book-entry securities by the Primary or Registered dealer on behalf of or for the account of its clients. Guidelines 8(1) to (5) shall apply with the necessary modifications to the clients' securities trust account, as if the book-entry 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 securities shall have effect in the same manner as it they are in engraved or printed certificates.

(b) A Secondary dealer shall establish and maintain two securities accounts with a Primary or Registered dealer or with the Authority in respect of any book-entry securities transactions as follows:-

(i) A securities account for transactions relating to the Secondary dealer's own transaction in book-entry securities; and

(ii) A clients' securities account designated as a trust account, in relation to transactions in book-entry securities entered into by the Secondary dealer on behalf of and for the account of its clients. Guidelines 8(1) to (5) shall apply with the necessary modifications to the clients' securities trust account, as if the book-entry 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 securities shall have effect in the same manner as if they are in engraved or printed certificates.

8(7) A dealer shall segregate and separately account for securities or property held for safe-custody or fully paid for by others, from other securities or properties.

GUIDELINE 9: INFORMATION TO BE FURNISHED BY A DEALER

9 Subject to section 47 of the Banking Act, a dealer shall furnish to the Authority at such time and in such manner as the Authority may prescribe by notification or otherwise, such returns and information as the Authority may reasonably require for the proper discharge of its functions.

GUIDELINE 10: EXEMPT BANK GOVERNMENT SECURITIES DEALER

10(1) In this Guideline:-

"An Exempt Bank Government Securities dealer" means a bank which carries on, or includes as part of its business, dealing in Government securities for its own account with an exempt financial institution or for the account of an exempt financial institution and is neither a Primary, Registered or Secondary dealer; and

"an exempt financial institution" means:-

- (i) a bank licensed under the Banking Act; Cap 19.
- (ii) a finance company licensed under the Finance Cap 108. Companies Act;
- (iii) a merchant bank that is approved as a financial Cap 186.institution under section 28 of the Monetary Authority of Singapore Act;
- (iv) the Post Office Savings Bank of Singapore established Cap 237. under the Post Office Savings Bank of Singapore Act;
- (v) a company or society registered under the Insurance Act; Cap 142.
- (vi) a dealer licensed under the Securities Industry Act; Cap 289.
- (vii) a Primary dealer; and
- (viii) a Registered dealer.

(2) An Exempt Bank Government Securities dealer may without approval from the Authority carry on or include as part of its business dealing in Government securities for its own account with an exempt financial institution or for the account of an exempt financial institution subject to Guidelines 10(3) to 10(5).

(3) Guideline 8 relating to establishment and maintenance of trust accounts shall with the necessary modifications apply to an Exempt Bank Government Securities dealer where it acts whether expressly or impliedly as custodian for the securities belonging to the counterparty to a securities transaction or as custodian for the account of an exempt financial institution and for this purpose:-

(a) a reference in Guideline 8 to a "dealer" shall be construed as a reference to an "Exempt Bank Government Securities dealer"; and

(b) a reference therein to a "Secondary dealer" shall be construed as a reference to an "Exempt Bank Government Securities dealer".

(4) An Exempt Bank Government Securities dealer which is also an offshore bank shall enter into repurchase agreements only in the manner specified in Guideline 3(6)(b) to 3(6)(d).

(5) An Exempt Bank Government Securities dealer shall comply with and observe Guidelines 2 and 10 herein but not the other above mentioned Guidelines unless specified in Guideline 10 except that nothing herein shall exempt an Exempt Bank Government Securities dealer from any written law, other Notices to Banks and Guide to Banks to which an Exempt Bank Government Securities dealer is subject to as a bank.

Last modified on 19/3/2007