



Monetary Authority of Singapore

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## **SECURITIES AND FUTURES ACT (CAP. 289)**

**NOTICE TO PERSONS EXEMPTED UNDER REGULATION 2(2) OF THE  
SECURITIES AND FUTURES (EXEMPTION FROM REQUIREMENT TO  
HOLD CAPITAL MARKETS SERVICES LICENCE) REGULATIONS  
(RG 11) FROM THE REQUIREMENT UNDER SECTION 82(1) OF THE  
SECURITIES AND FUTURES ACT (CAP. 289) TO HOLD A CAPITAL  
MARKETS SERVICES LICENCE FOR THE REGULATED ACTIVITY OF  
TRADING IN FUTURES CONTRACTS AND REPRESENTATIVES OF  
SUCH PERSONS**

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**Notice No** : **SFA 04-N08**  
**Issue Date** : **28 March 2008 (Last revised on 16 February 2009)**

**NOTICE TO PERSONS EXEMPTED UNDER REGULATION 2(2) OF THE SECURITIES AND FUTURES (EXEMPTION FROM REQUIREMENT TO HOLD CAPITAL MARKETS SERVICES LICENCE) REGULATIONS (RG 11) FROM THE REQUIREMENT UNDER SECTION 82(1) OF THE SECURITIES AND FUTURES ACT (CAP. 289) TO HOLD A CAPITAL MARKETS SERVICES LICENCE FOR THE REGULATED ACTIVITY OF TRADING IN FUTURES CONTRACTS AND REPRESENTATIVES OF SUCH PERSONS**

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**TRADING IN STRUCTURED WARRANTS**

**1 Introduction**

1.1 This Notice is issued pursuant to section 101 of the Securities and Futures Act (Cap.289) (the “Act”) and applies to all persons exempted under regulation 2(2) of the Securities and Futures (Exemption from Requirement to hold Capital Markets Services Licence) Regulations (Rg. 11) [the “SFR”] from the requirement to hold a capital markets services licence for trading in futures contracts and representatives of such persons.

1.2 This Notice shall take effect on 28 March 2008.

**2 Definitions**

2.1 For the purposes of this Notice:

“exempt person” means a person exempted from having to hold a capital markets services licence for trading in futures contracts under regulation 2(2) of the SFR;

“structured warrant” means an instrument listed for quotation on the Singapore Exchange Securities Trading Ltd and issued by a financial institution on an underlying financial instrument which gives the holder of the instrument the right —

- (a) to purchase from, or sell to, the financial institution that underlying financial instrument in accordance with the terms of issue of the instrument, or

- (b) to receive from the financial institution a cash payment calculated by reference to the fluctuations in value or price of that underlying financial instrument in accordance with the terms of issue of the instrument;

“underlying financial instrument” means —

- (a) foreign exchange, interest rate, gold or any produce, item, goods or article, and includes an index of such foreign exchange, interest rate, gold, produce, item, goods or article; or
- (b) an index of futures contracts in respect of foreign exchange, interest rate, gold or any produce, item, goods or article.

### **3 Representatives of an exempt person**

3.1 An exempt person shall ensure that any person it employs or appoints to act as its representative in respect of its carrying on of business in trading in futures contracts—

- (a) trades in futures contracts in the form of structured warrants only;
- (b) holds a valid representative’s licence under the Act in respect of dealing in securities;
- (c) acquires knowledge in relation to structured warrants;
- (d) undergoes continuing education to keep abreast of developments in relation to structured warrants; and
- (e) where relevant, acquires new skills and knowledge necessary or applicable to the trading of structured warrants.

### **4 Risk Disclosure**

4.1 Subject to paragraph 4.2, an exempt person shall, prior to trading in structured warrants for a customer —

- (a) furnish that customer with a separate written risk disclosure document which shall bring to the attention of the customer the risks involved in investing in structured warrants; and
- (b) procure from that customer an acknowledgement from the customer that the customer has received and understood the nature and contents of the risk disclosure document referred to in sub-paragraph (a).

4.2 An exempt person shall not be required to comply with the requirements set out in paragraph 4.1 in respect of –

- (a) its trading in the futures contracts specified in the Annex; and

- (b) the trading in structured warrants for the following customers:
  - (i) an institutional investor as defined in section 4A(1)(a) of the Act;
  - (ii) a customer of an exempt person who has previously received a risk disclosure document from that exempt person which brings to the attention of the customer the risks involved in investing in structured warrants;
  - (iii) a customer of an exempt person (other than a customer referred to in (b)) who has previously traded in structured warrants on any market, whether in Singapore or elsewhere.

## **Conduct of Business**

### **5 Provision of particulars of structured warrant transactions in statement of account to customers**

5.1 Subject to paragraph 5.2 below, an exempt person shall in the statement of account furnished to his customers under regulation 40 of the Securities and Futures (Licensing and Conduct of Business) Regulations (Rg 10) include, where applicable, particulars of the structured warrant transactions of the customer, and the price at which the transactions are entered into.

5.2 Paragraph 5.1 shall not apply where there is no change to any of those particulars since the date on which the last statement of account was made up to.

### **6 Issue of contract notes**

6.1 An exempt person shall, in respect of a sale or purchase of structured warrants, after entering into the transaction —

- (a) give to the other party to the transaction a contract note which contains such information as set out in paragraph 6.2; or
- (b) procure that such a contract note be given in its name.

6.2 An exempt person shall include, in every contract note to be given under paragraph 6.1, where applicable —

- (a) the name or style under which the exempt person carries on business in trading in structured warrants, and the address of the principal place at which the exempt person carries on the business;
- (b) where the exempt person is entering into the transaction as principal, a statement that it is so acting;
- (c) the name and address of the party to whom the contract note is given;
- (d) the date on which the transaction is entered into;

- (e) in respect of a sale or purchase of structured warrants, the number or amount, and description of the structured warrants that are the subject of the transaction; and
- (f) in respect of a sale or purchase of structured warrants, the price per unit of the transaction, the amount of the consideration for the transaction, the rate and amount of commission (if any) charged for the transaction by the exempt person and the amount of all stamp duties or other duties or taxes payable in connection with the transaction.

[SFA 04-N08 (Amendment) 2009]

6.3 An exempt person shall, no later than the business day immediately following a sale or purchase of structured warrants, give to the other party to the transaction a contract note for the transaction.

## 7 Disclosure of certain interests in respect of underwriting agreement

7.1 Where —

- (a) structured warrants have been offered for subscription or purchase; and
- (b) an exempt person has subscribed for or purchased, or is or will or may be required to subscribe for or purchase, any of those structured warrants under an underwriting or sub-underwriting agreement by reason that some or all of the structured warrants have not been subscribed for or purchased,

such exempt person shall not, during the period of 90 days after the close of the offer referred to in sub-paragraph (a)—

- (i) make an offer to sell those structured warrants otherwise than in the ordinary course of trading on a securities exchange or recognised market operator; or
- (ii) make a recommendation, whether orally or in writing and whether expressly or by implication, with respect to those structured warrants,

unless the offer or recommendation contains or is accompanied by a statement to the effect that the offer or recommendation relates to structured warrants that the exempt person has acquired, or is or will or may be required to acquire, under an underwriting or sub-underwriting agreement by reason that some or all of the structured warrants have not been subscribed for or purchased.

7.2 Where an exempt person sends to any person a written offer, written recommendation or written statement, the exempt person shall retain a copy of the

written offer, recommendation or statement for a period of 5 years after the day the written offer, recommendation or statement is made.

## 8 Priority of customers' orders

8.1 Except as otherwise permitted under paragraph 8.2—

- (a) an exempt person when acting as principal or on behalf of a person associated with or connected to the exempt person; or
- (b) a representative of such an exempt person when acting for his own account or on behalf of a person associated with or connected to the representative,

shall not enter into a transaction for the purchase or sale of structured warrants, if a customer of that exempt person or representative, who is not associated with or connected to that exempt person or representative, has instructed the exempt person or representative to purchase or sell, respectively, structured warrants of the same class and he has not complied with the instruction;

8.2 Paragraph 8.1 shall not apply to an exempt person or its representative where his customer required the purchase or sale of structured warrants on behalf of the customer to be effected only on specified conditions and he has been unable to purchase or sell the structured warrants by reason of those conditions.

## 9 Dealing as principal

9.1 An exempt person shall not, as principal, enter into any transaction of sale or purchase of any structured warrants with any customer who is neither the holder of a capital markets services licence to trade in futures contracts nor an exempt person unless the first-mentioned exempt person first informs the customer that he is acting in the transaction as principal and not as agent.

9.2 An exempt person which enters into a transaction of sale or purchase of structured warrants, as principal, with a customer who is neither the holder of a capital markets services licence to trade in futures contracts nor an exempt person shall state in the contract note that the exempt person is acting in the transaction as principal and not as agent.

9.3 For the purpose of paragraphs 9.1 and 9.2, a reference to an exempt person includes reference to —

- (a) a person associated with or connected to an exempt person;
- (b) a corporation in which an exempt person has a controlling interest;  
or

- (c) a corporation in which an exempt person's interest and the interests of the directors of an exempt person together constitute a controlling interest.

## **Disclosure of interests**

### 10 Register of structured warrants

10.1 An exempt person and its representative shall each respectively —

- (a) maintain a register of his interests in structured warrants;
- (b) enter in the register the particulars of the structured warrants and the interest, within 7 days after the date that he acquires any interest in structured warrants; and
- (c) retain that entry in an easily accessible form for a period of not less than 5 years after the date on which such entry was first made.

[SFA 04-N08 (Amendment) 2009]

10.2 Where there is a change in any interest in structured warrants of the exempt person or its representative, as the case may be, he shall —

- (a) enter in the register, within 7 days after the date of the change, particulars of the change including the date of the change and the circumstances by reason of which the change has occurred; and
- (b) retain that entry in an easily accessible form for a period of not less than 5 years after the date on which such entry was first made.

### 11 Place at which register is kept

11.1 An exempt person or its representative, as the case may be, shall keep the register of interests in structured warrants -

- (a) in the case of an individual, at his principal place of business; or
- (b) in the case of a corporation, at any of its places of business.

### 12 Production of register

12.1 An exempt person and its representative shall each respectively produce his register of interests in structured warrants for inspection by the Authority when required to do so and allow the Authority to make a copy of, or take extracts from, the register.

## **ANNEX**

### **SPECIFIED FUTURES CONTRACTS**

1. European style cash settled participation certificates (zero strike call warrants) on a commodities index or commodities futures index.

#### Notes on History of Amendments

1. SFA 04-N08 (Amendment) 2009 with effect from 16 February 2009