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Singapore Bullion Market Association

The Singapore Parliament has passed several significant changes to the Securities and Futures Act. These changes will enhance transparency and credibility to the market, and also create better safeguards for retail investors.

Details of the Parliamentary Speech in relation to the Securities and Futures Amendment Bill 2016 may be found at: <http://www.mas.gov.sg/News-and-Publications/Speeches-and-Monetary-Policy-Statements/Speeches/2017/Securities-and-Futures-Amendment-Bill-2016.aspx>

The changes will affect current processes and procedures for existing businesses and financial institutions. The following excerpts quoted from the Parliamentary Speech are significant and noteworthy:

“Regulation of OTC derivatives

15 Commodity derivatives market operators and intermediaries, which are currently regulated under the Commodity Trading Act administered by IE Singapore, will consequently be regulated under the SFA. This avoids subjecting them to two regulatory regimes and ensures more efficient regulation. MAS will provide for appropriate transition periods to minimise any industry impact.

Enhancing regulatory safeguards for retail investors

19 A primary objective of MAS’ regulatory framework for capital markets aims to safeguard the interests of retail investors, who are really the man-in-the-street, putting their savings and nest egg in investment products. We want to ensure these investors have access to adequate information and that intermediaries deal fairly with them. That is why:

- (i) Public offers of securities such as shares and bonds, and investment funds must be made with a prospectus registered by MAS. The prospectus must contain all material information relating to the investment.
- (ii) Intermediaries, such as brokers, financial advisers, and fund managers must be licensed by MAS, and adhere to rules governing their conduct of business with customers in a fair, transparent manner.

Extending capital markets regulatory safeguards to non-conventional investment products

22 First, the Bill empowers MAS to prescribe certain products as debentures. With these powers, MAS intends to prescribe as debentures, buy-back arrangements involving gold, silver and platinum. This is because in substance, such schemes are similar to collateralised borrowing arrangements³. Once classified as a debenture, offers of products with such buy-back arrangements will have to be made with a prospectus registered with MAS. This will provide retail investors better access to information on product features and risks, and make more informed investment decisions.

³ In a typical gold buy-back scheme, the scheme operator would sell gold to investors at a significant premium above the prevailing market price, with a guarantee to repurchase the gold at the same price at the end of the contract period. Investors will also usually receive monthly pay-outs (similar to bond coupons) during the contract term. Such a transaction is in effect similar to a collateralised borrowing



transaction where the scheme operator is the borrower and the investors are lenders.

New regulatory framework for financial benchmarks

34 The Bill will introduce a new regulatory framework for financial benchmarks. Financial benchmarks play an important role in the pricing and settlement of financial instruments and contracts. One example is SIBOR, or Singapore Interbank Offered Rate, which is used by various lenders to set interest rates. As it has wide systemic influence, it is critical that the process of setting financial benchmarks is credible and reliable.

35 Following the uncovering of misconduct in the setting of the London Interbank Offered Rate, IOSCO has developed principles to address vulnerabilities in the benchmark-setting process. Regulatory frameworks for financial benchmarks have been implemented in the United Kingdom and are in the process of being implemented at the European level.

36 Under the Bill, MAS will be able to designate key financial benchmarks. Once designated, MAS will regulate those who administer these benchmarks as well as those who submit the information required to compute these benchmarks. MAS intends to designate the Singapore Interbank Offered Rate (SIBOR) and the Swap Offer Rate (SOR). Both are widely referenced by banks to set interest rates for commercial term loans and residential property loans; it is thus important that the setting of these benchmarks be subject to a robust and credible process.”

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