

PROGRAMME PROSPECTUS

NEW SINGAPORE SFA AND FAA AND OTC DERIVATIVES CONTRACTS: BUSINESS CONDUCT REQUIREMENTS UNDER THE SFA – CUSTOMER'S MONEYS AND ASSETS

1. Learning Objectives and Outcomes

Dealing in, or advising on, over-the-counter derivatives contracts (“**OTCDs**”) are now regulated activities in Singapore under the Securities and Futures Act (“**SFA**”) and the Financial Advisers Act.

This programme focuses on the business conduct requirements under the SFA relating to customer's moneys and assets that capital markets services (“**CMS**”) licence holders and exempt financial institutions (“**EFIs**”) are required to comply with when dealing in OTCDs.

CMS licence holders and EFIs should bear in mind the other BCR relating to licensing, dealing, the risk mitigation requirements for non-cleared OTCDs and the sale of capital markets products under MAS's Notice on the Sale of Investment Products and the accompanying Practice Note. They should also bear in mind the margining, clearing, trading and reporting rules and the public offering rules.

2. Programme Outline

Topic	Summary	Duration
What led to the changes in the business conduct requirements?	What led to the changes in the business conduct requirements?	5 minutes
Overview SFA - SFA licensing requirements - Exchange-traded vs OTC - Dealing in OTCDs - Qualifying inter-dealer brokers	- Overview of the licensing and registration requirements under the SFA. - When do you need to be licensed or registered under the SFA in relation to OTCDs? - Dealing in OTCDs <u>for</u> vs dealing in OTCDs <u>with</u>. - What are the more relevant exclusions and exemptions? - What are OTCDs? - What does “dealing in OTCDs” mean? - What is required of qualifying inter-dealer brokers?	20 minutes

Topic	Summary	Duration
- SFA business conduct requirements - Retail and non-retail customers - SFA rules - Securities-based derivatives contracts - SFA transitional reliefs “Existing” derivatives contracts vs “new” derivatives contracts for intermediaries/advisers other than banks and merchant banks “Existing” derivatives contracts vs “new” derivatives contracts for banks and merchant banks It's complicated Business conduct requirements	- Overview of the business conduct requirements (“BCR”) under the SFA. - BCR relating to licensing, dealing, customer’s moneys and assets, risk mitigation requirements for non-cleared OTCDs, and the sale of capital markets products. - Overview of the application of the BCR. - CMS licence holder vs EFI. - Narrower vs broader definition of “customer”. - Non-retail customers to retail customers who are individuals. - Who are retail and non-retail customers? - Commodity OTCDs for the day-to-day business operations of one party to OTCDs traded on a swap execution facility that is an approved exchange or operated by a recognised market operator. - Overview of the rules under the SFA. - Margining, clearing, trading and reporting rules relating to OTCDs. - Public offering rules relating to securities-based derivatives contracts (“SBDCs”). - What is an SBDC? - Overview of the transitional reliefs. - Are there any transitional reliefs from the licensing/registration requirements and BCR for “new” OTCDs? - Are there any transitional reliefs from the licensing/registration requirements and BCR for “existing” OTCDs? - Are there any transitional reliefs from the margining, clearing, trading and reporting rules and the public offering rules?	

Topic	Summary	Duration
	▪ What are “existing” derivatives contracts and “new” derivatives contracts for intermediaries/advisers other than banks and merchant banks? ▪ What are “existing” derivatives contracts and “new” derivatives contracts for banks and merchant banks? ▪ What is the difference for intermediaries/advisers other than banks and merchant banks on the one hand and banks and merchant banks on the other hand?	
• What are customer’s moneys? • Customer’s moneys rules - o Initial and periodic due diligence on the account bank - o Acknowledgement from the account bank - o Deadline for depositing customer’s moneys into the trust account - o Withdrawals from the trust account - o Passing on customer’s moneys - o Depositing its own moneys into the trust account	• What are “customer’s moneys”? • Overview of the requirements of the customer’s moneys rules. - o Initial and periodic due diligence on the account bank – what are the requirements? - o Acknowledgement from the account bank – what are the requirements? - o Deadline for depositing customer’s moneys into the trust account. ▪ What is the deadline? ▪ What does “business day” mean? - o Withdrawals from the trust account. ▪ When can you withdraw moneys from the trust account? ▪ Are there any restrictions relating to retail customers? - o Passing on customer’s moneys. ▪ When can you pass on customer’s moneys? ▪ Are there any restrictions relating to retail customers? - o When can you deposit your own moneys into the trust account?	60 minutes

Topic	Summary	Duration
- o Investments - o Interest and returns - o Omnibus vs individual account - o Risk disclosure - o No title transfer collateral arrangements with retail customers	- o Investments. ▪ Can you invest customers' moneys? ▪ What can you invest in? - o Who is entitled to any interest and returns earned on customer's moneys? - o Omnibus vs individual account - Must you offer the customer the option of keeping his moneys in a segregated individual trust account? - o Risk disclosure. ▪ What are the requirements? ▪ Does it apply to all customers? - o No title transfer collateral arrangements with retail customers. ▪ What are the restrictions? • Are there any transitional arrangements?	

Topic	Summary	Duration
Customer trust account rules and computation requirements - Customer trust account rules if the intermediary is a member of an approved clearing house or a recognised clearing house - Customer trust account rules if the intermediary is not a member of an approved clearing house or a recognised clearing house - Computation requirements for trust accounts	- How must the customer trust accounts be set up: - if you are a member of an approved clearing house (“ACH”) or a recognised clearing house (“RCH”); and - if you are not a member of an ACH or RCH? - What is a Regulation 17 Securities and Futures (Licensing and Conduct of Business) Regulations (“SF(LCB)R”) trust account? - Who is a “specified financial institution”? - What are the computation requirements for trust accounts? - Are there any transitional arrangements?	30 minutes
Different treatment of retail and non-retail customer’s moneys	Retail and non-retail customer’s moneys are treated differently.	10 minutes
- What are customer’s assets? - Customer’s assets rules - Initial and periodic due diligence on the custodian - Acknowledgement from a local custodian - Deadline for depositing customer’s assets into the custody account	- What are “customer’s assets”? - Overview of the requirements of the customer’s assets rules. - Initial and periodic due diligence on the custodian – what are the requirements? - Acknowledgement from a local custodian – what are the requirements? - Deadline for depositing customer’s assets into the custody account. - What is the deadline? - What does “business day” mean?	60 minutes

Topic	Summary	Duration
- o Withdrawals from the custody account - o Passing on customer's assets - o Lending of customer's specified products - o Mortgage of customer's assets - o Customer agreement vs custody agreement - o Omnibus vs individual account - o Risk disclosure	- o Withdrawals from the custody account. ▪ When can you withdraw assets from the custody account? ▪ Are there any restrictions relating to retail customers? - o When can you pass on customer's assets? - o Lending of customer's specified products. ▪ When can you lend customer's specified products held in the custody account? ▪ Are there any restrictions relating to retail customers? - o Mortgage of customer's assets. ▪ When can you rehypothecate customer's assets held in the custody account? ▪ Are there any restrictions relating to retail customers? - o Customer agreement vs custody agreement. ▪ What is a customer agreement? ▪ What is a custody agreement? ▪ When do they apply? - o Omnibus vs individual account - Must you offer the customer the option of keeping his assets in a segregated individual custody account? - o Risk disclosure. ▪ What are the requirements? ▪ Does it apply to all customers?	

Topic	Summary	Duration
o No title transfer collateral arrangements with retail customers	- o No title transfer collateral arrangements with retail customers. ▪ What are the restrictions? • Are there any transitional arrangements?	
Customer custody account rules and computation requirements • Customer custody account rules • Computation requirements for custody accounts	• How must the customer custody accounts be set up? • What is a Regulation 27 SF(LCB)R custody account? • Who is a “specified custodian”? • What are the computation requirements for custody accounts? • Are there any transitional arrangements?	20 minutes
Do the rules apply to EFIs?	• Do all the rules apply to EFIs?	5 minutes
When can you can enter into a title transfer collateral arrangement with a customer?	• A flow-chart showing which ISDA Credit Support Document you can enter into with a customer.	5 minutes
Impact on OTCD margin arrangements	• Summary of the impact of the customer’s moneys and assets rules, and the customer trust account and custody account rules and computation requirements on OTCD margin arrangements.	5 minutes
Summary of the BCR to which transitional reliefs apply for “existing” OTCDs	• If you were carrying on business in “existing” OTCDs before 8 October 2018, summary of the business conduct requirements to which transitional reliefs apply.	10 minutes
Total		230 minutes

3. Delivery Method

The programme will be delivered through self-directed E-Learning. The programme will be offered on annual subscription basis through the applicant's website:

www.nomikos.com.sg

Participants who have questions can raise their questions via e-mail. Over time, the applicant plans to include a blog on its website that will summarise the most commonly raised questions and answers.

Depending on demand, the applicant may also offer participants a live webinar for questions and answers.

4. Assessment

The assessment will consist of 5 multiple choice questions (which will be randomly selected from a pool of 15 questions).

The passing grade will be 80%.

5. Total CPD hours

Upon successful completion of the programme, the participant will have achieved a total of **4 CPD hours**, comprised as follows:

	Duration
Programme	230 minutes
Assessment	10 minutes
Total	240 minutes