



GUIDANCE

For Remote Clearing Members

17 May 2019

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ICE Clear Singapore (“ICSG”) Guidance for Remote Clearing Members

1. Introduction

This Guidance (to be read together with the ICSG Clearing Rules, ICSG Membership Procedures¹ and ICE Futures Singapore Rules²) sets out certain aspects of ICSG’s framework for admission and regulation of members (“**Remote Clearing Members**”) who:

- (1) are not incorporated or organised in Singapore; and
- (2) are exempted from having to hold a capital markets services licence under the Securities and Futures (Exemption from Requirement to Hold Capital Markets Services Licence) Regulations.

A Remote Clearing Member must not be a financial institution and must not have any affiliate that is a financial institution, where “financial institution” refers to any institution licensed by, approved by, registered with or otherwise regulated by the Monetary Authority of Singapore under any written law.

2. Licensing Requirements

Applicants applying to become Remote Clearing Members must be appropriately licensed in a jurisdiction in a manner acceptable to ICSG, as set out in the Table A below (as updated from time to time).

The licence granted by the regulator in the Remote Clearing Member’s home jurisdiction must be wide enough to encompass trading and clearing of futures contracts.

3. Capital Requirements

Remote Clearing Members must comply with the capital requirements set out in Table A (as updated from time to time).

¹ Remote Clearing Members are also subject to other ICSG procedures applicable to all Clearing Members, such as Finance Procedures, Delivery Procedures, Clearing Procedures, Contract Terms Procedures, Complaint Resolution Procedures, Business Continuity Procedures, Default Auction Procedures.

² All ICSG Clearing Members are required to be members of ICE Futures Singapore and hence must comply with the rules and procedures of ICE Futures Singapore.

Table A

	Home Jurisdiction	Regulatory Authority in Home Jurisdiction	Licence requirements for remote clearing members from specified home jurisdiction	Capital Requirements
1.	Hong Kong	Securities and Futures Commission (“ SFC ”)	Type 2 licence in “dealing in futures contracts” from the SFC	Shareholders’ funds ³ of at least SGD10,000,000
2.	United Kingdom	Financial Conduct Authority (“ FCA ”)	Permissions from the FCA in respect of all of the following: (i) arranging deals in investments; (ii) agreeing to carry on regulated activities; (iii) making arrangements with a view to transactions in investments; (iv) arranging safeguarding and administration of assets; (v) dealing in investments as agent or principal; (vi) safeguarding and administration of assets (without arranging).	Common Equity Tier 1 capital ⁴ of at least SGD10,000,000

³ “Shareholders’ funds” shall be computed in the manner which is being reported to the SFC.

⁴ “Common Equity Tier 1 capital” shall be computed in the manner which is being reported to the Financial Conduct Authority and/or Prudential Regulation Authority.

4. Reporting Requirements

Under the ICSG Clearing Rules and Membership Procedures, all Clearing Members (including Remote Clearing Members) must comply with specified reporting obligations. This includes providing to ICSG, financial returns, reports, statements and notices (both routine and non-routine) provided to the relevant Regulatory Authority. A summary of the reporting requirements is set out in Table B below.

5. Treatment of Customer Monies And Assets

Under the ICSG Clearing Rules, Clearing Members (including Remote Clearing Members) must comply with Applicable Laws relating to amongst others, client money, segregation and use of client assets and segregation of customer transactions. In this regard, ICSG expects Clearing Members to be able to demonstrate that it has taken the steps set out in Table B below.

6. Record-keeping and Retention

Under the ICSG Clearing Rules, Clearing Members (including Remote Clearing Members) must keep records of transactions and retain records for at least 5 years. Similar record-keeping and retention requirements are found in the ICE Futures Singapore Rules.

A summary of the record-keeping and retention requirements is set out in Table B below.

Table B

Reporting requirements	Treatment of Customer Monies and Assets	Record keeping and retention
<p>(1) All notification requirements under ICSG Clearing Rule 204, including but not limited to notification of:</p> <p>(i) Clearing Member ceasing to have sufficient Capital and/or financial resources pursuant to ICSG Clearing Rule 204(a)(iii);</p> <p>(ii) Clearing Member's Capital is reduced by more than 10% from that shown on the latest financial statement filed by it with ICSG pursuant to ICSG Clearing Rule 204(a)(iv);</p> <p>(iii) notification of Clearing Member failing to comply with any applicable capital or financial</p>	<p>ICSG Clearing Rule 207(d): To comply with Applicable Laws related to client money, segregation and use of client assets and segregation of customer transaction by taking the following steps:</p> <p>(i) make adequate arrangements so as to safeguard customers' ownership rights in relation to customer monies and assets, especially in the event of the Clearing Member's insolvency;</p> <p>(ii) maintain adequate organisational arrangements to minimise the risk of</p>	<p>(1) ICSG Clearing Rule 108: To keep records of transactions and retain records for at least 5 years.</p> <p>(2) ICE Futures Singapore ("IFSG") Rule F.3: To keep proper accounting and other records (including daily records of open positions) relating to contracts made on IFSG's market or otherwise in accordance with IFSG Rules for at least 5 years.</p>

Reporting requirements	Treatment of Customer Monies and Assets	Record keeping and retention
<p>requirements of any Governmental Authority, Regulatory Authority, Exchange, Clearing Organisation or Delivery Facility pursuant to ICSG Clearing Rule 204(a)(vii);</p> <p>(iv) any “early warning” or similar matter required to be notified to any Regulatory Authority under Applicable Law, within the time and in the manner specified in Applicable Law for such notification to such Regulatory Authority pursuant to ICSG Clearing Rule 204(a)(xi);</p> <p>(v) anything relating to Clearing Member of which ICSG would reasonably expect notice pursuant to ICSG Clearing Rule 204(a)(xiii).</p> <p>(2) All notification requirements under ICSG Clearing Rule 205 and Part A of paragraph 8.2 of ICSG Membership Procedures, including:</p> <p>(i) audited financial statement including profit and loss accounts and balance sheet, with auditor’s report, drawn up in accordance with Applicable Laws and Accounting Standards or otherwise following the requirements of ICSG or any Controller, within 5 months of end of Clearing Member’s or relevant Controller’s fiscal year pursuant to ICSG Clearing Rule 205(a)(i);</p> <p>(ii) monthly financial statement including management profit and</p>	<p>the loss or diminution of customers' monies and assets, or the rights in connection with those monies and assets, as a result of the misuse of such monies and assets, fraud, poor administration, inadequate record-keeping or negligence;</p> <p>(iii) effect appropriate registration or recording of legal title to assets belonging to a customer;</p> <p>(iv) keep such records and accounts as are necessary to enable it, at any time and without delay, to distinguish customer monies and assets held for one customer from customer assets and monies held for any other customer, and from its own monies and assets;</p> <p>(v) maintain its records and accounts in a way that ensures their accuracy, and in particular their correspondence to the customer monies and assets held for customers and that they may be used as an audit trail;</p> <p>(vi) perform internal record checks and reconciliations as regularly as is necessary;</p> <p>(vii) deal with customer monies and assets only on terms to which the customer has consented or on</p>	

Reporting requirements	Treatment of Customer Monies and Assets	Record keeping and retention
<p>loss accounts and balance sheet, drawn up in accordance with Applicable Laws and Accounting Standards, or otherwise following the requirements of ICSG within 14 days of the end of each month pursuant to ICSG Clearing Rule 205(a)(ii);</p> <p>(iii) financial returns, reports, statements and notices provided to the relevant Regulatory Authority as soon as so provided; in the case where the material is other than a routine periodic financial return, statement or report required under Applicable Laws, a written statement setting out the reasons (to the extent known) the reasons why such Clearing Member or relevant Controller is filing it pursuant to ICSG Clearing Rule 205(a)(iii).</p> <p>For Remote Clearing Members from Hong Kong, they must submit to ICSG, their computation of shareholders' funds and excess liquid capital within the time and in the manner submitted to the SFC.</p> <p>For Remote Clearing Members from the United Kingdom, they must submit to ICSG, their computation of the surplus of their (a) Common Equity Tier 1 capital, (b) Tier 1 capital; and (c) total capital and within the time and in the manner submitted to the FCA and/or Prudential Regulation Authority.</p> <p>(iv) financial or other relevant information, in addition to</p>	<p>restrictive terms.</p>	

Reporting requirements	Treatment of Customer Monies and Assets	Record keeping and retention
<p>what is explicitly required by Rule 205, as may be requested by ICSG pursuant to ICSG Clearing Rule 205(c).</p> <p>(3) All notification requirements under ICSG Clearing Rule 206 (b) (including capital requirements)</p> <p>(4) All notification requirements under Parts A to H of paragraph 8.2 of ICSG Membership Procedures.</p>		