

CMFAS Module 2A – Rules and Regulations for Trading in Futures Contracts (SGX-DT Members)

Summary of Updates (March 2021 – Version 3.9)

The updates made to the CMFAS Module 2A (March 2021 – Version 3.9) are summarized as follows:

**Additions / updates / corrections are indicated in blue italics.*

Deletions are indicated in strikethrough.

Section and page references relate to the updated study guide.

Chapter / Section	Page No	Update / Amendment									
Chapter 3 – Regulatory Requirements for Market Conduct											
3.2 Market Misconduct under the SFA and SGX - DT	60	<p>In addition to the above obligations, persons who deal in securities (e.g. options in equity indices) must be aware of trading-related and market misconduct offences provided specifically for securities in the SFA. The additional provisions are:</p> <ul style="list-style-type: none"> • SFA Section 198 – Securities Market Manipulation in relation to securities and securities-based derivatives contracts; • SFA Section 199 – False or misleading information, etc.; and • SFA Section 200 – Fraudulently inducing persons to deal in securities-capital markets products 									
3.3 False Trading and Market Rigging Transactions²	60	<p>² SFA Section 206 197 – False trading and market rigging transactions; SGX Futures Trading Rule 3.4.3 - False Trading, Bucketing, Fraudulent Inducement to Trade and Employment of Fraudulent Devices</p> <p>³ SFA Section 206 197 – False trading and market rigging transactions; SGX Futures Trading Rule 3.4.8 - Good Faith Bids and Offers</p>									
3.4 Manipulation of Futures Prices and Cornering⁶	62	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #cccccc;"> <th colspan="3" style="text-align: left;">Penalties for Manipulation of Futures Prices price of derivatives contracts & Cornering</th> </tr> <tr style="background-color: #cccccc;"> <th style="text-align: center;">Nature of Offence</th> <th style="text-align: center;">SFA</th> <th style="text-align: center;">SGX</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;">Manipulation of futures price and cornering</td> <td style="vertical-align: top;"> <p>SFA 208 201B</p> <p>Offences are punishable with a fine not exceeding \$250,000 and/or imprisonment for up to 7 years.</p> <p>Refer to Section 3.23 for civil penalties and liabilities.</p> </td> <td style="vertical-align: top;"> <p>SGX Futures Trading Rule 3.4.1</p> <p>Offence is not compoundable and is subject to a mandatory minimum imposable penalty.</p> </td> </tr> </tbody> </table> <p>⁶ SFA Sections 208 201B, SFA 208(a) 201B(b) - Manipulation of price of futures derivatives contracts & cornering; SGX Futures Trading Rule 3.4.1 - Market Manipulation</p>	Penalties for Manipulation of Futures Prices price of derivatives contracts & Cornering			Nature of Offence	SFA	SGX	Manipulation of futures price and cornering	<p>SFA 208 201B</p> <p>Offences are punishable with a fine not exceeding \$250,000 and/or imprisonment for up to 7 years.</p> <p>Refer to Section 3.23 for civil penalties and liabilities.</p>	<p>SGX Futures Trading Rule 3.4.1</p> <p>Offence is not compoundable and is subject to a mandatory minimum imposable penalty.</p>
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3.5 Securities Market Manipulation⁷	62	⁷ SFA Sections 198 – Securities Market Manipulation in relation to securities and securities-based derivatives contracts, SGX-ST Rule 13.8 – Market Manipulation and False Market												
3.7 Bucketing¹⁰	65	<table border="1"> <thead> <tr> <th colspan="3">Penalties for Bucketing</th> </tr> <tr> <th>Nature of Offence</th> <th>SFA</th> <th>SGX</th> </tr> </thead> <tbody> <tr> <td>Bucketing, Accepting orders without executing</td> <td> <p>SFA 207 SFA 204</p> <p>Offences are punishable with a fine not exceeding \$250,000 and/or imprisonment for up to 7 years.</p> <p>Refer to Section 3.22 for civil penalties and liabilities.</p> </td> <td> <p>SGX Futures Trading Rule 3.4.3</p> <p>Offences are not compoundable and are subject to a mandatory minimum imposable penalty.</p> <p>SGX Futures Trading Rule 3.3.7</p> <p>Offences under this Rule may be compounded with a fine. The penalty will be dependent on factors such as the number of prior violations, and whether the offender is a Trading Member, Approved Traders or Registered Representatives.</p> </td> </tr> <tr> <td>Executing orders without customers' consent</td> <td> <p>Offenses are punishable with a fine not exceeding \$100,000 and/or imprisonment for up to 12 months.</p> </td> <td> <p>SGX Futures Trading Rule 4.1.9</p> <p>Offences are not compoundable and are subject to a mandatory minimum imposable penalty.</p> </td> </tr> </tbody> </table> <p>¹⁰ SFA Sections 207 201A (1) and (2) - Bucketing, Futures Trading Rule 3.3.7 - Accepting Orders without Executing; SGX Futures Trading Rule 3.4.3 - False Trading, Bucketing, Fraudulent Inducement to Trade and Employment of Fraudulent Devices.</p>	Penalties for Bucketing			Nature of Offence	SFA	SGX	Bucketing, Accepting orders without executing	<p>SFA 207 SFA 204</p> <p>Offences are punishable with a fine not exceeding \$250,000 and/or imprisonment for up to 7 years.</p> <p>Refer to Section 3.22 for civil penalties and liabilities.</p>	<p>SGX Futures Trading Rule 3.4.3</p> <p>Offences are not compoundable and are subject to a mandatory minimum imposable penalty.</p> <p>SGX Futures Trading Rule 3.3.7</p> <p>Offences under this Rule may be compounded with a fine. The penalty will be dependent on factors such as the number of prior violations, and whether the offender is a Trading Member, Approved Traders or Registered Representatives.</p>	Executing orders without customers' consent	<p>Offenses are punishable with a fine not exceeding \$100,000 and/or imprisonment for up to 12 months.</p>	<p>SGX Futures Trading Rule 4.1.9</p> <p>Offences are not compoundable and are subject to a mandatory minimum imposable penalty.</p>
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3.8 Fraudulently Inducing Persons to Deal in securities¹³	66	<p>Under SFA Section 200(1), it is an offence to induce or attempt to induce another person to deal in securities by:</p> <ol style="list-style-type: none"> 1. Making or publishing any statement, promise or forecast that he knows or ought reasonably to have known to be misleading, false or deceptive; 2. Any dishonest concealment of material facts; 3. Reckless making or publishing of any statement, promise or forecast that is misleading, false or deceptive; or 4. Recording or storing in, or by means of, any mechanical, electronic or other device. <table border="1"> <thead> <tr> <th>Penalties – SFA</th> </tr> </thead> <tbody> <tr> <td> <p>SFA Part XII Market Conduct</p> <p>Division 1 Prohibited Conduct – Securities Capital Markets Products</p> <p>Any person who contravenes any provisions of this Division shall be guilty of an offence</p> </td> </tr> </tbody> </table>	Penalties – SFA	<p>SFA Part XII Market Conduct</p> <p>Division 1 Prohibited Conduct – Securities Capital Markets Products</p> <p>Any person who contravenes any provisions of this Division shall be guilty of an offence</p>										
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		<p>and shall be liable on conviction to a fine not exceeding \$250,000 or to imprisonment for a term not exceeding 7 years or to both. Refer to Section 3.14 for civil penalties and civil liabilities.</p> <p>¹³ SFA Section 200 – Fraudulently Inducing Persons to Deal in securities Capital Markets Products, SGX-ST Rule 13.8.5 – Market Manipulation and False Market</p>									
<p>3.9 Fraudulently Inducing Persons to Deal in Futures Contracts ¹⁴</p>	<p>66/ 67</p>	<p>In addition, for options in equity indices, under SFA Section 200(1), it is an offence under SFA Section 200 to induce or attempt to induce another person to deal in securities capital markets products by:</p> <ol style="list-style-type: none"> 1. Making or publishing any statement, promise or forecast that he knows or ought reasonably to have known to be misleading, false or deceptive; 2. Any dishonest concealment of material facts; 3. Reckless making or publishing of any statement, promise or forecast that is misleading, false or deceptive; or 4. Recording or storing in, or by means of, any mechanical, electronic or other device information that is now to be false or misleading in a material particular. <table border="1" data-bbox="424 1003 1513 1301"> <thead> <tr> <th colspan="2" data-bbox="424 1003 1513 1055">Penalties – SFA</th> </tr> </thead> <tbody> <tr> <td colspan="2" data-bbox="424 1055 1513 1106">SFA Part XII Market Conduct</td> </tr> <tr> <td colspan="2" data-bbox="424 1106 1513 1158">Division 2 1 Prohibited Conduct – Futures Contracts Capital Markets Products</td> </tr> <tr> <td colspan="2" data-bbox="424 1158 1513 1301">Any person who contravenes any provisions of this Division shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$250,000 or to imprisonment for a term not exceeding 7 years or to both.</td> </tr> </tbody> </table> <p>¹⁴ SFA Section 209 200 – Fraudulently Inducing Persons to Deal in futures contracts Capital Markets Products, SGX Futures Trading Rule 3.4.3 - False Trading, Bucketing, Fraudulent Inducement to Trade and Employment of Fraudulent Device.</p>	Penalties – SFA		SFA Part XII Market Conduct		Division 2 1 Prohibited Conduct – Futures Contracts Capital Markets Products		Any person who contravenes any provisions of this Division shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$250,000 or to imprisonment for a term not exceeding 7 years or to both.		
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<p>3.10 Employment of Fraudulent or Deceptive Device ¹⁵</p>	<p>67</p>	<p>A recent infamous case of fraudulent practice was the Ponzi scheme by Bernard Madoff.</p> <table border="1" data-bbox="424 1491 1513 1991"> <thead> <tr> <th colspan="3" data-bbox="424 1491 1513 1543">Penalties</th> </tr> <tr> <th data-bbox="424 1543 679 1594">Nature of Offence</th> <th data-bbox="679 1543 1171 1594">SFA</th> <th data-bbox="1171 1543 1513 1594">SGX</th> </tr> </thead> <tbody> <tr> <td data-bbox="424 1594 679 1991">Fraudulently inducing persons to deal in capital markets products, trade in futures contracts, employment of fraudulent or manipulative and deceptive devices</td> <td data-bbox="679 1594 1171 1991"> <p>SFA 209 200, 201, 210-204</p> <p>Offences are punishable with a fine not exceeding \$250,000 and/or imprisonment for up to 7 years.</p> <p>Refer to Section 3.19 for civil penalties and liabilities.</p> </td> <td data-bbox="1171 1594 1513 1991"> <p>SGX Futures Trading Rule 3.4.3</p> <p>Offences are not compoundable and are subject to a mandatory minimum imposable penalty.</p> </td> </tr> </tbody> </table> <p>¹⁵ SFA Section 210-204 210-204 – Penalties under this Division; SGX Futures Trading Rule 3.4.3 - False Trading, Bucketing, Fraudulent Inducement to Trade and Employment of Fraudulent Device</p>	Penalties			Nature of Offence	SFA	SGX	Fraudulently inducing persons to deal in capital markets products , trade in futures contracts , employment of fraudulent or manipulative and deceptive devices	<p>SFA 209 200, 201, 210-204</p> <p>Offences are punishable with a fine not exceeding \$250,000 and/or imprisonment for up to 7 years.</p> <p>Refer to Section 3.19 for civil penalties and liabilities.</p>	<p>SGX Futures Trading Rule 3.4.3</p> <p>Offences are not compoundable and are subject to a mandatory minimum imposable penalty.</p>
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3.12 Dissemination of Information about Illegal Transactions¹⁸	69	¹⁸ SFA Section 211 202 - Dissemination of information about illegal transactions; SGX Futures Trading Rule 3.4.5 - Dissemination of False or Misleading Information