TRADING SAFEGUARDS

SGX is putting in place trading safeguards to ensure the fair and orderly operation of the markets. These safeguards include:

a. the publication of real-time indicative equilibrium prices during the Opening and Closing Routines, and

b. random ending to the Pre-Open and Pre-Close phases of the Opening and Closing Routines.

Publication of indicative equilibrium prices

The indicative equilibrium price ("IEP") is the price at which orders would be executed if auction matching were to occur at that point. SGX publishes the IEP on a real-time basis and masks all better bid and ask prices as well as quantities. The publication of the IEP is intended to provide more market transparency. The IEP acts as an indication of the eventual opening or closing price, which helps market participants assess the market and adjust their orders accordingly. The masking of all better bid/ask prices and quantities is included as a safeguard against manipulation of the eventual equilibrium price.

Random endings to the Pre-Open and Pre-Close phases of the Opening and Closing Routines

The timing of the end of Pre-Open and Pre-Close phases of trading is random. The randomised ending enhances safeguards against attempts to manipulate the opening and closing prices. This protects the integrity of the opening and closing prices against sudden entry and withdrawal of large orders.

The Opening and Closing Routines are designed to facilitate orderly price discovery during market opening and closing. The Routines employ "auction matching" which helps to smoothen price movements. In addition, the risk of manipulation of the opening and closing price is reduced.

During the Pre-Open and Pre-Close phases, orders can be entered, amended or withdrawn. However, no matching takes place. The Pre-Open and Pre-Close phases are followed by a Non-Cancel phase. During the Non-Cancel phase, orders cannot be entered, amended or withdrawn. The trading system computes a price based on an algorithm set by SGX-ST. All orders that can be matched are matched at the computed price ("auction matching"). For the Opening Routine, unmatched orders (except for orders with a Fill-and-Kill functionality) be carried forward to the next trading phase. For the Closing Routine, unmatched orders will lapse.

Random ending means that the end of the Pre-Open and Pre-Close phases will take place at any time within the last minute of the timeframe currently allotted for the phase.

The Pre-Open phase would end at any time between 0858 hrs and 0859 hrs.

The Pre-Close phase would end at any time between

a. 1704hrs and 1705hrs, in the case of full-day trading, and

b. 1234hrs and 1235hrs, in the case of half-day trading.

The random ending will be synchronized across all counters, and the Non-Cancel phase will follow accordingly.

Married Trade Reporting must still be done before the Pre-Close phase ends. That is, Married Trade reporting will not be allowed once the Non-Cancel phase starts.

The following is an example of a time view of the random closing in SGX REACH, for the normal trading day where matching happens 30 seconds into the random period of time. Non-Cancel session then starts at 17:04:30.
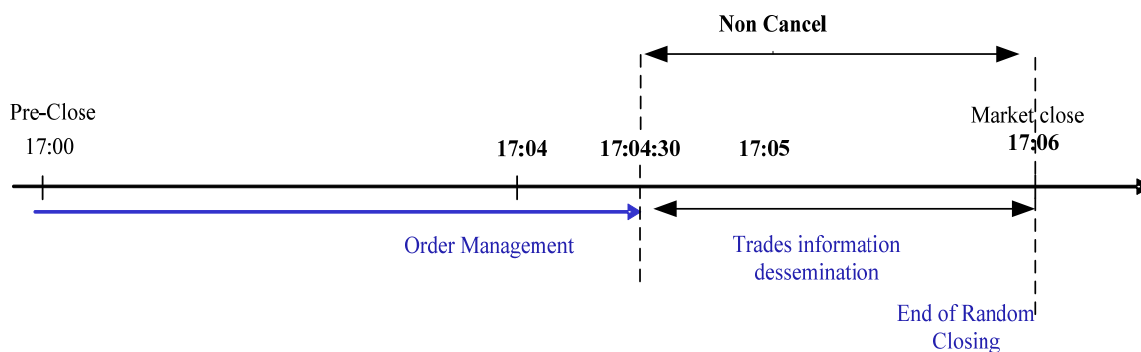
The varying time period protects the integrity of the closing price against the impact of sudden large entry and withdrawal orders.