

Notice of Market Rules Modification

Paper No.:	EMC/RCP/102/2018/350
Rule Reference:	Chap 2, Sec 7.6, Mkt Admin Mkt Manual (Part 1)
Proposer:	EMC, Market Admin
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This paper assesses the proposal to amend the current banker's guarantee (BG) template, and also explores introducing a standby letter of credit (SBLC) template.

EMC has reviewed the current BG template and proposed various revisions to:

- Clarify that the validity of the BG is subject to the Expiry Date in order to address the concern raised by the Association of Banks of Singapore;
- Clarify the obligations of issuing banks under the BG; and
- Ensure better flow.

EMC has also drafted a template for SBLC, since it could give MPs greater confidence when MPs explore using them as credit support.

At the 102nd RCP meeting, the RCP unanimously supported the proposed modifications set out in Annexes 2 to 5, and recommends that the EMC Board adopt the proposed modifications.

Date considered by Rules Change Panel:	03 May 2018
Date considered by EMC Board:	31 July 2018
Date considered by Energy Market Authority:	30 August 2018

Proposed rule modification:

See attached paper.

Reasons for rejection/referral back to Rules Change Panel (if applicable):

BOARD PAPER NO. : **EMC/BD/07/2018/05a**

RCP PAPER NO. : **EMC/RCP/102/2018/350**

SUBJECT : **TEMPLATES FOR BANKER'S GUARANTEES AND
STANDBY LETTERS OF CREDIT**

FOR : **APPROVAL**

PREPARED BY : **LOH LUCIA
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REVIEWED BY : **WANG JING
AVP, MARKET ADMINISTRATION**

DATE OF MEETING : **31 JULY 2018**

Executive Summary

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1. Introduction

This paper assesses the proposal to amend the current banker’s guarantee (BG) template, and also explores introducing a standby letter of credit (SBLC) template.

2. Background

Chapter 2 sections 7.6.2 and 7.6.3 of the market rules stipulate the current types of acceptable credit support. The current criteria for each type of credit support are listed in Table 1 below:

Table 1: Types of Credit Support and Current Criteria

No.	Type of Credit Support	Criteria / Requirements
1	Banker’s Guarantee (BG)	<ul style="list-style-type: none"> ▪ Issued by a financial institution that is rated “A” or better by Standard & Poor’s (S&P) ▪ An obligation in writing ▪ Permit drawings or claims by the EMC and provide for payment by the guarantor on demand up to amount stated in the credit support ▪ Governed by the laws of Singapore ▪ Executed as a deed ▪ In the form¹ (hereafter referred to as the “BG template”) set out in Appendix 2 of the Market Administration Market Manual (Part 1) (hereafter referred to as the “Market Manual”)
2	Letter of Credit (LC)	<ul style="list-style-type: none"> ▪ Issued by a financial institution that is rated “A” or better by Standard & Poor’s (S&P) ▪ An obligation in writing ▪ Enable partial draws and permit drawings or claims by the EMC on demand up to the amount stated in the credit support ▪ Governed by the laws of Singapore ▪ Name EMC as the beneficiary ▪ Constitute valid and binding unsubordinated obligations to pay to the EMC amounts in accordance with the terms which relate to the obligations of the relevant market participant (MP) under the rules ▪ Valid for a term of at least one year or provide for automatic renewal, unless advised by the issuing financial institution to the EMC 30 days prior to the renewal date that the letter of credit will not be renewed ▪ Not include any conditions on the ability of EMC to draw or make claims thereon other than the condition that the EMC deliver a certificate of an officer of the EMC indicating that a specified amount is owing by the MP to the EMC and that, in accordance with these market rules, the EMC is entitled to payment of that specified amount as of the date of delivery of such certificate

¹ Please refer to Annex 1 for an extract.

No.	Type of Credit Support	Criteria / Requirements
3	Cash deposits	<ul style="list-style-type: none"> ▪ Expressed in writing ▪ Made with, or assigned to EMC, by or on behalf of the MP ▪ Constitute valid and binding unsubordinated obligations to pay to the EMC amounts in accordance with its terms which relate to the obligation of the relevant MP under the market rules ▪ Accompanied by an assignment by the MP to the EMC of all of the MP's present and future right, title and interest in and to such credit support as general and continuing security and as a pledge to secure all indebtedness, obligations and liabilities of any kind, direct or indirect, absolute or contingent, joint or several, of the MP to the EMC in respect of the MP's transactions in the real-time markets
4	Singapore Government Treasury Bills	<ul style="list-style-type: none"> ▪ Permit drawings and claims by the EMC up to the full amount on the bill ▪ Assigned to EMC, by or on behalf of the MP ▪ Constitute valid and binding unsubordinated obligations to pay to the EMC amounts in accordance with its terms which relate to the obligation of the relevant MP under the market rules ▪ Accompanied by an assignment by the MP to the EMC of all of the MP's present and future right, title and interest in and to such credit support as general and continuing security and as a pledge to secure all indebtedness, obligations and liabilities of any kind, direct or indirect, absolute or contingent, joint or several, of the MP to the EMC in respect of the MP's transactions in the real-time markets ▪ Valued as cash at their current market value less 2% to account for potential eroding effects of interest rate increases

As seen from Table 1, BGs which are used as credit support are required to follow the BG template prescribed in the market manual. This requirement was introduced by the Pro-Tem Rules Change Panel in 2002 to ensure uniformity and provide clarity. There have not been substantive changes² to the BG template since market start.

An extract of the current BG template for use by MPs is provided in Annex 1³.

2.1. Proposal Received

A proposal received from the Association of Banks in Singapore (ABS) suggests amending paragraph 3 of the current BG template, as the sentence “*This Guarantee shall remain in full force and effect until all sums whatsoever payable by the Principal under the Rules are fully paid.*” may imply an open-ended liability for the issuing bank, even though paragraph 5 also specifies an expiry date and claim period.

3. Analysis

3.1 Benefits of a Standardised Format

Having a standardised BG format provides clarity and certainty for MPs on the terms of BGs which are acceptable to the EMC. This in turn reduces MPs' transaction costs in

² The only changes made were to revise (i) the reference to the Electricity Act and (ii) EMC's office address.

³ Note that there is a similar BG template for use by the MSSSL, which is the same as that for MPs, except that references to “market participant” are changed to “market support services licensee” instead.

obtaining a BG, by saving them time and effort in liaising with the financial institution to obtain an acceptable BG.

Moreover, it also saves on the costs required by EMC in obtaining legal advice to assess, for each new BG, whether it meets the requirements and criteria prescribed in the market rules and satisfies the timeline required by EMC when making claims on the credit support. In all, a standardised format reduces the processing time required by EMC.

3.2 Proposed Revision to Current Banker’s Guarantee Template

While most banks have adhered to the current BG template, given the concerns raised by the proposer, EMC reviewed it to ensure clarity and address any uncertainty that the current template may cause.

As part of the review, revisions have been proposed to:

- Clarify that the validity of the BG is subject to the Expiry Date, to address the concern raised by the ABS;
- Allow for auto renewal of BG⁴, which is commonly provided for in BG templates, to allow for more flexibility for MPs;
- Clarify the obligations of issuing banks under the BG; and
- Ensure better flow.

The tracked-changes to the current BG template are set out in **Annex 2**. Table 2 below summarises these changes.

Table 2: Summary of changes to current BG template

Paragraph of current BG template	Proposed changes	Reasons for change
Title	Amend title to “Banker’s Guarantee Template”.	For a more reflective title.
1	Deleted “or respective written first demands”.	For better reading. The phrase “first written demand” is in respect of “each, such sum demanded” and thus this should cover subsequent demands as well.
-	Shifted “We agree that any written demand furnished by you to us under clause 2 shall be conclusive evidence that the said sum or sums referred to therein is/are due and payable to you by the Principal.” from paragraph 5 to paragraph 3.	For better flow.
3	Redraft to make clear that the guarantor financial institution should pay up to the maximum sum available under the BG.	For clarity.
4	Changed “made before 12.00 noon” to “received on or before 12.00 noon”.	To clarify that the timeline refers to the time a demand is received by the issuing bank.

⁴ Note that when a BG or SBLC is renewed, the intent is for the Maximum Sum to be reset for the renewed period. This implies that even if a claim has been made against the BG/SBLC in the first period, the original full Maximum Sum would apply for the renewed period.

Paragraph of current BG template	Proposed changes	Reasons for change
	Replaced “local time” with “Singapore time”.	To clarify the relevant timelines and timezone.
	Replaced “funds immediately available the full amount of your demand” with “in immediately available funds”.	To improve drafting.
	Added “All payments under this Guarantee shall be made in Singapore Dollars.”	For clarity.
5	Redraft to make clear that the obligations under the BG will cease upon expiry, except for any demand which has been validly presented prior to expiry which remains unpaid.	To address the concerns of an open-ended liability for the issuing bank.
	Added paragraph to be used if the BG is to be automatically renewed.	To allow the option for BGs that automatically renew.
7	Redrafted the terms on assignability, and added that the BG shall not be transferred.	For clarity.
-	Added paragraph to stipulate that a person who is not a party to the BG has no rights to enforce the terms the BG.	For clarity.
8	Editorial amendments.	For clarity.

Note that the revised BG template will apply to the MSSL as well (i.e. the BG template set out in Appendix 2 of the Application form for Authorisation of Market Support Services Licensee), except that references to “market participant” in the BG template would be changed to “market support services licensee” instead.

For implementation, to minimise the impact on MPs, EMC proposes that the revised BG template apply only to new BGs received on/from the effective date of the rule change. Existing BGs that were submitted by MPs will continue to be effective until their respective expiry dates, after which, MPs will have to obtain new BGs based on the revised template.

3.3 Introducing Standby Letter of Credit Template

In addition, an MP had expressed interest in using standby letter of credit (SBLC) as credit support and suggested that a standardised format be prescribed as well. Since a review of the BG template is being undertaken, we have taken the chance to explore including a template for SBLC as part of this review.

For the same reasons that apply to standardising the format for BGs, EMC agrees that providing a template for acceptable LCs would give MPs greater confidence when MPs explore using them as credit support.

The purpose of credit support under the market rules is to secure payment to EMC as a result of payment defaults by a MP (i.e. as collateral to secure against non-payment). The commercial purpose of a SBLC is aligned with this, which allows EMC to draw on the credit support upon a payment default by a MP. Table 3 below summarises the key difference between SBLC and LC.

Table 3: Comparing LC and SBLC

	Letter of credit	Standby letter of credit
Payment mechanism	Primary payment mechanism – i.e. the issuing bank will pay beneficiary upon the <u>beneficiary's fulfilment of certain duties and/or obligations</u>	Secondary payment mechanism – i.e. the issuing bank will pay beneficiary <u>if the applicant defaults on the applicant's duties or obligations</u>

Therefore, EMC proposes to specify that the acceptable credit support under the market rules is a SBLC, instead of any LC, as it is a more accurate and specific description of the type of credit support allowed. This would also avoid any confusion arising from the inconsistency between the language under the market rules (which provides for an LC) and the proposed template (which provides for a SBLC).

The proposed SBLC template is set out in **Annex 3**. This template would be supplemented as Appendix 2B to both the MP Registration and the MSSL Authorisation application forms in the Market Manual.

3.4 Other Issues and Clarifications

In conducting the above review, several related issues also surfaced:

A) Acceptable financial institutions

As stipulated in Appendix 1 of the Market Manual, EMC accepts BGs or LCs issued by a local or foreign bank rated “A” or better by S&P.

Since EMC requires an issuing bank to disburse amounts provided as credit support in a timely manner (specifically, within 1 day in order to pay net creditors), in effect, the issuing bank would need to have an office in Singapore. Such a requirement is currently not clearly stated. As such, changes to the Market Manual set out in Annex 5 have been made to clarify that, where the issuing bank is a foreign bank, it should be licensed to carry on banking business in Singapore and is acting through its office in Singapore.

B) Requirement for LC to constitute valid and binding unsubordinated obligations to pay to the EMC

Section 7.6.3.1(c)(ii) of Chapter 2 of the market rules currently requires the letter of credit to, among other things, constitute valid and binding unsubordinated obligations (of the issuing bank) to pay to the EMC.

This requirement for unsubordination is however proposed to be removed (and thus not stipulated in the proposed SBLC template) because:

- (i) EMC’s external legal advisor had advised that such requirements are not commonly seen in SBLC templates. Given so, MPs may face concerns and difficulties with issuing financial institutions if the issuing financial institutions are unwilling to issue SBLC with such clauses.
- (ii) Instances where the clause would have an impact are expected to be rare, as the issue is likely to only arise when the issuing financial institution becomes insolvent. This is mitigated by EMC already requiring that issuing financial institutions be rated “A” or better by S&P.

3.5 Summary of consequential amendments arising from Introducing Standby Letter of Credit Template and this review

The consequential modifications to the market rules and the Market Manual to:

- (i) require the use of the proposed SBLC template and rename commercial letter of credit to standby letter of credit for clarity, as discussed in section 3.3, and
- (ii) reflect the issues discussed in section 3.4,

are set out in Annex 4 and Annex 5 respectively, with the changes summarised in Table 4 below.

Table 4: Summary of consequential amendments

Chapter/Section	Proposed Change	Reasons for change
Market Rules (in Annex 4 of this paper)		
Chapter 2 sections 7.6.2.1 and 7.6.3.1(c)	Replaced “commercial” with “standby”.	To state that the acceptable credit support is a standby letter of credit, instead of any commercial letter of credit.
Chapter 2 section 7.6.3.1(c)(ii)	Deleted “unsubordinated”.	To remove the requirement that debts pursuant to a standby letter of credit should be unsubordinated.
Chapter 2 section 7.6.3.1(c)(v)	Added “be executed in the manner as set out in the applicable market manual”.	To require that SBLCs be executed in the form set out in the template.
Chapter 2 section 7.6.3.1(d)	Replaced “relevant section of the EMC’s market manual” with “applicable market manual”.	To clarify that the market manual refers to the applicable market manual.
Market Manual (in Annex 5 of this paper)		
Section D	Renamed Appendix 2 as Appendix 2A.	To reflect naming changes.
	Added “and be in the form and terms set out in Appendix 2B”.	To require that SBLCs be issued in the form set out in the template.
Appendix 1	Added “licensed to carry on banking business in Singapore and acting through its office in Singapore”.	To require that, if a guarantee or letter of credit is issued by a foreign bank, such foreign bank must be licensed in Singapore and acting through its office in Singapore.

4. Legal Sign-off

The text of the proposed templates for BGs and SBLC as set out in Annexes 2 and 3 have been vetted by EMC’s external legal counsel, whose opinion is that:

- (i) the proposed templates are legally consistent with the other parts of the current market rules, and
- (ii) the proposed templates are legally effective and consistent with Singapore laws.

The text of the proposed rule and Market Manual modifications as set out in Annexes 4 and 5 has been vetted by EMC’s internal legal counsel, whose opinion is that:

- (i) the modifications to the market rules reflect the intent of the proposed rule modifications as expressed in the third column of the table in Annex 4, and
- (ii) the modifications to the market rules and Market Manual reflect the intent of the proposed modifications as expressed in the third column of Table 4, and
- (iii) the modifications to the market rules and Market Manual are legally consistent with the other parts of the current market rules.

5. Consultation

The paper was published for consultation on 28 February 2018. Comments were received from 6 stakeholders, comprising 4 MPs and 2 banks. Their comments and EMC's responses are set out in Table 5 (for the proposed revised BG Template) and Table 6 (for the proposed SBLC Template) below.

Table 5: Comments on Proposed Revised BG Template in Annex 2

Reference	Comments from	Comments	EMC's response
Clause 1	BNP Paribas	Deletion of "or respective first written demands" is acceptable.	Noted.
	Keppel	The requirement for the issuing bank to pay immediately is not practicable. For instance, the issuing bank for Keppel's BG requires 5 banking days to make payment upon written demand. We propose to replace the term "immediately" with "within 5 banking days".	<p>The rationale for the short payment timeframe is due to the 1 BD window between the MP Payment Date (which is on T+20CDs, subject to business day convention) and the EMC Payment Date (which is on the BD immediately after the MP Payment Date).</p> <p>If a MP fails to pay EMC on the relevant MP Payment Date, EMC will have to promptly claim on the credit support provided by the MP in order to pay net creditors on the EMC Payment Date. A short turnaround time is therefore required.</p> <p>Further, the turnaround time required has not changed since market start.</p>
Clause 2	BNP Paribas	<p>The certification wording should be supplemented with the following additional sentence (to bring it into line with the SBLC wording proposed) –</p> <p><u>"...pursuant to the Rules. We are entitled to payment of such amount as of the date of this certificate."</u></p>	The additional wording proposed is not strictly necessary for BGs, since the demand already states that the amount represents and covers the current outstanding obligations due and payable to EMC.
Clause 3	BNP Paribas	Addition is acceptable.	Noted.
Clause 5	BNP Paribas	<p>The following wording should be inserted at the end of Clause 5:</p> <p><u>"available, provided always that our maximum aggregate liability hereunder does not exceed the Maximum Sum"</u>.</p> <p>This is to reinforce the fact that full amount of demand should not be paid if results in aggregate payments exceeding Maximum Sum.</p>	We agree with making clear that the issuing bank's total liability is subject to the Maximum Sum, but have made slight amendments to the language proposed by BNP Paribas to: <u>"provided always that our total liability under this Guarantee shall not, in any case, exceed the Maximum Sum."</u>

Reference	Comments from	Comments	EMC's response
	Sembcorp Power	<p>For avoidance of doubt, the demand for payment shall be made only on or before the Expiry Date of the Guarantee. The Beneficiary of the Bankers Guarantee would be aware at all times of the amount available under the Guarantee. As such, it is not possible that the Beneficiary will submit a demand that exceeds the amount available under the Guarantee. In addition, based on our understanding, the bank will always reject a demand when the demand amount exceeds the available amount and request for a re-submission of the demand based on the available amount.</p> <p>Below are our proposed changes to Para 5:</p> <p>"You shall have the right to make a demand for payment at any time <u>on or before the Expiry</u> under this Guarantee. You may make more than one demand under this Guarantee. If a demand exceeds the amount available under this Guarantee, but the presentation otherwise complies, we undertake to pay the amount available."</p>	<p>The requirement that demands must be received by the issuing bank on or before the expiry date of the BG is stated in clause 7. Hence, our view is that the proposed addition of "on or before the Expiry" in clause 5 is not necessary.</p> <p>We have also made further amendments to the third sentence in clause 5 to make clear that the bank is obligated only to pay up to the Maximum Sum.</p>
	Keppel	<p>For clarity and conciseness, we propose for this paragraph to be replaced with:</p> <p>"You shall have the right to make a demand for payment at any time on or before 3pm Singapore Time on the Expiry Date under this Guarantee, subject to the Maximum Sum."</p>	<p>The deadline for EMC to make a demand for payment should be on or before 5.00 pm Singapore time on the Expiry Date. These timelines are already specified in clause 6.</p> <p>We have also made further amendments to the third sentence in clause 5 to make clear that the bank is obligated only to pay up to the Maximum Sum.</p>
	Tuas Power	<p>The defined term "Maximum Sum" is not used in new formats. Please consider our proposed amendments in Clause 5.</p> <p>"You may make more than one demand under this Guarantee. If <u>Nevertheless</u>, a demand <u>shall not</u> exceeds the <u>amount available</u> <u>Maximum Sum</u> under this Guarantee,</p>	<p>The intent of the proposed revised clause 5 is to make clear that in cases of multiple demands, the issuing bank is obligated to pay amounts available under the BG, provided that the total liability does not exceed the Maximum Sum. Tuas Power and OCBC's proposed amendments may suggest that all demands (so long that it is within the Maximum Sum) would be honoured, whereas</p>

Reference	Comments from	Comments	EMC's response
		but the presentation otherwise complies, we undertake to pay the amount available.	it is the cumulative amount of demands (and not each single demand) that should not exceed the Maximum Sum.
	OCBC Bank	The defined term "Maximum Sum" is not used in new formats. Please consider our proposed amendments in Clause 5. "You may make more than one demand under this Guarantee. If Nevertheless, a demand shall not exceed the amount available <u>Maximum Sum</u> under this Guarantee, but the presentation otherwise complies, we undertake to pay the amount available. "	
Clause 6	Sembcorp Power	Para 6(b): For avoidance of doubt, only complying presentation of the demand will be processed by the bank. Below are our proposed changes to Para 6(b): "in respect of any demand....time of the next banking day following <u>complying</u> presentation of your demand".	The suggested addition of "complying" is not necessary since clause 6 requires the written demand to be "as aforementioned", i.e. in compliance with the above clauses.
	BNP Paribas	The final sentence should be amended to avoid any implication that a payment in excess of the Maximum Sum may be made under any circumstances: "by paying you in funds immediately available <u>funds</u> the full amount of your demand. "	We agree with the suggested amendment and have reflected it in Annex 2.
	BNP Paribas	Sub-paras (a) and (b): The words "demand made" in each case should be replaced with the words "demand <u>received</u> " as bank cannot make payment before it is on notice of a claim.	We agree with the suggested amendment and have reflected it in Annex 2.

Reference	Comments from	Comments	EMC's response
	BNP Paribas	The requirement to pay within 3 hours of demand is not practical from an operational perspective, and we request that this be changed, irrespective of the fact that the previous BG format contained this requirement. We propose for demands to be paid within 3 days from date of receipt of demand.	The rationale for the short payment timeframe is due to the 1 BD window between the MP Payment Date (which is on T+20CDs, subject to business day convention) and the EMC Payment Date (which is on the BD immediately after the MP Payment Date).
	Keppel	The short payment timeframes provided for in sections (a) and (b) are not feasible. We propose that these sections should be deleted and replaced with: "make payment to you within 5 banking days from the date of our receipt of such demand".	If a MP fails to pay EMC on the relevant MP Payment Date, EMC will have to promptly claim on the credit support provided by such an MP, in order to pay net creditors on the EMC Payment Date. Further, the turnaround time has not changed since market start.
	PacificLight Power	Further to feedback from our financiers who provide us with the Standby LCs, PLP recommends that the following changes be made as same day payment is not feasible: 6. Without prejudice to provisions in clauses 1 to 5 above, upon your written demand for payment as aforementioned, we shall: - a. in respect of any demand made on or before 12:00 noon Singapore time at our office on any banking day, accept and honour your demand on or before 3:00pm, Singapore time of the same day <u>on or before the 3rd business day</u> ; b. in respect of any demand made after 12:00 noon Singapore time at our office but on or before 5:00pm Singapore time at our office, accept and honour your demand on or before 11:00am Singapore time on or before the 3rd of the next <u>on or before the 3rd of the next</u> banking day following presentation of your demand;	
	Keppel	We also propose that the sentence "by paying you in funds immediately available the full amount of your demand" should be deleted	We have amended the sentence to read "by paying you in immediately available funds" for greater clarity.

Reference	Comments from	Comments	EMC's response
Clause 7	Sembcorp Power	Any demand which has been validly presented under this Guarantee will be satisfied. As such, it is redundant to include the last sentence "except for any demand which has been validly presented under this Guarantee and remains unsatisfied". Please delete.	The intent of the sentence is to clarify that if a demand was made after 12.00 noon but on or before 5.00 pm on the Expiry Date, the issuing bank is still obligated to make payment in respect of such demand on or before 11.00 am on the next banking day (even though such banking day falls after the Expiry Date).
	BNP Paribas	The fixed expiry date and auto-extension clauses are intended to be provided as alternative options.	Yes, the intent is for either one of the paragraphs in clause 7 to be used.
		The word "unsatisfied" should be changed to "unpaid" for both paragraphs.	We are agreeable to replacing "unsatisfied" with "unpaid" and have reflected it in Annex 2.
		Sub-paragraph for fixed Expiry Date: suggest final sentence to be amended to read "except for any <u>compliant</u> demand which has been validly presented under this Guarantee <u>on or before the Expiry Date</u> and remains unsatisfied <u>unpaid</u> ."	The word "compliant" is not necessary, as a demand is required to be validly presented. We are agreeable with adding "on or before Expiry Date" for avoidance of doubt and have reflected it in Annex 2.
	Sub-paragraph for auto-extension: suggest final sentence to be amended to read "except for any <u>compliant</u> demand which has been validly presented under this Guarantee <u>on or before the Expiry Date (or as the case may be) the Renewed Expiry Date</u> and remains unsatisfied <u>unpaid</u> " to avoid any demands for post Expiry Date payments on the basis of this sentence.	The word "compliant" is not necessary, as a demand is required to be validly presented. We are agreeable with adding "on or before Expiry Date (or as the case may be) the Renewed Expiry Date" for avoidance of doubt and have reflected it in Annex 2.	
Tuas Power	Propose to use the word "extended" instead of the word "renewed" wherever appearing, if the intention is only to extend the expiry date.	Our view is that "renewed" is more appropriate. The intention is for a new Maximum Sum to be applied in respect of claims made within the renewal period, and not merely to extend the expiry date.	

Reference	Comments from	Comments	EMC's response
	OCBC Bank	Propose to use the word "extended" instead of the word "renewed" wherever appearing, if the intention is only to extend the expiry date.	Take for example a one-year BG with a Maximum Sum of \$100k, and \$20k had been claimed from the BG in Year 1. An <u>extension</u> of the BG would imply that there is only \$80k remaining on the BG in Year 2, whereas a <u>renewal</u> would imply that there is a fresh Maximum Sum of \$100k in Year 2.
	PacificLight Power	Based on feedback from the financiers who provide us with the Standby LCs, PacificLight recommends that the original wording be re-instated in paragraph 7. We do not believe that financial institutions will be willing to accept an evergreen option.	We note PacificLight's comment. Our view is that providing an option for BGs which can be automatically renewed is preferable. If issuing banks are not willing to provide BGs which automatically renews, they can continue to use the drafting in the first paragraph of clause 7.
Clause 8	Keppel	For clarity, we propose that this paragraph should be re-written as: "This Guarantee shall not be assigned or transferred."	We agree with using "shall" instead of "may", and have reflected it in Annex 2 and Annex 3.
Others	Keppel	We propose to include an additional paragraph 10 to the Banker's Guarantee template: "A person who is not a party to this Guarantee has no right under the Contracts (Rights of Third Parties) Act (Chapter 53B) to enforce any term of this Guarantee."	We are fine with adding this paragraph and have reflected it in Annex 2 and Annex 3.
	PacificLight Power	PLP also proposes to include the following as final paragraphs of the templates, for better operational management: "Claims, if any, must be received in writing and delivered to the bank's office at ____ (address) on or before (expiry date) before ____ (time). Upon expiration of the said validity, the guarantee becomes null and void without necessity of being returned to us."	The same is conveyed in clause 7.

Reference	Comments from	Comments	EMC's response
	Sembcorp Power	Lastly, to avoid any additional bank charges for amending the existing Banker Guarantee, we would like to request that any revised template should only be applicable when the existing Banker Guarantee is due for renewal.	We agree. As mentioned in section 3.2 of the paper, the revised BG template will apply only to new BGs received on/after the effective date of this rule change. Existing BGs held by EMC will continue to be effective until their expiry.

Table 6: Comments on Proposed SBLC in Annex 3

Reference	Comments from	Comments	EMC's response
Clause 5	Tuas Power	<p>The defined term "Maximum Sum" is not used in new formats. Please consider our proposed amendments in clause 5.</p> <p>"If Nevertheless, a demand shall not exceeds the amount available Maximum Sum under this Standby Letter of Credit, but the presentation otherwise complies, we undertake to pay the amount available."</p>	<p>The intent of clause 5 is to make clear that in cases of multiple demands, the issuing bank is obligated to pay amounts available under the SBLC, provided that their total liability does not exceed the maximum sum.</p> <p>Tuas Power and OCBC's proposed amendments suggests that all demands (so long that it is within the Maximum Sum) would be honoured, whereas it is the cumulative amount of demands (and not each single demand) that should not exceed the Maximum Sum. We therefore disagree with the proposed amendments.</p>
	OCBC Bank	<p>The defined term "Maximum Sum" is not used in new formats. Please consider our proposed amendments in clause 5.</p> <p>"If Nevertheless, a demand shall not exceeds the amount available Maximum Sum under this Standby Letter of Credit, but the presentation otherwise complies, we undertake to pay the amount available."</p>	<p>We have also made further amendments to the third sentence in clause 5 to make clear that the bank is obligated only to pay up to the Maximum Sum.</p>
Clause 6	BNP Paribas	<p>The requirement to pay within 3 hours of demand is not practical from an operational perspective, and we request that this be changed, irrespective of the fact that the previous BG format contained this requirement. We propose for demands to be paid within 3 days from date of receipt of demand.</p>	<p>The rationale for the short payment timeframe is due to the 1 BD window between the MP Payment Date (which is on T+20CDs, subject to business day convention) and the EMC Payment Date (which is on the BD immediately after the MP Payment Date).</p> <p>If a MP fails to pay EMC on the relevant MP Payment Date, EMC will have to promptly claim on the credit support provided by such an MP, in order to pay net creditors on the EMC Payment Date.</p>
	PacificLight Power	<p>Further to feedback from our financiers who provide us with the Standby LCs, PLP recommends that the following changes be made as same day payment is not feasible:</p> <p>6. Without prejudice to provisions in clauses 1 to 5 above, upon your written demand for payment as aforementioned, we shall: -</p>	<p>Further, the turnaround time has not changed since market start.</p>

Reference	Comments from	Comments	EMC's response
		<p>a. in respect of any demand made on or before 12:00 noon Singapore time at our office on any banking day, accept and honour your demand on or before 3:00pm, Singapore time of the same day <u>on or before the 3rd business day</u>;</p> <p>b. in respect of any demand made after 12:00 noon Singapore time at our office but on or before 5:00pm Singapore time at our office, accept and honour your demand on or before 11:00am Singapore time <u>on or before the 3rd of the next</u> the 3rd of the next banking day following presentation of your demand;</p>	
	BNP Paribas	Sub-paras (a) and (b): The words “demand made” in each case should be replaced with the words “demand <u>received</u> ” as bank cannot make payment before it is on notice of a claim.	We agree with the suggested amendment and have reflected it in Annex 3.
	BNP Paribas	<p>The final sentence should be amended to avoid any implication that a payment in excess of the Maximum Sum may be made under any circumstances:</p> <p>“by paying you in funds immediately available <u>fund</u>s the full amount of your demand.”</p>	We agree with the suggested amendment and have reflected it in Annex 3.
Clause 7	PacificLight Power	Based on feedback from the financiers who provide us with the Standby LCs, PacificLight recommends that the original wording be re-instated in paragraph 7. We do not believe that financial institutions will be willing to accept an evergreen option.	We note PacificLight’s comment. Our view is that providing an option for SBLCs which can be automatically renewed is preferable, especially since such an arrangement is contemplated in the market rules. If issuing banks are not willing to provide SBLCs which automatically renews, they can continue to use the drafting in the first paragraph of Clause 7.

Reference	Comments from	Comments	EMC's response
	Tuas Power	Propose to use the word "extended" instead of the word "renewed" wherever appearing, if the intention is only to extend the expiry date.	Our view is that "renewed" is more appropriate. The intention is for a new Maximum Sum to be applied in respect of claims made within the renewal period, and not merely to extend the expiry date.
	OCBC Bank	Propose to use the word "extended" instead of the word "renewed" wherever appearing, if the intention is only to extend the expiry date.	Take for example a one-year SBLC with a Maximum Sum of \$100k, and \$20k had been claimed from the SBLC in Year 1. An <u>extension</u> of the SBLC would imply that there is only \$80k remaining on the SBLC in Year 2, whereas a <u>renewal</u> would imply that there is a fresh Maximum Sum of \$100k in Year 2.
Clause 9	Tuas Power	Per our bank, ISP 98 is typically more relevant for SBLC as compared to UCP 600 which only have a handful of articles applicable to SBLC. It is also market practice to apply ISP98 for SBLCs. Proposed amendments: "Except to the extent it is inconsistent with the express terms of this Standby Letter of Credit, this Standby Letter of Credit is subject to the International Standby Practices ISP 98, International Chamber Of Commerce Publication No. 590 OR the Uniform Customs and Practice for Documentary Credits, 2007 Revision, International Chamber Of Commerce Publication No. 600. "	We note Tuas Power's and OCBC's comments that the ISP98 is more relevant. Nevertheless, we see no harm in providing the choice for either of the standards to be used.
Clause 9	OCBC Bank	Proposed amendments: "Except to the extent it is inconsistent with the express terms of this Standby Letter of Credit, this Standby Letter of Credit is subject to the International Standby Practices ISP 98, International Chamber Of Commerce Publication No. 590 OR the Uniform Customs and Practice for Documentary Credits, 2007 Revision, International Chamber Of Commerce Publication No. 600. "	

Reference	Comments from	Comments	EMC's response
Others	PacificLight Power	<p>PLP also proposes to include the following as final paragraphs of the templates, for better operational management:</p> <p>“Claims, if any, must be received in writing and delivered to the bank’s office at ____ (address) on or before (expiry date) before ____ (time).</p> <p>Upon expiration of the said validity, the guarantee becomes null and void without necessity of being returned to us.”</p>	The same is conveyed in clause 7.

6. Conclusion

The BG template is revised to ensure clarity and address any uncertainty in the current drafting. Since a review of the BG template is being undertaken, we have also taken the chance to introduce a template for SBLC as part of this review. This will provide MPs with an additional choice when exploring the forms of credit support to provide.

7. Decision at the 102nd RCP Meeting

At the 102nd RCP Meeting, the Panel unanimously **supported** the proposed modifications set out in Annexes 2 to 5.

8. Recommendations

The RCP unanimously recommends that the EMC Board:

- a) **adopt** the proposed revised BG template set out in **Annex 2**;
- b) **adopt** the proposed new SBLC template set out in **Annex 3**;
- c) **adopt** the modifications to the market rules and Market Administration Market Manual (Part 1) set out in **Annexes 4 and 5** respectively;
- d) **seek** the EMA's approval of the proposed modifications set out in **Annexes 2 to 5**; and
- e) **recommend** that the proposed modifications, as set out in Annexes 2 to 5, come into force **one business day** after the date on which the approval of the Authority is published by the EMC.

Annex 1: Current BG template prescribed in Appendix 2 of the Market Administration Market Manual (Part 1) – Application form for Market Participant Registration

SAMPLE BANKERS' GUARANTEE

[On the letterhead of the guarantor financial institution]

DATE: [_____]

ENERGY MARKET COMPANY PTE LTD
4 Shenton Way
#03-01 SGX Centre 2
Singapore 068807

Dear Sirs,

BANKER'S GUARANTEE NO.[number] FOR S\$[state amount in numbers]

1. Pursuant to your obtaining an electricity licence authorising you to operate any wholesale electricity market in Singapore and your entering into the Market Rules under the Electricity Act, Chapter 89A of Singapore (the "Rules") which set out and govern the trading of electricity in Singapore, we, [name of guarantor financial institution], having our registered office at [address], hereby guarantee and undertake unconditionally and irrevocably to you the due payment of any and all sum or sums payable under the Rules by [name of market participant] (the "Principal") and will pay to you immediately on your first written demand or respective written first demands in respect of each such sum demanded provided that our total liability under this Guarantee shall not exceed in aggregate SINGAPORE DOLLARS [state amount in words] (the "Maximum Sum").

2. Every such of your written demand shall be accompanied by your signed statement reading as follows:-

"WE, ENERGY MARKET COMPANY PTE LTD, hereby certify to you that the amount of S\$ [state amount in numbers] represents and covers the current outstanding obligations due and payable to us by [name of market participant] pursuant to the Rules."

This Guarantee shall not be affected by any time, arrangement or other indulgence which you may grant to the Principal, or with any other person which might operate to diminish or discharge the liability of or otherwise provide a defence to a surety.

3. You shall have the right to demand payment at any time under this Guarantee to be made in SINGAPORE DOLLARS subject to the Maximum Sum. This Guarantee shall remain in full force and effect until all sums whatsoever payable by the Principal under the Rules are fully paid.

4. Without prejudice to the provisions in clauses 1 to 3 above, upon your written demand for payment as aforementioned, we shall:-

- a. in respect of any demand made before 12.00 noon local time at our office on any banking day, accept and honour your demand on or before 3.00 pm, local time of the same day;
- b. in respect of any demand made after 12.00 noon local time at our office but on or before 5.00 pm local time at our office, accept and honour your demand on or before 11.00 am local time of the next banking day following presentation of your demand;

by paying you in funds immediately available the full amount of your demand.

5. We agree that any written demand furnished by you to us under clause 2 shall be conclusive evidence that the said sum or sums referred to therein is/are due and payable to you by the Principal. We further agree

that this Guarantee shall be effective from [date] to [date] (hereinafter called the “expiry date”). Demands, if any, must be made in writing and received by us at our [Banker’s Guarantee Section] at [address] on or before the expiry date. Thereafter this Guarantee shall automatically cease to have any effect whatsoever, whether or not it is returned to us for cancellation.

6. You may make more than one claim under this Guarantee so long as the claims are made in accordance with the terms set out herein and the total amount of the claims does not exceed the Maximum Sum.

7. This Guarantee is non-assignable.

8. This Guarantee shall be governed by and construed in all respects in accordance with the laws of the Republic of Singapore and all parties hereby agree to submit to the exclusive jurisdiction of the Courts of Singapore.

SIGNED, SEALED AND DELIVERED for and on behalf of the GUARANTOR

[name of guarantor financial institution in capital letters]

by its Attorney(s):

[name]
[designation]

[name]
[designation]

acting under a Power of Attorney dated [date] (a copy of which was deposited in the Registry, Supreme Court, Singapore on the [] day of [] [20] and registered as No.[registration number] of [20])

in the presence of:

[Signature]

[Name of witness]

[Address]

Annex 2: Proposed changes to Current Banker's Guarantee template

SAMPLE BANKERS' BANKER'S GUARANTEE TEMPLATE

[On the letterhead of the guarantor financial institution]

DATE: [_____]

ENERGY MARKET COMPANY PTE LTD
4 Shenton Way
#03-01 SGX Centre 2
Singapore 068807

Dear Sirs,

BANKER'S GUARANTEE NO. [number] FOR S\$[state amount in numbers]

1. Pursuant to your obtaining an electricity licence authorising you to operate any wholesale electricity market in Singapore and your entering into the Market Rules under the Electricity Act, Chapter 89A of Singapore (the "Rules") which set out and govern the trading of electricity in Singapore, we, [name of guarantor financial institution], having our registered office at [address], hereby guarantee and undertake unconditionally and irrevocably to you the due payment of any and all sum or sums payable under the Rules by [name of market participant] (the "Principal") and will pay to you immediately on your first written demand ~~or respective written first demands~~ in respect of each such sum demanded provided that our total liability under this Guarantee shall not exceed in aggregate SINGAPORE DOLLARS [state amount in words] (the "Maximum Sum").
2. Every such of your written demand shall be accompanied by your signed statement reading as follows:-

"WE, ENERGY MARKET COMPANY PTE LTD, hereby certify to you that the amount of S\$ [state amount in numbers] represents and covers the current outstanding obligations due and payable to us by [name of market participant] pursuant to the Rules."
3. We agree that any written demand furnished by you to us under clause 2 shall be conclusive evidence that the said sum or sums referred to therein is/are due and payable to you by the Principal.
4. This Guarantee shall not be affected by any time, arrangement or other indulgence which you may grant to the Principal, or with any other person which might operate to diminish or discharge the liability of or otherwise provide a defence to a surety.
35. You shall have the right to make a demand for payment at any time under this Guarantee to be made in SINGAPORE DOLLARS subject to the Maximum Sum. You may make more than one demand under this Guarantee. If a demand exceeds the amount available under this Guarantee, but the presentation otherwise complies, we undertake to pay the amount available, provided always that our total liability under this Guarantee shall not, in any case, exceed the Maximum Sum. This Guarantee shall remain in full force and effect until all sums whatsoever payable by the Principal under the Rules are fully paid.
46. Without prejudice to the provisions in clauses 1 to 35 above, upon presentation of your written demand for payment as aforementioned, we shall:-
 - a. in respect of any demand ~~made~~ received on or before 12.00 noon local ~~local~~ Singapore time at our office on any banking day, accept and honour your demand on or before 3.00 pm, ~~local~~ Singapore time of the same day;

- b. in respect of any demand ~~made received~~ after 12.00 noon ~~local~~Singapore time at our office but on or before 5.00 pm ~~local~~Singapore time at our office, accept and honour your demand on or before 11.00 am ~~local~~Singapore time of the next banking day following presentation of your demand;

by paying you in funds immediately available ~~fundsthe full amount of your demand.~~ All payments under this Guarantee shall be made in Singapore Dollars.

- ~~57.~~ We agree that any written demand furnished by you to us under clause 2 shall be conclusive evidence that the said sum or sums referred to therein is/are due and payable to you by the Principal. We further agree that this This Guarantee shall be effective and remain in full force and effect from [date] to [date] (hereinafter called the "expiry dateExpiry Date"). Demands, if any, must be made in writing and received by us at our [Banker's Guarantee Section] at [address] on or before the expiry dateExpiry Date. Thereafter, our obligations under this Guarantee shall automatically cease to have any effect whatsoeverwith no further liability on our part, whether or not #this Guarantee is returned to us for cancellation, except for any demand which has been validly presented under this Guarantee on or before the Expiry Date and remains unpaid.

OR

This Guarantee shall be effective and remain in full force and effect from [date] to [date] (the "Expiry Date") and shall thereafter be automatically renewed, without amendment except as to the Expiry Date, for successive periods of [X year(s) or month(s)] (such new expiry date being the "Renewed Expiry Date"), unless we have given written notice to you at least thirty days prior to the Expiry Date or (as the case may be) the Renewed Expiry Date of our intention not to renew this Guarantee. Demands, if any, must be made in writing and received by us at our [Banker's Guarantee Section] at [address] on or before the Expiry Date or (as the case may be) the Renewed Expiry Date. Thereafter, our obligations under this Guarantee shall automatically cease with no further liability on our part, whether or not this Guarantee is returned to us for cancellation, except for any demand which has been validly presented under this Guarantee on or before the Expiry Date or (as the case may be) the Renewed Expiry Date and remains unpaid.

- ~~6.~~ You may make more than one claim under this Guarantee so long as the claims are made in accordance with the terms set out herein and the total amount of the claims does not exceed the Maximum Sum.
- ~~7.~~ This Guarantee is non-assignable.
- ~~8.~~ This Guarantee shall not be assigned or transferred.
- ~~9.~~ A person who is not a party to this Guarantee has no right under the Contracts (Rights of Third Parties) Act (Chapter 53B) to enforce any term of this Guarantee.
- ~~810.~~ This Guarantee shall be governed by and construed in all respects in accordance with the laws of the Republic of Singapore and all parties hereby agree to submit to the exclusive jurisdiction of the Courtscourts of the Republic of Singapore.

SIGNED, SEALED AND DELIVERED for and on behalf of the GUARANTOR
[name of guarantor financial institution in capital letters]
 by its Attorney(s):

 [name]
 [designation]

 [name]
 [designation]

acting under a Power of Attorney dated [*date*] (a copy of which was deposited in the Registry, Supreme Court, Singapore on the [] day of [] [20] and registered as No.[*registration number*] of [20])

in the presence of:

[Signature]

[Name of witness]

[Address]

Annex 3: Proposed Standby Letter of Credit template (New)

STANDBY LETTER OF CREDIT TEMPLATE

[On the letterhead of the issuing financial institution]

DATE: [_____]

ENERGY MARKET COMPANY PTE LTD
4 Shenton Way
#03-01 SGX Centre 2
Singapore 068807

Dear Sirs,

STANDBY LETTER OF CREDIT NO. [number] FOR S\$[state amount in numbers]

1. Pursuant to your obtaining an electricity licence authorising you to operate any wholesale electricity market in Singapore and your entering into the Market Rules under the Electricity Act, Chapter 89A of Singapore (the "Rules") which set out and govern the trading of electricity in Singapore, we, [name of issuing financial institution], having our registered office at [address], hereby issue in your favour this irrevocable Standby Letter of Credit for the due payment of any and all sum or sums payable under the Rules by [name of market participant] (the "Applicant") and authorises you, the beneficiary, to draw on this Standby Letter of Credit for up to the aggregate stated amount of SINGAPORE DOLLARS [state amount in words] (the "Maximum Sum").
2. Drawings under this Standby Letter of Credit are to be made by means of a draft on us at sight. Each draft for payment shall be marked "Drawn under [name of issuing financial institution] Standby Letter of Credit No. [number] dated [•]", and be accompanied by a certificate signed by you stating as follows:

"WE, ENERGY MARKET COMPANY PTE LTD, hereby certify to you that [name of market participant] has failed to pay sums due under the Rules and the amount of S\$ [state amount in numbers] represents and covers the current outstanding obligations due and payable to us by [name of market participant] pursuant to the Rules. We are entitled to payment of such amount as of the date of this certificate."
3. We agree that any draft drawn by you under clause 2 shall be conclusive evidence that the said sum or sums referred to therein is/are due and payable to you by the Applicant.
4. This Standby Letter of Credit shall not be affected by any time, arrangement or other indulgence which you may grant to the Applicant, or with any other person which might operate to diminish or discharge the liability of or otherwise provide a defence to a surety.
5. You shall have the right to demand payment at any time under this Standby Letter of Credit. Partial and multiple drawings may be made under this Standby Letter of Credit and will reduce the available amount of this Standby Letter of Credit accordingly. If a demand exceeds the amount available under this Standby Letter of Credit, but the presentation otherwise complies, we undertake to pay the amount available, provided always that our total liability under this Standby Letter of Credit shall not, in any case, exceed the Maximum Sum.
6. Without prejudice to the provisions in clauses 1 to 5 above, upon your draft for payment as aforementioned, we shall:-
 - a. in respect of any demand received on or before 12.00 noon Singapore time at our office on any banking day, accept and honour your demand on or before 3.00 pm Singapore time of the same day;

- b. in respect of any demand received after 12.00 noon Singapore time at our office but on or before 5.00 pm Singapore time at our office, accept and honour your demand on or before 11.00 am Singapore time of the next banking day following presentation of your demand;

by paying you in immediately available funds. All payments under this Standby Letter of Credit shall be made in Singapore Dollars.

- 7. Our liability under this Standby Letter of Credit shall be effective from [date] to [date, which must be at least one year from the start date] (the "Expiry Date"). We hereby undertake to honour each draft drawn under this Standby Letter of Credit, provided that all drafts, if any, must be received by us at our [Letter of Credit Section] at [address] on or before the Expiry Date. Thereafter, our obligations under this Standby Letter of Credit shall automatically cease with no further liability on our part, whether or not this Standby Letter of Credit is returned to us for cancellation, except for any draft drawn under this Standby Letter of Credit on or before the Expiry Date that remains unpaid.

OR

Our liability under this Standby Letter of Credit shall be effective from [date] to [date] (the "Expiry Date") and shall thereafter be automatically renewed, without amendment except as to the Expiry Date, for successive [state renewal period in number of months or years] periods (such new expiry date being the "Renewed Expiry Date"), unless we have given written notice to you at least thirty days prior to the Expiry Date or (as the case may be) the Renewed Expiry Date of our intention not to renew this Standby Letter of Credit. We hereby undertake to honour each draft drawn under this Standby Letter of Credit, provided that all drafts, if any, must be received by us at our [Letter of Credit Section] at [address] on or before the Expiry Date or (as the case may be) the Renewed Expiry Date. Thereafter, our obligations under this Standby Letter of Credit shall automatically cease with no further liability on our part, whether or not this Standby Letter of Credit is returned to us for cancellation, except for any draft drawn under this Standby Letter of Credit on or before the Expiry Date or (as the case may be) the Renewed Expiry Date that remains unpaid.

- 8. This Standby Letter of Credit shall not be assigned or transferred.
- 9. Except to the extent it is inconsistent with the express terms of this Standby Letter of Credit, this Standby Letter of Credit is subject to [the International Standby Practices ISP 98, International Chamber Of Commerce Publication No. 590 OR the Uniform Customs and Practice for Documentary Credits, 2007 Revision, International Chamber Of Commerce Publication No. 600].
- 10. A person who is not a party to this Standby Letter of Credit has no right under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore to enforce any term of this Standby Letter of Credit.
- 11. This Standby Letter of Credit shall be governed by and construed in all respects in accordance with the laws of the Republic of Singapore and all parties agree to submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

SIGNED, SEALED AND DELIVERED for and on behalf of the ISSUING BANK

[name of issuing financial institution in capital letters]

by its Attorney(s):

[name]
[designation]

[name]
[designation]

acting under a Power of Attorney dated [date] (a copy of which was deposited in the Registry, Supreme Court, Singapore on the [] day of [] [20] and registered as No.[registration number] of [20])

in the presence of:

[Signature]

[Name of witness]

[Address]

Annex 4: Proposed rule modifications

Existing Market Rules (1 January 2018)	Proposed Rule Changes (Deletions represented by strikethrough text and additions represented by double-underlined text)	Reasons for Modification
Chapter 2	Chapter 2	
7 PRUDENTIAL REQUIREMENTS	7 PRUDENTIAL REQUIREMENTS	
7.6 OBLIGATION TO PROVIDE CREDIT SUPPORT	7.6 OBLIGATION TO PROVIDE CREDIT SUPPORT	
<p>7.6.2 A market participant's credit support value must be met through the provision to the EMC and the maintenance of <i>credit support</i> in one or more of the following forms:</p> <p style="padding-left: 40px;">7.6.2.1 a guarantee or irrevocable commercial letter of credit that must be in the form defined in section 7.6.3.1 (d) and section 7.6.3.1 (c) respectively and provided by a financial institution which satisfies such criteria as prescribed by the EMC in the applicable <i>market manual</i>;</p> <p style="padding-left: 40px;">...</p>	<p>7.6.2 A market participant's credit support value must be met through the provision to the EMC and the maintenance of <i>credit support</i> in one or more of the following forms:</p> <p style="padding-left: 40px;">7.6.2.1 a guarantee or irrevocable commercial <u>standby</u> letter of credit that must be in the form defined in section 7.6.3.1 (d) and section 7.6.3.1 (c) respectively and provided by a financial institution which satisfies such criteria as prescribed by the EMC in the applicable <i>market manual</i>;</p> <p style="padding-left: 40px;">...</p>	<p>To clarify that the acceptable credit support is a standby letter of credit.</p>
<p>7.6.3 The following terms and conditions shall apply in respect of the <i>credit support</i> provided by a <i>market participant</i> pursuant to section 7.6.2:</p> <p style="padding-left: 40px;">7.6.3.1 <i>credit support</i> provided in accordance with section 7.6.2.1 shall:</p>	<p>7.6.3 The following terms and conditions shall apply in respect of the <i>credit support</i> provided by a <i>market participant</i> pursuant to section 7.6.2:</p> <p style="padding-left: 40px;">7.6.3.1 <i>credit support</i> provided in accordance with section 7.6.2.1 shall:</p>	

Existing Market Rules (1 January 2018)	Proposed Rule Changes (Deletions represented by strikethrough text and additions represented by double-underlined text)	Reasons for Modification
<ul style="list-style-type: none"> a. be an obligation in writing; b. be governed by the laws of Singapore; c. where the <i>credit support</i> is in the form of an irrevocable commercial letter of credit: <ul style="list-style-type: none"> i. be valid for a term of at least one year or provide for automatic renewal, subject only to the right of the issuing financial institution to advise the <i>EMC</i> at least thirty days prior to the date of renewal that the letter of credit will not be renewed; ii. name the <i>EMC</i> as beneficiary and constitute valid and binding unsubordinated obligations to pay to the <i>EMC</i> amounts in accordance with its terms which relate to the obligations of the relevant <i>market participant</i> under the <i>market rules</i>; 	<ul style="list-style-type: none"> a. be an obligation in writing; b. be governed by the laws of Singapore; c. where the <i>credit support</i> is in the form of an irrevocable commercial <u>standby</u> letter of credit: <ul style="list-style-type: none"> i. be valid for a term of at least one year or provide for automatic renewal, subject only to the right of the issuing financial institution to advise the <i>EMC</i> at least thirty days prior to the date of renewal that the letter of credit will not be renewed; ii. name the <i>EMC</i> as beneficiary and constitute valid and binding unsubordinated obligations to pay to the <i>EMC</i> amounts in accordance with its terms which relate to the obligations of the relevant <i>market participant</i> under the <i>market rules</i>; 	<p>Consequential amendments arising from changes to section 7.6.2.1.</p> <p>To remove the requirement that debts pursuant to a standby letter of credit should be unsubordinated.</p>

Existing Market Rules (1 January 2018)	Proposed Rule Changes (Deletions represented by strikethrough text and additions represented by double-underlined text)	Reasons for Modification
<p>iii. not include any conditions on the ability of the <i>EMC</i> to draw or make claims thereon other than the condition that the <i>EMC</i> deliver a certificate of an officer of the <i>EMC</i> indicating that a specified amount is owing by the <i>market participant</i> to the <i>EMC</i> and that, in accordance with these <i>market rules</i>, the <i>EMC</i> is entitled to payment of that specified amount as of the date of delivery of such certificate; and</p> <p>iv. not prohibit partial draws and permit drawings or claims by the <i>EMC</i> on demand up to the amount stated in the <i>credit support</i>; and</p> <p>d. where the <i>credit support</i> is in the form of a guarantee, be executed as a deed and in the manner as set out in the relevant section of the <i>EMC's market manual</i>, permit drawings or claims by the <i>EMC</i> and provide for</p>	<p>iii. not include any conditions on the ability of the <i>EMC</i> to draw or make claims thereon other than the condition that the <i>EMC</i> deliver a certificate of an officer of the <i>EMC</i> indicating that a specified amount is owing by the <i>market participant</i> to the <i>EMC</i> and that, in accordance with these <i>market rules</i>, the <i>EMC</i> is entitled to payment of that specified amount as of the date of delivery of such certificate; and</p> <p>iv. not prohibit partial draws and permit drawings or claims by the <i>EMC</i> on demand up to the amount stated in the <i>credit support</i>; and</p> <p>v. <u>be executed in the manner as set out in the applicable market manual; and</u></p> <p>d. where the <i>credit support</i> is in the form of a guarantee, be executed as</p>	<p>To require that letter of credit be executed in the manner set out in the applicable market manual.</p>

Existing Market Rules (1 January 2018)	Proposed Rule Changes (Deletions represented by strikethrough text and additions represented by double-underlined text)	Reasons for Modification
<p>payment by the guarantor on demand up to the amount stated in the <i>credit support</i>.</p>	<p>a deed and in the manner as set out in the relevant section of the EMC's <u>applicable market manual</u>, permit drawings or claims by the EMC and provide for payment by the guarantor on demand up to the amount stated in the <i>credit support</i>.</p>	<p>To clarify that the market manual refers to the applicable market manual.</p>

Annex 5: Proposed changes to the Market Administration Market Manual (Part 1) – Version 20 Feb 2017

A) Extract of the Application form for Market Participant Registration

D. PRUDENTIAL DETAILS

The forms of *credit support* presently permitted under the *market rules* are as follows:

a. **Guarantee or letter of credit:** *Credit support*, which is provided in the form of a guarantee or letter of credit must be provided by a financial institution which satisfies the criteria prescribed in **Appendix 1** of this application form, must be an obligation in writing and must be governed by Singapore laws, as stated in sections 7.6.2.1 and 7.6.3.1 of Chapter 2 of the *market rules*. In the case of a guarantee, the guarantee must be executed as a deed and in the form and terms set out in **Appendix 2A** of this application form. In the case of a letter of credit, the letter of credit must comply with the requirements of sections 7.6.2.1 and 7.6.3.1(c) of Chapter 2 of the *market rules* and be in the form and terms set out in Appendix 2B.

...

APPENDIX 1

Criteria to be satisfied by a financial institution providing *credit support*

- The financial institution must be (i) a local bank or (ii) a foreign bank licensed to carry on banking business in Singapore and acting through its office in Singapore, rated “A” or better by Standard & Poor’s (S&P).
(S&P Website: www.standardandpoors.com)

B) Extract of the Application form for Authorisation of Market Support Services Licensee (MSSL)

D. PRUDENTIAL DETAILS

The forms of *credit support* presently permitted under the *market rules* are as follows:

- a. **Guarantee or letter of credit:** *Credit support*, which is provided in the form of a guarantee or letter of credit must be provided by a financial institution which satisfies the criteria prescribed in **Appendix 1** of this application form, must be an obligation in writing and must be governed by Singapore laws, as stated in sections 7.6.2.1 and 7.6.3.1 of Chapter 2 of the *market rules*. In the case of a guarantee, the guarantee must be executed as a deed and in the form and terms set out in **Appendix 2A** of this application form. In the case of a letter of credit, the letter of credit must comply with the requirements of sections 7.6.2.1 and 7.6.3.1(c) of Chapter 2 of the *market rules* and be in the form and terms set out in Appendix 2B.

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