

Notice of Market Rules Modification

Paper No.: EMC/RCP/28/2006/260
Rule reference: Market Rules, Section 1.1.21 of Chapter 8
Market Manual (Chapter 7 Settlement) – Section 9.2 of Chapter 9
Proposer: Jennise Ting, EMC
Date received by EMC: 11 July 2006
Category allocated: 3
Status: Approved by EMA
Effective Date: 1 November 2006

Summary of proposed rule modification:

This proposal is to change the Close of Banking Business (COB) from 3.00pm to 5.00pm.

Date considered by Rules Change Panel: 5 September 2006
Date considered by EMC Board: 5 October 2006
Date considered by Energy Market Authority: 25 October 2006

Proposed rule modification:

See attached paper.

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

PAPER NO. : **EMC/BD/05/2006/03(c)**

RCP PAPER NO. : **EMC/RCP/28/2006/260**

SUBJECT : **CLOSE OF BANKING BUSINESS**

FOR : **DECISION**

PREPARED BY : **POA TIONG SIAW
SENIOR ECONOMIST**

VETTED BY : **PAUL POH LEE KONG
SVP, MARKET ADMINISTRATION**

DATE OF MEETING : **05 OCTOBER 2006**

Executive Summary

This proposal is to extend Close of Banking Business (COB) under the Market Rules from 3.00pm to 5.00pm. This would be consistent with the instruction of the Monetary Authority of Singapore (MAS) to Singapore banks. The extension provides Market Participants more time to make wholesale market payments, hence reduces the probability of technical default.

The RCP recommends that the EMC Board **adopt** this proposal.

1. Introduction

This proposal is to extend Close of Banking Business (COB) under the Market Rules from 3.00pm to 5.00pm. This would make better use of the banking hours under the Monetary Authority of Singapore (MAS) Electronic Payment System (MEPS).

2. Background

Close of banking business (COB) is the cut-off time for transfer of funds in the wholesale electricity market. It is the latest time for which funds must be transferred into a bank account on a payment day. COB is currently defined as 3.00pm in the Market Rules.

3. Analysis

Given that the MAS MEPS cut-off time for electronic fund transfer is 9.00am - 6.30pm, it is unnecessary to impose a 3.00pm COB in the SWEM. For a paying Market Participant (MP), a technical default happens when payment due is not credited into the EMC clearing account by 3.00pm on a payment day.

Given that same-day inter-bank fund transfers operate till 6.30pm, the proposal would allow an MP who is expecting inter-bank funds between 3.00pm - 5.00pm on a payment day to use those funds for SWEM settlement. Generally, this gives MPs a longer window to execute fund transfers for SWEM settlement and potentially reduce the probability of technical default.

4. Conclusion

Extending COB for the SWEM from 3.00pm to 5.00pm makes better use of local banking hours and potentially reduces the chance of technical default.

5. Consultation

We have published the rule modification proposal on the EMC website for comments. No comments have been received for consideration.

6. Legal sign off

Text of the rule modification has been vetted by EMC's legal counsel to reflect the intent of the rule modification proposal.

9. Recommendations

The RCP unanimously recommends that the EMC Board:

- a. **adopt** the rule modification proposal to amend Section 1.1.25 of Chapter 8 of the Market Rules and Section 9.2 of the Market Operations Manual (Settlement: Chapter 7) as set out in the **Annex 1**;
- b. **seek** the Authority's approval for the rule modification proposal; and

- c. **recommend** that the rule modification proposal come into force **one business day** after the date on which the approval of the Authority is published by the EMC.

ANNEX 1: PROPOSED MODIFICATIONS TO MARKET RULES AND MARKET MANUAL

Existing Rules (Release 1 July 2005)	Proposed Rules (Deletions represented by strikethrough text and addition underlined)	Reason for Modification
<p>Chapter 8: Definitions</p> <p>1.1.25 <i>close of banking business</i> means 3.00 p.m;</p>	<p>Chapter 8: Definitions</p> <p>1.1.25 <i>close of banking business</i> means 3<u>5</u>.00 p.m;</p>	<p>To better utilize the 9.00am – 6.30pm operating hours of inter-bank transfer.</p>
<p>Market Operations Market Manual: Settlement (Chapter 7)</p> <p>9.2 Electronic funds transfer process</p> <p>.....</p> <p><i>A market participant shall pay the full amount owing to the EMC and ensure that there are sufficient funds in the market participant's bank account with the clearing bank, prior to the close of banking business. Close of banking business is defined as 4:00pm, on the twentieth day after the trading day subject to business day convention.</i></p> <p>.....</p>	<p>Market Operations Market Manual: Settlement (Chapter 7)</p> <p>9.2 Electronic funds transfer process</p> <p>.....</p> <p><i>A market participant shall pay the full amount owing to the EMC and ensure that there are sufficient funds in the market participant's bank account with the clearing bank, prior to the close of banking business: (Close of banking business is defined as 4:00pm), on the twentieth day after the trading day subject to business day convention.</i></p> <p>.....</p>	<p>To better utilize the 9.00am – 6.30pm operating hours of inter-bank transfer.</p>

ANNEX 2: MAS Electronic Payment System (MEPS) Operational Hours/Cut-off Times

MAS :Print Version

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MIR/O/172/2000 N05/2003 VIA MASNET

3 December 2003

To The Chief Executives Of All MEPS Participating Banks

Dear Sir/Madam

**MAS ELECTRONIC PAYMENT SYSTEM (MEPS)
OPERATIONAL HOURS ON 31 DECEMBER**

Traditionally, the MAS Electronic Payment System (MEPS) operates half-day on 31 December. Starting from this year, the MEPS will operate full day on 31 December to allow for the settlement of Singapore Dollar foreign exchange transactions in Continuous-Linked Settlement (CLS).

From 2003 onwards, the new operational hours and relevant cut-off times of MEPS on 31 December will be as follows:

	MEPS-IFT Sub-system	MEPS-SGS Sub-system
Same-Day Transactions	9.00 am - 6.30 pm	9.00 am - 5.00 pm
Forward-Dated Transactions	6.00 am - 8.00 pm	6.00 am - 6.30 pm
Cut-off for Funding of Net Cheque/IBG Debits ¹	2.30 pm	N.A.
Funding Period for Minimum Cash Balance (MCB)	6.15 pm - 6.30 pm	N.A.

<http://www.mas.gov.sg/mas/mcm/html/print.cfm?content=http://www.mas.gov.sg/mas...> 11/07/2006

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¹ As per Saturday timing. There will only be one cheque and interbank GIRO (IBG) clearing cycle on 31 December.

Please contact Mr Nelson Chua at Tel: 6229-9797 if you have any query.

Yours sincerely

ENOCH CH'NG
SPECIALIST RISK SUPERVISION DEPARTMENT

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