

EXPLANATORY NOTES

GENERAL DEFINITIONS

1. **Nominee Holdings** are holdings of financial instruments registered in your company's name on behalf of the actual owner. The actual owner could be an individual, an unincorporated enterprise, a company or a financial institution. They do not include holdings held in custody by your company but registered in the name of the actual owner.
2. **Custody Holdings** are holdings of financial instruments held in custody by your company on behalf of individuals or non-individuals but registered in the name of the actual owner.

Important: If your company engaged in other resident companies's nominee or custody services to hold the nominee or custody holdings owned by your clients or held nominee or custody holdings on behalf of other resident companies providing nominee or custody services, please make the necessary arrangements to ensure that only one party reports the relevant information to avoid double-counting.

3. **Residents** refer to:
 - (a) Persons whose main centre of interest is in Singapore or whose residence in Singapore exceeds one year.
 - (b) Companies whose permanent or registered address is in Singapore, including branches and subsidiaries of foreign companies located within Singapore.
4. **Non-Residents** refer to:
 - (a) Persons whose permanent or registered address is outside Singapore.
 - (b) Companies whose permanent or registered address is outside Singapore, including overseas branches and subsidiaries of Singapore-registered companies or institutions.
5. **Singapore Companies** refer to companies incorporated in Singapore and whose main business operation, including control and management, is in Singapore. Listed companies refer to those listed on the SGX Mainboard and SESDAQ while non-listed companies refer to those that are not.
6. **Overseas Companies** refer to companies incorporated outside Singapore and whose main business operation is outside Singapore.
7. **Equities** include ordinary shares, stocks, participating preference shares and shares/units in mutual funds, unit trusts and depository receipts, but exclude non-participating preference shares, debt securities and derivative instruments. Listed equities refer to equities that are traded in an organized stock exchange, while non-listed equities refer to those that are not.
8. **Market Value of Equity Securities:** For listed equities, the market value should be calculated using the market price on the stock exchange at the specified date. For equities of unlisted enterprises, if the market value is not available for the specified date, estimate the value of your holdings using (a) a recent transaction price, or (b) director's valuation, or (c) net asset value.
9. **Long-Term Debt Securities** have an original term to maturity of over one year. It includes treasury bonds, non-participating preference shares, bonds with optional maturity dates (the latest of which is more than one year after issue), debentures, negotiable certificates of deposits with contractual maturity of more than one year.
10. **Short-Term Debt Securities** have an original term to maturity of not more than one year. It includes treasury bills, bankers' acceptance, negotiable certificates of deposit with original maturity of one year or less, promissory notes and other short-term notes.
11. **Singapore Government Bonds** are long term debt instruments issued by the Singapore government

with original term to maturity of over one year. It includes the Singapore Government Securities bonds and Singapore Savings Bonds.

12. **Singapore Treasury Bills** are short-term debt instruments issued by the Singapore government with original term to maturity of one year or less. It includes the Treasury Bills (T-Bills) and the Cash Management Treasury Bills (CMTB).
13. **Monetary Authority of Singapore (MAS) Securities** are debt instruments issued by the MAS with original term to maturity of two years or less. It includes the MAS Bills and the MAS Floating Rate Notes (FRN).
14. **Market Value of Debt Securities:** Debt securities should be reported using (a) a quoted trade market price at the dates specified, or (b) the net present value of the expected stream of future payments/receipts associated with the securities.
15. **Currency and Deposits** consist of deposits placed with financial institutions. Funds held in the form of deposits should be reported as invested in the country in which they were deposited. Amount placed in margin accounts used for the payments of cash or deposits of collateral that cover actual or potential obligations incurred through Derivative Contracts should also be included.
16. **Derivative Contracts** are linked to a specific financial instrument or indicator or commodity, and through which specific financial risks can be traded in financial markets in their own right. They are broadly classified into the various contract types:

Forwards – Contracts that represent agreements for delayed delivery of financial instruments or commodities in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified commodity or instrument at a specified price or yield.

Futures – Contracts that represent agreements for delayed delivery of financial instruments in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified instrument at a specified price or yield. Such contracts are standardized and are traded on organized exchanges.

Options and Warrants – Contracts that convey either a right or an obligation to buy or sell a financial instrument at a specified price by a specified future date. Options traded on organized exchanges usually grant rights over assets that are already available, while the exercise of warrants creates new securities which dilute the capital of existing bond or shareholders.

Swaps – Contracts in which two parties agree to exchange payment streams based on a specified notional amount for a specified period. Forward starting swaps should be reported as swaps.

Other Derivatives – Other derivatives contracts not classified in the above categories, e.g. credit derivatives.

17. **Market Value of Derivative Contracts:**
For **Forward** and **Futures**, the market value is derived from the difference between the agreed-upon contract price and the (expected) prevailing market price on the day of settlement times the principal amount, appropriately discounted. For **Swap** contracts, the market value is derived from the difference between the expected gross receipts and gross payments, appropriately discounted—that is, its net present value. Market values for **Options** and **Warrants** can be obtained from either (a) the prevailing market prices if traded in the financial market, or (b) using standard pricing models such as the Black-Scholes Model where no comparable market price exists.

To reduce reporting burden, you may report the net amount for (i) contracts with same counterparty; and (ii) contracts that are carried out at net values in your accounting records and financial statements in accordance with Financial Reporting Standard (FRS) 39. Otherwise, do not combine,

aggregate or net the market value of different contracts. For contracts with negative market valuation, they should be reported accordingly as a negative value, i.e., with a minus sign.

18. **Net Transactions** is the net increase or decrease in the value of investment due to sale or purchase of financial instruments during the period (i.e., net transactions = gross purchases minus gross sales). Transaction changes should be valued at the transacted price. For Derivatives Contracts, record the values of net transactions for the various contract types according to the following:

Forwards – Report cash received or paid upon maturity or settlement of forward agreements. Do not report the amount received or paid upon settlement of a forward with a security or other non-cash asset.

Futures – Report the cumulative periodic payment or receipt from an exchange as a result of the change in value of the futures contracts, including the final cash settlement of futures contracts. Do not report the value of futures that proceed to final delivery of the underlying asset.

Options and Warrants – Report premiums paid or received on options and warrants. For exercised options and warrants where settlement is only in cash, report the net payment of cash upon exercise. Do not report the exercise of the option and warrant where securities, commodities, and assets other than cash are purchased or sold, as these should be treated as a transaction in that security or commodity instead of as derivatives.

Swaps – Report the net amount of cash received or paid upon maturity or termination of a swap and any periodic net cash settlement payments under the terms of a swap, including premiums actually paid or received on swaps contracts. Do not report transactions if the ownership of a security, commodity or other non-cash item changes hands without premiums.

19. **Exchange Rate Changes** refer to the gains/losses in the value of investment due to exchange rate variation. **Other Changes** refer to gains/losses due to other factors, e.g. changes in price and revaluation of investment.
20. **Income** refers to dividends and interest receivable on behalf of resident clients from their overseas investments (Sections B), or dividends and interest receivable on behalf of non-resident clients from their investment in Singapore (Section C).
Income should be reported net of tax payable.
21. In Section B, **Country** refers to the country of residence of the issuer of the financial instrument. For example, investment in listed equities issued by a Malaysian incorporated company should be classified as “Malaysia” even if the shares are traded on the New York Stock Exchange. In Section C, **Country** refers to the country of residence of the non-resident clients whose holdings are invested in Singapore and held by your company.

EXAMPLE TO ILLUSTRATE THE REPORTING IN SECTION A, SECTION B AND SECTION C

For example, as at 31 Mar 2022, your client portfolio contained:

- 1) Holdings of \$100,000 in United States debt securities held on behalf of 1 Singapore client
- 2) Holdings of \$200,000 in Singapore equities (listed on SGX) held on behalf of 1 Singapore client
- 3) Holdings of \$300,000 in Singapore equities (not listed on SGX) held on behalf of 1 Malaysian client
- 4) Holdings of \$200,000 in Singapore equities (listed on SGX) held on behalf of 1 Indonesian client

Subsequently, the market value of the United States debt securities fell to \$90,000 while the market value of the Singapore equities, both listed and non-listed, increased by 20% as at 30 Jun 2022. For simplicity, the information on "Changes during the period" is ignored here.

Investor Portfolio

Client	Market Value as at 31 Mar 2022	Market Value as at 30 Jun 2022	Financial Instrument
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Singapore Client	\$100,000	\$90,000	United States debt securities not traded in SGX
Singapore Client	\$200,000	\$240,000	Singapore equities traded in SGX
Malaysian Client	\$300,000	\$360,000	Singapore equities not traded in SGX
Indonesian Client	\$200,000	\$240,000	Singapore equities traded in SGX

The reporting under Section A should then be:

Section A

Nominee and Custody Holdings	OPENING POSITION (\$'000)	CLOSING POSITION (\$'000)
Nominee and Custody Holdings of Securities Listed on SGX and Custodised Indirectly with the Central Depository (CDP) through Sub-Accounts		
(i) of which held on behalf of Resident clients	200	240
(ii) of which held on behalf of Non-Resident clients by their Country of Residence	200	240
Indonesia	200	240
Other Nominee and Custody Holdings		
(i) of which held on behalf of Resident clients	100	90
(ii) of which held on behalf of Non-Resident clients by their Country of Residence	300	360
Malaysia	300	360
Total Nominee and Custody Holdings Held	800	930

Using the same example, the reporting under Section B and C should then be as follows:

Section B

Country of Investment	OPENING POSITION (\$'000)	CLOSING POSITION (\$'000)	Financial Instrument
United States	100	90	Debt Securities
Total	100	90	

Section C

Country of Residence of Non-Resident Clients	OPENING POSITION (\$'000)	CLOSING POSITION (\$'000)	Financial Instrument
Malaysia	300	360	Equities
Total	300	360	