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News Release

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SGX to launch price collars for opening, midday and closing auctions

Singapore Exchange (SGX) plans to introduce price collars during the securities market opening, midday and closing auction routines so as to guard against risk of severe price dislocations during auctions. This follows support from a majority of respondents to a public consultation on the matter, where price collars and price-triggered time extensions were proposed for the auction sessions.

The price collars, or bands, comprise:

- Opening Auction: $\pm 30\%$ of Reference Price
- Midday Break: $\pm 10\%$ of Reference Price
- Closing Auction: $\pm 10\%$ of Reference Price

where the Reference Price for the Opening Auction is the last traded price as at the end of the previous Market Day, while that of the Midday Break and Closing Auction is the last traded price earlier in the same Market Day.

The price collars will apply to all components of the Straits Times and MSCI Singapore Indexes (STI and SiMSCI). In addition, they will also be effective on stocks, and units of stapled securities, REITs and business trusts, funds, and exchange-traded funds with price of at least \$0.50.

A total of 12 parties, including associations representing groups of market participants, responded to the public consultation. Most respondents preferred price collars as they are more comprehensible than time extensions, easier to implement and more cost-effective.

Respondents further noted that price-triggered time extensions, and the hybrid model incorporating an element of time extensions, may not be as effective in addressing extreme price movements.

Implementation of the proposed safeguards for the auction routines requires time and substantive formulation, testing and developmental work. A number of the respondents indicated on a preliminary basis that they may require up to 18 months to implement a price collar. SGX intends to consult market participants separately on any necessary rule amendments and other implementation details in due course.

In the interim, to guard against severe dislocation in the opening price, SGX intends to exercise its discretion through enhanced monitoring in the following manner:

- To immediately review any opening auction trade in the STI/SiMSCI component stocks that is executed more than 30% away from the previous day's closing price. SGX may exercise its discretion to cancel such trades in the interest of upholding the integrity of the market, such as in cases where the price movement is not explained by underlying market reasons.
- To inform the market that such trades are under review within 5 minutes from market open and follow up with a confirmation of cancellation as soon as practicable.

This interim approach does not limit SGX's existing powers to review and/or cancel trades under the Securities Trading Rules in other circumstances.

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About Singapore Exchange

Singapore Exchange is Asia's leading and trusted market infrastructure, operating equity, fixed income and derivatives markets to the highest regulatory standards. As Asia's most international, multi-asset exchange, SGX provides listing, trading, clearing, settlement, depository and data services, with about 40% of listed companies and over 80% of listed bonds originating outside of Singapore.

SGX is the world's most liquid international market for the benchmark equity indices of China, India, Japan and ASEAN and offers commodities and currency derivatives products. Headquartered in AAA-rated Singapore, SGX is globally recognised for its risk management and clearing capabilities. For more information, please visit www.sgx.com.

Media Contact

Carolyn Lim
Marketing & Communications
+65 6236 8139
Carolyn.lim@sgx.com