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SGX to introduce circuit breakers on 24 February

Singapore Exchange (SGX) will introduce circuit breakers in the securities market from 24 February as an additional market safeguard.

Circuit breakers will initially apply to Straits Times Index and MSCI Singapore Index component stocks and all those securities priced \$0.50 and above. This will also include stapled securities, funds, exchange traded funds, exchange traded notes and extended settlement contracts. These securities account for about 80% of trading on the Singapore stock market.

Circuit breakers will be triggered when a potential trade is matched at a price that is over 10% away from the reference price. The reference price is the last traded price at least five minutes earlier. Once a circuit breaker is triggered, a five-minute cooling-off period follows where trading can only take place within a price band 10% above or below the reference price. Thereafter, trading resumes with a new reference price as established during the cooling-off period.

In addition, SGX will revise its error trade policy effective 24 February. For all securities except bonds, trades will not be cancelled if the transacted price falls within a price range of 20 minimum bid sizes, or 5%, from the last traded price. For structured warrants, the price range will be 20 minimum bid sizes, or 25%, from the last valid price. Trades done outside of the relevant price range are eligible for review by SGX. For bonds, any error trade will be eligible for review.

"The introduction of circuit breakers and the new error trade policy will assure investors of continued safety and transparency even under volatile market conditions. The implementation of these two initiatives will complement our existing safeguards in support of a fair, orderly and transparent market," said Muthukrishnan Ramaswami, President of SGX.

More details on these initiatives can be found at www.sgx.com/tradingsafeguard and www.sgx.com/faqs.

more info extracted from The Straits Times, 23Jan2014

"The automatic price controls - a feature in United States bourses and still under consideration in Hong Kong - will be triggered here when a stock price jumps or drops more than 10 per cent in price within five minutes.

A five-minute cooling-off period will follow, in which trades can take place only at a price of within 10 per cent in either direction.

Trading will then resume with the new reference price established during the cooling-off period. Prices will be able to move slowly up or down.

The circuit breakers, which will start on Feb 24, supplement the system now where the SGX has to manually suspend a stock if trading is disorderly. It did this to penny shares Asiasons Capital, LionGold Corp and Blumont Group during frenzied trading last October.

The SGX will still have the right to suspend shares even if the circuit breaker is not tripped."

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