



RESPONSE TO FEEDBACK RECEIVED – CONSULTATION ON PROPOSED AMENDMENTS TO MAS NOTICE 637 TO IMPLEMENT CAPITAL REQUIREMENTS FOR BANK EXPOSURES TO CENTRAL COUNTERPARTIES

1 Introduction

1.1 On 28 September 2012, MAS issued a consultation paper on proposed amendments to MAS Notice 637 to implement the Basel III capital reforms for bank exposures to central counterparties ("CCPs") issued by the Basel Committee on Banking Supervision ("BCBS") in July 2012¹.

1.2 The revisions to MAS Notice 637 on 29 November 2012 to strengthen the capital framework for exposures of banks to CCPs will take effect from 1 July 2013, to provide banks with reasonable time to operationalise their systems to implement the requirements. MAS has also made other revisions to enhance the clarity of our capital rules to be implemented from 1 January 2013. Comments received from the consultation relating to areas of wider interest and MAS' responses are set out below.

1.3 We thank all respondents for their comments.

¹ Please refer to "Capital Requirements for Bank Exposures to Central Counterparties" published by the Basel Committee in July 2012 (www.bis.org).

2 Determination of a Qualifying CCP

2.1 Banks proposed that MAS provide a list of local and foreign qualifying CCPs, or a list of supervisors that have implemented rules consistent with the CPSS-IOSCO Principles for Financial Market Infrastructures.

MAS' Response

2.2 MAS does not intend to publish a list of qualifying CCPs. It is the responsibility of a Reporting Bank to determine whether a CCP meets the criteria to be treated as a qualifying CCP. The Reporting Bank must be able to provide its evaluation of whether CCPs to which it has exposures meet the relevant criteria upon request by MAS.

3 Trade Exposures to Non-Qualifying CCPs

3.1 A bank sought clarification on whether the capital treatment for trade exposures to non-qualifying CCPs under paragraph 1.5(a) of Annex 7AJ is applicable for exposures where a Reporting Bank is a clearing member and where a Reporting Bank is a client of a clearing member.

MAS' Response

3.2 The capital treatment for trade exposures to non-qualifying CCPs under paragraph 1.5(a) of Annex 7AJ is applicable to a Reporting Bank's trade exposures to a non-qualifying CCP arising from a Reporting Bank acting as a clearing member of a CCP and from a Reporting Bank being a client of a clearing member.

4 CCP trade exposures as a clearing member of a Qualifying CCP

4.1 A bank sought clarification on the applicable capital requirements where the bank as a clearing member of a qualifying CCP, offering clearing

services to clients, is not obligated to reimburse the client for any losses due to changes in the value of its transactions in the event that the CCP defaults.

MAS' Response

4.2 A Reporting Bank is not subject to the capital requirements for CCP trade exposures for exposures arising from its client's exposure to a qualifying CCP where the Reporting Bank is under no obligation to reimburse that client for any loss suffered due to changes in the value of its transactions in the event that the CCP defaults. Notwithstanding, a Reporting Bank shall capitalise its exposures to clients in accordance with paragraph 2.14 of Annex 7AJ.

Monetary Authority of Singapore

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