

**RESPONSE TO
FEEDBACK RECEIVED**

March 2018

**Proposed Amendments
to the Securities &
Futures (Reporting of
Derivatives Contracts)
Regulations**

MAS

Monetary Authority of Singapore

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1 Preface

1.1 On 18 January 2016, MAS issued a consultation paper inviting comments on the proposed amendments to the Securities and Futures (Reporting of Derivatives Contracts) Regulations [“SF(RDC)R”] to implement reporting of commodity and equity derivatives contracts, as well as other revisions to complete the implementation of the OTC derivatives trade reporting regime in Singapore.

1.2 The consultation period closed on 15 February 2016, and MAS would like to thank all respondents for their contributions. The list of respondents is in Appendix A and the submissions are provided in Annex B.

1.3 MAS has considered carefully the feedback received, and has incorporated them where it has agreed with the feedback. Further amendments to the SF(RDC)R have been made to improve the clarity of the regulations. Comments that are of wider interest, together with MAS’ responses are set out below.

2 Reporting of Commodity and Equity Derivatives Contracts

(a) Commodity Derivatives Contracts

2.1 Respondents were supportive of the proposal to introduce reporting of commodity derivatives contracts, although some requested for clarifications on the definition and scope of “commodity derivatives contract”, for example, whether spot contracts are within the scope of the reporting requirements. Some respondents also suggested that derivatives contracts entered into for the purposes for hedging risks should be excluded from the reporting requirements.

MAS’ Response

2.2 Amendments to the Securities and Futures Act [“SFA”]¹ have made clear that spot contracts do not fall within the scope of “derivatives contract”. The amendments also clarified that contracts for the purpose of fulfilling the needs of the day-to-day operations of a business are excluded from the definition of “commodity derivatives contract”. Contracts entered into for the purposes of hedging financial risks do not, however, fall within scope of the exclusion.

¹ The Securities and Futures (Amendment) Act 2017 was passed by Parliament on 9 January 2017.

(b) Equity Derivatives Contracts

2.3 Respondents were generally supportive of the proposal to commence reporting of equity derivatives contracts. Several respondents sought clarifications on whether certain products which may retain features of an equity derivatives contract is reportable, such as equity-linked structured notes, P-notes, convertible bonds or non-tradable equity rights or warrants. A respondent also asked if derivatives of a collective investment scheme should be reported as equity derivatives contracts.

MAS' Response

2.4 Amendments to the SF(RDC)R have been made to the definition of "equity derivatives contracts" to clarify that debentures, shares, units in a business trust or collective investment schemes are not included. Derivatives of a unit in a collective investment scheme will be subject to reporting obligations.

3 Information to be Reported

3.1 Respondents supported the inclusion of the booking and trader location fields. Some respondents sought clarification if the proposed "booking location" and "location of trader desk" data fields should be reported in accordance with the "booked in Singapore" and "traded in Singapore" definitions set out in regulation 2 of the SF(RDC)R.

3.2 A majority of respondents suggested to delay the implementation of collateral reporting, noting that international standards for collateral reporting have yet to be in place. Several respondents also encouraged a general alignment and harmonisation of data fields with international standards. Lastly, a number of respondents requested for a separate set of data fields specifically for equity derivatives contracts.

MAS' Response

3.3 The "booking location" and "trader location" fields are intended to correspond to definitions of "booked in Singapore" and "traded in Singapore", respectively. The definitions are set out in regulation 2 of the SF(RDC)R.

3.4 MAS agrees with the respondents and will defer the implementation of collateral reporting at this stage. MAS supports the global regulatory community's efforts to harmonise data elements on collateral reporting, and will reassess the implementation of collateral reporting when there is further international guidance in this area.

4 Reporting Obligations for Non-bank FIs

4.1 Respondents were supportive of the proposal to subject active non-bank FIs of at least S\$5 billion annual aggregate gross notional amount to reporting obligations. A few respondents suggested alternative thresholds such as the use of notional outstanding volume instead of notional amount, setting the same S\$8 billion notional volume threshold as that for significant derivatives holders, or introducing asset class-by-asset class exemption thresholds.

4.2 On the proposal to exempt Approved Trustees ["ATs"] and Licensed Trust Companies ["LTCs"] from reporting requirements, a few respondents expressed concerns with the proposed exemption as they viewed that ATs also have fiduciary duties to safeguard the interests of unit-holders. Others, however, noted that ATs performed mainly administrative functions and hence lack the necessary information to report trades within two business days.

4.3 On the proposal to exclude trades involving retail investors, respondents highlighted some operational costs and difficulties in differentiating transactions along the investor profile of their counterparties. Additionally, a few respondents requested clarification on whether over-reporting of such trades is permitted, although one respondent pointed out a possible complication with banking confidentiality laws for banks which may face issues reporting trades involving retail investors without a legal requirement to do so.

MAS' Response

4.4 The aggregate notional amount measure better reflects the level of trading activity of entities, and is also the measure used for determining significant derivatives holders. This ensures that data from non-bank FIs which could have low outstanding positions but higher trading activity than significant derivatives holders are not excluded. The S\$5 billion gross notional amount threshold is also intended to replace an existing relief for holders of a capital markets services licence in fund management or real estate investment trust management with managed assets of less than S\$8 billion², which was

² As set out under regulation 3 of the Securities and Futures (Reporting of Derivatives Contracts)(Exemption) Regulations 2014 ["SF(RDC)(E)R"]. In order to consolidate all existing regulations pertaining to reporting obligations, this relief has been incorporated into the revised SF(RDC)R and the SF(RDC)(E)R has been repealed.

not an obvious measure of OTC derivatives trading activity. MAS intends to repeal this existing relief a year after the new threshold comes into effect.

4.5 MAS will proceed with the exemption for ATs and LTCs. On balance, MAS is of the view that the exemption would help reduce the reporting burden on ATs and LTCs without substantially affecting the coverage of OTC derivatives data reported. Also, the exemption from the reporting requirements does not negate any fiduciary duties that ATs have to safeguard the interests of unit-holders.

4.6 In considering the feedback on the proposal to exclude trades involving retail investors, as most retail transactions are entered into with holders of a capital markets services licence, MAS will scope the exclusion to apply to holders of a capital markets services licence for practical implementation.

5 Implementation Timeline

5.1 While supportive of the implementation of the booking and trader location data fields, respondents suggested a delay of the proposed 1 July 2016 commencement date. Some respondents agreed with the proposed implementation timelines, although others requested for more time to prepare for the reporting of commodity and equity derivatives contracts.

MAS' Response

5.2 Given that the new reporting requirements, in particular commencing reporting of both commodity and equity derivatives contracts, may involve some preparation and coordination by industry, MAS recognises that the implementation schedule should allow industry sufficient time to ensure that resources are in place to support the necessary changes.

5.3 The finalised reporting commencement dates is summarised as follows:

Commencement Date	Reporting phase
1 October 2018	Reporting of Booking Location and Trader Desk Location data fields by all Specified Persons.
1 October 2018	Reporting of Equity Derivatives Contracts booked in Singapore and/or traded in Singapore by banks and merchant banks.

Commencement Date	Reporting phase
	Reporting of Commodity Derivatives Contracts booked in Singapore and/or traded in Singapore by banks and merchant banks.
1 October 2019	<p>Reporting of Interest Rate Derivatives Contracts traded in Singapore by:</p> <ul style="list-style-type: none"> • all finance companies; • subsidiaries of banks incorporated in Singapore, insurers and holders of CMS licenses, with annual aggregate gross notional amount of specified derivatives contracts of more than S\$5 billion; and • all significant derivatives holders. <p>Reporting of Credit Derivatives Contracts traded in Singapore by:</p> <ul style="list-style-type: none"> • all finance companies; • subsidiaries of banks incorporated in Singapore, insurers and holders of CMS licenses, with annual aggregate gross notional amount of specified derivatives contracts of more than S\$5 billion; and • all significant derivatives holders.
1 October 2020	<p>Reporting of Equity Derivatives Contracts booked in Singapore and/or traded in Singapore by:</p> <ul style="list-style-type: none"> • all finance companies; • subsidiaries of banks incorporated in Singapore, insurers and holders of CMS licenses, with annual aggregate gross notional amount of specified derivatives contracts of more than S\$5 billion; and • all significant derivatives holders. <p>Reporting of Commodity Derivatives Contracts booked in Singapore and/or traded in Singapore by:</p> <ul style="list-style-type: none"> • all finance companies;

Commencement Date	Reporting phase
	<ul style="list-style-type: none"> • subsidiaries of banks incorporated in Singapore, insurers and holders of CMS licenses, with annual aggregate gross notional amounts of specified derivatives contracts of more than S\$5 billion; and • all significant derivatives holders. <p>Reporting of Foreign Exchange Derivatives Contracts booked in Singapore and/or traded in Singapore by:</p> <ul style="list-style-type: none"> • all finance companies; • subsidiaries of banks incorporated in Singapore, insurers and holders of CMS licenses, with annual aggregate gross notional amount of specified derivatives contracts of more than S\$5 billion; and • all significant derivatives holders.

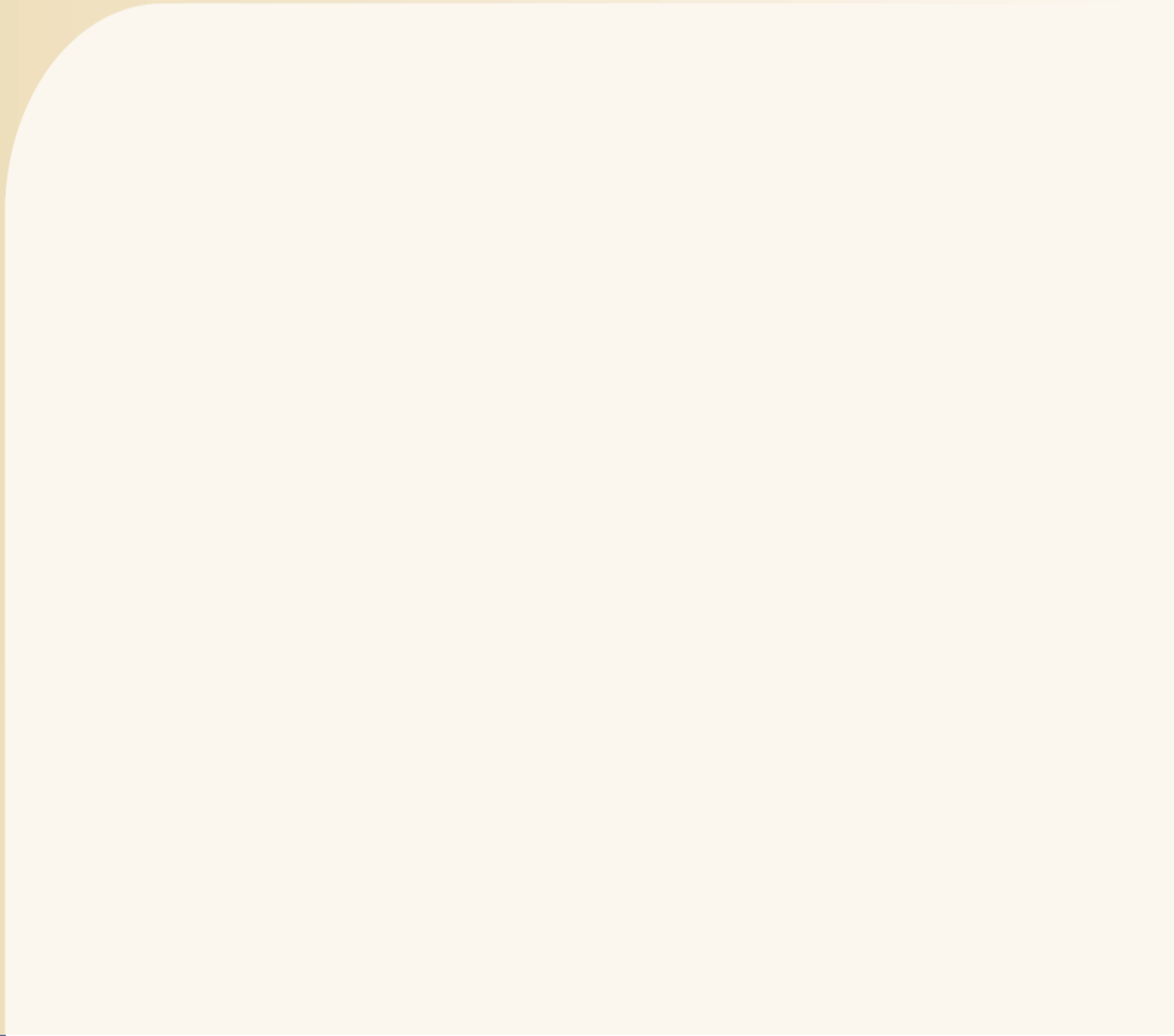
MONETARY AUTHORITY OF SINGAPORE

28 March 2018

Annex A

**LIST OF RESPONDENTS TO THE CONSULTATION PAPER ON
PROPOSED AMENDMENTS TO THE
SECURITIES & FUTURES (REPORTING OF DERIVATIVES CONTRACTS) REGULATIONS**

1. Aberdeen Asset Management Asia Limited
2. AIA Group Limited
3. Baker & McKenzie.Wong & Leow
4. BNP Paribas Singapore Branch
5. CIMB Bank Berhad (Singapore Branch)
6. Clifford Chance Pte Ltd
7. Commerzbank AG, Singapore Branch
8. DBS Bank Ltd
9. DTCC Data Repository (Singapore) Pte. Ltd.
10. Fullerton Fund Management Company Limited
11. Great Eastern Life Assurance Co Ltd
12. Gunvor Singapore Pte Ltd
13. IG Asia Pte Ltd
14. International Swaps and Derivatives Association, Inc.
15. Investment Management Association of Singapore
16. Phillip Securities Pte Ltd
17. Prudential Assurance Company Singapore
18. RHTLaw Taylor Wessing LLP
19. Schroder Investment Management
20. The Alternative Investment Management Association Limited
21. The Bank of Tokyo-Mitsubishi UFJ, Ltd., Singapore Branch
22. WongPartnership LLP
23. Respondent A
24. Respondent B



Monetary Authority of Singapore