

# CONSULTATION PAPER

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## Consultation Paper on Draft Regulations for Reporting of Foreign Exchange Derivatives Contracts

MAS

Monetary Authority of Singapore

## **DRAFT REGULATIONS FOR REPORTING OF FOREIGN EXCHANGE DERIVATIVES CONTRACTS**

### **PREFACE**

1 MAS set out its policy proposals for the regulation of OTC derivatives in a consultation paper dated 13 February 2012. To give effect to the policy proposals, MAS consulted on the draft Securities and Futures (Amendment) Bill 2012 on 23 May 2012 and 3 August 2012. The Bill was passed by Parliament on 15 November 2012. MAS has also since issued the Securities and Futures (Reporting of Derivatives Contracts) Regulations and the Securities and Futures (Reporting of Derivatives Contracts) (Amendment) Regulations 2014 (collectively known as “SFR(RDC)”) to require reporting of interest rate and credit derivatives contracts with effect from 31 October 2013.

2 MAS is now consulting on draft amendment regulations to phase in reporting for foreign exchange derivatives contracts. MAS invites interested parties to provide their comments and feedback on the draft regulations to:

Macroeconomic Surveillance Department  
Monetary Authority of Singapore  
10 Shenton Way  
MAS Building  
Singapore 079117

Email: [derivatives@mas.gov.sg](mailto:derivatives@mas.gov.sg)

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3 MAS requests that all comments and feedback be submitted by 8 August 2014. Please note that all submissions received may be made public unless confidentiality is specifically requested for whole or part of the submission.

## **INTRODUCTION**

1 Pursuant to the Securities and Futures (Amendment) Act 2012, MAS will be issuing a new Securities and Futures (Reporting of Derivatives Contracts) (Amendment) Regulations 2014 to require reporting of foreign exchange derivatives contracts.

### **(A) SPECIFIED DERIVATIVES CONTRACTS**

2 MAS proposes to require the reporting of all foreign exchange derivatives contracts, which are forwards, swaps, and options that are related to currencies or currency indices, or whose cash flows are determined by reference to currencies or currency indices. This will include non-deliverable forwards, non-deliverable options and exotic options. Information in respect of the execution or termination of a specified foreign exchange derivatives contract, as well as all amendments, modifications, variations, or changes to such reported trade information must be reported within two business days after the execution, termination, amendment, modification, variation or change.

3 MAS does not intend to require the reporting of transactions that are considered by the market to be spot transactions. As such, MAS proposes not to require reporting of transactions settled by the actual delivery of the underlying thing within two business days of execution.

### **(B) TRADED IN SINGAPORE**

4 MAS aims for an approach to identifying transactions traded within a jurisdiction that has regard to approaches taken by other regulators, as well as industry feedback. MAS proposes to amend the existing definition of “traded in Singapore” to tie the execution of the transaction to a trader, as opposed to a trading desk. MAS further proposes to consider any transaction that is executed by a trader who is generally employed in Singapore, regardless of the trader’s physical location at the time of the

transaction, as having been traded in Singapore. As an example, transactions that are executed by a trader who is temporarily overseas on short term trips, but who is generally employed in Singapore as a trader, will need to be reported. Accordingly, MAS proposes to consider a trader to be employed in Singapore if he conducts, or is authorised to conduct on behalf of specified persons, activities relating to the execution of derivatives contracts in Singapore for more than half of the preceding quarter.

### **(C) INFORMATION TO BE REPORTED**

5 With regard to information to be reported, MAS proposes to expand the list of data fields within the First Schedule to include: (i) information on foreign exchange derivatives contracts; as well as (ii) additional information required across all asset classes, including mark-to-market valuation and collateral information. The additional data fields are set out in the First Schedule as the new Parts IA, IB and IV.

6 This is in line with our previous proposal to implement mark-to-market valuation and collateral data fields in the later part of 2014. We recognise that further time is required to prepare for the reporting of the additional data fields. The regulations are intended to allow firms to plan ahead for future reporting requirements.

7 MAS proposes to phase in the new data fields gradually. Pending assessment of industry readiness, MAS considers a possible transition period of six months to be provided for the reporting of additional information as set out in Part IA of the First Schedule for all asset classes, and a possible transition period of twelve months to be provided for the reporting of collateral information as set out in Part IB of the First Schedule for all asset classes.

8 The proposed reporting commencement dates in relation to information to be reported is set out in the Second Schedule (Parts II and III).

## **(D) IMPLEMENTATION TIMELINE**

9 MAS proposes to adopt a similar phased approach to the Phase I asset classes in implementing reporting for foreign exchange derivatives contracts. Taking into account the size of the foreign exchange derivatives market, trading volumes and industry readiness, MAS considers there is a need for targeted resource to ensure the smooth implementation of our regulations. MAS thus proposes to focus on implementing reporting of foreign exchange derivatives contracts in this phase. In this regard, MAS expects that the reporting of foreign exchange derivatives contracts will involve high volumes of reporting as well as a larger group of reporting entities.

10 The reporting obligation for foreign exchange derivatives contracts is proposed to be phased in by: (i) entity type; (ii) contract type; and (iii) information type.

### *Phasing in by entity type*

11 Firstly, MAS recognises that different market participants may require different transition periods to prepare for trade reporting. To ensure the smooth implementation of our regulations, MAS proposes to prescribe only banks for reporting of foreign exchange derivatives contracts at this time. MAS understands that banks are the largest players in foreign exchange derivatives<sup>1</sup>. MAS will assess the readiness of non-bank entities to report foreign exchange derivatives contracts at a later stage, and provide a transition period as appropriate.

12 MAS proposes to commence reporting of foreign exchange derivatives contracts booked in Singapore by banks on 1 April 2015. The draft amendment regulations are expected to come into effect by 30 September 2014. This will provide banks with a transition period of six months.

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<sup>1</sup> According to the BIS Triennial Central Bank Survey of foreign exchange and derivatives market activity in 2013, 63% of foreign exchange turnover can be attributed to banks.

*Phasing in by contract type*

13 MAS is also aware that banks may require additional lead time to report contracts traded in Singapore, as opposed to contracts booked in Singapore. As such, MAS proposes to provide an additional transition period of six months for the reporting of contracts that are traded in Singapore.

14 Accordingly, MAS proposes that banks report foreign exchange derivatives contracts traded in Singapore (but not booked in Singapore) by 1 October 2015.

*Phasing in by information type*

15 Finally, as mentioned previously, MAS proposes to gradually phase in the reporting of additional data fields across all asset classes.

16 MAS proposes to provide a transition period of six months for the reporting of information in Part IA of the First Schedule, and twelve months for the reporting of information in Part IB of the First Schedule, being calculated from the time of implementation of the regulations.

17 Accordingly, MAS proposes that banks report information in Part I, IA and IV of the First Schedule by 1 April 2015 (being six months from an indicative date of implementation of the regulations of 30 September 2014) and information in Part IB of the First Schedule by 1 October 2015 (being twelve months from an indicative date of implementation of the regulations of 30 September 2014) with regards to foreign exchange derivatives contracts booked in Singapore.

18 Separately, MAS proposes for a similar transition period to apply to other specified derivatives contracts that have previously been prescribed for reporting. With regards to interest rate and credit derivatives contracts booked in Singapore, MAS proposes for banks to report the additional information in Part IA of the First Schedule by 1 April 2015 and information in Part IB of the First Schedule by 1 October 2015.

19 The proposed implementation schedule for banks in Singapore is as follows:

	Parts I and IV	Part IA	Part IB
For contracts booked in Singapore	1 April 2015	Applicable reporting commencement date or 1 April 2015 whichever is later.	Applicable reporting commencement date or 1 October 2015 whichever is later.
For contracts traded in Singapore	1 October 2015		

### **(E) DEFERRED REPORTING IN CERTAIN CASES**

20 MAS is aware that blocking statutes in other jurisdictions could impede the reporting of specified derivatives contracts by specified persons. In light of the fact that legal amendments in other jurisdictions will not likely be completed before 1 November 2014, MAS proposes to extend the relief by one year. As such, specified persons will not have to report, before 1 November 2015, counterparty information subject to conditions set out in the regulations. Nevertheless, MAS also understands that counterparties in European Union (“EU”) countries are not provided any such relief for their reporting mandate and are required to unmask their trades to meet the reporting mandate. Therefore, we are of the view that the masking relief need not be extended for EU countries. MAS thus proposes removing all EU countries from the Fifth Schedule.

### **INVITATION FOR COMMENTS**

21 MAS would like to invite comments on the draft amendment regulations attached in the Annex.