Global Foreign Exchange Division
St Michael's House
1 George Yard
London
EC3V 9DH

By Email

TO:
Macroeconomic Surveillance Department
Monetary Authority of Singapore
10 Shenton Way
MAS Building
Singapore 079119

22 July 2013

Re: Consultation Paper P006-2013 (Draft Regulations Pursuant to the SFA for Reporting of Derivatives Contracts

The Global Foreign Exchange Division (GFXD) of the Global Financial Markets Association (GFMA) welcomes the opportunity to comment on behalf of its members on the consultation paper issued by the Monetary Authority of Singapore (MAS). The GFXD was formed in co-operation with the Association for Financial Markets in Europe (AFME), the Securities Industry and Financial Markets Association (SIFMA) and the Asia Securities Industry and Financial Markets Association (ASIFMA). Its members comprise 22 global FX market participants[1] collectively representing more than 90% of the FX market[2]. Both the GFXD and its members are committed to ensuring a robust, open and fair marketplace and welcome the opportunity to set out its views in response to your consultation paper.

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Introduction

The FX market presents some unique challenges for reporting when compared with other asset classes: notably the high volume of transactions and the wide universe of participants, given that FX forms the basis of the global payments system. These present practical challenges to ensuring that all relevant reporting participants are able to report and, given the cross-border nature of the FX market, ensuring that they are able efficiently to report in multiple jurisdictions.

We are supportive of the approach outlined in the consultation paper and provide below specific comments with respect to the requirements and your questions. Given the above, we particularly welcome your efforts to harmonise reporting requirements under the regime with those that will apply internationally.

[1] Bank of America Merrill Lynch, Bank of New York Mellon, Bank of Tokyo Mitsubishi, Barclays Capital, BNP Paribas, Citi, Credit Agricole, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan, Lloyds, Morgan Stanley, Nomura, RBC, RBS, Société Générale, Standard Chartered Bank, State St., UBS, and Westpac.

[2] According to Euromoney league tables

A. Form and Manner of Reporting, and Derivatives Transactions to be Reported

1. Commencement date for FX Products

We welcome the Monetary Authority of Singapore (MAS) to only require FX product to be under reporting obligation in Phase 2, we would be grateful if the MAS could maintain a minimum of 6 months gap as currently proposed if there is a change of commencement date of Phase 1 eventually. Also, we would suggest that the MAS could also consider the commencement date of reporting in other countries, such as Hong Kong and Australia, so as to minimize the possibility that reporting for various countries will be happening in more or less the same time.

2. FX Product to be included

In the Consultation Paper, it is mentioned "FX" would be required to be included in the reporting obligation. While the Group has the general understanding that it refers to forwards, swaps, NDFs and options, we would be grateful if the MAS can provide a confirmation of our understanding in this respect.

3. Scope

In the Consultation Paper, it indicates that contracts booked in Singapore or traded by trading desk located in Singapore will be required to be reported. It is further supplemented that trades marketed, originated, or arranged in Singapore but not executed via a trading desk or booked in Singapore will be excluded

The Group would like MAS to provide more clarity on the trading desk definition. Possible case scenarios include if the Singapore trader travelled to London office, executed the Singapore trade through the London office and the trade is not booked in Singapore. And vice versa, what if the London trader seconded to Singapore office, executed the trade from Singapore, and booked in London. Thus, under these situations, will reporting be required?

In addition, we would be grateful for further clarity on is it just trades booked and executed in the Singapore based entities and foreign branches to be included in the reporting regime. What about trades that might be booked under the global books for Non-Singapore entities?

<u>Inter-affiliate</u>
We would like the MAS can assist in providing more information in the scope of the reporting for inter-affiliate trades, ie. back to back trades; and trades executed at arm's length.

<u>Trade Information & Lifecycle</u>
We would also seek clarification from MAS on the level of reporting in the context of Block trades and Allocations as this is not stated in the current consultation document. Additionally, also clarify if you expect trade lifecycle events will be required to be reported. If yes, can you please provide further details on which lifecycle events are in the scope and out of scope? For example non-economic updates will not have an impact on the original reported trade elements e.g. an expiry event on an option on expiration date will not change the trade elements that were reported for the original trade.

4. Reporting responsibilities

We are seeking clarification from MAS regarding reporting obligations to clarify the regulatory expectations and to see if there are any opportunities to harmonize reporting flows between jurisdictions assisting with operational efficiencies:

1. Only one counterparty reports the trade

2. Both counterparty's report the trade
3. A third party reporting on behalf of one or both.

Please also see section on Trade Identification in the letter below.

5. Reporting time

The Group would like to suggest T+2 (instead of T + 1), and would also be grateful if the MAS can specify which time zone they are referring to.

Regarding the reporting of changes, we would suggest that in order to minimise the complexities of reporting, lifecycle events that occur during any given day may be aggregated to show the final position as at the end of the day. These would then be required to be reported within the T+2 timeframe. This choice of approach is allowable under the CFTC rules (notwithstanding the intra-day reporting requirement data relating to new trades and the public reporting requirement for pricing information) and enables both market participants and trade repositories some flexibility in implementation without materially affecting the value of regulatory data held at any particular point in time. This may be of particular benefit for less sophisticated market participants who may prefer snapshot rather than event-based reporting. We note that it would be helpful in this regard to have international convergence on the timing of reportable events.

For transactions executed outside Singapore, we believe it would be preferable for reporting to be able to report by close of business T+2 on the basis of their home time zone. This would assist particularly in instances where a party (notwithstanding the possibility of alternative reporting) may be required to report in multiple jurisdictions, recognising the global nature of the FX market. As an example, this would help to harmonise valuation reporting, which is typically done at end of day in the home jurisdiction. More generally, it would be helpful if business day could refer to the close of business in the specific counterparty's home jurisdiction in order, again, to recognise the global nature of the market.

6. Back-loading

To avoid any ambiguity situation, the Group is inclined to suggest that they would probably report all outstanding transactions for FX as at compliance date for the second phase.

7. Domestic confidentiality provisions

The Group would like to seek clarification from the MAS whether the temporary exemption be provided on or before 31 October 2013, and when S.47 of the Banking Act will be amended accordingly. In the meantime, we would be grateful if MAS could understand that the adopting of masking will be continued.

B. Derivatives information to be reported

1. Use of industry standards and codes

We welcome the approach to adopting, where available, internationally agreed standards in respect of identifiers such as the LEI. We believe it is in the interests of regulators and participants alike to harmonise standards for LEIs and product and trade identifiers. We believe this principle of harmonisation should extend to common definitions for each of the data items required by different regulators. This will help avoid confusion and allow for an international, standard reporting language (e.g. FpML) to be used. Otherwise participants

may be required to persist and transmit two or more different representations for the same data field e.g. Legal Entity Identifier, Trade Identifier.

2. Trade identification

We support the idea of universal transaction identifiers that will minimise the number of identifiers to be managed by each counterparty to a trade. As discussed above, in order to support this, we would ask that the format for the identifier field be expanded to a floating (maximum) length of 42 alphanumeric characters (this will enable potential common usage with identifiers under Dodd Frank reporting in the US, which currently comprises a ten character alphanumeric namespace and 32 digit trade identifier, and under EMIR).

The workflows around agreeing a common identifier are particularly complex for the FX industry given that it has by far the greatest volume of bilaterally executed trades and, given the diverse nature of the infrastructure, which is not confirmed through a central third party which could be used to assign a common ID. This reflects the fact that the FX industry has developed specialized and bespoke infrastructure to support its differing client bases, which comprises a wider universe of market participants than other asset classes.

There are several points at which a trade identifier might be exchanged:

- At point of execution (whether bilateral, via platform or via broker)
- At point of trade recap or affirmation
- At point of confirmation
- Through an acknowledgement message from a trade repository notifying a counterparty that a trade has been alleged against that counterparty

Ideally, exchange of identifier information will occur as close to point of execution as possible and would be issued by the execution platform (if executed on a platform). However, this will depend on the method of execution (platform, broker, bilateral) and confirmation. It may also mean that counterparties to a trade report a trade to the trade repository before they have swapped identifier information (for example, to accommodate jurisdictions where data must be reported as soon as possible). There is also then the issue of which counterparty's identifier should be deemed the unique identifier.

With that in mind, the GFMA's Market Architecture Group has been developing a proposed protocol for the exchange of trade identifiers. This document is available on our website at http://www.gfma.org/initiatives/foreign-exchange-(fx)/fx-market-architecture/ .

Key to this protocol is the concept that a trade record can contain each counterparty's (unique) trade identifier – referred to here and in our paper as the "your ref / our ref" protocol.

The process works as follows: Where trades are executed bilaterally or off-platform, firms may assign their own unique identifier. This same identifier would be used where the trade is reported to multiple trade repositories (i.e. for different jurisdictions). Counterparties exchange identifiers through one of the points of exchange set out above and the relevant trade records are updated at the trade repository.

For jurisdictions where the concept of a reporting party exists (e.g. the US) a trade repository can then determine the reporting party and the appropriate identifier to use as the unique transaction identifier. In jurisdictions where dual sided reporting is supported e.g. under the Australian rules and EMIR, a regulator is able to enquire of a specific trade by utilising either counterparty's identifier, both of which will link to the same trade. This has the advantage of creating operational consistency for all trades, limiting the number of identifiers a firm has to manage across multiple regulators, alleviating the need for firms to implement reporting party

rules specific to any jurisdiction and limits the number of identifiers parties will need to manage on any given trade.

As such, we believe that it would be helpful for MAS not specifically to require that a trade record be submitted with a "UTI", but to allow dual identifiers to be recorded on the trade record. We believe that this methodology will also help in reconciling data across multiple TRs.

3. Second Schedule of Draft Securities and Futures Regulations 2013

	Data Field	**Description**
Contract information	Unique transaction identifier (UTI)	In the interests of harmonising global reporting and assisting transparency across jurisdictions, we would suggest that reporting parties be able to submit trades utilising a UTI used in reporting for other jurisdictions where one is available. To the extent that MAS wishes to determine the specifications of such a UTI, we would request that this be a field of up to 42 alphanumeric digits. We note that these are the specifications that have been adopted by both the CFTC and ESMA. There are complications regarding identifier exchange that are particularly prevalent for the FX industry, given the mature nature of the market, non-centralised infrastructure and high volume / participant characteristics. These make establishment of a common UTI difficult in bilateral trading scenarios where no central infrastructure is present (e.g. execution, affirmation or confirmation platform). We have commented on this further in the section on trade identification below this table. In addition, the Clearing model globally for OTC trades follows the Alpha, Beta and Gamma trade representation model. The Alpha trade is the bilateral trade and Beta/Gamma trades are created on Novation at the clearing house when the CCP steps in between the both parties. Representation of the trades will be as follows: <u>Pre-Novation</u> Alpha Trade -- UTI1: Counterparty 1 V Counterparty 2 <u>Post-Novation</u> Beta Trade --- UTI2: CCP V Counterparty 1 Gamma Trade --- UTI3: CCP V Counterparty 2

	Unique product identifier	As regards UPIs we suggest that until such time as an internationally agreed UPI is introduced, MAS should utilise existing industry work in respect of taxonomies. The FX industry has proposed taxonomy to apply for FX transactions that would cover forwards, non-deliverable forwards, non-deliverable options, simple exotics and complex exotics. This has been published by ISDA, along with proposed taxonomies for the other asset classes[3]. We believe that these taxonomy fields are appropriate for foreign exchange and that it would be sensible to harmonise the taxonomy used by MAS with other jurisdictions to enable consistent data analysis and grouping. A common reference to the taxonomy would also allow it to evolve over time in the same way for different jurisdictions.
	Contract type	As discussed above, for contract type, we would suggest utilising industry-agreed taxonomies.
Counterparty information	Identifier of specified person	We respectfully suggest that in such cases where a global LEI has yet to be agreed, that MAS allow participants to utilise other existing industry identifiers, such as the BIC code, prior to utilising local identifiers. This would be consistent with other jurisdictions' approaches e.g. ESMA and HKMA and would assist in both harmonising reporting standards and reducing the costs of accommodating a further set of identifiers. Also, in the absence of LEI, the group suggests following the protocol below for identifying the counterparty: 1. LEI 2. CICI 3. DTCC 4. AVOX 5. SWIFTBIC 6. EIC 7. Internal
	Legal name of specified person	We would suggest that, to promote consistency of data, where such information is available under the LEI, that these fields need not be provided.
	Identifier of the Beneficiary	When reporting a block level trade, the identifier of the beneficiary may not be known. Allocations if reported will have the beneficiary level information of the trade. The group would like to seek further clarification on this point (which also has been raised in our earlier comment on the "scope" section).
	Location of Trading Desk	We would like the MAS to assist the group in providing more clarity of the trading desk location (which has also raised in our earlier comment on the "scope" section)

[3] http://www2.isda.org/identifiers-and-otc-taxonomies/

Confirmation	Date and Time of Confirmation	For products that are paper confirmed this might take longer than T+1 reporting timeframe, can the reporting party update this field at a later time when the confirmation is confirmed? Similarly, we note that confirmation timestamps may not be common amongst the counterparties to the trade, particularly where trades are not confirmed through a central confirmation matching system (for example, due to differing internal latency of STP systems). We suggest that this field reflect when the trade is deemed confirmed by the reporting party.
	Identifier and Legal Name of electronic confirmation platform	The electronic confirmation platform is responsible for registering and obtaining a LEI or Pre LEI. Please note that parties will not be able to include the Identifier of Electronic platform for non-registered platforms
Transactional Data	Master agreement type and date	The requirement to report data relating to the master agreement type and date will add additional burden to trade reporting. Such information is generally stored on separate systems i.e. not those from which reporting of other trade attributes occurs. Mapping and enrichment of data would therefore be required and it is not clear the additional value to be gained from such information to be included with each trade, rather than interrogated on a case by case basis as necessary. We ask that MAS considers potentially phasing in this requirement at a later date and note that the CFTC in its final rule dropped the requirement for these data fields.
Timestamp	Execution timestamp	We would like highlight that Execution timestamp for electronically executed trades will be the time of execution provided by the venue. For off-platform trades this will be the booking time of the trade. We also want to highlight that this information may or may not be captured across participants' trading systems depending on systems capability across individual market participants and when reported might not exactly match if dual reporting was required.
Collateralisation	Collateral fields	Please see our general comments under 4 below.
	Value & currency of collateral	We believe these fields should not be required on each trade record if reporting is done on a portfolio basis (although clearly it would need to be kept with the portfolio record). A consequence of this is that any change in the amount of collateral held will require all trade records linked to that portfolio to be updated every time the collateral value is changed (as part of the modification reporting requirements). This will add significant reporting burden, particularly if collateral reporting for portfolios is already being provided separately. The same issue applies for changes in currencies held as collateral.

4. Reporting of mark-to-market valuations and collateral information

The reporting of collateral presents an enormous challenge for the industry. Firms generally do not have a tight linkage between collateral and trading systems. Forcing a tighter integration between market risk and collateral systems on a trade by trade basis would be highly disruptive to the primary architecture of most FX front offices and would require significant change to the reporting infrastructure to provide meaningful data. We appreciate the recognition that collateral is often managed on a portfolio basis and the flexibility to report information as such.

However, even with this accommodation in mind, generating and providing the data as envisaged under the rules is difficult. In order to address the requirements for visibility into collateral, we would ask that industry be given time to develop an alternative solution e.g. to provide details of collateral held as part of a collateral repository. Given the portfolio nature of collateral, this might seek to link individual transaction records to the portfolio of collateral held. We therefore respectfully suggest that these fields be removed for a grace period to provide flexibility to develop acceptable alternative solutions (or to meet the requirements set out here or harmonise collateral reporting with other jurisdictions). We note that ESMA has provided a further 180 days from the reporting commencement date for collateral data to be reported for each asset class. We would welcome a similar approach to phasing in of any collateral requirements here.

We note that one outcome of the proposed rules will be that every time the amount of collateral held on a portfolio basis changes (or the currencies held change), this will in effect require an update for each trade record that links to that collateral portfolio. This is potentially a significant requirement given the number of trades for FX.

5. Complex & Bespoke Products

For complex and bespoke products we would like to bring to your attention that currently there are operation constraints on reporting these types of products. These products are not traded electronically or cleared or confirmed through an electronic matching platform.
Hence have limited standardisation of representation for these products in the marketplace and limited support in Financial products Markup Language (FpML) for reporting. Market participants are reporting these products using the Generic Product Template in FpML for US regulatory requirements.

The FX industry is continuing to work on standardisation of these products and enhancements to FpML. The latest version of FpML ver. 5.5, has been added with additional support for FX Digital Options, Barrier Options, Callable Forwards and enhancements to non-dollar NDF's.

6. Rule of other regulators

Following the finalisation of Swap Execution Facility (SEF) rules, the CFTC have set requirements that electronically executed FX in scope products are confirmed on execution. We would like to seek the MAS's view on whether they would recognise this as equivalent rule for confirmation and confirmation reporting requirements for trades executed with US Counterparties on US Swap Execution Facilities.

C. Reporting to overseas trade repositories (alternative reporting)

Overall, we believe that the alternative reporting regime is helpful in assisting participants to meet their reporting obligations, particularly given the global nature of the market. Whilst the principles behind alternative reporting and the conditions for accessing such reporting seem sensible, clearly the

practicalities around (i) assessing what is a substantially equivalent regime (we believe this should include reporting in jurisdictions where only single-sided reporting is required) (ii) concluding appropriate cooperation agreements and (iii) being able readily to access data from third-country TRs will all impact the success of alternative reporting. Our members have always been of the view that, given the global nature of the market, internationally consistent regulations that permit participants to report once to a repository to satisfy multiple regulators is preferable on the grounds of efficiency. Also, we would be grateful if the MAS can provide more clarification on how this will be flagged or accounted for in the banks reporting obligation.

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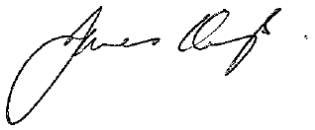
We appreciate the opportunity to share our views on MAS's consultation paper. Please do not hesitate to contact David Ngai at 852-56999976 or dngai@gfma.org should you wish to discuss any of the above.

Yours sincerely,



James Kemp

Managing Director

Global Foreign Exchange Division