Global Foreign Exchange Division
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TO:

Australian Securities and Investment Commission (ASIC)
Level 5, 100 Market Street
Sydney NSW 2000
Australia

Hong Kong Monetary Authority (HKMA)
55th Floor, Two International Finance Centre
8 Finance Street
Central, Hong Kong

Monetary Authority of Singapore (MAS)
10 Shenton Way MAS Building
Singapore 079117

28 October 2016

Re: Delayed Implementation of Unique Transaction Identifier (UTI) Requirements

Dear Sirs, Mesdames

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 delayed implementation of the UTI 'share and pair' requirements by ASIC, HKMA and 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 25 global foreign exchange (FX) market participants,[1] collectively representing approximately 85% of the FX inter-dealer market.[2] Both the GFXD and its members

[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, Mizuho, Morgan Stanley, Nomura, RBC, RBS, Scotiabank, Société Générale, Standard Chartered Bank, State Street, UBS, Wells Fargo and Westpac.

[2] According to Euromoney league tables.

are committed to ensuring a robust, open and fair marketplace and welcome the opportunity for continued dialogue with global regulators.

Introduction

The FX market is the world's largest financial market. Effective and efficient exchange of currencies underpins the world's entire financial system. Many of the current legislative and regulatory reforms have had, and will continue to have, a significant impact upon the operation of the global FX market, and the GFXD wishes to emphasise the desire of our members for globally co-ordinated regulation which we believe will be of benefit to both regulators and market participants alike.

The global FX market presents some unique challenges for trade reporting when compared with other asset classes. FX forms the basis of the global payments system and as such both the number of market participants and the volume of transactions are high. Notional turnover, per the last BIS report, is US$5.1 trillion/day.[3]

The high number and diversity within the participants of the global FX market presents many practical challenges in ensuring that those that are required to report can do so. As the FX market is global in nature, the reporting of a transaction will often be required to multiple jurisdictions, and any variation in the trade reporting requirements will be required to be adopted by either one, or both, parties to the transaction usually resulting in increased costs and increased operational risks.

The GFXD has consistently promoted and supported efforts to align global trade reporting standards as we believe that consistent trade reporting requirements offer regulators the best opportunity to oversee trading practices and market transparency.

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The GFXD and its members are supportive of the decision by ASIC, HKMA and MAS to delay by nine months their implementation of the UTI 'share-and-pair' requirements, as announced last month. The requirement to identify each trade with a unique trade identifying reference number requires a significant technical build for those market participants who are not already subject to the requirement elsewhere (generally buy-side entities), as their systems will need to be able to generate, communicate and consume this new data element. In addition, participants not already familiar with the requirement will need to agree to a generating party hierarchy to prevent duplication. The additional time to implement the requirement is therefore welcome.

The FX market is by nature cross border, with sales desk in five countries intermediating 77% of FX trading[4]. With most major jurisdictions now requiring trade reporting, the same trade data may now need to be reported with differing formats and timescales to multiple repositories or regulators. When reporting obligations are harmonised across jurisdictions, the complexity of requirements on market participants is reduced, and the resulting reportable data is of better quality and more easily aggregated to the benefit of regulators. We are therefore supportive of the decision by ASIC, HKMA and MAS to await the forthcoming CPMI-IOSCO

[3] http://www.bis.org/publ/rpfx16.htm

[4] http://www.bis.org/publ/rpfx16.htm

Guidance on UTI Harmonisation before implementing their own requirements. We understand that this Guidance is due to be published before the end of 2016, however should this be delayed, further time may be required to ensure the requirements are drafted and implemented correctly.

In drafting the rules for their respective jurisdictions, the GFXD would like to request clarification from ASIC, HKMA and MAS that the implementation of the new requirements will not be applied retroactively, i.e. that market participants will not be expected to generate a UTI for any open trades that were entered into before September 2017, even where the trade report is subsequently updated. Applying the UTI requirement to this trade population would create a significant additional undertaking for market participants due to the high volume of open trades at any one time. As each counterparty would be working towards full compliance in the exchange of UTIs for new trades by the entry into force of the requirement, requiring retroactive application to open trades by that date could also cause some market participants to be delayed or brought into non-compliance by their counterparties' differing states of readiness prior to the deadline.

Finally, the GFXD would like to note the significant number and diversity of participants in the AsiaPac FX market. While it is expected that larger, more sophisticated entities will have the technical capability to generate, communicate and consume data elements such as UTIs automatically, there are a large number of less sophisticated participants who will not be able to do so. It is important that the final requirements reflect this and implement a UTI format that is appropriate for both electronic and non-electronic communication.

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We appreciate the opportunity to share our views on this subject. Please do not hesitate to contact John Ball on +852 2531 6512, email jball@gfma.org, or Andrew Harvey on +44 (0) 203 828 2694, email aharvey@gfma.org, should you wish to discuss any of the above.

Yours faithfully

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