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**Comments on the Consultation Paper:
Draft Regulations for Mandatory Trading of Derivatives Contracts
issued by the Monetary Authority of Singapore**

We, the Japanese Bankers Association (“JBA”), would like to express our gratitude for this opportunity to comment on the consultation paper: *Draft Regulations for Mandatory Trading of Derivatives Contracts*, issued on February 21, 2018 by the Monetary Authority of Singapore (“MAS”).

We welcome the proposal in that mandatory use of trading facilities for certain transactions and other matters described in the consultation paper are in line with the G20 objectives and FSB recommendations on OTC derivatives reforms, and take into account consistency with, among other things, the proposed clearing obligations published by MAS in 2015 and existing regulations of US and EU.

Nevertheless, MAS is requested to take the actions commented below in order to reduce burdens of globally-active financial institutions given that similar regulations are already in effect in other jurisdictions.

It is also requested that MAS finalise this regulation as early as possible in order to facilitate the compliance of the trading obligations by financial institutions and take flexible approaches in terms of the timing of its implementation by, for example, applying a certain grace period in consideration of the progress of financial institutions’ preparation.

1. Question 2:

MAS seeks views on the proposal to impose trading obligations on banks that exceed a threshold of S\$20 billion gross notional outstanding of OTC derivatives contracts booked in Singapore for each of the last four quarters.

(Our comment)

With a view to ensuring regulatory transparency and reducing practical burdens, it is requested that MAS or other competent authorities will periodically publish the list of financial institutions exceeding the trading threshold and thereby clarify the specified persons subject to trading obligations.

Please also clarify the definition of “OTC derivatives contracts” which is an underlying component of the threshold and commonly applied to the proposed clearing obligations, as well as the rationale for that definition.

(Rationale)

Generally, even if the counterparty is a financial institution based in Singapore, it is difficult to identify, in practice, the location at which an OTC derivatives contract of the financial institution is ultimately booked. Also, whether the financial institution exceeds the threshold could be identified only by self-assessment and not by third parties. Further, confusion may arise if the counterparty’s notional principal amount of OTC derivatives changes and thus the financial institution may no longer be subject to trading obligations with notional amounts below the threshold.

In this view, as requested in our comment on the proposed clearing obligations submitted in July 2015¹ to disclose the specified persons subject to the mandatory clearing, MAS or other competent authorities should publish the list of financial institutions subject to trading obligations, as being adapted by other jurisdiction, including Australia² and Hong Kong³ in implementation of their respective clearing obligations. This approach should further enhance the regulatory transparency and significantly decrease practical burdens required to assess counterparties, etc., and thereby enable easier achievement of the objectives for implementing the regulation.

In the consultation paper, MAS proposes the trading threshold and explains as follows: “In effect, this will be the same group of banks that will be subject to MAS’ clearing obligations”. However, we think that the consultation paper does not necessarily provide an explicit guidance on the definition of “OTC derivatives contracts” which are to be included in the calculation of gross notional outstanding as well as the rationale for the proposed threshold.

¹ <https://www.zenginkyo.or.jp/fileadmin/res/abstract/opinion/opinion270741.pdf>

² <http://asic.gov.au/regulatory-resources/markets/otc-derivatives-reform/central-clearing-of-otc-derivatives/clearing-entity-notifications/>

³ [http://www.sfc.hk/web/EN/files/SOM/OTC/List%20of%20Institutions%20that%20have%20Reached%20the%20Clearing%20Threshold%20SFC%20to%20HKMA%20Final%20\(EN\)%20-%204.pdf](http://www.sfc.hk/web/EN/files/SOM/OTC/List%20of%20Institutions%20that%20have%20Reached%20the%20Clearing%20Threshold%20SFC%20to%20HKMA%20Final%20(EN)%20-%204.pdf)

Given this, MAS is requested to clarify them in finalising the regulation.

2. Question 7:

MAS seeks feedback on the trading facilities which market participants may access, or intend to access, for the trading of USD, EUR and GBP IRS.

(Our comment)

It is requested that MAS determine that trading facilities of third countries (e.g. US and EU) are equivalent to the corresponding trading facilities under its proposed trading obligations.

(Rationale)

Other jurisdictions (e.g. US and EU) already have in place regulations to operationalise the obligation to use trading facilities, and therefore, globally-active financial institutions have already completed system developments, administrative frameworks and other actions to adapt to SEF (Swap Execution Facility) under the US regulation and MTF (Multilateral Trading Facility) under the EU regulation.

From the perspective of reducing burdens of such financial institutions as much as practical, similarly to US/EU regulators, MAS should assess third-country trading facilities as equivalent for the purposes of the proposed trading obligations so that the financial institutions can apply the existing practices, including contracts (e.g. Rule Book), just as they are. This should lead to cross-border regulatory harmonisation and enable more efficient achievement of policy objectives.

3. Question 10:

MAS seeks views on the proposal to subject IRS denominated in EUR and GBP, with the contract specifications set out in Table 2, to clearing obligations.

(Our comment)

We do not have any concerns about the proposal to subject EUR and GBP IRS to clearing obligations. We, however, request that the maximum maturity applied to clearing of SGD IRS will not exceed the maximum maturity available when clearing them through globally-used clearing agencies (e.g. about 10 years in the case of LCH).

(Rationale)

We are in support of the proposal which aims to align US and EU clearing obligations. However, MAS is requested to appropriately set the maturity for SGD clearing up to about 10

years that are available at the globally-used clearing agencies, such as LCH⁴. We also request MAS to take into account the liquidity and the consistency with maturity of other currencies regulated in the consultation paper when setting the maturities.

⁴ <https://www.lch.com/services/swapclear/what-we-clear>