

August 8, 2014

Comments on *Consultation Paper on Draft Regulations for Reporting of Foreign Exchange Derivatives Contracts* issued by the Monetary Authority of Singapore

Japanese Bankers Association

We, the Japanese Bankers Association (JBA), would like to express our gratitude for this opportunity to comment on *Consultation Paper on Draft Regulations for Reporting of Foreign Exchange Derivatives Contracts* (the “Consultation Paper”) issued by the Monetary Authority of Singapore on July 9, 2014.

We respectfully expect that the following comments will contribute to your further discussion on this issue.

1. Deferment of the application of Unique Transaction Identifier (UTI) reporting requirement – (ANNEX) FIRST SCHEDULE PART I, 1. Contract information -

The Consultation Paper states that, for an uncleared contract that is not electronically confirmed and is entered into on or after April 1, 2015, the counterparties shall agree on the UTI to be reported. This requirement, however, is implemented only in some jurisdictions. In particular, the process to agree on the UTI for foreign exchange transactions is not standardized, especially in the Asian region.

Considering the current practices in some jurisdictions, the application of reporting requirement of UTI agreed on with counterparties should be deferred until the process is standardized, although we think the process to agree on the UTI for foreign exchange transactions should be standardized in collaboration with authorities in relevant countries and industry associations..

2. Definitions of information to be reported

For cross-border transactions, a single transaction may need to be reported to multiple authorities, including those in Singapore, U.S. and Japan. The interpretation and views on the following information to be reported may differ across authorities. Accordingly, we propose to unify the definitions of information to be reported based on discussions among authorities, or to allow a certain level of flexibility for reporting entities to determine what to report.

(i) Date of confirmation – (ANNEX) FIRST SCHEDULE PART IA, 2.
Confirmation -

Confirmation of contracts is carried out multiple times at the front and back offices. Since the Securities and Futures Act sets the time for reporting as “within 2 business days”, or T+2, if the definition of “date of confirmation” is interpreted as “the date on which the confirmation at the back office is completed”, confirmation of some transactions may not be completed by the specified deadline.

The definition needs to be clarified to ensure the accuracy of reporting. Therefore, we would like to confirm that the date of confirmation can be interpreted as “the date on which the confirmation at the front office, not at the back office, is completed”.

(ii) Master agreement date – (ANNEX) FIRST SCHEDULE PART IA, 4.
Transactional data –

This information is referred to as “Master agreement version” (optional) under the EMIR, the European regulation, and “Master agreement date” (mandatory) under the ASIC, the Australian regulation, resulting in differences across jurisdictions. With a view to reduce burden on reporting entities, the definition of the same information should be unified.

For some assets subject to the reporting requirements, database does not contain information on the date of contracts with counterparties, and considerable time is required for database and systems development. In light of this, it is requested to consider treating this information as an optional item or providing lead time to reporting entities.

(iii) Hedging indicator – (ANNEX) FIRST SCHEDULE PART IA, 4.
Transactional data –

If this information is to be included in the scope of reporting requirements, the detailed definition needs to be provided to ensure the accuracy of reporting, since this information is not required in other jurisdictions which have already commenced the reporting of transactional data. Additionally, this should be treated as an optional item because this is not required in other regulations, and the detailed definition is not specified.

(iv) Exchange rate/Forward exchange rate – (ANNEX) FIRST SCHEDULE PART IV, 1. Transactional data –

Information to be reported for foreign exchange contracts includes (i) Exchange rate and (ii) Forward exchange rate. However, since the definitions of these are unclear, it is requested to specify the definitions.

The Securities and Futures Act defines “(i)” as the exchange rate of the currencies of the contract, and “(ii)” as the forward exchange rate on value date. From these two definitions, it could be understood that same information (the same rate) is required to be reported as separate information. Since “(ii) Forward exchange rate” is calculated as the sum of spot rate and FX swap point, if “(i) Exchange rate” means a spot rate, this shall be explicitly defined. Moreover, other regulations such as the Dodd-Frank Act do not include the forward exchange rate in the scope of information to be reported. In order to ensure consistency with other regulations, this information should be treated as an optional item.

3. Reporting commencement date – (ANNEX) SECOND SCHEDULE PART I 5. Foreign exchange derivatives contracts booked in Singapore)

Taking into account the period required for systems development, some eight-month transitional period is necessary between the announcement of detailed requirements and the reporting commencement date. Therefore, it is requested to promptly publish the final rules and the definitions of detailed data fields on information to be reported through the DTCC, or to consider the deferment of the reporting commencement date.

4. Excluding the details of derivative contracts “Traded in Singapore” from the scope of information to be reported

Reporting of similar transactional data is already mandatory in many jurisdictions, and most of derivative contracts “Traded in Singapore” is reported to any relevant regulators. For capturing the transaction volume and risks of entities located in Singapore, we consider it sufficient to require reporting of the details of derivative contracts “Booked in Singapore”. Moreover, the current regulations in other jurisdictions do not set forth similar requirements, and hence it is requested to consider excluding the details of derivative contracts “Traded in Singapore” from the scope of reporting requirements.