

MAS consults on proposed amendments to the trade reporting regime for OTC derivatives

In January 2016, the Monetary Authority of Singapore (MAS) published a policy consultation paper on proposed amendments to the Securities and Futures (Reporting of Derivatives Contracts) Regulations 2013 (SF(RDC)R), to complete the implementation of the OTC derivatives trade reporting regime in Singapore.

New Asset Classes: Reporting of Commodity and Equity Derivatives Contracts

Commodity Derivatives Contracts

The MAS has proposed a requirement that all forwards, swaps, and options that are related to commodities or commodity indices, or contracts with cash flows determined by reference to one or more commodities, be reported.

However, the MAS intends to exclude from the reporting regime the following contracts:

- physically settled commodity derivatives contracts that are entered into for commercial purposes; and
- certain commodity sale and purchase agreements which may contain some form of optionality, where such contracts are executed for commercial purposes and intended for physical settlement (e.g. contracts for the purchase of raw materials containing options for non-delivery).

Equity Derivatives Contracts

The MAS has also proposed to subject securities-based derivatives (such as equity derivatives contracts) to the trade reporting obligation. However, exchange-traded equity derivatives contracts (e.g. structured warrants) will be excluded from reporting.

Key proposals

- Requirement for the reporting of certain commodity derivatives contracts
- Requirement for the reporting of equity derivatives contracts (except exchange-traded equity derivatives contracts)
- Inclusion of additional data fields for collateral, booking location and trading desk location for all specified derivatives contracts
- Reporting obligations for non-bank financial institutions with an annual aggregate gross notional amount of specified derivatives transactions above S\$5 billion
- Exemption of approved trustees and licensed trust companies from reporting obligations
- Exemption of banks, merchant banks and CMS licensees from reporting obligations where counterparties are retail investors
- Requirement for non-bank financial institutions to keep proper records of OTC derivatives activities and make periodic submissions of information

For the purposes of the reporting regulations, the MAS has proposed a definition for "equity derivatives contracts", which would refer to:

- rights, options or derivatives related to stocks or shares issued or proposed to be issued by a corporation or body unincorporated;

- contracts related to equities or equity indices; or
- derivatives of a unit in a business trust.

Information to be Reported

Data fields for the reporting of Commodity and Equity Derivatives Contracts

The MAS has proposed to introduce a new Part V within the First Schedule to the SF(RDC)R, which specifies the required information for commodity derivatives contracts.

For equity derivatives contracts, the MAS has proposed to align the required data fields with those for credit derivatives contracts, as set out in Part III of the First Schedule to the SF(RDC)R.

New data fields required for all derivatives asset classes

The MAS has also proposed to include the following additional data fields for all derivatives asset classes, which would be included in Part IB of the First Schedule to the SF(RDC)R:

- booking location; and
- trading desk location.

Further, the MAS has proposed implementing the reporting of collateral information (first proposed in the MAS July 2014 Consultation Paper) (such as the level of collateralisation, value of collateral for a specified person and date and time of collateral valuation), which would be included as Part IC of the First Schedule to the SF(RDC)R.

Reporting Obligations for Non-bank Financial Institutions (FIs)

The MAS has proposed to subject non-bank FIs (for example, subsidiaries of banks incorporated in Singapore, insurers and holders of a capital markets services licence) with an annual aggregate gross notional amount of specified derivatives contracts of more than S\$5 billion to the reporting obligation.

The current exemption for holders of a capital markets services licence in fund management or real estate investment trust management with managed assets of less than S\$8 billion (Exempt Asset Managers), and for approved trustees in respect of collective investment

schemes managed by Exempt Asset Managers, will be retained until 31 October 2017.

However, in relation to approved trustees and licensed trust companies (which are currently subject to the reporting regime if the S\$8 billion threshold is exceeded), the MAS has proposed to wholly exempt such entities from the reporting obligation.

The MAS has also proposed to exempt a specified person (being a bank, merchant bank or a holder of a capital markets services licence) and is a party to, or who enters into the specified derivatives contract as agent of a party to, a specified derivatives contract where the counterparty is not an accredited investor or institutional investor (i.e. a retail investor).

Implementation schedule

- **1 July 2016** – Reporting of additional data fields (booking location and trading desk location) for all specified persons
- **1 November 2016** – Reporting of collateral information for all specified persons
- **1 November 2016** – Reporting of commodity and equity derivatives contracts booked in Singapore or traded in Singapore for banks and merchant banks
- **1 November 2017** – Reporting of interest rate and credit derivatives contracts traded in Singapore for **(a)** non-bank financial institutions with an annual aggregate gross notional amount of specified derivatives contracts of more than S\$5 billion, **(b)** significant derivatives holders and **(c)** finance companies
- **1 November 2018** – Reporting of equity, commodity and foreign exchange derivatives contracts booked in Singapore or traded in Singapore for entities **(a)**, **(b)** and **(c)** above

Record keeping expected of all non-bank FIs

Regardless of applicable exemptions, the MAS expects non-bank FIs to ensure proper record keeping of their OTC derivatives activities, and will require non-bank FIs to make periodic submissions of certain aggregated information relating to derivatives contracts. The format and frequency of these submissions will be set out by the MAS in due course.

Feedback on the Consultation Paper

The consultation paper is available on the MAS website.
The closing date for the public to submit comments and feedback is **15 February 2016**.

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