

APAC Monthly Update

July 2012

APAC Monthly Update summarizes important regulatory developments, meetings, committee activities and conferences in the region.

Regulatory Activities

Singapore

On July 9, ISDA met with MAS to discuss the current status of the CCP and TR implementation in the region, the development of a client clearing addendum by the ISDA/FOA working group, ISDA's DFA protocol project and the Eurozone contingency planning.

Hong Kong

On July 12, ISDA and Davis Polk met with the Hong Kong Monetary Authority, Securities and Futures Commission and Financial Services and Treasury Bureau of the HKSAR to brief them on the CFTC Cross-border Swap Guidance.

Committee/Working Group Activities

South Asia L&R

On July 26, ISDA held its L&R Members' meeting in Singapore. Topics discussed included ISDA's revised draft templates dealing with RBI's Comprehensive Guidelines on Derivatives, the Stamp Duty for CCIL's Matched Deal report, the Indian Prime Minister announces an Expert Committee on GAAR, the possible change in methodology for MIBOR, SGX's enhanced default management framework of derivatives markets. ISDA also updated members on ISDA's FATCA protocol and DFA protocol and discussed CFCT proposed interpretive guidance on cross-border application of the swap-related provisions of Title VII of the Dodd-Frank Act and the proposed exemptive order as well as the BCBS and IOSCO's consultative document on Margin Requirements for Non-Centrally-Cleared Derivatives.

North Asia L&R

On July 31, ISDA held its L&R Members' meeting in Hong Kong. Topics discussed included the Standing Committee of NPC's consultation draft on amendments to the Securities Investment Fund Law of China, HKMA and SFC Consultation Conclusions on the Proposed Regulatory Regime for the OTC Derivatives Market in Hong Kong and the Supplemental Consultation regarding the proposed licensing regime in relation to OTC derivatives market. Issues relating to South Asia such as Australian Treasury's Consultation Paper on the Corporations Legislation Amendment (Derivatives Transactions) Bill 2012 and SEBI's Circular on Investment by Qualified Foreign Investors (QFI) in Indian Corporate Debt were also discussed.

Operations/Market Infrastructure

On July 6, ISDA held its APAC Interest Rates Derivatives Operations Working Group meeting to discuss the addition / amendment of floating rate options / matrices.

On July 13, ISDA held its APAC Credit Derivatives Operations Working Group meeting to discuss the treatment of the coupon of legacy transactions and the preferred reference obligation of a reference entity.

On July 19, ISDA held its APAC Equity Derivatives Operations Working Group meeting to address the documentation of MSCI swap and AEJ Variance Swap. The group also discussed the AEJ reference price source matrix.

Member Activities

On July 9, ISDA together with Clifford Chance updated members on the US cross-border swaps regulations.

On July 12, ISDA together with Davis Polk updated members on the US cross-border swaps regulations.

On July 25, ISDA held a webinar with Markit and Cadwalader, Wickersham & Taft LLP on the Dodd-Frank protocol and the relevance to Asia.

Regulatory Developments

Australia:

RBA creates exchange settlement accounts for CCPs

Contact: Keith Noyes (knoyes@isda.org)

The Payments System Board of Reserve Bank of Australia (RBA) has updated its eligibility requirements for Exchange Settlement Accounts (ESA). The Bank has created a specific category of ESA for CCPs and has developed a policy for use of these accounts with immediate effect. This formalises the existing arrangements for currently licensed CCPs, under which ASX Clearing Corporation Limited holds an ESA for Australian dollar settlements arising from the activities of the two licensed CCPs in Australia, ASX Clear Pty Limited and ASX Clear (Futures) Pty Limited. The new policy recognizes the important role that access to an ESA can play in assisting a CCP to manage its liquidity and settlement risks. The policy applies to any CCP that holds an Australian Clearing and Settlement Facility Licence.

Treasury amends legislation on mandatory obligations

Contact: Keith Noyes (knoyes@isda.org) / Jacqueline Low (jlow@isda.org)

On July 25, the Australian Treasury released a draft of the Corporations Legislation Amendment (Derivatives Transactions) Bill 2012. The legislation would amend the Corporations Act by introducing a framework to allow the Minister for Financial Services and Superannuation to decide that mandatory obligations should apply to certain classes of OTC derivatives, requiring those classes to be reported, centrally-cleared, or traded on suitable trading platforms. This will allow regulations and rules to be made to specify the details of these obligations. The framework would enable Australia to implement the commitments made at the Pittsburgh G-20 summit in September 2009.

Council of Financial Regulators paper on cross-border clearing

Contact: Keith Noyes (knoyes@isda.org) / Jacqueline Low (jlow@isda.org)

On July 27, the Council of Financial Regulators (comprising of APRA, ASIC, RBA and the Treasury), issued a paper on Ensuring Appropriate Influence for Australian Regulators over Cross-border Clearing and Settlement Facilities. This is a supplementary paper to the review of the Financial Market Infrastructure Regulation, which provides further clarity on the measures that could be applied in cross-border clearing and settlement facilities and how they may be implemented in practice under current legislative arrangements. The framework will also apply to overseas facilities operating in Australia and to domestic facilities looking to move some of their operations offshore.

ASIC will consult on revisions to the Regulatory Guide (RG) 211 later in the year, which sets out ASIC's broad approach to advising the Minister on clearing and settlement facility license applications and conditions. RBA will consult on the Financial Stability Standards (FSS) later in the year. The objective of the two future consultations is to align the Australian regulation of clearing and settlement facilities with best practices reflected in the CPSS-IOSCO Principles for Financial Market Infrastructures and to enable stakeholders to provide input on revisions to RG 211 and FSS.

China: CBRC revised rules on QFIIs

Contact: Keith Noyes (knoyes@isda.org) / Jing Gu (jgu@isda.org)

The China Securities Regulatory Commission (CSRC) released the revised Rules on Implementation of Measures on Administration of Domestic Securities Investments of Qualified Foreign Institutional Investors (QFII) on July 27. CSRC amended the Rules in order to attract more long term investors to China's capital markets. The major changes include:

- relaxing the qualification requirements that QFII applicants need to meet, such as minimum operating period and assets under management;
- allowing a QFII to transact via multiple securities brokers;
- permitting a QFII to invest in bonds traded on the interbank bond market and bonds issued via private placements by SMEs;
- raising the cap on total A-shares that can be held by all QFIIs in one A-share listed company from 20% to 30% of the total outstanding shares of the company;
- simplifying the QFII qualification application procedures and allowing electronic submission of documents.

Hong Kong: Consultation conclusions on OTC derivatives regulation

Contact: Keith Noyes (knoyes@isda.org)

On July 11, HKMA and SFC released consultation conclusions on proposals to regulate the OTC derivatives market. HKMA and SFC also issued a Supplemental Consultation Paper on the proposed scope of newly-regulated activities to be introduced under the proposed OTC derivatives regulatory regime, and the proposed oversight of systemically important players. The consultation deadline is August 31.

Singapore: SGX's strengthens default management framework

Contact: Keith Noyes (knoyes@isda.org) / Jacqueline Low (jlow@isda.org)

On July 25, the Singapore Exchange (SGX) announced the enhancement of its rules to strengthen its default management framework to protect against systemically destabilizing events, which may include

the possibility of multiple member defaults. This enhancement follows a public consultation issued in September 2011. With the international move towards mandatory OTC derivatives through a CCP by 2013, SGX issued the enhancement of its rules to address the needs of its members. The rule enhancements include:

- establishing the clearing member's liabilities in circumstances of multiple defaults;
- allowing SGX to apply the Clearing Fund continually, for a fixed period of 90 days, to meet the losses arising from all defaults in that period;
- various clarifications and refinements to SGX's powers in managing a default, such as SGX's authority to transfer and manage customer positions and margins from a defaulted clearing

Upcoming committee and working group meetings/conferences

Meetings:

APAC Commodity Working Group Meeting	Aug 14
APAC IRD Operation Working Group Meeting	Aug 14
Meeting on on MAS Clearing and Reporting CP	Aug 16
L&R North Asia Meeting	Aug 28
Seoul Members' Meeting	Aug 29
L&R South Asia Meeting	Aug 30

ISDA APAC Monthly Update

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