

## APAC Monthly Update

**November 2012**

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

### **Regulatory Activities**

#### **Hong Kong:**

On November 20, ISDA met with the Hong Kong Monetary Authority and Securities and Futures Commission of Hong Kong to exchange views on the OTC derivatives reform.

On November 27 and 28, Keith Noyes, regional director, Asia Pacific spoke on the “Extraterritorial Regulations” and “Regulation of the OTC derivatives market and reporting regime” panels respectively at the 3rd Pan-Asian Regulatory Summit hosted by Thomson Reuters in Hong Kong.

On November 28, Jacqueline Low, Senior Counsel, Asia spoke on “The Challenges Concerning Regulatory Arbitrage and Harmonization” panel at the 8th Annual FIA Asia Derivatives Conference.

### **Committee/Working Group Activities**

#### **North Asia L&R**

On November 27, ISDA held its L&R Members’ meeting in Hong Kong. Topics discussed included the CSRC consultation on the revised Provisions on the Investment Scope of the Proprietary Trading Business of Securities Companies and Related Issues in China, latest development on the bill of amendment to the FSCMA regarding central clearing of OTC derivatives in Korea, ASX consultation paper on Derivatives Account Segregation and Portability in Australia, ISDA submission to SGX on Client Clearing in OTCF Contracts and Enhanced Customer Collateral Protection for OTC Contracts and OTCF Contracts in Singapore, and the new project on drafting index variance swap terms under the 2011 ISDA Equity Derivatives Definitions for Asian open markets. ISDA also updated members on the US Treasury’s final determination on Foreign Exchange Swaps and Foreign Exchange Forwards and the Q&A on EMIR published by the European Commission.

#### **South Asia L&R**

On November 29, ISDA held its L&R Member’s meeting in Singapore. Topics discussed included the ASX consultation paper on Derivatives Account Segregation and Portability, The

Australian Treasury's consultation paper on Strengthening APRA's Crisis Management Powers, an update on the ISDA submission to SGX on Client Clearing in OTCF Contracts and Enhanced Customer Collateral Protection for OTC contracts and OTCF contracts. Other topics covered included ISDA's OL Plus, an update on the BIS meeting in Singapore, the CFTC Time-limited No-action relief for Swaps dealers from Certain Swap Data Reporting Requirements, the US Treasury's Final Determination on Foreign Exchange Swaps and Foreign Exchange Forwards, an update on the issues surrounding Article 25 of the EMIR text and the CFTC's Final Interpretative Guidance to Clarify Foreign Regulators Indemnification and Confidentiality Obligations.

### **Operations/Market Infrastructure**

On November 1, ISDA held its APAC Interest Rates Derivatives Operations Working Group meeting to discuss the addition / amendment of floating rate options / matrices, the electronic confirmation format for CNH IRS product and the confirmation template for compounding and in-arrears Asian NDS.

On November 2, ISDA held its APAC Collateral Management Operations Working Group meeting to discuss the latest development in the region and also provide an update on SCSA, electronic messaging and other issues.

On November 15, ISDA held its APAC Equity Derivatives Operations Working Group meeting to address the documentation of Taiwan swap and AEJ Variance Swap, the group also discussed the AEJ reference price source matrix.

On November 5, ISDA held its APAC Implementation Group meeting to discuss the regional CCP and Trade Repository development.

On November 16, ISDA held its APAC Implementation Group meeting to brief on the latest global development on trade reporting.

### **Member Activities**

On November 22, ISDA met with Oliver Stuart, co-chair of ISDA's Regulatory Implementation Committee for Data & Reporting Committee to discuss issues facing trade reporting, data and trade repositories from the compliance of the Dodd Frank Act, EMIR and Asian jurisdictions.

On the same day, ISDA, together with Oliver Stuart, updated members of the SFEMC FX Operations Sub-committee on issues regarding trade reporting, data and trade repositories.

### **Regulatory Developments**

#### **Australia: ASX seeks comments on derivative account segregation and portability**

*Contact: Keith Noyes – knoyes@isda.org / Cindy Leiw – cleiw@isda.org*

On October 25, the Australian Securities Exchange (ASX) issued a market discussion document on Derivatives Account Segregation and Portability. ASX will be introducing OTC interest rate swap clearing in 2013, including client clearing. The market discussion paper seeks market feedback on

potential changes to the account structures such as levels of segregation that meet the regulatory requirements of the Australian regulators as well as the CPSS-IOSCO Principles for Financial Market Infrastructures (FMIs). For derivatives clearing, the paper seeks comments on: the appropriate level of client protection benefits arising from the CCPs holding client margin monies; and whether cash margins should be held in trust or on the balance sheet of the CCP. ASX has extended the deadline for comments from December 7 to December 14.

**China: CSRC consults on revised proprietary trading provisions**

*Contact: Keith Noyes – knoyes@isda.org / Jing Gu – jgu@isda.org*

On October 31, the China Securities Regulatory Commission (CSRC) published the revised Provisions on the Investment Scope of the Proprietary Trading Business of Securities Companies and Related Issues (the Regulation) for public consultation.

The proposed amendments to the Regulation are intended to expand the scope of investment products of proprietary trading business of securities companies, and clarify the regulatory policies for securities companies' investment in financial derivatives. Under the proposed revised Regulation, the securities companies with proprietary securities business qualification would be allowed to trade financial derivatives listed on exchanges and enter into OTC derivatives transactions regardless of whether the transactions are for hedging purpose or not. When trading financial derivatives, the securities companies are required to comply with self-regulatory rules to be issued by the Securities Association of China. The securities companies which are not qualified to conduct proprietary securities business can only enter into financial derivatives transactions for hedging purpose. Deadline for submission is November 14.

**Singapore:**

**Parliament passes bill to strengthen OTC regulation**

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The Singapore Parliament has passed the Securities and Futures (Amendment) Bill 2012. On November 15, at the second reading of the Bill in Parliament, Minister of Finance Mr. Tharman Shanmugaratnam provided an overview of the legislative changes required to strengthen the regulation of OTC derivatives markets and to improve transparency. One of the amendments to the Bill is the reporting of OTC derivatives trades to a trade repository licensed by MAS. MAS will prescribe OTC trades based on their significance in Singapore's OTC derivatives market as well as international approaches towards such trades. Another amendment to the Bill is to subject certain OTC derivatives trades to central clearing. MAS will prescribe certain derivatives contracts for clearing, taking into account factors such as systemic risks and the degree and characteristics of the contract. A CCP will be deemed a designated clearinghouse only if it is systemically important to Singapore's market. MAS will propose further amendments to the Bill at a later stage to implement other elements of the FSB's recommendations on OTC derivatives.

**MAS issues response on capital requirements implementation**

*Contact: Keith Noyes – knoyes@isda.org / Cindy Leiw – cleiw@isda.org*

On November 29, MAS released their Response to Feedback Received – Consultation on Proposed Amendments to MAS Notice 637 to Implement Capital Requirements for Bank Exposures to Central Counterparties. In its response paper, MAS provided some clarifications such as: MAS will not publish a list of qualifying CCPs. It will be the responsibility of the Reporting Bank to determine whether a CCP meets the criteria to be treated as a qualifying CCP and must be able to provide an evaluation of whether the CCP meets the relevant criteria upon request by MAS. MAS also provided clarity on the capital treatment for trade exposures to a non-qualifying CCP will be applicable to the Reporting Bank acting as a clearing member and to the Reporting Bank that is a client of the clearing member.

## **Submission**

On November 7, ISDA made a submission to Singapore Exchange Limited regards to the Consultation Paper on Client Clearing in OTCF Contracts and Enhanced Customer Collateral Protection for OTC Contracts and OTCF Contracts. (This submission is not yet public.)

## **Upcoming committee and working group meetings/conferences**

### **Meetings:**

Mumbai Members' Meeting	Dec 3
APAC Implementation Group Meeting	Dec 4
APAC IRD Operations Meeting	Dec 6
APAC PRC Working Group Meeting	Dec 11
APAC Commodity Meeting	Dec 12

### **Conferences:**

Legal Aspects of Clearing Conference – Mumbai	Dec 5
OTC Derivatives Regulatory Reforms Symposium – Mumbai	Dec 6
ISDA Symposium How to Read ISDA Netting and Collateral Opinions – Mumbai	Dec 6

### **ISDA APAC Monthly Update**

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