

APAC Monthly Update

October 2015

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

Regulatory Activities

Australia:

On 21 October, ISDA met with the Council of Financial Regulators in Australia to discuss various aspects of the reform agenda in Australia. On the same day, ISDA also held a members' meeting in Sydney.

On October 23 ISDA Chairman Eric Litvack, CEO Scott O'Malia and ISDA staff met with RBA Assistant Governor Malcolm Edey. On the same day, they also met with ASIC and IOSCO Chairman Greg Medcraft.

Hong Kong:

On October 5, ISDA held a call to provide members with an overview of the HKMA and SFC Mandatory Clearing and Additional Asset Class Consultation Draft. ISDA submitted its response on 5 November.

On October 6 ISDA and ASIFMA held the monthly Asian Public Policy Meeting. On the same day, ISDA also held its Legal and Regulatory Advisory Group Meeting.

On Friday, October 9 ISDA facilitated a meeting of HK reporting entities with the HKMA and HKTR to discuss issues around compliance with the trade reporting regime.

On October 9, ISDA held a member call to review its draft submission to the SFC on Securities and Futures (Financial Resource Rules). ISDA intends to make its submission by the October 16 deadline.

On October 12, ISDA joined an ASIFMA/ISDA roundtable lunch with SEC Director of International Affairs Paul Leder.

On October 13 ISDA and ASIFMA and industry members met with the HKMA to discuss FRTB issues.

On October 15, ISDA hosted an industry meeting with SEC Commissioner Michael Piwowar.

On October 16, ISDA made a submission to the HK SFC on Changes to Securities and Futures (Financial Resources) Rules consultation draft.

On October 26, ISDA had a meeting with HKMA to discuss the proposed resolution regime in Hong Kong and the ISDA Resolution Stay Protocol.

On October 27 ISDA Chairman Eric Litvack, CEO Scott O'Malia and ISDA staff visited SFC CEO Ashley Alder. On the same day, they also met with HKMA Deputy CEO Arthur Yuen. On the same day, ISDA hosted an Asian Steering Committee Meeting with Jason Goggins, Chief of Staff of CFTC Commissioner Christopher Giancarlo.

India:

On October 12, ISDA met with RBI to discuss FRTB issues.

Korea:

On October 14, ISDA had a meeting with Consul for Finance & Economy of Consulate General of Korea in Hong Kong and Chief Representative of FSS' Hong Kong office to profile ISDA and to update global regulatory issues.

On October 15, ISDA held a member call to discuss latest legal issues on Korean Reporting Regime that would impact on industry.

On Oct 19, ISDA had a meeting with the law review sub-committee member of the National Assembly of Korea to profile ISDA and to discuss the proposed legislation of the corporate restructuring promotion act which may impact on ISDA MA's close-out netting. On the same day, ISDA had individual meetings with KFB and KOFIA to discuss Korea's TR issues and to update global regulatory implementations.

On Oct 20, ISDA had individual meetings with TBG members from BOK and FSS respectively to discuss latest FRTB issues.

Singapore:

On October 7, ISDA held a call to provide members with an overview of the MAS' Consultation Paper on OTC Margining Regulation. ISDA submitted its response on November 6.

Committee/Working Group Activities

South Asia L&R:

On October 29, ISDA hosted its monthly South Asia Legal and Regulatory committee meeting in Singapore. ISDA provided an update on the following Australia developments: an update on the ISDA 2015 Annual Australia conference, including the speech by Malcolm Edey, Assistant Governor of RBA, ASIC's results of new reviews of HFT and dark liquidity, the CFR views on evolution of methodology for BBSW, RBA's annual report, the Australian Government's response to the Financial System Inquiry, ASIC's extension of Phase 3B reporting commencement date and APRA's report on the Committed Liquidity Facility.

An update was also provided on the following developments in India: the SEBI circular to regional commodity derivative exchanges on risk management, RBI's liberalization of booking of FX contracts, SEBI's increase of limit of FPI investment in government securities and SEBI's regulation of the commodity derivatives market. The meeting discussed the following developments in the Philippines:

the SEC's implementation of rules and regulations of the Securities Regulation Code and SEC's correction to the SRC Rules.

The meeting then went on to discuss these Singapore updates: the MAS masking relief, Singapore and China's agreement on new initiatives to boost the RMB business and MAS' consultations respectively on LCR disclosure requirements and revisions to Notice 637 to implement revisions to Basel III.

The meeting also considered MAS' consultation on margin requirements for non centrally-cleared derivatives. In relation to Thailand, ISDA provided an update on developments in reporting and the SEC proposed revision to crowdfunding rules. ISDA provided the following North Asia updates: For China, the CRSC consultation on administrative measures for programme trading on securities and futures markets.

For Hong Kong, an update on the 2015 ISDA Annual Asia-Pacific conference in Hong Kong and the keynote address of CFTC Commissioner Giancarlo, the gazetting of revised capital rules, the SFC circular on implementation of OTC derivative regulatory regime, ISDA's response to the SFC consultation on Securities and Futures (Financial Resources) Rules, the Hong Kong Government and financial regulators consultation response to the second consultation on cross-border resolution regime for FIs, an update on the industry meeting with the HKMA/HKTR on reporting regime, the SFC & HKMA joint consultation on introductory mandatory clearing and expanding mandatory reporting and HKMA's guidance on countercyclical capital buffer.

For Korea, ISDA briefed the meeting on its recent Seoul trip, the TR Task Force meeting, the CFTC's Order of Exemption from registration as a DCO to Korea Exchange, Inc. and the FSC's announcement of measures to boost competitiveness of financial investment business.

ISDA also provided updates on certain ISDA efforts, including the ISDA 2015 Section 871(m) Protocol relating to withholding tax on dividend payments under an equity swap, the ISDA Client Clearing Opinions and an update on the Hague Choice of Court Convention. ISDA also highlighted certain key global developments including the US FDIC approval of final rules on margin and capital requirements for covered swap entities.

Other Working Groups:

AEJ Data and Reporting Compliance WG:

The WG met on 28 October. Discussions centred around a guiding principles document for identifying nexus trades, strategic issues around preparations for the commencement of reporting in Hong Kong in January 2016, the HKMA/SFC consultation paper on expanded reporting under Phase 2, the 7 September HKMA letter on unmatched trades, expected continued masking relief under the Singaporean reporting regime, additional data field and nexus reporting from 1 November in Singapore, ISDA's meetings in Australia in mid-October, the extension of the commencement date for Phase 3B reporting in Australia and the related ISDA Australian Single-Sided Reporting Representation Letters, sourcing legal opinions for jurisdictions with blocking statutes as required under the Australian reporting rules, developments in the Korean reporting taskforces and update on ISDA's trip to Korea, expected development of a reporting regime in Thailand, recent LEI ROC and CPMI-IOSCO consultations around LEI and other data elements, and an update to the ISDA Asia-Pacific Consolidated UTI Go-Lives Spreadsheet to add in an indication of whether members intend to follow ISDA UTI generation logic.

Asia Identifiers and Delegated Reporting Sub-WG:

The Sub-WG had a call on 30 October. Discussions centred around the recent consultations by CPMI-IOSCO on UTI and other data elements (other than UTI/UPI) and ISDA's responses, consultations from the LEI ROC around LEI, potential industry initiatives around historical UTI pairing and sharing, a recent letter from the HKMA on unlinked trades in the HKTR and implications for sharing and pairing UTIs, UTI linking of structured trades, the HKMA/SFC consultation paper on expanded reporting under Phase 2, an update to the ISDA Asia-Pacific Consolidated UTI Go-Lives Spreadsheet to add in an indication of whether members intend to follow ISDA UTI generation logic, updating contact lists for sharing and pairing EMIR UTIs for backloading, UTI usage from certain FX platforms and transmission of UTIs through certain SWIFT tags, ISDA's new initiatives on product symbology, recent masking relief from ASIC and the MAS, additional data to be reported under the Singaporean regime from 1 November, and the recent finalisation of the ASIC Phase 3B single-sided reporting regime and related implementation arrangements.

Members' and Other Activities:

Members' Meeting - Sydney

On October 21, ISDA held its ISDA members' meeting in Sydney, Australia. The meeting considered the following areas.

For trade reporting and clearing, ISDA updated the meeting on the following developments: ASIC's extension of the Phase 3B reporting commencement date, an update on nexus requirements for clearing, ASIC's finalised trade reporting relief instrument, RBA's annual assessment of ASX clearing and settlement facilities, the Treasury's release of Ministerial determination on central clearing and finalised central clearing/single-sided reporting regulation, the CFTC's order of exemption from registration as a DCO to ASX Clear (Futures) Pty Limited, ASIC's follow-up to comment letter on CP 231, ISDA's submission to ASIC and Australian Treasury on ASIC CP 231, ISDA's comment letter to Australian Treasury on exposure draft of the Corporations Amendment (Central Clearing and Single-Sided Reporting) Regulation, ASIC prescribing trade repositories for alternative reporting after 1 July 2015, and the Treasury and ASIC's proposals relating to single-sided reporting and mandatory clearing.

With respect to benchmarks, ISDA updated the meeting on the AFMA survey on complementary benchmarks and ASIC's report on financial benchmarks. The following matters were also highlighted during the meeting: Treasury's capability review of ASIC, the release by APRA, ASIC, RBA of their 4-year corporate plans respectively, APRA's updated guidelines on s66 of the Banking Act and APRA's international capital comparison study.

ISDA provided updates on certain developments including those relating to margin and resolution stay as well developments in the Asia-Pacific region including Malaysia and Indonesia. The meeting also considered the recently released Australian Government's response to the Financial System Inquiry.

Other Activity:

On October 13, ISDA spoke on a panel on the future of OTC derivative markets in Asia at the Thomson-Reuters Pan Asian Regulatory Summit in Hong Kong.

Regulatory Developments

Australia:

APRA reports on Committed Liquidity Facility

Contact: Keith Noyes - knoyes@isda.org / Rishi Kapoor - rkapoor@isda.org

On October 6, the Australian Prudential Regulation Authority (APRA) released the results of its secured Committed Liquidity Facility (CLF) that Authorised Deposit-Taking Institutions (ADIs) have established with the Reserve Bank of Australia (RBA). APRA implemented the Liquidity Coverage Ratio (LCR) on January 1, 2015 to ensure that ADIs have sufficient High Quality Liquid Assets (HQLA) to survive a stress scenario lasting for 30 days. The CLF will be sufficient in size to cover any shortfall between the ADI's holdings of HQLA and the requirement to hold such assets under the LCR. ADIs will be required to demonstrate that they have taken 'all reasonable steps' towards meeting their LCR requirements through balance sheet management, before relying on the CLF. Each LCR ADI that requested a CLF was also required to submit a three-year funding plan to APRA that included, amongst other things, a projection of Australian dollar net cash outflows over the CLF approval period.

All locally-incorporated LCR ADIs were invited to apply for a CLF to take effect on January 1, 2016. Thirteen ADIs applied for CLFs totalling approximately \$272 billion. Following APRA's assessment of the applications, the aggregate Australian dollar net cash outflow of the 13 ADIs projected for end-2016 was approximately \$402 billion. The RBA determined that the amount of Australian Government Securities and securities issued by state and territory governments that could reasonably be held by locally-incorporated LCR ADIs in 2016 was \$195 billion. On this basis, the CLF was determined to be approximately \$207 billion and the total CLF granted (including buffers over 100%) was approximately \$245 billion.

Government issues response to the Financial System Inquiry

Contact: Keith Noyes - knoyes@isda.org / Erryan Abdul Samad- eabdulsamad@isda.org

On October 20, the Australian government issued its response to the Financial System Inquiry. As background, the government established the Inquiry in late 2013 and was asked to make recommendations that would position the financial system to best meet Australia's evolving needs and support economic growth. The Inquiry delivered its final report to the government on November 28, 2014. A period of consultation followed the release of the final report.

In its response, the government sets out an agenda to:

- Strengthen the resilience of the financial system;
- Improve the efficiency of the superannuation system;
- Stimulate innovation in the financial system;
- Support consumers of financial products being treated fairly; and
- Strengthen regulator capabilities and accountability.

Among the government actions proposed in the response:

- With respect to the recommendation to ensure Australia's participation in international derivatives markets, the government will develop legislative amendments in the second half of 2015 to clarify domestic regulation to support globally coordinated policy efforts and facilitate the ongoing participation of Australian entities in international capital markets.
- The government also states that it will develop legislative amendments to improve protections for client monies held in relation to derivatives. These are intended to ensure that investors' monies

are adequately protected when held by intermediaries. The government also intends to develop legislative amendments to the definition of a basic deposit product in the Corporations Act 2001.

ASIC publishes reviews of HFT, dark liquidity

Contact: Keith Noyes - knoyes@isda.org / Rishi Kapoor - rkapoor@isda.org

On October 26, the Australian Securities and Investments Commission (ASIC) released a report (REP 452) examining the impact of high-frequency trading on Australian equity and futures markets and dark liquidity on Australian equity markets, building on ASIC's 2012 analyses in these areas.

ASIC's updated analysis showed that market users have become better informed and equipped to operate in an electronic and high-speed environment, and negative sentiment about high-frequency trading has reduced. The level of high-frequency trading in Australia's equity markets has remained steady (at 27% of total turnover). High-frequency trading has grown by 130% in the futures market since December 2013 to 21% of volume traded in the SPI and 14% of bond futures. The ASIC doesn't believe that these levels are currently concerning; however, it will continue to monitor their development. High-frequency traders have become more sophisticated, generating higher gross revenue and trading more aggressively than in 2012. They are also more active in mid-tier securities.

Dark liquidity has remained reasonably constant in recent years at around 25–30% of total equity market turnover. However, its composition continues to change. Since ASIC's 2012 review, there has been a shift back to using dark liquidity for large block trades. Feedback from stakeholders also indicated that there is now less concern with dark liquidity in Australian markets. The concerns that ASIC previously held regarding the transparency and fairness of market participant-operated crossing systems have mostly abated. However, ASIC remains concerned about exchange markets and crossing system operators seeking to preference some users over others. It is also concerned about the methods used by some market participants to manage their conflicts of interest for principal trading and client facilitation.

To increase accessibility, ASIC published a summary version of the report (INFO 209).

CFR seeks views on BBSW

Contact: Keith Noyes - knoyes@isda.org / Rishi Kapoor - rkapoor@isda.org

On October 23, the Council of Financial Regulators (CFR) announced that it is seeking views on the evolution of the methodology for the bank bill swap rate (BBSW) benchmark.

BBSW is a key financial benchmark in Australia and is administered by the Australian Financial Markets Association (AFMA). BBSW rates serve as reference rates for pricing many debt securities and lending transactions. They are also used to determine payment obligations on a range of derivatives. Consistent with international standards, the administration of BBSW was reformed in 2013 with the intention of improving its reliability by moving from a submissions-based to a market data-based benchmark.

To ensure that BBSW remains a trusted, reliable and robust financial benchmark going forward, the CFR recommended a consultation on the methodology for BBSW. The consultation paper presents options and invites views on how the BBSW methodology could evolve going forward.

Deadline for submission is December 3.

RBA releases annual report

Contact: Keith Noyes - knoyes@isda.org / Rishi Kapoor - rkapoor@isda.org

On October 22, the Reserve Bank of Australia (RBA) released its annual report. The report includes sections on the RBA's operations in 2014/15; management and accountability; financial statements; and a foreword by Glenn Stevens, the Governor of the Reserve Bank Board.

Hong Kong:

HKMA/SFC consult on clearing and expanded reporting

Contact: Keith Noyes - knoyes@isda.org / Jing Gu – jgu@isda.org / Rishi Kapoor - rkapoor@isda.org

On September 30, the Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC) jointly issued a consultation on introducing the first phase of mandatory clearing and the second phase of mandatory reporting under the over-the-counter (OTC) derivatives regime. The first phase aims to mandate the clearing of certain standardised interest rate swaps between major dealers. The proposals identify:

- The types of transactions that will be subject to mandatory clearing;
- The persons who will be subject to the clearing obligation and in what circumstances;
- The exemptions and reliefs that may apply; and
- The process for designating central counterparties for the purposes of the clearing obligation.

The second phase of mandatory reporting aims to expand the existing reporting regime. The key proposals include:

- Requiring the reporting of transactions in all OTC derivative products;
- Widening the scope of transaction information to be reported, including requiring the reporting of daily valuations; and
- Identifying the specific data fields to be completed under the expanded reporting regime.

The submission deadline is October 31 for issues other than the proposed data fields, and November 30 for the proposed data fields.

Regulators release response to consultations on FI/FMI resolution

Contact: Keith Noyes - knoyes@isda.org / Rishi Kapoor - rkapoor@isda.org

On October 9, the Hong Kong government and financial regulators (the Hong Kong Monetary Authority, the Securities and Futures Commission and the Insurance Authority) released a consultation response to the second stage of public consultation on proposals to establish a cross-sector resolution regime for financial institutions (FIs), including financial market infrastructure, in Hong Kong. The consultation response summarises the respondents' views on the proposals and sets out the government's responses along with its refined policy positions on certain aspects of the proposed resolution regime. At the end of the consultation period (January to April 2015), around 30 submissions had been received from a variety of industry associations, FIs, professional bodies and firms.

The consultation response contains further information regarding certain aspects of the proposed regime, including pre-resolution powers; loss absorbing capacity requirements to facilitate bail-in; resolution funding arrangements; the recognition of cross-border resolution actions; and safeguards for those affected by resolution action, including appeal mechanisms. It is expected that a bill to establish the local

resolution regime will be introduced into the Legislative Council by the end of this year. The government and the financial regulators will continue their dialogue with stakeholders throughout the legislative process and thereafter when rules, codes of practice and guidance are developed and issued.

HK government to revise capital rules for banks

Contact: Keith Noyes - knoyes@isda.org / Claire Kim - ckim@isda.org

On October 23, the Hong Kong Special Administrative Region Government (HKSAR) published the Banking (Capital) (Amendment) Rules 2015 that introduced refinements to the Principal Rules.

The amendments more closely align certain aspects of the Banking (Capital) Rules with the relevant Basel III standards, addressing several technical details noted in an earlier evaluation by the Basel Committee on Banking Supervision (BCBS) on Hong Kong's capital regime. The Banking (Capital) (Amendment) Rules 2015 will be tabled before the Legislative Council at its sitting on October 28 for negative vetting. The rules will come into effect on January 1, 2016.

India:

Contact: Keith Noyes - knoyes@isda.org / Rishi Kapoor - rkapoor@isda.org

SEBI increases limit for FPI investment in government securities

On October 6, the Securities and Exchange Board of India (SEBI) released a circular announcing a medium term framework for Foreign Portfolio Investor (FPI) limits in government securities in consultation with the Government of India. Key notable changes include:

- Limits for FPI investment in debt securities shall henceforth be announced/fixed in rupee terms;
- Limits for FPIs in central government securities (government debt, long-term government debt and State Development Loans (SDLs)) will be increased in two stages on October 12, 2015 and January 1, 2016;
- A security-wise limit of 20% of the amount outstanding under each central government security. Existing investments in the central government securities where aggregate FPI investment is over 20% may continue. However, fresh purchases by FPIs in these securities shall not be permitted until the corresponding security-wise investments fall below 20%;
- All future investments by long-term FPIs shall be required to be made in central government securities and SDLs which have a minimum residual maturity of three years;
- Investment of coupons received by FPIs on their existing investments in central government securities, as well as SDLs, shall continue to be outside the applicable limits; and
- Depositories shall put the necessary systems in place for daily reporting by the custodians of the FPIs and shall also disseminate on their websites the negative investment list, the aggregate security-wise holdings by FPIs and the coupon investment data along with the daily debt utilization data.

The circular is with immediate effect.

RBI liberalizes booking of FX contracts

On October 8, the Reserve Bank of India (RBI) announced the liberalization of the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 for Authorised Dealers Category-I (AD Cat-I) banks, regarding Booking of Forward Contracts – Liberalisation, in terms of which resident individuals, firms and companies, to manage / hedge their foreign exchange exposures arising out of actual or anticipated remittances, both inward and outward, are allowed to book forward contracts, without production of underlying documents, up to a limit of USD 250,000 based on self-declaration.

The RBI decided to allow all resident individuals, firms and companies, who have actual or anticipated foreign exchange exposures, to book foreign exchange forward and FCY-INR options contracts up to USD 1,000,000 without any requirement of documentation on the basis of a simple declaration. While the contracts booked under this facility would normally be on a deliverable basis, cancellation and rebooking of contracts are permitted. Based on the track record of the entity, the concerned AD Cat-I bank may call for underlying documents, if considered necessary, at the time of rebooking of cancelled contracts.

SEBI sets out requirements for commodity exchange risk management

On September 28, the Securities and Exchange Board of India (SEBI) commenced regulating the Indian commodity derivatives market; taking over from the Forward Markets Commission (FMC). The SEBI created a number of new departments to fulfil this additional responsibility and has named 12 commodity exchanges as recognised stock exchanges. The SEBI also released a circular to regional commodity exchanges on risk management. The circular sets out a number of requirements that must be met by April 1, 2016 at the latest, including in the areas of:

- Member deposits;
- Ordinary margins;
- Other margins;
- Additional ad-hoc margins;
- Margin computation at client level;
- Margin collection and enforcement;
- Collateral types to cover margin/deposit requirements; and
- Mark-to-market settlement.

Malaysia:

BNM finalizes the revision to the Capital Adequacy Framework

Contact: Keith Noyes - knoyes@isda.org / Claire Kim - ckim@isda.org

On October 13, the Bank Negara Malaysia finalized the revision to the Capital Adequacy Framework (Capital Components and Basel II – Risk-Weighted Assets) and the Capital Adequacy Framework for Islamic Banks (Capital Components and Risk-Weighted Assets).

The revised policy documents:

- Extend the capital adequacy requirements to financial holding companies which are engaged predominately in banking business; and
- Detail the formula to incorporate the countercyclical capital buffer requirements into the calculation of the capital adequacy ratios.

Philippines:

Contact: Keith Noyes - knoyes@isda.org / Rishi Kapoor - rkapoor@isda.org

SEC releases corrections to SRC Rules

On October 8, the Philippines Securities and Exchange Commission issued a series of corrections to the recently-promulgated 2015 Rules and Regulations of the Securities Regulation Code (SRC Rules). The SEC approved the SRC Rules on August 6, 2015.

SRC implementation rules, regulations released

On October 26, the Philippine Securities and Exchange Commission (SEC) released the Implementing Rules and Regulations of the Securities Regulation Code (SRC).

Singapore:

MAS consults on margin requirements

Contact: Keith Noyes - knoyes@isda.org / Erryan Abdul Samad – eabdulsamad@isda.org

On October 1, the Monetary Authority of Singapore (MAS) issued a policy consultation on margin requirements for non-cleared derivatives. Key elements of the consultation include:

- All OTC derivatives contracts that are not centrally cleared by a qualifying central counterparty are subject to margin requirements. Physically settled foreign-exchange forwards and swaps are exempt from the margin requirements.
- Margin requirements will be applied for entities conducting regulated activities under the Securities and Futures Act (SFA) with a phased-in approach. Initially, margin requirements will only be applied to: banks licenced under the Banking Act (Cap. 19); merchant banks approved as financial institutions under Section 28 of the Monetary Authority of Singapore Act (Cap. 186); and other licenced financial institutions (including entities licenced under the Finance Companies Act (Cap. 108), the Insurance Act (Cap. 142), the SFA and the Trust Companies Act (Cap. 336). Fund Managers are subject to MAS's proposed margin requirements for non-cleared derivatives if they are legal counterparties to the transaction).
- A limited exemption for licenced financial institutions if the exposure of their non-cleared derivatives transactions booked in Singapore falls below a certain threshold.
- Central banks, sovereigns, public-sector entities, multilateral development banks and the Bank for International Settlements are exempt from margin requirements.
- A MAS covered entity is subject to both initial margin and variation margin requirements when: the MAS covered entity is a legal counterparty to the transaction; the transaction is booked in Singapore; and the transaction is entered into with a counterparty that is either a MAS covered entity or an overseas regulated financial firm.
- MAS covered entities may apply for an exemption of intra-group transactions if the MAS covered entity comes under group-wide supervision by the MAS or regulators in other jurisdictions. The exemption is limited to transactions between entities belonging to the same group where the financial statements are consolidated upon preparation of the group consolidated financial statements.
- To avoid duplicative or conflicting margin requirements, MAS covered entities are deemed to have complied with the MAS margin rules when: it is established under the laws of, or has a place of business in, a foreign jurisdiction with comparable margin requirements, and is required to comply with the margin requirements of that relevant foreign jurisdiction; or it is trading with a foreign counterparty and is required to comply with comparable home or host margin requirements imposed on the foreign counterparty.
- Adopt outcomes-based comparability assessments with a focus on whether the margin requirements in the foreign jurisdiction achieve the same regulatory objectives as the MAS margin requirements. This would not require the regimes to be identical nor constitute a line-by-line comparison in determining the regulatory objectives. However, the MAS is considering a requirement for MAS covered entities to collect the types of eligible collateral and hold them in a manner consistent with the MAS's rules.

The submission deadline is November 1.

MAS consults on proposed amendments to MAS Notice 637

Contact: Keith Noyes - knoyes@isda.org / Erryan Abdul Samad - eabdulsamad@isda.org

On October 9, the Monetary Authority of Singapore (MAS) issued its consultation paper on proposed amendments to MAS Notice 637 to implement revisions to the Basel III Capital Framework. The Notice sets out the risk based capital adequacy requirements for banks incorporated in Singapore.

The proposed amendments are intended to implement requirements for Singapore-incorporated banks that are consistent with the final standards issued by the Basel Committee on Banking Supervision (BCBS). In particular, proposed amendments to Part VII of the Notice will enhance the risk capture of banks' equity exposures and counterparty credit exposures (including exposures to central counterparties). Revised Pillar 3 disclosure requirements will enable market participants to better compare banks' disclosures of risk-weighted assets and improve consistency of disclosures. Technical revisions were also made to Part VI of the Notice to clarify the regulatory capital treatment for investments in unconsolidated entities.

Other than the proposed amendments to Part XI of the Notice, the proposed amendments are intended to take effect on January 1, 2017. Singapore-incorporated banks are to publish their first standalone Pillar 3 report, which complies with the revised disclosure requirements from the publication date of their first set of financial statements relating to a balance sheet on or after December 31, 2016. The deadline for submission is December 4.

MAS consults on Liquidity Coverage Ratio disclosure requirements

Contact: Keith Noyes - knoyes@isda.org / Erryan Abdul Samad - eabdulsamad@isda.org

On October 9, the Monetary Authority of Singapore (MAS) issued its consultation paper on Liquidity Coverage Ratio (LCR) disclosure requirements. The Paper contains a set of proposed disclosure requirements which are intended to complement the LCR requirement as set out in MAS Notice 649.

The LCR requirement was introduced for domestic systemically important banks in Singapore (D-SIBs). These proposed disclosure requirements closely mirror the requirements promulgated by the Basel Committee on Banking Supervision (BCBS) for internationally active banks. A common LCR disclosure template has been provided in order to promote consistency and comparability of liquidity disclosures by banks, and accompanying qualitative disclosures to help users understand the information published by banks. Guidance is also provided on additional qualitative and quantitative disclosures that banks are encouraged to disclose in order to provide market participants with a broader understanding of the reporting banks' liquidity risk profile and management. These requirements are intended to take effect on January 1, 2016. Banks are required to comply with these disclosure requirements from the date of the first reporting period after January 1. MAS also identified specific areas for comment, in particular the scope of application, the retention period, the reporting currency and treatment of country-level groups. MAS proposed that the LCR disclosure requirements not apply to D-SIBs that are foreign branches.

The deadline for submission is November 9.

Singapore and China agree on new initiatives to boost RMB business

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

On October 13, the Monetary Authority of Singapore (MAS) announced that Singapore and China have agreed on new initiatives to further promote the international use of the Renminbi (RMB) through Singapore. The agreement was reached at the 12th Joint Council for Bilateral Cooperation (JCBC). The new initiatives will broaden the cross-border RMB channels between Singapore and China.

Under the agreement, banks in Singapore will be able to lend RMB to corporates across Suzhou and Tianjin, and corporates in Suzhou and Tianjin will be able to issue RMB bonds in Singapore. Corporates in Suzhou and Tianjin will be allowed to repatriate 100% of the proceeds raised from bonds issued in Singapore, and corporates in SIP will be allowed to borrow from Singapore-based companies. Qualifying privately-owned banks in Singapore-Sino Tianjin Eco-City (SSTEC) will be allowed to borrow from Singapore-based banks.

Singapore also supports the inclusion of the RMB in the International Monetary Fund's (IMF) Special Drawing Rights' basket of currencies, noting that the use of the RMB for payments, trade settlement, and investments has grown rapidly in recent years. Singapore and China also look forward to enhancing financial connectivity to support projects under the "One Belt One Road" initiative in order to facilitate access by Chinese companies to ASEAN markets through Singapore.

South Korea:

Contact: Keith Noyes - knoyes@isda.org / Claire Kim - ckim@isda.org

FSC announces measures to boost competitiveness of financial investment business

On October 14, the Financial Services Commission (FSC) announced its measures to boost competitiveness of financial investment business. For derivatives markets, the FSC will facilitate rehypothecation of securities provided as collateral by securities firms in repo transactions and securities lending to offer more opportunities for profits.

To establish the securities borrowing and lending market for the purpose of providing collateral, the FSC noted that until the second quarter of 2016, relevant regulations, such as the Enforcement Decrees of the Financial Investment Services and Capital Markets Act and Regulations on Financial Investment Business, will be revised and the Korea Securities Depository's IT system will be developed. Relevant regulations to facilitate re-use of securities as collateral will be revised until the first quarter of 2016.

KRX expands the scope of mandatory clearing

The Korea Exchange (KRX) amended its OTC Derivatives Clearing and Settlement Business Regulation and Enforcement Rules in order to expand the range of clearing eligible transactions for the KRW interest rate swap (IRS) as a part of follow-up measures to the 'Development Plan of Derivative Products Market', which was announced by the Financial Services Commission (FSC) on June 17, 2014.

The amendment will be enforced on November 23 after the notice period. Therefore, starting on November 23, financial investment companies (domestic financial investment companies or foreign financial investment companies that have made trades with domestic financial investment companies) must clear KRW IRS trades subject to extended range of clearing eligible transactions through the KRX in accordance with the Financial Investment Services and Capital Markets Act.

KRX receives CFTC's DCO exemption order

On October 26, the US Commodity Futures Trading Commission (CFTC) issued an order of exemption from registration as a derivatives clearing organization (DCO) to the Korea Exchange (KRX). The CFTC issued this order based on its authority under Section 5b(h) of the Commodity Exchange Act.

This provision permits the CFTC to exempt a clearing organization from DCO registration for the clearing of swaps as long as the CFTC determines that such clearing organization is subject to comparable, comprehensive supervision by appropriate government authorities in the clearing organization's home country. The order permits KRX to clear proprietary interest rate swap positions of US persons that are clearing members of KRX or affiliates of such clearing members.

KRX revises fee schedule

On October 28, the Korea Exchange (KRX) released a revised fee schedule regarding trading and clearing and settlement (stocks, bonds, futures and options), and a processor user fee. The revised fee schedule is effective from November 23.

FSC improves prudential standards across financial sectors

On October 29, the Financial Services Commission (FSC) announced its plans to implement prudential regulations in accordance with global standards, while streamlining prudential standards for each sector to prevent regulatory arbitrage. Key issues include:

- Regulatory regimes for domestic systemically important banks, capital buffers and Pillar 2 under the Basel framework will be implemented from 2016 and gradually strengthened over time. Detailed plans on recovery and resolution will emerge from the end of 2017. The leverage ratio and net stable funding ratio are scheduled to be implemented from 2018.
- For insurers, consolidated risk-based capital and own risk and solvency assessments are scheduled to be implemented in 2016 and 2017, respectively. The FSC is also considering recapitalisation plans for insurers in preparation for IFRS 4 phase 2 and measures to strengthen credit risk management for off-balance-sheet exposures.
- The FSC plans to establish best-practice guidelines for consolidated supervision over financial groups in 2016 to assess and manage risks by group unit, as the current system is focused on sector-wide supervision.

FSC sets direction for R&R planning and bail-in scheme

On October 30, the FSC announced the basic direction for improving recovery and resolution regimes. Key issues include:

- A recovery plan will be drafted by each systemically important financial institution. This will be assessed by the Financial Supervisory Service (FSS) and reported to the FSC. A resolution plan will be drafted by the Korea Deposit Insurance Corporation and assessed by the FSC. The aim is to minimise the negative impact on the financial system from the failure of a troubled financial institution.
- The FSC plans to provide a legal basis for ordering insolvent financial institution to convert debt to equity and/or write off debt when deemed necessary.
- The FSC will have the power to impose temporary stays on the termination of derivatives, repos and other contracts.

The relevant law will be amended in 2016.

Upcoming committee and working group meetings/conferences

Meetings:

Asian Public Policy Meeting	Nov 3
North Asia L&R Meeting	Nov 3
Regulatory Meeting – Manila	Nov 16
North Asia L&R Meeting	Nov 24
APAC CCP Risk call	Nov 25
AEJ Data and Reporting Compliance WG Meeting	Nov 25
South Asia L&R Meeting	Nov 26

APAC Commodity Meeting
Asia Identifiers and Delegated Reporting Sub-WG Meeting

Nov 26
Nov 27

APAC Monthly Update

Please direct comments and questions about APAC Monthly Update to Donna Chan, dchan@isda.org

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