

APAC Monthly Update

June 2014

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

Regulatory Activities

Hong Kong

On Jun 11, ISDA met with the HKMA and SFC to discuss the latest regulatory updates in Asia.

India

On June 9, ISDA met with the Reserve Bank of India Department of Payments & Settlement Systems and separately with the Internal Debt Management Department to discuss regulatory capital (Method 1 and Method 2 C-Factor calculation methods) and third country recognition issues with regard to CCPs. Discussions also covered netting legislation in India and conflicts around trade reporting to foreign trade data repositories.

On June 10, ISDA met with the Clearing Corporation of India Limited (CCIL). CCIL provided an update on clearing volumes since mandatory FX clearing began on June 2 and expressed its ability to calculate C-Factors under Method 1. ISDA gave an update on ESMA recognition, CRD IV postponement, and US CFTC NALs for Asian CCPs with US clearing members.

Korea

On June 16, ISDA held a Korea-based member's meeting to discuss impending mandatory clearing at KRX.

On June 17 ISDA visited:

- FSC Non-Standing Commissioner Joh Sung Wook to introduce ISDA and discuss CCP regulatory governance issues.

- KRX headquarters in Busan for a status update preparations for mandatory clearing, client clearing and ESMA/CFTC recognition issues. ISDA also discussed member concerns around eligible collateral and capped liability.

On June 18, ISDA visited Suhyup Bank, Korea Investment Corporation, and National Pension Service to introduce ISDA.

Malaysia

On June 4, ISDA met with representatives of Bank Negara Malaysia to discuss developments relating to the ISDA/IIFM Tahawwut Master Agreement and netting in Malaysia.

Committee/Working Group Activities

North Asia L&R

On 24 June, ISDA held its Asia-Pacific Legal & Regulatory Committee Meeting (NA) in Hong Kong. ISDA updated members on SCH's revised Business Guidance on central clearing for RMB IRS and the notice on client clearing of RMB interest rate swaps, the FTSB's consultation conclusions on improving corporate insolvency law and detailed proposals for introducing new statutory corporate rescue procedure in Hong Kong and the decision of the Hong Court ordering Ernst & Young to hand over auditing records to the Hong Kong regulators.

ISDA also updated the meeting on Korean developments, including KRX's revised rules of derivatives market business regulations, the amendments to provisions of the enforcements rules of OTC derivatives clearing and settlement business regulation and the amended rules of OTC derivatives clearing and settlement business regulation, FSC's roadmap for further development Korea's derivatives market and the FSC's implementation rules for Korea-U.S. tax information exchange of agreement.

Topics discussed for Australia included ISDA's submission on the Financial Sector Legislation Amendment (Netting Contracts) Bill 2013 and the MOU entered into by the CFTC and the Australian authorities on cross-border clearing organizations. ISDA also provided updates on the recent trip to Mumbai, the issue of IRDA's guidelines on interest rate derivatives, ISDA's submission on the Report of the Working Group on Resolution Regime for Financial Institutions, FX-CLEAR registering its highest daily volume and CCIL's elimination of confirmations with respect to FCY-INR currency options. The meeting also discussed the following consultation papers released by the MAS: the consultation paper on the proposed amendments to the MAS Act and Trust Companies Act, the consultation paper on the obligations of financial institutions under the PDPA 2012 – Amendments to AML/CFT Notices and the consultation paper on the proposed Framework for Systemically Important Banks in Singapore.

ISDA also provided updates on the following ISDA efforts and current documentation projects: ISDA's market call on the 2014 ISDA Credit Derivatives Definitions, ISDA's request for extension of data privacy (CFTC NAL 13-41), the amendments to the ISDA Master Agreement for use in relation to Section 2(a)(iii) and the explanatory memorandum.

On global developments, ISDA updated the meeting on developments relating to CCPs, CFTC's extension of relief from transaction-level requirements for non-U.S. dealers, the European Commission's implementing act to grant 6 months extension of the 15 June 2014 deadline for own funds requirement for QCCPs under the CRR, the publication of MiFIR and MiFID as well as MAD and MAR in the Official Journal of the European Union as well as ESMA's consultation process on technical issues and draft technical standards for both MiFID and MiFIR.

South Asia L&R

On 26 June, ISDA held its Asia-Pacific Legal & Regulatory Committee Meeting (SA) in Singapore. Topics discussed for Australia included ISDA's submission on the Financial Sector Legislation Amendment (Netting Contracts) Bill 2013 and the MOU entered into by the CFTC and the Australian authorities on cross-border clearing organizations. ISDA also provided updates on the recent trip to Mumbai, the issue of IRDA's guidelines on interest rate derivatives, ISDA's submission on the Report of

the Working Group on Resolution Regime for Financial Institutions, FX-CLEAR registering its highest daily volume and CCIL's elimination of confirmations with respect to FCY-INR currency options.

The meeting also discussed the following consultation papers released by the MAS: the consultation paper on the proposed amendments to the MAS Act and Trust Companies Act, the consultation paper on the obligations of financial institutions under the PDPA 2012 – Amendments to AML/CFT Notices and the consultation paper on the proposed Framework for Systemically Important Banks in Singapore. Additionally, ISDA also updated the meeting on Myanmar's grant of foreign bank licenses.

ISDA updated the meeting on developments in China: SCH's issue of revised Business Guidance on central clearing for RMB IRS and the publication of the list of clearing members and the notice on client clearing of RMB interest rate swaps. Developments in Hong Kong were also discussed: the FTSB publishing the consultation conclusions on improving corporate insolvency law and detailed proposals for introducing new statutory corporate rescue procedure and the decision of the Hong Court ordering Ernst & Young to hand over auditing records to the Hong Kong regulators.

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Operations/Market Infrastructure

On June 5, ISDA held its APAC Interest Rates Derivatives Operations Working Group meeting to brief members on the latest regional developments on rates. The group also discussed the addition/amendment of floating rate options/matrices and changes in certain rate fixings.

On June 13 and 17, ISDA held its AEJ Data and Reporting Compliance – reporting nexus sub-group meeting to discuss the reporting nexus relief requests and the technical challenges of implementation in the region.

On June 18, ISDA held its AEJ Data and Reporting Compliance – Asia identifiers & delegated reporting sub-group meeting to discuss the application of trade identifiers and delegated reporting in Australia, Hong Kong and Singapore together with the current technological limitations.

On June 19, ISDA held its APAC Equity Derivatives Operations Working Group meeting to discuss the progress of confirming accumulator/decumulator electronically, the practice of executing a confirmation,

the electronic confirmation migration of a vendor, the addition of a parameter in confirming an option product electronically, the update of the documentation matrix and the issues on onboarding counterparty to electronic confirmation platform.

On June 30, ISDA held its AEJ Data and Reporting Compliance working group meeting to discuss the trade reporting progress in the region. The meeting also addressed the regulatory updates in HK, Singapore and Australia.

Members' / Other Activities

Mumbai Members' Meeting:

On 10 June, ISDA held its members' meeting in Mumbai, India. Topics discussed included the proposal to allow for partial credit enhancements to corporate bonds, the offer of structured financial and derivative products by foreign banks and subsidiaries of Indian banks, the start of mandatory clearing through the CCIL Forex Forward Guaranteed Segment on 2 June, SEBI's FAQs on the SEBI (Foreign Portfolio Investors) Regulations 2014, the release of the Report of the High Level Working Group in Resolution Regime for Financial Institutions, India's IGA with the United States on FATCA, the amendments made to CCIL's Bye-Laws, Forex Forward Regulations and Rupee IRX and FRA regulations, RBI's notification on Financial Benchmarks – Governance Framework for Benchmark Submitters, the liberalization of booking with respect to forward contracts, the subsidiarization of large foreign banks, CCIL's soft launch of its clearing of rupee denominated interest rate swaps and forward rate agreements, RBI's circulars on the exposure norms for standalone PDs, capital requirements for standalone PDs' exposure to interest rate derivative contracts, repo/reverse repo transactions and central counterparties and implementation of Basel III capital regulations in India – capital planning respectively, ISDA's submissions on the CCIL Consultation Paper on Segregation and Portability related changes and clearing member structure, the CCIL Consultation Paper on intra-day mark to market margin collection in CCIL's CCP Cleared Segments and the CCIL Consultation Paper on USDINR Segment – Procedure to be adopted for allocation of funds shortage if shortage exceeds available resources.

The meeting also considered various ISDA efforts and current documentation projects, including the publication of the European Cleared Derivatives Execution Agreement, the ISDA 2014 Collateral Agreement Negative Interest Protocol. IBA's selection as the new ISDAFIX Administrator, the publication of the results of the ISDA 2014 Margin Survey, a research note analyzing the impact of MAT regulation on market regulation, the study on the sizes and uses of the non-cleared derivatives market, the research papers on the value of OTC derivatives, the results of the end-user survey, the updating of the paper on the Standard Initial Margin Model for non-cleared derivatives with an appendix on risk factors and idiosyncratic risk and the first clearing member opinions respectively.

ISDA also updated the meeting on the 6 month extension of CRR's 15 June 2014 deadline, the adoption by the European Council of MiFIR/MiFID1, ESMA's letter to the EC proposing to limit the scope of the frontloading requirement under EMIR, the adoption by the European Council of the Bank Recovery and Resolution Directive, BCBS' final framework for bank exposures to CCPs and final standards for measuring and controlling large exposures, the European Supervisory Authorities' launch of the consultation on draft RTS on risk-mitigation techniques for non-cleared OTC derivatives, including the minimum international standards in margin requirements for non-centrally cleared derivatives, the EC's consultation on FX financial instruments, the ODRG's report on cross-border implementation issues related to global reform, the G-20 priorities for 2014.

Regulatory Developments

Australia: Autonomous Sanctions List in effect

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On June 19, the Autonomous Sanctions (Designated Persons and Entities and Declared Persons – Ukraine) List 2014 (the Ukraine List) commenced. The Ukraine List gives effect to the announcements by the Minister of Foreign Affairs (on March 19 and May 21) to impose targeted financial sanctions and travel bans against persons and entities responsible for, or complicit in, Russia's actions in relation to Ukraine. Australia has designated 50 persons and 11 entities in Schedule 1 of the Ukraine List that satisfy the criteria in regulation 6 of the Autonomous Regulations 2011 to be designated for targeted financial sanctions or declared for travel bans.

China:

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SCH issues notice and guidance on clearing of RMB IRS

On May 30, Shanghai Clearing House (SCH) issued a notice (in Chinese) regarding client clearing of RMB interest rate swaps. The Notice stated that SCH will launch client clearing for RMB IRS from July 1, 2014 and eligible clearing members may apply to SCH to become a "comprehensive clearing member" in order to provide clearing services to clients.

The Notice requires the clearing members to sign the Agency Client Clearing Agreement regarding Central Clearing of RMB IRS and segregate their proprietary and client positions. The Notice also stipulates that SCH will calculate the settlement payments and margin payments of a clearing member's proprietary business and client clearing business separately.

Also, on June 3, SCH issued the revised Business Guidance (in Chinese) on Central Clearing of RMB IRS with added provisions on two-way margining, collateral in securities form and client clearing. On the same day, SCH published a list (in Chinese) of clearing members on its website including five comprehensive clearing members which have been approved by SCH to provide client clearing services and 35 normal clearing members.

China and U.S. sign FATCA agreement

On June 27, China and the US reached an agreement in principle in relation to the implementation of the FATCA. Once the inter-government agreement is executed and comes into effect, foreign financial institutions in China will only be required to report information in relation to reportable US accounts to the Chinese competent authority; information will be exchanged between the competent authorities of China and the US.

SCH starts mandatory and client clearing

On July 1, Shanghai Clearing House (SCH) started mandatory direct and client central clearing of RMB interest rate swaps (IRS). According to the SCH website, on the first day, SCH cleared 66 transactions with a notional amount of RMB 7.22 billion, among which 13 transactions were trades cleared on behalf of clients.

Hong Kong:**HKMA issues new Supervisory Policy Manual**

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On June 20, the Hong Kong Monetary Authority (HKMA) issued a new Supervisory Policy Manual (SPM) entitled Module RE-1: Recovery Planning (RE-1), as statutory guidance. RE-I provides guidance to Authorized Institutions (AIs) on key elements of the effective recovery planning and sets out HKMA's approach and expectations in reviewing an AI's recovery plan.

Some of the key sections of the SPM:

- require all AIs to undertake some degree of recovery planning which will be proportionate to the nature, scale and complexity of their operations;
- explain the need for the involvement of the Board and senior management in developing, reviewing, approving and maintaining an AI's recovery plan;
- outline key requirements on the menu of recovery options which should be included in an AI's recovery plan;
- set out aspects to be considered in identifying triggers for escalation of concerns and activation of the recovery plan;
- provide guidance on how the impact of a recovery action should be assessed;
- provide minimum requirements for stress scenarios; and
- outline the minimum requirements for a communication plan should the recovery plan be activated.

India:

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IRDA issues new guidelines on IR derivatives

On June 11, the Insurance Regulatory and Development Authority (IRDA) in India issued its Guidelines on Interest Rate Derivatives, replacing earlier IRDA guidelines on the same subject. These guidelines set out that insurers are allowed to deal as users with forward rate agreements (FRAs), interest rate swaps (IRS) and exchange traded interest rate futures. Participants can also undertake different types of plain vanilla FRAs and IRS transactions; however it should be noted that IRS having explicit /implicit option features are prohibited. Participants must also meet requirements relating to, among others, the permitted purpose of dealing in interest rate derivatives and regulatory exposure and prudential limits. Of interest is the requirement that insurers are advised to ensure documentation requirements are met and completed in all aspects as per relevant guidelines of the Reserve Bank of India and using ISDA documentation.

The guidelines further state that in order to settle the mark to market profits/losses and maintenance of collateral, counterparties should enter into suitable two-way Credit Support Annex in order to mitigate counterparty risk. The guidelines also note that derivative contracts shall be subject to Indian law and the jurisdiction of the Indian courts and be consistent with relevant guidelines and regulations.

India and US sign FATCA agreement

On June 27, the Reserve Bank of India (RBI) issued a circular on the inter-governmental agreement (IGA) with the United States for the implementation of FATCA. India and the US have reached an agreement in substance and India is now treated as having an IGA with effect from April 11.

The IGA would only be signed however after the approval of Cabinet. Indian financial institutions would have until December 31 to register with the US authorities and obtain a Global intermediary Identification Number (GIIN). Indian financial institutions having overseas branches in Model 1 jurisdictions, including those jurisdictions where an agreement under Model 1 has been reached in substance would have up to December 31 to register with US authorities and obtain a GIIN. Overseas branches of Indian financial institutions in a jurisdiction having an IGA under Model 2 or in a jurisdiction that does not have an IGA

in place but permits financial institutions to register and agree to an FFI agreement may register with US authorities and obtain a GIIN before July 1 to avoid potential withholding under FATCA.

Singapore:

MAS consults on MAS Act and Trust Companies Act amendment

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On June 5, the Monetary Authority of Singapore (MAS) released a consultation paper on the proposed amendments to the MAS Act and Trust Companies Act. The aim of the consultation paper is to strengthen the regulatory framework for combating money laundering (ML) and terrorism financing (TF) through enhancing the effectiveness of Singapore's AML/CTF regime, in particular international cooperation. These enhancements will align Singapore's regime with the revised Financial Action Task Force (FATF) Recommendations as well as other international standards such as the Basel Committee on Banking Supervision. MAS is also currently developing subsidiary legislation to amend the definition of 'financial institutions' in the MAS Act to include designated financial holding companies, which will subject these companies to the appropriate AML/CFT regulation. Deadline for comments is June 7.

MAS consults on systemically important banks framework

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On June 25, the Monetary Authority of Singapore (MAS) issued a consultation paper on the proposed Framework for Systemically Important Banks in Singapore. In this paper, MAS seeks to develop a D-SIB framework that achieves the objectives of updating MAS' diagnostic toolkit for assessing systemic importance and identifying D-SIBs as well as establishing a range of policy measures that may be applied to D-SIBs.

The proposed D-SIB framework builds on MAS' existing impact assessment framework to assess a bank's systemic importance to Singapore's financial system and broader domestic economy. It will also establish other relevant policy measures that may apply to D-SIBs to address the specific negative externalities that they pose. In terms of scope, MAS proposes to assess locally-incorporated banks, including subsidiaries of foreign banks, and foreign bank branches under the D-SIB framework. The D-SIB framework will also assess locally-incorporated banks at the consolidated group level. In addition, the D-SIB assessment of foreign banks will take into account the activities of all related banking entities in Singapore. MAS also proposes:

- to adopt an indicator-based approach to assess banks' systemic importance based on size, interconnectedness, substitutability and complexity;
- to set out appropriate policy measures with respect to each type of D-SIB;
- to require D-SIBs to undertake recovery and resolution planning;
- to publish the initial list of D-SIBs, which will include D-SIB branches (if any), by the first quarter of 2015, in order to provide banks with sufficient time to comply with relevant D-SIB policy measures;
- to review the D-SIB framework, including the methodology and indicators, every three years.

Submission deadline is July 25.

South Korea:

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KRX revises OTC Derivatives Clearing and Settlement Regulation

On June 3, the Korea Exchange (KRX) published the amended rules of OTC Derivatives Clearing and Settlement Business Regulation (Korean only). With these rules, KRX intends to:

- revise clearing member admission criteria to reflect the capital regulations under Basel III and the Net Capital Ratio (NCR) revised by the Financial Services Commission (FSC);
- improve clearing efficiency and align with international standards in view of the demands generated from its voluntary clearing service.

Key amendments include:

1. Change of the capital ratio criteria for clearing member admission under Article 11 to correspond to the capital ratio criteria pursuant to both Article 3-26(1) of the Financial Investment Business Regulation and Article 34(1) of the Regulation on Supervision of Banking Business;
2. Change of hours for requesting and accepting the assumption of obligation under Article 49 and 98;
 - To extend by 30 minutes the hours for requesting and accepting the assumption of obligation from current hours of 9:00 - 15:50 to become 9:00 - 16:20
 - To extend by 20 minutes the hours for requesting the cancellation of assumption of obligation from current hours of 9:00- 16:00 to become 9:00 to 16:20
 - To reduce by 20 minutes the period for requesting the change of contracts of cleared transactions from current hours of 16:00 to 17:00 to become 16:20 to 17:00
3. Additional reasons for close-out are added including KRX's default, its suspension of payment, its request for commencement of rehabilitation procedures and its filing of bankruptcy under Article 111 on the Commencement of Close-out Netting Procedures;
4. Deletion of Article 123 in relation to the designation of an employee that is responsible for the clearing operation, and an employee that performs the tasks related to the clearing operation;
5. Other, less material, amendments were made to Articles 2, 29, 31, 35, 58 and 122.

The revised rules will be effective from June 30.

KRX amends rules of Derivatives Market Business Regulation

On June 3, the Korea Exchange (KRX) announced the revised rules of Derivatives Market Business Regulation (Korean only). The KRX intends to:

- improve the stability of derivatives transactions by preventing huge losses to investors and excessive price fluctuations through the implementation of real-time quotation price limit as well as improving the methodology for error trade adjustments;
- improve the stability of settlement by stipulating that once KRX issues payment instructions, trades can no longer be amended.

Key amendments include:

1. Implementation of real-time quotation price limit under Article 70-2(new),74,and 82-8
 - the real-time upper limit price is equal to the most recent execution price plus a specified range of change in price, or the real-time lower limit price is equal to the most recent execution price minus a specified range of change in price

- Where deemed executions prices deviate from the band of the real-time limit prices while connecting to trading system, the real-time upper limit price(bid) and the real-time lower limit price(ask) shall be converted into the limit quotation.
2. Improvement of the method for adjusting trading errors
 - Introduction of Ex-officio Adjustment of Erroneous Transactions under Article 81-2
 - Introduction of cancellation of transaction by KRX under Article 81-3(new)
 - Adjustment of settlement amount by Ex-officio Adjustment of Erroneous Transactions under Article 103 and 149
 3. Stipulating the completion time of settlement in the Derivatives Market under Article 104-2
 4. Other, less material, amendments were made to Articles 2(1)4, 2(1)5, 60 and 104-3
- The revised rules will be effective from June 13.

FSC approves Korea-U.S. Tax Information Agreement

On June 18, the Financial Services Commission (FSC) approved the Implementation Rules for Korea-U.S. Tax Information Exchange of Agreement, which will be effective from July 1. Key rules include:

- Financial institutions which include depository institutions, custodial institutions, investment entities and insurers and, financial accounts which include depository account, custodial account, fund account, insurance contract and annuity contract, are subject to FATCA reporting obligation;
- Implementation: A financial institution is required to identify U.S.-related financial accounts through reviewing the electronic records of financial accounts; If a financial account is identified as U.S.-related, the financial institution is required to report the NTS information about the financial account including account holder's name, account number, account balance, and interest payments.

FSC announces roadmap for Korea's derivatives market

On June 17,, the FSC announced its roadmap for further development of Korea's derivatives market.

For the Exchange-Traded Derivatives Markets:

- Greater autonomy in market operation with the condition that stable operation of the markets and investor protection would not be undermined;
- Introduction of new derivatives markets in high demand such as V-KOSPI 200 futures, sector index futures and night time trading of US dollar futures, which will provide professional investors with risk hedging instruments;
- Introduction of qualified retail investors with two entry barriers to prevent retail investors from reckless investments and huge losses;
- Expanding the participation of professional investors by allowing banks to directly trade treasury bond and currency derivatives on the KRX;
- Enhancing settlement stability by giving the KRX greater authority to monitor and supervise default risks of security firms, and by considering the revision of the default waterfall in accordance with the PFMI;
- Enhancing transaction stability by introducing price banding limits on futures and options trading to mitigate excessive price fluctuation, and allowing the KRX to take remedies for huge losses incurred by erroneous transactions;
- Strengthening the regulations and tightening the monitoring of high-frequency trading to prevent market manipulation and unfair trading.

For the OTC Derivatives Market:

- The scope of derivatives contracts subject to the CCP clearing will be gradually expanded from IRS to NDF to CDS and other derivatives.
- Trade Repository (TR) will be introduced in accordance to the G20 after considering domestic conditions and international standards.

For the Derivatives-Linked Securities (DLS) Market:

- Exchange-trade note (ETN) will be introduced to be listed and traded on the KRX.
- Issuance structure of equity-linked securities (ELS) will be diversified.
- Public disclosure and sales method of ELS and DLS will be improved to make it easier for investors to compare and choose products.
- Issuance terms of equity linked warrant (ELW) will be standardized.

KRX amends provisions of Enforcement Rules of OTC Derivatives Clearing and Settlement Business Regulation

On June 13, the Korea Exchange (KRX) announced the revised provisions of Enforcement Rules of OTC Derivatives Clearing and Settlement Business Regulation (Korean only).

Key amendments include:

- The period for clearing membership reapplication under Article 4(2) is deleted;
- A new provision is added to Article 7 stating that when there is a change of major stakeholders, the review of clearing membership application will be suspended;
- The criteria for settlement banks and custodian banks under Article 15 and 43 respectively are revised;
- Period of Registration of Assumption of Obligation under Article 27 is shortened from 5 business days currently to 2 business days;
- A new provision is added to Article 32 stating that KRX can claim necessary expenses and remuneration from clearing members in relation to task delegation;
- Requirements for the committee member of Default Management Group under Article 78 are relaxed;
- The bid price is defined under Article 84 and the Article 84(3) which relates to bid abort price is deleted;
- Article 86(1) which relates to the allocation and early termination of a cleared transaction of a default clearing member is deleted;
- A new provision stating that eligible margin securities, foreign currency or foreign currency securities deposited by a clearing member in the KRX are subject to close-out netting is added to Article 88;
- Article 88-2 is newly added to define the method of the close-out netting notification;
- Article 93(3) in relation to the Cap Period is deleted;
- Articles 97, 98 and 99, which relate to the designation of an employee that is responsible for the clearing operation and an employee that performs the tasks related to the clearing operation, are deleted;
- The interest rate for the calculation of late payment penalty is stipulated under Article 101;
- Other, less material, amendments were made to Articles 35, 50-54, 56, 60-62, 77 and 85.

The revised rules will be effective from June 30.

CFTC's Division of Clearing and Risk issues no-action letter for KRX

On June 26, the US Commodity Futures Trading Commission's (CFTC) Division of Clearing and Risk (DCR) issued a time-limited no-action letter stating that it will not recommend that the Commission take enforcement action against Korea Exchange (KRX) for failing to register as a derivatives clearing organization (DCO) pursuant to Section 5b(a) of the Commodity Exchange Act (CEA).

The no-action relief is limited to KRX's clearing of the proprietary Korean Won-denominated interest rate swaps trades of US clearing members, and is effective until the earlier of December 31, 2014, or the date upon which the CFTC either registers KRX as a DCO under Section 5b(a) of the CEA or exempts KRX from registration under Section 5b(h) of the CEA. This no-action letter is consistent with earlier no-action letters granting relief with respect to the clearing of proprietary trades of US clearing members.

KRX launches mandatory clearing for OTC derivatives

Effective June 30, the Korea Exchange (KRX) started to provide a mandatory clearing service (Korean only) for Korea Won-denominated IRS contracts to meet the G20 mandate on OTC derivatives clearing. The KRX's clearing service was previously offered to 35 members on a voluntary basis from March 3. During this period, the accumulated number of cleared transactions was 427 and accumulated notional amount was \$11.5 billion (KRW 11.8 trillion as of June 26, 2014). As of June 27, 24 securities firms and 28 banks (12 domestic banks and 16 foreign banks) have submitted their applications for this mandatory clearing service and only two securities firms among these clearing members are general clearing members able to offer client clearing service. Going forward, all KRW-IRS contracts will be cleared through the KRX-CCP on a mandatory basis.

Upcoming committee and working group meetings/conferences

Meetings:

North Asia L&R Meeting	Jul 29
South Asia L&R Meeting	Jul 31

Conference:

The New 2014 ISDA Credit Derivatives Definitions – Singapore	Jul 8
Swap Execution Facilities: The Evolution of OTC Trading – Singapore	Jul 9
Understanding the ISDA Master Agreements Conference – Hong Kong	Jul 9
Understanding Collateral Arrangements and the ISDA Credit Support Documents Conference – Hong Kong	Jul 10

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