By E-mail
(derivatives@mas.gov.sg)

6 August 2015

Capital Markets Policy Division
Markets Policy & Infrastructure Department
Monetary Authority of Singapore
10 Shenton Way
MAS Building
Singapore 079117

Dear Sirs and Madams

Consultation Paper on Draft Regulations for Mandatory Clearing of Derivatives Contracts

The Asia Securities Industry & Financial Markets Association ("**ASIFMA**") and FIA Asia welcome the opportunity to provide feedback to the Monetary Authority of Singapore ("**MAS**") on its July 2015 Consultation Paper on Draft Regulations for Mandatory Clearing of Derivatives Contracts (the "**Consultation Paper**").

ASIFMA is an independent, regional trade association with over 80 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, law firms and market infrastructure service providers. Through the GFMA alliance with SIFMA in the US and AFME in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region.

FIA Asia represents a diverse group of exchange-traded and centrally cleared derivatives industry market participants from across the Asia Pacific region. Our members include banking organisations, clearing houses, exchanges, brokers, vendors and trading participants. Under FIA Global, with our affiliate associations FIA Americas and FIA Europe, we are the primary global industry association for centrally cleared futures, options and swaps.

Executive Summary

We are fully supportive of regulatory reform that will assist in the development and strengthening of global capital markets. Further, we appreciate and commend the MAS for continuing to engage with the industry through various consultation papers. We also strongly support the MAS' efforts to date to minimise duplicative, inconsistent and conflicting

regulatory requirements and urge that international regulatory coordination continue to achieve cross-border harmonisation.

In finalising the Securities and Futures (Clearing of Derivatives Contracts) Regulations ("**SF(CDC)R**"), we urge that the MAS continue observing reforms in this area in other jurisdictions and their impact on those markets, and strongly urge that the MAS take into account the industry responses to ensure that there are no unintended consequences and to minimise market disruption and fragmentation.

We welcome further industry discussions and consultation with the MAS as we move forward in this process.

ASIFMA and FIA Asia's responses

We set our detailed responses to the proposals contained within the Consultation Paper in Appendix 1 of this response letter. Any terms not defined in Appendix 1 are as defined above or in the Consultation Paper.

We thank you for this opportunity to respond to the Consultation Paper and are, of course, very happy to discuss with you in greater detail any of our comments. Please do not hesitate to contact Trevor Clark, Manager of ASIFMA at tclark@asifma.org or Phuong Trinh, General Counsel of FIA Asia at ptrinh@fiaasia.org if you have any questions.

Yours sincerely

Mark Austen
Chief Executive Officer
ASIFMA

William Herder
President
FIA Asia

APPENDIX 1

RESPONSE TO CONSULTATION PAPER

Please note that all submissions received will be published and attributed to the respective respondents unless they expressly request MAS not to do so. As such, if respondents would like (a) their whole submission or part of it, or (b) their identity, or both, to be kept confidential, please expressly state so in the submission to MAS. In addition, MAS reserves the right not to publish any submission received where MAS considers it not in the public interest to do so, such as where the submission appears to be libellous or offensive.

Consultation topic:	Consultation Paper on Draft Regulations for Mandatory Clearing of Derivatives Contracts
Name[1]/Organisation: [1]if responding in a personal capacity	Asia Securities Industry & Financial Markets Association (ASIFMA) FIA Asia
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Confidentiality	
I wish to keep the following confidential:	Not applicable. *(Please indicate any parts of your submission you would like to be kept confidential, or if you would like your identity to be kept confidential. Your contact information will not be published.)*

General comments:

We strongly support the proposal to introduce mandatory clearing requirements that are consistent with those imposed in other jurisdictions. We also welcome the MAS' decision to limit the extraterritorial scope of the clearing mandate due to concerns, which we share, over issues relating to the conflict and overlap of extraterritorial rules relating to OTC derivatives.

In addition, we are supportive of the MAS' intention to approve or recognise more ACHs or RCHs, as the case may be, as CCPs that are able to clear the in-scope instruments under the clearing obligations. The industry requests that the list of third country CCPs recognised as RCHs should include as many of the major EU, US and Japan CCPs as possible, as the vast majority of IRS clearing activity is currently taking place on these CCPs. Recognition of these additional CCPs will help avoid artificially bifurcating the existing swap market, help avoid creating additional concentration risk and help minimise disruptions to the market.

For international dealers (even if the MAS extends the number of CCPs approved or recognised as ACHs or RCHs) the MAS' proposals still have the potential to conflict or overlap with the clearing rules of other jurisdictions, including requirements under the European Market Infrastructure Regulation ("**EMIR**")[1] and Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("**Dodd-Frank**"). As an illustration, two EU-incorporated banks trading a USD IRS subject to EMIR mandatory clearing obligations can clear such transaction on any CCP which has been authorised or recognised to clear this particular class of contract under EMIR. A USD IRS transacted outside of Singapore that meets the specifications of a product accepted by a CCP registered as a derivatives clearing organisation under the U.S. Commodity Exchange Act of 1936, as amended ("**CEA**"), for clearing, can also be cleared on all such CCPs, irrespective of the jurisdiction of the counterparties. However, an identical USD IRS booked in Singapore by their Singapore branches can only be cleared on an ACH or RCH under the MAS' proposals.

We believe it is essential, and in line with the FSB, IOSCO and the OTC Derivatives Regulators Group expectations on cross-border harmonisation, that all jurisdictions introducing OTC reforms of this nature should seek to address such conflicts and

[1] Regulation No. 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories.

overlaps by introducing rules that clearly provide for some mechanism of deemed compliance, mutual recognition or equivalence. This would allow market participants to comply with local requirements by clearing in accordance with the "equivalent" rules of another jurisdiction.

We recognise that Section 129F of the Securities and Futures Act (Cap. 289) ("**SFA**") sets out the framework for a deemed compliance mechanism under which parties to a specified derivatives contract that are incorporated outside of Singapore in a "relevant clearing jurisdiction" could potentially satisfy the requirements imposed under the SFA and SF(CDC)R, but note that MAS has not in the Consultation Paper addressed any details as to whether a "relevant clearing jurisdiction" (as defined in Section 129F) is to be prescribed, and if so how such "relevant clearing jurisdiction" is to be determined.

The MAS has in paragraph 4.4 of the Consultation Paper stated that the proposed clearing mandate will not result in any conflicts. It also refers to SGX-DC being regulated as an ACH by the MAS, registered as a DCO with the Commodity Futures Trading Commission ("**CFTC**") and being recognised as an equivalent third country CCP by the European Securities and Markets Authority ("**ESMA**"). The industry's view is that it is not desirable to address the potential for regulatory conflicts and overlaps by forcing clearing onto a single CCP. We understand that the major international dealers are currently clearing only a very small proportion of their USD-LIBOR or SGD-SOR IRS at SGX-DC. If the MAS' clearing mandate has the effect of forcing major international dealers to clear certain swaps at SGX-DC, then this is likely to have the unintended consequence of reducing the amount of in-scope IRS that international dealers choose to trade and book locally in Singapore (thereby avoiding the MAS' mandate except when dealing with Singapore banks) and artificially bifurcating the existing swap market between swaps that must be cleared on SGX-DC (which will necessarily be a much smaller proportion of the whole) and swaps that can be cleared outside Singapore at venues attracting larger volumes and greater volume related efficiencies.

Further to the above, we urge that the MAS approve more ACHs and recognise more RCHs, such as the major EU, US and Japan CCPs, well in advance of the commencement of the clearing obligations. This will help allow time for any required on-boarding of membership or establishment of client clearing arrangements.

We also highlight that the list of ACHs and RCHs needs to remain flexible to address unforeseen events at any particular CCP and allow for the future development of the market as CCPs change their rules to compete.

We would welcome an exemption from the clearing requirements for derivative transactions that are created as part of either a multilateral trade compression cycle or bilateral trade compression process. New and amended derivative transactions that result from systemically risk-reducing processes such as compression should not be subjected to the clearing mandate if the original trades were themselves not subject to the clearing mandate. If these post-trade risk reduction derivative transactions are not exempted, this would act as a significant disincentive for market participants to participate in compression exercises and introduce new pricing risks for market participants. In addition, it would undermine the risk mitigation requirements currently proposed by the MAS and the requirements already faced by foreign-incorporated financial institutions under EMIR and Dodd-Frank.

Question 1: MAS seeks views on the proposal to subject, at a minimum, SGD fixed-to-floating SOR IRS and USD fixed-to-floating LIBOR IRS to clearing obligations.

We are supportive of the MAS' proposal to mandate clearing of SGX fixed-to-floating SOR IRS and USD fixed-to-floating LIBOR IRS where both legs of such transactions are booked in Singapore, but highlight our response above where we urge the MAS to facilitate access to clearing services by extending the list of third country CCPs recognised as RCHs. We also urge the MAS to consider invoking the deemed compliance mechanism under Section 129F of the SFA and provide details as to how a "relevant clearing jurisdiction" will be determined. We request that sufficient time and consultation be given for the industry to consider and review the subsidiary legislation required to effect the deemed compliance mechanism.

As a general point, we request that the MAS only subject products to the clearing obligation that are: (i) standardised, (ii) liquid and (iii) already voluntarily cleared on multiple CCPs that are approved or recognised as ACHs or RCHs. On the latter point, we request that a new product only be added to the scope of the clearing mandate if it can be cleared on at least two ACHs and/or RCHs. We support the MAS' proposal to limit the clearing mandate to IRS not containing any optionality or special features included to address idiosyncratic risks (for instance forward starts and amortizing notionals).

We request that the MAS align the maturity criteria (at least with respect to the minimum maturity requirements) with those under EMIR[2] and Dodd-Frank[3].

Question 2: MAS seeks views on whether it would be appropriate to mandate clearing of EUR, GBP and JPY IRS.

As noted in our response above, it is important that the MAS expand the available number of CCPs on which industry participants will be able to satisfy their clearing obligations under the SFA and SF(CDC)R and extend the list of ACHs and third country CCPs recognised as RCHs. We also highlight our response above where we urge the MAS to facilitate access to clearing services by ensuring that any in-scope instrument under the clearing obligation can be cleared on at least two CCPs.

Recognition of a wider spectrum of CCPs would be particularly relevant if the MAS extends the clearing mandate to EUR, GBP and JPY IRS products (as proposed in paragraph 3.5 of the Consultation Paper), and is necessary to prevent the clearing mandate actually creating margining inefficiencies through forced bifurcation across markets. Choice of clearing venue is crucial in allowing participants sufficient flexibility to avoid the build up to directional exposures and to achieve margining efficiencies. In this regard, we urge that any extension of the clearing obligation to such products only be phased in after the deemed compliance regime under Section 129F of the SFA comes into effect.

Question 3: MAS seeks views on whether subjecting more types of SGD, USD, EUR, GBP and JPY IRS products, such as basis swaps, forward rate agreements overnight index swap, to clearing obligations, would result in margining efficiencies for market participants.

In principle, we do not object to the application of the clearing obligation to SGD, USD, EUR, GBP and JPY IRS products. However we are of the view that margining efficiencies should not be the only determining factor for the MAS when it is considering which products to mandate for clearing. Whether a particular product should be mandated for clearing should be driven by whether the mandating of that product will help address

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2 Minimum maturity for USD fixed-to-floating IRS of 28 days.

3 Minimum maturity for SGD and USD fixed-to-floating IRS of 28 days.

systemic risk concerns in Singapore and the considerations noted in our response to Question 1 above.

In addition, recognition of a wider spectrum of CCPs would be relevant if the MAS extends the clearing mandate to a wider range of products. Any extension of the clearing obligation to EUR, GBP and JPY products should only be phased in after the deemed compliance regime under Section 129F of the SFA comes into effect.

As noted above, activation of the deemed compliance regime and recognition of a wider spectrum of CCPs is critical in order to prevent the clearing mandate from creating margining inefficiencies through forced bifurcation across markets.

We also note that not all of the products listed above are subject to clearing obligations in other jurisdictions. For instance, the clearing of JPY forward rate agreements, JPY overnight index swaps and all types of SGD IRS, are not mandated under EMIR, and the MAS should bear this in mind when determining whether it would be appropriate to mandate such products for clearing in Singapore.

Question 4: In relation to the IRS proposed for clearing (see Section 3), MAS seeks views on subjecting transactions that are booked in the Singapore-based operations of both transacting counterparties, i.e. a Singapore-incorporated company or a Singapore branch of a foreign entity, to clearing obligations.

We strongly support the MAS' proposal to limit the clearing obligations to transactions that are booked in the Singapore-based operations of both counterparties to the trade. We believe that this is the correct approach to address risk residing in Singapore, minimise enforcement issues in relation to counterparties located outside of the jurisdiction and limit any unnecessary extraterritorial reach.

From a practical perspective, we propose that the MAS maintain and make available to the public an up-to-date register of all in-scope entities (or branches, where applicable) for the purposes of the clearing mandate. This could be done by extending the information provided on the existing MAS Financial Institutions Directory[4].

[4] MAS Financial Institutions Directory. Available at: https://masnetsvc.mas.gov.sg/FID.html.

This is especially since the clearing mandate will be introduced in phases and counterparties' trading activities will inevitably evolve over time, making tracking of counterparties' status challenging for industry participants. To this end, the proposed register would provide greater transparency for all parties and would be a more satisfactory and reliable approach than parties conducting their own due diligence on their trading counterparties or relying on declarations from their counterparties to determine if their transactions should be subject to the clearing obligation. We note that ISDA has on 13 July 2015 published an EMIR Classification Letter that will enable counterparties to notify each other of their status for clearing and other regulatory requirements under EMIR[5].

In this regard, to the extent that the MAS does not intend to maintain such a register, we request that the MAS clarify whether parties will be required to notify the MAS and/or their counterparties upon a change in its clearing status, and whether parties will be required to confirm their clearing status for each transaction.

Question 5: MAS seeks views on the proposed exemptions from clearing obligations approach: (a) all banks from mandatory clearing as long as they do not exceed a maximum threshold of S$20 billion gross notional outstanding derivatives contracts booked in Singapore for each of the last 4 quarters; and (b) all other specified persons that are not banks.

It is important that the threshold test for the clearing obligation be clear so as to avoid creating confusion and uncertainty in the market. As currently drafted, it appears that the clearing threshold calculation does not look at the aggregate outstanding gross notional amount of total derivatives booked in Singapore over 4 calendar quarters, but instead looks at the aggregate outstanding gross notional amount of total derivatives booked in Singapore as at the last day of each of the past 4 consecutive calendar quarters. This gives rise to a number of different interpretations of the proposal and we seek clarification on its intended application.

We would be grateful if the MAS would provide clarification as to when a bank would be subject to the clearing obligation and in particular, the specific days on which the clearing threshold of S$20 billion must be met. In other words, whether a bank would be

[5] ISDA EMIR Classification Letter dated 13 July 2015. Available at: http://www2.isda.org/emir/

subject to the clearing obligations if (i) it exceeds the clearing threshold on the last day of any one of the last 4 quarters, (ii) it exceeds the clearing threshold on the last day of all of the last 4 quarters, (iii) it exceeds the clearing threshold on all days of all of the last 4 quarters, or (iv) otherwise. We strongly suggest that the MAS adopt the interpretation set out in (ii) above in this regard.

We also note that the formulation of the clearing threshold amount calculation is different from the reporting threshold amount that applies to significant derivatives holders, which looks at the aggregate gross notional amount for the year ending on the relevant last day of the quarter. We would be grateful if the MAS would clarify the rationale behind this different approach.

The clearing threshold calculations in the SF(CDC)R refer to the "aggregate outstanding gross notional amount of the total derivatives contracts booked in Singapore". As the definition of "derivatives contract" is currently under review (further to the Consultation Paper published by the MAS this February on proposed amendments to the Securities and Futures Act), we would be grateful if the MAS would provide clarification as to the derivatives transactions that the MAS intends for parties to take into account when calculating the clearing threshold.

Further to the above, we submit that "derivatives contracts" for the purposes of ascertaining the clearing threshold should be limited to those that fall within the scope of the clearing obligation. To illustrate, if "derivatives contracts" is construed to include a broader range of contracts than IRS, a bank that transacts S$19.9 billion of commodity derivatives contracts and S$102 million of IRS would be subject to the clearing obligations. However, a bank that transacts S$19.9 billion of IRS would not be subject to the clearing obligations. We do not believe this would be consistent with the MAS' intentions to subject banks that transact in a larger volume of IRS trades to the clearing obligations.

With respect to intra-group transactions, we propose that such transactions be carved out from the calculations for the clearing threshold. This would be consistent with the MAS' proposal to exempt intra-group transactions from the clearing obligations.

We support the MAS' proposal to exempt all other specified persons that are not banks from the clearing obligations.

Question 6: MAS seeks views on the approach to exempt intra-group transactions and public bodies from clearing obligations.

We support the MAS' proposal to exempt intra-group transactions and public bodies from the clearing obligations and note that this is aligned with the regulatory regimes of other major jurisdictions, such that imposed under EMIR and Dodd-Frank. We would be grateful for the MAS' confirmation that participants would not be required to notify the MAS should they rely on the intra-group exemption.

Question 7: MAS seeks views on the proposed approach for the commencement of clearing obligations.

We support the MAS' proposal that only in-scope derivatives transactions that are entered into on or after the effective date of the clearing mandate will need to be cleared and that there is no requirement to "backload", as this will help maintain pricing certainty. However, for the reasons explained above, we urge that the MAS extend its list of approved ACHs and recognised RCHs prior to commencement of the clearing mandate.

The MAS has, in the Consultation Paper, noted that it "will provide at least 6 months' notice before the clearing obligations take effect". The current drafting in Regulation 5 of the SF(CDC)R, however, does not clearly capture such intention. Regulation 5(2) of the SF(CDC)R provides that a person who only becomes a "specified person" after the applicable clearing commencement date will have "a period of 6 months from the date of his becoming a specified person" to comply with the clearing obligations. This appears to propose that where a participant falls within the scope of the clearing obligations after the clearing commencement date, it will have to "backload" and clear all of its in-scope transactions entered into after the clearing commencement date. This is inconsistent with the MAS' proposals in the Consultation Paper described above. Should the clearing obligations apply in a retroactive manner, this would create pricing uncertainty, market disruptions and have a negative impact on financial stability. As derivatives transactions entered into by a participant that are now considered in-scope have not been cleared under the SF(CDC)R, they will have to be re-priced in order for them to be cleared. We hence urge that the MAS amend Regulation 5(2) of the SF(CDC)R for clarity and that the MAS confirm that where an industry participant becomes a "specified person" subject to the clearing obligations after the clearing commencement date, that it would be given 6 months to put in place the necessary infrastructure in order for it to comply with its obligations, and that it would only be required to commence clearing of its derivatives contracts entered into with other in-scope industry participants after the end of such 6-month period. This would give industry participants pricing and contractual certainty at the point of trade.

Question 8: MAS seeks views on proposed considerations in expanding the scope of our mandatory clearing regime.

To the extent that the MAS decides to expand the scope of the mandatory clearing regime, we request that the full regime be subject to further consultation and that adequate time be provided to industry participants to consider the consequences of the proposals and to provide feedback. We further request that sufficient implementation time be given to affected industry participants in this regard.

(a) Increase the range of products subject to clearing obligations, possibly with the most liquid products in the next asset class i.e. foreign exchange OTC derivatives.

In relation to any proposal to subject FX OTC derivatives (and in particular, FX non-deliverable forwards ("**NDFs**")) to the clearing obligations, we submit that such proposal would not be appropriate as such contracts are unsuitable for clearing. The FX NDF market has the following distinguishing characteristics that make this product class unsuitable for clearing:[6]

(a) the size of the market is significantly smaller than the other OTC derivative asset classes, such as IRS, and the amount of risk in this market is hence much less than for IRS;

(b) FX NDF clearing is relatively new when compared to IRS clearing, and FX NDF clearing services need more time to mature. Introducing a clearing mandate at this point could undermine the benefits of central clearing. We also note that there are currently limited voluntary clearing activities in the NDF market;

(c) there is limited expertise and knowledge as to how CCPs would manage disruption events affecting the currencies of emerging markets and the valuation and settlement of these transactions. Trading of these contracts are also generally concentrated in short-dated tenors;

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[6] Please see the International Swaps and Derivatives Association and FIA Europe's joint response to the ESMA Consultation Paper – Clearing Obligation under EMIR (No. 3) dated 1 October 2014 for further guidance. Available at: http://www.esma.europa.eu/system/files/esma_clearingobligation_no3_isda_fia_europe_replyform.docx

(d) emerging market financial institutions are important liquidity providers in the FX NDF market. These institutions may not be subject to any central clearing mandates and therefore may be reluctant to make markets in FX NDFs that have to be cleared.

We also note that ESMA, in its Feedback Statement on the Consultation on the Clearing Obligation for Non-Deliverable Forwards dated 4 January 2015, has concluded that it would not be appropriate to impose a clearing obligation on NDFs at this juncture.[7] NDFs are also not subject to mandatory clearing requirements under Dodd-Frank.

We encourage the MAS to align any expansion of the scope of the proposed clearing obligations with that of other jurisdictions. We note that the CFTC has similarly recommended (in a report to the Global Markets Advisory Committee who had been considering the potential clearing mandate for NDFs under Dodd-Frank) that harmonisation amongst regulators is vital to limit any negative impact on global liquidity.[8]

(b) Lower the maximum threshold for exemption from clearing obligations and/or include the more active non-banks financial institutions trading OTC derivatives.

We are supportive of proposals that will promote the development of safe, transparent and efficient markets, and hence support the policy intent of extending the scope of the clearing mandate to medium and smaller sized institutions and/or non-bank financial institutions to capture the risk brought by such participants to the system. We note this is the approach taken in other jurisdictions such as the US[9] and EU[10].

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[7] ESMA Feedback Statement on the Consultation on the Clearing Obligation for Non-Deliverable Forwards dated 4 January 2015. Available at: http://www.esma.europa.eu/system/files/2015-esma-234_-_feedback_statement_on_the_clearing_obligation_of_non_deliverable_forward.pdf

[8] CFTC Foreign Exchange Markets Subcommittee report dated 5 December 2014. Available at: http://www.cftc.gov/PressRoom/PressReleases/pr7088-14.

[9] Under Dodd-Frank, all swaps subject to the clearing mandate are required to be cleared, irrespective of the counterparty's size (subject to certain exemptions for end-users and affiliates).

[10] The mandatory clearing obligations under EMIR applies to most EU regulated entities (not just banks) and to unregulated entities which conduct a significant level of OTC derivative trading.

However, the policy intent needs to be accompanied by a strong, robust and effective clearing system which includes access to client clearing services. These factors should be considered and assessed prior to any expansion in scope of the clearing mandate. It will be important for the MAS to open consultations to the industry and to provide adequate time to industry participants to consider the consequences of the proposals and to provide feedback.

The Basel III regulatory capital rules and their current treatment of segregated margin impose potentially significant negative impacts on the availability of client clearing services. Our position is more fully set out in the letter dated 18 November 2014 (signed by FIA Global, CCP12 and the World Federation of Exchanges) to the Basel Committee on Banking Supervision[11]. As set out in that letter, a significant increase in required capital will increase costs for end users and may result in banks withdrawing from providing clearing services or being unable to take on new clients. Therefore, it may be difficult for some derivatives participants to access client clearing services at a price that makes economic sense. This trend is already being observed. As a result, some of these institutions may reduce or cease their derivatives trading activity and this is an issue that needs to be addressed. These concerns have also been highlighted by CFTC Chairman, Timothy Massad, in a number of his recent speeches.[12] We understand that the CFTC is working with the banking regulators to see if any modifications can be made to existing capital rules. We strongly urge the MAS to similarly consider and address these issues.

With respect to any proposal to lower the clearing threshold, we note that the proposed threshold amount of S$20 billion is already a low threshold and do not propose that it be lowered any further.

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[11] Letter from FIA Global, CCP12 and the World Federation of Exchanges to the Basel Committee on Banking Supervision dated 18 November 2014. Available at: http://www.world-exchanges.org/files/statistics/pdf/FIA%20-%20Comment%20Letter%20-%20BCBS%20Leverage%20Ratio%20Treatment%20of%20Initial%20Margin%20%28%20%20%20.pdf. Please also see https://fia.org/articles/fia-global-requests-segregated-margin-be-excluded-basel-iii-capital-requirements.

[12] Please refer to comments made by Timothy Massad in relation to leverage ratio in his recent speeches, including Keynote Address by Chairman Timothy Massad before the Institute of International Bankers dated 2 March 2015 and Remarks of Chairman Timothy Massad before the National Grain and Feed Association 119th Annual Convention dated 17 March 2015.

Available at: http://www.cftc.gov/PressRoom/SpeechesTestimony/opamassad-13 and http://www.cftc.gov/PressRoom/SpeechesTestimony/opamassad-15.

(c) To widen the nexus for OTC derivative contracts subject to clearing obligations, including cross-border transactions with transacting counterparties that do not book their trades in Singapore-based operations.

With respect to any proposal to widen the nexus to include transactions with counterparties that do not book their trades in their Singapore-based operations, the overwhelming view of our members is that the Singapore mandatory clearing regime needs to be limited in extra-territorial application so that it is consistent with policy intent and approaches taken in other jurisdictions. Unnecessary and inappropriate extra-territorial reach would introduce conflicts with other mandatory clearing regimes and create unnecessary complexity and regulatory burden.

As highlighted in paragraph 4.5 of the Consultation Paper, the MAS acknowledges that it already maintains oversight through engaging with banks regularly on their policies regarding booking of OTC derivative contracts and the appropriate risk controls as part of banking supervision. Further the MAS will also assess the risk based on trade data reported to MAS licensed trade repositories (which includes OTC derivative contracts "booked" or "traded" in Singapore). The view is that transactions which are booked into entities in other jurisdictions should fall under the regulatory supervision of the relevant regulator in that jurisdiction.

Question 9: MAS seeks views on the draft SF(CDC)R attached in the Annex B.

In addition to earlier responses, we would be grateful if the MAS would clarify the intention behind having a different definition for "booked in Singapore" in the SF(CDC)R from that in the Securities and Futures (Reporting of Derivatives Contracts) Regulations 2013. We request that the definitions be aligned for consistency.

We also propose the following amendment to Regulation 4(b) of the SF(CDC)R for clarity:

"it is not entered into between <u>(i)</u> a person who is a party to the specified derivatives contract for his own account, or an account belonging to and maintained wholly for the benefit of a related corporation, and <u>(ii) a</u> ~~another~~ related corporation <u>of a person referred to in paragraph (i)</u>.

As noted above, the drafting of Regulation 5(2) of the SF(CDC)R is unclear. We urge that the MAS amend Regulation 5(2) of the SF(CDC)R for clarity as follows:

"~~have a period of 6 months from the date of his becoming a specified person~~ not be required to comply with paragraph (1) ~~in respect of that specified derivatives contract~~ for a period of 6 months from the date of his becoming a specified person".