Financial Institutions

Amendments to OTC Derivatives Reporting Regime Expected to Commence in Oct 2024

Introduction

The Monetary Authority of Singapore ("**MAS**") reporting regime for over-the-counter ("**OTC**") derivatives contracts started in 2013, and the enabling provisions are set out in the Securities & Futures (Reporting of Derivatives Contracts) Regulations 2013 ("**SF(RDC)R**").

To ease the aggregation of OTC derivatives data through standardisation and harmonisation of data elements, the International Organisation of Securities Commissions had issued three sets of Technical Guidance respectively on unique transaction identifier ("**UTI**"), unique product identifier ("**UPI**") and other critical data elements ("**CDE**").

On 5 July 2021, MAS issued a Consultation Paper on "Proposed Amendments to the Securities & Futures (Reporting of Derivatives Contracts) Regulations" ("**Consultation Paper**") to adopt these sets of Technical Guidance. The Consultation Paper also contained several other key proposals relating to:

- Changes to the reportable data fields under the SF(RDC)R, including UTI, UPI, and CDE;
- Implementation timeline of revised requirements; and
- Adoption of the ISO 20022 XML message format for OTC derivatives reporting to the trade repository.

MAS published its Response to Feedback Received on the Consultation Paper ("**Response**") on 16 May 2023, and shared the close-to-final revised SF(RDC)R and the Guidelines to the SF(RDC)R ("**Reporting Guidelines**").

This Update provides a high-level outline of the key proposed amendments to the OTC derivatives reporting regime which are expected to commence in October 2024.

Approach to Implementation of UTI

Reporting a UTI for OTC derivatives contracts uniquely identifies each reported contract, facilitates data aggregation, and reduces the possibility of double counting. At present, the SF(RDC)R requires reporting entities to report a UTI as follows: (i) for an uncleared OTC derivatives contract which is not electronically confirmed, a bilaterally agreed or internally generated UTI; and (ii) for any other OTC derivatives contract, a bilaterally agreed UTI.

MAS will be aligning the requirements for reporting of UTI with the UTI Technical Guidance and will amend the UTI reporting requirements in the SF(RDC)R and issue the Reporting Guidelines to provide clarity on MAS' expectations in relation to the approach for UTI and UTI generation, including the approach to determine the entity responsible for generating the UTI, which should as a matter of general expectation be determined according to the waterfall steps set out in the UTI Technical Guidance ("**CPMI-IOSCO Waterfall**"). However, to provide additional flexibility to overcome operational challenges which some reporting entities may face, the Reporting Guidelines will provide that reporting entities and their counterparties to OTC derivatives contracts may choose to instead agree on who should be the UTI generating entity

MAS also indicated that it will proceed with various proposals it had set out in the Consultation Paper including requiring reporting entities to make reasonable efforts to provide or obtain UTI (as applicable) in a timely manner. MAS will expect reporting entities to put in place proper written policies and procedures (depending on their business and activities) to ensure that reasonable efforts are made in obtaining or providing the UTI. As a contingency for the situation where a reporting entity has not obtained the UTI despite making reasonable efforts, reporting entities will be allowed to comply with their reporting obligations within the required deadline by reporting an interim-UTI. However, MAS expects this to be an infrequent occurrence as reporting entities should ensure that they have in place appropriate operations and agreements with their counterparties to ensure ongoing and proper generation of the UTI.

The Reporting Guidelines will be issued together with the revised SF(RDC)R. The revisions to the reporting and generation of UTI will only apply to reportable OTC derivatives contracts entered into or executed after the implementation of the revised SF(RDC)R and Reporting Guidelines, which is expected to commence in **October 2024**.

Changes to Reportable Data Fields

The data fields required to be reported for each OTC derivatives contract are set out in the First Schedule to the SF(RDC)R.

The thrust of the proposed amendments is to include additional data fields that will help MAS monitor risks in the OTC derivatives market and to align the definitions and allowable values of the common data fields to the CDE Technical Guidance or with data fields required by other authorities. These changes will facilitate global reporting as closely as possible. Changes will be made in the following key areas:

- Data fields, definitions and allowable values to align with the Technical Guidance, including the addition of data fields for "Package identifier" (for linking contracts reported separately but related to a single negotiated package), "Asset class", and "Contract type".
- Inclusion of requirement to report global UPI in the Reporting Guidelines.
- Report the direction of trade from reporting entity's perspective.
- Exempt the reporting of collateral and margin information by reporting entities who meet the following conditions (to be set out in the revised SF(RDC)R): the reporting entity (i) executes or causes to be executed a specified derivatives contract as an agent of a party to the specified derivatives contract; (ii) is not a party to a specified derivatives contract; and (iii) is not reasonably expected to have information on collateral and margin after he executes or causes to be executed the specified derivatives contracts. MAS clarified that the exemption should not be extended to fund/real estate investment trust ("**REIT**") managers executing OTC derivatives contracts on behalf of a fund/REIT that it manages, given that it is reasonable to expect that they have access to the collateral and margin information given their role as the manager, and therefore do not fall within the policy intent for the exemption.

- Require the reporting of foreign exchange swaps as two separate contracts, which contracts will be required to be linked by a data field "FX swap link ID" (to be used only for reporting of FX swaps).

To reflect these changes, MAS will revise the First Schedule of the SF(RDC)R, and issue supplemental guidelines to provide guidance on the interpretation of the data fields.

Implementation Timeline and Approach

In the Consultation Paper, MAS sought views on the proposed implementation timeline for the commencement of UTI requirements and the reporting of revised reportable data fields including UPI ("**Revised Requirements**").

Taking into account the implementation timelines for the respective revised reporting regimes in major jurisdictions to implement the Technical Guidance (such as the US and EU), MAS has decided that the Revised Requirements under the revised SF(RDC)R will commence in **October 2024**.

In the Consultation Paper, MAS had also previously consulted on the treatment of existing contracts that were entered into prior to the commencement date of the Revised Requirements, and had then proposed that existing contracts with maturity of at least one year as at the commencement date should be re-reported based on the Revised Requirements.

Taking into account industry feedback and to address operational difficulties with re-reporting outstanding contracts, MAS will take the following approach to re-reporting:

- **MAS will adopt only one reporting format after the commencement of the Revised Requirements, and the re-reporting requirement will apply to all OTC derivatives contracts outstanding as at the commencement date of the Revised Requirements.** Any changes to the existing reportable data fields for these outstanding OTC derivatives contracts must be reported under the new format based on the Revised Requirements within two business days of the variation. There should be no scenario where an OTC derivatives contract is to be reported or updated using the legacy reporting format under the current requirements on or after the commencement date of the Revised Requirements.
- **MAS will not require re-reporting of OTC derivatives contracts that have a maturity of less than six months from the commencement date of the Revised Requirements**. This will reduce the industry's operational burden in preparing for re-reporting.
- **Additionally, MAS will provide an exemption for the reporting of any information under the Revised Requirements that was not previously captured at the point of time when the specified derivatives contract was executed.**
- **For pre-existing contracts in transition between the current requirements and the Revised Requirements ("Transitional Trades"), MAS will continue to require these trades to be reported within two business days after its execution, change or termination**. Transitional Trades that are reported after the commencement date of the Revised Requirements must comply with the Revised Requirements.

Adoption of ISO 20022 Standard

MAS' proposal to adopt the ISO 20022 XML message format for OTC derivatives reporting received broad support. Therefore, MAS will proceed with this proposal and reflect this in the Reporting Guidelines.

In terms of implementation, MAS will adopt the ISO 20022 XML message format at the same time as the implementation of the Revised Requirements in **October 2024**. This approach aligns with the implementation approach taken by other major jurisdictions.

Further Information

If you have any queries on the above development, please feel free to contact our team members below who will be happy to assist.

For details of the proposed amendments, please refer to the Consultation Paper, Response and their respective Annexes, available here (on the MAS website at www.mas.gov.sg).

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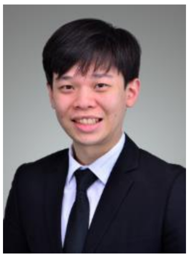

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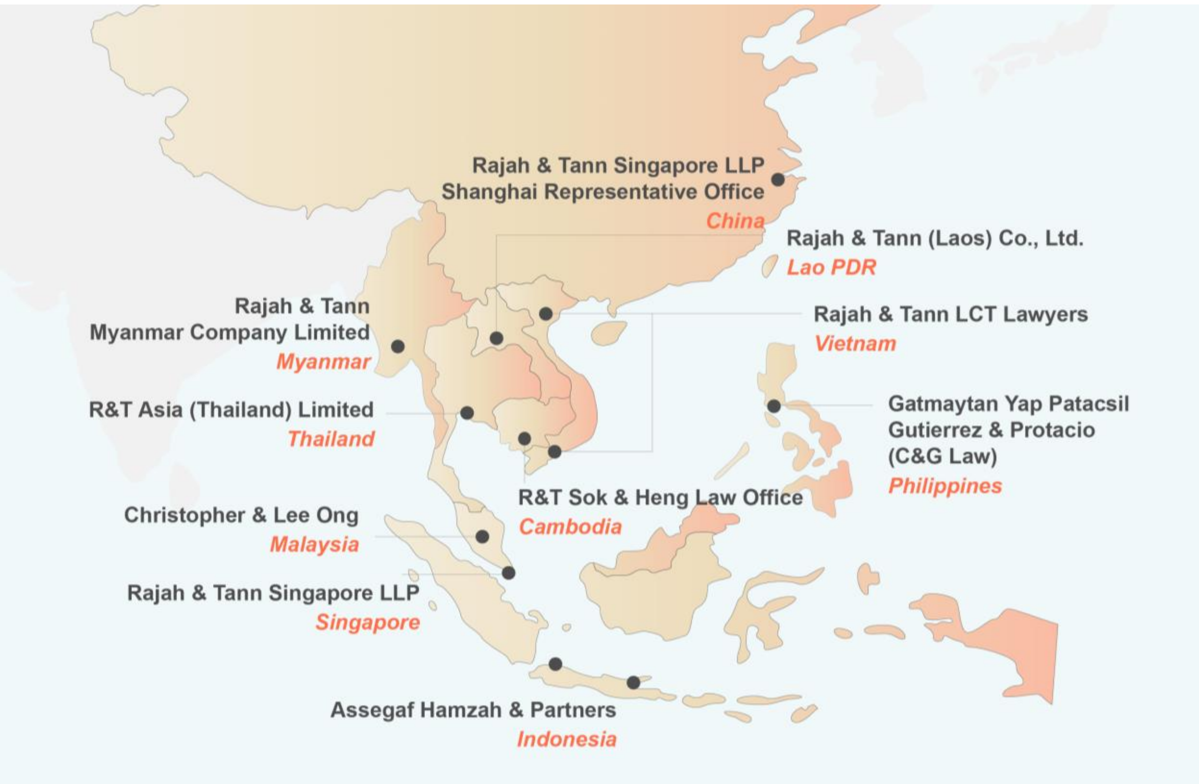

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