FAQs on OTCD Contracts Reporting In Singapore

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Background

This *Industry Paper on Frequently Asked Questions about Over-The-Counter Derivatives Contracts Reporting in Singapore* ("the FAQS") is the initiative of AIMA's Singapore Working Group on over-the-counter derivatives contracts reporting in Singapore.

This industry paper was curated by Sin Yee Koh (Director, Integrity Consulting Pte Ltd) with substantial contribution by Jonathan Quie Partner (England & Wales, Simmons & Simmons JWS Pte. Ltd.) along with input from other members of the aforementioned Singapore Working Group.

Introduction

Under Part VIA of the Securities and Futures Act (SFA) and the Securities and Futures (Reporting of Derivatives Contracts) Regulations 2013 (SF(RDC)R), in-scope entities must report all specified over-the-counter (OTC) derivatives contracts which are traded in Singapore and/or booked in Singapore.

To assist managers, this paper collates frequently asked questions (FAQs) on the reporting of OTC derivatives contracts in Singapore. This paper follows AIMA's past initiatives to assist managers with complying with their regulatory obligations under the SF(RDC)R. Managers may access the other resources on AIMA's website to supplement the information provided in these FAQs.

The FAQs were put together from questions and answers that have been kindly submitted and discussed by AIMA members that are part of the Singapore Working Group on OTC derivatives (OTCD) reporting in Singapore. The FAQs deal with matters that are not explicitly addressed by the regulations and are designed to provide practical guidance to members on suggested best operational practice. Where members have specific questions on the applicable law or regulations, members are encouraged to seek their own legal, regulatory or compliance advice.

It is AIMA's intent to update the FAQs from time to time to provide further assistance to managers as the Singapore OTC reporting regime continues to develop, especially as the current regulations may be amended in light of further global reform and regulatory harmonization relating to OTC derivatives reporting.

Members who wish to raise matters for consideration by the Singapore Working Group or for inclusion in future updates of the FAQs may contact AIMA for assistance.

FAQs

Accuracy / timeliness of reporting

Q1: What are the consequences of inaccurate or late reporting whether caused as a result of the manager or its or the fund's service provider assisting with OTCD reporting?

A: In line with the principles of outsourcing, the entity with the OTCD reporting obligation ("reporting entity") remains responsible for the accuracy and timeliness of data submission. The consequences are no different from any other regulatory breach.

Q2: If the reporting entity cannot report because a service provider that the reporting entity has engaged to assist the reporting entity with OTCD reporting is unable to, what should the reporting entity do?

A: The reporting entity should upload the OTCD reporting file to the portal of the DTCC Data Repository (Singapore) Pte. Ltd. (DDRS) directly.

Q3: Will there be a reconciliation process between DDRS and a service provider that a reporting entity has engaged to assist the reporting entity with OTCD reporting?

A: There are some service providers that have a reconciliation process with DDRS. Each reporting entity should perform due diligence checks as to whether the service provider it has engaged/wishes to engage has a reconciliation process with DDRS.

Trade Unwind Reporting Requirement

Q4: Under the OTCD reporting requirements, it is necessary to report the execution price of an OTCD contract. However, on the termination of a OTCD contract, there does not appear to be a field in DDRS' reporting template to input the execution price at which a contract is unwound. Must the unwind execution price be reported?

A: For all exits with regards to novation/termination, price is not a mandatory field. Using new swaptions trades as an example, the strike price is reported under the price field. There is no field per se for unwind fees.

Q5: If a reporting entity enters into an interest rate swap contract maturing in 10 years' time with Party A, and subsequently sells (novates) the contract to Party B next month, the reporting entity would report an exit of the contract. Should the reported contract maturity date be the 10-year date, or the termination effective date?

A: The maturity date for an exit (novation/termination) is not a mandatory field in the submission to DDRS. The DDRS system assumes "auto-mature" at the end of a trade life cycle (i.e. the expiry date for swaptions and scheduled termination date for swaps).

In respect of a novation/termination, the end of the trade lifecycle would be the effective date of the novation/termination.

FAQs

Exotic OTC Derivatives Reporting

Q6: How can derivatives that have multiple economic components, which may not all fit into the DDRS reporting template, be reported accurately?

A: The contract should be broken down into vanilla components and multiple vanilla trades reported as linked by a ComplexTradeComponentID.

E.g. Dual Digital Option:
This option has 2 underlyings and 2 strike conditions. While the First Schedule of the SF(RDC)R mandates the reporting of "Option type", underlying currencies and "Strike price", DDRS only allows reporting of 1 set per contract. Reporting entities should report all applicable values where the field is a mandatory field, even if the underlyings may be in different asset classes (e.g. the option is exercised if EURUSD > 1.3 and SIBOR < 1.0%).

E.g. Window Barrier FX Option:
This option is similar to a vanilla barrier option, except that the barrier condition has a shorter effective period than the option contract. The barrier effective period is not a required field, and there is no DDRS field to report this. AIMA's understanding is that reporting entities are not required to report the trade in a way such that this difference is captured.

Q7: How can a short-dated FX swap be reported?

A: A short-dated FX swap may be viewed as an interest rate swap because entering into a short-dated FX swap may be a way to express a view on the direction of interest rates.

As the SF(RDC)R only references how a swap is documented, i.e. as an interest rate swap or an FX swap, firms should, absent MAS' guidance otherwise, for consistency report such a swap as an FX swap.

Q8: Is "Strike price" a mandatory field for FX Options?
A: The First Schedule of the SF(RDC)R requires "Strike price (cap/floor rate)" to be reported for options. For non-option contracts, as it is not a mandatory field, firms do not have to report the strike price.

Contact us

Kher Sheng Lee
Managing Director, Co-Head of APAC and Deputy Global Head of Government Affairs
AIMA

T 65 6535 5494
E kslee@aima.org

Sin Yee Koh
Director
Integrity Consulting

T +65 3105 1515
E sinyee.koh@integrity-consult.com

Jonathan Quie
Partner, Singapore
Simmons & Simmons

T +65 6831 5632
E jonathan.quie@simmons-simmons.com

simmons-simmons.com.