FAQs on OTCD Contracts Reporting In Singapore

JUNE 2022
DISCLAIMER

The information contained in this industry paper has been prepared by The Alternative Investment Management Association Limited (AIMA) in conjunction with a Singapore Working Group comprised of AIMA members (“the Singapore Working Group”) for general information purposes for users of this guide only.

This industry paper does not intend to give specific legal or commercial advice. Although care has been taken as to what is contained in this industry paper, no attempt has been made to give definitive or exhaustive statements of law or any opinions on specific legal or regulatory issues, and no representation is made or warranty given that the information is complete or accurate. Furthermore, the applicable laws and regulations may change over time. As more legislation and regulatory guidelines are issued or updated, the accuracy of the information contained in this industry paper may alter.

This industry paper does not constitute or offer legal, regulatory or other advice and users of this industry paper should not rely on it as such advice. Neither AIMA nor the members of the Singapore Working Group accept any liability to any user of this industry paper who does rely on the content of this industry paper. Anyone requiring advice on any of the matters referred to herein should consult lawyers or other professionals familiar with the appropriate jurisdiction and legislation.

To the extent permitted by law, none of AIMA or any member of the Singapore Working Group, or any of their respective employees, agents, service providers or professional advisors assumes any liability or responsibility or owes any duty of care for any consequences of any person accessing, using, acting or refraining to act in reliance on the information contained in this industry paper. Neither AIMA nor members of the Singapore Working Group shall be liable to any person for any loss or damages (including, for example, damages for loss of business or loss of profits) arising in contract, tort or otherwise from the access or use of (or inability to use) this industry paper.

Electronic copies of this industry paper are subject to a limited licence and are reserved for the use of AIMA members only. Users of this industry paper are responsible for complying with all applicable copyright laws. AIMA permits users of this industry paper to make copies of this industry paper as necessary and incidental to users’ viewing of it; users of this industry paper may take a print of so much of the industry paper as is reasonable for private purposes. Users of this industry paper must not otherwise copy it, use it or re-publish it in whole or in part, without this section nor without first obtaining consent from AIMA (which AIMA reserves the right to refuse without giving a reason). The rights in the contents of this industry paper and their selection and arrangement, including copyright and database rights, belong to AIMA.

Singapore law will govern any legal action or proceedings arising between users of this industry paper and AIMA or any member of the Singapore Working Group in relation to this guide and users of this guide submit to the exclusive jurisdiction of the Singapore courts.
DISCLAIMER

© The Alternative Investment Management Association Limited, 2022

All rights reserved. No part of this publication may be reproduced in any material form (including photocopying or storing it in any medium by electronic means and whether or not transiently or incidentally to some other use of this publication) without written permission by the copyright holder. Application for permission for other use of copyright materials including permission to reproduce extracts in other published works shall be made to The Alternative Investment Management Association Limited. Full acknowledgement to authors, publishers and sources must be given. Warning: The doing of an unauthorised act in relation to copyright work may result in both a civil claim for damages and criminal prosecution.

(1) This is an example footnote. It is in font Real Text Light and size 8pt. The text box is aligned 1.5 cm from the left margin and has a hanging indent of 1 cm. Both the footnote indicator in the text and in the footnote should be in coral. All footnotes should be numerical (no symbols to be used).
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