



SWIFT Response

Monetary Authority of
Singapore

Consultation Paper on Draft
Regulations for Reporting of
Foreign Exchange
Derivatives Contracts

01 August 2014

Foreword

SWIFT thanks the Monetary Authority of Singapore for the opportunity to respond to the Discussion Paper on reporting of Foreign Exchange Derivatives Contracts.

SWIFT is a member-owned, cooperative society headquartered in Belgium. SWIFT is organised under Belgian law and is owned and controlled by its shareholding Users, comprising over 2,300 financial institutions. We connect over 10,500 connected firms, across more than 215 territories. A fundamental tenet of SWIFT's governance is to continually reduce costs and eliminate risks and frictions from industry processes.

SWIFT provides market infrastructures (including Trade Repositories), banking, securities, and other regulated financial organisations, as well as corporates, with a comprehensive suite of messaging products and services. We support a range of financial functions, including payments, securities settlement, trade reporting, and treasury operations. SWIFT also has a proven track record of bringing the financial community together to work collaboratively, to shape market practice, define formal standards and debate issues of mutual interest.

The comments provided below are focused on the information to be reported, and how the use of industry confirmation message standards (which SWIFT develops and supports) can help ease the implementation of the reporting requirements.

We thank the Authority again for the opportunity to comment. Please do not hesitate to contact us should you wish to discuss this further.



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General Comments - Information To Be Reported

SWIFT has worked with industry participants in a number of markets to ease the implementation of FX derivatives reporting requirements (e.g. in the US for Dodd-Frank and in the EU for the European Market Infrastructure Regulation – EMIR).

Message formats supported by SWIFT are the industry standard for confirming a range of treasury derivative instruments, including derivative products such as FX forwards, non-deliverable-forwards, swaps and options. These message standards are used globally by thousands of end-users and across all traded currencies. The messages contain key counterparty and economic terms for the trades, as well as other important confirmation data elements. They are typically sent in a timely fashion and support straight through processing.

- The relevant messages are:
 - MT300 which covers FX forwards, NDFs, swaps
 - MT305 which covers FX vanilla options and non-deliverable vanilla options
 - MT306 which covers FX exotic options and non-deliverable exotic options

To aid reporting SWIFT made significant enhancements to these message standards in 2013 to ensure that they carried all the fields required for FX derivatives reporting to trade repositories required under Dodd-Frank, EMIR and other legislation. Below we provide an example extract from the message standards documentation relating to the MT300, which shows the additional structured trade reporting fields which were added to this message in 2013:

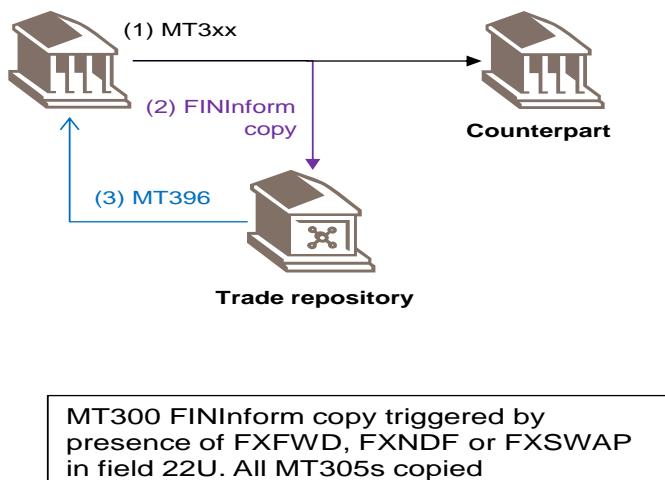
Status	Tag	Field Name	Content/Options	No.
M	16A	Number of Settlements	5n	45
End of Sequence D Split Settlement Details				
Optional Sequence E Reporting Information				
M	15E	New Sequence	Empty field	46
-----> Optional Repetitive Subsequence E1 Reporting Parties				
M	22L	Reporting Jurisdiction	35x	47
O	91a	Reporting Party	A, D, or J	48
-----> Optional Repetitive Subsequence E1a Unique Transaction Identifier				
M	22M	UTI Namespace/Issuer Code	10x	49
M	22N	Transaction Identifier	32x	50
-----> Optional Repetitive Subsequence E1a1 Prior Unique Transaction Identifier				
M	22P	PUTI Namespace/Issuer Code	10x	51
M	22R	Prior Transaction Identifier	32x	52
----- End of Subsequence E1a1 Prior Unique Transaction Identifier				
----- End of Subsequence E1a Unique Transaction Identifier				
----- End of Subsequence E1 Reporting Parties				
O	81a	Central Counterparty Clearing House (CCP)	A, D, or J	53
O	96a	Clearing Exception Party	A, D, or J	54
----->				
O	22S	Clearing Broker Identification	1!a/35x	55

O	22T	Cleared Product Identification	35x	56
O	17E	Clearing Threshold Indicator	1!a	57
O	22U	Underlying Product Identifier	6a	58
O	17H	Allocation Indicator	1!a	59
O	17P	Collateralisation Indicator	1!a	60
O	22V	Execution Venue	35x	61
O	98D	Execution Timestamp	8!n6!n[.3n]![/N]2!n[2!n]	62
O	17W	Non Standard Flag	1!a	63
O	22W	Link Swap Identification	42x	64
O	77A	Additional Reporting Information	20*35x	65
End of Sequence E Reporting Information				
M = Mandatory, O = Optional				

SWIFTS' Standards department in Singapore has performed a mapping analysis of the complete FX trade confirmation messages (including the sequence above) against the data elements required by MAS for reporting. This confirms that the message standards contain dedicated fields for most of the data elements required by MAS and, where the dedicated fields are not available, pre-defined code words can be used to specify the data elements in a text-free field intended for additional reporting information.

It is important that MAS encourages the use of trade confirmations for FX derivatives using industry standard messages such as those described. The use of these messages, with the completion of all the fields required for reporting under the MAS regulations, will deliver greater automation and enhance the accuracy of the reporting.

Our experience from other markets where reporting is already in place is that automation can be further enhanced, and operational overheads reduced, if confirmed trades are copied into trade repositories directly from the confirmation process. An example of how this flow works using the MT300/5 messages over SWIFT, and using our FINInform service, is shown in the graphic below:



Whilst the diagram above illustrates the use of SWIFT's own copy mechanism for the MT3x confirmation messages, other scenarios are possible. For example a third party can capture the FX MT3xx confirmation messages containing reporting information, and map the reporting data into the MAS format. The third party would extract the reporting data from the confirmation and make it available to DTCC/MAS. This is a lighter implementation for the end user, and ensures both the accuracy of data reported, and the easier reconciliation of the 2 sides of the trade by MAS.

The issue of UTI can be handled if one party automatically retrieves the counterparty UTI from the other, and both report it as the transaction UTI (note that in the above graphic it is assumed that an agreed UTI is available to both parties prior to sending the trade confirmations).

In summary our view is that the trade confirmation process, whilst desirable in itself for more efficient processing of FX derivatives transactions, can also contribute to trade reporting. The industry standard messages we have described above enable a practical methodology to deliver this dual benefit.

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