PROMONTORY
Sightlines INFOCUS
promontory.com
FEBRUARY 5, 2013

BY RONALD GOULD

Global OTC Derivatives Reform: Asia's Challenges

Ron Gould is a managing director at Promontory Financial Group LLC, and advises clients in restructuring and supervision. He was formerly CEO of Chi-X Asia Pacific, where he drove the creation of new trading markets in the region.

International efforts to reduce systemic threats in financial markets face unusual challenges from over-the-counter derivatives in Asia. Though the volume of derivatives trading in Asia is modest compared with that in other nations and regions, its extraordinary growth implies substantial risk — particularly given the uneven regulation in the many jurisdictions in which the trading occurs.

Questions about the adequacy of derivatives supervision are not unique to Asia, of course. One of the clearest lessons of the financial crisis was that the global market for these varied and complex instruments was poorly supervised, with few safeguards and sources of reliable information. The derivatives market was opaque to regulators as well as participants, and contributed to the severity of the crisis.

The G20 addressed these problems in September 2009 when it mandated that standardized OTC derivatives should be traded on open platforms, and cleared through central counterparties. Trade repositories were to capture data on nonstandardized transactions.

The G20 looked to the Financial Stability Board to develop these fixes, but stuffing a largely unstructured, bilaterally traded, $700 trillion market into a new framework was never going to be quick and easy, and some of the most challenging aspects of the reform effort lie in its implementation. Supervisors are looking for practical solutions in local markets for an inherently global market, while at the same time aiming to provide consistent cross-border standards.

Nowhere is this undertaking more daunting than in Asia. The United States and Europe are substantially larger OTC derivatives markets, and effectively constitute two legal jurisdictions. Asia has 17 jurisdictions — each of which is designing its own OTC derivatives regulatory regime. In the meantime, the U.S. is already moving forward with new rules that seem certain to bring big changes to derivatives trading.

What follows discusses the progress of derivatives regulatory reform in Asia, and covers how extraterritorial expectations — including the U.S. Commodity Futures Trading Commission's recent exemptive order on swaps provisions of the Dodd-Frank Act — are shaping the growing derivatives market in Asia.

More Jurisdictions, More Details

The FSB said in its most recent status report that market infrastructure has developed very quickly since the G20 pronouncement. Trading platforms, clearing venues, and trade repositories are now available for all asset classes. But a closer look reveals that there is, as yet, little agreement on how regulators will share information across borders — to say nothing of standardizing data formats for reporting. Some jurisdictions permit international information-sharing among trade repositories, while others have local privacy laws that criminalize it.

The use of multiple clearinghouses for different asset classes across jurisdictions is another area of concern. The economic impact on OTC derivative market participants can be significant because collateral cannot currently be netted across clearing platforms and is, instead, trapped in clearing silos. But achieving interoperability is complex and would increase the collateral management challenges for central counterparties.

The conflict on collateral has substantial implications at the local level. Even small inconsistencies among CCPs can create systemic risk-management problems, and market-allied CCPs would of course prefer to avoid interoperability to preserve their niche. Only pressure from regulators and customers will push CCPs towards interoperability, and any progress is likely to be slow.

Asia is likely to rely upon a relatively large number of fairly small CCPs for the foreseeable future, so the drive toward interoperability — and avoiding trapping collateral unnecessarily — may be stronger than in other regions. There is a compelling case for industry and regulators to work together to meet these challenges within the region and to present a clear and united front in discussions with authorities in other key jurisdictions.[1]

Clearing and trading requirements vary across the region, with most Asian regulators taking a cautious approach to initial mandatory requirements. Some regulators have said that they hope product standardization will lead to voluntary central clearing that would provide valuable information about where — products, assets classes, and types of market participants — they should focus supervisory efforts. The accompanying charts show the state of play for mandated clearing and trading by country, as well as issues regarding trade repositories and provisions for cross-border data flows.

Extraterritorial Concerns

Many Asian regulators have taken pains to avoid regulatory proposals that are too parochial, as even when considered in aggregate, the Asian OTC derivatives market is fairly small. Practically speaking, they must follow the lead of the larger markets of the U.S. and Europe.

The extraterritorial application of regulations in the U.S. and Europe are a considerable challenge for the developing Asian markets, and participants and local regulators alike have sought relief from, or delays in, implementing those regulations. Several Asia-Pacific regulatory authorities have voiced concerns about the extraterritorial reach of the CFTC's proposed cross-border guidance.

[1] Not all cross-border challenges arise from U.S. regulations. For example, margin requirements for uncleared swaps are actually less demanding under U.S. rules, while some international regulators take the most conservative position of requiring two-way margin for all counterparties.

KEY RISKS

- Compliance with conflicting home jurisdiction and U.S. regulations
- Market disruption or fragmentation, leading to greater threats to systemic stability and home-market liquidity
- Increased compliance costs
- Reduction in liquidity of OTC derivatives

Representatives from Australia, Hong Kong, Japan, and Singapore all sent letters to the commission expressing concern about swap-dealer registration requirements for non-U.S. persons, and the CFTC convened a group of foreign regulators in early December 2012 to discuss alternatives.[2]

The CFTC's subsequent Dec. 21 exemptive order and proposed guidance responded by clarifying and changing some of the rules, and delaying implementation of others.[3] It narrowed the key definition of "U.S. person," and said that relief provided in an earlier no-action letter continued in force. The order also gave non-U.S. swap dealers and major swap participants additional time to comply with the CFTC's entity-level requirements and transaction-level requirements for transactions with non-U.S. persons. The order expires on July 12, 2013, and the CFTC expects to provide final cross-border guidance before this date.[4] Though the CFTC's actions provide some breathing space for many firms, uncertainties will remain until final cross-border guidance is completed.

Beyond their specific objections to rules implementing the Dodd-Frank Act requirements, Asian regulators seek recognition of their supervision as effectively equivalent to the U.S. — and therefore not directly subject to U.S. rules. Participants want relief from swap-dealer registration requirements; exchanges and clearinghouses also seek to avoid U.S. registration requirements.

The regulatory assembly in Washington reached broad agreements on products subject to mandatory clearing and information sharing, but fell short on specifics. New details are likely to emerge in 2013, including appropriate transitional periods in various jurisdictions.

Jurisdiction Summaries

CHINA

China has taken an active role in discussions of OTC derivatives before the FSB and the International Organization of Securities Commissions. It is working to adopt new requirements, but its market for the products is still relatively small and its infrastructure development is still at an early stage. The Shanghai Clearing House, which was established in 2009, is not yet fully operational, and standardization in China has made little progress. There is no cross-border market because of currency restrictions, but there is a legal framework. As China's markets become more open, infrastructure and internationally acceptable rules will follow.

HONG KONG/SINGAPORE

The open and sizable OTC derivatives markets in Hong Kong and Singapore are bellwethers for the region, and are grappling with how the extraterritorial provisions of U.S. and European rules will play out in their markets. That will not be clear until the rules themselves are final, but in the meantime, their protests have resulted in some changes and delays.

Hong Kong and Singapore have been especially sensitive to expansion opportunities by permitting the use of non-local CCPs that use similar trading and clearing standards, and taking a flexible approach to trade repository arrangements while mandating basic local requirements. The Depository Trust &

[2] Market regulators from Australia, Brazil, the European Union, Hong Kong, Japan, Ontario, Quebec, Singapore, Switzerland and the U.S. (CFTC and SEC) issued a joint statement on the regulation of cross-border derivatives.
[3] http://www.cftc.gov/PressRoom/PressReleases/pr6478-12
[4] See a Sightlines Alert, "CFTC Narrows Extraterritorial Reach of Dodd-Frank," for more information.

Clearing Corporation has established a pan-Asian trade repository that is being offered to the markets in the region.

Regulators have been careful about decisions that could drive business away, and both markets stand to gain ground as local companies increasingly look to execute transactions locally. That said, they also want to avoid the appearance of promoting regulatory arbitrage as the basis for success. Hong Kong will require mandatory clearing for transactions with a “Hong Kong nexus” but permit the use of either a local or global CCP. Not surprisingly, that “HK nexus” definition is under considerable debate. Neither Hong Kong nor Singapore will initially mandate electronic trading.

TAIWAN

Taiwan has not tried to position itself as an OTC derivatives market due to capital and related market restrictions. The Gre Tai Securities Market, the exchange and industry-backed interest-rate and bond-derivatives exchange in Taiwan, will establish a trade repository covering all asset classes, and the Financial Supervisory Commission will require mandatory daily reporting of all OTC derivatives transactions. To avoid reporting duplication, GTSM has a reporting agreement with DTCC. Work is ongoing with respect to mandatory central clearing.

JAPAN

Japan is the largest single OTC derivatives market in Asia (4% of the world market[5]) and has taken a more restrictive route —reflecting the larger and more established nature of its OTC derivatives markets and the fact that it was the first Asian country to begin implementing the G20 recommendations. The Japanese Financial Services Authority has the power to issue the rules required under FSB guidance and many of the new Japanese regulations regarding central clearing and trade reporting took effect in November 2012. The Japan Securities Clearing Corp. is the mandated clearing house for OTC products, although decisions about what products will be subject to mandatory clearing beyond interest-rate and credit-default swaps are still underway. Japan has made substantial progress on product standardization.

INDIA

India, a market not generally associated with OTC derivatives, has nonetheless had effective regulation in this field for some time, with centralized trade reporting as early as 2007 in some instrument categories and central clearing since 2008 for some products. These developments have continued, largely untouched by the financial crisis elsewhere, with new OTC foreign exchange rules coming into play in early 2011. Concerns in India relate largely to a lack of interconnectedness with foreign markets and counterparties in what is otherwise a quite global market.

AUSTRALIA

The Australian derivatives market has a long and sophisticated history, and its regulators have been active in responding to the G20 framework. They have the authority to require mandatory central clearing although they have not yet imposed it. They will require mandatory trade reporting. Mandatory trading platforms are under consideration but will not be immediately imposed.

KOREA

Korea’s exchange-traded derivatives market has the largest transaction volume in the world, but its OTC derivatives market is tiny. The country is in the process of passing legislation to implement G20

[5] BIS estimate

KEY TAKEAWAYS

- The CFTC's Dec. 21 order and guidance reduced but did not eliminate the regulatory uncertainty for market participants in Asia, and it delayed the applicability of some of Dodd-Frank's extraterritorial provisions. Basic legislation is still under discussion and detailed rules are not yet final in a number of jurisdictions.
- Procedures for trade reporting at the local level look generally sound, but procedures for information sharing across jurisdictions, or platforms within a jurisdiction, are not yet clear, and trade repositories and regulators may face pressure to clarify these issues. Even the basic agreement on data reporting and formatting has not yet been globally embraced, which may mean additional changes in the coming months.
- Determination of precisely which OTC derivative products will require mandatory clearing or trading on an organized trading platform is still unclear in many markets.
- Central clearing requirements, especially relating to collateral, will vary by jurisdiction and by central counterparty, as will operating complexity and costs.
- Clearinghouse interoperability looms as large, unresolved problem, with the eventual answers having important ramifications for cost, complexity, and systemic stability. Participants and regulators must work together to solve issues surrounding interoperability. Currency controls are a related issue due to the need to overcome them to support collateral flow in a satisfactory fashion.
- Agreement among national regulators on either the application or exemption of extraterritorial rules will play a key role in determining how market participants interact.

guidelines but has not yet fixed its rules, and it has tasked the clearing house of the Korea Exchange with the creation of central clearing for OTC derivative products. For now, it is likely to impose mandatory clearing only on Korean Won interest-rate swaps. The Korean Financial Supervisory Service will require monthly transaction reporting for all OTC products directly, rather than through a separate trade repository.

Contact Promontory

For more information, please call or email your usual Promontory contact, or one of those listed below:

Ron Gould
Managing Director, Hong Kong
rgould@promontory.com
+852 3975 2901

Frederic Lau
Managing Director, Hong Kong
flau@promontory.com
+852 3975 2901

Doug Harris
Managing Director, New York
dharris@promontory.com
+1 212 365 656

To subscribe to Promontory's publications, please visit promontory.com/subscribe2.aspx

CENTRAL COUNTERPARTIES: ENTITY-LEVEL SUMMARY

Entity Name	Location	Regulator	OTC Derivatives Asset Classes Cleared	Future Offerings	Direct Clearing Members	Indirect Clearing Members	Percentage of Members Domestic	Links to Infrastructures	Description of Linked Infrastructures
ASX	Australia	Australian Securities and Investments Commission	Not yet operational	Operational during Q1 2013 for IR and equity					
CCIL	India	Reserve Bank of India	FX	Expand to IR during Q1 2013 (currently only settling IR)	47	0	CM: 100% IDCM: N/A	1	TR
HKEx	Hong Kong	Registering with Securities and Futures Commission	Not yet operational	Add IR and FX during Q1 2013				1	TR
JSCC	Japan	Japan Financial Services Authority	Cr		5	1	CM: 100% IDCM: 100%	0	
SGX Asiaclear	Singapore	Monetary Authority of Singapore	Co, FX, IR	Expand IR products during Q1 2013	30	(Information not provided)	CM: 100%	5	Trading platforms
Shanghai Clearing House	China	People's Bank of China	Not yet operational	IR during Q4 2012	43		CM: 100%	3	1 trading platform 1 CSD 1 payment system

TRADE REPOSITORIES: ENTITY-LEVEL SUMMARY

Entity Name	Location	Regulator	Asset Classes	Direct Access Provided to Regulators	Ability to Aggregate within Asset Classes (Data from other TRs)	Ability to Aggregate Across Asset Classes	Links with other Market Infrastructure	Description of Links with other Market Infrastructure
Bank of Korea	Korea	(Not supervised)	Co, Cr, E, FX, IR	Yes	No	Yes	No	
Clearing Corporation of India	India	RBI	Cr, FX, IR	Yes, Web portal and report browser	No	No	Yes	Linked to affiliated trading platforms and settlement systems
DTCC Data Repository (Japan)	Japan	To seek registration with JFSA	Cr, E, FX, IR	Yes, Web portal	No	No	No	
DTCC Data Repository (Singapore) PTE Ltd	Singapore	To seek registration with MAS	Co, Cr, E, FX, IR	Yes, Web portal				
HKMA	Hong Kong	(Not supervised)	FX, IR	Yes, web portal and in-house MIS delivery	Yes	No	To be established	Local CCP, DTCC TR and a confirmation platform

Source: FSB

ABBREVIATIONS:

FX = foreign exchange
Cr. = credit instruments
Co. = commodities
E = equities
IR = interest rates
TR = trade repositories
CM = clearing members
IDCM = indirect clearing members
CDS = credit default swap
CSD = central securities depository

PROGRESS IN OTC DERIVATIVES MARKET REFORMS — TABLE 1: STANDARDIZATION

	Proportion of OTC derivatives composed of standardized derivatives substantially increased	Legislative and/or regulatory steps completed toward increasing the use of standardized products and processes	Additional legislative and/or regulatory steps planned toward increasing the use of standardized products and processes
AUSTRALIA	N/A, main OTC derivatives instruments traded in Australian markets are interest rate and FX products, which are already fairly standardized.	Yes, Australian Prudential Regulation Authority (APRA) has released for public consultation draft provisions to implement Basel III capital requirements.	Yes, APRA will incorporate Basel III capital requirements into its prudential standards to meet the Basel Committee on Banking Supervision timetable.
CHINA	Yes	Yes, PBC has approved the China Foreign Exchange Trade System to introduce standardized post-trade procedures for IRS trading via CFETS trading platform, and also the multi-lateral contract compression program for IRS.	No
HONG KONG SAR	Monitoring development of reference benchmark. Main products traded in HK are already fairly standardized.	No	Yes, HKMA has completed the process for primary legislation incorporating Basel III framework in its capital regime for banks.
INDIA	Yes, CDS transactions permitted since 2011 are standardized.	Yes, CDS transactions permitted since 2011 are standardized.	The process of standardization is planned to be undertaken gradually. CDS transactions are currently standardized and a working group was recently constituted to recommend standardization of IRS contracts.
INDONESIA	N/A. Under the rules of the capital market regulator, derivatives products may only be traded on exchange.	Yes, Bapepam-LK Rule III.E.1 stipulates use of the future contract and option on Securities or Securities Index, which may only be traded on an exchange.	N/A
JAPAN	A significant portion of the market is already standardized.	Yes, Financial Instruments and Exchange Act was amended in May 2010 to require mandatory clearing, and in September 2012 to require the use of the electronic trading platforms. These are expected to promote standardization.	Yes. With respect to CCPs, the Cabinet Office Ordinance was promulgated in July 2012. With respect to ETP, the implementation will be phased in (up to three years).
REPUBLIC OF KOREA	Yes	A revision of the Financial Investment Services and Capital Markets Act was submitted to the National Assembly in November 2011 but has consistently failed to pass.	Detailed provisions of enforcement ordinances and supervisory regulations required after legislation is adopted. Legislation has yet to pass.
SINGAPORE	Yes, major participants in the domestic market are the G-15 dealers that have committed to increase standardization.	No	Yes, relevant legislation passed in late 2012.

PROGRESS IN OTC DERIVATIVES MARKET REFORMS — TABLE 2: CENTRAL CLEARING

	Law and/or regulation in force requiring all standardized OTC derivatives to be cleared through CCPs	Legislative and/or regulatory steps completed toward increasing the use of standardized products and processes	Additional legislative and/or regulatory steps planned toward increasing the use of standardized products and processes
AUSTRALIA		Legislative and/or regulatory steps completed toward central clearing of standardized OTC derivatives	Yes. Legislation was passed in late 2012. Implementing regulations and rules will also be required.
CHINA		Additional legislative and/or regulatory steps needed for a central clearing requirement for standardized OTC derivatives to be effective	Under review, depending on the legislative steps.
HONG KONG SAR	Consultation conclusions are already published and currently drafting amendments to be introduced to Legislative Council early 2013.	A consultation paper on the proposed OTC derivatives regulatory regime for Hong Kong, including mandatory clearing requirements was released in October 2011 and the regulators published the conclusion paper in July 2012. The regulators are now working on the legislative documents to be submitted to the Legislative Council.	Yes, legislative amendments must be adopted and further market consultation is also needed before finalizing the detailed regulations on the mandatory central clearing requirement. The target for implementation is by Q3 2013.
INDIA	Progressive steps towards central clearing of OTC derivative transactions are being taken. Central clearing is currently based on incentives, but plan to move to a combination of mandatory requirements and incentives.	Repo transactions in government securities are required to be centrally cleared. Mandatory clearing requirements for USD/INR forwards go into effect Q1 2013.	Time frame for guaranteed settlement of CDS will be mandated after a critical level of volume is attained.
INDONESIA	No, Bapepam-LK Rule III.E.1 stipulates use of the Future Contract and Option on Securities or Securities Index, which may only be traded on exchange.	Currently no legislative or regulatory steps are proposed. Will implement requirements for central clearing if necessary in the future.	Will use economic incentives consistent with Basel III to promote central clearing of derivatives, given that regulations limit the use of OTC derivatives
JAPAN	Yes, but initially the requirements will apply only to Yen interest rate swaps and CDS (iTraxx Japan Index series).	The Financial Instruments and Exchange Act was amended in May 2010.	Yes, Cabinet Office Ordinance will be implemented in November 2012, including a requirement for central clearing of trades "that are significant in volume and would reduce settlement risks in the domestic market."
REPUBLIC OF KOREA	Yes	Amendments to the Financial Investment Services and Capital Markets Act were submitted to the National Assembly in November 2011 but have not passed as yet.	Yes, Financial Investment Services and Capital Markets Act amendments to be adopted, hopefully in 2013.
SINGAPORE	Yes	Public consultation on licensing of CCPs and central clearing obligations has been issued. Legislation framework completed in late 2012.	Yes, development of detailed regulations is underway.

PROGRESS IN OTC DERIVATIVES MARKET REFORMS — TABLE 3: EXCHANGE OR ELECTRONIC PLATFORM TRADING

	Law and/or regulation in force requiring all or any subset of standardized derivatives to be traded on exchanges or electronic trading platforms	Legislative and/or regulatory steps completed toward increasing the use of standardized products and processes	Additional legislative and/or regulatory steps planned toward increasing the use of standardized products and processes
AUSTRALIA	The Australian Parliament passed a legislative framework to allow the imposition of a requirement to trade standardized derivatives on trading platforms or exchanges in late 2012. Implementing regulations and rules would be required before any mandatory obligations are imposed.	The Parliament passed a legislative framework to permit imposition of a requirement to trade standardized derivatives on trading platforms or exchanges.	Yes, legislation was passed in late 2012. Implementing regulations and rules will also be required.
CHINA	Under PBC's regulation, all standard OTC derivatives can be traded on the electronic trading platform operated by CFETs.	Electronic trading platform operated by CFETS has been developed. All standardized OTC interest rate and credit derivatives can be traded on CFETS platform.	No
HONG KONG SAR	The regulatory proposal which has been reviewed by a panel committee of the Legislative Council is under legislative drafting, which will give regulators the power to impose a trading requirement. The timing of implementation is subject to further study on the liquidity level and number of trading venues available in Hong Kong in order for regulators to assess how best to implement such a requirement.	Regulators have jointly issued a consultation paper on the proposed OTC derivatives regulatory regime for Hong Kong, including the proposal to give the regulators powers to make rules to implement the mandatory trading requirement after the regulators' study on how best to implement such requirement. Following the consultation, the regulators published the conclusions in July 2012 to respond to the comments received from the consultation. Legislation is slated for 2013.	Yes, legislative amendments must be adopted and further market consultation is also needed before finalizing the detailed regulations of the mandatory trading requirement.
INDIA	No	Mandated for all derivatives transactions involving repos in government securities, IRS, forward rate agreements and foreign exchange forwards.	Yes, explicit regulatory powers are needed to authorise and regulate OTC derivatives trading platforms.
INDONESIA	N/A	Currently no legislative or regulatory steps are proposed.	N/A
JAPAN	Yes, The Financial Instruments and Exchange Act was amended in September 2012.	The FIEA was amended in September 2012.	The implementation will be phased in (up to three years).
REPUBLIC OF KOREA	No, this is under review.	Review of policy options underway, legislation not yet proposed.	No
SINGAPORE	To be determined	None	No

PROGRESS IN OTC DERIVATIVES MARKET REFORMS — TABLE 4: REPORTING TO TRADE REPOSITORIES

	Law and/or regulation in force requiring all OTC derivatives transactions to be reported to trade repositories	Legislative and/or regulatory steps completed toward implementing a reporting requirement	Additional legislative and/or regulatory steps needed for a reporting requirement to be effective	Reporting to governmental authority in place of specifically-designated trade repository
AUSTRALIA	Parliament passed legislation to allow the imposition of mandatory trade reporting in late 2012. Implementing regulations and rules will be required before any mandatory obligations are actually imposed. The legislation also introduces a licensing regime for trade repositories.	A legislative framework to facilitate trade reporting was passed in late 2012.	Yes, legislation completed, however implementing regulations and rules will be required.	To be determined, if no TR available, the draft legislation would also permit imposition of a requirement that data be reported to a prescribed governmental authority.
CHINA	Yes	Trading of OTC interest rates executed outside the CFETS platform should be reported to CFETS.	Yes, details to be determined.	Yes
HONG KONG SAR	The regulatory proposal which has been reviewed by a panel committee of the Legislative Council is under legislative drafting, with the aim of introducing the required legislative amendments before the legislature in early 2013. The intention is to take a phased approach, beginning with interest rate swaps and non-deliverable forwards.	A consultation paper on the proposed OTC derivatives regulatory regime for Hong Kong, including the proposed mandatory reporting requirements was released in October 2011 and the regulators published the conclusion paper in July 2012. Taking into consideration the responses received from the consultation, the regulators are now working on the legislative documents to be submitted to the Legislative Council in 2013.	Yes, legislative amendments must be adopted and further market consultation is also needed before finalizing the detailed regulations on the mandatory reporting requirement.	Regulations requiring OTC derivatives transactions that have a bearing on the Hong Kong financial market to be reported to the local TR are to be developed by HKMA.
INDIA	Yes, as per existing regulatory guidelines, banks and primary dealers should report IRS/FRA and foreign exchange derivatives transactions to the CCIL reporting platform; in the case of CDS, all market makers must report trades on the centralised reporting platform within the stipulated time after of execution.	Regulatory guidelines issued in 2007 for reporting of IRS and FRAs; reporting of CDS required by legislation in 2011; regulatory guidelines issued in June 2012 for certain forwards, swaps and options. Considering a phased-in approach to bring any remaining OTC derivatives under the reporting framework.	Yes, recommendations made to the Financial Sector Legislative Reforms Commission to provide appropriate statutory authority for the regulation of TRs, facilitating reporting to and dissemination of information from TRs to the appropriate members and regulators.	No. IRS trades are being reported to CCIL and the details are accessible to the Reserve Bank of India.
INDONESIA	N/A, derivatives products may only be traded on exchange.	None	N/A	N/A
JAPAN	Yes, in general, trade data will be reported to a TR and trade data that the TR does not accept will be reported to JFSA.	FIEA amended May 2010 to introduce the legislative framework for reporting of OTC derivatives transactions to TRs.	Yes. Cabinet Office Ordinance promulgated in July 2012 and will be implemented April 2013.	Yes, trade data reported to JFSA will be limited to information not accepted by a TR, such as exotic OTC derivatives trades.
REPUBLIC OF KOREA	Yes	The Financial Investment Services and Capital Markets Act and the Foreign Exchange Transactions Act require reporting of all OTC derivatives transactions to authorities.	Yes, necessary to improve some parts of the reporting system to meet international standards.	Yes, the Financial Investment Services and Capital Markets Act and the Foreign Exchange Transactions Act requires reporting of OTC transactions to governmental authorities .
SINGAPORE	Yes	Public consultation on legislative amendments concerning the reporting mandate and the licensing of TR has been issued. Implementation of licensing regime expected in Q3 2013.	Yes, in the process of developing detailed regulations, subject to international developments.	To be determined

Global Offices

ATLANTA
Midtown Proscenium Center
1170 Peachtree Street, Suite 1200
Atlanta, GA 30309
+1 404 885 5741

BRUSSELS
Promontory Financial Group – Brussels Branch
Rond Point Schuman 6/5
B-1040 Brussels, Belgium
+32 2 234 78 28

DENVER
1999 Broadway, Suite 1800
Denver, CO 80202
+1 720 974 3301

DUBAI
Promontory Financial Group, LLC
Emaar Square
Building 4, Office 204
Sheikh Zayed Road
P.O. Box 53854
Dubai, UAE
+971 4 445 15 55

HONG KONG
Promontory Financial Group China Ltd
Level 10, Central Building
1-3 Pedder Street
Central, Hong Kong SAR, China
+852 3975 2901

LONDON
Promontory Financial Group UK Ltd
2nd Floor, 30 Old Broad Street
London, UK EC2N 1HT
+44 20 7997 3400

MILAN
Promontory Financial Group Italy S.r.l.
Via Alessandro Manzoni, 3
20121 Milan, Italy
+39 02 7262 2100

NEW YORK
280 Park Avenue, 40th Floor West
New York, NY 10017
+1 212 365 6565

PARIS
Promontory Financial Group France SAS
28 Boulevard Haussmann
75009 Paris, France
+33 1 44 79 17 20

SAN FRANCISCO
Spear Tower, Suite 4100
1 Market Plaza
San Francisco, CA 94105
+1 415 986 4660

SINGAPORE
Promontory Financial Group Australasia, LLP
260 Orchard Road
#19-01 The Heeren
Singapore 238855
+65 6410 0900

SYDNEY
Promontory Australasia Sydney Pty Ltd
Level 32, 1 Market Street
Sydney, NSW 2000, Australia
+61 2 9275 8833

TOKYO
Promontory Financial Group
Global Services Japan, LLC
Teikoku Hotel Tower 6F
1-1-1, Uchisaiwaicho
Chiyoda-ku, Tokyo 100-0011, Japan
+81 3 3519 1400

TORONTO
Promontory Financial Group Canada ULC
TD Centre, P.O. Box 326
77 King Street West, Suite 3720
Toronto, Ontario M5K 1K7, Canada
+1 416 863 8500

WASHINGTON, D.C.
801 17th Street, NW, Suite 1100
Washington, DC 20006
+1 202 384 1200

PROMONTORY

Promontory is a leading strategy, risk management, and regulatory compliance consulting firm for the financial services industry. Promontory's professionals have deep and varied expertise gained through decades of experience as senior leaders of regulatory bodies and financial institutions. Promontory assists clients in meeting regulatory requirements and in enhancing governance, risk management, strategic plans, and compliance programs.

Promontory Financial Group, LLC
801 17th Street, NW, Suite 1100, Washington, DC 20006 Telephone +1 202 384 1200 Fax +1 202 783 2924 promontory.com