

OTC Derivatives Market Reforms

Sixth Progress Report on Implementation

2 September 2013

Foreword

In September 2009, G20 Leaders agreed in Pittsburgh that:

All standardised OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements. We ask the FSB and its relevant members to assess regularly implementation and whether it is sufficient to improve transparency in the derivatives markets, mitigate systemic risk, and protect against market abuse.

In November 2011, G20 Leaders in Cannes further agreed:

We call on the Basel Committee on Banking Supervision (BCBS), the International Organization for Securities Commission (IOSCO) together with other relevant organizations to develop for consultation standards on margining for non-centrally cleared OTC derivatives by June 2012.

In its October 2010 report on [Implementing OTC Derivatives Market Reforms](#) (October 2010 report), the FSB made 21 recommendations addressing practical issues that authorities may encounter in implementing the G20 Leaders' commitments. On several occasions since then, most recently in the July 2013 G20 Finance Ministers and Central Bank Governors meeting, the G20 has reaffirmed its commitment to achieve these goals.

This is the sixth progress report by the FSB on OTC derivatives markets reform implementation. The FSB's previous five implementation progress reports were published in [April 2011](#), [October 2011](#), [June 2012](#), [October 2012](#), and [April 2013](#). The FSB's OTC Derivatives Working Group will continue to monitor implementation of OTC derivatives reforms. The FSB is committed to maintaining its intense focus on monitoring and assessing the adequacy of progress being made to fully and consistently implement the G20 commitments through the development of international standards, the adoption of legislative and regulatory frameworks, and actual changes in market structures and activities.

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Glossary of international organisations and selected defined terms

BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
CCP	Central counterparty
CGFS	Committee on the Global Financial System
CPSS	Committee on Payment and Settlement Systems
DAT	OTC Derivatives Assessment Team
FMI	Financial market infrastructure
FSB	Financial Stability Board
IOSCO	International Organization of Securities Commissions
ISDA	International Swaps and Derivatives Association
LEI	Legal entity identifier
MAGD	Macroeconomic Assessment Group on Derivatives
ODRF	OTC Derivatives Regulators' Forum
ODSG	OTC Derivatives Supervisors Group
ODWG	FSB OTC Derivatives Working Group
OTC	Over-the-counter
PFMIs	Principles for financial market infrastructures
Regulators Group	OTC derivatives market regulators group
ROC	LEI Regulatory Oversight Committee
TR	Trade repository
WGMR	Working Group on Margin Requirements

1. Executive summary

This sixth progress report is being published almost four years after the G20 Leaders first committed to reforming global OTC derivatives markets. The report includes an update on international, national and regional progress in finalising standards and implementing reforms to fulfil these commitments. As a special focus, this report draws on a number of information sources to review market participants' practical readiness to meet the requirements of reforms as they are implemented. In addition, the report provides some preliminary consideration of the effectiveness of the reforms in meeting the G20's underlying objectives of increasing transparency, mitigating systemic risk, and protecting against market abuse in the OTC derivatives market.

The report's main findings are as follows:

- Market participants in general appear to be making good progress in their preparations for implementation of OTC derivatives market reforms. Market participants are more advanced in their readiness where regulatory regimes and requirements are more settled, while regulatory uncertainty has held back the finalisation of preparations by some market participants.
- Actual use of centralised infrastructure by market participants is most advanced in trade reporting and central clearing of OTC interest rate and credit derivatives. To date, progress remains slow in the central clearing of products in other asset classes, while the use of organised trading platforms is not widespread in any of the asset classes.
- The role and concentration of intermediaries who provide access to centralised infrastructure appears to be growing in some respects. Some increased concentration is to be expected as OTC derivatives markets reconfigure in response to reforms, and firms that provide intermediation services play a key role in facilitating smaller market participants' access to infrastructure. It will be important to monitor developments as buy-side demand for access to centralised infrastructure increases, and in particular, the commercial responses of firms that currently or prospectively facilitate such access. Increased reliance on a small group of participants for additional ancillary services, particularly those services that support central clearing (and related services such as collateral management and transformation), should also be monitored.
- Based on information provided by individual jurisdictions for this report, currently over half of FSB member jurisdictions have legislative frameworks in place to enable all reform commitments to be implemented, though the current schedules for further changes in legislative and regulatory frameworks is uneven across jurisdictions and commitment areas. Where regulatory changes to implement the G20 commitments have not yet been completed, the FSB reiterates that necessary reforms to frameworks should be made without delay. Progress is most rapid in the implementation of requirements to report transactions to trade repositories (TRs): by the end of 2013, three-quarters of FSB member jurisdictions intend to have legislation and regulation adopted, and a little over half expect to have specific

requirements in force (these jurisdictions include most of the largest OTC derivatives markets). There has been less regulatory progress in jurisdictions' implementation of central clearing, trade execution and margin requirements; in many instances authorities have indicated they are waiting for more detailed market information to become available through trade reporting, as well as the finalisation of remaining international work in some areas, such as margining requirements, before moving forward with specific regulatory proposals.

- The large share of cross-border activity in many OTC derivatives markets means that clarity in how jurisdictions' regulatory regimes interact is crucial for all stakeholders. Two major constructive steps forward have been taken: first, the announcement in July by the CFTC and the EC of their joint understandings; and subsequently, a multilateral set of understandings to improve the cross-border implementation of OTC derivatives reforms, announced in August by the Regulators Group. The FSB continues to urge authorities to resolve regulatory conflicts, inconsistencies, duplication and gaps in order to provide certainty to stakeholders. However, any remaining uncertainty in this area should not slow jurisdictions in putting forward specific regulatory proposals, since these proposals provide information to help market participants prepare, and assist authorities in the identification and resolution of cross-border regulatory issues.

1.1. Market participant readiness and infrastructure usage

This report has drawn on a variety of information sources to better understand market participant readiness as the G20 commitments are implemented. The ODWG undertook a survey of market participants for this report to further investigate issues related to preparedness. Information gathered through authorities' extensive engagement with market participants provided additional information. Standard-setting bodies and other international groups have also discussed these issues with industry, including in the process of developing international standards and recommendations.

Larger market participants have in many cases been using centralised infrastructure (such as TRs, central counterparties (CCPs) and organised trading platforms) for some of their OTC derivatives activity prior to the G20 reform commitments made in 2009. Even so, these participants have found it necessary to modify operational and legal arrangements to meet specific regulatory requirements and, in some instances, to facilitate client or third party access to centralised infrastructure. Smaller participants, in contrast, typically have less experience using centralised infrastructure, and in many instances have been waiting for greater clarity about regulatory requirements and the industry landscape before moving ahead with preparations. Regulatory approaches should be announced early enough to allow adequate time for participants to make the needed operational changes as requirements come into effect.

Both large and small participants have indicated that they have delayed finalisation of preparations, in some areas, because of uncertainties over the final form that regulatory requirements will take; these uncertainties include the treatment of cross-border activity. Even where frameworks are finalised and operating, participants' preparations in part depend on

having certainty as to the particular infrastructure that will be available in the jurisdictions in which they operate.

Many smaller market participants expect to access central clearing as clients of firms that are direct clearing members, and will need to establish arrangements with such members as clearing requirements are put in place. Given the complex risk management and increased financial, legal and operational demands associated with client clearing, on-boarding new clients can be slow, though to date the amount of client positions being cleared by CCPs has continued to grow. However, with the demand for client clearing likely to further increase as regulations take effect, and with the number of firms with the technical capacity and commercial interest to offer client clearing services not known, it will be important to monitor the ongoing capacity to provide client clearing services. Intermediaries offering client clearing services may also offer ancillary services (such as collateral management and transformation) to support clients' OTC derivatives market participation.

At a global level, market participants' use of TRs and CCPs is increasing, particularly in jurisdictions where the new regulatory landscape is more settled and infrastructure is well-developed.

- Reporting to TRs. Close to 100% of gross notional outstanding amounts in both interest rate and credit derivatives asset classes were already estimated as having been reported to TRs at end-2012, reflecting existing voluntary reporting as well as some mandatory reporting obligations.¹ However, at a global level, there is only a low rate of reporting of commodity, equity and FX derivatives to TRs.
- Central clearing. The asset class in which central clearing has advanced furthest is interest rate products. Of G15 dealers² gross notional outstandings in OTC interest rate derivatives products, as of end-June 2013 53% of those products offered for clearing by a CCP are estimated to have been centrally cleared; for all OTC interest rate derivatives (i.e. both those offered for clearing by CCPs and those not) of these dealers, 42% of notional outstanding had been centrally cleared. More recent data in the US on transaction flow suggests that, by end-June 2013, around 65% of OTC interest rate derivatives transactions (measured by trade count) executed each week were being centrally cleared, up from 40% at the start of 2013.³

Across all market participants, as of end-June 2013 around 40% of the total notional outstandings of OTC credit derivatives offered for clearing by a CCP had been centrally cleared; across all credit derivatives (both offered for clearing by CCPs and not), around 14% had been centrally cleared. US-based data on transaction flows

¹ This is based on a comparison with BIS semi-annual data on gross notional outstandings. Interest rate derivatives reporting figures based on transactions reported by G15 dealers; credit derivatives reporting figures based on transactions reported by all market participants.

² The G15 dealers are the largest derivatives dealers and signatories to the March 2011 Strategic Roadmap process and can include a different number of firms, depending on those that have become signatories to particular initiatives. See <http://www.newyorkfed.org/newsevents/news/markets/2011/SCL0331.pdf>.

³ Figures for both OTC interest rate and credit derivatives central clearing are based on DTCC-sourced transaction information and current clearing offerings of CCPs.

indicate central clearing of OTC credit derivatives executed each week increased from around 25% of trades to 40% during the first half of 2013.

Looking across all asset classes and given the current offerings of CCPs, data suggest that substantial scope exists for further increases in central clearing in the short- to medium-term.

Significant challenges remain in collecting comprehensive data necessary for measuring how fully the G20 commitments are being met across jurisdictions, though more data should become available as trade reporting becomes more widespread.

1.2. Progress on regulatory reforms

Reforms to legislative frameworks and implementing rules are still underway in many jurisdictions, with few having frameworks in place that will support implementation of all of the G20 reform commitments. Most FSB member jurisdictions have legislation in place to require reporting of OTC derivatives contracts to TRs and more than half of the jurisdictions have legislation in place that allows for adoption of clearing and trading obligations.⁴ Specific trade reporting requirements and Basel III capital requirements are each in force in about half of the member jurisdictions. In contrast, mandatory clearing obligations and requirements to trade on organised trading platforms are each only partially in force in a small number of jurisdictions. Jurisdictions have not yet put in force margin requirements for non-centrally cleared derivatives, pending finalisation of international standards in this area.

By the start of 2014, 16 jurisdictions will have legislation and regulation adopted to implement trade reporting, of which 12 expect to have at least some specific requirements in force (these jurisdictions include most of the largest OTC derivatives markets).⁵ Only a small number of jurisdictions expect to have mandatory clearing obligations in effect in the near future, though currently 12 jurisdictions have the necessary legislation in place to impose such obligations where warranted. Several jurisdictions intend to rely initially on incentives (such as Basel III capital requirements) to drive activity towards central clearing; a very small number of jurisdictions have noted that, while they are implementing these same incentives, mandatory clearing requirements do not appear warranted at present given the characteristics of their OTC derivatives market (e.g., size, volume and liquidity).⁶ As previous progress reports have noted, there is a risk that relying on incentives alone to promote a transition to central clearing may not be sufficient to meet the commitment for all standardised derivatives to be centrally cleared, particularly in light of extended implementation periods under the

⁴ As noted in Table 1.1 in the Executive Summary, adopted legislation varies in scope and detail across jurisdictions. Having legislation in place means having adopted authorising legislation that gives regulators and supervisors (and other appropriate bodies) the authority to implement regulations or technical standards and or, in the case of trade reporting, having adopted legislation that specifically requires reporting to TRs.

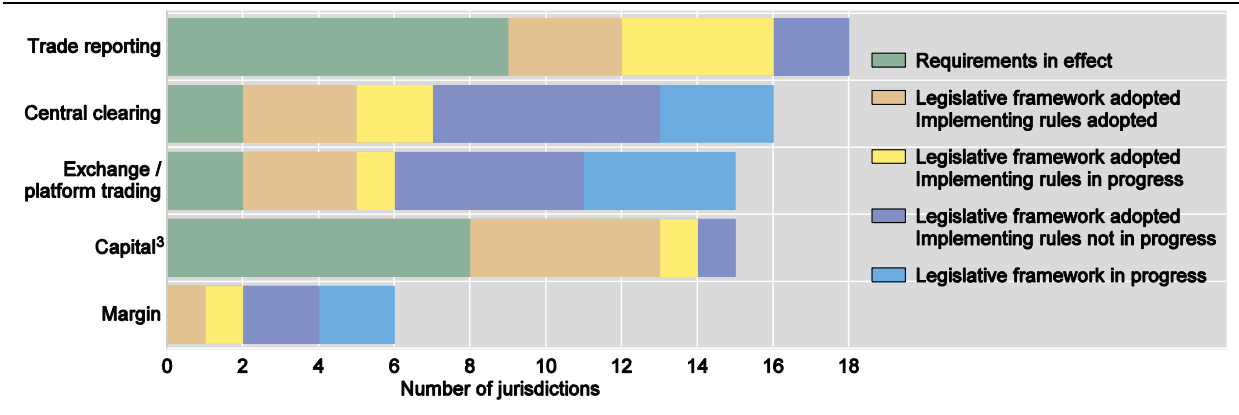
⁵ Jurisdictions that already have or anticipate having some specific reporting obligations in force by end-2013 are: Australia, Brazil, China, the EU, Hong Kong, India, Japan, Korea, Russia, Saudi Arabia, Singapore and the US. In Canada and Switzerland, expected compliance dates are first half of 2014 and sometime in 2015 respectively.

⁶ These jurisdictions include Argentina, Indonesia, and Saudi Arabia.

proposed standards (extending through to 2019 in some cases).⁷ Few concrete steps have been announced by authorities with regard to promoting the execution of standardised contracts on organised trading platforms, as appropriate.

Figure 1.1 provides an overview of the legislative and regulatory actions taken across the FSB member jurisdictions, and Tables 1.1 and 1.2 at the end of this section provide more detailed jurisdiction-specific information.

Figure 1.1
Regulatory Reform Progress¹
 Status across all 19 FSB member jurisdictions²



¹ Reforms to legislative and regulatory frameworks; ‘in effect’ includes partially effective; ‘adopted’ includes partially adopted; ‘in progress’ includes public proposals and consultations underway. ² EU member countries grouped as one jurisdiction. ³ Adoption of Basel III standards where finalised.

Source: FSB member jurisdictions.

1.3. Cross-border considerations

Uncertainties about the treatment of cross-border activity (whether of market participants or of infrastructure) under various jurisdictions’ regimes continue to be a concern for market participants as regulatory requirements take effect. As noted in earlier progress reports, in light of the global nature of OTC derivatives markets, cross-border coordination is needed to avoid unnecessary duplicative, inconsistent or conflicting regulations. Where there are conflicts, inconsistencies and gaps in the regulation of cross-border OTC derivatives activities, this may incentivise market participants or infrastructure providers to reorganise their activity along jurisdictional lines. Regulatory impediments to cross-border activity might reduce market participants’ opportunities to trade and affect market functioning. Similarly, a failure to resolve barriers with respect to trade reporting – such as reporting counterparty

⁷ The April 2013 progress report noted that jurisdictions that do not initially intend to adopt mandatory requirements, because they expect that capital, margin and other incentives will be effective in achieving central clearing of all standardised derivatives, should clearly articulate a timetable, criteria and thresholds for deciding in which cases mandatory requirements would be adopted to achieve G20 goals.

information, regulator access to data held in TRs, or difficulties in being able to aggregate TR data – would undermine authorities’ capacity to monitor domestic and global markets in support of the G20’s underlying reform objectives of protecting against market abuse and mitigating systemic risk. The FSB continues to urge regulators in all jurisdictions to clarify their respective approaches to cross-border activity, and for authorities to work together to resolve conflicts, inconsistencies and gaps.

Regulators and participants have also noted the complexities and sequencing challenges facing market participants and infrastructure providers who are required to comply with multiple sets of regulation. Certain legal restrictions in some jurisdictions currently remain a barrier to reporting required transaction information and authority access to transaction data on a cross-border basis. It is important that regulatory requirements be coordinated among jurisdictions wherever possible. Nevertheless, this should not delay jurisdictions’ efforts to bring into effect all necessary regulatory requirements as quickly as possible, now that the target date for completion of the G20 Leaders’ commitments has passed.

In some instances, jurisdictions have managed cross-border regulatory differences and inconsistencies in the short term by delaying and/or phasing in the cross-border application of their requirements. These can be tools to assist in smoothing timing differences in the application of rules across different jurisdictions. They can only be temporary measures, however, and such delays cannot be extended indefinitely. The use of substituted compliance or equivalence assessments may provide a path for longer term relief from compliance with overlapping regulatory regimes that have comparable outcomes.

A group of OTC derivatives market regulators from jurisdictions with large OTC derivatives markets (the Regulators Group)⁸ has been meeting to identify and explore ways to address issues and uncertainties in the application of rules in a cross-border context. This group was asked by G20 Finance Ministers and Governors to report by the September G20 Leaders’ Summit on how they have resolved remaining cross-border conflicts, inconsistencies, gaps and duplicative requirements.

To that end, the Regulators Group published a report in August which set out several understandings for the resolution of cross-border conflicts, inconsistencies, gaps and duplicative requirements.⁹ A key understanding of the group is that a flexible, outcomes-based approach should form the basis of final assessments regarding equivalence or substituted compliance. The report stressed that consultation and communication when equivalence or substituted compliance assessments are being undertaken is essential. The group agreed that jurisdictions should remove barriers (1) to reporting to trade repositories by market participants with particular attention to removing barriers to reporting counterparty data and (2) to access to trade repository data by authorities. The group also reached a number

⁸ The Regulators Group is a group of authorities that regulate OTC derivatives markets in Australia, Brazil, the EU, Hong Kong, Japan, Ontario, Québec, Singapore, Switzerland and the US.

⁹ OTC Derivatives Regulators Group, *Report on Agreed Understandings to Resolving Cross-border Conflicts, Inconsistencies, Gaps and Duplicative Requirements*, 16 August 2013; available at: <http://www.cftc.gov/ucm/groups/public/@newsroom/documents/file/odrgreport.pdf>.

of other understandings and identified a number of topics that require further work in the months ahead.

1.4. International standards and guidance

Most of the planned international guidance from standard-setting bodies that is needed to assist with implementation of reforms has already been issued over the last couple of years. BCBS and IOSCO published a finalised framework for margin requirements for non-centrally cleared derivatives in September 2013, with jurisdictions expected to incorporate these into their regulatory regimes and begin phasing in from December 2015. CPSS and IOSCO published the final version of their report on Authorities' Access to Trade Repository Data in August 2013.

Progress has also been made on several further important pieces of international guidance:

- BCBS, in cooperation with CPSS and IOSCO, is consulting on a revised proposal for changes to the capital treatment of banks' exposures to CCPs, with final guidance expected in early 2014.
- CPSS-IOSCO has published draft guidance on financial market infrastructure (FMI) recovery, and the FSB, in consultation with CPSS-IOSCO, has published draft guidance on FMI resolution and resolution planning.
- The FSB, with the support of CPSS and IOSCO, has launched a feasibility study on approaches to aggregating TR data, with a final report expected by the end of May 2014.

1.5. Impact assessments and implementation monitoring

The BIS has coordinated a macroeconomic impact assessment of OTC derivatives regulatory reforms, with participation from 29 FSB member institutions, published in August 2013. The assessment finds that the reforms will increase the resilience of the financial system and reduce the probability of a financial crisis, and that the macroeconomic benefits of the reforms – in terms of long-run Gross Domestic Product (GDP) – are therefore likely to outweigh the costs.

The FSB will conduct a peer review of the extent to which the G20 commitment that all OTC derivatives be reported to TRs is being met, which is expected to be launched in late 2013 and extend through the first half of 2014.

CPSS-IOSCO has begun monitoring jurisdictions' implementation of the *Principles for Financial Market Infrastructures* (PFMIs), notably for CCPs and TRs, with a first assessment report published in August 2013. This work is fundamental to promoting the implementation of the PFMIs in a consistent manner and meeting the underlying objectives of the OTC derivative regulatory reforms underway.

1.6. Next steps

The FSB will publish a further progress report by April 2014 that will provide, among other things, an updated assessment of the state of reform implementation, including any remaining

issues in the cross-border application of regulations, and will update measures of progress in the use of centralised infrastructure.

The findings of this sixth progress report also highlight some trends that the FSB believes need to be monitored going forward, including their potential impacts on financial stability and the effectiveness of implementation of OTC derivatives market reforms:

- the potential for concentration of activity and services within a limited number of intermediaries;
- the potential for barriers to cross-border activity to lead to some division of activity along jurisdictional lines, either across different firms or across different units within the same firm; and
- market innovations in response to the changed regulatory environment.

As noted above, full market implementation of reforms depends in part on greater clarity in the regulatory environment. As practical implementation progresses and participants adapt to new regulatory requirements and industry structure, FSB monitoring will increase its focus on the extent to which the implemented reforms meet the G20's underlying goals of improving transparency in derivatives markets, mitigating systemic risk, and protecting against market abuse, as well as any signs of regulatory arbitrage that would undermine the effectiveness of reforms.

The remainder of this report is organised as follows:

- **Section 2** provides an assessment of market participant technical readiness to migrate towards centralised infrastructure;
- **Section 3** discusses progress in the use of centralised infrastructure;
- **Sections 4 and 5** review international policy developments and jurisdictions' implementation of reforms; and
- **Section 6** discusses issues arising in reform implementation.

Table 1.1

Summary of National Progress of OTC Derivatives Market Reforms¹

Reforms to government frameworks²

	Status of applicable legislation					Status of implementing regulation				
	Central Clearing	Exchange / Platform trading	Reporting to TRs	Capital	Margin ³	Central clearing	Exchange / Platform trading	Reporting to TRs	Capital	Margin
Argentina ⁴	A	A				A	A		E	
Australia	A	A	A	A		C		PE	E	
Brazil ⁵			A	A				E	A	
Canada ⁶	A	A	A	N/A				C	E	
China	P	A	A			P	A	A		
European Union	A	P	A	A	A	A		A		
Hong Kong SAR	P	P	P	A	P			PE	A	
India	A	A	A	A	A	A	PA	PE	A	PA
Indonesia ⁷		A	A				PE	PE		
Japan	A	A	A	N/A		E		E	E	
Rep. of Korea	A		A					E		
Mexico	N/A	N/A	N/A	N/A	N/A	C	C	C	PA	
Russia	A	A	A	N/A	N/A			A	A	
Saudi Arabia ⁸	N/A	N/A	N/A	N/A	N/A			E	E	
Singapore	A	C	A	A				C	E	
South Africa	A	A	A	A	PA ⁹			C	PE ⁹	
Switzerland	C	C	PA ¹⁰	A	C				E	
Turkey	A		A							
United States	A	A	A	A	A	PE ¹¹	PE	PE ¹¹	P ¹¹	P ¹¹
Total proposed or consulted	3	4	1	0	2	3	1	4	1	1
Total adopted¹²	12	10	15	9	4	3	3	3	5	1
Total effective¹³						2	2	9	8	0
Key:										
	No action has been taken to date									
N/A	Not applicable in jurisdiction (i.e. legislative changes or implementing rules may not be needed in certain jurisdictions)									
C – Consultation	Official documents have been published for public consultation									
P – Proposed	Draft legislation or regulations have been submitted through the appropriate process									
PA – Partially adopted	Final legislation or rules have been adopted for part of the relevant commitment area, and are enforceable									
A – Adopted	Final legislation or rules have been adopted by the appropriate bodies and are enforceable									
PE – Partially effective	Regulation in force and operative for a part of the market at the time of publication									
E – Effective	Regulations are in force and operative as of the time of publication									

¹ This table shows progress as of the time of publication. For purposes of this table ‘legislation’ includes legislation requiring that certain reforms be implemented and also legislation that authorises supervisors or regulators to adopt requirements to implement the G20 commitments. Legislation that provides authority to adopt requirements is sometimes referred to as ‘authorising legislation’ in this report. This summary table provides a simple overview of progress in implementing the OTC derivatives reforms; for more detailed responses, please see Appendix G, Tables G.1-7.

² Standardisation has not been included as a separate category here.

³ Jurisdictions have noted that they are implementing Basel III capital requirements and are monitoring the progress of the Working Group on Margining Requirements (WGMR) for guidance on developing margining requirements.

⁴ In Argentina, central clearing and trading organised platforms are not requirements. However, Argentina issued regulations in 2007 to provide incentives for trading derivatives on organised platforms that offer central clearing. Argentina reports that a significant portion of derivatives trading is currently centrally cleared and traded on organised platforms as a result of existing regulation. Argentina reports that it will continue to consider whether additional legislation is needed.

- ⁵ In Brazil, banks incur a capital surcharge when entering into a non-centrally cleared OTC derivative transaction.
- ⁶ In Canada, authorising legislation for central clearing and reporting to TRs is in place in Ontario and Québec, the provinces where the vast majority of OTC derivatives are booked by value, and in Manitoba. Basel capital rules adopted as of 1 January 2013 with additional capital requirements for the risk of credit valuation adjustments (CVA) to derivatives delayed until January 2014.
- ⁷ In Indonesia, certain types of equity derivatives products are required to be traded on exchange; Indonesia requires banks to report interest rate derivatives and FX derivatives transactions to the central bank.
- ⁸ In Saudi Arabia, OTC derivatives reforms are going to be implemented through regulation issued by SAMA and the CMA. A local trade repository was established and trade reporting requirements have been in force since 2012. The authorities reported that a self-assessment and a validation process have been completed. The Saudi Arabian approach is based on results and recommendations arising from the self-assessment exercise which did not indicate that requirements were needed for local, mandatory central clearing or the establishment of a local CCP based on certain market characteristics, such as size and volume.
- ⁹ In South Africa, no changes to legislation will be needed to implement margin requirements for non-banks. Capital requirements are in effect for banks, but not yet finalised for non-banks.
- ¹⁰ In Switzerland, there is existing legislation to require dealers to report information on derivatives needed for a transparent market. This legislation does not cover the entire scope of the G20 commitments and Switzerland is planning to publish additional legislation for public consultation in October 2013, along with other OTC derivatives reform initiatives.
- ¹¹ In the US, the CFTC has adopted several of the necessary rules for CCPs, mandatory clearing, reporting to TRs; and standardisation. The SEC has adopted rules related to standards for operation and risk management of clearing agencies and processes for determining whether specific derivatives contracts will be subject to mandatory clearing. However, the SEC has not yet adopted final rules in most other areas. The CFTC and SEC have proposed regulations for capital and margining of non-centrally cleared transactions and US prudential regulators have adopted a final rule to implement Basel III in the US. Under CFTC rules, financial counterparties began reporting interest rate and credit swaps on 10 April 2013 and began reporting all asset classes on 29 May 2013. Non-financial counterparties began reporting interest rate and credit swaps on 1 July 2013 and swaps in all asset classes on 19 August 2013.
- ¹² Includes 'partially adopted'.
- ¹³ Includes 'partially effective'.

Table 1.2

Significant OTC Derivatives Market Reforms Implementation

2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Japan: Clearing required for index based CDS and some IRS	SEC: Operations and risk management of CCPs CFTC: Clearing required by dealers of IRS and CDS	CFTC: Clearing required by commodity pools and private funds of IRS and CDS	CFTC: Clearing by third-party subaccounts, ERISA plans and all others of IRS and CDS	EU: CCP re- authorisation process concluded	EU: clearing obligations determined	EU: central clearing regulatory technical standards adopted	EU: Central clearing regulatory technical standards in force	India: central clearing for interbank trades in FX forward and swaps to be mandated
CFTC: Platforms, TRs, and dealers began regulatory and public reporting IRS and CDS India: Reporting platform for interbank FX forwards, options and swaps operationalised.	CFTC: Platforms, TRs and dealers began public and regulatory reporting foreign exchange swaps and other commodity swaps Transactions executed by a dealer on a platform or off-facility began public and regulatory reporting for equity, FX, and other commodity swaps India: Interbank Overnight Indexed IRS standardised; reporting platform for client trades in FX forwards and options operationalised.	Japan: reporting requirements to begin CFTC: Financial entities reporting to TRs	Australia: Reporting requirements begin on an opt-in basis. HK: Reporting of IRS and NDFs by certain entities such as licensed banks (take effect from 5 August 2013) Singapore: reporting requirements to begin CFTC: All non-financial entities reporting to TRs	Australia: Reporting requirements to begin, to be phased in starting 1 October 2013 for the five largest institutions and commencing in 2014 for other financial entities India: reporting (client trades) required for IRS	EU: Reporting of all asset classes to TRs			India: mandatory execution of standardised FX swaps on electronic platform
CFTC: Confirmation requirements began for dealers. Compression requirements began for all prudentially regulated dealers. Recordkeeping requirements began for dealers.	EU: IRS and CDS TRs authorised/ recognition procedure begins Confirmation and valuation requirements effective. CFTC: Compression requirements began for non-prudentially regulated dealers.		EU: Portfolio compression and reconciliation and dispute resolution requirements effective. CFTC: Reconciliation, valuation and dispute resolution requirements began for dealers.					

2. Trends and challenges in market participant readiness

2.1. Introduction

A key objective of this sixth progress report is to describe market participants' preparedness to respond to the reformed market landscape, and in particular, to understand where lack of preparedness or other constraints facing participants might impede progress towards the reform goals. The FSB is also focused on whether the evolution of market participant activity and industry structure more generally supports achieving the G20 objectives of improving transparency in the OTC derivatives market, mitigating systemic risk, and protecting against market abuse. Given the early state of implementation in most jurisdictions, however, only preliminary observations can be made in this regard at present.

This section summarises information on market participant preparedness gathered through various methods, including dialogue between individual authorities and stakeholders (such as market participants, infrastructure providers and industry bodies), roundtable discussions with industry held by regulators and international groups, and surveys of market participants.

The key messages that the FSB has drawn out regarding market participant readiness are as follows:

- There appears to be a relationship between market participant readiness and regulatory progress in implementing reform. At the same time, regulators and participants have noted complexities with market participants having to comply with multiple sets of regulation and the importance of providing appropriate time to resolve cross-border issues and allow for appropriate transition periods.
- Based on the information assessed by the FSB, a general picture is emerging that larger market participants (especially those who classify themselves as dealers or market-makers) appear ready to meet requirements as they come into force. However, smaller participants have found the preparations needed to meet the same requirements more challenging, and have made slower progress in preparations for increased use of centralised infrastructure.
- The range of services and concentration of intermediaries who provide access to centralised infrastructure appears to be growing across all reform areas. In the case of central clearing, as clearing requirements are put in place, firms that intend to access central clearing indirectly will need to find direct clearing members; at the same time, there is a potentially limited number of participants who have the capacity to offer clearing and related services. In the context of trade reporting, a current lack of appropriate third parties (whether sell-side counterparties to the transactions or reporting service vendors) is also creating challenges for some market participants, where they are looking to rely on such parties to effectuate reporting obligations.

2.2. Information sources

2.2.1. Regulatory dialogue with market participants

A key source of information on developments in market participant readiness has been the wide-ranging engagement with industry undertaken by authorities in designing and implementing regulatory reforms. Authorities in most FSB member jurisdictions have undertaken numerous rounds of bilateral discussions and held open and closed roundtables with market participants. Responses to formal consultation processes (such as submissions and comment letters) have also elicited information around trends and challenges in market participants' preparedness. A number of authorities have also supplemented this engagement by circulating surveys and questionnaires to market participants. Across jurisdictions, engagement has canvassed a wide range of market participants: large and small banks, asset managers, hedge funds, pension funds and insurance firms, and non-financial firms and public sector entities. Information on market participant readiness has also been indirectly collected through discussions with industry groups and service providers, such as infrastructure operators and third-party service vendors.

Useful information has also been collected in the course of consultations around international policy development. Recent examples of this include: the work of BCBS and IOSCO in developing margin standards for non-centrally cleared derivatives; and CPSS and IOSCO work on trade reporting data aggregation and standards, and access to trade repository information. The work being coordinated by the BIS to assess the macroeconomic impact of global derivatives reforms, and the work of the OTC Derivatives Assessment Team to assess incentives for central clearing of OTC derivatives transactions, have also included industry outreach such as roundtable discussions with a range of market participants.

2.2.2. Survey of market participants

ODWG members were asked to nominate a representative cross-section of market participants within their jurisdiction to participate in a voluntary FSB survey in order to obtain market intelligence on preparedness to implement the G20 commitments. A questionnaire was then sent to over 100 individual entities of which 58 responded; a list of firms that received the questionnaire is provided in Appendix A.¹⁰ Those who responded tended to be larger, more global institutions from jurisdictions with more developed OTC derivatives markets. Table 2.1 summarises the jurisdictional coverage and entity type of firms that responded.

¹⁰ The ODWG established a market participant sub-group, comprised of staff of the ODWG member organisations, to assist in developing, administering and providing initial analysis of survey responses.

Table 2.1
Market Participant Readiness Questionnaire

Responses received

Entity type	Number of responses	Primary jurisdiction	Number of responses
Asset manager	13	Australia	2
Corporate (non-financial)	5	Canada	22
Government / public sector	5	France	3
Hedge fund	2	Germany	11
Insurance company	5	Japan	4
Non-dealer bank	1	South Africa	3
OTC derivatives dealer / market maker	21 ¹¹	United Kingdom	4
Pension fund	2	United States	9
Other	4	TOTAL	58
TOTAL	58		

The survey questionnaire covered issues such as¹²:

- the jurisdictions in which the participant is currently or expected to be subject to OTC derivatives regulatory requirements;
- current and anticipated use of market infrastructure (trade repositories, central counterparties and organised trading platforms);
- the types of preparations undertaken to adjust to OTC derivatives market reforms, such as operational and legal changes, and the implementation timelines adopted in making these preparations.

¹¹ 10 of these firms were G15 dealers.

¹² For a copy of the survey please send a request to fsb@bis.org.

2.3. Market participant readiness to report to trade repositories

G20 Commitment: OTC derivative contracts should be reported to trade repositories.

One of the main objectives of reporting to TRs is to improve transparency in the derivatives market.¹³ To meet this objective, jurisdictions require reporting to TRs for both regulatory and, to a varying degree, public dissemination purposes.¹⁴ Reporting requirements also contribute to the other stated G20 goals: by increasing transparency, authorities can also monitor for and address concentrations of risk and better protect against market abuse. Reporting to trade repositories is also useful in promoting improved operational and counterparty risk management by market participants themselves – such as facilitating the automation and centralised processing of post-trade events, and providing a standardised and verified set of information – which has a benefit for the wider financial system.

Appendix B provides each jurisdiction’s timeline for implementing reform in this commitment area.

2.3.1. Summary

- Jurisdictional requirements tended to be the key factor in determining “readiness” to report, and regulatory uncertainty was often highlighted as the most significant obstacle to reporting transactions.
- Most respondents report expecting to have completed operational and legal preparations by end-2013 where regulatory requirements are finalised.
- A larger proportion of dealers/market makers who responded to the survey have completed their preparations for reporting relative to other types of participants.
- Smaller institutions in some jurisdictions are further behind in their preparations and, in some instances, need to begin their preparations by first finding third party intermediaries (i.e. intermediaries who may not be their broker-dealers) who can report on their behalf.
- The process of on-boarding new clients has resulted in capacity constraints for some market participants.

2.3.2. Trends

Status of regulatory implementation and cross-border application

Many larger market participants (i.e. those in the OTC derivatives dealer/market maker category) currently are or expect to be subject to reporting obligations in more than one jurisdiction; survey responses suggest major OTC derivatives dealers anticipate being subject to reporting requirements in over seven different jurisdictions. Other larger market

¹³ Improved transparency is achieved by reporting to TRs, trading on organised trading platforms, and public dissemination of certain trade data. Recommendations 15 to 19 of the FSB’s October 2010 OTC derivatives report set out specific recommendations for implementing the reporting commitment.

¹⁴ There are a range of approaches to public dissemination of data, along a spectrum ranging from public provision of some aggregate data to real time reporting of detailed transaction data.

participants (such as non-dealer banks and globally active asset managers) expected, on average, to have to comply with reporting requirements in close to four jurisdictions.

Overall, those market participants who are currently subject to reporting requirements have developed the needed infrastructure to meet their current obligations. Those who anticipate soon being subject to reporting requirements have made preparations to begin reporting. There were few significant differences in readiness to report to trade repositories based on participant type in our survey responses. However, some differences were apparent, as described further below.

Jurisdictional requirements tended to be the key factor in driving “readiness” to report (or actual reporting). Just over half of the respondents (56%) report that they have completed or expect to complete their operational and legal preparations by end-2013. The variation in timing is linked to the compliance dates for regulatory requirements. All of the market participants surveyed that are currently subject to reporting requirements reported that they began their preparations in 2012 (or earlier), and several of the major OTC dealers and market makers have completed these.

Implementation of operational and legal changes

In preparing to meet reporting requirements, participants typically started with operational changes (establishing connectivity to TRs, adapting internal IT systems to harmonise with reporting software and improving data management) before finalising any contractual relationships with TRs directly or, alternatively, with third parties to whom reporting would be delegated. Whereas just over half of the respondents report having completed both operational and legal preparations, a higher majority of the OTC derivatives dealers/market makers who participated in the survey reported having their internal operational systems ready to report and 94% reported having their external facing operational systems (i.e. technology needed to connect/interface with infrastructure) in place for reporting transactions. Although a lower percentage of OTC derivatives dealers/market maker respondents had put in place all necessary legal arrangements (83%), the level of operational readiness according to the responses suggests that the major dealers are in a position to quickly comply with those reporting requirements that are at least proposed and may soon be finalised. Even with a high degree of operational readiness, few respondents reported transactions on a voluntary basis (roughly 10%). The vast majority state that they are or will be ready to report once regulations are in place.

Readiness to report different asset classes

Consistent with what is known about regulatory requirements, just over 60% of market participants surveyed anticipated reporting 100% of their IRS and CDS transactions by end-2013. For the remaining asset classes, the majority anticipated reporting transactions by end-2014.

2.3.3. Challenges in preparing to report transactions

As described immediately above, the survey responses suggest some areas where there are differences between market participants – usually where large OTC derivatives dealers/market makers can be distinguished from other types of participants. Based on survey responses, a significantly higher proportion of the large dealers/market makers have the legal

and operational capabilities in place to report transactions where guidance on regulatory requirements is sufficiently settled.

Regulatory uncertainty was highlighted as the most significant obstacle to finalising preparations for reporting transactions. Examples included the need for clarity on: final regulatory requirements; any extra-territorial application of reporting requirements; and timing for reporting obligations to begin. Other uncertainties include questions about who has to report transactions (whether one party to a transaction or both parties are subject to a reporting obligation) as well as some uncertainty over repositories that are authorised to receive transaction reports from market participants. Consistent with previous reports, the market participant perspective highlights that the private sector has the capacity to report and is waiting for regulatory clarity as to how to carry out this obligation.

Some authorities have also reported an uptick in the number of participants seeking to establish arrangements for direct reporting of their transactions to existing TRs. Although TRs may have the capacity to take on new clients, there may be some delays in processing the applications, given the uptick in volume. On the participant side, these “bandwidth” issues with direct reporting may be exacerbated by having to simultaneously prepare for multiple jurisdictions’ obligations, which is a change from approximately one year ago when only one or two sets of reporting obligations were clear. The time needed for TRs to on-board new applicants may - at least for a period of time – lead to incomplete reporting. Also challenging for market participant preparations is uncertainty as to which TRs will ultimately be authorised or recognised in which jurisdictions, and therefore what connections and related systems changes will need to be built or made available.

Survey respondents also highlighted the complexity of the reporting requirements (including potentially having to report a different set of information to each of several different TRs using multiple reporting formats) which may require new operational systems to be put in place and tested. Finally, participants also noted the need for prompt global standardisation for key data elements such as unique transaction identifiers and LEIs that help to simplify reporting in some aspects and are fundamental to monitoring markets and aggregating data.

Other sources of market intelligence (regulatory dialogues, industry roundtables, etc.) suggest there are challenges specific to smaller participants that are subject to reporting obligations. Infrastructure providers and regulators have noted, for example, that where the reporting obligations are expected to be on both counterparties or where smaller firms will be subject to reporting requirements generally, some smaller participants still need to implement legal documentation and operational changes to report transactions. Changes could include creating the appropriate relationships and implementing the necessary technology directly with a TR or, more likely, contracting with a third party that has the capability to transmit the transaction data in the form needed to meet the reporting obligation. In some jurisdictions, where smaller, domestically focused participants may not be subject to foreign requirements, these firms also appear to be further behind in preparations. In both of these instances, smaller firms may not currently have the resource capacity to make the operational changes needed to report directly to TRs and are looking to large counterparties to handle reporting where possible, but ultimately may need to rely on third-party services. Establishing reporting capability is critical; however the development of agency services is still in its infancy.

From a market participant perspective, being able to report uniform information may result in cost efficiencies, where reporting requirements can be harmonised across jurisdictions. Several respondents indicated that they use or plan to use an already established TR offering reporting in all asset classes that they hope will be registered or accepted by the majority of jurisdictions. In addition to the work already completed or underway by groups such as CPSS-IOSCO with respect to authorities' access to trade repository data (see Section 4.3) and the FSB's TR aggregation feasibility study group (see Section 4.4), further international regulatory coordination in these areas may be beneficial, given that participants expect to be subject to multiple jurisdictions' reporting requirements.

2.4. Exchange and electronic platform trading

G20 Commitment: *All standardised OTC derivative contracts should be traded on exchanges or electronic platforms, where appropriate ... by end-2012 at the latest.*

A key objective of this commitment is to enhance the transparency and efficiency of OTC derivatives markets for the benefit of all market participants. Organised trading venues,¹⁵ such as exchanges or electronic platforms, can also foster greater market integrity through transparent and enforceable participation and conduct requirements.

2.4.1. Summary

- An assessment of readiness to execute trades was difficult based on the responses received, and may be due to the relative lack of specific requirements to execute transactions on organised trading platforms.
- There is a wide dispersion of existing use of organised trading platforms: whereas some market participants appear to be very active users of organised trading platforms, others use platforms only rarely.
- Regulatory uncertainty regarding the implementation of requirements to use organised trading platforms was reported most often as a challenge to executing transactions on organised trading platforms.
- Market participants reported some differences in the use of organised trading platforms based on participant type and asset class.

2.4.2. Trends

Status of regulatory implementation and readiness

The overall readiness of market participants is difficult to assess, even within the small sample used in this exercise. When asked about beginning preparations to trade on organised trading platforms, nearly a third did not respond to the question, whereas nearly another third reported that they have not yet begun to prepare, and the remaining respondents said that they began preparing for trading on organised platforms before or during 2012. Almost a third of

¹⁵ The market participant survey used the term "organised trading platform (exchanges and electronic trading platforms)," to be consistent with the language of the G20 commitment. However, given that this includes both exchanges and electronic trading platforms, there were no distinctions between these categories.

the market participants surveyed also did not respond to questions related to whether they anticipate using organised trading platforms, or questions related to preparations underway or planned in order to begin trading on organised trading platforms. Almost half of respondents expected no change in their own use of OTC derivatives should trading on organised trading platforms be required, while a small proportion indicated that regulation requiring the use of organised trading platforms would cause them to use fewer OTC derivatives. Survey responses generally did not provide further detail on the factors that would drive this behaviour.

As suggested by trends in the responses for other commitment areas, there is a relationship between readiness and jurisdictional progress. In this commitment area, the incomplete or lack of responses from market participants regarding preparations for trading on organised trading platforms may be linked to the lack of implementation or guidance regarding implementation of this commitment area in most jurisdictions.

Differences in trading based on asset classes

Use of organised trading platforms seemed to vary based on the asset class. In commodity, equity and interest rate asset classes, nearly half of the respondents reported that they do not currently use platforms, with a smaller percentage of them reporting that they do use platforms. In credit and FX however, compared to commodity, equity, and interest rate asset classes, a higher percentage (an average of 39%) of respondents reported voluntary use of trading platforms.¹⁶ In terms of anticipated use, of those who responded, the majority anticipate increased use of trading platforms for all asset classes generally.

Use of trading platforms and variation by participant type

In general, there were variations in how respondents participated through different venues (for example, whether membership was required at all under their respective jurisdictions or whether participants used intermediaries to execute transactions). Of the responses received, use of trading platforms fell on either end of the spectrum: some market participants seemed to be very active users of organised trading platforms and others seemed to use platforms rarely. In the group that self-identified as active users, respondents reported using between 10 and 25 platforms in any given asset class and could use up to 30 different brokers to execute trades.

Of those who reported that they had completed their preparations to trade on organised trading platforms, most were corporate entities, insurance companies and hedge funds (though they did not specify whether they traded directly or indirectly). Of those dealers and asset managers that responded to a question about their anticipated time-frame for completing reforms, they typically reported that they anticipated completing preparations in this area by mid-2014.

¹⁶ No more than one respondent in any asset class reported using an organised trading platform as a result of a requirement.

Dealers typically tended to participate directly in trading on organised trading platforms, which in many instances is facilitated by middleware.¹⁷

2.4.3. Challenges in preparing to trade on organised trading platforms

In terms of challenges to trading or preparing to trade on an organised trading platform, the most cited challenge was regulatory uncertainty. Given the status of regulatory implementation in many jurisdictions, this uncertainty relates to the scope, application, timing and eligibility of platforms, among other possible aspects of regulation related to implementation of this commitment (i.e. conduct and governance of platforms themselves). Some stakeholders have also noted for some time the uncertain effect of requirements to trade on platforms on liquidity and pricing in smaller, less liquid markets.

Uncertainty about what products may be sufficiently standardised and liquid to support organised platform trading or a requirement to trade on organised trading platforms, and availability of platforms for products were also cited as challenges. Roughly half of the respondents noted that they were not able to find platforms for certain products they were looking to trade (for instance, non-deliverable forwards (NDFs) were highlighted by a few respondents). A few dealers also noted that some products may not be suited for organised trading and that investors may prefer not to use organised trading platforms for those products that may be customised and are generally not sufficiently standardised.

2.5. Central clearing

G20 Commitment: All standardised OTC derivatives contracts should be cleared through central counterparties by end-2012 at the latest.

The objective of this commitment is to mitigate systemic risk by managing counterparty and settlement risk through use of a CCP. The objective is further supported by the commitments to higher capital and margin requirements for non-centrally cleared contracts, along with strengthened bilateral risk management requirements (discussed in Section 2.6).

Appendix C provides each jurisdiction's stated timeline for further implementation of this commitment.

2.5.1. Summary

- Overall, to date there do not appear to have been significant impediments to larger market participants migrating their OTC derivatives activity to central clearing. Many larger participants have been using CCPs for OTC derivatives for some time, as have smaller participants to a more limited extent. Many participants expect to clear a high proportion of their OTC credit and interest rate derivatives, but less for commodities, equities and FX derivatives.

¹⁷ "Middleware" generally refers to software applications that go beyond an operating system and facilitates interfacing with other systems. Middleware provides the technology needed to allow for dealers to interface with multiple platforms simultaneously. While middleware providers facilitate trade execution, the dealers execute trades in their own name, on their own behalf or for clients. (Middleware only provides technology.)

- Reflecting this, preparations by larger market participants in many cases were underway prior to 2012; a wider range of participants noted that they began preparations over the course of 2012 and 2013, reflecting a growing understanding of the scope of central clearing requirements across jurisdictions.
- Many participants expect to have completed preparations by mid-2013 or mid-2014, though regulatory uncertainty is cited as a significant impediment to finalising preparations.
- Operational issues were prevalent for both direct and indirect clearing participants; however, the nature of the issues varied across these participant categories.

2.5.2. Trends

Preparations undertaken

The majority of participants began detailed preparations for central clearing over the course of 2012, likely reflecting the finalisation of regulatory requirements in some jurisdictions, as well as a growing awareness of the scope of regulatory reform in other jurisdictions. Respondents noted that preparations for central clearing have generally been very resource intensive, both in terms of the range and number of personnel involved in making preparations, and the systems required to be put in place.

The types of preparations undertaken by a high proportion of respondents have included: developing operational capabilities, such as integrating systems with middleware providers and other internal systems changes, as well as legal preparations such as establishing or revising clearing documentation between direct and indirect participants, and clearing participation agreements with CCPs. Operational changes appear to have been a less significant issue for smaller participants looking to clear indirectly; instead, legal documentation has been a bigger issue for them, with the complexity and number of documentation requirements highlighted as a particular issue. Clearing preparations are expected to be completed by a large number of survey respondents by mid-2013 or mid-2014, or in some cases are already completed.

Overall, larger market participants appear fairly well placed to migrate their OTC derivatives activity to CCPs. For many of these entities, use of CCPs has been well established for some time, particularly for OTC credit and interest rate derivatives as well as traditional exchange-traded derivatives, and further take-up – whether mandated or in response to other incentives or market dynamics – does not appear problematic. Smaller participants have been preparing at a slower pace; these participants in many instances have been less familiar with the operational and legal requirements of central clearing of OTC derivatives, and whose preparations are still underway in some jurisdictions.

Variation in central clearing by asset classes

Increased use of CCPs is expected across all asset classes, both on voluntary and compulsory bases, but more so to meet clearing obligations.¹⁸ Nonetheless, participant responses suggested that they do not expect clearing of commodity, equity and FX derivatives to expand significantly in the near future, possibly reflecting: participant and product exemptions from clearing obligations; lack of CCPs clearing these products; or that such products may remain insufficiently standardised to be viably cleared through CCPs.

Market participants generally expect that central clearing of interest rate derivatives would increase in the forthcoming period, and that within a few years around 80% of turnover (by both value and volume) in this product class could be centrally cleared. Strong growth in credit derivatives central clearing was also expected, with around two-thirds of turnover (both value and volume) expected to be cleared from 2015 onwards. In contrast, notwithstanding that many participants are or expect to be clearing some commodity, equity and FX derivatives, a large proportion of activity in these products is expected to remain non-centrally cleared.

Participant clearing activity and regulatory requirements

Participants currently clearing OTC derivatives are, for the most part, larger sell-side and buy-side financial institutions. In some instances clearing is being undertaken on a voluntary basis, particularly with respect to clearing of commodities, credit and interest rate derivatives. However, a good deal of clearing of interest rate derivatives as well as credit derivatives is now being undertaken in compliance with mandatory clearing obligations, reflecting such requirements going into effect in jurisdictions such as Japan and the US. Non-financial corporates generally did not indicate any current or anticipated use of CCPs. In part this reflected the fact that, in many cases, these entities are likely to be exempted from mandatory clearing obligations at least with respect to their hedging activity. It is also consistent with the views expressed by many such entities that the liquidity risks associated with having regularly to meet margin calls, and the lack of acceptable liquid collateral to post as margin, makes central clearing an unattractive proposition.

Many dealers expect to be members of several CCPs for purposes of clearing each asset class. Indirect participants on average expected to regularly use around two CCPs per asset class, though many firms were undecided in this regard at present. Dealers generally expect to be centrally clearing their own activity as direct members of CCPs, though some firms are considering clearing as clients of other firms. Buy-side firms such as insurance companies, hedge funds, corporates, pension funds, and asset managers all responded that they intend to only centrally clear indirectly.¹⁹

¹⁸ It is not clear from survey responses whether those respondents indicating they would centrally clear in line with clearing obligations would have chosen to centrally clear such products anyway, or if their decision to centrally clear was solely to comply with regulatory requirements.

¹⁹ Indirect clearing refers to relationships where an entity is not a member of a CCP and therefore can only clear its transactions by having a member of a CCP (a direct member) clear the transaction on its behalf.

In terms of regulatory requirements, the majority of respondents expect to be subject to multiple jurisdictions' frameworks, with less than 20% of respondents expecting to be subject to only one jurisdiction's requirements.

Indirect clearing relationships

Some developments in indirect clearing relationships were identified through discussions with regulators and industry – these are described in more detail below. Many of these developments have been previously identified as issues that might emerge as the central clearing of OTC derivatives expands.²⁰

Clearing member perspective

In order to offer clearing services in a timely manner, systems builds are needed in some instances, which may be complicated by differences in jurisdictions' and CCPs' client asset segregation requirements/arrangements. On-boarding of clients is operationally intensive and time consuming, and requires careful management of risks associated with new client clearing arrangements. As well, some direct clearing members expressed concern that many clients are not allowing sufficient time to establish the robust arrangements needed.

Client perspective

In some instances, a build-up of large exposures with respect to OTC derivatives clearing to a small group of direct clearing participants is beginning to be noted as a concern. Given internal credit limits on exposures, these build-ups through indirect clearing can ultimately limit a client's capacity to centrally clear through any single direct clearing member. Given the trend towards greater liquidity and better pricing for centrally cleared markets, any limitations or delays in access to clearing may interfere with derivatives use.

Availability of appropriate clearing services is still proving to be a challenge for some smaller firms seeking indirect clearing arrangements. Finding back-up clearing members is problematic for some firms because of the reported lack of clearing members offering indirect clearing services on appropriate terms; this puts at risk some firms' continued access to the centrally cleared market.

2.5.3. Challenges regarding central clearing

Generally, participants that have not finalised their preparations cited uncertainty of regulatory requirements – including, for example, uncertainty regarding the products which will be subject to a clearing mandate and which CCPs will be authorised for clearing – as the main issue holding them back in completing preparations.

Some respondents reported that key areas of uncertainty that were impediments to finalising preparations included: products that would be mandated to be cleared; the cross-border application of legal frameworks; and the authorisation or recognition in relevant jurisdictions

²⁰ See, for example, the discussion in BIS (2012), 'The macrofinancial implications of alternative configurations for access to central counterparties in OTC derivatives markets', CGFS Publications No 46, November; available at: <http://www.bis.org/publ/cgfs46.pdf>.

of the CCPs through which they can clear. Some points were also raised regarding the certainty provided by the legal frameworks in some jurisdictions for portability and segregation of client positions and assets, and with regards to certainty of netting arrangements.

Other than regulatory uncertainty, the main issues in preparedness for central clearing identified by survey respondents were the availability of clearing members offering indirect clearing services, and collateral availability.

Availability of indirect clearing services

Among respondents that did not expect to become clearing members of a CCP directly, some noted that those firms that were offering client clearing services were not always as operationally ready to begin client clearing as they held themselves out to be. Concerns were also raised as to clearing members' willingness to tailor arrangements to suit client needs; further information would be needed to understand whether this reflects clearing members' commercial considerations, or whether the terms being asked for were resisted by clearing members as being inconsistent with their risk management standards. Some smaller participants also indicated some concerns over a perceived lack of variety in client clearing options, though only a small number of buy-side participants indicated that they had experienced difficulty finding at least one direct clearing participant through which to clear indirectly. Some market participants (both small and large) expressed a concern that, looking forward, there may not be enough direct clearing members to meet client clearing demand as this increases, or that existing direct members do not have sufficient capacity to accommodate all clients.

Concerns regarding concentration of client clearing activity are consistent with available data, which suggests that the market for client clearing is dominated by a small number of large market participants.²¹ However, it is not yet clear whether this concentrated market for clearing services poses challenges for the implementation of central clearing by clients, either in terms of the practical capacity of clients to access CCPs, or in terms of systemic risk changes due to reconfigured counterparty credit exposures. In terms of the former, access to exchange-traded and OTC markets that are centrally cleared is increasingly dependent on the balance sheet and operational capacity of a small group of firms. It may be that over time this results in a market response that brings additional capacity to client clearing. In terms of the latter, changes in actual credit exposures will depend on factors such as: (i) the extent to which underlying counterparty exposures have truly changed in moving from bilateral trades to centrally cleared trades, given counterparty exposures may well have been both significant

²¹ Data from the CFTC on Futures Commission Merchants (FCMs, a term for derivatives clearing participants in the US) indicates that, of total customer assets held in segregated accounts by these firms (which as at May 2013 was around \$190 billion for US and non-US exchange traded and OTC derivatives markets that have been centrally cleared), around 50% of total client assets was held by five FCMs, and around 75% was held by 10 FCMs. All of these 10 FCMs are affiliates of G15 dealers, with these dealers a dominant presence in many jurisdictions' OTC derivatives markets. The CFTC data suggest that a high degree of FCM concentration has been the case for quite some time. However, a couple of factors have potentially contributed to increased concentration more recently. Firstly, there has been some shrinkage in the overall number of firms providing client clearing (notwithstanding that many of these firms were not in practice doing much client clearing). Secondly, whereas previously client clearing was only with respect to exchange-traded derivatives, it now also includes clearing of OTC derivatives. Further information on this data is available at: <http://www.cftc.gov/MarketReports/FinancialDataforFCMs/index.htm>.

and concentrated in bilateral portfolios; (ii) the specific client clearing model adopted (e.g. fully segregated vs. some form of commingling); and (iii) changes to margining for non-centrally cleared transactions going forward.

Collateral requirements

The larger collateral requirements resulting from variation and initial margin demands of central clearing appear to have met with a range of responses across market participants. For dealers and other large market participants, these demands were not expected to be challenging; in many instances they either hold necessary collateral on their balance sheets or are able to access markets where such collateral can be sourced. For some other participants though, there were concerns that appropriate collateral would not be able to be acquired. Reasons for this included: restrictions on an entity's capacity to post (or transform) collateral set out in trustee mandates or other fiduciary or regulatory requirements; or concerns that collateral that was on hand would not be eligible for the purposes of meeting margin requirements. There are also participants that have indicated they have not yet needed to, or been able to, determine whether they would have sufficient eligible collateral to use as margin.

2.6. Capital and bilateral risk management

G20 commitments: Non-centrally cleared [OTC derivative] contracts should be subject to higher capital requirements. Standards on margining for non-centrally cleared OTC derivatives to be developed for consultation by June 2012.

The objective of these commitments is to ensure adequate and appropriate risk management and that adequate financial resources are available to support non-centrally cleared transactions, recognising that not all OTC derivatives contracts will be sufficiently standardised to be centrally cleared. These commitments also provide incentives to migrate towards central clearing, where possible.

2.6.1. Summary

- Banks and insurance companies have generally been subject to capital requirements for some time, and therefore generally have internal systems to support these requirements. For those firms currently implementing Basel III, or expecting to soon do so, regulatory uncertainty remained a prime concern, both in terms of the substance of the requirements and national timelines for implementation.
- Market participants generally seem aware of proposed minimum margin requirements, though are awaiting final guidance and regulatory certainty. It is likely, though, that preparations for implementing these requirements will involve substantial operational and legal changes, including changes to industry-wide documentation and practices.²²

²² The BCBS and IOSCO minimum margin requirements for non-centrally cleared derivative envisage phase-in periods which account for this.

2.6.2. Capital requirements

In most cases, banks, broker-dealers, and insurance companies have been subject to prudential capital requirements for some time. In the case of large banks, many are currently subject to Basel II or Basel 2.5 standards, reflecting the prudential standards in place in their home jurisdictions. However, the number of banks meeting those Basel III standards that have been finalised is continuing to increase as this revised regime is implemented in a larger number of jurisdictions.

For those firms currently implementing Basel III, or expecting to soon do so, regulatory uncertainty remained a prime concern. This likely reflected uncertainty as to national implementation timelines, but also that some pieces of the Basel III regime have not yet been finalised (such as the capital treatment of counterparty exposures to CCPs). Firms also highlighted that adapting to this new regime entailed significant internal systems changes.

2.6.3. Margin requirements

Of the firms surveyed, around 70% currently have collateral arrangements in place for their OTC derivatives positions. This is consistent with other surveys of market participants' collateralisation practices – in its June 2013 survey on margin practices, ISDA reports that around 70% of non-centrally cleared OTC derivatives trades are subject to collateral agreements.²³ Most firms collected or posted variation (mark-to-market) margin (VM). A wide range of participants also reported that they posted or collected initial margin (also known as an 'independent amount') (IM) for at least some transactions, though less so than for variation margin; survey responses did not indicate what share of transactions were collateralised in this way, or how this might vary across products or participants.²⁴ Cash and sovereign debt are the most frequent types of collateral exchanged for both IM and VM, with little apparent appetite for using corporate bonds (although large dealers and asset managers are more open to posting/accepting corporate bonds as collateral for variation margin), equities, or gold as collateral. Again, these results are consistent with ISDA's 2013 survey, which indicated that around 80% of total collateral posted and received was in the form of cash, with government securities making up the bulk of remaining collateral assets.

Around three-quarters of survey respondents were familiar with the minimum margin requirements for non-centrally cleared derivatives proposed by BCBS and IOSCO (and which have subsequently been finalised). Most of these firms also expected that they would be subject to these requirements in one or more jurisdictions, though there would be some uncertainty until relevant regimes were in place. Preparations for margin requirements had been most focused on internal operational changes and legal requirements. Regulatory uncertainty was cited as the most difficult challenge in preparations, closely followed by documentation changes and other legal issues. Views on the availability of collateral to meet margin requirements were consistent with those raised in the context of central clearing.

²³ ISDA (2013), *Margin Survey*; available at: <http://www2.isda.org/attachment/NTcxMQ==/ISDA%20Margin%20Survey%202013%20FINAL.pdf>.

²⁴ Approximately one third of the respondents reported posting or collecting some form of collateral.

3. Availability and progress in use of market infrastructure

3.1. Introduction

Although the number of TRs and CCPs available for use by OTC derivatives market participants has increased since the last report, only a few entities are currently available in multiple jurisdictions. In many jurisdictions, an infrastructure operator must receive a positive authorisation, recognition or exemption before market participants in that jurisdiction are permitted to use that infrastructure.

- At a global level, close to 100% of OTC interest rate and credit derivatives transactions (measured by gross notional outstandings) were being reported to trade repositories as at end-December 2012.²⁵
- Central clearing of OTC derivatives remains most well established for interest rate and credit derivatives.
 - Available data indicate that 42% of G15 dealers' notional outstandings in interest rate derivatives were being centrally cleared as at end June 2013. For credit derivatives, 14% of outstanding amounts across all market participants were being centrally cleared as at end-June 2013.
 - While these shares of centrally cleared outstanding positions are little changed from earlier in the year, real-time data on transaction volumes (as reported in accordance with CFTC requirements) suggests there has been a marked increase in the extent of central clearing as transactions are executed. Based on this data, as at end-June 2013, around 65% of OTC interest rate derivatives transactions (measured by trade count) executed each week were being cleared (up from 40% at the start of 2013); central clearing of OTC credit derivatives executed each week had increased from around 25% to 40% over the same period.

The following sub-sections discuss these progress measures in more detail. It remains the case that discussion of progress in the use of organised trading platforms remains difficult due to limited information availability.

3.2. Availability and use of trade repositories

As at August 2013, 22 TRs in 11 jurisdictions are, or have announced that they will be, operational. It is not anticipated that TRs will be located in all jurisdictions but rather that regulatory frameworks will, in some instances, facilitate reporting of market participants' transactions to foreign domiciled TRs that are recognised, registered or licensed locally. Appendix C provides a table of TRs by asset class and notes both whether the TR is operational and where the TR is regulated (including pursuant to an exemption or recognition in another jurisdiction's regime).

²⁵ Interest rate derivatives reporting figures based on transactions reported by G15 dealers; credit derivatives reporting figures based on transactions reported by all market participants.

Table 3.1

Availability of Trade Repositories in Jurisdictions

Trade repositories currently authorised for use in reporting obligations in FSB member jurisdictions

	AR	AU ¹	BR	CA	CN	EU ²	HK	IN	ID	JP	KR	MX	RU	SA	SG	ZA	CH	TR	US
Bank of Korea											X								
Bloomberg																			X
BM&F Bovespa			X																
CCIL								X											
Cetip			X																
CJSC													X						
CME		X																	X
DDR		X																	X
DDRJ		X								X									
DDRL		X				X													
DTCC-EFETnet						X													
HKMA-TR ³							X												
ICE Trade Vault		X																	X
INFX SDR		X																	X
Korea Exchange											X								
NASDAQ OMX																			
OJSC													X						
SAMA TR														X					

AR = Argentina, AU = Australia, BR = Brazil, CA = Canada, CN = China, EU = European Union, HK = Hong Kong SAR, IN = India, ID = Indonesia, JP = Japan, KR = Republic of Korea, MX = Mexico, RU = Russia, SA = Saudi Arabia, SG = Singapore, ZA = South Africa, CH = Switzerland, TR = Turkey, US = United States.

Shading of jurisdiction names indicates the following:

- A positive authorisation or exemption is required for a TR to be used for a jurisdiction's reporting obligations
- A specified entity (public or private sector) is required to be used for domestic reporting obligations
- Regime not in place / regime yet to be determined

Information on AR and SA regimes not provided.

¹ As a temporary measure, Australia has prescribed the TRs indicated, subject to them being registered to operate as a derivative trade repository under the law of a foreign jurisdiction. The prescription expires on 30 June 2014. ² The EU authorisation regime for trade repositories is not yet in effect, and TRs that seek to offer their services in the EU are currently undergoing an authorisation process. The operation of the TRs listed here – DDRL and DTCC-EFETnet – pre-dates the implementation of the EU regime. ³ HKMA-TR launched its reporting service in July 2013 in Hong Kong.

At present, the practical availability of TRs is quite uneven among FSB member jurisdictions, with very few TRs authorised to operate in multiple jurisdictions (Table 3.1) and some jurisdictions requiring that domestic reporting be only to TRs run by domestic authorities or operators. In some jurisdictions, firms are only permitted to meet their reporting obligations by reporting to TRs that have been appropriately authorised in the jurisdiction (or alternatively granted an exemption from being authorised) in which the TR is offering services. In these jurisdictions, therefore, participants cannot meet their reporting obligations

until relevant TRs have been authorised, recognised, or granted an exemption from a registration or licensing regime (see Sections 6.2 and 6.3 for a discussion on issues related to reporting to TRs and authority access to data held in TRs).

It remains the case that, at a global level, market participants' use of TRs was most advanced in credit and interest rate markets. Using data collected by the BIS as a measure of global OTC derivatives activity, close to 100% of notional amounts outstanding in each of these two asset classes had been reported to trade repositories as at end-December 2012 (Table 3.2). While TRs for other asset classes exist in some jurisdictions, many of these are generally not designed to collect trade reports from non-domestic participants or markets, and as such amounts reported in these asset classes were a very small share of global notional outstandings.

Table 3.2
Amounts Reported to Trade Repositories
Outstanding notional amounts, USD trillions

	Interest Rate¹		Credit²	
	Jun 2012	Dec 2012	Jun 2012	Dec 2012
Amounts reported to DTCC	502.2	512.2	26.9	25.8
Global amounts outstanding as estimated by BIS ³	518.2	515.1	26.9	25.1
<i>DTCC / BIS</i>	<i>97%</i>	<i>99%</i>	<i>99%</i>	<i>~100%</i>

¹ Amounts reported to DTCC by G15 dealers. Includes single-currency and cross-currency interest rate derivatives (including currency swaps). ² Amounts reported to DTCC are for all counterparties. The reported amounts include both electronically confirmed transactions ('gold' records) and non-electronically confirmed transactions, generally understood to be non-standardised transactions ('copper' records). ³ BIS data are from OTC derivatives semi-annual survey.

Sources: BIS; DTCC.

3.3. Availability and use of central counterparties

CCPs are available to clear some products in all five asset classes across several FSB jurisdictions, and several CCPs have announced plans to expand clearing services. There are CCPs offering certain products within each of the five asset classes. Further detail on CCPs providing clearing in each OTC derivatives asset class is provided in Appendix D.

Currently there are a limited number of CCPs registered or recognised in multiple jurisdictions, though the number appears to be increasing (Table 3.3). In most jurisdictions, a CCP is required to be authorised or recognised in the jurisdiction of the market participant seeking to use that CCP before it can offer its services to that market participant.

Table 3.3

Availability of CCPs in Jurisdictions

CCPs clearing OTC derivatives currently authorised to operate in FSB member jurisdictions

	AR	AU ¹	BR	CA ²	CN	EU ³	HK	IN	ID	JP	KR	MX	RU	SA	SG	ZA	CH ⁴	TR	US ⁵
ASX Clear (Futures)		X																	
BM&F Bovespa			X																
Cantor																			X
CCIL								X											
CDCC				X															
CC&G						X													
CME Clearing Europe				X		X													
CME Group				X		X													X
Eurex Clearing AG						X											X		X ⁶
ECC						X													
HKE ⁷							X												
ICE Clear Canada				X															
ICE Clear Credit, LLC				X		X													X
ICE Clear Europe, Ltd.						X													X
ICE Clear US, Inc.						X													X
JSCC										X									
Korea Exchange											X								
LCH.Clearnet LLC																			X
LCH.Clearnet Ltd		X		X		X											X		X
LCH.Clearnet SA						X													X ⁸
Nadex																			X
OCC				X															X
SGX															X				
Shanghai Clearing House					X														

Shading of jurisdiction names indicates the following:

■ A positive authorisation or exemption is required for a *domestic* or *foreign* CCP to offer *direct* or *indirect* clearing to a domestic market participant, irrespective of the existence of any domestic central clearing obligations.

■ A positive authorisation or exemption is required for a *domestic* CCP to offer *direct* or *indirect* clearing to a domestic market participant, irrespective of the existence of any domestic central clearing obligations.

■ A positive authorisation or exemption is required for a *domestic* or *foreign* CCP to offer *direct* clearing to a domestic market participant, irrespective of the existence of any domestic central clearing obligations.

■ A positive authorisation or exemption is required for a *domestic* or *foreign* CCP to offer *direct* clearing to a domestic market participant, irrespective of the existence of any domestic central clearing obligations. A positive authorisation or exemption is required for a *domestic* or *foreign* CCP to offer *indirect* clearing to a domestic market participant for satisfaction of domestic central clearing requirements.

■ No regime currently in place / regime yet to be determined.

Information on AR and SA regimes not provided.

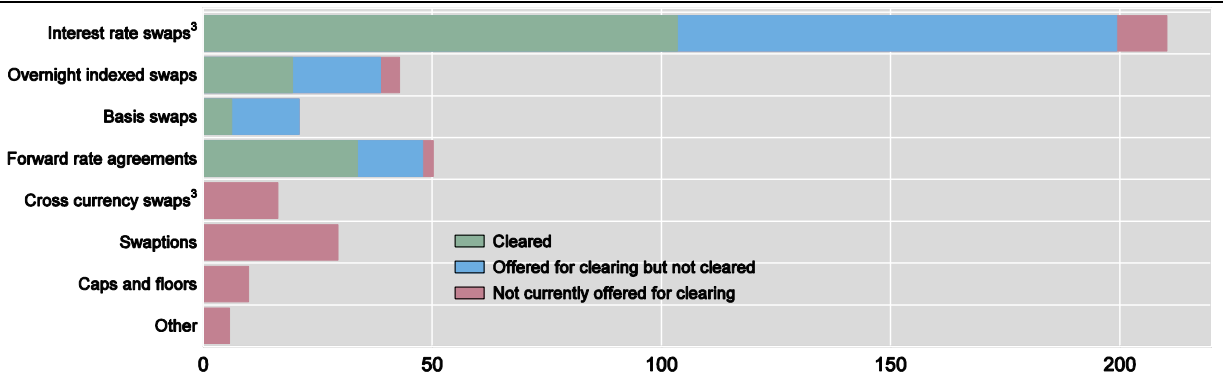
¹ Australian authorities apply a materiality test to determine where a positive authorisation or exemption is required. ² Canadian authorities have yet to determine requirements for CCPs that offer indirect clearing in Canada. ³ EU authorities are currently in the process of re-authorising CCPs under the provisions of EMIR. The CCPs listed here are those that had previously been authorised by EU national authorities. ⁴ Swiss

authorities apply a materiality test to determine whether a positive authorisation or exemption is required for foreign CCPs.⁵ In the US, CFTC registration requirements are as described in the red/1st category of shading described above, while SEC registration requirements are as set out in the orange/3rd category of shading.⁶ Eurex Clearing AG’s application for Designated Clearing Obligation (DCO) status is pending before the CFTC.⁷ HKEx OTC CCP targets to launch services in Q4 2013 subject to approval by the SFC in Hong Kong.⁸ LCH.Clearnet S.A.’s application for DCO status is pending before the CFTC.

Accordingly, as further progress is made in the uptake of central clearing, it is likely that an increasing number of CCPs will need to be jointly authorised or recognised (or exemptions granted) in multiple jurisdictions in order to facilitate the clearing of transactions between counterparties which are subject to the rules of different or multiple jurisdictions. In particular, if a cross-border transaction is to be centrally cleared, in many instances this will require that the CCP clearing this transaction receive a positive authorisation, recognition or exemption in each counterparty’s jurisdiction. Authorities may therefore need to consider the state of CCP authorisations across jurisdictions when considering mandatory clearing obligations that cover cross-border transactions. These cross-border issues are discussed further in Section 6.2 below.

At a global level, the amount of centrally cleared transactions as a share of outstandings has increased slightly over recent months. In the case of OTC interest rate derivatives, the gross notional outstandings of the G15 dealers as at end June 2013 was around \$385 trillion, after adjusting for double counting of centrally cleared transactions. Of this, around \$305 trillion (80%) could be cleared based on the current interest rate derivatives clearing offerings of CCPs: mainly single-currency interest rate swaps, but also forward rate agreements, basis swaps and overnight indexed swaps (Figure 3.1). Of this, \$163 trillion was actually being cleared by the G15 dealers, which was 42% of these firms’ total outstandings, and 53% of the outstandings that could be cleared based on CCPs’ current offerings). These figures are similar to those reported in the previous progress report.

Figure 3.1
Central Clearing of OTC Interest Rate Derivatives¹
 Outstanding notional amounts, USD trillions, end June 2013²



¹ Presently offered for clearing by CME, JSCC, LCH.Clearnet and SGX. ² Adjusted for double-counting of dealers’ centrally cleared trades; amounts reported to DTCC by G15 dealers only. ³ Includes vanilla (> 98% of total) and exotic (< 2% of total) products.

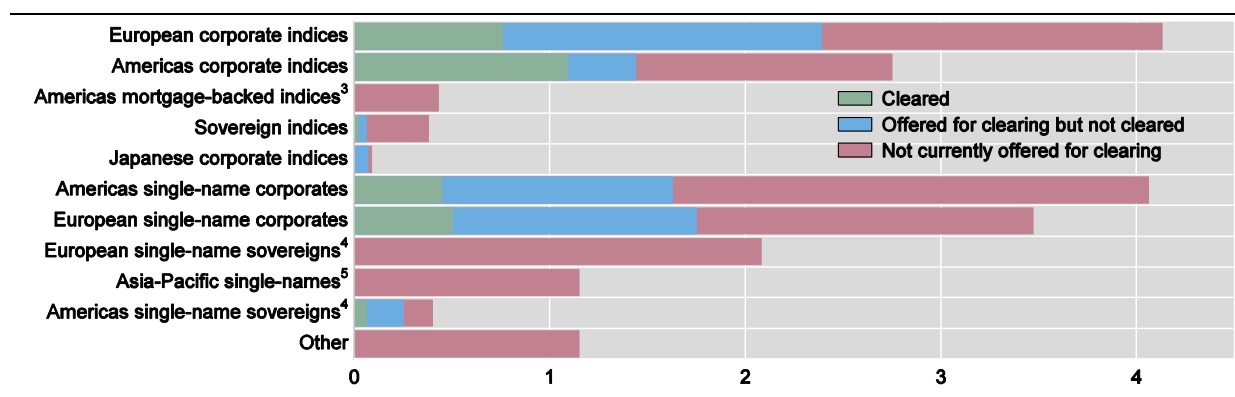
Sources: DTCC; various CCPs; FSB calculations.

The gross notional outstanding amount of credit derivatives across all market participants (not just large dealers, and adjusted for double-counting) was around \$20 trillion at end-June 2013. Around \$7.6 trillion (40%) of this total amount outstanding could be cleared given existing credit derivatives clearing offerings of CCPs, while \$2.9 trillion (14%) of the total amount outstanding had in fact been centrally cleared (Figure 3.2).

Figure 3.2

Central Clearing of OTC Credit Derivatives¹

Outstanding notional amounts, USD trillions, end June 2013²



¹ Presently offered for clearing by CME, ICE Clear Credit, ICE Clear Europe, JSCC and LCH.Clearnet SA. ² Adjusted for double-counting of dealers' centrally cleared trades and triple-counting of clients' centrally cleared trades; amounts reported to DTCC for all counterparties. ³ Includes both residential and commercial mortgage-backed indices. ⁴ Includes sovereigns, sub-sovereign states and state-owned enterprises. ⁵ Includes corporates, sovereigns and state-owned enterprises for Japan, Asia ex-Japan and Australia/NZ.

Sources: DTCC; various CCPs; FSB calculations.

Information on the proportion of new transactions that are being centrally cleared is also becoming available as jurisdictions' trade reporting requirements come into effect. In the US, the CFTC requires a subset of information on swaps (a term used in the Dodd-Frank Act for certain OTC derivatives transactions regulated by the CFTC) to be publicly disseminated on a near real-time basis; this information includes whether the transaction has been centrally cleared or not.²⁶ This information indicates that there has been a trend towards a greater amount of central clearing over the course of this year (Figure 3.3).²⁷

²⁶ Under the CFTC's real-time reporting regulations, central clearing status is indicated only at the time of trade execution. It is likely that some transactions will be novated to CCPs subsequent to their initial execution and dissemination, and therefore the percentages of transactions that are ultimately centrally cleared may be higher than is stated here.

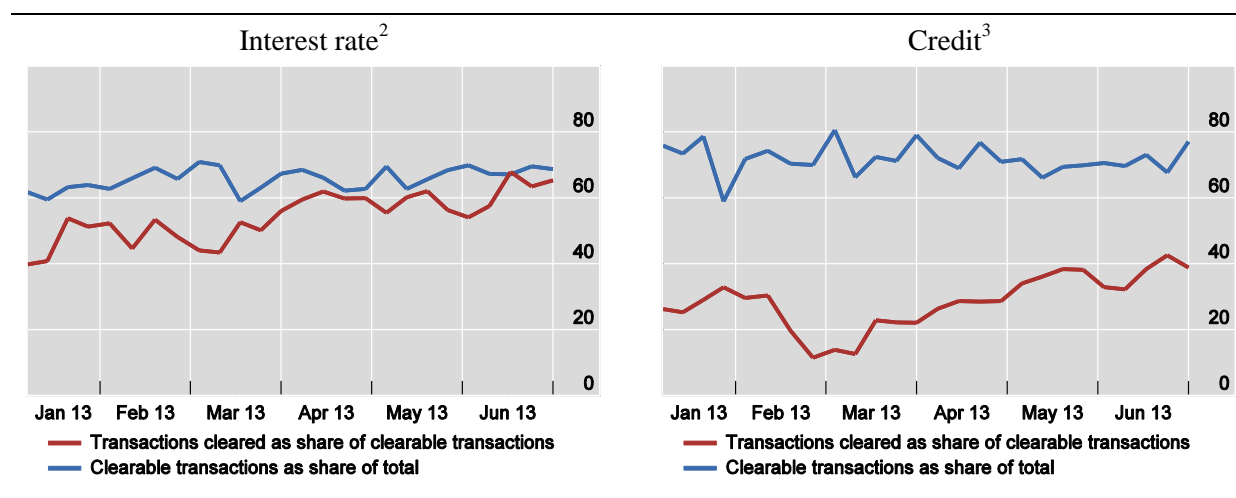
²⁷ The higher percentage of centrally cleared activity reported using this 'flow' data likely reflects the following factors: (i) a greater proportion of new transactions are being centrally cleared, whereas many legacy transactions that are still outstanding were not centrally cleared at the time of execution and have not been 'back-loaded' into CCPs; (ii) the 'flow' data is measured by trade count, whereas amounts outstanding are measured by gross notionals; (iii) the 'flow' data reflects only transactions reported in compliance with CFTC requirements, whereas the outstandings data reflects global activity.

- In the case of interest rate derivatives, for instance, around 65% of transactions (as measured by weekly trade count) that could be centrally cleared were in fact being centrally cleared at the time of execution at the end of June, up from around 40% at the start of 2013.
- An increase in the extent of central clearing is also apparent in the credit derivatives asset class: around 40% of transactions that were eligible to be centrally cleared were in fact cleared through CCPs as at end June, up from around 25% at the start of the year.
- In both credit and interest rate derivatives asset classes, around 70% of transaction volume was in products that were eligible for central clearing given existing clearing offerings of CCPs.
- Information on the other three asset classes – commodity, equity and FX derivatives – indicates that only very small amounts of central clearing are taking place in these products at present.

Figure 3.3

Central Clearing of OTC Derivatives

Percentage of weekly aggregate transaction volume¹



¹ Real-time transactions reported to DTCC as required under CFTC rules; transactions reported as being centrally cleared as at trade execution; centrally cleared amounts do not include transactions novated to CCPs subsequent to real-time dissemination; participants who were neither Swap Dealers nor Major Swap Participants were not required to report transactions prior to 10 April. ² Clearable interest rate derivatives are those transactions able to be cleared through CME, JSCC, LCH.Clearnet and SGX. ³ Clearable credit derivatives are those transactions able to be cleared through CME, ICE Clear Credit, ICE Clear Europe, JSCC and LCH.Clearnet.

Sources: DTCC; various CCPs; FSB calculations.

4. Significant developments in international policy and standards

As of the April 2013 progress report, the international guidance for OTC derivatives reforms had been largely finalised. However, there are four significant workstreams related to the OTC derivatives reform agenda where additional international guidance is anticipated during 2013 and early 2014: (i) final capital requirements regarding bank exposures to CCPs and margin requirements for non-centrally cleared derivatives; (ii) FMI recovery and resolution; (iii) final guidance on authority access to TR-held data; and (iv) feasibility of producing and sharing globally aggregated TR held data (the Feasibility Study). Appendix F provides more details of relevant standard-setting and analytical work by international groups.

Additionally, studies are being carried out that will help to inform the work of standard setting bodies on capital and margin. The BIS coordinated a Macroeconomic Assessment Group on Derivatives to model the macroeconomic impact to the OTC derivatives markets stemming from regulatory reform, including both costs and benefits. The FSB, BCBS, Committee on Global Financial Systems (CGFS), CPSS and IOSCO also organised a small task force to assess how the incentives to centrally clear OTC derivatives have been impacted by the initiatives of standard-setting bodies.

4.1. Capital and margin requirements

4.1.1. Capital requirements for bank exposures to CCPs

Previous progress reports have noted that Basel III rules for banks came into effect on 1 January 2013, setting higher capital requirements for bilateral derivatives transactions. With regards to the capital requirements for centrally cleared transactions, the development of a final approach to capitalising counterparty credit risks arising from exposures to CCPs is continuing. A consultative document on this was published by the BCBS in June²⁸, with final guidance expected in early 2014.

Related to this, BCBS is consulting on an improved non-internal model methodology for assessing counterparty credit risk associated with derivative transactions, with comments due by September 2013.²⁹ This proposes a replacement for existing methods for counterparty risk assessment (namely the Current Exposure Method and the Standardised Method) that includes enhancements such as: improved risk sensitivity across margined and unmargined trades; recognition of the volatilities observed over the recent stress period; and changes to how netting benefits are recognised. The proposed method would be applicable to a wide variety of derivatives transactions, without undue complexity or scope for discretion by banks.

²⁸ BCBS (2013), *Capital treatment of bank exposures to central counterparties - consultative document*, June; available at: <http://www.bis.org/publ/bcbs253.pdf>.

²⁹ BCBS (2013), *The non-internal model method for capitalising counterparty credit risk exposures - consultative document*, June; available at: <http://www.bis.org/publ/bcbs254.pdf>.

4.1.2. Margin requirements for non-centrally cleared derivatives

The Working Group on Margin Requirements (WGMR) published a second consultative paper addressing international guidance on setting margin requirements for non-centrally cleared derivatives in February 2013.³⁰ That consultative document sought comment on four questions on certain specific aspects of the near-final margining framework; specifically: (i) the treatment of physically-settled FX forwards and swaps; (ii) the re-hypothecation of provided initial margin; (iii) the phase-in provisions; and (iv) the accuracy and applicability of the QIS results in assessing the liquidity costs of margin requirements. The comment period for the WGMR's second consultative document closed in mid-March and a total of 93 comments were received.

The final framework for minimum margin requirements for non-centrally cleared derivatives was informed by this consultative process, and was published in September 2013.³¹

4.1.3. Assessing incentives created by OTC derivatives regulatory reform

The OTC Derivatives Assessment Team (DAT)³² began work to assess the impact of incentives to centrally clear OTC derivatives. One of the DAT's purposes is to provide a stylised framework for examining whether the initiatives of the standard-setting bodies create appropriate incentives for different types of market participants to centrally clear. Their work examines the impact of these initiatives on both direct and indirect clearers and on central clearing of single transactions and portfolios of transactions. The framework for analysing the incentives focuses on the cost of clearing centrally versus bilaterally and as a direct or indirect clearing member. To obtain a clearer understanding of the incentive structure, the DAT is exploring further the differences between types of products and categories of market participants (both from the perspective of an indirect clearer and a direct clearing member who needs to assess and manage risks of a client in order to offer client clearing services).

4.2. MAGD Study

The Macroeconomic Assessment Group on Derivatives (MAGD) has published a report on its macroeconomic impact assessment identifying the main benefits and costs of various regulatory reforms focused on OTC derivatives markets.³³ Costs are captured via the impact of higher bank lending spreads to compensate for costs of holding more capital and posting more collateral. Benefits are captured as avoided long-run GDP declines due to a reduction in the probability of financial crisis. To analyse the impact of the regulatory reforms on the resilience of the system, the MAGD developed a network model of counterparty exposures

³⁰ BCBS and IOSCO (2013), *Margin requirements for non-centrally cleared derivatives - Second consultative document*; February; available at: <http://www.bis.org/publ/bcbs242.pdf>.

³¹ BCBS and IOSCO (2013), *Margin requirements for non-centrally cleared derivative - final document*, September; available at: <http://www.bis.org/publ/bcbs261.pdf> and <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD423.pdf>.

³² The DAT is currently comprised of members of the secretariats of international standard setting bodies, as well as staff from the organisations that chair the standard setting bodies, which includes staff from the Australian Securities Investment Commission, Bank of Canada, Bank of England, Federal Reserve Bank of New York, and Sveriges Riksbank.

³³ BIS (2013), *Macroeconomic impact assessment of OTC derivatives regulatory reforms*, Macroeconomic Assessment Group on Derivatives, August; available at: <http://www.bis.org/publ/othp20.pdf>.

and modelled the impact that shocks of varying magnitudes would have on the network pre and post reform. The MAGD concluded that the macroeconomic benefits of the reforms – in terms of long-run GDP – are likely to outweigh the costs, with a central estimate that the net benefit of reforms is roughly 0.12 per cent of GDP per year. This study further noted that benefits will be maximised where the agreed reforms are most fully implemented across jurisdictions, and in particular where as many transactions as possible are standardised and centrally cleared. The report also noted that efforts should be made to harmonise the rules governing cross-border transactions, so that market participants have equal access to CCPs to help maximise netting opportunities.

4.3. Recovery and resolution of FMIs

In August 2013 CPSS-IOSCO published a consultative report on recovery of FMIs which aims to provide guidance to FMIs on the development of comprehensive and effective recovery plans,³⁴ and the FSB published for consultation a draft Annex to the *Key Attributes of Effective Resolution Regimes* (Key Attributes) on FMI resolution which sets out sector-specific considerations for how the Key Attributes should apply to FMIs generally and particular classes of FMIs.³⁵ The CPSS-IOSCO consultative report and FSB consultative documents are complementary and are both open for public consultation until October 2013, after which they will be finalised.

4.4. Authority access to data held in trade repositories

In August 2013, CPSS-IOSCO published a final report on authorities' access to TR data. The objective of the report is to provide guidance to TRs and authorities on access to TR-held OTC derivatives transaction data as well as possible approaches to addressing confidentiality concerns and addressing legal constraints to reporting and access to data.³⁶ It describes the expected data access needs of authorities using a functional approach complemented by an illustrative data access mapping that aligns each function to the minimum level of access authorities would typically require in support of their mandates and responsibilities.³⁷

The report notes that it is likely that OTC derivatives data will be held in multiple TRs, requiring some form of aggregation of data to get a comprehensive and accurate view of the OTC derivatives market and activity globally (see Section 4.4 below for a discussion).

³⁴ CPSS-IOSCO (2013), *Recovery of financial market infrastructures – Consultative report*, August; available at: <http://www.bis.org/publ/cpss109.pdf>.

³⁵ FSB (2013), *Application of the Key Attributes of Effective Resolution Regimes to Non-Bank Financial Institutions – Consultative Document*, August; available at: http://www.financialstabilityboard.org/publications/r_130812a.pdf.

³⁶ CPSS-IOSCO (2013), *Authorities' access to trade repository data*, August; available at: <http://www.bis.org/publ/cpss110.pdf>.

³⁷ The guidance set out in the report should not be seen as limiting an individual authority from obtaining data for it has the authority to obtain directly from a given TR based on its mandate.

4.5. Feasibility study on approaches to aggregating OTC derivatives data

In response to a call from G20 Finance Ministers and Central Bank Governors, the FSB has launched a feasibility study on how information from trade repositories can be aggregated and shared among authorities, so as to enable comprehensive monitoring of risks to financial stability.

The information and technical analysis in the study will provide important input to assist senior policy-makers in their decision on whether to initiate work to develop a global aggregation mechanism, including approaches to data aggregation.

The options for aggregating TR data to be explored by the study include:

1. A physically centralised model of aggregation. This typically involves a central database (hub) where all the data are collected from TRs, stored and subsequently aggregated within the central database for onward provision to authorities as needed.
2. A logically centralised model of aggregation based on federated (physically decentralised) data collection and storage. Logical centralisation can take a number of forms but the key feature is some type of logical indexing mechanism that enables the use of technology to aggregate data from local TR databases rather than the use of a physically central facility. In this option the underlying transaction data remains in local TR databases and aggregated with the help of the central index (using pointers to local databases). One variant of logical centralisation is a model where the data is collected and stored locally but, instead of authorities using the logical indexing mechanism themselves to obtain the data from local databases, there is a designated agent that maintains the central index and the platform for responding to requests from authorities.
3. Collection of raw data from local TR databases by individual authorities that then aggregate the information themselves within their own systems.

Other aggregation models could also be explored, as the study group considers appropriate.

For each option, the study will:

- set out the steps that would need to be taken to develop and implement the option,
- review the associated (and potentially interdependent) legal and technical issues, and
- provide a description of the strengths and weaknesses of the option, taking into account the types of aggregated data that authorities may require and the uses to which the data might be put.

As part of the study, a brief stocktake of the current use of TRs will be undertaken to better understand the range of information reported (and needed) as well as the variation in standards and formats.

The study group anticipates publishing a report for consultation in February 2014 and a final report by the end of May 2014.

4.6. CPSS-IOSCO implementation monitoring of PFMI

CPSS-IOSCO has begun monitoring jurisdictions' implementation of the PFMI, with a first assessment report published in August 2013.³⁸ The monitoring includes both the implementation of the 24 principles for FMI and the five responsibilities for relevant authorities. Reviews will be carried out in stages, or levels, beginning with self-assessments by jurisdictions of whether they have completed the process of adopting the legislation and other policies to implement the principles and responsibilities reflected in the PFMI. Later levels of the monitoring will assess whether these changes are complete and consistent with the principles and responsibilities and will assess whether there is consistency in the outcomes of implementation of the principles by FMI and implementation of the responsibilities by authorities.

The initial first level assessments will cover the regulatory changes necessary for all types of FMI, and updates to these assessments will be conducted periodically to show progress made by jurisdictions in achieving implementation. Later levels of the assessments (such as assessing the consistency of implementation) may consider sub-categories of FMI, such as by focusing on OTC derivatives CCPs and TRs, taking into account their importance for the successful completion of the G20 commitments regarding central clearing and transparency for derivatives products. This work is fundamental to promoting the consistent implementation of the PFMI and meeting the underlying objectives of the OTC derivative regulatory reforms underway.

4.7. Other developments and issues in international policy

4.7.1. Coordination related to standardisation

Standardisation is being fostered indirectly in a number of ways. New standards around capital and margin for non-centrally cleared transactions are providing incentives for market participants to standardise products as well as migrate towards use of products that are already more standardised. Additional requirements relating to electronic confirmation of products (which also provides for timely confirmation of transactions), for which legal and operational standardisation is also a prerequisite, provides further incentives towards standardisation of products and processes.

Further work on standardisation (i.e. product and process standardisation, unique product and transaction identifiers) is still needed and could be strengthened through dedicated international workstreams. Work in this area continues to progress largely through the efforts of the ODSG and *ad hoc* projects between regulators and market participants.

4.7.2. Legal Entity Identifier (LEI)

Since the April 2013 progress report, the LEI Regulatory Oversight Committee (ROC) has continued efforts to finalise the statutes and establishment of the Global LEI Foundation operating the Central Operating Unit (COU), under the oversight of the ROC. In parallel, nine

³⁸ CPSS-IOSCO (2013), *Implementation monitoring of PFMI – Level 1 assessment report*, August; available at: <http://www.bis.org/publ/cpss111.pdf>.

“pre-LOUs” (Local Operating Units) have been established – some at the initial planning stages and others assigning “pre-LEIs.” The LEI ROC is working on the design of processes to integrate the LOUs and the COU, drawing on advice from the Private Sector Preparatory Group, a group of private sector parties (both financial and non-financial), data and technology providers, academics, and others with relevant expertise from around the globe. The LEI ROC has published a statement on the launch of an interim system for globally accepted pre-LEIs; it is also developing a detailed procedure for obtaining global and mutual recognition and for settling remaining issues related to the transition towards the global LEI system and will disclose the results shortly. The June 2013 ROC meeting made progress towards the establishment of the Global LEI Foundation as well as setting forth steps to be taken to accomplish global recognition of pre-LEIs, which is expected to happen over the summer of 2013. The ROC will continue to publish regular progress reports on the establishment of the Global LEI system.

4.7.3. CGFS study on effects of financial reform on collateral demand and supply

In May 2013, the Committee on the Global Financial System (CGFS) published a report that assessed, among other things, the demand for assets used as collateral in light of the Basel III liquidity coverage ratio, OTC related reforms requiring margin for centrally and bilaterally cleared transactions and the PFMI standards regarding the assets that CCPs must hold.³⁹ The study found that concerns about an absolute shortage of high quality assets appear to be unjustified, in part because the supply of collateral has grown as well as the demand, and in part because private sector responses may be developing that could mitigate shortages in high quality collateral (such as collateral transformation activities). However, the study found that there were variations across jurisdictions, where shortages in high quality assets could arise when, for example, amounts of government bonds outstanding are low or where they are perceived as risky by market participants.

4.7.4. CPSS work on developments in collateral management services

The CPSS has established a working group to take stock of current developments in collateral management services and to identify and assess the range of potential risks stemming from the various stages of the settlement processes associated with these services. Large custodian banks and FMIs may be seeking to meet future collateral management services demands through existing and new offerings such as centralisation of collateral information, collateral optimization services and collateral transformation services. This work is important to gaining a clear understanding of the domestic and cross-border settlement processes associated with the current and proposed collateral management services meant to support market participants increased demands for collateral as well as with the associated risks.

³⁹ BIS (2013), *Asset encumbrance, financial reform and the demand for collateral assets*, CGFS Publications No 49, May; available at: <http://www.bis.org/publ/cgfs49.pdf>.

5. Significant developments in jurisdictions' legislative and regulatory frameworks

5.1. Introduction

At the national and regional level, some further progress towards implementation of the G20 commitments has been made since April 2013.

Most jurisdictions reported adopting legislation that requires reporting of all OTC derivatives transactions and, as noted in the Executive Summary, reporting requirements are already in force in close to half of the member jurisdictions. Some jurisdictions have also taken significant steps towards implementing central clearing requirements, though specific mandatory requirements are in force in only two jurisdictions. In several other instances, jurisdictions note that steps towards implementation in several commitment areas would begin later than initially anticipated. Jurisdictions otherwise have not set out detailed implementation timetables (the tables in Appendix G provides further detail on individual jurisdictions' reform implementation).

5.2. Specific national and regional developments

In Australia, final rules were adopted that will implement an obligation to report OTC derivatives transactions to trade repositories, and a licensing regime for trade repositories. A mandatory reporting obligation will apply to the major Australian banks from 1 October 2013, with reporting requirements for other financial institutions and intermediaries, to phase in over 2014. There is also an opt-in arrangement to allow for foreign reporting requirements to be met by opting in to a reporting obligation under Australian law, which would override domestic privacy laws. The government has also prescribed a number of foreign trade repositories, which will allow reporting to certain TRs ahead of the licensing of TRs in Australia.⁴⁰ Additionally, Australia issued a public statement on the approach to assessing mandatory clearing requirements.⁴¹ This was followed by the regulators publishing an assessment of the Australian OTC derivatives market, which recommended to the Australian government that the Minister issue a determination that a mandatory clearing obligation be applied to OTC interest rate derivatives transactions, denominated in British pounds, Euros, Japanese yen and US dollars.⁴² This reflected that, collectively, there is material activity in these products in the Australian market, and that these products are subject to a clearing mandate overseas. The assessment also notes the increased access to Australian dollar-denominated interest rate clearing services by Australian market participants, following the regulatory approvals provided to ASX and LCH.Clearnet Ltd. in July 2013 to offer clearing services in OTC interest rate derivatives in Australia.

⁴⁰ This was done through prescribing a number of cross-border TRs through regulation and creating a framework through regulation for reporting until TRs are licensed in Australia.

⁴¹ APRA, ASIC and RBA, Media Release, 8 May 2013, "Australian Regulators' Statement on Assessing the Case for Mandatory Clearing Obligations"; available at: <http://www.cfr.gov.au/media-releases/2013/mr-13-02.html>.

⁴² APRA, ASIC and RBA (2013), *Report on the Australian OTC Derivatives Market*, July; available at: <http://www.cfr.gov.au/publications/cfr-publications/2013/report-on-the-australian-otc-derivatives-market-july/pdf/report.pdf>.

In the EU, the Capital Requirements Regulation (CRR) entered into force on 28 June 2013, and the Capital Requirements Directive (CRD) IV on 17 July 2013; together these implement the Basel III framework in the EU.⁴³ CRR will in general have direct and legally binding effect in all EU member states, and shall apply in most of its parts from 1 January 2014. CRD IV must be implemented by all EU member states in most parts by 31 December 2013. Concerning the implementation of EMIR, ESMA has launched a consultation on draft regulatory technical standards (RTS) to implement provisions related to OTC derivative transactions by non-EU counterparties in certain cases. The Consultation Paper proposes clarifications as to the conditions under which central clearing or risk mitigation techniques would apply to OTC derivatives by two non-EU counterparties which have a direct, substantial and foreseeable effect in the EU. The proposed RTS would only apply when two counterparties to the same transaction are established outside the EU, their jurisdictions' rules are not considered equivalent to EMIR and under certain circumstances.⁴⁴ ESMA also issued a discussion paper (open for feedback until 12 September 2013) preparing the RTS to implement provisions of EMIR regarding obligations to centrally clear OTC derivatives.⁴⁵ The consultation is aimed at assisting ESMA in developing its approach to determining which classes of OTC derivatives need to be centrally cleared and the phase-in periods for the counterparties concerned.

In Hong Kong, a bill setting out the regulatory framework, which will enable the regulators to impose mandatory clearing, reporting and trading obligations was published in the official publication on 28 June 2013, and introduced to Hong Kong's Legislative Council on 10 July 2013.⁴⁶

In South Africa, the Financial Markets Act No. 19 of 2012 (FMA) came into effect in June, which is the package of legislation needed to enable OTC derivatives market reform consistent with the G20 commitments.

In the US, the SEC's cross-border proposal was published, which addresses various areas of reform implementation (see Section 6.2.2 below). CFTC rules for exchanges and organised trading platforms were finalised, as were numerous requirements with respect to implementation of the CFTC's clearing obligation, including clearing of certain swaps on iTraxx indices, clearing by certain financial entities and exemptions for swaps between affiliated counterparties. The CFTC also adopted interpretive guidance and a policy statement regarding cross-border application of its regulatory regime. As at end-July 2013, 79 firms have been provisionally registered as swap dealers with the CFTC, of which 35 are non-US entities. The Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency adopted a final rule to implement Basel III in the U.S. (the FDIC

⁴³ For further information on the CRD IV package of legislation adopted by the European Commission, see: http://ec.europa.eu/internal_market/bank/regcapital/legislation_in_force_en.htm.

⁴⁴ Press release from 17 July 2013, ESMA 2013/996; available at: http://www.esma.europa.eu/system/files/2013-996_esma_consults_on_non-eu_counterparties_otc_derivatives.pdf.

⁴⁵ Press release from 12 July 2013, ESMA/2013/936; available at: http://www.esma.europa.eu/system/files/2013-936_esma_begins_detailing_central_clearing_of_otc_derivatives_0.pdf.

⁴⁶ Securities and Futures (Amendment) Bill 2013; available at: <http://www.gld.gov.hk/egazette/pdf/20131726/es32013172619.pdf>.

approved an interim final rule that is identical in substance). The phase-in period begins January 2014 for larger institutions and January 2015 for smaller, less complex banking organizations.⁴⁷

Other changes since April 2013 relate primarily to further progress in trade reporting: in Canada, Ontario, Quebec, and Manitoba published province-specific rules regarding trade reporting while others published updated model rules in the same area for comment in June 2013;⁴⁸ Hong Kong imposed interim reporting requirements for certain specified transactions in interest rate derivatives and NDFs between licensed banks which came into force from 5 August 2013; in Japan, reporting requirements became effective in April 2013; and compliance with CFTC-related reporting requirements in the US expanded to additional market participants.

In Singapore, the licensing regimes for reporting and central clearing infrastructures that were part of an earlier consultation came into effect on 1 August 2013. MAS also published for consultation draft regulations for the mandatory reporting of OTC derivatives in June 2013.⁴⁹ The MAS proposal will require OTC derivatives which are traded in Singapore and/or booked in Singapore to be reported, and will be phased in. Reporting will be mandated for interest rate and credit derivatives contracts in the first phase, while other classes of OTC derivatives contracts including foreign exchange, equity and commodity derivatives will be mandated in a later phase. There will also be a staggered implementation for market participants, with banks being the first entities required to comply with the reporting obligation, followed by other financial entities, then non-financial entities. The initial phase of the reporting regime is scheduled to commence in October 2013.

Some other jurisdictions reported clarifications regarding their approach to mandatory clearing. Brazil and South Africa both noted that they will regularly monitor their markets and their incentives for central clearing to determine whether mandatory clearing requirements are needed. Switzerland also reported that mandatory clearing obligations will be part of its reform package, expected to be published for public consultation in October, 2013.

Table 5.1 describes the main steps taken by jurisdictions since April 2013: Appendices A and B provide further detail on the timetables for steps towards further implementation of reporting and central clearing commitments, as reported by each jurisdiction.

⁴⁷ See 'Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Capital Adequacy, Transition Provisions, Prompt Corrective Action, Standardized Approach for Risk-weighted Assets, Market Discipline and Disclosure Requirements, Advanced Approaches Risk-Based Capital Rule, and Market Risk Capital Rule', 12 CFR Parts 208, 217, and 225 (July 2, 2013); available at: <http://www.federalreserve.gov/bcreg20130702a.pdf>.

⁴⁸ See <http://www.securities-administrators.ca/aboutcsa.aspx?id=1150>.

⁴⁹ See MAS (2013), *Consultation Paper on Draft Regulations for Reporting Derivatives Contracts*, June; available at: <http://www.mas.gov.sg/News-and-Publications/Consultation-Paper/2013/Consultation-Paper-on-Draft-Regulations-for-Reporting-of-Derivatives-Contracts.aspx>.

Table 5.1
Post-April 2013 Regulatory Developments in FSB Member Jurisdictions

Jurisdiction	Trade Reporting	Central Clearing	Trading on organised platforms	Margin / Capital
Australia	<p>Regulation prescribed 8 cross-border TRs.</p> <p>Trade repository and trade reporting rules entered into force on 11 July.</p> <p>Reporting could begin on an 'opt-in' basis from 11 July 2013. Mandatory reporting begins on a phased in basis on 1 October 2013.</p>	<p>In May 2013, the Australian regulators (APRA, ASIC and the RBA) published a <i>Statement on Assessing the Case for Mandatory Central Clearing</i>, which sets out how the regulators will monitor developments in the Australian OTC derivatives market, and the criteria that the regulators will apply when advising the relevant Australian Government minister on whether to impose a central clearing mandate.</p> <p>Using these criteria, in July 2013 the Australian regulators recommended in the <i>July Report on the Australian OTC Derivatives Market</i> that the minister issue a determination that a mandatory clearing obligation be applied to OTC interest rate derivatives transactions denominated in British pounds, Euros, Japanese yen, and US dollars. This reflects that collectively, there is material activity in these products in the Australian market, and that these products are subject to a clearing mandate overseas. The regulators recommended that the initial focus of such a mandate should be dealers that engage in significant levels of cross-border activity in these products.</p>		
Canada	<p>Province-specific rules (Ontario, Quebec, Manitoba) and Model Provincial Rules (other Canadian Securities Administrators (CSA)¹ jurisdictions) published for comment.</p>			

Jurisdiction	Trade Reporting	Central Clearing	Trading on organised platforms	Margin / Capital
European Union	ESMA has launched a consultation on draft regulatory technical standards aimed at implementing the provisions of EMIR related to OTC derivative transactions by non-EU counterparties in certain cases.	ESMA has launched a Discussion Paper to prepare the regulatory technical standards which will implement provisions of EMIR regarding the obligation to centrally clear OTC derivatives. The consultation is aimed at assisting ESMA in developing its approach to determining which classes of OTC derivatives need to be centrally cleared and the phase-in periods for the counterparties concerned. It is open to feedback until 12 September 2013. ESMA has also launched a consultation on draft regulatory technical standards aimed at implementing the provisions of EMIR related to OTC derivative transactions by non-EU counterparties in certain cases.	Final phase of MIFID/MIFIR negotiations ('trilogues') begun. MIFIR will mandate the trading of clearing eligible products on organised platforms.	To implement the Basel III framework, CRR and CRD IV entered into force in June and July 2013 respectively.
Hong Kong	To provide for the regulatory framework for the OTC derivatives market, the relevant Bill was gazetted on 28 June 2013 and was tabled before the Legislative Council on 10 July 2013. Interim reporting requirements in force for IRS and NDFs between licensed banks from 5 August 2013	To provide for the regulatory framework for the OTC derivatives market, the relevant Bill was gazetted on 28 June 2013 and was tabled before the Legislative Council on 10 July 2013.	To provide for the regulatory framework for the OTC derivatives market, the relevant Bill was gazetted on 28 June 2013 and was tabled before the Legislative Council on 10 July 2013.	
Japan	DDRJ began operating to accept transaction reports.			
Singapore	TR licensing regime in force 1 August 2013. Reporting requirements published for consultation.	CCP licensing regime in force 1 August 2013.		

Jurisdiction	Trade Reporting	Central Clearing	Trading on organised platforms	Margin / Capital
South Africa	FMA came into effect.	FMA came into effect.	FMA came into effect.	
US	<p>Under CFTC rules, requirement to report came into force for financial and non-financial entities.</p> <p>The SEC proposed rules for regulating cross-border security-based swap activities on 1 May 2013.</p>	<p>Swap dealer, active funds, and financial entities (other than accounts managed by third-party investment managers and certain pension funds) required to comply with mandatory clearing requirements for certain swaps on iTraxx indices.</p> <p>Financial entities, other than third-party subaccounts and ERISA plans begin clearing certain interest rate swaps and credit default swap indices.²</p> <p>Exemption for certain swaps between two affiliated counterparties finalised.</p> <p>The SEC proposed rules for regulating cross-border security-based swap activities on 1 May 2013.</p>	<p>The final Swap Execution Facility (SEF) and Trade Execution Requirement Process rules were issued by the CFTC on 16 May 2013. CFTC staff is in the process of receiving and reviewing SEF registration applications and requests for classes of certain swaps to be subject to the mandatory trade execution requirement.</p> <p>The SEC proposed rules for regulating cross-border security-based activities on 1 May 2013.</p>	<p>SEC proposed rules for regulating cross-border security-based swap activities on 1 May 2013.</p>

¹ Canadian Securities Administrators is a coordinating organisation of securities regulators from each of the 10 provinces and 3 territories of Canada that aims to develop a harmonized approach to securities regulation across the country.

² See US Federal Register, 77 FR 74284; available at: <http://www.cftc.gov/LawRegulation/FederalRegister/FinalRules/2012-29211>.

6. Progress in meeting underlying reform objectives, and issues in implementation

6.1. Introduction

Although further progress in OTC derivatives reform implementation is being made by authorities and market participants, there are some areas where additional work is warranted in support of more fully meeting the underlying objectives of the G20 commitments of improved transparency, mitigation of systemic risk, and protection against market abuse. Uncertainty regarding final regulations and the cross-border application of rules is hindering progress by market participants and infrastructure providers in expanding the uptake of trade reporting, central clearing and organised platform trading. Thus, there are still areas where reform implementation remains incomplete, and where more consistent and timely implementation of requirements across jurisdictions is needed to support the reform agenda. Moreover, as requirements start coming into force in some jurisdictions, the uneven implementation and timing of regulatory requirements may become a more pressing concern and increase the importance of regulatory coordination on cross-border issues.

This section first discusses cross-border issues that underpin some of this regulatory uncertainty. This section then discusses each of the regulatory reform objectives in turn, identifying, where possible, how resolution of uncertainty or other further regulatory steps could further the attainment of these objectives.

6.2. Cross-border considerations

Cross-border transactions dominate activity in the OTC derivatives markets of most FSB member jurisdictions⁵⁰, and in most jurisdictions the local operations of foreign financial institutions (such as bank branches or affiliate companies, particularly of firms headquartered in the EU or US) play an important role in each jurisdiction's local dealer community.

With rules already in force in some jurisdictions and soon coming into force in others, it is therefore important for uncertainties about the treatment of cross-border activity in these markets to be resolved. There are some issues that may – if not resolved – increase the costs and compliance burdens to market participants, but do not in themselves create barriers to market activity. Other issues, however, if not resolved could create impediments to market participants' opportunities to trade cross-border, and affect market functioning. Similarly, a failure to resolve barriers in trade reporting and authority access to TR-held data might undermine authorities' capacity to monitor counterparty exposures or instances of market abuse. These issues include, for example:

- The use of centralised infrastructure depends, in some instances, on exemptions from registration or the application of equivalence or substituted compliance to foreign

⁵⁰ For example, the most recently available data collected by the BIS data on OTC interest rate derivatives markets indicates that, across FSB member jurisdictions, an average of 70% of the turnover of dealers located in each jurisdiction is with foreign counterparties.

infrastructure. Where foreign trading venues or CCPs cannot be used or face significant obstacles to being used, compliance with mandatory clearing or trading requirements under domestic laws may inhibit cross-border transactions. Liquidity could become more fragmented if market participants are restricted in their use of foreign CCPs and/or trading venues, as limitations on cross-border activity may lessen the volume and size of trading and/or clearing on any given trading platform or CCP.

- Certain legal restrictions in some jurisdictions currently remain a barrier to reporting required transaction information on a cross-border basis. In jurisdictions with data privacy, confidentiality, blocking laws, identifying information often cannot be reported on a cross-border basis in the first instance and/or could be subject to discretionary consent, waiver provisions or other pre-conditions before the reporting of required transaction information is permitted. In some jurisdictions, the resolution of privacy restrictions on trade reporting depends on implementation of requirements intended to “override” domestic privacy or confidentiality laws. However, trade reporting requirements are coming into force in some jurisdictions later than others. As a result, barriers to reporting based on privacy, confidentiality and other laws currently may limit or prevent market participants from meeting certain reporting requirements in foreign jurisdictions until the new reporting requirements are more uniformly in force or unless additional temporary relief from the requirements is granted. (See Section 6.3.1.1.)
- Additionally, with regards to access to TR data, authorities have been working to address potential issues concerning the use of TRs in multiple jurisdictions.⁵¹ As an example of some of the procedural steps that may need to be in place for a TR to operate cross-border, regulatory arrangements around information sharing or requirements for foreign authorities’ direct access to TR-held data may need to be finalised or resolved prior to authorisation being given in multiple jurisdictions (which could include, in some instances, resolving issues around privacy laws and/or indemnification provisions that would apply to reporting or sharing information to a foreign authority). Section 4.3 discusses work underway by CPSS-IOSCO regarding authorities’ access to TR information.

Key authorities are making progress in resolving broader cross-border regulatory issues. In particular, the CFTC and EC recently set out various understandings on cross-border issues, which the FSB welcomes as a major, constructive step forward.⁵² More generally, it is important that all authorities continue efforts to resolve cross-border regulatory concerns.

⁵¹ Authorisation, recognition or being granted an exemption in multiple jurisdictions could assist participants in meeting required reporting obligations and assist in authority access to TR held data.

⁵² See “The European Commission and the CFTC reach a Common Path Forward on Derivatives”, 11 July 2013; available at: <http://www.cftc.gov/PressRoom/PressReleases/pr6640-13>.

6.2.1. Work of the OTC Derivatives Regulators Group

Since the publication of the April 2013 progress report, the OTC Derivatives Regulators Group has continued its work. The Regulators Group reported in April 2013 that it had reached agreement on the way forward in a number of areas.⁵³ Following that statement, the G20 finance ministers and central bank governors asked the regulators to intensify their efforts to address cross-border derivatives issues and report in July on specific and practical recommendations to resolve by the St. Petersburg Summit remaining cross-border conflicts, inconsistencies, gaps and duplicative requirements. To that end, in August the Regulators Group provided a report to the G20 Leaders setting out several agreed understandings for the resolution of cross-border conflicts, inconsistencies, gaps and duplicative requirement.⁵⁴ Their understandings comprise the following:

- consultation and communication when equivalence or substituted compliance assessments are being undertaken is essential;
- a flexible, outcomes-based approach should form the basis of final assessments regarding equivalence or substituted compliance;
- a stricter-rule approach would apply to address gaps in mandatory trading or clearing obligations;
- there is a framework, founded on IOSCO recommendations,⁵⁵ for consultation among authorities on mandatory clearing determinations;
- jurisdictions should remove barriers (i) to reporting to trade repositories by market participants with particular attention to removing barriers to reporting counterparty data and (ii) to access to trade repository data by authorities; and
- there should be appropriate transitional measures and a reasonable but limited transition period for foreign entities.

The group identified additional topics that further work is required to address, including: (i) authorities' access to registrant information (including books and records), and (ii) the regulatory treatment across jurisdictions of foreign bank branches and guaranteed subsidiaries.

6.2.2. Potential inconsistencies in national implementation and cross-border impact

Earlier FSB reports noted that potential inconsistencies between national approaches to implementation of the G20 commitments, and possible gaps, as well as conflicting, inconsistent or duplicative regulatory requirements remain a concern in cases where

⁵³ OTC Derivatives Regulators Group, statement published on 16 April 2013; available at http://www.cftc.gov/PressRoom/PressReleases/odrg_reporttog20release and http://ec.europa.eu/internal_market/financial-markets/docs/derivatives/130418_odrg-report-g20_en.pdf.

⁵⁴ OTC Derivatives Regulators Group, *Report on Agreed Understandings to Resolving Cross-border Conflicts, Inconsistencies, Gaps and Duplicative Requirements*, 16 August 2013; available at: <http://www.cftc.gov/ucm/groups/public/@newsroom/documents/file/odrgreport.pdf>.

⁵⁵ IOSCO (2012), *Report on Requirements for Mandatory Clearing*, February; available at: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD374.pdf>.

individual transactions or market participants are subject to more than one jurisdiction's regulatory requirements.

Some rules in Japan and the US are already in force and apply to (or soon will) both domestic and foreign participants. To date, however, relatively few conflicts have been identified where rules are in effect. However, regulators have identified several concerns in how different jurisdictions' regulatory requirements might interact going forward, and these are a continued focus of regulatory discussions. Additional rules in these and some other jurisdictions will also soon come into force. Through dialogues with authorities and in other international forums, market participants have indicated some likelihood that trading activity will be reorganised, reflecting a desire to make compliance with individual jurisdictions' requirements more efficient, and to avoid potential conflicts between regulatory obligations. While some market reconfiguration may be expected as regulations come into force, the implications of this for broader financial stability will have to be monitored.

A factor in some market participants' decisions in this area is uncertainty as to when and how substituted compliance or recognition will be used in various jurisdictions. Even when final guidance is given on how these requirements will be applied, the process of establishing "comparability" or "equivalence" may take some time.

Specific cross-border jurisdictional developments include:

Australia

As already highlighted in Section 5.2, Australia has adopted interim measures to facilitate trade reporting in cross-border transactions until mid-2014. Eight cross-border TRs have been prescribed by regulation, subject to them being registered to operate in their home jurisdiction, allowing transactions involving Australian counterparties to be reported in a manner that overrides any barriers to reporting caused by privacy laws.

Canada (Ontario and Quebec)

Ontario and Quebec confirmed, through the April 2013 Regulators Group report that they would apply substituted compliance using an outcomes based approach.⁵⁶

European Union

In the EU, the EC is in the process of reviewing the rules of nine non-EU jurisdictions in order to assess whether to adopt implementing acts determining that these jurisdictions are equivalent with respect to regulation of CCPs, TRs and transaction based requirements. Where implementing acts are adopted, foreign rules will be recognised in the EU. The EC plans to begin finalising its assessments in Q3.

ESMA has launched a consultation on draft RTS aimed at implementing the provisions of EMIR related to OTC derivative transactions by non- EU counterparties in certain cases. The Consultation Paper clarifies the conditions where EMIR's provisions regarding central clearing or risk mitigation techniques would apply to OTC derivatives by two non-EU counterparties which have a direct, substantial and foreseeable effect in the EU. The proposed

⁵⁶ Available at: http://ec.europa.eu/internal_market/financial-markets/docs/derivatives/130418_odrg-report-g20_en.pdf.

RTS would only apply when two counterparties to the same transaction are established outside the EU, their jurisdictions' rules are not considered equivalent to EMIR, and under certain circumstances.⁵⁷

Hong Kong

Hong Kong stated in the Regulators Group report that although it would require authorisation for foreign infrastructures providing services in Hong Kong, it would base its authorisation assessment primarily on international standards and rely on foreign regulators for day-to-day supervision.⁵⁸

Japan

As disclosed in the Regulators Group report, Japan confirmed that although it would require licensing and registration for foreign entities and infrastructures operating in its country, much less onerous conditions would apply under its statute to such infrastructures when foreign regulation could be relied upon and foreign entities which are already registered under its statute do not need separate registration.⁵⁹

US

In the US, the SEC's cross-border proposal (SEC Proposal) provides proposed rules and interpretive guidance on its approach to cross-border transactions and entities.

The SEC Proposal takes a "territorial" approach to the application of the Dodd-Frank Act's requirements to security-based swap transactions.⁶⁰ The SEC Proposal generally would subject security-based swap transactions to US requirements if they are entered into with a US person or a person whose security-based swap transactions are guaranteed by a US person, or otherwise conducted within the US.⁶¹ However, under the SEC Proposal, a party may be able to comply with SEC requirements by complying with some or all of the requirements of a foreign regulatory regime in many cases, provided that those requirements have been determined by the SEC to achieve comparable regulatory outcomes (based on a determination of substituted compliance).

Consistent with rules jointly adopted by the SEC and CFTC regarding entity definitions, foreign branches of US banks (and US branches of foreign banks) would not be defined as separate legal persons and therefore would have the same US-person status of the bank's

⁵⁷ ESMA, Press Release 2013/996. 17 July 2013; available at: http://www.esma.europa.eu/system/files/2013-996_esma_consults_on_non-eu_counterparties_otc_derivatives.pdf.

⁵⁸ Available at: http://ec.europa.eu/internal_market/financial-markets/docs/derivatives/130418_odrg-report-g20_en.pdf.

⁵⁹ Available at: http://ec.europa.eu/internal_market/financial-markets/docs/derivatives/130418_odrg-report-g20_en.pdf.

⁶⁰ Under this approach, subject to certain exceptions, the SEC Proposal defines a "U.S. Person" as (1) any natural person resident in the US; (2) any partnership, corporation, trust, or other legal person organised or incorporated under US laws or having its principal place of business in the US; and (3) any account (whether discretionary or non-discretionary) of a US person.

⁶¹ "Transactions conducted within the US" would mean any security-based swap transaction that is solicited, negotiated, executed, or booked within the US by or on behalf of either counterparty to the transaction, regardless of location, domicile, or residence status of either counterparty to the transaction.

home office. However, transactions conducted by US banks through foreign branches would be treated, in some cases, similar to transactions conducted by non-US persons.

Under the cross-border proposal, a registered security-based swap dealer would be required to comply with (1) entity-level requirements such as capital, margin, and risk management requirements (although they may be able to use substituted compliance in these cases); (2) transaction-level requirements, such as certain external business conduct requirements, with respect to their US business but not with respect to their foreign business (although they may be able to use substituted compliance in these areas); and (3) segregation requirements generally only with respect to transactions with counterparties who are US persons.

On 12 July 2013, the CFTC approved an interpretive guidance and policy statement that describes how the CFTC would determine how the Dodd-Frank Act swap provisions would apply to activities outside the U.S.⁶² Among other things, this guidance: (i) addresses the circumstances under which a non-US entity would be required to register as a swap dealer or major swap participant and the extent to which the Dodd-Frank Act would apply to such registrants; and (ii) provides a general framework for a substituted compliance regime under which the CFTC would permit a non-US registrant to comply with comparable and comprehensive requirements in its home jurisdiction. The guidance also addresses the extent to which Dodd-Frank Act swap provisions would apply to transactions between non-registrants.

On the same day, the CFTC also approved an exemptive order that will provide market participants with additional time to come into compliance with Dodd-Frank Act swap provisions.⁶³ Among other things, the exemptive order permits market participants to apply the definition of the term “US person” set forth in an earlier CFTC exemptive order until 9 October 2013. In addition, the order provides non-US swap dealers and major swap participants, as well as qualifying foreign branches of US swap dealers, additional time to come into compliance with Dodd-Frank Act entity-level and transaction-level requirements.

6.3. Meeting G20 objectives of improved transparency, protecting against market abuse and mitigating systemic risk

6.3.1. Improved transparency

The G20 commitments seek to achieve better transparency in the OTC derivatives markets by requiring standardised contracts to be executed on exchange or electronic trading platforms, as appropriate, and for all transactions to be reported to trade repositories. Some jurisdictions have also taken steps to ensure public dissemination of trade data as another mechanism for improving post-trade transparency. From a market participant’s perspective, public availability of data on market activity helps to ensure fair and efficient markets. Trade data (including non-public information held in trade repositories) also assists authorities in monitoring market developments.

⁶² Available at: <http://www.cftc.gov/PressRoom/Events/ssLINK/federalregister071213b>.

⁶³ Available at: <http://www.cftc.gov/PressRoom/Events/ssLINK/federalregister071213>.

To date, most jurisdictions have typically focused on reporting requirements in supporting the objective of improving transparency. Impediments to meeting this objective have typically fallen into a few categories: (i) cross-border issues, including impediments to *reporting to TRs* and impediments to recognising TRs; (ii) impediments to authorities gaining *access to TR data*; and (iii) slow progress on take-up of platform trading. Although some progress has been made on these issues, more work is needed.⁶⁴

In contrast to trade reporting, only a few jurisdictions have taken concrete steps to promoting the execution of standardised OTC derivatives through organised trading platforms. As well as being an important tool to improve market transparency, this is also an important part of reducing the potential for market abuse – this is discussed further in Section 6.3.2.

6.3.1.1. Data privacy laws, blocking statutes, and other laws prohibiting reporting to TRs and regulator access to data held in TRs

The April 2013 progress report noted that privacy laws, blocking statutes (including secrecy laws), and other laws in some jurisdictions created barriers to counterparty reporting – to varying degrees – of transaction data.⁶⁵ At the time of the April 2013 progress report, some jurisdictions with privacy laws and blocking statutes reported that these barriers would be overridden or would no longer apply to reporting pursuant to domestic regulatory requirements once such requirements were in place. Generally, reporting rules would override privacy restrictions when reporting is done pursuant to the jurisdiction’s own regulation or to authorised or otherwise recognised TRs.⁶⁶ That progress report noted that authorities should ensure that barriers to reporting are effectively addressed by continuing to monitor the implementation of requirements to assess whether barriers to reporting and authority access to TR data have been successfully removed.

Legal provisions that also act as barriers to regulator access to data held in cross-border TRs may also complicate a TR’s ability to provide regulators with direct access to TR data, and thus to be authorised in multiple jurisdictions (including through recognition or exemption), compounding the complications of meeting reporting requirements. However, the full implementation of needed regulation or other acts that may remove barriers for market participant reporting and authority access to data (depending on the specific nature of the privacy and blocking laws as well as the extent of information to be reported) may still take some time.⁶⁷ In general, the landscape is largely the same as that reported in the April 2013 progress report and barriers continue to exist.

⁶⁴ These issues, as well as a discussion on public dissemination of trade data were included in the April 2013 progress report. Issues are discussed only where updates have been provided.

⁶⁵ The discussion of jurisdictions’ legal frameworks is not an exhaustive review, but based on information provided by FSB members. This discussion focuses only on changes reported since April 2013. For a more complete discussion of privacy laws, blocking statutes and other laws that may prohibit reporting to TRs, please consult the April 2013 progress report.

⁶⁶ However, in the approach reported by some jurisdictions (for example, Australia and South Africa), the legal framework being contemplated would override privacy restrictions if reporting is done pursuant to domestic or foreign requirements.

⁶⁷ Europe, for example, reporting that its requirements are anticipated to come into force in September 2013, rather than July 2013, as previously reported.

Since the publication of the April 2013 progress report, only one jurisdiction, Australia, reported changes to its regime that would facilitate reporting of counterparty information.⁶⁸

Other jurisdictions have provided some updates regarding their existing regimes, clarifications about the application of their rules and some updates on difficulties they are seeing in practice, and their plans to address the legal barriers in place in their jurisdictions. For example, Mexico provided additional clarification on the operation of its privacy laws and on its current plan for removing barriers to reporting to cross-border TRs and to provide foreign authorities with transaction data. Mexico noted that its current framework only allows for reporting domestically, currently to the central bank of Mexico. Through a series of memoranda of understanding, foreign authorities who are able to protect the information can receive the transaction information through the Mexican securities regulator (the CNBV). Mexico is proposing amendments to its regulation that will allow for reporting to domestic TRs and to foreign TRs that are recognised. Foreign regulators' access to information held in domestic TRs, as currently contemplated, will continue to be addressed on a regulator to regulator basis.

Switzerland provided confirmation that its legislative proposals will allow for reporting to trade repositories pursuant to domestic or foreign law. However, finalisation of legislation is not anticipated until 2015.

With reporting requirements recently coming into force in some jurisdictions, the Monetary Authority of Singapore (MAS) also noted that, as a practical matter, market participants had reported that obtaining the client consent needed to report transactions in light of privacy or confidentiality restrictions was proving more challenging than had been anticipated. They are working on a regulatory solution that would allow for market participants to report transactions pursuant to domestic or foreign requirements without needing to seek consent.

The FSB also notes that the private sector is working to develop mechanisms to support market participants satisfying their reporting obligations in light of privacy regimes and reporting requirements. ISDA, in an attempt to facilitate compliance with some privacy laws and reporting requirements, issued a new protocol providing for consent to disclosures to TRs and relevant authorities.⁶⁹ Although this protocol may not address issues in every jurisdiction, it was designed to assist counterparties in meeting reporting requirements in jurisdictions where consent to disclosure, at a global (rather than transaction by transaction) basis is possible.

With transaction reporting requirements already in effect in a number of jurisdictions, market participants may face barriers to reporting transactions involving counterparties from

⁶⁸ Under Australia's revised framework, mandatory trade reporting as required by Australian law (including alternative reporting in accordance with foreign reporting regimes, where available) will override privacy laws in Australia. The reporting framework will be mandatory on a phased basis beginning in October 2013. In the interim period, Australia prescribed a number of cross-border TRs by regulation and a framework is in place for reporting transactions on an "opt-in" basis that also overrides privacy provisions for those who have opted in. For reporting outside of this "opt-in" framework, consent can be given by the counterparty in order to report transactions, consistent with what was reported in April 2013.

⁶⁹ ISDA 2013 Reporting Protocol; available at: <http://www2.isda.org/functional-areas/protocol-management/protocol/14>.

jurisdictions whose legal barriers to reporting have not yet been addressed.⁷⁰ As noted, reporting regimes in many jurisdictions have not yet been finalised and, in some instances, implementation of requirements have been delayed. Delays, accordingly, can limit or prohibit market participant reporting of certain transactions (depending on the specific nature of the statutes implicated), and similarly limit or prevent regulator access to certain TR-held data.

Jurisdictions continue to work through possible solutions in this area. For example, as described in Section 6.2.1, in August 2013 the Regulators Group reached agreement on an understanding that jurisdictions should remove barriers (1) to reporting to trade repositories by market participants with particular attention to removing barriers to reporting counterparty data and (2) to access to trade repository data by authorities.

6.3.1.2. Indemnification

The Dodd-Frank Act's indemnification provision was identified soon after its adoption as a barrier to accessing TR-held data. Earlier progress reports highlighted concerns about the Dodd-Frank Act's indemnification provision, which would require a US-registered TR to obtain an agreement from authorities indemnifying the TR and the SEC or CFTC as applicable, for any expenses arising from litigation related to the data provided, but noted that the CFTC had promulgated interpretive guidance to address international concerns.⁷¹ The CFTC's interpretive statement provides important relief to foreign authorities seeking to access needed data required to be reported in its jurisdiction. However, some jurisdictions have expressed concern about barriers to authorities' ability to directly access data held in a US TR that is not recognised in the foreign jurisdiction.

Since the April 2013 progress report, the SEC issued its cross-border proposal which seeks to address authority access to data held in SEC-registered TRs.

Under the SEC Proposal, a TR would be able to seek exemptive relief from this indemnification requirement if the following three requirements are satisfied:

- the authority's request for TR-held data is for the purpose of fulfilling its regulatory mandate or legal responsibility;
- the authority's request pertains to a person or financial product subject to that authority's jurisdiction, supervision, or oversight; and
- the authority has entered into a supervisory and enforcement memorandum of understanding or other arrangement with the SEC that addresses the confidentiality of the TR held data provided and any other matters as determined by the SEC.

⁷⁰ Although the CFTC extended its relief for another year for transactions entered into in certain jurisdictions, allowing for transactions to be "masked," time limited exemptions cannot be expected to continue indefinitely. See: <http://www.cftc.gov/ucm/groups/public/@lrllettergeneral/documents/letter/13-41.pdf>.

⁷¹ In October 2012, the CFTC also published its final interpretative statement providing guidance on the scope and application of certain confidentiality and indemnification provisions under the CEA to foreign regulators. This interpretive statement clarifies that a registered TR would not be subject to these provisions if: (i) such registered TR also is registered, recognised or otherwise authorised in a foreign jurisdiction's regulatory regime; and (ii) the data sought to be accessed by a foreign regulatory authority has been reported to such registered TR pursuant to that foreign jurisdiction's regulatory regime. The CFTC's interpretive statement is available at: <http://www.cftc.gov/ucm/groups/public/@newsroom/documents/file/federalregister102212.pdf>.

Final guidance should provide more certainty regarding authorities' access. Any additional next steps (including entering into needed memoranda of understanding or other arrangements) should be quickly implemented.

6.3.1.3. International agreements

Previous progress reports have also discussed the need for greater clarity on the “international agreement” required by EMIR before non-EU authorities may directly access data held in an EU-domiciled TR or a foreign TR can be recognised in the EU.⁷² The international agreement would provide for direct access to data held in cross-border TRs (i.e. in the jurisdiction with whom the international agreement is being made). The concerns raised relate to the type of agreement or legal instrument that would satisfy the requirement and whether, by necessity, execution of a ‘treaty’ level instrument would be required.

The EC, in applying EMIR, has advised that the international agreement need not take the form of a treaty. EMIR requires that the international agreements will be executed by the authority that will be providing the access to the data. The EC has further advised that international agreements must be legally binding and enforceable in the relevant foreign jurisdiction. The EC is in the process of opening the procedure needed to begin the negotiation of these agreements with the necessary foreign jurisdictions.

6.3.2. Protection against market abuse

To meet the G20 objective to protect against market abuse, improved transparency is critical. The importance of transaction data has been discussed in previous reports, as well as in various CPSS-IOSCO work streams addressing issues of data that should be reported to TRs, and authorities' access to this data.

An important complement to this is the role organised platform trading can play in helping to protect against market abuse. Traditionally, trading platforms are useful in promoting market integrity. Exchanges and organised trading platforms typically have participation requirements, duties to clients by executing brokers and other protections that ensure the fair and efficient operation of a market. Moreover, executing trades on a centralised facility permits an exchange or trading platform to monitor aberrant trading patterns in real-time and can, in some instances, enable early identification of abusive patterns.

There is a need for greater progress in the implementation of the commitment to require standardised OTC derivatives contracts to trade on exchanges or electronic trading platforms, where appropriate, to further the objective to protect against market risk. Several jurisdictions noted that they are not yet considering trading requirements or are waiting until they have sufficient data to analyse in order to put in place appropriate trading requirements. Understanding that certain market conditions need to be met to support trading platforms, jurisdictions should continue to evaluate when it is appropriate for trading requirements to be implemented.

⁷² EMIR, Article 75(2) and Article 77(2).

6.3.3. Mitigation of systemic risk

Central clearing of standardised derivatives, and higher margin and capital requirements for non-centrally cleared trades, are central to achieving the objective of mitigating systemic risk in OTC derivatives markets. It is therefore important that jurisdictions take necessary measures to help ensure all standardised OTC derivatives move to CCPs.⁷³ Further, authorities should seek to promote further standardisation where possible, to enable an expansion of the range of products that can be safely and reliably cleared by CCPs, and where necessary, take measures to promote CCPs' provision of clearing offerings for these products.⁷⁴

Recognising that central clearing will not be possible or appropriate in all circumstances, robust risk management for non-centrally cleared derivatives is also necessary. To support this, final requirements on capital and margin should be settled as soon as possible and implemented expeditiously; this is also important given a number of jurisdictions have previously indicated they are relying, at least initially, on incentives (of which capital and margin requirements are an important part) to promote a wider uptake in central clearing. As well as margin and capital requirements, other bilateral and post-trade risk management arrangements should also be widely adopted.

For these measures to be successful in mitigating systemic risk, however, it is essential that jurisdictions implement high global standards for CCPs.⁷⁵ Effective recovery and resolution regimes for financial institutions and FMIs – CCPs in particular – are also needed.

6.3.3.1. Issues raised regarding implementation of central clearing

A number of the outstanding issues in the implementation of central clearing have been discussed in previous reports and include: gaps in implementation, consistency and timing of implementation, and interaction of national regimes;⁷⁶ the scope and application of clearing requirements (i.e. product and participant exemptions); supervisory and oversight challenges; the systemic importance of global CCPs; and the need for increased CCP offerings for standardised derivatives. Many of these issues are being considered by the Regulators Group, as already discussed, and other groups such as the ODRF and the ODSG.

As discussed in Section 3.4, the uptake of central clearing for interest rate and credit derivatives is increasing. At the same time, it is still the case that in both of these asset classes, a substantial amount of trading in products that is currently offered for clearing by

⁷³ However, for some highly standardised and liquid products there are technical obstacles that are preventing the uptake of central clearing. In particular, derivatives that involve settlement in multiple currencies (such as deliverable FX swaps and forwards, and certain currency swaps) are currently likely to remain outside of central clearing unless a post-trade arrangement emerges that successfully combines pre-settlement and settlement risk management.

⁷⁴ Recommendation 6 of the FSB's October 2010 report suggested that this "... could include creating incentives to encourage innovation by CCPs in a timely yet prudent manner or considering measures to limit or restrict trading in OTC derivatives products that are suitable for clearing but not centrally cleared."

⁷⁵ In this respect, the CPSS-IOSCO implementation monitoring exercise of the PFMI discussed in Section 4.5 will be an important tool to help assess whether there has been such achievement in at least implementing these international standards.

⁷⁶ For example, in order for a CCP to clear cross-border transactions there must be a CCP that both counterparties to a transaction may use to satisfy all applicable obligations.

CCPs is not being centrally cleared. For other asset classes, central clearing offerings are not widespread.

To support the migration of a greater share of standardised OTC derivatives transactions to CCPs, authorities should consider measures to increase the proportion of clearing in those products where clearing offerings currently exist. While some jurisdictions are bringing some mandatory clearing obligations into effect, a number of other jurisdictions have noted that they are looking to rely on incentives to drive this transition, at least initially. Previous progress reports have noted that there is a risk that relying on incentives alone to promote a transition to central clearing may not be sufficient to meet the commitment for all standardised derivatives to be centrally cleared, particularly in light of extended implementation periods under the proposed standards (extending through to 2019 in some cases).⁷⁷ The FSB reiterates that authorities should establish precise and objective criteria and thresholds for determining when mandatory clearing obligations would be adopted, and actively monitor their markets to determine the cases when products meet these criteria.⁷⁸ Consistent with the FSB's October 2010 recommendations on moving OTC derivatives to central clearing, jurisdictions adopting mandatory clearing obligations should also continue to monitor the effectiveness of these, actively monitoring the appropriateness of any product or participant exemptions to ensure these are supportive of effective systemic risk mitigation.⁷⁹

Authorities also should continue working with market participants to expand the range of standardised products, consistent with the underlying objectives of the G20 commitments, that can be feasibly cleared by CCPs. While at present there are a growing number of CCPs offering clearing of OTC derivatives, in many instances these new offerings are not expanding the range of products that can be cleared, but rather reflects a greater number of CCPs offering clearing for effectively the same products. Looking forward, therefore, as the regulatory landscape becomes more settled and as existing clearing offerings are taken up by market participants, authorities should again focus on promoting standardisation and exploring how a greater share of derivatives might be safely and viably centrally cleared.

Indirect access to clearing presents unique challenges: clients need access to central clearing services and, at the same time, intermediaries need to carefully manage risk associated with offering client clearing services. Because of the operational start-up costs involved, firms need scale to offer client clearing services. This could limit the number of firms that provide clearing, which may result in there not being sufficient capacity to meet client demand as well as higher levels of concentration if fewer dealers were willing or able to offer certain products.

⁷⁷ The October 2010 report (p.25) stated that "... as higher capital requirements and other measures are unlikely to achieve the shift of all standardised OTC derivatives to central clearing on their own, authorities should implement mandatory clearing requirements where necessary to ensure that all standardised derivatives are centrally cleared." Available at: http://www.financialstabilityboard.org/publications/r_101025.pdf.

⁷⁸ Guidance on clearing eligibility can be found in Recommendation 5 of the October 2010 report. Since the publication of the April 2013 progress report, the Australian regulators have published a framework they will use in analysing products for clearing and criteria and thresholds for deciding in which cases mandatory obligations would be adopted, and applied this framework for the first time in their July 2013 *Report on the OTC Derivatives Market*.

⁷⁹ See, for instance, Recommendation 8 of the October 2010 report.

Also an important consideration here is the type of client clearing model adopted by CCPs and market participants. Clients' protection from the default of fellow clients or clearing members will depend on the effectiveness of segregation of client assets, such as whether these are held bankruptcy-remote from either clearing members or the CCP, or both. This is discussed further in Section 6.3.3.3.

The April 2013 progress report also noted new market trends such as 'futuresisation' of contracts, and pressures such as demands on collateral (that may lead to more widespread use of 'collateral transformation' services). As regulation is implemented, some market innovation in response to the changed regulatory environment should be expected. It is difficult to predict the impact at the outset of new market trends and whether such innovations will be temporary or transitional measures. Authorities should therefore monitor developments in indirect clearing, to assess access issues, risk management and any potential concentration of risk among those intermediaries offering indirect clearing services. Regulators also need to monitor market innovations (such as futuresisation and collateral transformation) as they continue to develop.

6.3.3.2. Considerations regarding risk management requirements for non-centrally cleared transactions

As discussed in the April 2013 progress report, there are numerous measures that can be adopted by market participants to further enhance post-trade risk management - including, for example: trade compression, portfolio reconciliation, timely trade confirmations, trade valuation, and dispute resolution procedures. Use of these tools needs to extend beyond the largest OTC derivatives dealers and should be utilised across jurisdictions, not just those jurisdictions with specific requirements in this area (such as the EU and US). Other than the EU and US and outside the group of industry participants working with the ODSG, to date there has been little international work to drive greater coordinated use of these tools. Regulators and market participants should consider whether these tools should be more broadly used, and whether further regulatory efforts to promote this should be undertaken. This may be an area in which further work by standard-setting bodies is warranted. Industry work to foster improvements in this area is also welcome.⁸⁰

6.3.3.3. Default management, and recovery and resolution

One of the strongest systemic benefits of CCPs is the powerful *ex ante* and *ex post* default management role they can play in the markets they clear. In the case of *ex post* default management, CCPs are able to minimise the impact of a large participant default on other market participants, and support continued market functioning, through the use of netting, collateral and mutualised default resources. Where participants clear for clients, comprehensive default management will also require effective portability and segregation arrangements.

⁸⁰ As an example, ISDA regularly surveys its membership regarding their risk management practices in the areas of trade data capture, confirmation, settlement procedures, and process automation. See, for instance, ISDA (2013), 'Operations Benchmarking Survey', April; available at: <http://www2.isda.org/attachment/NTUzOQ==/OBS%202013%20FINAL%200425.pdf>.

To be fully effective, these default management arrangements will generally need to be supported by provisions in legislative frameworks (for instance, with regards to the rights of a CCP with respect to the defaulted participant, and the treatment of client assets). Authorities should therefore identify if further changes to legislative or regulatory regimes are necessary to ensure that CCPs' risk management capacities, and protection of segregation and portability of client positions and assets, are comprehensive and effective and take measures to implement on a timely basis such changes as and when they are identified as necessary.

Of course, it is also necessary that CCPs be subject to an adequate recovery and resolution regime to ensure that global OTC derivatives reforms do not simply substitute one group of "too big to fail" (TBTF) entities for another. As the FSB and CPSS-IOSCO develop final recommendations for the recovery and resolution of FMIs (as discussed in section 4.3), jurisdictions should ensure that these are speedily adopted.

As noted in the previous OTC derivatives progress report, some derivatives products will remain ineligible for central clearing, due to insufficient standardisation or lack of infrastructure that successfully addresses both pre-settlement and settlement risk. Markets for these products will therefore not be able to benefit from the crucial *ex post* default management role that CCPs can play. Authorities therefore should be considering whether alternative arrangements might be developed that minimise the prospect of these markets becoming dysfunctional in the event of a large participant default. As suggested in the previous progress report, a coordination of close-out proceedings might be one tool here, though other measures might also be possible, perhaps as part of recovery and resolution approaches being developed in other contexts.

Appendix A: Recipients of survey on market participant readiness

ABSA Capital	Connor, Clark and Lunn
Agrium	Credit Agricole
Air Canada	Credit Suisse
Alberta Investment Management	Daimler
Alliance Bernstein	DE Shaw
Allianz	Deka Investment
Amundi	Deutsche Bank
ATB Financial	DW Investment Management
Australia and New Zealand Banking Group	DWS Investment
Australian Super	Dynamic Funds
Bank of America	Électricité de France
Bank of Montreal	Enbridge
Bank of Tokyo-Mitsubishi UFJ	EnBW Energie Baden-Württemberg
Barclays Capital	Encana
Bayer	ERGO Versicherungsgruppe
BlackRock	Fidelity Investments
Blue Mountain	First Rand, RMB
BNP Paribas	Gluskin Sheff & Associates
Bombardier	Goldman Sachs Asset Management
Caisse Centrale Desjardins	Goldman Sachs Group
Caisse de dépôt et placement du Québec	Great West Life
Canada Pension Plan Investment Board	Healthcare of Ontario Pension Plan
Canadian Imperial Bank of Commerce	HSBC Bank
Canadian Oil Sands	Hydro-Québec
Central 1 Credit Union	Internationale Kapitalanlagegesellschaft
Challenger	Investec Bank
Chesapeake Energy	JPMorgan Chase & Co
Citadel	Landesbank Baden-Württemberg
Citigroup	Legal and General Investment Management
Colonial First State Global Asset Management	Lufthansa
Commerzbank	Lupus alpha Kapitalanlagegesellschaft

Manulife Financial	Royal Bank of Canada
MetLife	Royal Bank of Scotland
MFS Investment Management	Sanofi Aventis
Ministère des Finances du Québec	Scotia Bank
Mizuho Corporate Bank	Société Générale
Morgan Stanley	Sprott Asset Management
Munich Re	Standard Bank
National Bank of Canada	Sumitomo Mitsui Banking Corporation
Natixis Asset Management	Suncor Energy
Natixis	Suncorp Group
Nomura Securities Co	Sunlife Financial
Ontario Financing Authority	TD Asset Management
Ontario Municipal Employees Retirement System	Teck Resources
Ontario Teachers' Pension Plan	Toronto Dominion Bank
Pacific Investment Management Company	TransAlta
Picton Mahoney Asset Management	TransCanada
Polar Securities	UBS
Powerex	Union Investment Privatfonds
Public Service Pension Plan	UniSuper
QBE	The Vanguard Group
Queensland Treasury Corporation	Volkswagen
R&V Versicherung	Württembergische Lebensversicherung
RBC Global Asset Management	Wellington Management Company
	Wells Fargo

Appendix B: Timetable for implementation of reporting commitment as reported by jurisdictions

Country	End 2012	2013				2014				2015
		Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	
Argentina	Not adopting reporting requirements because same information obtained from organised trading platforms in Argentina									
Australia	Legislation adopted			Reporting requirement effective on an “opt-in” basis, including reporting to prescribed, cross-border TRs.	Mandatory reporting requirements for certain entities (remaining requirements to be phased in)		“Reporting entities” with ≥ \$50m OTC notional outstanding required to report credit and interest rate derivatives		“Reporting entities” with ≥ \$50m OTC notional outstanding required to report other asset classes; remaining “Reporting entities” required to report credit and interest rate	Remaining “Reporting entities” required to report other asset classes
Brazil	Legislation adopted									
Canada	Provincial legislation adopted in Ontario, Québec and Manitoba. Canadian Securities Administrators (CSA) ¹ Model Provincial Rules proposed.		Provincial rules published for comment in Ontario, Québec and Manitoba. Updated Model Rules published for comment in other CSA jurisdictions		Rules adopted in Ontario, Québec and Manitoba		Market participants expected to comply with reporting requirement in Ontario, Québec and Manitoba.			
China	Legislation adopted									

Country	End 2012	2013				2014				2015
		Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	
European Union	Legislation adopted	Registration/ Recognition of TRs	Registration/ Recognition of TRs			All asset classes required to be reported to TRs				By 1 July 2015 where no TR registered for a particular asset class, reporting to ESMA
Hong Kong			The relevant bill was published in the official publication on 28 June 2013.	The relevant bill was tabled before the Legislative Council on 10 July 2013. Reporting required for interest rate swaps and NDFs by certain entities such as licensed banks effective 5 August 2013 (Interim requirements before the new legislation is enacted).	Public consultation on the draft rules.		New legislation expected to take effect.			
India	Legislation adopted Reporting required for most FX derivatives, IRS, CDS and FRAs			Institutionalisation of requirement for client-related IRS trades to be reported to a TR (presently the trades are being reported to the Reserve Bank of India)	Certain FX, IRS and IRS option required to be reported.					
Indonesia	Legislation adopted Reporting required for FX derivatives									
Japan	Legislation adopted		Reporting required							
Republic of Korea	Legislation proposed Reporting required for OTC derivatives	Legislation adopted			CCPs expected to report transactions					

Country	End 2012	2013				2014				2015
		Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	
Mexico	Regulation proposed				Regulation in process for issuance					
Russia	Legislation adopted		TR begins operations		Reporting should become effective, based on operation of TR					
Saudi Arabia	Reporting of FX and IRS required SAMA operated TR accepting transactions reports from Dec 2012									
Singapore	Legislation Adopted			TR licensing regime in force 1 August 2013. Reporting requirements published for consultation	Reporting required					
South Africa	Authorising/enabling legislation adopted		Authorising/enabling legislation becomes effective		Draft regulations anticipated to be released for public comment.		Anticipated reporting requirement for interest rate derivatives. Other asset classes to be phased in through to June 2015.			Reporting requirement for all asset classes anticipated to have been fully phased in by June 2015.
Switzerland	Partially Adopted				Draft legislation anticipated to be published		Legislation anticipated to be adopted			Reporting requirements to be phased in over 2015.
Turkey	Legislation adopted									

Country	End 2012	2013				2014				2015
		Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	
United States	Legislation adopted CFTC: finalised TR registration and reporting requirements. Platforms, TRs, and dealers began regulatory and public reporting of IRS and CDS. SEC rules on reporting security-based swaps proposed.	CFTC: Platforms, TRs and dealers began public and regulatory reporting foreign exchange swaps and other commodity swaps. Transactions executed by a dealer on a platform or off-facility began public and regulatory reporting for equity, FX, and other commodity swaps.	CFTC reporting required for financial entities for all asset classes.	CFTC reporting required for all non-financial entities for all asset classes.						
¹ Canadian Securities Administrators (CSA) is a coordinating organisation of securities regulators from each of the 10 provinces and 3 territories of Canada that aims to develop a harmonised approach to securities regulation across the country.										

Appendix C: Timetable for implementation of central clearing commitments as reported by jurisdictions

Country	End 2012	2013				2014				2015
		Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	
Argentina	Legislation adopted ¹									
Australia	Legislation adopted		Market assessment to determine whether to recommend mandating central clearing for certain products.	Regulators recommend that the Minister issue a determination that a mandatory clearing obligation be applied to OTC interest rate derivatives transactions, denominated in British pounds, euros, Japanese yen and US dollars.		Further OTC derivatives market assessment early 2014 to determine whether additional requirements should be recommended to the Minister				
Brazil	<i>Brazil has existing authority to adopt clearing requirements, as needed.</i>									
Canada	Provincial legislation adopted in Ontario, Québec and Manitoba. No further action required for federally regulated financial institutions (See Appendix G, Table G.2).				CSA Model Provincial Rules to be proposed				Provincial rules to be adopted in Ontario, Québec and Manitoba	Market participants expected to comply by mid-2015
China	Proposed legislation SHCH approved for clearing RMB FFA in Dec 2012									

Country	End 2012	2013				2014				2015
		Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	
European Union	Legislation adopted	Technical rules in force (March) CCP reauthorisation begins.			CCPs begin to be authorised.	First clearing determinations expected.	Central clearing RTS adopted	Central clearing RTS in force		
Hong Kong			The relevant bill was published in the official publication on 28 June 2013.	The relevant bill was tabled before the Legislative Council on 10 July 2013.	Public consultation on the draft rules		New legislation expected to take effect.			
India	Legislation adopted Repo transactions required to be cleared								Proposed to mandate CCP-based clearing in FX forward, swaps and options. Operationalising CCP-based clearing for IRS	Decision for mandating CCP based clearing in currency swaps, IRS in foreign currency, IRS options in foreign currency, and CDS will be taken by end 2015 subject to adequate liquidity in the instruments
Indonesia	Legislation adopted									

Country	End 2012	2013				2014				2015
		Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	
Japan	Legislation adopted. Clearing requirements implemented beginning with certain CDS and IRS products.									
Republic of Korea	Legislation adopted						Prescribed OTC derivatives subject to clearing			
Mexico					Regulation in process for issuance					
Russia	Legislation adopted									
Saudi Arabia										
Singapore	Legislation adopted			Licensing requirements to be adopted.			Clearing requirements expect to become effect in H1 2014.			
South Africa	Legislation adopted		Legislation effective				Ongoing market assessment to determine whether a mandatory obligation is required.			
Switzerland	Legislation proposed				Draft legislation published for comment.		Legislation anticipated to be adopted			

Country	End 2012	2013				2014				2015
		Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	
Turkey	Legislation adopted	General regulation being drafted	General regulation being drafted	General regulation put into force. Implementing by-regulation put into force regarding Istanbul Custody and Settlement Bank (Takasbank) Stock Borrowing and Lending Market						
United States	Legislation adopted. CFTC & SEC adopted final rules regarding processes for the review of swaps for mandatory clearing. The CFTC issued its first clearing determinations for certain interest rate and credit default classes. The CFTC also finalised rules on clearing documentation, the timing for acceptance of cleared trades, and core principles applicable to DCOs.	CFTC: Clearing required by dealers of IRS and CDS.	CFTC: Clearing required by commodity pools and private funds of IRS and CDS.	CFTC: Clearing by third-party subaccounts, ERISA plans and all others of IRS and CDS.						

¹ As previously noted, 'legislation' includes legislation that provides the appropriate authority to mandate central clearing, even if the legislation itself does not set forth mandatory requirements. Argentina specifically noted that its legislation is 'authorising' legislation. ² India and Saudi Arabia report tracking volumes of OTC derivatives transactions in order to determine whether clearing requirements should be mandated for certain products in their jurisdictions and therefore do not have a timeframe for implementing requirements.

Appendix D: Trade repositories, by asset classes ⁸¹

Asset Class	Trade Repositories	Location	Authorities with which TR is licensed, registered or holds an exemption	Status
Interest rate	Bank of Korea	Korea	N/A	Operating
	Bloomberg	USA	CFTC	Expected to be operating in Q3 2013
	BM&F Bovespa	Brazil	CVM and BCB	Operating
	CETIP	Brazil	CVM and BCB	Operating
	Clearing Corporation of India	India	RBI	Operating
	CME Group	USA	CFTC	Operating
	DTCC-DDR	USA	CFTC	Operating
	DTCC-DDRL	UK	No information provided	Operating
	DTCC Data Repository – Japan	Japan	JFSA	Operating
	DTCC Data Repository – Singapore	Singapore	Seeking licensing with MAS	Expected to be operating in Q3 2013
	HKMA-TR	Hong Kong	N/A	Operating
	ICE Trade Vault Europe	No information provided	No information provided	No information provided
	KDPW Trade Repository	Poland	No information provided	Expected to be operating in Q3 2013
	OJSC	Russia	FFMS, Commodities Exchanges Commission	Expected to be operating in Q4 2013
	REGIS-TR	Luxembourg	No information provided	Operating
	SAMA TR	Saudi Arabia	SAMA	Operating
UnaVista	UK	No information provided	Expected to be operating in Q3 2013	

⁸¹ For the purposes of this table, ‘operating’ means a TR is both accepting reports and making them available to authorities in the listed asset class as at end-August 2013.

Asset Class	Trade Repositories	Location	Authorities with which TR is licensed, registered or holds an exemption	Status
Credit	Bank of Korea	Korea	N/A	Operating
	Bloomberg	USA	CFTC	Expected to be operating in Q3, 2013
	Clearing Corporation of India	India	RBI	Operating
	CME Group	USA	CFTC	Operating
	DTCC-DDR	USA	CFTC	Operating
	DTCC-DDRL	UK	No information provided	Operating
	DTCC Data Repository – Japan	Japan	JFSA	Operating
	DTCC Data Repository – Singapore	Singapore	Seeking licensing with MAS	Expected to be operating in Q3 2013
	ICE Trade Vault	USA	CFTC	Operating
	ICE Trade Vault Europe	No information provided	No information provided	No information provided
	OJSC	Russia	FFMS, Commodities Exchanges Commission	Expected to be operating in Q4 2013
	REGIS-TR	Spain	No information provided	Expected to be operating in Q3 2013
	UnaVista	UK	No information provided	Expected to be operating in Q3 2013
Equity	Bank of Korea	Korea	N/A	Operating
	Bloomberg	USA	CFTC	Expected to be operating in Q3, 2013
	BM&F Bovespa	Brazil	CVM and BCB	Operating
	CETIP	Brazil	CVM and BCB	Operating
	DTCC-DDR	USA	CFTC	Operating
	DTCC-DDRL	UK	No information provided	Operating
	DTCC Data Repository – Japan	Japan	JFSA	Operating
	DTCC Data Repository – Singapore	Singapore	Seeking licensing with MAS	Expected to be operating in Q3 2013
	OJSC	Russia	FFMS, Commodities Exchanges Commission	Expected to be operating in Q4 2013
	REGIS-TR	Luxembourg	No information provided	Operating
	UnaVista	UK	No information provided	Expected to be operating in Q1 2014

Asset Class	Trade Repositories	Location	Authorities with which TR is licensed, registered or holds an exemption	Status
Commodities	Bank of Korea	Korea	N/A	Operating
	Bloomberg	USA	CFTC	Expected to be operating in Q3, 2013
	BM&F Bovespa	Brazil	CVM and BCB	Operating
	CETIP	Brazil	CVM and BCB	Operating
	CME Group	USA	CFTC	Operating
	DTCC-EFETnet	Netherlands	No information provided	Operating
	DTCC-DDR	USA	CFTC	Operating
	DTCC Data Repository – Singapore	Singapore	Seeking licensing with MAS	Expected to be operating in Q3 2013
	ICE Trade Vault	USA	CFTC	Operating
	ICE Trade Vault Europe		No information provided	No information provided
	OJSC	Russia	FFMS, Commodities Exchanges Commission	Expected to be operating in Q4 2013
	REGIS-TR	Luxembourg	No information provided	Operating
	UnaVista	UK	No information provided	Expected to be operating in Q1 2014
Foreign Exchange	Bank of Korea	Korea	N/A	Operating
	BM&F Bovespa	Brazil	CVM and BCB	Operating
	CETIP	Brazil	CVM and BCB	Operating
	CJSC National Settlement Depository	Russia	FFMS, Commodities Exchanges Commission	Operating
	Clearing Corporation of India	India	RBI	Operating
	CME Group	USA	CFTC	Expected to be operating in Q1 2013
	DTCC-DDR	USA	CFTC	Operating
	DTCC-DDRL	UK	No information provided	Expected to be operating in Q4 2013
	DTCC Data Repository – Japan	Japan	JFSA	Operating
	DTCC Data Repository – Singapore	Singapore	Seeking licensing with MAS	Expected to be operating in Q3 2013
	HKMA-TR	Hong Kong	N/A	Operating

Asset Class	Trade Repositories	Location	Authorities with which TR is licensed, registered or holds an exemption	Status
	ICE Trade Vault Europe	No information provided	No information provided	No information provided
	INFX SDR	USA	CFTC	Expected to be operating in Q2 2013
	OJSC	Russia	FFMS, Commodities Exchanges Commission	Expected to be operating in Q4 2013
	REGIS-TR	Luxembourg	No information provided	Operating
	SAMA TR	Saudi Arabia	SAMA	Operating
	UnaVista	UK		Expected to be operating in Q1 2014

Appendix E: CCPs clearing OTC derivatives, by asset class ⁸²

Asset Class	CCPs	Location	Authorities with which CCP is licensed, registered or hold an exemption	Status
Interest rate	ASX Clear (Futures)	Australia	ASIC, RBA	Operating
	BM&F BOVESPA	Brazil	CVM and BCB	Operating
	CME Group	US	CFTC; BoE; SEC	Operating
	CME Clearing Europe	UK	BoE	Operating
	HKEx	Hong Kong	Seek recognition by the SFC	Anticipated Q4 2013
	Eurex Clearing	Germany	BaFin; Bundesbank; BoE; CFTC (Pending)	Operating
	JSCC	Japan	JFSA	Operating
	KDPW CCP	Poland	Polish Financial Supervision Authority (KNF)	Operating
	LCH.Clearnet Ltd.	UK	FCA, BoE, CFTC, ASIC, RBA; pursuant to exemptions in Canada, Germany, and Switzerland.	Operating
	LCH.Clearnet LLC	US	CFTC	Operating
	Nasdaq OMX Stockholm	Sweden	Swedish Financial Supervisory Authority	Operating
	SGX Asiaclear	Singapore	MAS	Operating
Shanghai Clearing House	China	PBC	Not Operating	
Credit	CME Group	US	CFTC; BoE; SEC	Operating
	Eurex Clearing	Germany	BaFin; Bundesbank; BoE; CFTC (Pending)	Operating (not currently active for new trades)
	ICE Clear Credit	US	CFTC, SEC	Operating
	ICE Clear Europe	UK	BoE, CFTC, SEC	Operating
	JSCC	Japan	JFSA	Operating
	LCH.Clearnet SA	France	AMF (France); ACP; Banque de France, BoE, CFTC (pending)	Operating
	Shanghai Clearing House	China	PBC	Not Operating

⁸² For the purposes of this table, 'operating' means offering central clearing for the particular asset class listed as at end-August 2013.

Asset Class	CCPs	Location	Authorities with which CCP is licensed, registered or hold an exemption	Status
Equity	ASX Clear	Australia	ASIC	Operating
	BM&F BOVESPA	Brazil	CVM and BCB	Operating
	CDCC	Canada	AMF (Québec), BoC	Operating
	Holland Clearing House	The Netherlands	De Nederlandsche Bank and Autoriteit Financiële Markten	Operating
	MEFF	Spain	Comisión Nacional del Mercado de Valores, Ministerio de Economía y Hacienda	Operating
	Nasdaq OMX Stockholm	Sweden	Swedish Financial Supervisory Authority	Operating
	The Options Clearing Corporation (OCC)	US	CFTC, SEC	Operating
Commodities	BM&F BOVESPA	Brazil	CVM and BCB	Operating
	CME Clearing Europe	UK	BoE	Operating
	CME Group	US	CFTC, BoE	Operating
	European Commodity Clearing	Germany	BaFin, Bundesbank	Operating
	ICE Clear Europe	UK	BoE, CFTC, SEC	Operating
	LCH.Clearnet Ltd.	UK	BoE, CFTC, ASIC, RBA; pursuant to exemptions in Canada, Germany, and Switzerland.	Operating
	MEFF	Spain	Comisión Nacional del Mercado de Valores, Ministerio de Economía y Hacienda	Operating
	Nasdaq OMX Stockholm	Sweden	Swedish Financial Supervisory Authority	Operating
	North American Derivatives Exchange	US	CFTC	Operating
	OMI Clear	Portugal	Portuguese Securities Market Commission (CMVM)	Operating
SGX Asiaclear	Singapore	MAS	Operating	

Asset Class	CCPs	Location	Authorities with which CCP is licensed, registered or hold an exemption	Status
Foreign Exchange	BM&F BOVESPA	Brazil	CVM and BCB	Operating
	Cantor Clearinghouse	US	CFTC	Operating
	CCIL	India	RBI	Operating
	CME Group	US	CFTC, BoE, SEC	Operating
	CME Clearing, Europe	UK	BoE	Anticipated Q3 2013
	HKEEx	Hong Kong	Seek recognition by the SFC	Anticipated Q4 2013
	ICE Clear Europe	UK	BoE, CFTC, SEC	Anticipated Q2 2013
	LCH.Clearnet Ltd.	UK	, BoE; CFTC, ASIC, RBA; pursuant to exemptions in Canada, Germany, and Switzerland.	Operating
	Nasdaq OMX Stockholm	Sweden	Swedish Financial Supervisory Authority	Not operating
	North American Derivatives Exchange	US	CFTC	Operating
	SGX Asiaclear	Singapore	MAS	Operating

Appendix F: International policy developments

ONGOING WORK

Issue	Action	Responsible	Status
Standardisation (benchmarking)	On-going submission of agreed improved standardisation matrices: <ul style="list-style-type: none"> - matrices for all asset classes to include provision of absolute numbers of contracts; - matrices for all asset classes to be submitted semi-annually. 	ODSG	Next sets of populated standardisation matrices for commodities and equity due 30 September 2013. No timetable set for credit, FX and interest rates; work ongoing.
Standardisation (product)	Ongoing work on product standardisation by signatories to March 2011 roadmap, ¹ including development, publication and use of standardised product documentation	ODSG	No timetable set; work ongoing
Standardisation (process)	Ongoing work on process standardisation by signatories to March 2011 roadmap, including the design, implementation and take-up of automated processes and electronic platforms for key business functions	ODSG	No timetable set; work ongoing
Reporting to trade repositories	Work on access by authorities to data reported to trade repositories	CPSS and IOSCO	Consultative report published in April 2013. Final report published in August 2013. ⁸³
TR data aggregation	G20 mandated feasibility study on approaches to aggregate OTC derivatives data.	FSB	Report published by May 2014
Legal Entity Identifier	Work to put in place the legal and institutional framework for the governance and operational component of the global LEI system.	LEI ROC	Global LEI system to be launched on a self-standing basis by 2013
FMI Resolution	Guidance on FMI resolution and input into assessment methodology for the Key Attributes of Effective Resolution Regimes to ensure that it adequately reflects specificities of resolution regimes for CCPs.	FSB in cooperation with CPSS-IOSCO	Draft guidance on resolution and resolution planning to be published in mid-2013 ⁸⁴

⁸³ <http://www.bis.org/publ/cpss110.pdf>.

⁸⁴ http://www.financialstabilityboard.org/publications/r_130812a.pdf.

ONGOING WORK

Issue	Action	Responsible	Status
FMI Recovery	Guidance to FMIs on the development of comprehensive and effective recovery plans	CPSS and IOSCO	Consultative report published in August 2013 ⁸⁵
Capital requirements	Proposed revisions to capital adequacy rules for capitalisation of trade and default fund exposures to CCPs.	BCBS	Consultative paper published in June 2013 ⁸⁶

WORK COMPLETED SINCE OCTOBER 2010

Issue	Action	Responsible	Date finalised
STANDARDISATION			
Industry commitment to increase standardisation	Roadmap of industry initiatives and commitments, including commitment to increase standardisation and develop, for each asset class, a Standardisation Matrix to indicate industry progress in product and process standardisation. ⁸⁷	ODSG	Strategic Roadmap published March 2011
Product standardisation: credit, equity and interest rates	Signatories to the March 2011 roadmap submitted second set of populated Standardisation Matrices for credit, equity and interest rate asset classes	ODSG	Standardisation data for Q1 and Q2 2011 submitted September 2011
Standardisation legend for commodity derivatives	Draft standardisation legend for commodities derivatives published by signatories to March 2011 roadmap	ODSG	Draft standardisation legend published in September 2011
Product standardisation: credit, equity and interest rates	Signatories to the March 2011 roadmap submitted third set of populated Standardisation Matrices for credit, equity and interest rate asset classes	ODSG	Standardisation data for Q3 and Q4 2011 submitted March 2012

⁸⁵ <http://www.bis.org/publ/cpss109.pdf>.

⁸⁶ <http://www.bis.org/publ/bcbs253.pdf>.

⁸⁷ Roadmap, published in March 2011 of industry initiatives and commitments relating to four thematic objectives: increasing standardisation; expanding central clearing; enhancing bilateral risk management; and increasing transparency; see October 2011 progress report, available at: <http://www.newyorkfed.org/newsevents/news/markets/2011/SCL0331.pdf>.

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Issue	Action	Responsible	Date finalised
Product standardisation: foreign exchange	Signatories to the March 2011 roadmap submitted agreed improved standardisation matrices for foreign exchange and commodity derivatives.	ODSG	First set of standardisation data for foreign exchange and commodity derivatives delivered June 2012
Product standardisation: credit, equity and interest rates	Signatories to the March 2011 roadmap submitted fourth set of populated Standardisation Matrices for credit, equity and interest rate asset classes	ODSG	Standardisation data for Q1 and Q2 2012 submitted September 2012
Production standardisation: all asset classes	Signatories to the March 2011 roadmap submitted populated Standardisation Matrices for Q3 and Q4 2011 for all asset classes.	ODSG	Standardisation data for Q3 and Q4 2012 submitted March 2013
REPORTING TO TRADE REPOSITORIES			
Data reporting and aggregation	Report on OTC derivatives data reporting and aggregation requirements, outlining the OTC derivatives data that should be collected, stored and disseminated by TRs. ⁸⁸	CPSS and IOSCO	Published in January 2012
Principles for TRs	Principles for Financial Market Infrastructures ⁸⁹ , including TRs, consisting of principles for FMIs and responsibilities for authorities. Principles for Financial Market Infrastructures: Disclosure Framework and Assessment Methodology. ⁹⁰	CPSS and IOSCO	Published in April 2012 Assessment Methodology and Disclosure Framework published in December 2012
Legal Entity Identifier	Report on 'A Global Legal Entity Identifier for Financial Markets' setting out 35 recommendations for the development and implementation of a global LEI system. ⁹¹	FSB	Report published in June 2012
Access to TR data	Report on access by authorities to data reported to TRs. ⁹²	CPSS and IOSCO	Final report published in August 2013
Legal Entity Identifier	Global LEI system to be launched on self-standing basis. ⁹³	FSB	LEI Regulatory Oversight Committee established in Jan 2013

⁸⁸ <http://www.bis.org/publ/cpss100.pdf> and <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD366.pdf>.

⁸⁹ <http://www.bis.org/publ/cpss101a.pdf> and <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD377.pdf>.

⁹⁰ <http://www.bis.org/publ/cpss106.pdf> and <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD396.pdf>.

⁹¹ http://www.leiroc.org/publications/gls/roc_20120608.pdf.

⁹² <http://www.bis.org/publ/cpss110.pdf> and <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD417.pdf>.

⁹³ 'Progress note on LEI initiative'; available at: http://www.financialstabilityboard.org/publications/r_130308.pdf.

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Issue	Action	Responsible	Date finalised
EXCHANGE AND PLATFORM TRADING			
Trading of OTC derivatives	Report on trading of OTC derivatives, analysing: <ul style="list-style-type: none"> - the characteristics of exchanges and electronic platforms, - the characteristics of OTC derivatives products relevant to exchange or electronic platform trading, - the costs and benefits associated with exchange or electronic platform trading of OTC derivatives, and - methods of increasing the use of exchanges or electronic platforms for trading in the derivatives markets.⁹⁴ 	IOSCO	Published in February 2011
Trading of OTC derivatives	Report on Follow-on Analysis to the Report on Trading, addressing: <ul style="list-style-type: none"> - the types of (multi-dealer and single-dealer) trading platforms available for the execution of OTC derivatives transactions; - the different approaches of regulators to mandatory trading of OTC derivatives on organised platforms; - how single and multi-dealer platforms address issues such as the ability to customise contracts, the approach to pre and post-trade transparency and market monitoring capabilities.⁹⁵ 	IOSCO	Published in January 2012
CENTRAL CLEARING			
Implications of configurations for CCP access	Report on the macro-financial implications of alternative configurations for access to CCPs in OTC derivatives markets. ⁹⁶	CGFS	Published in November 2011

⁹⁴ <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD345.pdf>.

⁹⁵ <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD368.pdf>.

⁹⁶ <http://www.bis.org/publ/cgfs46.pdf>.

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Issue	Action	Responsible	Date finalised
Requirements for mandatory clearing	<p>Report on Requirements for Mandatory Clearing setting out recommendations for the establishment of mandatory clearing regimes in relation to:</p> <ul style="list-style-type: none"> - determination of whether a product should be subject to mandatory clearing; - potential exemptions; - communication between authorities and with the public; - cross-border issues in the application of mandatory clearing requirements; - ongoing monitoring and review of the process and application of a requirement for mandatory clearing.⁹⁷ 	IOSCO	Published in February 2012
Principles for CCPs	<p>Principles for Financial Market Infrastructures (PFMIs)⁹⁸, consisting of principles for FMIs and responsibilities for Central Banks, market regulators and other relevant authorities.</p> <p>Assessment Methodology for Principles for FMIs and Responsibilities for Authorities; Disclosure Framework for FMIs, providing a template to assist FMIs in providing comprehensive disclosure.⁹⁹</p>	CPSS and IOSCO	Published in April 2012
Central clearing	Revision of BCBS supervisory guidance for managing settlement risk in foreign exchange transactions. ¹⁰⁰	BCBS	Updated guidance published in February 2013
CAPITAL AND MARGIN REQUIREMENTS			
Capitalisation of exposures from non-centrally cleared derivatives	Publication enhanced and interim capital rules for exposures to counterparty credit risk arising from non-centrally cleared derivatives (as part of Basel III capital framework). ¹⁰¹	BCBS	Basel III capital framework published December 2010

⁹⁷ <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD374.pdf>.

⁹⁸ <http://www.bis.org/publ/cpss101a.pdf> and <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD377.pdf>.

⁹⁹ <http://www.bis.org/publ/cpss106.pdf> and <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD396.pdf>.

¹⁰⁰ <http://www.bis.org/publ/bcbs241.pdf>.

¹⁰¹ http://www.bis.org/publ/bcbs189_dec2010.pdf.

WORK COMPLETED SINCE OCTOBER 2010

Issue	Action	Responsible	Date finalised
Capitalisation of trade and default fund exposures to CCPs	Interim regulatory capital adequacy rules for capitalisation of trade and default fund exposures to CCPs (published after two consultative reports). ¹⁰²	BCBS	Interim rules published in July 2012
Final report on margin requirements for non-centrally cleared derivatives	International standards on margin requirements for non-centrally cleared derivatives. ¹⁰³	BCBS and IOSCO (in consultation with CPSS and CGFS)	Final standards published in September 2013

¹⁰² <http://www.bis.org/publ/bcbs227.pdf>.

¹⁰³ <http://www.bis.org/publ/bcbs261.pdf> and <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD423.pdf>.

Appendix G: Summary tables of jurisdictions' progress in reform implementation

Table G.1			
Standardisation			
	Proportion of OTC derivatives composed of standardised derivatives substantially increased by end-2012	Legislative and/or regulatory steps completed toward increasing the use of standardised products and processes	Additional legislative and/or regulatory steps planned toward increasing the use of standardised products and processes
Argentina	At present, statistics are only available for derivative contracts where one of the counterparties is a bank. Mercado Abierto Electronico (MAE), a market regulated by the CNV, together with ROFEX and MATBA (other regulated markets), have 78% of all derivative contracts traded in Argentina. Only 22% of the remaining contracts traded by banks are pure OTC derivatives because they are not suitable for standardisation (but are closely monitored by the Central Bank).	Yes. Central Bank regulation Com. "A" 4725 provides a regulatory stimulus for the use of guarantees and CCPs to all financial institutions supervised by the Central Bank. Law 26.831 governing the capital markets in Argentina passed on 27 December 2012 and expands the powers of the CNV to regulate and supervise the securities markets, which will adoption of the G20 commitments. The Central Bank passed a regulation implementing the standardised approach for regulatory capital for credit risk that includes the reforms introduced by Basel II, 2.5 and III regarding the use of OTC derivatives and CCPs (see communication "A" 5369).	The rules for the implementation of Law 26,831 are expected to be issued by the end of July 2013.
Australia	No. The main OTC derivatives instruments traded in Australian markets are interest rate and FX products, which are already fairly standardised. Regulators are also continuing to monitor the work undertaken by G-14 dealers under the steering of the ODSG and continuing dialogue with industry to track further proposed changes to standard documentation.	Yes. As of 1 January 2013, APRA has implemented the Basel III capital requirements (including the Basel rules for capital requirements for bank exposures to central counterparties, released July 2012).	No.
Brazil	No (market already highly standardised).	No.	No.
Canada	Yes.	No.	Yes, indirectly through the implementation of Basel III capital standards and trade reporting requirements.
China	Yes.	Yes. PBC has approved CFETS to introduce standardised post-trade procedures for IRS trading via CFETS trading platform, and also the multi-lateral contract compression program for IRS.	No.

Table G.1
Standardisation

	Proportion of OTC derivatives composed of standardised derivatives substantially increased by end-2012	Legislative and/or regulatory steps completed toward increasing the use of standardised products and processes	Additional legislative and/or regulatory steps planned toward increasing the use of standardised products and processes
European Union	Yes.	Yes. EMIR entered into force in August 2012. MiFID II and MiFIR were proposed in October 2011, Capital Requirements Directive and Regulation ('CRD 4') implementing Basel III were proposed in July 2011 and both of these are in the final stages of negotiation.	Yes. Detailed technical standards under EMIR entered into force in March 2013. Political agreement on CRD 4 should be reached in 2013 and MiFID II and MiFIR are expected to be finalised in end-2013. .
Hong Kong SAR	Monitoring development of reference benchmark, in particular the work undertaken by G-14 dealers under the steering of the ODSG. Main products traded in HK are already fairly standardised (interest rate swaps and NDFs).	No.	Yes. HKMA has completed the process for incorporating Basel III framework in its capital regime for banks. This is expected to increase standardisation.
India	Yes, CDS transactions permitted since 2011 are standardised. All Overnight Index IRS contracts (other than client trades) have been standardised from April 1, 2013. Efforts are being made to standardise other interbank IRS contracts.	Yes, CDS transactions permitted since 2011 are standardised and a policy announcement was made in October 2012 to standardise IRS contracts	The process of standardisation is planned to be undertaken gradually. CDS transactions are currently standardised and a policy announcement was made in October 2012 to standardise IRS contracts. As a first step, Overnight Index-IRS contracts standardised from April 1, 2013. (Foreign exchange derivatives are 'plain vanilla' and essentially standardised with respect to functionality.)
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 standardised.	Yes: Financial Instruments and Exchange Act (FIEA) was amended in May 2010 for mandatory clearing, and in September 2012 for the use of the electronic trading platforms (ETP). These are expected to promote standardisation.	Yes: With respect to CCPs, Cabinet Office Ordinance was promulgated in July 2012 and implemented in November 2012. With respect to ETP, the implementation will be phased in (up to three years)
Republic of Korea	Yes.	Amendments to the Financial Investment Services and Capital Markets Act have been passed.	Yes: Detailed provisions of enforcement ordinances and supervisory regulations are being developed pursuant to the Amendment.

Table G.1
Standardisation

	Proportion of OTC derivatives composed of standardised derivatives substantially increased by end-2012	Legislative and/or regulatory steps completed toward increasing the use of standardised products and processes	Additional legislative and/or regulatory steps planned toward increasing the use of standardised products and processes
Mexico	Most (approximately 90%) of the OTC derivatives transactions in the Mexican market are plain vanilla interest rate swaps.	Yes. Financial authorities have developed a general framework based on amendments to secondary regulation (which is not yet adopted).	Yes. Amendments to secondary regulation currently have been under consultation by the major stakeholders. Financial authorities are evaluating the need of a law for the derivatives market. Amendments to capital and margin rules expected to be introduced to incentivize the use of standardized derivatives.
Russia	Classification codes for OTC derivatives introduced as a first step towards standardisation.	Yes. Federal Clearing Law and certain amendments to the Tax Code were adopted recently and create the legal basis for increasing the use of standardised OTC contracts and providing tax preferences for agreements on standardised terms; close-out netting covers only standardised products. FFMS Regulation adopted on registration of OTC derivatives.	Yes. Implementing regulation to be adopted pursuant to the recently adopted laws.
Saudi Arabia	No. Banks in Saudi Arabia already use standardised and plain vanilla products (primarily foreign exchange and interest rate products).	Yes: On 30 December 2012, SAMA issued a circular that directed banks to use standardised ISDA/IIFM (International Islamic Financial Market) Master agreements, as appropriate, in all customer transactions for Treasury products. Banks are required to be compliant within one year from the date of issuance of the circular.	No.
Singapore	Yes. Major participants in the domestic market are part of the G-15 dealers that have committed to increase standardisation. Members of the Singapore Foreign Exchange Markets Committee (SFEMC) have also committed to increase the level of automation and timeliness of confirmation processing.	Yes, legislative amendments to the Securities and Futures Act to mandate reporting and central clearing have been passed into law in Nov 2012. Basel III capital requirements for banks' exposures to CCPs were implemented on 1 July 2013.	Yes, detailed regulations to implement the clearing and reporting mandate are being developed.

Table G.1
Standardisation

	Proportion of OTC derivatives composed of standardised derivatives substantially increased by end-2012	Legislative and/or regulatory steps completed toward increasing the use of standardised products and processes	Additional legislative and/or regulatory steps planned toward increasing the use of standardised products and processes
South Africa	A significant portion of the market is already fairly standardised. The main OTC derivative instruments traded in South African markets are interest rate and FX products	Yes. The Financial Markets Act became effective in June, 2013. Requirements for the authorisation of OTC Derivative Providers (issuers) (including confirmation timelines, reconciliation and compression) will be released for consultation by Q4, 2013 and are expected to be effective by Q1, 2014.	Yes: the <i>Registration and Code of Conduct Workgroup</i> will consider further use of standardised products or processes.
Switzerland	Yes. Recent information collected from market participants shows a tendency towards greater use of standardised derivatives. In addition, the two major Swiss banks are part of the G-14 dealers that have committed to increase standardisation.	Yes: Basel III capital requirements were implemented in January 2013 and set incentives for standardisation.	Yes. In August 2012, the Swiss Federal Council decided on a legislative reform package to fully implement the FSB principles in the area of OTC derivatives and to improve the regulation of financial market infrastructure. Draft legislation is scheduled for October 2013
Turkey	No. Under current legislation, investment firms are prohibited from dealing in OTC derivatives in Turkey; banks use mainly plain vanilla products with standardised features.	Yes: The Capital Markets Law no. 6362, which was put into force on 30 December 2012, introduced OTC derivatives as capital market instruments, and the secondary regulation is expected to be adopted by end of Q4 2014.	Yes. An internal-working group was set up to prepare the legislative framework to comply with FSB principles.

Table G.1
Standardisation

	Proportion of OTC derivatives composed of standardised derivatives substantially increased by end-2012	Legislative and/or regulatory steps completed toward increasing the use of standardised products and processes	Additional legislative and/or regulatory steps planned toward increasing the use of standardised products and processes
United States	Yes.	<p>Yes: Dodd-Frank Act enacted July 2010. The CFTC and SEC have jointly adopted final rules further defining the products subject to the Dodd-Frank Act. The CFTC and SEC have each adopted final rules regarding processes for the review of swaps for mandatory clearing. The CFTC issued its first clearing determinations for certain interest rate and credit default classes in December 2012 which phases in compliance by type of market participant. The CFTC has adopted final rules establishing processes to determine whether swaps have been made available to trade and consequently subject to mandatory execution on designated contract markets or swap execution facilities.</p> <p>The Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency adopted a final rule to implement Basel III in the U.S. (the FDIC approved an interim final rule that is identical in substance). The phase-in period begins January 2014 for larger institutions and January 2015 for smaller, less complex banking organizations</p>	Yes: Additional SEC final rules to be adopted.

Table G.2
Central clearing

	Law and/or regulation in force by end-2012 requiring all standardised OTC derivatives to be cleared through CCPs	Legislative and/or regulatory steps completed toward central clearing of standardised OTC derivatives	Additional legislative and/or regulatory steps needed for a central clearing requirement for standardised OTC derivatives to be effective
Argentina	No.	<p>Central Bank regulation Com. "A" 4725 provides incentives to trade derivatives on organised platforms that provide for central clearing.</p> <p>Law 26.831 governing the capital markets in Argentina passed on 27 December 2012 and expands the powers of the CNV to regulate and supervise the securities markets, which will adoption of the G20 commitments.</p> <p>The Central Bank passed a regulation implementing the standardised approach for regulatory capital for credit risk that includes the reforms introduced by Basel II, 2.5 and III regarding the use of OTC derivatives and CCPs (see Communication "A"5369).</p>	The rules for the implementation of Law 26,831 are expected to be issued by the end of July 2013.
Australia	<p>The Australian legislative framework was given royal asset on 6 December 2012 and its substantive provisions became effective on 3 January 2013.</p> <p>Implementing regulation and rules would be required before any mandatory obligations are imposed.</p>	<p>In addition to the legislative framework for mandatory requirement, APRA has implemented capital charges that incentivise the use of central clearing, which is expected to result in large parts of the market moving to central clearing, where possible.</p> <p>At the end of June 2013, ASX Clear (Futures) received regulatory approval to launch a dealer-to-dealer central clearing service for Australian dollar-denominated interest rate derivatives. In addition, on 2 July 2013, a variation to LCH's licence was approved so that it can offer central clearing services for interest rate derivatives denominated in 17 different currencies, including the Australian dollar, to Australian entities.</p> <p>The Australian regulators recommended in the July <i>Report on the Australian OTC Derivatives Market</i> that the Minister issue a determination that a mandatory clearing obligation be applied to OTC interest rate derivatives transactions denominated in British pounds, Euros, Japanese yen and US dollars. The Australian regulators recommend that the initial focus of such a mandate should be dealers that engage in significant</p>	In order to implement a mandatory clearing requirement, the responsible Australian Government Minister must issue a determination that mandatory obligations with respect to central clearing should apply to a specified class or classes of derivatives. Prior to making any such determination, the Minister is required to consult with APRA, ASIC and the RBA. Once the Minister has made a determination, ASIC may make Derivative Transaction Rules. Such rules set out the details of any requirements, including the institutional scope, product scope (within the specified class(es) of derivatives determined by the Minister), transitional arrangements and the manner and form in which persons must comply with the requirements. ASIC would then need to make rules in order to implement the clearing obligation for the products covered by the determination.

Table G.2
Central clearing

	Law and/or regulation in force by end-2012 requiring all standardised OTC derivatives to be cleared through CCPs	Legislative and/or regulatory steps completed toward central clearing of standardised OTC derivatives	Additional legislative and/or regulatory steps needed for a central clearing requirement for standardised OTC derivatives to be effective
		levels of cross-border activity in these products.	
Brazil	No.	Current legislation requires all exchange-traded derivatives to be centrally cleared; non-exchange traded derivatives may either be non-centrally risk managed or centrally cleared, at the option of counterparties and with the acceptance of the CCP.	No: mandatory clearing requirement applies only to exchange-traded derivatives.
Canada	No.	Some provinces have completed their legislation, including those in which the majority of OTC derivatives transactions are booked, while in some other provinces legislation has been proposed. Federal legislative changes to support central clearing were introduced in Q4 2012 and came into force December 2012.	The Office of the Superintendent of Financial Institutions has communicated its expectations to banks (which account for the majority of OTCD transactions) regarding central clearing, and will consolidate its guidelines for federally regulated financial institutions in 2013. The CSA need to finalise their regulatory framework for central clearing and expect to publish for comment Model Provincial Rules in Q4 2013. Subsequently, each province must publish, for comment, province-specific rules in accordance with its legislative requirements; final rules must then be adopted. Expected to be completed by Q4 2014 in those provinces in which enabling legislation is in place. Timing of compliance with the requirements will be phased in.
China	Proposed.	PBC are taking measures to encourage Shanghai Clearing House to establish detailed schemes for central clearing of OTC derivatives. IRS central clearing operation scheme is under discussion. The PBC approved the SHCH to launch the CCP clearing for RMB denominated FFA in December 2012.	Under review, depending on the legislative steps.

Table G.2
Central clearing

	Law and/or regulation in force by end-2012 requiring all standardised OTC derivatives to be cleared through CCPs	Legislative and/or regulatory steps completed toward central clearing of standardised OTC derivatives	Additional legislative and/or regulatory steps needed for a central clearing requirement for standardised OTC derivatives to be effective
European Union	Yes (EMIR).	EMIR entered into force in August 2012.	Yes. Detailed technical standards implementing EMIR entered into force in March 2013. Further regulatory technical standards determining which products are subject to the clearing obligation are expected to be adopted from Q2 2014.
Hong Kong SAR	The relevant bill was gazetted on 28 June 2013 and was tabled before the Legislative Council on 10 July 2013. These legislative amendments will empower the regulators to impose the mandatory clearing requirement. Pending those amendments, an interim legislative proposal has been in place since June 2012 to support voluntary clearing of certain derivatives transactions through local CCPs recognised by the SFC.	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 have taken into consideration the responses received from the consultation when developing the regulatory regime for the OTC derivatives market in Hong Kong.	Yes: legislative amendments must be adopted and further market consultation is also needed before finalising the detailed regulations on the mandatory central clearing requirement.
India	Progressive steps towards central clearing of OTC derivative transactions are being taken, though all standardised transactions may not be cleared by end-2012. 97% of IRS trades are currently being centrally cleared in a non-guaranteed mode without requirements to do so. Guaranteed central clearing in IRS is expected to be in place by end 2014. There is a guaranteed centralised clearing arrangement for settlement of USD-INR forwards. Mandatory central clearing of foreign exchange forwards will be introduced pending resolution of certain issues mainly pertaining to exposure norms. . It may take more time to achieve the necessary market activity to support central clearing of CDS and other FX derivatives transactions.	Repo transactions in government securities are required to be centrally cleared. There is a guaranteed centralised clearing arrangement for settlement of USD-INR forwards. CDS market still developing and premature for required CCP settlement. Optional guaranteed central clearing facility in place for FX forwards and swaps.	CCP-based central clearing of CDS, FX options, currency swaps, IRS in foreign currency, IRS options in foreign currency, and FX swaps will be mandated after a critical level of volume is attained. Mandatory CCP-based clearing for interbank trades in FX forwards and options proposed be in place by end 2014. Interbank overnight indexed IRS trades have been standardised, as a critical step towards central clearing of IRS trades

Table G.2
Central clearing

	Law and/or regulation in force by end-2012 requiring all standardised OTC derivatives to be cleared through CCPs	Legislative and/or regulatory steps completed toward central clearing of standardised OTC derivatives	Additional legislative and/or regulatory steps needed for a central clearing requirement for standardised OTC derivatives to be effective
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, derivatives trading in Indonesia is relatively low volume and takes place only on exchange. Therefore, there is currently no plan to establish CCP for OTC derivatives.	Currently no legislative or regulatory steps are proposed. Please refer to Bapepam-LK Rule III.E.1 concerning the Future Contract and Option on Securities or Securities Index.	N/A
Japan	Yes, but initially the requirements apply only to Yen interest rate swaps and CDS (iTraxx Japan Index series).	The Financial Instruments and Exchange Act (FIEA) was amended in May 2010.	Yes: Cabinet Office Ordinance was 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	No.	Amendments to the Financial Investment Services and Capital Markets Act have been passed.	Yes: Detailed provisions of enforcement ordinances and supervisory regulations are being developed pursuant to the Amendment.
Mexico	Authorities expect to issue new regulation requiring all standardised OTC derivatives to be centrally cleared.	Financial authorities have developed a general framework based on amendments to secondary regulation (which is not yet adopted).	Yes: Amendments to secondary regulation have been under consultation with major stakeholders. Financial authorities are evaluating the need of a law for the derivatives market.
Russia	No.	Clearing Law provided basis for development of infrastructure and amended the Securities Market Law to provide Federal Financial Markets Service with power to define contracts that are subject to mandatory clearing.	Yes: implementing regulations need to be adopted concerning the scope of central clearing requirements.
Saudi Arabia	No.	Results of the self-assessment conducted with the Saudi Banking Industry demonstrated that current and future trading volumes are unlikely to justify establishment of a domestic CCP. Saudi Bank is being encouraged to establish clearing relationships with global CCPs as the most appropriate solution.	No, no work is envisaged at this time, given that current and future volumes are unlikely to justify the establishment of a local CCP. However, Saudi banks are permitted to deal with international banks to undertake derivative transactions and use global CCPs. No CCPs currently offering products in Saudi Riyals. The issues may be revisited at a later date, should volumes justify such an action.

Table G.2
Central clearing

	Law and/or regulation in force by end-2012 requiring all standardised OTC derivatives to be cleared through CCPs	Legislative and/or regulatory steps completed toward central clearing of standardised OTC derivatives	Additional legislative and/or regulatory steps needed for a central clearing requirement for standardised OTC derivatives to be effective
Singapore	Yes.	Legislative amendments concerning the licensing of OTC derivatives CCPs and the central clearing obligation have been passed into law in Nov-2012. The amendments for the licensing of CCPs will be implemented in August 2013.	Yes. Development of detailed regulations for the central clearing obligation is underway.
South Africa	No.	Yes. The Financial Markets Act became effective in June, 2013. This Act is the enabling act which will allow for the imposition of a requirement to centrally clear standardised derivatives through CCPs. South African banks are subject to capital requirements that are equal to or higher than the requirements specified in the Basel II, Basel 2.5 and Basel III frameworks. Temporary exemption for South African banks from holding capital against CVA risk for OTC derivatives denominated and transacted solely in South African rand, as well as for all OTC derivatives entered into bilaterally between local counterparties expires on 31 December 2013.	Yes, authorities will monitor movements towards central clearing based on incentives and the <i>Central Clearing Workgroup</i> will consider a mandatory clearing requirement for all standardised derivatives in 2014. Enabling provisions regarding central clearing have been included in the regulations governing authorisation of OTC Derivative providers and expected to become effective Q1 2014.
Switzerland	No, the legislative process is in progress.	Yes. In August 2012, the Swiss Federal Council decided on a legislative reform package to fully implement the FSB principles in the area of OTC derivatives and to improve the regulation of financial market infrastructure. Draft legislation is scheduled for October 2013. Moreover, the implementation of Basel III capital requirements since January 2013 (higher requirements for non-centrally cleared derivatives) has set incentives for standardization.	Yes.

Table G.2
Central clearing

	Law and/or regulation in force by end-2012 requiring all standardised OTC derivatives to be cleared through CCPs	Legislative and/or regulatory steps completed toward central clearing of standardised OTC derivatives	Additional legislative and/or regulatory steps needed for a central clearing requirement for standardised OTC derivatives to be effective
Turkey	<p>Yes. The Capital Markets Law no.6362, which allows the CMB to designate clearing agents to centrally clear OTC derivatives transactions or to require the establishment of a CCP in certain markets, was enacted in December 2012, the general regulation on CCP application by Istanbul Custody and Settlement Bank (Takasbank) in Turkish capital markets was put into force in the second half of August, 2013. Implementing regulations are being prepared considering the specific characteristics of different markets. Therefore different markets will have different secondary regulations which will all be prepared by Takasbank and approved by the CMB. The first implementing regulation regarding “Takasbank Stock Borrowing and Lending Market” was approved simultaneously with the general regulation on CCP application. Other implementing regulations regarding other markets are planned to be drafted by Q4 of 2014 and Q4 of 2015.</p>	<p>General Regulation on CCP application regarding all the capital markets is put into force. However implementing regulation on standardized OTC derivatives is still being prepared.</p>	<p>Yes. A working group, including related government authorities and market participants, was set up in March 2012 to prepare the legislative framework to comply with FSB principles.</p>

Table G.2
Central clearing

	Law and/or regulation in force by end-2012 requiring all standardised OTC derivatives to be cleared through CCPs	Legislative and/or regulatory steps completed toward central clearing of standardised OTC derivatives	Additional legislative and/or regulatory steps needed for a central clearing requirement for standardised OTC derivatives to be effective
United States	Yes.	Dodd-Frank Act enacted in July 2010. The CFTC and SEC have each adopted final rules regarding processes related to determining whether specific derivatives contracts will be subject to mandatory clearing; CFTC finalised a rule establishing a schedule for compliance with mandatory clearing requirements and proposed new rules to require that swaps in four interest rate swap classes and two credit default swap classes be required to be cleared by registered derivatives clearing organisations. Swap dealers and private funds began clearing on March 11, 2013; accounts managed by third party investment managers, as well as ERISA pension plans will begin clearing in September 2013 and all other financial entities will begin clearing in June 2013. CFTC also has finalised rules on clearing documentation, the timing for acceptance of cleared trades, core principles applicable to CFTC-registered derivatives clearing organisations, and the exception to mandatory clearing for certain non-financial entities using swaps to hedge or mitigate commercial risk; SEC adopted a rule establishing standards for the risk management and operations of registered clearing agencies	Yes: Additional CFTC and SEC implementing regulations to be finalised, including among others: CFTC rules establishing clearing requirement determinations for additional swap classes.

Table G.3

Exchange or electronic platform trading

	Law and/or regulation in force by end-2012 requiring all or any subset of standardised derivatives to be traded on exchanges or electronic trading platforms	Legislative and/or regulatory steps completed toward implementing a trading requirement for standardised derivatives	Additional legislative and/or regulatory steps needed for a trading requirement for standardised derivatives to be effective
Argentina	No.	<p>Central Bank regulation Com. "A" 4725 provides incentives to trade derivatives on organised platforms that provide for central clearing.</p> <p>Law 26.831 governing the capital markets in Argentina passed on 27 December 2012 and expands the powers of the CNV to regulate and supervise the securities markets, which will adoption of the G20 commitments.</p> <p>Art. 39 of this Law empowers the CNV to require trading interconnection systems between all markets.</p> <p>The Central Bank passed a regulation implementing the standardised approach for regulatory capital for credit risk that includes the reforms introduced by Basel II, 2.5 and III regarding the use of OTC derivatives and CCPs (see Communication "A" 4369.</p>	The rules for implementation of Law 26,831 are expected to be issued by the end of July 2013.
Australia	<p>The Australian legislative framework was given royal assent on 6 December 2012 and its substantive provisions became effective on 3 January 2013.</p> <p>Implementing regulation and rules would be required before any mandatory obligations are imposed.</p>		In order to implement a mandatory platform trading requirement, the responsible Australian Government Minister must issue a determination that mandatory obligations with respect platform trading should apply to a specified class or classes of derivatives. Prior to making any such determination, the Minister is required to consult with APRA, ASIC and the RBA. Once the Minister has made a determination, ASIC may make Derivative Transaction Rules. Such rules set out the details of any requirements, including the institutional scope, product scope (within the specified class(es) of derivatives determined by the Minister), transitional arrangements and the manner and form in which persons must comply with the requirements.
Brazil	No.	Capital incentives for use of exchange-traded derivatives.	No.

Table G.3

Exchange or electronic platform trading

	Law and/or regulation in force by end-2012 requiring all or any subset of standardised derivatives to be traded on exchanges or electronic trading platforms	Legislative and/or regulatory steps completed toward implementing a trading requirement for standardised derivatives	Additional legislative and/or regulatory steps needed for a trading requirement for standardised derivatives to be effective
Canada	Under review.	None. A consultation paper will be published in Q1 2014 that will inform the CSA regarding the impact of a mandatory trading requirement.	Yes.
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.
European Union	No: final rules on MiFID II and MiFIR expected to be in effect by end-2015.	Adoption of a MiFID II and MiFIR is expected by end-2013. These proposals require trading of all OTC derivatives subject to an obligation of central clearing (pursuant to EMIR) and which are sufficiently liquid, as determined by ESMA, to take place on one of three regulated venues: regulated markets, multilateral trading facilities, and the future organised trading facilities.	Adoption of the Commission proposals by the European Council and Parliament is expected by end-2013; transposition of certain provisions into national law; delegated acts and technical standards to be developed and adopted following the adoption of MiFID II and MiFIR.
Hong Kong SAR	No. The relevant bill was gazetted on 28 June 2013 and was tabled before the Legislative Council on 10 July 2013. These legislative amendments will give regulators the power to impose a trading requirement. The timing of implementation is subject to further study by regulators on the liquidity level and number of trading venues available in Hong Kong in order 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 in Hong Kong. Following the consultation, the regulators published the consultation conclusions in July 2012 to respond to the comments received from the consultation.	Yes: legislative amendments must be adopted and further market consultation is also needed before finalising the detailed regulations of the mandatory trading requirement.

Table G.3
Exchange or electronic platform trading

	Law and/or regulation in force by end-2012 requiring all or any subset of standardised derivatives to be traded on exchanges or electronic trading platforms	Legislative and/or regulatory steps completed toward implementing a trading requirement for standardised derivatives	Additional legislative and/or regulatory steps needed for a trading requirement for standardised derivatives to be effective
India	No.	Trading platform available for FX swaps	Electronic trading platform for IRS is proposed to be in place by 2015. Possibility of introducing electronic trading platform for FX forward and option to be examined by end 2015 subject to number of trades attaining a critical mass. Execution of FX swaps on electronic trading platform to be mandated by end 2014. As market develops the possibility of introducing a trading platform to be examined for currency swaps, IRS in foreign currency and IRS option in foreign currency.
Indonesia	N/A	Currently no legislative or regulatory steps are proposed. Please refer to Bapepam-LK Rule III.E.1 concerning the Future Contract and Option on Securities or Securities Index.	N/A
Japan	Yes – The Financial Instruments and Exchange Act (FIEA) 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.	Legislation not yet proposed; review of policy options underway.	No.
Mexico	No. Authorities plan to enact secondary regulation to require standardised derivatives to be traded on electronic trading platforms. Authorities will determine on an on-going basis which derivatives are considered as standardized and therefore subject to the central clearing requirement.	Yes. Financial authorities have developed a general framework based on amendments to secondary regulation (which is not yet adopted).	Yes. Amendments to secondary regulation have been under consultation with major stakeholders. Financial authorities are evaluating the need of a law for the derivatives market.

Table G.3

Exchange or electronic platform trading

	Law and/or regulation in force by end-2012 requiring all or any subset of standardised derivatives to be traded on exchanges or electronic trading platforms	Legislative and/or regulatory steps completed toward implementing a trading requirement for standardised derivatives	Additional legislative and/or regulatory steps needed for a trading requirement for standardised derivatives to be effective
Russia	No. Authorising legislation has been adopted.	Federal law was adopted to provide a basis for development of infrastructure and regulate electronic platform trading. However, there are no provisions mandating that standardised OTC derivatives be exchange traded.	Yes: need to develop practical experience before proceeding with further regulatory measures; laws already adopted provide authority to adopt implementing regulations.
Saudi Arabia	No:	None.	No. Pursuant to completion of self-assessment in coordination with the Saudi Banking industry, it was a TR has been established and operational since 08 December 2012 and will provide a mechanism to increase transparency of OTC market activity, commitments and balances. The TR is expected to serve as the future foundation for any electronic trading on exchanges etc. should the need for such mechanisms arise. The TR in tandem with the standardisation of the OTC market through the TMA rollout is expected to address the regulatory requirements for greater transparency and disclosure.
Singapore	None.	None.	No.
South Africa	No.	The Financial Markets Act became effective on 3 June, 2013 and this is the enabling legislation for any such requirement.	Yes.
Switzerland	No, the legislative process is in progress.	Law (Art. 5 Abs. 2 BEHG Stock Exchange Act SESTA) requires exchanges to establish a trade repository of trade details and to publish quotes and volumes of on-exchange and off-exchange transactions; for collateralized certificates, the COSI services has been introduced to allow for automated trading, clearing without risk transfer to the infrastructure provided (DVP) and settlement of these instruments; application to OTC derivatives trading is currently under review.	Yes. In August 2012, the Swiss Federal Council decided on a legislative reform package to fully implement the FSB principles in the area of OTC derivatives and to improve the regulation of financial market infrastructure. Draft legislation is scheduled for October 2013.

Table G.3

Exchange or electronic platform trading

	Law and/or regulation in force by end-2012 requiring all or any subset of standardised derivatives to be traded on exchanges or electronic trading platforms	Legislative and/or regulatory steps completed toward implementing a trading requirement for standardised derivatives	Additional legislative and/or regulatory steps needed for a trading requirement for standardised derivatives to be effective
Turkey	Policy options are under review.	Policy options are under review.	No.
United States	Yes, although the U.S. Secretary of the Treasury issued a determination that FX swaps and forwards should not be regulated as swaps under the Commodity Exchange Act (CEA), and thus would not be subject to the CEA mandatory clearing, trade execution, and margin requirements. Such transactions will, however, be subject to transaction-reporting requirements, business conduct standards and anti-evasion requirements. FX derivatives other than FX swaps and forwards, such as FX options, currency swaps and NDFs, are not eligible for the exemption and would be regulated as swaps.	Yes: Dodd-Frank Act enacted July 2010 requires any swap or security-based swap that is subject to a clearing requirement to be traded on a registered trading platform, i.e., a contract market designated by the CFTC or swap execution facility registered with the CFTC, or exchange or security-based swap execution facility registered with the SEC, if such swap or security-based swap is “made available to trade” on a trading platform. The CFTC has finalised regulations with regard to designated contract markets, swap execution facilities and regulations defining the process by which a swap is “made available to trade” by a designated contract market or swap execution facility. The SEC has proposed rules pertaining to the registration and operation of trading platforms.	Yes: SEC implementing rules regarding security-based swap execution facilities and the process by which a swap is “made available to trade” by a trading platform to be finalised.

Table G.4
Transparency and trading

	Multi-dealer functionality required to fulfil trading requirement or single-dealer functionality permitted	Pre-trade price and volume transparency required for all exchange or electronic-platform-traded and OTC derivatives
Argentina	To be determined: under consideration by Law 26,831 governing the capital markets in Argentina passed on 27 December 2012.	To be determined: under consideration by Law 26,831 governing the capital markets in Argentina passed on 27 December 2012.
Australia	Under consideration, monitoring the development of overseas requirements.	TBD: under review, monitoring the development of overseas requirements.
Brazil	Multi-dealer functionality is required.	No: pre-trade price and volume transparency required for the 90% of the market that is exchange-traded; no pre-trade requirements for the 10% of the market that is OTC.
Canada	The issues will be explored in a consultation paper that is expected to be published in Q1 2014.	The issues will be explored in a consultation paper that is expected to be published in Q1 2014.
China	Multi-dealer functionality required.	Yes.
European Union	Multi-dealer functionality (proposed in Commission proposal for MiFID II / MiFIR).	Yes (proposed in Commission proposal for MiFID II / MiFIR).
Hong Kong SAR	Under consideration (with global developments in view).	Under consideration (with global developments in view).
India	Both options (single dealer and multi-dealer facilities) are available for foreign exchange derivatives.	Yes.
Indonesia	Multi-dealer functionality required.	Yes.
Japan	Multi-dealer functionality is expected, but single-dealer functionality will also be permitted (details to be determined by regulation).	Yes (details to be determined by regulations).
Republic of Korea	Multi-dealer functionality required.	Yes.
Mexico	Multi-dealer functionality required.	Yes.
Russia	Multi-dealer functionality required.	TBD. (Pre-trade transparency required only for exchange-traded derivatives.)
Saudi Arabia	No. the results of the self-assessment have indicated that the existing and future volumes do not require setting up of electronic trading and or exchanges.	No. the results of the self-assessment have indicated that the existing and predicted future volumes do not

Table G.4
Transparency and trading

	Multi-dealer functionality required to fulfil trading requirement or single-dealer functionality permitted	Pre-trade price and volume transparency required for all exchange or electronic-platform-traded and OTC derivatives
Singapore	To be determined.	To be determined.
South Africa	TBD.	Yes, for exchange traded derivatives.
Switzerland	Under review.	Under review (exchanges currently required by law to provide pre-trade transparency).
Turkey	Under review.	Under review.
United States	Multi-dealer functionality required.	The SEC has proposed rules under the Dodd-Frank Act relating to pre-trade transparency for swaps and security-based swaps that are traded on a swap execution facility or security-based swap execution facility, as applicable, but the rules have not yet been finalised.

Table G.5
Reporting to trade repositories

	Law and/or regulation in force by end-2012 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
Argentina	No. Based on local features of the financial system and considering that reporting requirements are partially addressed by BCRA supervisory rules, OTC derivatives transactions are not required to be reported to TRs. However, derivatives operations of banks with cross-border counterparties, which are the bulk of OTC transactions, are subject to reporting and monitoring by the Central Bank.	To be determined. Law 26.831 governing the capital markets in Argentina passed on 27 December 2012 and expands the powers of the CNV to regulate and supervise the securities markets, which will adoption of the G20 commitments.	To be determined.	To be determined.
Australia	The Australian legislative framework was given royal assent on 6 December 2012 and its substantive provisions became effective on 3 January 2013. Implementing regulation and rules would be required before any mandatory obligations are imposed.	In May 2013, the Minister made a Determination that applied a reporting obligation across all derivatives asset classes (excluding electricity derivatives). The reporting obligation would be activated following the finalisation and entry into force of ASIC rules for trade repositories and trade reporting. ASIC consulted on rules for trade repositories and trade reporting in March/April 2013, and final rules became effective in July. Consequently all necessary law, regulations and rules are in place to implement a reporting obligation in Australia. The first phase of the reporting obligation will commence for the largest financial institutions and intermediaries in October 2013, followed by other financial institutions over the course of 2014. ASIC will consult in late-2013 or early	None.	No plans at this stage for reporting to a government authority in place of a specifically designated TR.

Table G.5

Reporting to trade repositories

	Law and/or regulation in force by end-2012 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
		2014 on what reporting obligation should be applied to end users.		
Brazil	Yes.	Pre-exiting rules enacted by the Central Bank of Brazil and CVM require all OTC derivatives trades to be reported to a TR. Furthermore, according to Law no. 12,543, to have legal validity, derivatives transactions must be registered.	No.	No.
Canada	No.	Ontario, Quebec and Manitoba have completed their enabling legislation, while in some other provinces legislation has been proposed. On 6 June 2013, Ontario, Quebec and Manitoba published for a 90 day comment period province-specific regulation and other provinces published updated Model Provincial Rules. These rules address transaction reporting and trade repository operation. Ontario and Québec have amended legislation to support reporting to TRs and regulatory access to data.	Yes: Some provinces need to finalise their legislation. Provinces other than Ontario, Quebec and Manitoba must publish, for comment, province-specific rules in accordance with their respective legislative frameworks. Final rules must be adopted by all provinces. This is expected to be completed by Q4 2013 in those provinces in which enabling legislation is currently in place. Timing of compliance with the requirements will be phased in. Derivatives dealers will have 6 months in which to comply with the rules and non-dealers will have 9 months.	Yes, on a limited basis. Anticipated that a very small number of trades may not be accepted by TRs and therefore would be reported to the appropriate CSA regulator (or regulators). .
China	Yes.	Trading of OTC interest rates executed outside the CFETS platform should be reported to CFETS.	Yes: details to be determined.	Yes.

Table G.5
Reporting to trade repositories

	Law and/or regulation in force by end-2012 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
European Union	Yes (EMIR).	EMIR entered into force in August 2012.	No. detailed technical standards implementing EMIR entered into force in March 2013. The reporting obligation will effectively enter into force soon after the authorisation of trade repositories by the ESMA in the corresponding classes, which is expected to happen in January 2014 for all classes of derivatives.	Yes: reporting to ESMA where a TR is not able to record the details of an OTC derivative.
Hong Kong SAR	The relevant bill was gazetted on 28 June 2013 and was tabled before the Legislative Council on 10 July 2013. These legislative amendments will give regulators the power to impose mandatory reporting requirements. The intention is to take a phased approach, beginning with interest rate swaps and NDFs.	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. The regulators have taken into consideration the responses received from the consultation when developing the regulatory regime for the OTC derivatives market in Hong Kong.	Yes, legislative amendments must be adopted and further market consultation is also needed before finalising the detailed regulations on the mandatory reporting requirement. Before the legislation is enacted, interim reporting requirement has been imposed on the licensed banks (major participants in the local OTC derivative market), which took effect from 5 August 2013.	OTC derivatives transactions that have a bearing on the HK financial market will be required to be reported to the HKMA-TR (i.e. the TR system, which is developed by HKMA).
India	Yes, the regulatory guidelines issued by RBI mandate reporting of all/select trades between market makers and with the clients in respect of foreign exchange, credit and interest rate derivatives on CCIL's reporting platform.	1. Regulatory guidelines were issued on August 23, 2007 for reporting of Rupee IRS & FRA trades to CCIL's reporting platform. 2. CDS on corporate bond was introduced on December 1, 2011 along with the regulatory stipulation for reporting of the trades to CCIL's reporting platform. 3. Regulatory guidelines issued on June 22, 2012 and October 12, 2012 covered reporting of interbank foreign exchange forwards, options and FX swaps.	No. However, some legislative changes have been proposed to provide strengthened/specific statutory provisions for regulation of TRs, facilitating reporting of OTC trades to TRs and dissemination of information by TRs to its members, in some instances, and to the regulators.	Not applicable.

Table G.5

Reporting to trade repositories

	Law and/or regulation in force by end-2012 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
		4. Regulatory guidelines issued on 13 March 2013 covered reporting of trades between market makers and clients in foreign exchange forwards and options.		
Indonesia	<p>Not applicable, as derivatives products may only be traded on exchange.</p> <p>The current regulation, Bapepam-LK, already requires OTC transactions to be reported to TRs, but that requirement only covers debt instruments (not derivatives).</p> <p>Banks are required to report interest rate derivatives and FX derivatives transactions to the central bank.</p>	None.	N/A	N/A
Japan	Yes, in general, trade data is reported to a TR and trade data that the TR does not accept is reported to JFSA.	FIEA was amended in May 2010 to introduce the legislative framework for reporting of OTC derivatives transactions to TRs.	Yes, reporting requirements took effect in November 2012, with a transition period until April 2013.	Yes: trade data reported to JFSA is limited to information not accepted by a TR, such as exotic OTC derivatives trades.
Republic of Korea	Yes, but law will be revised in accordance with international standards.	The Financial Investment Services and Capital Markets Act (FSS) and the Foreign Exchange Transactions Act (BoK) require reporting of all OTC derivatives transactions to authorities.	Yes: necessary to improve some parts of the reporting system to meet international standards.	Yes: reporting of OTC transactions to governmental authorities required by the Financial Investment Services and Capital Markets Act and the Foreign Exchange transactions Act.

Table G.5

Reporting to trade repositories

	Law and/or regulation in force by end-2012 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
Mexico	No. The proposed regulation will require all centrally cleared transactions to be reported to trade repositories. In addition, once adopted, a law would extend the scope of the reporting requirement to cover all OTC derivatives.	Yes. Financial authorities have developed a general framework based on amendments to secondary regulations (which is not yet adopted).	Yes. Amendments to secondary regulation already address mandatory reporting from financial intermediaries but, to be effective, it must also cover non-financial entities. Financial authorities are evaluating the need of a law for the derivatives market. It would extend the reporting requirement to non-financial entities.	No: According to the proposed regulation, banks and brokerage firms will be required to report to specifically-designated TRs. Currently, local financial intermediaries are required to report OTC derivatives to local authorities.
Russia	No: only transactions conducted by professional market participants and transactions subject to close-out netting and executed under Master Agreements are to be reported to TRs.	Laws concerning OTC derivatives adopted recently. FFMS regulation on TRs adopted.	No. Reporting requirement becomes effective when a TR starts operation.	No. TRs are required to submit copy of the register of contracts to the FFMS.
Saudi Arabia	Based on the self-assessment, a TR was established and operational under the supervision of SAMA by 8 December 2012.	SAMA has issued a circular requiring banks to report data on their OTC derivatives transactions to the Saudi Arabian Trade Repository. Reporting requirement is being phased in and banks are currently required to report data for FX and IRS products, which represents over 95% of the OTC products. Next phase will expand coverage to all classes and participants.	No. Regulations issued.	Yes. The TR has been established and is being operated by SAMA.

Table G.5
Reporting to trade repositories

	Law and/or regulation in force by end-2012 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
Singapore	Yes.	Legislative amendments concerning the reporting mandate and the licensing of TR have been passed into law in Nov 2012. The amendments for licensing of TR will be implemented in August 2013.	We are consulting on detailed regulations on the reporting mandate. The detailed regulations are expected to come into effect in Oct 2013.	MAS will require OTC derivatives trades mandated for reporting to be reported to a licensed TR. However in situations where no TR is available for the reporting of OTC derivatives transactions, MAS has the power to prescribe alternative reporting arrangements, which include reporting to a governmental authority.
South Africa	No	The Financial Markets Act became effective in June 2013. This Act is the enabling act which will allow for the imposition of a requirement to centrally report all derivatives to TRs.	Yes, draft regulations to be released for public comment and consultation by 31 October 2013. Enabling provisions regarding reporting have been included in the regulations governing authorisation of OTC Derivative providers and are anticipated to become effective Q1 2014.	No.
Switzerland	No. The legislative process is in progress.	Art. 15 (2) SESTA applies to derivatives traded on exchange and requires that securities dealers report all the information necessary to ensure a transparent market.	Yes. In August 2012, the Swiss Federal Council decided on a legislative reform package to fully implement the FSB principles in the area of OTC derivatives and to improve the regulation of financial market infrastructure. Draft legislation is scheduled for October 2013.	Under review.

Table G.5

Reporting to trade repositories

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Turkey	<p>The new Capital Markets Law which was enacted in December 2012 includes provisions related to TRs and gave the CMB authority to require transactions to be reported directly to an authorised TR.</p> <p>Although not currently required, equity linked OTC derivatives are planned to be reported to the Istanbul Custody and Settlement Bank.</p> <p>Currently, leveraged foreign exchange transactions are required to be reported to Istanbul Custody and Settlement Bank</p>	Under review	Yes. An internal working group was set up to prepare the legislative framework consistent with FSB principles.	The new Capital Markets Law gave the CMB the authority to require capital markets transactions (including OTC derivatives) to be reported directly to the CMB or to an authorised TR.

Table G.5

Reporting to trade repositories

	Law and/or regulation in force by end-2012 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
United States	Yes.	<p>Yes: Dodd-Frank Act enacted July 2010. The CFTC has finalised registration requirements, duties, and core principles applicable to CFTC-regulated TRs and rules on the reporting of swaps to TRs (including swaps entered into before the Dodd-Frank Act was enacted and which had not expired as of such date, as well as swaps entered into on or after such date of enactment but prior to the relevant reporting compliance date) – compliance with these rules has been phased in by swap class and type of counterparty. With respect to interest rate and credit swaps, swap dealers and major swap participants began reporting on December 31, 2013, swap dealers and major swap participants began reporting equity, FX and other commodity swaps on February 28 2013. All financial counterparties began reporting interest rate and credit swaps on April 10, 2013 and all asset classes by May 29, 2013. Non-financial swap counterparties began reporting interest rate and credit swaps on July 1, 2013 and all asset classes on August 19, 2013. The CFTC also provided additional time for foreign market participants on the reporting of identifying counterparty information in jurisdictions where secrecy or blocking laws forbid such reporting. The CFTC also has designated a provider of legal entity identifiers to be used by registered entities and swap counterparties in complying with the CFTC’s swap data reporting regulations and continues to assist the industry’s efforts in the development of a Universal Product Identifier and product classification protocol. The SEC has proposed rules implementing TR reporting requirements and specifying registration requirements, duties and core principles of SEC-regulated TRs.</p>	Yes: SEC implementing regulations to be finalised.	Yes: Reporting to the CFTC or SEC only if there is no TR available; expected to be limited in scope.

Table G.6
Application of central clearing requirements

	Coverage of all asset classes	Coverage of all types of financial entities	Intra-group transactions
Argentina	No: central clearing requirements apply only to exchange traded derivatives (not OTC).	No.	No.
Australia	Yes, the framework being adopted in Australia does not specify any asset classes as being exempt from central clearing requirements. However, implementation of any central clearing requirements will be considered on an asset class basis and will likely be harmonised with requirements in major jurisdictions.	Yes, the framework being adopted in Australia does not specify any entities as being exempt from central clearing requirements. However, implementation of any central clearing requirements will likely be considered on an asset class basis and take into account the impacts on financial and non-financial entities. Coverage will be coordinated with other FSB members (likely that the initial focus of any mandate will be on internationally active financial entities).	Under review.
Brazil	No: central clearing requirement applies only to exchange-traded derivatives (not OTC).	No.	No.
Canada	Under review; FX swaps and forwards may be exempted with a view to harmonising rules with other jurisdictions.	Under review; consideration being given to systemic risk concerns and harmonisation with other jurisdictions.	Under review. The CSA are considering comments received in response to a consultation paper on end-user exemptions.
China	To be determined.	To be determined.	To be determined.
European Union	Yes.	Yes (with temporary exemption of certain pension arrangements from central clearing obligation).	No (intra-group transactions are exempted).
Hong Kong SAR	Yes, in phases. Mandatory clearing expected to cover standardised interest rate swaps and NDFs initially, extending this to other types of product will be considered after the initial roll-out.	Yes: HK's proposal is to cover financial institutions holding positions above a certain clearing threshold (which is to be determined).	The regulators are prepared to consider the possibility of introducing clearing exemptions in respect of intra-group transactions, albeit subject to certain conditions. The regulators will consult on specific details on exemptions from clearing.

Table G.6
Application of central clearing requirements

	Coverage of all asset classes	Coverage of all types of financial entities	Intra-group transactions
India	<p>A central clearing facility is available for interest rate swaps (non-guaranteed), foreign exchange forwards, and repos in government securities; central clearing for CDS and other FX derivatives will be considered, depending on market development.</p> <p>Mandatory central clearing of FX forwards will be introduced pending resolution of certain issues mainly pertaining to exposure norms.</p> <p>Steps for the introduction of CCP clearing for IRS have been set in motion.</p>	Yes.	Yes, provided the accounts are held separately.
Indonesia	No, as central clearing requirements pertain only to exchange traded equity derivatives. Other asset classes are under review.	Under review.	N/A.
Japan	Yes. (Initially, the requirements apply to Yen interest rate swaps and CDS referring iTraxx Japan. After November 2012, applicable products will be further expanded based on appropriate review).	Yes. (Initially, the requirements apply to transaction between large domestic financial institutions registered under the FIEA that are members of licensed clearing organizations.).	No.
Republic of Korea	Yes. (Initially, the requirements will apply to Won interest rates swaps and extend to other products, in phases.)	Yes.	Under review.
Mexico	Ayes, the proposed framework does not specify any asset classes exempted from central clearing requirements. However, as a first stage, peso-denominated IRS will be subject to mandatory central clearing. (IRS represents more than 90% of the domestic market in OTC derivatives.)	Initially, central clearing requirements will only apply to banks and brokerage firms.	No. Exemptions for intra-group transactions are not planned.
Russia	Under review.	Under review.	Under review.
Saudi Arabia	No CCP currently offers coverage of OTC products in Saudi Riyals. Based on assessment, current and future OTC volumes are not likely to support a local CCP, and consequently we are not requiring banks to initiate steps towards local central clearing of OTC products. Saudi Arabian banks are permitted to use global CCPs and deal with international banks to appropriately undertake derivatives transactions.	N/A	N/A

Table G.6
Application of central clearing requirements

	Coverage of all asset classes	Coverage of all types of financial entities	Intra-group transactions
Singapore	Yes (taking into account systemic risk to the local market and degree of standardisation in the local market).	Yes (financial entities and non-financial entities above specified threshold will come under the clearing obligation).	Under review (continuing to monitor international developments).
South Africa	Under review.	Under review.	Under review.
Switzerland	Under review.	Under review.	Under review.
Turkey	Under review.	Under review.	Under review.
United States	Yes, although the U.S. Secretary of the Treasury issued a determination that FX swaps and forwards should not be regulated as swaps under the Commodity Exchange Act (CEA), and thus would not be subject to the CEA mandatory clearing, trade execution, and margin requirements. Such transactions will, however, be subject to transaction-reporting requirements, business conduct standards and anti-evasion requirements. FX derivatives other than FX swaps and forward, such as FX options, currency swaps and NDFs, are not eligible for the exemption and would be regulated as swaps.	Yes (although the CFTC has adopted a final rule that exempts insured depositories, savings associations, farm credit system institutions, and credit unions with total assets of \$10 billion or less from the definition of ‘financial entity’, making such ‘small financial institutions’ eligible to elect to use the end-user exception to mandatory clearing for swaps that hedge or mitigate commercial risk; an analogous exemption for such entities is under consideration by the SEC).	An inter-affiliate clearing exemption has been adopted by the CFTC; exempting inter-affiliate transactions from clearing is under consideration by the SEC.

Appendix H: Members of the OTC Derivatives Working Group

Co-Chairs	Brian Bussey (representing IOSCO) Associate Director for Derivatives Policy and Trading Practices Division of Trading and Markets Securities and Exchange Commission
	Jeanmarie Davis (representing CPSS) Senior Vice President, Financial Market Infrastructure Function Financial Institution Supervision Group Federal Reserve Bank of New York
	Patrick Pearson Head of Financial Markets Infrastructure Internal Market DG European Commission
Australia	Oliver Harvey Senior Executive Leader, Financial Market Infrastructure Australian Securities and Investments Commission
Brazil	Otavio Yazbek Commissioner Comissão de Valores Mobiliários (CVM)
Canada	Elizabeth Woodman Principal Researcher, Markets Infrastructure Division Financial Markets Department Bank of Canada
China	Kong Yan Director, Bonds Products Supervision Division People's Bank of China
France	Carole Uzan Deputy Head of Markets Regulation Division Autorité des marchés financiers (AMF)
Germany	Thomas Schmitz-Lippert Executive Director, International Policy/Affairs Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)
	Martin Ockler Higher Executive Officer, Financial Stability Department Deutsche Bundesbank

Hong Kong	Daryl Ho Head of Market Development Division Hong Kong Monetary Authority
Japan	Jun Mizuguchi Assistant Commissioner for International Affairs Financial Services Agency
Korea	Yujung Oh Deputy Director, Capital Markets Division
Singapore	Rosemary Lim Deputy Director, Capital Markets Policy Monetary Authority of Singapore
South Africa	Natalie Labuschagne Director, Financial Markets and Competitiveness Tax and Financial Sector Policy National Treasury
Switzerland	Michael Manz Head, International Finance and Financial Stability Swiss Federal Department of Finance FDF State Secretariat for International Finance SIF
UK	Anne Wetherilt Senior Manager, Payments and Infrastructure Division Bank of England
	Tom Springbett Manager, OTC Derivatives and Post Trade Policy Financial Conduct Authority
USA	Warren Gorlick Associate Director, Office of International Affairs Commodity Futures Trading Commission
	Carol McGee Assistant Director, Office of Derivatives Policy Securities and Exchange Commission
	Erik Heitfield Chief, Risk Analysis Section Federal Reserve Board of Governors
ECB	Andreas Schönenberger Principal Market Infrastructure Expert in the Oversight Division Directorate General Payment and Market Infrastructure

BIS	Nick Vause Senior Economist
BCBS	Giuseppe Siani Head, International Cooperation Division Bank of Italy
IMF	Eija Holttinen Senior Financial Sector Expert
CPSS	Klaus Löber Head of Secretariat
IOSCO	David Wright Secretary General
FSB	Rupert Thorne Deputy Secretary General
	Mark Chambers Member of Secretariat
	Uzma Wahhab Member of Secretariat