Dubai Financial Services Authority

21 April 2016

Secretariat of the Financial Stability Board
c/o Bank for International Settlements
CH-4002 Basel
Switzerland

fsb@fsb.org

Comments on FSB's Consultation Document on Possible Measures of Non-Cash Collateral Re-Use

Dear Sir/Madam,

The Dubai Financial Services Authority (DFSA) is pleased to provide its comments on the Financial Stability Board's consultative document on "Possible Measures of Non-Cash Collateral Re-Use".

The DFSA reviewed the proposal in light of the nature and level of activities being conducted by financial institutions in our jurisdiction, as well as the potential outcome of the proposed measures in terms of enhancing the resilience and stability of the global financial sector. In instances where we do not have a strong or settled view, we have not provided any comments.

If you require any clarification in respect of our comments please do not hesitate to contact me on +971 4 362 1660 or by e-mail on psmith@dfsa.ae.

Yours faithfully,

Peter Smith
Managing Director
Policy & Strategy

Dubai Financial Services Authority

Possible Measures of Non-Cash Collateral Re-Use

Q1. Does the proposed scope of transactions for data collection (Scope A) provide a practical basis for the meaningful measure of non-cash collateral re-use? If not, please explain how you think the scope should be broadened and the reasons why this alternative scope is more appropriate than the proposed scope

DFSA Comments:

We understand that the FSB's focus is on assessing global trends and risks in relation to SFTs. For that reason it has proposed to limit the scope of transactions for data collection to SFTs. However, bearing in mind the FSB's broader mandate to promote systemic financial stability at a global level, and given the lessons learned from the recent financial crisis, we are of the view that the scope must capture all forms of collateral re-use. This would comprise, in addition to SFTs, other types of transactions including OTC derivatives and collateral obtained on the basis of prime brokerage agreements. The expanded scope would also reflect how collateral is handled by the global systemically important banks, which tend to pool collateral and centralise its management by their collateral desks.

We agree with the FSB that the risks involved in collateral re-use are high. We acknowledge the challenges in extending the scope of data collection beyond SFTs, particularly from a resources and IT perspective. We also believe that regulators have to avoid the imposition of unnecessary regulatory burden and adopt a risk based approach. However, we believe that data collected under an extended scope would enable far better assessment of the identified risks and assist in their monitoring and reduction in the global financial system. One way of addressing the potential burdens related to the expanded scope could be a phased approach, where SFT-related data would be collected during a first phase, following which data in relation to other types of transactions would also be required. However, given the benefits of broader data collection discussed above, we would suggest a phased approach would not be ideal.

Q11. Are there any other views on other aspects of this document?

DFSA Comments:

We would have expected to see a proposal on the frequency of data collection/reporting. Additionally, the FSB might want to consider defining a materiality threshold by collateral type, entity and/or jurisdiction below which data would not need to be reported.

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