



FpML Response to:

MAS Consultation Paper on Draft Regulations Pursuant to the Securities and Futures Act for Reporting of Derivatives Contracts dated June 2013.

1. Introduction:

Financial product Markup Language (FpML), through the FpML standards committee, appreciates the opportunity to provide the Monetary Authority of Singapore (MAS) with comments and recommendations on the Consultation Paper (CP): Draft Regulations Pursuant to the Securities and Futures Act for Reporting of Derivatives Contracts, regarding the information required to be reported by the Financial Specified person (FSPs).

We fully support the response submitted by ISDA. The analysis conducted and provided in this comment letter is an addition to the ISDA response with a focus on technical implementation. We also note that the engagement with regulators in the US, Europe, Hong Kong on various reporting requirements through the FpML Regulatory Reporting Working Group¹ has been very beneficial. We would welcome a similar engagement with MAS preferably early on in the process.

FpML (Financial products Markup Language) is the freely licensed business information exchange standard for electronic dealing and processing of privately negotiated derivatives and structured products. It establishes the industry protocol for sharing information on, and dealing in, financial derivatives and structured products. It is based on XML (Extensible Markup Language), the standard meta-language for describing data shared between applications. The standard is developed under the auspices of ISDA, using the ISDA derivatives documentation as the basis. As a true open standard, the standards work is available to all at no cost and open to contribution from all. There is no membership requirement. The standard evolution and development is overseen and managed by the FpML Standards committee, following W3C rules of operations guidelines. The Standards Committee has representatives from dealers, buy side, clearing houses large infrastructures, vendors, Investment managers and custodians. To find additional information on FpML, visit www.fpml.org.

Within in the broader standards landscape, we collaborate actively with ISO on the further development of the ISO 20022 standard and with standard organizations that cover other parts of the financial standards landscape such as Swift (payments, settlements, securities) and FIX (securities).

¹ The meeting materials and minutes of the various FpML working groups, including the reporting working group are publicly available at: www.fpml.org in the working group section
See e.g. <http://www.fpml.org/pipermail/rptwg/>

A variety of changes have been made to the FpML standard to allow for coverage of the reporting requirements in different jurisdictions with an initial focus on the Dodd-Frank regulation and CFTC reporting requirements. A core design principle has always been to implement a robust technical framework that could be leveraged by global regulators, as new regulations become available. To that effect we have tracked requirements that are specific for a particular reporting regime in a structure that accommodates the needs of multiple regulators. Over a period of time FpML has been actively involved with other regulatory bodies in devising compliant solutions in order to report the regulatory specific data fields for various regulatory regimes.

As mentioned previously, the work done has benefitted greatly from regulatory involvement in the FpML working groups and we believe that a similar process in Singapore would be very positive for the regulatory community and the industry.

We value the references made to data standards in the CP and appreciate the acknowledgement of the ISDA Product Taxonomy. Particularly in the area of identifiers we strongly suggest to leverage the work done by the industry and regulatory community to date with a goal to come to unique identifiers on a global basis.

This includes:

- **LEI:** support for LEI / GLEI and if an interim identifier is needed, leverage the CICI that the industry is implementing for CFTC reporting.
- **Unique Trade Identifier (UTI):** Most value will be derived by the regulatory community and the industry if there is one global UTI and we fully support the ISDA UTI workflow paper which sets out the principles for a global UTI². The comments in this response focus on compatibility of the MAS requirements with requirements in other jurisdictions. In addition we strongly believe that MAS, together with other regulators should push for a global solution, potentially under the auspices of the FSB, as has been done for LEI.

The UTI constructs contain two parts: A first part to uniquely identify the entity that assigns the UTI; and as second part a trade identifier that is unique for that entity. The combination gives a Unique Trade Identifier.

The first part to uniquely identify the entity is currently for CFTC/NFA ID distinguished by:
IssuerIdScheme = <http://www.fpml.org/coding-scheme/external/cftc/issuer-identifier>

However in future FpML versions we plan to adopt a new value of *issuerIdScheme* specifically for use in the UTI context, e.g. <http://www.fpml.org/coding-scheme/external/issuer-identifier>.

Domains that can change are modeled using FpML “Coding Schemes”. An FpML scheme type contains a data value, typically a string and a scheme URI, which identifies the domain from which the value is coming.

² <http://www2.isda.org/functional-areas/technology-infrastructure/data-and-reporting/>

Coding schemes can be standard FpML schemes or they can be external coding schemes. External coding schemes provide the ability to indicate explicitly within the scheme URI that it is external to FpML.

As seen below an external coding scheme is identified by the text **ext** in the coding scheme URI

- <http://www.fpml.org/ext/moodys>
- <http://www.fpml.org/ext/iso4217-2001-08-15>

In addition FpML supports fields with data values chosen from a “domain” (defined list). Small, fixed domains are modeled using XML Schema Enumerations.

For an overview see: <http://www.fpml.org/spec/coding-scheme/index.html>

2. Analysis

The analysis presented in the remainder of this document is a detailed analysis and impact assessment on a standards level of the MAS requirements against the coverage as defined in FpML version 5.5, which is the FpML version that covers European reporting requirements detailed by ESMA.

This analysis takes in account all the reportable data fields *only* for the Second Schedule as the focus is on OTC market participants including corporations which can be classified as financial specified persons (FSPs).

We highlight below the fields that need additional clarification, with suggested changes where appropriate.

Contract information: Contract Type

- Field value: “Swap”, “Option”, “Forward”, “Others”
- If the contract type is captured under UPI, this field may be left blank

The information regarding the contract Type is derived from the product message.

We propose to derive this field from the ISDA product taxonomy classification. FpML can work with regulators to map existing ISDA product taxonomy codes to the Contract Type Codes.

By way of example, for an IRD Vanilla swap with a fixed and floating leg:

```
<swap>
```

```
<primaryAssetClass>InterestRate</primaryAssetClass>
```

```
<productType productTypeScheme="http://www.fpml.org/coding-scheme/product-  
taxonomy">InterestRate:IRSwap:FixedFloat</productType>  
<swapStream>
```

```

                                <-- Details of the fixed leg -- >
</swapStream>
<swapStream>

                                <-- Details of the floating leg -- >
</swapStream>

</swap>

```

ISDA Product Taxonomy:

The ISDA product taxonomy went through a public comment period; is freely available and has rules of operations that allow for further evolution of the taxonomy through a transparent process. In addition the rules of operations are open to further input from regulators. The ISDA taxonomy is currently used for CFTC and JFSA reporting and has been integrated into FpML. The ISDA OTC taxonomy and Taxonomy Rules of Operations are freely available on the ISDA website: <http://www2.isda.org/otc-taxonomies-and-upi/>

In addition to representing complex derivative products, FpML has a representation of a fairly large number of simple, standardized financial instruments. These instruments, called “UnderlyingAssets” in FpML, can be used for a variety of purposes:

- As underlying assets in various derivatives, including:
 - Equity options
 - Equity swaps
 - Asset swaps
- As reference obligations in credit default swaps
- For a variety of purposes in pricing and risk, including:
 - For describing curve inputs
 - For describing benchmark asset prices

The underlying asset framework is very similar to the product framework. In places where underlying assets are used, a substitution group allows the asset to be substituted as required. The structure contains standard data fields available for all assets (e.g., instrumentId can be used to capture the ISIN, CUSIP, ... code) and fields specific to each asset (e.g., currency, maturity, coupon rate).

By way of example: “equity” is an FpML underlying asset, and can be used as a basket component in the following way:

```

<basketConstituent>
  <equity>
    <instrumentId instrumentIdScheme="http://www.fpml.org/coding-
      scheme/external/instrument-id-bloomberg">TIT.ME</instrumentId>
      <description>Telecom Italia spa</description>
      <currency>EUR</currency>

    <exchangeId exchangeIdScheme="http://www.fpml.org/coding-
      scheme/external/exchange-id-MIC">Milan Stock Exchange</exchangeId>

  </equity>
  <constituentWeight>
    <openUnits>432000</openUnits>
  </constituentWeight>
</basketConstituent>

```

Contract Information: Compression indicator

- To indicate whether this contract results from compression
- Field value: “Yes” or “No”

An FpML equivalent element to this field is the originating Event (xpath location in FpML: dataDocument/originatingEvent) which indicates whether the trade was a result of a portfolio compression or a netting exercise. However because some Trade Repositories are requesting this state information to be provided on every message, FpML may add this as a separate field in a future version. It is worth pointing out that once a trade has been created as a result of compression, it can be subsequently amended, novated, or terminated, and the usefulness of knowing that the trade was originally created through portfolio compression, rapidly diminishes over time.

Transactional Data: Master Agreement Type

FpML defines a set of standard Master Agreement Types which can be found in the FpML documentation in the scheme section, also copied below. We strongly recommend the use of the existing coding scheme for the description of Master Agreement Type. The use of free text as a format definition is not recommended.

The MasterAgreement Type as specified below contains a reference to several master agreements used in the industry.

MasterAgreementType	Explanation
AFB	AFB Master Agreement for Foreign Exchange and Derivatives Transactions
German	German Master Agreement for Financial derivatives and Addendum for Options on Stock Exchange Indices or Securities
ISDA	ISDA Master Agreement
LEAP	Leadership in Energy Automated Processing
Swiss	Swiss Master Agreement for OTC Derivatives Instruments
EFETGas	EFET General Agreement Concerning The Delivery And Acceptance of

	Natural Gas
EFETElectricity	EFET General Agreement Concerning the Delivery and Acceptance of Electricity
GTMA	FOA Grid Trade Master Agreement
EEIPower	EI Master Power Purchase and Sale Agreement
NAESBGas	NAESB Base Contract for Sale and Purchase of Natural Gas
NBP	Short Term Flat NBP Trading Terms and Conditions
ZBT	Zeebrugge Hub Natural Gas Trading Terms and Conditions
SCoTA	globalCOAL Standard Coal Trading Agreement
MCPSA	CTA Master Coal Purchase and Sales Agreement
LBMA	International Bullion Master Agreement Terms published by the London Bullion Market Association

As shown in the example below, the representation of MasterAgreementType in FpML includes the Type, Version and Agreement Date. All three might be needed to uniquely identify the Master Agreement in question.

XML Example

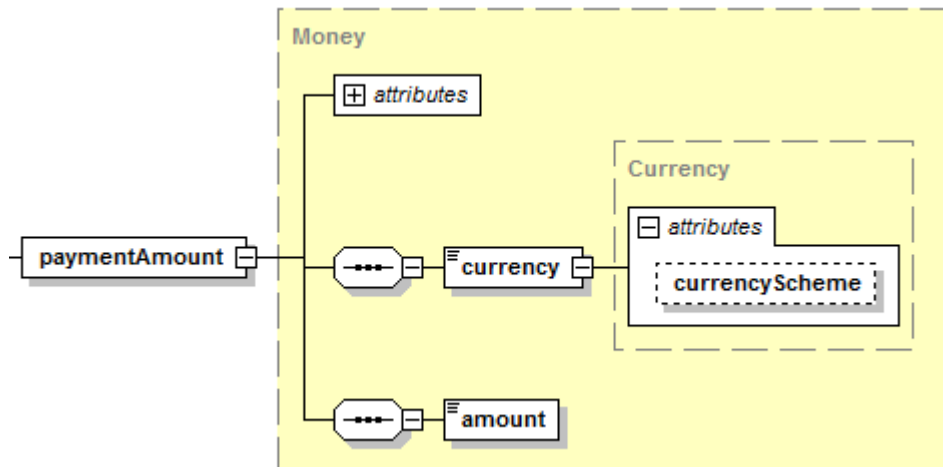
```
<masterAgreement>
  <masterAgreementType>ISDA</masterAgreementType>
  <masterAgreementVersion>1992</masterAgreementVersion>
  <masterAgreementDate>2006-01-03</masterAgreementDate>
</masterAgreement>
```

Ref: <http://www.fpml.org/coding-scheme/master-agreement-type>

Transactional data: Price/spread

- Transacted price/spread
- Field value: Any valid number

FpML has the ability to represent various rates and spreads in products as required. For the purpose of TR reporting FpML captures this information in elements like initialAmount and paymentAmount as shown below.



A currency scheme is a reference to an external coding scheme like ISO.

Collateralisation: Level of collateralisation

- To indicate the level of collateralisation of the contract
- Field value: “Uncollateralised”, “Partially collateralised”, “One way collateralised”, “Fully collateralised”

While we agree with the values we strongly advise reusing the codes currently defined by FpML.

FpML	Description
Fully	Both initial margin (independent amount) and variation margin will be posted. For Transparency view, both parties will do this; for Recordkeeping view, this party will do this (a separate indicator in the other partyTradeInformation block is used for the other side)
Partially	Variation margin (but not initial margin) will be posted. For Transparency view, both parties will do this; for Recordkeeping view, this party will do this (a separate indicator in the other partyTradeInformation block is used for the other side).
OneWay	Applies to Transparency view only. One party will post some form of collateral (initial margin or variation margin.)
Uncollateralized	No collateral is posted for this trade. In Transparency view, no collateral is posted by either party; in Recordkeeping view, no collateral is posted by the counterparty.

Ref: <http://www.fpml.org/coding-scheme/collateral-type>

Clearing/Clearing exemption for specified person

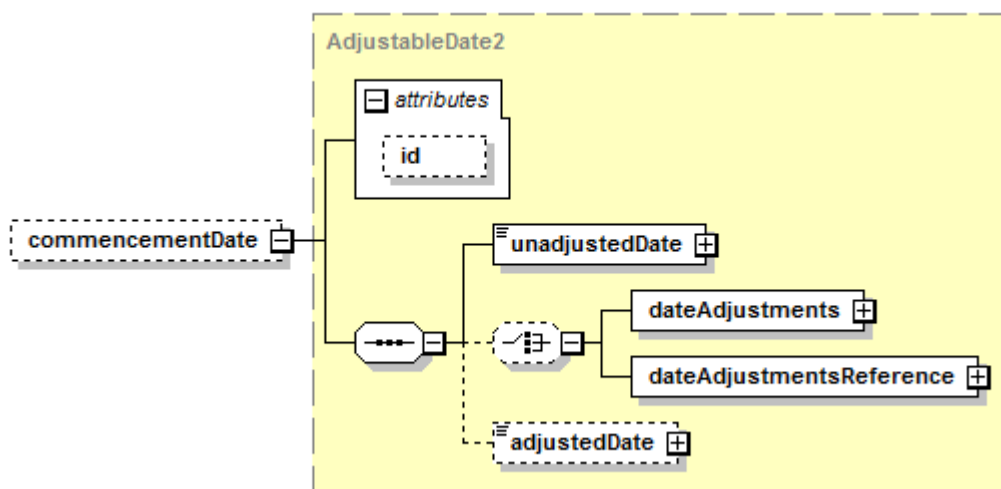
- To indicate whether the contract is exempted from clearing
- Field value: “Yes” or “No”

The current version of FpML supports this in form of mandatorilyClearable (xpath location in FpML: [ClearingEligibility/mandatorilyClearable](#)) indicator. The mandatorilyClearable flag specifies whether the particular trade type in question is required by this regulator to be cleared.

Option: Lockout period

- The date of first allowable
- Field value: UTC time

The FpML equivalent for the lockout period is the element 'commencementDate' which specified the earliest exercise date of the option. This detailed representation can be found as shown below:



Data fields specific to each asset class

Credit or Equity: Payment frequency of the counterparty 2

- The dates the contract requires payments to be made.
- Field value: UTC time

Further clarification on this field is needed in the case of Credit Default Swap where only one counterparty makes scheduled payments while the other party only pays in case of a default.

Commodities: Notional amount and Notional Currency

- The notional amount of the contract
- Field value: Any valid number

In FpML a commodities notional is expressed in terms of a unit, unit measure, quantity or the monthly volume for commodity. FpML would like further clarification if this field needs to be reported in terms of currency, how the currency amount should be calculated.

Commodities: Amount of upfront payment (where applicable)

- The amount of any upfront payment the specified person made or received
- Field value: Any valid number

Currency: currencies of upfront payment

- Currency/currencies in which the upfront payment, if any, is expressed in
- Field value: ISO currency code

The above two fields have been identified as gaps in FpML. The FpML Commodities Working Group³ will be adding these as a part of the standard. In addition we suggest specifying this as a non-negative number and adding the direction of the payment and the currency of the payment as additional information.

Payment frequency: Frequency multiplier 1 &2

- The number of periods of payments of leg1 and leg2

FpML allows for the reporting of calculationFrequency and derives the value for paymentFrequency from the corresponding calculation frequency. FpML will consider whether an explicit paymentFrequency just for reporting purpose is beneficial, or if the existing representation is sufficiently convenient to use.

³ The meeting materials and minutes of the various FpML working groups, including the commodity working group are publicly available at: www.fpml.org in the working group section. See e.g. <http://www.fpml.org/pipermail/commwg/>

3. Conclusion:

The FpML standard - in particular version 5.5 - is well equipped to represent all the reportable data fields MAS recognizes for the various financial entities or Financial Specified persons. The gaps and suggestions identified are few. We expect to include these in the next release of the standard.

We hope that you will find our comments and suggestions useful, and we are available if you would like to discuss these in further detail.

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