FSB FINANCIAL STABILITY BOARD

OTC Derivatives Market Reforms

Fifth Progress Report on Implementation

15 April 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 that international standards on margining for non-centrally cleared OTC derivatives should be developed.

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 February 2013 G20 Finance Ministers and Central Bank Governors meeting, the G20 has reaffirmed its commitment to achieve these goals.

This is the fifth progress report by the FSB on OTC derivatives markets reform implementation. The FSB's first four implementation progress reports were published in April 2011, October 2011, June 2012 and October 2012. This fifth progress report, being published just after the end-2012 deadline focuses on the status of international policy development, implementation of national and regional legislation and regulations, and updates the assessment of progress in practical implementation measures to meet the G20 commitments relating to central clearing, exchange and electronic platform trading, reporting to trade repositories, capital requirements, and standardisation. This report also highlights work needed to finalise implementation of the commitments.

The June 2012 progress report noted that encouraging progress had been made in setting international standards, the advancement of national legislation and regulation and practical implementation of reforms. It also cautioned, however, that much remained to be completed by the end-2012 deadline. The October 2012 report focused on infrastructure readiness; it highlighted that market infrastructure was in place and could be scaled up, but that regulatory uncertainty remained the most significant impediment to further progress in infrastructure readiness and comprehensive use of market infrastructure.

Given that implementation is still progressing after the end-2012 deadline, 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.

Table of Contents

Executive Summary

This progress report is the first since the passing of the end-2012 deadline set by G20 Leaders to fulfil commitments for reforms to global over-the-counter (OTC) derivatives markets. While progress has been made in moving these markets towards centralised infrastructure, less than half of the FSB member jurisdictions currently have legislative and regulatory frameworks in place to implement the G20 commitments and there remains significant scope for increases in trade reporting, central clearing, and exchange and electronic platform trading in global OTC derivatives markets.

FSB member jurisdictions are fully committed to completing the agreed reforms. The vast majority of FSB member jurisdictions are making some progress towards adopting reforms that would achieve the G20 commitments. The progress can be summarised as follows:

- The European Union, Japan and the United States – hosts to the largest volumes of OTC derivatives activity – are among the most advanced in implementing legislative and regulatory reform, with several key regulatory measures in force (or becoming so) by mid-2013. Even so, the timeline for applying the full spectrum of reforms to implement the G20 commitments still stretches well beyond 2013.
- A number of other jurisdictions report that they expect regulatory measures related to trade reporting to come into force over the course of this year, and a few jurisdictions expect clearing requirements to come into force in 2013–2014.
- At present only three jurisdictions have (or expect to soon have) requirements adopted and in force for OTC derivatives to be traded on organised platforms, where appropriate; some of these requirements pre-date the 2009 G20 commitments.

Around half of FSB member jurisdictions have adopted rules to implement the Basel III capital framework for banks, including higher capital requirements for non-centrally cleared transactions. Remaining jurisdictions should also adopt such requirements as soon as possible, and all jurisdictions should quickly implement additional international standards for capital and margin requirements once these are finalised, to ensure that appropriate incentives to centrally clear are in place and to strengthen the resilience of markets for non-centrally cleared transactions.

The FSB reiterates that, even though standards are still being finalised in a few areas, sufficient international guidance is overall available to jurisdictions to decide and implement policy frameworks for ensuring the G20 commitments are fully met in their jurisdictions, and that any necessary reforms to regulatory frameworks should be made without delay. This includes ensuring that there are no legal barriers to reporting all OTC derivatives contracts to trade repositories (TRs) and to the central clearing and organised platform trading of standardised OTC derivatives contracts.

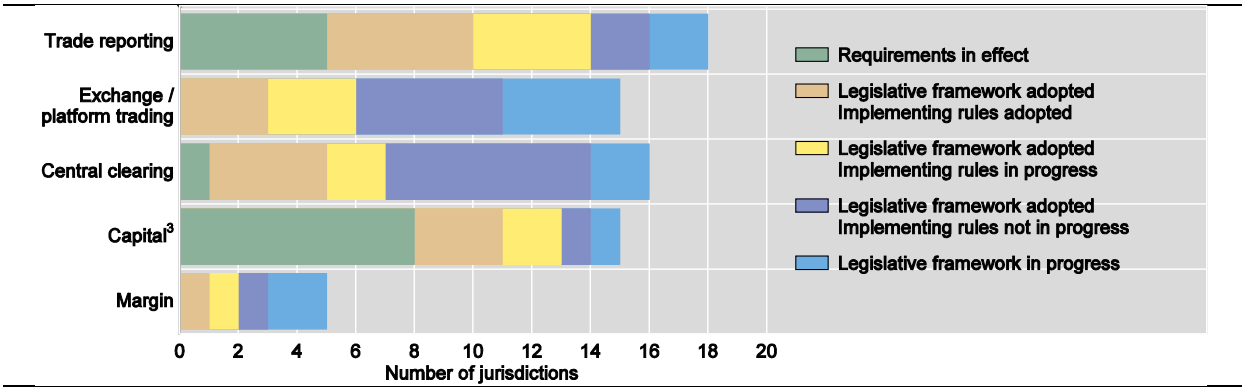
Remaining uncertainties about the treatment of cross-border activity (whether of market participants or of infrastructure) under various jurisdictions' regimes has become a more pressing concern as regulatory requirements take effect. The FSB urges jurisdictions to clarify their respective approaches to cross-border activity, and to resolve any conflicts and inconsistencies as quickly as possible to provide certainty to stakeholders.

Figure 1 provides an overview of the legislative and regulatory actions taken across the FSB member jurisdictions, and **Table 1** at the end of this summary provides additional jurisdiction-specific information.

Figure 1

Regulatory Reform Progress[1]

Status across all 19 FSB member jurisdictions[2]



[1] Reforms to legislative and regulatory frameworks; '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.

Progress and issues in the implementation of commitments

Trade reporting

About half of FSB jurisdictions report that requirements for reporting of trades in at least some asset classes will come into force in the first half of 2013. Some issues still remain:

- Ensuring that necessary data is reported to a TR. Reporting a counterparty's identity to TRs may be limited by domestic privacy laws, blocking statutes, confidentiality provisions and other domestic laws. Such barriers may prevent the reporting of information necessary for regulatory purposes. A number of jurisdictions have plans to address these issues as part of their overall reform package, but interim solutions may also be needed. Jurisdictions should continue to monitor the development of or changes in such laws and their proposed reporting requirements to ensure that any planned reforms adequately address barriers to reporting OTC derivatives transactions.
- Ability to aggregate TR-held data. There is a risk of data fragmentation across TRs, with different data fields and formats used by TRs for collecting data resulting in challenges to aggregating and comparing data. There should be a study of the feasibility of a centralised or other mechanism to produce and share globally aggregated data, or other means by which authorities can achieve the aggregation of data they need for comprehensive and meaningful monitoring and risk assessment.
- Authorities' access to data. Clear and consistent international guidance on appropriate access by authorities to the data in TRs is needed so that authorities can fulfil their

respective mandates on an ongoing basis. CPSS and IOSCO intend to publish finalised guidance on authorities' access to TR data by September 2013.

Standardisation

Only a small number of jurisdictions are placing obligations on market participants relating to non-centrally cleared transactions, such as trade confirmation timelines, portfolio reconciliation and compression, and trade valuation practices. As well as improving risk management for non-centrally cleared transactions, these can be useful measures to promote further product and process standardisation, which in turn can increase the universe of products eligible for central clearing or trading on organised platforms. Authorities should also consider how to drive forward progress on standardisation (such as building on the work of the OTC Derivatives Supervisors Group (ODSG)) for markets and participants in their jurisdictions beyond the largest global market participants.

Exchange and electronic platform trading

Only a very small number of jurisdictions have requirements in force in this area. Many jurisdictions indicate that reform efforts are first being focused on implementing reporting and clearing requirements, or that further analysis is required of market liquidity before implementing trading requirements. However, this should not delay the enactment of legislation and regulation that would permit the implementation of trading requirements once they are determined to be appropriate for particular products.

Central clearing and requirements for non-centrally cleared derivatives

Jurisdictions must rapidly implement the G20 commitment to centrally clear all standardised products, in order to reduce systemic risk and to minimise risks of regulatory arbitrage between jurisdictions.

Half the jurisdictions in the FSB have established legislative frameworks allowing for the adoption of central clearing requirements. Some of these jurisdictions have adopted specific central clearing rules, and have focused to date on products that are currently offered for clearing by CCPs, which includes the most widely used interest rate and credit derivatives. Some other jurisdictions that have adopted frameworks that enable mandatory clearing obligations to be adopted have not yet moved forward with specific requirements, for a variety of reasons:

- Insufficient standardisation. Some jurisdictions consider that currently there are not sufficiently standardised OTC derivatives products in their jurisdictions for central clearing to be viable.
- Availability of CCPs. Even where standardisation is sufficient for central clearing to be viable, some jurisdictions report practical difficulties in implementation because no CCP is accessible by market participants located in their jurisdiction that offers clearing for the OTC derivatives products most actively traded in their markets. Some jurisdictions also have concerns about their market participants' direct or indirect access to CCPs. Market participants in all jurisdictions need to have appropriate access to CCPs to clear the standardised derivatives they trade, to ensure a widespread uptake in central clearing. Authorities need to ensure that CCPs in their jurisdictions provide fair and open access to domestic and cross-border market

participants, and eliminate any unnecessary or inappropriate barriers to cross-border access to clearing services.

- Use of incentives. Some jurisdictions have indicated that they expect that central clearing of standardised OTC derivatives will occur in their jurisdictions without mandatory obligations, due in part to the various incentives that market participants will face, including, for example, the requirements under the Basel III framework for banks and the margining requirements for non-centrally cleared trades.

However, less than half of FSB member jurisdictions have so far implemented Basel III requirements that impose a higher capital requirement for non-centrally cleared transactions. Other jurisdictions are yet to adopt regulations to implement the Basel III prudential standards, but are expected to do so in 2013. Few jurisdictions have taken steps to implement margin requirements for non-centrally cleared transactions, with many jurisdictions awaiting final output of BCBS and IOSCO (discussed further below) before finalising detailed rules.

While incentives will be important in all jurisdictions to encourage increased standardisation and central clearing over time, there is a risk that incentives alone, without accompanying mandatory clearing requirements, may not be sufficient to achieve the goal that all standardised derivatives be centrally cleared. In particular, the extended implementation periods provided for in international guidance on margining (until 2019 under proposed guidance) and in Basel capital requirements may mean that the effectiveness of incentives in achieving the G20 goal will not be able to be fully judged for a number of years. 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.

Jurisdictions relying on incentives rather than mandatory clearing requirements should also recognise there is a risk that jurisdictions that have applied mandatory requirements may not regard their regime as equivalent. As international work increasingly focuses on implementation monitoring, the FSB will pay particular attention to the risk of regulatory arbitrage resulting from differences in jurisdictions' implementation of central clearing reforms, across those jurisdictions imposing mandatory obligations and those that have not.

Cross-border consistency and cooperation

Delays in adopting legislative and regulatory frameworks are contributing to regulatory uncertainty, which remains a significant obstacle to further market implementation of the G20 commitments. This uncertainty is compounded by the potential for conflicts, inconsistencies, duplication and gaps in the application of jurisdictions' rules to cross-border activity. The incomplete state of development of regulatory proposals in most jurisdictions, including the lack of preliminary guidance in almost all FSB jurisdictions regarding the approach to cross-border activity, makes it more difficult to assess the extent to which any such cross-border issues in regulatory reforms might frustrate jurisdictions' collective achievement of the G20 goals.

A group of OTC derivatives market regulators (the Regulators Group)[1] has been meeting to identify and explore ways to address issues and uncertainties in the application of rules in a cross-border context, including options to address identified conflicts, inconsistencies and duplication. The FSB strongly encourages the ongoing work of this group, and has called for cross-border regulatory issues to be resolved by September 2013.

Progress of market participants in the use of trade repositories, central counterparties and exchanges and trading platforms

By end-2012, the use of CCPs and TRs for products in the interest rate derivatives and credit derivatives asset classes had notably increased since the G20 commitments were made in 2009, particularly by the G15 dealers.[2]

- Reporting to TRs. Well over 90% of gross notional outstanding amounts in both interest rate and credit derivatives asset classes were estimated as having been reported to TRs at mid-2012. However, at a global level there is little reporting of commodity, equity or FX derivatives to TRs.
- Central clearing. For OTC interest rate derivatives products offered for clearing by a CCP, estimates of activity by the G15 dealers indicate that, as of end-February 2013 around 50% of these dealers' gross notional outstandings had been centrally cleared; for all OTC interest rate derivatives (both offered for clearing by CCPs and not), around 40% of these dealers' notional outstanding had been centrally cleared.

  For OTC credit derivative products offered for clearing by a CCP, as of end-February 2013 around 30% of the total notional outstandings of all market participants had been centrally cleared; across all credit derivatives (both offered for clearing by CCPs and not), around 12% had been centrally cleared.

  Central clearing of OTC commodity, equity and FX derivatives is yet to be well established at a global level, though both uptake in existing clearing offerings, and new product offerings, are increasing.

  Looking across asset classes, the current offerings of CCPs and the existing portfolios of non-centrally cleared derivatives of large market participants, data suggest that substantial scope exists for further increases in central clearing in the short- to medium-term. (These estimates are discussed further in **Section 2.4.4**).

There continue to be significant challenges in collecting comprehensive data necessary for measuring how effectively the G20 commitments are being met across jurisdictions. The metrics presented in this report are being used until more comprehensive information is available from TRs and other sources. [3]

---

[1] 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. The most recent statement of the group was published on 4 December 2012; available at: http://www.sec.gov/news/press/2012/2012-251.htm.

[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] The availability of comprehensive data may be improved as reporting requirements come into effect across jurisdictions.

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. This includes the issuance of Principles for Financial Market Infrastructures, recommendations on TR data reporting requirements and aggregation, the launch of a global Legal Entity Identifier system, recommendations on requirements for mandatory central clearing and regulation of derivatives market intermediaries, and capital standards for exposures to CCPs.[4]

However, some important pieces of international guidance are still to be finalised. To support rapid implementation and regulatory certainty, standard-setting bodies aim to publish the remaining international guidance by September 2013:

- BCBS and IOSCO's Working Group on Margining Requirements (WGMR) are working towards a final set of standards by mid-2013, with jurisdictions expected to incorporate these into their regulatory regimes thereafter.
- A joint taskforce from BCBS, CPSS and IOSCO is to consult on a proposal for standards for the capital treatment of banks' exposures to CCPs, to be published by September 2013.
- CPSS and IOSCO published a consultative report on Authorities' Access to Trade Repository Data in April 2013 (Access Report), and intend to publish the final report before September 2013.
- In mid-2013 CPSS and IOSCO will publish draft guidance on FMI recovery, and the FSB, in cooperation with CPSS and IOSCO, will publish draft guidance on FMI resolution and resolution planning.

Conclusions and next steps

The main conclusions of this report and recommended next steps are:

- Notwithstanding the substantial progress that has been made toward meeting the G20 commitments, through international policy development, adoption of legislation and regulation, and expansion of infrastructure, no jurisdiction had fully implemented requirements by end-2012.
- Progress in meeting the G20 commitments is expected to accelerate over the course of 2013, as jurisdictions finalise legislative and regulatory frameworks and as specific requirements come into force. The FSB urges rapid progress by those jurisdictions that have not yet completed their legislative and regulatory frameworks.
  - The FSB Chairman has written to all member jurisdictions requesting confirmation that legislation and regulation for reporting to trade repositories are in place, as well as their committed timetables to complete all OTC derivatives reforms. He stressed that the need for

[4] **Appendix III** lists ongoing international workstreams, international work completed since the October 2012 progress report and also provides a complete summary of international work since 2010 related to the G20 commitment areas.

prompt action on TRs should not in any way diminish the need for rapid completion of reforms in other areas, such as central clearing, capital and margining, and trading on exchanges or electronic platforms.

- Jurisdictions will need to resolve a number of outstanding policy issues over the course of this year, including:
  - *Uncertainties in the application of requirements in cross-border contexts*. As jurisdictions are moving forward in implementing rules and requirements, some cross-border potential conflicts, inconsistencies, duplication and gaps have emerged. This is not unexpected, given the complexity and novelty of the reforms being undertaken. With practical implementation of rules imminent across a number of jurisdictions, it is imperative that regulators work together to urgently address identified issues. As part of this, jurisdictions should promptly put forward their proposals for regulatory implementation, while preserving a sufficient degree of flexibility to allow for issues to be resolved without unnecessary market disruption.
  - *Trade reporting and data access*. Jurisdictions should remove barriers to trade reporting by market participants, with particular attention to removing barriers to reporting of counterparty information and to information access by authorities.
  - *Central clearing and incentives*. Jurisdictions relying in the first instance on incentives to drive central clearing of standardised OTC derivatives need to establish clear criteria and monitoring processes for determining how effective these incentives are in achieving the G20 commitment that all standardised derivatives be centrally cleared.
  - *Organised platform trading*. Jurisdictions should also make progress on reforms to help move trading onto organised platforms. In the short term, they should enact legislation and regulation that would permit the imposition of trading requirements as appropriate.
- Further international work should take place on:
  - remaining issues around authorities' access to TR data, such as data standards;
  - the feasibility of a centralised or other mechanism to produce and share global aggregated data, taking into account legal and technical issues and the aggregated TR data that authorities need to fulfil their mandates and to monitor financial stability.
- Looking forward, an increased focus will be needed on how effective jurisdictions' reforms have been in meeting the underlying objectives of increasing transparency, mitigating systemic risk and minimising market abuse, as well as risks of regulatory arbitrage that would undermine the effectiveness of reforms. At the global level, the BIS is coordinating a macroeconomic impact assessment of the OTC derivatives regulatory reforms.

The FSB will publish a further progress report ahead of the G20 Leaders Summit in St Petersburg in September 2013. That report will update measures of progress in the use of centralised infrastructure, and will also provide an assessment of the state of readiness of market participants to further migrate to this infrastructure. The FSB will continue to monitor the extent to which the various OTC derivatives reforms meet the G20's underlying goals of improving transparency in the derivatives markets, mitigating systemic risk, and protecting against market abuse.

Table 1

Summary of national progress of OTC derivatives market reforms[1]

Reforms to government frameworks[2]

	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	E	
Brazil[5]			A	A				E		
Canada[6]	A	A	A	N/A				C	E	
China	P	A	A			P	A	A		
European Union	A	P	A	P	A	A		A		
Hong Kong SAR	P	P	P	A	P				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	
Mexico	N/A	N/A	N/A	N/A	N/A	C	C	C	PA	
Rep. of Korea	A		A					E		
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					E	
South Africa	A	A	A					C	E	
Switzerland	C	C	PA[9]	A	C				E	
Turkey	A		A							
United States	A	A	A	A	A	PE[10]	P	E[10]	P[10]	P[10]
Total proposed or consulted	3	4	2	1	2	2	3	4	2	1
Total adopted[11]	12	10	14	7	3	4	3	5	3	1
Total effective[12]						1	0	5	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 IV, Tables 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 majority of OTC derivatives are booked, and in Manitoba. Basel capital rules adopted as of January 1, 2013 with additional capital requirements for the risk of credit valuation adjustments (CVA) to derivatives delayed until January 2014.

[7] 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. The authorities reported that a draft self-assessment and a validation process have been completed. Saudi Arabia is currently reviewing the results of the draft self-assessment prior to formally finalising and approving any recommendations. The self-assessment will be finalised once the review process is complete and will assist in deciding any regulatory steps required.

[9] 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 the first half of 2013, along with other OTC derivatives reform initiatives.

[10] 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, SEC, and prudential supervisors have proposed regulations for capital and margining. Under CFTC rules, financial counterparties began reporting interest rate and credit swaps on April 10, 2013 and will report all asset classes by May 29, 2013. Non-financial counterparties must begin reporting interest rate and credit swaps by July 1, 2013 and swaps in all asset classes by August 19, 2013.

[11] Includes ‘partially adopted’.

[12] Includes ‘partially effective’.

Table 2

Significant OTC derivatives market reforms implementation dates 2013-2014

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 India: Clearing required for FX	CFTC: Clearing by third-party subaccounts, ERISA plans and all others of IRS and CDS					
CFTC: Platforms, TRs, and dealers began regulatory and public reporting IRS and CDS	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	Japan: reporting requirements to begin CFTC: Financial entities reporting to TRs	EU: reporting IRS and CDS transactions to TRs (July) Australia: Reporting requirements expected to begin (entity level for some participants, to be fully phased in over 18 months) HK: Reporting of IRS and NDFS by certain entities such as banks India: Reporting required for IRS Singapore: reporting requirements to begin CFTC: All non-financial entities reporting to TRs		EU: Reporting of remaining asset classes to TRs			Australia: Reporting requirements fully implemented
2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
	EU: IRS and CDS TRs authorised/ recognition procedure begins Confirmation and valuation requirement effective		EU: Portfolio compression and reconciliation and dispute resolution effective	EU: CCPs authorised, clearing obligations determined				

Report Overview

This report begins with an introduction that looks back to the process needed to implement reforms, starting in 2009 when the commitments were made and highlights some of the general achievements. Section 1 also includes a brief overview of measuring progress in implementing reforms.

Section 2 includes an updated assessment of progress in the development of international standards and policies, the adoption of legislative and regulatory frameworks and implementation through changes in market practices and infrastructures for each of the G20 commitments and a discussion of issues that have arisen in implementation.

Section 3 focuses on the overarching issues acting as impediments to implementing reform (including developments to resolve outstanding issues); steps taken towards orderly implementation of reform; and a brief discussion of new market trends that are emerging.

This report also includes appendices and tables providing greater detail to the points addressed in the body of the report.

Appendix I provides a list of TRs and CCPs by asset class.

Appendix II provides an estimate of migration of OTC derivatives towards central clearing.

Appendix III on international policy development work provides a complete list both of work completed and ongoing work with expected timelines and progress to date.

Appendix IV (Tables 1 to 7) summarises FSB member jurisdictions' responses to a survey of progress in implementation of reforms.

1. Introduction: the process for, and current state of, implementing reforms

1.1. Introduction

This progress report is the first since the end-2012 deadline for reforms set by the G20, and provides a stock-take on the extent to which the G20 commitments have been met. No jurisdiction has yet fully implemented the G20 commitments. Much of the work of international standard setting bodies that will support domestic regulatory approaches has been completed. However, some important international guidance still remains to be provided, such as: the BCBS and IOSCO guidance on margining requirements for non-centrally cleared OTC derivatives; BCBS final standards on the capital treatment of exposures to CCPs; CPSS-IOSCO and FSB guidance for recovery and resolution regimes for financial market infrastructures such as CCPs and TRs; and CPSS-IOSCO guidance on authorities' access to data held by TRs.

Although less than half of the G20 jurisdictions had put in place the legislation enabling authorities to further adopt requirements as needed to meet the all of the G20 commitments (summarised in **Table 1** of the Executive Summary), by end-2012, trade reporting and central clearing infrastructure were operational across several jurisdictions for all of the five major asset classes.

The EU, Japan and the US (host to the largest volumes of OTC derivatives activities) have adopted various mandatory trade reporting requirements and the US and Japan have also adopted central clearing requirements (including risk management requirements for CCPs) that are in force or expected to become operative during the first half of 2013.[5] Compliance in these jurisdictions is being phased in primarily based on the size of the participants or the product type. The 2010 adoption of the Dodd-Frank Act in the US and reform legislation in Japan, as well as the proposal of EMIR in the EU (and its adoption in 2012), provide models for reform and highlight important differences in jurisdictional approaches.

Most FSB member jurisdictions' declared approach to meeting their central clearing commitment includes a combination of both mandatory clearing requirements and incentives, though few jurisdictions have fully implemented their commitment at this time and some jurisdictions, at least initially, are relying solely on incentives to move transactions to central clearing. Mandatory central clearing obligations were operative for certain products and participants in Japan by end-2012. The EU's legislative framework and technical standards are now adopted and the first stage for the determination of clearing obligations – the reauthorisation of and recognition CCPs – is underway, with mandatory clearing obligations expected to be determined by the end of 2013, and phased in from early 2014. In the US, a phased approach to central clearing, beginning with certain credit default swaps (CDS) and interest rate swaps (IRS), commenced on 11 March 2013.

[5] 'Operative' as used in this progress report means there is an effective rule, although compliance may not yet be required if there is a delayed compliance date or phase–in period. 'In force' as used in this progress report means that the operative rule currently requires compliance.

However, some jurisdictions reported that, regardless of their declared approach to central clearing, market characteristics in their jurisdictions at this time would not support mandatory central clearing requirements because, for example, infrastructure may not currently be available for their major OTC products, there may be insufficient volumes transacted in these products to support the development of a local CCP (or a determination of clearing eligibility), or a significant portion of the transactions are cross-border and subject to clearing requirements based on foreign regulation.[6]

During 2012, a number of jurisdictions undertook initiatives or worked with industry to develop domestic TRs to accept reporting from participants in their jurisdiction.[7] Several jurisdictions report that their legislation and regulatory frameworks for TR reporting will be finalised in the first half of 2013.[8]

Few jurisdictions have begun the process of proposing requirements for trading on organised trading platforms, where appropriate, though organised trading platforms for a variety of OTC products are available in the markets. Many of the other jurisdictions are still considering the effects on local market liquidity that mandatory trading could give rise to.

Many of the implementation issues that jurisdictions currently face are similar to those discussed in previous progress reports. The issues frequently involve the cross-border impact of national requirements (conflicts, inconsistencies, duplication, and gaps in implementation of national or regional frameworks). In December 2012, the Regulators Group published understandings that it had reached regarding clearing determinations, sharing of information and supervisory and enforcement cooperation and timing.[9] The group agreed to explore further the scope of regulation and recognition or substituted compliance.

Since then, the Regulators Group has progressed discussions in the following areas: (i) options and solutions to address identified conflicts, inconsistencies, duplicative rules, and treatment of regulatory gaps; (ii) bases for determinations of comparability of the applicable regime in a jurisdiction; (iii) consultation with one another regarding clearing determinations; and (iv) timing and sequencing. Progress has been made towards understanding, for each jurisdiction, the extent to which substituted compliance or recognition would be available for market participants and infrastructures, and the processes for making such determinations. The members of the Regulators Group committed to continuing discussion of the scope of substituted compliance, equivalence or recognition and to exchanging detailed outlines of their respective cross-border approaches, once defined, in order to provide sufficient clarity for other jurisdictions. The FSB has asked the Regulators Group to report, ahead of the September G20 Summit, on how the identified cross-border issues have been resolved.

---

6 Mexico, South Africa and Saudi Arabia, together noted these concerns.

7 India, Japan, Singapore, Saudi Arabia, Hong Kong.

8 Canada, Singapore, HK, India, Australia, Russia. In Canada, Model Rules published for comment in December 2012 will form the basis of provincial regulation that will be implemented first in Ontario and Québec (the provinces in which the majority of OTC derivatives transactions are booked) where they are expected to be in force by end-2013.

9 See Joint Press Statement of Leaders on Operating Principles and Areas of Exploration in the Regulation of the Cross-Border OTC Derivatives Market, available at: http://www.sec.gov/news/press/2012/2012-251.htm.

1.2. Building a foundation for reform

This section provides an overview of some of the steps that were needed to implement reform and the practical complexities that were necessary to consider and may be helpful guidance to jurisdictions implementing reforms.

Implementing effective market reform typically involves the following steps: (i) enacting legislation that sets out the framework and confers the necessary rule-making powers on authorities; (ii) adopting rules[10] with the detailed requirements under the relevant legislation; (iii) requiring compliance with the rules after a phasing-in period; and (iv) initiating regulatory oversight.[11] As illustrated by **Table 1** of the Executive Summary, each of these steps may require a number of separate actions including, for example, consultative periods, consideration of public comment, rule proposals, and economic analysis. In some jurisdictions, rules/regulations/technical standards also are required to be submitted to the legislative bodies for final consideration before adoption – adding a further layer to the process.

Several jurisdictions noted they would use international and cross-border guidance to inform their legislative and regulatory decisions. By end-2012, international workstreams (through BCBS, CGFS, CPSS, CPSS-IOSCO, FSB and IOSCO) had provided guidance in all of the commitment areas, with only a few areas (capitalisation of CCP exposures, margin requirements, resolution and recovery, and access to data held in TRs) still unfinished. **Appendix III** provides an index of international work completed to date and outstanding workstreams.

The process of adopting reforms also highlighted new issues. Specifically, it became clear that, for each jurisdiction, an orderly transition required that some reforms be implemented ahead of others and specific regulations be phased in according to the particular product or participant.

Those jurisdictions that have implemented some reforms ahead of others generally have begun with requirements for trade reporting, either to TRs or to a government entity. In addition to providing information for oversight of market participants and infrastructures, trade data reported to TRs can provide authorities with important information about the volume of trading in different products. This basic information can assist in analysing domestic markets to begin making assessments about product standardisation and determinations regarding mandatory clearing requirements. The information gathered and analysed for mandatory clearing determinations can also provide information to be used to assess trading requirements.

The timing of implementation and enforcement of bilateral risk management for non-centrally cleared OTC derivatives is also important. Margin and capital requirements provide important incentives for central clearing. Implementation of central clearing requirements will be substantially weakened if these incentives are not in place alongside clearing requirements and new capitalisation rules for centrally and non-centrally cleared derivatives.

---

[10] 'Rules' as used in this report also refer to 'technical standards' or 'regulations', as jurisdictions may use different terms.

[11] In some jurisdictions or with respect to certain legislative provisions, implementing both legislation and rules/ regulations/technical standards is not necessary.

Market infrastructure has kept pace with regulatory and legislative reform to date and, as described in the October 2012 progress report, appears technically prepared to expand availability for reporting and clearing new products. Jurisdictions should enhance regulation for the operation and oversight of market structures, including TRs, CCPs and organised trading platforms, before compliance with the respective mandatory requirements becomes operative.

2. Detailed assessment of progress in, and issues relating to, reforms

2.1. Reporting 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.[12] To meet this objective, some jurisdictions require reporting into TRs for both regulatory and public dissemination purposes.[13] With the data available to authorities and, in some instances, the public, reporting requirements also contribute to the other stated G20 goals: mitigating systemic risk and protecting against market abuse.

The commitment to report OTC derivatives transactions applies to all OTC derivatives contracts. Authorities therefore do not have to first determine a level of product standardisation in order to adopt requirements to implement this commitment.

International guidance is largely complete with respect to reporting OTC derivatives contracts to TRs. Additionally, jurisdictions are closer to implementing the trade reporting requirement than any of the other commitments and TRs are available and operational (for at least some products) in all five major asset classes.[14]

However, issues remain. Authorities need to address the impact of privacy laws, blocking statutes, the scope of indemnification requirements, international agreement requirements and other laws and policies in their respective jurisdictions that restrict or limit counterparties from reporting information about a transaction to a TR (including to foreign TRs pursuant to foreign reporting rules) and/or the TR's ability to provide access to such information to appropriate authorities. Failure to adequately address these issues may compromise the comprehensiveness of data reported to TRs or its availability to authorities. Finally, the ability to aggregate data across TRs is still limited, due to differences in reporting formats between TRs, jurisdictional differences in data elements required to be reported and existing legal and policy barriers which may prevent authorities from having access to data that will assist them in examining systemic risks in the global OTC derivatives markets. Some work on product and transaction identifiers is underway among market participants that may help to resolve

[12] Recommendations 15 to 19 of the October 2010 Report set out specific recommendations for implementing the reporting commitment.

[13] Improved transparency is achieved by reporting to TRs, trading on organised trading platforms, and public dissemination of certain trade data.

[14] Consistent with previous reports, 'operating' means a TR is both accepting transaction reports from market participants and making data available to authorities.

data standard impediments to aggregation,[15] CPSS-IOSCO has issued for consultation guidance on issues related to authorities' access to data held in TRs, and the FSB supports a feasibility study on producing globally aggregated data, as discussed below in **Section 2.1.1**.[16]

2.1.1. Development of international standards and policy for TR reporting

(i) Work to promote access to data

The October 2010 Report identified certain barriers to data access faced by authorities that still need to be resolved.[17] Building on their work on OTC derivatives data reporting and aggregation requirements,[18] CPSS and IOSCO published a consultative report on Authorities' Access to Trade Repository Data in April 2013 (Access Report), to be finalised later in 2013.[19] This report provides guidance to TRs and authorities on access to TR-held OTC derivatives transaction data, as well as possible approaches to addressing confidentiality concerns and access constraints.

The Access Report acknowledges that a broad range of authorities and official international financial institutions have an interest in accessing data held in TRs. The guidance seeks to ensure that these entities can access the data needed to fulfil their respective mandates while maintaining the confidentiality of the data pursuant to the laws of relevant jurisdictions. The Access Report also describes the typical minimum data access needs that authorities expect to have in carrying out their respective regulatory and supervisory functions. It also describes the potential obstacles to cross-border reporting of data into and access to data held by TRs. The Access Report also sets forth guidelines to be used by TRs and authorities in considering non-typical data requests.

The Access Report also notes that it is likely that OTC derivatives data will be held in multiple TRs. As such, some form of aggregation of data may be necessary to obtain a comprehensive and accurate view of the OTC derivatives market and activity globally.

The FSB urges national and regional authorities to address impediments to data access so that data held in TRs are accessible to all authorities consistent with their mandates.

(ii) Data aggregation

The ability to aggregate data based on different fields (for example, by counterparty or product type) is essential to analysing and monitoring systemic risk as well as contributing to improved market transparency. Earlier progress reports discussed the importance of

---

[15] See, for example, ISDA work on identifiers and taxonomies for OTC derivatives products (http://www2.isda.org/identifiers-and-otc-taxonomies), and the Global Financial Markets Association's (GFMA) work on unique transaction identifiers for FX transactions (http://www.gfma.org/uploadedfiles/initiatives/foreign_exchange_(fx)/uniquetransactionidentifier-overview.pdf).

[16] For previous discussion regarding challenges to data aggregation see the October 2012 progress report, available at http://www.financialstabilityboard.org/publications/r_121031a.pdf.

[17] See Recommendation 17 of the October 2010.

[18] The 2012 CPSS- IOSCO Report on OTC derivatives data reporting and aggregation requirements set forth guidance on minimum data that should be reported to TRs. See http://www.iosco.org/library/pubdocs/pdf/IOSCOPD366.pdf.

[19] Available at: http://www.iosco.org/library/pubdocs/pdf/IOSCOPD408.pdf.

coordination at the international level in facilitating aggregation and comparability of data submitted to different TRs operating across asset classes and across jurisdictions.

Although some TRs have begun receiving OTC derivatives data, given the current structure of TRs and the status of regulators' access to TR data, it is unlikely that any authority will be able to examine global aggregated OTC derivatives data at a detailed level. In light of these limitations, the FSB supports a study of the feasibility of a centralised or other mechanism to produce and share global aggregated data, as a complement to the direct access by the different authorities to data held by TRs.

(iii) Data element standardisation

To better meet authorities' needs (including understanding global risks), the transactions data held by TRs must be able to be aggregated across various dimensions including, for example, products, counterparties, geography, asset classes and also across several repositories. To facilitate this, at least three steps would be extremely useful: a system of unique, universal identifiers for counterparties, products and transactions; compatibility of reporting data formats; and validation that each transaction record is an accurate representation of the terms of the transactions. Regulators continue to work closely with TRs to facilitate the technical aspects of implementing these requirements.[20]

Substantial progress has been made by the global regulatory community on the development of a Legal Entity Identifier (LEI). An inaugural meeting of the Global LEI Regulatory Oversight Committee (ROC) took place in January 2013, with work now proceeding to establish the global LEI foundation in order to launch the global system.[21] The Global LEI System is comprised of the ROC together with an operational component, consisting of the LEI foundation operating the Central Operating Unit (COU), and the federated Local Operating Units (LOUs) providing registration and other services.[22] The COU will have responsibility for providing the operational component for global LEIs, in conjunction with LOUs.

Several industry initiatives are underway to develop globally recognised Unique Product Identifiers (UPIs) and Unique Transaction/Swap Identifiers (UTIs/USIs), to further increase efficiencies in trade reporting and other operational processes. To date this work has progressed largely in response to data reporting and record-keeping requirements in jurisdictions most advanced in the implementation of their OTC derivatives reforms.

While the development of the LEI has been internationally coordinated, there has not yet been a strong international regulatory focus on developing global standards for UPIs and UTIs/USIs and other identifiers. The CPSS-IOSCO data standards and aggregation report urged that work on UPIs and UTIs go forward.[23]

---

[20] See Recommendation 19 of the October 2010 Report. This recommendation specifies the need for (i) minimum reporting requirements and standardised formats, and (ii) the methodology and mechanism for the aggregation of data on a global basis.

[21] A report on the inaugural meeting is available at: http://www.financialstabilityboard.org/publications/r_130128roc.pdf.

[22] Charter of the Regulatory Oversight Committee for the Global Legal Entity Identifier (LEI) System, page 1, available at: http://www.financialstabilityboard.org/publications/r_121105c.pdf.

[23] Available at: http://www.bis.org/publ/cpss100.pdf.

A number of jurisdictions are quite advanced in setting out data element standards in support of trade reporting. For jurisdictions with established trade reporting regimes, such as Brazil, standards for exchange-traded derivatives have been in place for some time.[24] In the US and the EU, reporting requirements specify how counterparties, products and transactions details should be identified.[25] The CFTC has released a standard for the USI, working closely with industry groups. Swaps data reported to TRs under the CFTC's reporting rules currently use a USI.[26]

Requirements are also being developed in other jurisdictions that are currently close to having operative reporting requirements. Still other jurisdictions are only in very early stages or are yet to begin this work. However, the potential for differences across jurisdictions in required data collection and reporting formats create challenges for aggregating data, as discussed in **Section 3.2.1**.

2.1.2. Legislative and regulatory framework for TR reporting

By end-Q1 2013, 14 jurisdictions had legislation in place to require reporting OTC derivatives contracts.[27] More specifically, Australia, Brazil, some Canadian provinces,[28] China, the EU, India, Indonesia, Japan, Korea, Russia, Singapore, South Africa, Turkey and the US had all adopted legislation on regulatory reporting to TRs. In most jurisdictions, applicable rules are also required to achieve mandatory reporting to TRs and 10 jurisdictions have also put these in place, though these requirements are in force in five of these jurisdictions. Even in jurisdictions where reporting requirements are in place, participants are generally required to begin reporting during the course of 2013 and, in some instances, with phase-in into 2014 for certain types of derivatives products (e.g. the EU). However, the CFTC in the US has required reporting to TRs of trade data for certain asset classes as early as October 2012, with all asset classes reported by 28 February 2013 for swaps dealers and major swap participants. On 19 August 2013, pursuant to CFTC rules all market participants in all asset classes for OTC derivatives/swaps transacted on all venues will be required to be reported to swap data repositories. Saudi Arabia, which does not require authorising legislation, also introduced reporting requirements for financial intermediaries.

Table 4 provides a more detailed timeline of the next steps for implementing reporting requirements by jurisdictions.

---

[24] The Brazilian Law n° 12,543 requires transactions (exchange-traded or OTC) to be reported to a TR (or to an entity that renders registering (reporting), clearing and settlement services) authorised by the Brazilian Central Bank or the Brazilian securities commission, the CVM.

[25] EMIR technical standards: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:352:0020:0029:EN:PDF. CFTC standards available at: http://www.gpo.gov/fdsys/pkg/FR-2012-01-09/pdf/2011-33173.pdf and http://www.gpo.gov/fdsys/pkg/FR-2012-01-13/pdf/2011-33199.pdf.

[26] CFTC Unique Swap Identifier Data Standard, available at: http://www.cftc.gov/LawRegulation/DoddFrankAct/Rulemakings/DF_17_Recordkeeping/usidatastandards100112

[27] As noted in **Table 1** in the Executive Summary, adopted legislation varies in scope and detail across jurisdictions. Having legislation in place means both adopting authorising legislation that gives regulators and supervisors (and other appropriate bodies) the authority to implement regulations and/or technical standards and having legislation that specifically requires reporting to TRs.

[28] Ontario and Québec (the provinces where the majority of OTC derivatives transactions are booked), and Manitoba.

Several jurisdictions require reporting (or soon will) to a government-sponsored TR, including China, Hong Kong, Korea, and Saudi Arabia. In addition there are domestic TRs under development or recently launched in Singapore and Japan; India's TR became operational in 2012 and Brazil also has had two TRs operational prior to 2009.

TRs, once fully operational, should provide a reasonably comprehensive source of data that, among other things, can help authorities assess which products are standardised, which in turn helps identify the products that could be centrally cleared and traded on organised platforms.

2.1.3. Availability and usage of TRs

In total, 18 TRs in ten 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 I** 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 of recognition).

In some jurisdictions, such as the EU, the US, and Australia, market participants can use cross-border TRs that are recognised, registered, or licensed, based on the standards set forth in each jurisdiction.[29] Other jurisdictions are continuing discussions with cross-border TRs to better understand the conditions under which market participants from their jurisdictions could use the TRs, and the type of data that the TRs could accept and produce, in order to finalise their policies. These and other issues are further discussed in **Section 3.2.1** below.

At present, TRs are operational and could accept reporting across all five major asset classes in several jurisdictions, even absent final regulations. 18 TRs are either registered or are in the process of becoming registered and 12 are operational at the time of publication of this report. Each entity typically accepts transaction reports from more than one asset class. Of those TRs that are operational, three are registered in the US; one each in India, Japan, Korea, and Saudi Arabia, two in Brazil and three in the EU.[30] Currently, there are at least nine TRs currently or soon to be available for each asset class, and several that plan to expand their services by accepting data for new asset classes (**Figure 2**).

Available data indicates that, at a global level, market participants' usage of TRs was most advanced in credit and interest rate markets. Using data collected by the BIS as a comparison, more than 90% of outstanding trades had been reported to trade repositories as at end-June 2012 (**Table 3**). While TRs for other asset classes exist in some jurisdictions, 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. As discussed above, market participants' use of TRs has also been held back by some legal uncertainties, though advances on this front in the coming period should see a

---

[29] The processes for recognition or substituted compliance are still being developed. Jurisdictions are waiting, in particular, for guidance regarding the scope of the EU requirement for an international agreement.

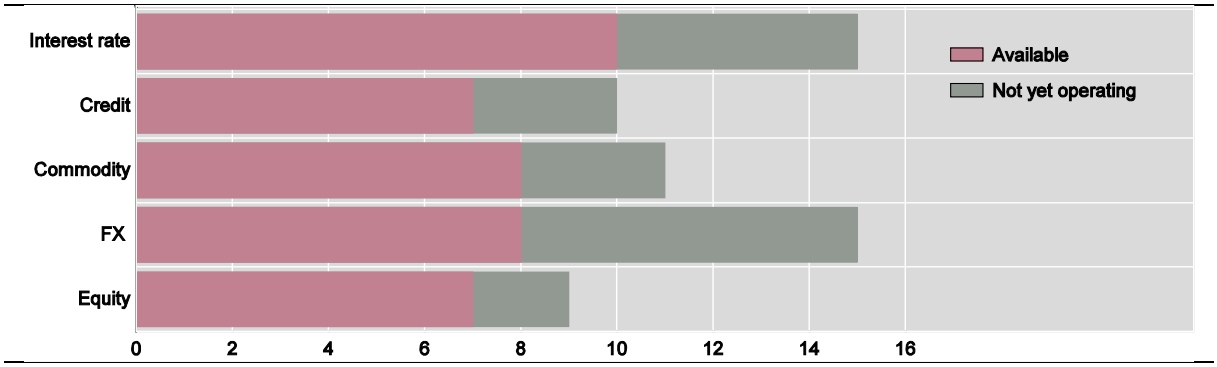
[30] The TRs by location are as follows: BM&F Bovespa and CETIP are located in Brazil; CCIL is located in India; DTCC-DDRJ is located in Japan; ICE Trade Vault is located in the US; and DTCC EFETnet, DTCC-DDRL and REGIS-TR are located in the EU.

substantial increase in the amount of trade reporting. TRs that are operating or in development are listed in **Appendix I**.

Figure 2

Availability of Trade Repositories

Number of TRs in each asset class, April 2013[1]



[1] TRs offering trade reporting for at least some products in given asset class; participation available in at least one FSB member jurisdiction.

Sources: TRs; FSB member jurisdictions.

Table 3

Amounts Reported to Trade Repositories

Outstanding notional amounts, USD trillions, end June 2012

	Interest Rate[1]	**Credit[2]**
Amounts reported to DTCC	502.2	26.9
Global amounts outstanding as estimated by BIS[3]	518.2	26.9
DTCC / BIS	*97%*	*99%*

[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.

Table 4

Timetable for implementation of reporting commitment as reported by jurisdictions

Country	End 2012	2013				2014			
		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 requirements expected to begin for some participants, to be fully phased in over 18 months					Reporting requirements expected to be fully in place
Brazil	Legislation adopted								
Canada	Provincial legislation adopted in Ontario, Québec and Manitoba. Canadian Securities Administrators model rules proposed.				Rules adopted in Ontario, Québec and Manitoba		Anticipated start of reporting requirement in Ontario, Québec and Manitoba.		
China	Legislation adopted								

Country	End 2012	2013				2014			
		Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
European Union	Legislation adopted	Registration/ Recognition of TRs (from March)	Registration/ Recognition of TRs (from March)	Reporting required for IRS and CDS transactions (July)		Reporting required for FX, Commodities, Equities (Jan)			
Hong Kong			Legislative amendments to be introduced to the legislature	Reporting required for Interest rate swaps and NDFs by certain entities such as banks.					
India	Legislation adopted Reporting required for FX derivatives, IRS, CDS and FRAs			Reporting required for other IRS (Summer 2013)					
Indonesia	Legislation adopted Reporting required for FX derivatives								
Japan	Legislation adopted		Reporting required						
Mexico	Regulation proposed			N/A					
Republic of Korea	Legislation proposed Reporting required for OTC derivatives	Legislation adopted							
Russia	Legislation adopted		TR begins operations						

Country	End 2012	2013				2014			
		Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Saudi Arabia	Reporting of FX and IRS required SAMA operated TR accepting transactions reports from Dec 2012								
Singapore	Legislation Adopted	TR licensing requirements to be adopted		Reporting required (Q3)					
South Africa	Authorising/enabling legislation adopted		Authorising/enabling legislation becomes effective		Implementing regulations and board notices requiring reporting adopted				
Switzerland	Partially Adopted						Legislation anticipated to be adopted		Reporting requirements to be phased in.
Turkey	Legislation adopted								

Country	End 2012	2013				2014			
		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.					

2.2. Standardisation

Some standardisation of products and processes is a pre-condition for OTC derivatives transactions to migrate to centralised infrastructure such as CCPs and trading platforms. Increases in the degree of standardisation across OTC derivatives contracts are important in ensuring that the underlying goals of the G20 commitments – increasing transparency, mitigating systemic risk, and reducing the scope for market abuse – are achieved to the greatest extent possible.

2.2.1. Developments in international coordination related to standardisation

Over recent years substantial progress in standardisation has been made by the largest global OTC derivatives market participants, led by authorities participating in the ODSG. These largest market participants have set and met several targets for electronic trade processing arrangements such as trade matching and confirmation.

2.2.2. Legislative and regulatory framework for standardisation

Generally speaking, the legislative and regulatory frameworks being implemented in jurisdictions do not explicitly include standardisation requirements. However, standardisation is being fostered indirectly in a number of ways. For instance, some jurisdictions are requiring business conduct and trade processing requirements for OTC derivatives transactions, such as timely trade confirmations, record-keeping requirements and trade valuation practices. These measures can be effective in promoting process and product standardisation that helps establish the pre-conditions for more widespread central clearing and exchange and platform trading, and may enhance the efficiency of trade reporting and other trade life-cycle events. Market participants' interest in supporting such improvements in standardisation are expected to be further underpinned by steps to incentivise central clearing, such as the adoption of Basel III capital requirements, and proposed margin requirements for non-centrally cleared transactions. These incentives might also see some migration of activity towards products that are already more standardised and that are, or can be, centrally cleared.

2.2.3. Implementation and measurement of standardisation progress

Available data suggests that, broadly speaking, there continues to be some progress in the largest market participants' usage of electronic confirmation platforms. This is an important indicator of process standardisation, since electronic confirmation indicates that sufficient product standardisation exists for a confirmation platform to be implemented, and that counterparties are able to match and verify trade information.

Between June 2010 and June 2012, the share of the G15 dealers' transactions that were processed electronically increased across interest rate, equity and FX asset classes (**Figure 3**). The extent of improvement has been more mixed in commodity derivatives; in part progress is more difficult given the heterogeneity of products within this asset class, but measured progress in electronic processing of OTC commodity derivatives also appears lower due to some of the more standardised products migrating to organised trading platforms. Across asset classes there would appear to be substantial further scope for additional electronic processing of eligible transactions; an exception is credit derivatives, where electronic processing accounts for close to all of transactions in this asset class.

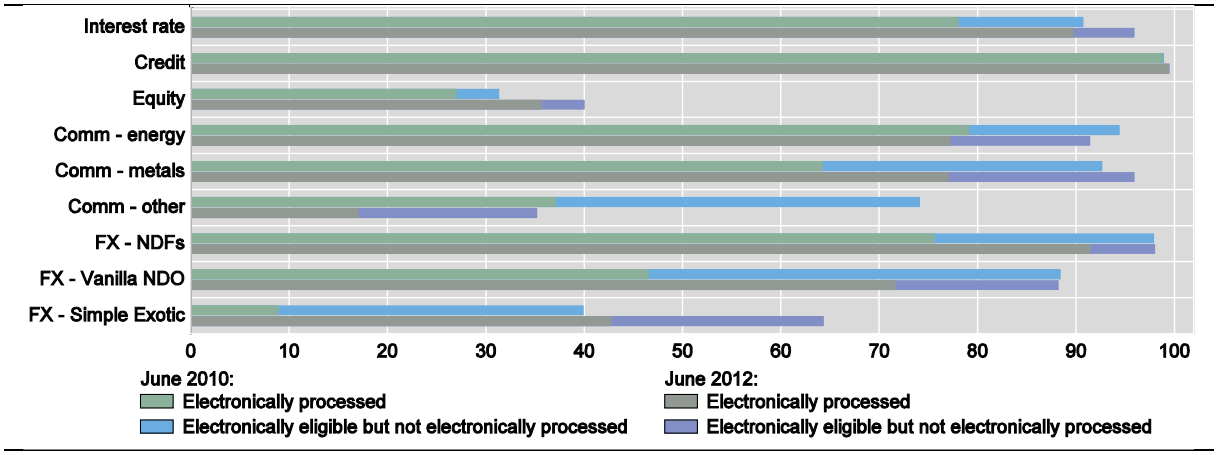
Generally speaking, there has been little change in the share of transactions that are able to be electronically processed. For some product classes, such as interest rates and credit, almost all trades are able to be electronically processed. For others, such as equity derivatives, a substantial share or transactions are not currently amenable to electronic processing, in part due to the highly bespoke nature of many of these transactions.

Data regarding progress in process standardisation outside the group of largest market participants is less readily available at present.

Figure 3

Progress in Electronic Processing[1]

Market participants reporting to OTC Derivatives Supervisors Group



[1] Share of transactions executed in reporting month in each asset class.

Source: ODSG

2.3. 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, such as exchanges or electronic platforms, can also foster greater market integrity through transparent and enforceable participation and conduct requirements.

Progress in the implementation of this G20 commitment remains slower than in other commitment areas, as discussed below. Some authorities have indicated that they are waiting for useful data to be available before adopting requirements to promote increased exchange and electronic platform trading. Nonetheless, ahead of this information becoming available, jurisdictions should already be developing analytical frameworks for assessing what criteria (or characteristics) make certain products or contracts suitable for trading on exchanges or electronic platforms.

2.3.1. Legislative and regulatory framework for organised platform trading

A number of jurisdictions have introduced a capacity to impose trade execution requirements where derivatives are sufficiently standardised (including sufficiently liquid). The US remains the most advanced jurisdiction with respect to trade execution requirements, with certain requirements becoming operative over the course of 2013.[31] In other jurisdictions that have adopted legislation that would enable trade execution and pre- and post-trade market transparency requirements, necessary rule-making and other supplementary regulation is still being developed. For other jurisdictions (such as Australia, some Canadian provinces, and Japan), although necessary laws are in place to implement mandatory trading obligations, authorities have not yet required any products to be traded on organised trading platforms. In the case of Australia and some Canadian provinces, authorities have indicated they are waiting for comprehensive trade repository information before requiring any specific products to be traded on organised trading platforms, due to concerns as to when trading requirements might be appropriate; these jurisdictions are therefore focusing on operationalizing trade reporting obligations. Other jurisdictions (such as Japan) have indicated that requirements will be gradually operationalised to facilitate preparations by platform operators and market participants.

In Hong Kong, proposed changes to legislation are currently scheduled for consideration by legislators in mid-2013. In the EU, legislation introducing a mandatory trading framework is in the final stages of negotiation, and is scheduled to be adopted around the same time. Switzerland and Singapore are currently undertaking consultations to take forward regulatory reform proposals. A number of jurisdictions are not currently proposing any changes in this area.[32]

2.3.2. Implementation and measurement of progress in organised platform trading

Given the very early stage of regulatory reform in most jurisdictions in this area, meaningful data is generally not yet available to enable progress to be tracked. Nonetheless, it is clear that, worldwide, progress towards organised trading of OTC derivatives is quite some way behind that seen in the other G20 commitments.

2.4. 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 2.5**).

---

[31] In particular, the CFTC is working to finalise regulations regarding organised trading platforms for derivatives, which are expected to become effective over the course of 2013. The CFTC has also proposed rules related to the statutory requirement for mandatory trade execution. The SEC has a statutory requirement for mandatory trade execution, but has not yet proposed rules related to this requirement.

[32] In particular, Brazil, Indonesia, Republic of Korea, Saudi Arabia, South Africa and Turkey.

Overall, approximately half of the G20 jurisdictions have adopted legislation needed to implement this commitment; however, only one jurisdiction required central clearing by end-2012.[33] Few jurisdictions have specific compliance dates set for clearing obligations.

2.4.1. Development of international standards and policy for central clearing

Many of the international standards and much of the guidance that directly addresses CCPs are complete.

Appendix III summarises significant international workstreams in each commitment area that have been completed to date, including ongoing workstreams.

2.4.2. Legislative and regulatory frameworks for central clearing

In conjunction with the November 2012 G20 Finance Ministers and Central Bank meeting, all FSB member jurisdictions declared their planned approach to meeting the central clearing commitment, but the legislation and regulations implementing the respective approaches are still being put in place in several jurisdictions (see **Table 7** at the end of this section for further detail).[34]

Most member jurisdictions plan to implement the central clearing commitment through a combination of mandatory clearing requirements and incentives, such as higher capital and margin requirements. Several jurisdictions indicated that, at least initially, they anticipate implementing the commitment to centrally clearing all standardised OTC derivatives through incentives alone.[35] There is a risk, however, that incentives alone may not be sufficient to meet the commitment, particularly in light of extended implementation periods provided for under the proposed standards (until 2019).[36] Jurisdictions should set a timetable, criteria and thresholds for deciding in which cases mandatory obligations would be adopted in order to ensure the G20 commitment is met. Authorities should actively monitor their markets to determine when these criteria are met and, if so, which products meet the standard for clearing eligibility. Authorities should then implement mandatory requirements at the earliest opportunity in order to meet the G20 commitment and to minimise opportunities for regulatory arbitrage.[37] They should also be aware that jurisdictions with mandatory clearing requirements may well not consider jurisdictions relying solely on incentives 'equivalent' for

---

[33] Japan had clearing requirements in place for certain types of derivatives. Japan's central clearing requirement for OTC derivatives products came into force in November 2012 for certain products.

[34] Brazil and Argentina report that their markets are dominated by standardised derivatives that are already exchange-traded and centrally cleared based on incentive structures already in place. Argentina recently passed legislation providing authority to implement requirements and Brazil also indicated having authority to implement requirements. However, these jurisdictions do not have current plans to implement additional measures for mandatory central clearing of OTC derivatives.

[35] Argentina, Australia, Brazil, Russia, Indonesia, Saudi Arabia, and South Africa. See *Jurisdictions' declared approaches to central clearing of OTC Derivatives*, available at: http://www.financialstabilityboard.org/publications/r_121105a.pdf.

[36] 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.

[37] Guidance on clearing eligibility can be found in Recommendation 5 of the October 2010 report.

purposes of making recognition or substituted compliance determinations with respect to central clearing.

All jurisdictions should ensure that their legislation provides the authority to impose central clearing requirements.[38] IOSCO's January 2012 Requirements for Mandatory Clearing provide some guidance on how jurisdictions should assess products in their markets and develop clearing determinations. Authorities should also monitor and measure the extent to which products that are determined to be sufficiently standardised and should be centrally cleared are in fact being centrally cleared, both in terms of clearing being offered by CCPs and that counterparties are clearing these products.

Japan began requiring clearing in November 2012, beginning with Japanese index-based CDS indices referencing Japanese underliers (i.e. the iTraxx Japan Index Series) and plain-vanilla JPY-denominated IRS referencing LIBOR. The scope of products subject to mandatory clearing will be expanded to other products, such as JPY-denominated IRSs with reference to TIBOR, foreign currency (USD and EUR) denominated IRS, and single-name CDS referencing Japanese companies, taking into consideration such factors as the volume of transactions and the degree of process and product standardisation. Mandatory clearing requirements initially apply to transactions between large domestic financial institutions registered under the Financial Instruments Exchange Act (FIEA) that are members of the CCP, Japan Securities Clearing Corporation (JSCC). These mandatory clearing requirements could be expanded, in consideration of international discussions of cross-border transactions.

The US adopted legislation and regulations to mandate central clearing for certain products and participants. The CFTC adopted its first mandatory clearing determination in December 2012 and requires four classes of IRS and two classes of CDS be cleared. Compliance will be phased in by type of market participant entering into a swap subject to the clearing requirement, and the first phase commenced on 11 March 2013. In June 2012, the SEC adopted rules regarding processes for determining whether specific derivatives contracts will be subject to mandatory clearing requirements. In 2011 and 2012, the CFTC adopted its regulations to implement statutory Core Principles governing the activities of registered CCPs. These regulations are currently in force. Similarly, SEC standards for operation and risk management of CCPs came into force in January 2013.

India will soon begin phasing in mandatory clearing obligations, starting with FX swaps and expanding to certain interest rate swaps.[39]

Legislation and detailed technical rules providing for central clearing are now in force in the EU, although no products are currently required to be cleared. The first phase of the EU central clearing regime is for CCPs to be re-authorised or recognised under EMIR, and this process is underway as of March 2013. Once a CCP has been re-authorised or recognised in respect of the products it clears, ESMA will assess whether the relevant OTC derivatives products should be subject to a mandatory clearing obligation, with the possibility of phase-in

---

[38] Those jurisdictions that have adopted legislation to meet the central clearing commitment indicate that they have, at minimum, authorised the relevant supervisor or regulator to implement mandatory clearing requirements as needed.

[39] In India, CCIL began clearing non-guaranteed IRS transactions in 2008 and guaranteed clearing of foreign exchange forward transactions from 2009. Initiatives are underway to bring FX forwards and IRS transactions within the ambit of guaranteed settlement.

according to the categories of counterparties. It is anticipated that the first mandatory clearing obligations will be determined by the end of 2013, and will come into force in early 2014.

Several other jurisdictions have adopted legislative frameworks for central clearing, which, at minimum, include the authority to mandate clearing even if jurisdictions initially are not implementing mandatory clearing requirements.[40] Rules still need to be developed and adopted in these jurisdictions. Few of these jurisdictions have a specific timeline for their next steps, although Australia has a declared approach which includes periodic and ongoing market assessments and South Africa also has an assessment process built into its framework and scheduled for Q2 2014. Mexico noted that it anticipates central clearing obligations to be brought into force by the summer of 2013. The legislative framework for central clearing requirements is also expected to be introduced in the legislature by Q2 2013 in Hong Kong.[41]

In many of these jurisdictions, the approach to central clearing is to rely on incentives, at least initially, though all report having the ability to mandate requirements should this be needed.[42] As of yet, the structure of incentives that directly apply to market participants is continuing to develop. The Basel III capital standards have been set out for non-centrally cleared products and apply in those jurisdictions that have already adopted the standards. The capital standards relating to CCP exposures and the BCBS-IOSCO margining standards are still being finalised. Indirect incentives include the network benefits of central clearing: as a greater number of market participants move to central clearing, increased multilateral netting opportunities and enhanced market liquidity and pricing efficiency can be expected to increase the attractiveness of central clearing for other participants. However, quantifying these indirect incentives is difficult, and given that some of the standards affecting direct incentives are still developing (and in some cases may not be effective for several years), it is unclear in the short term how the long-term effectiveness of incentives for central clearing will be assessed.

With more jurisdictions finalising their legislative frameworks and all jurisdictions having declared their approach to central clearing, there is a clearer picture of the extent to which cross-border or global CCPs may be used. Eight jurisdictions[43] stated that they anticipate the use by market participants, in whole or in part, of cross-border CCPs. Only a few jurisdictions have or continue to consider domestic clearing requirements (see **Appendix IV, Table 7**), and if so, these requirements seem to be limited to specific products. Japanese law requires local clearing in the limited case of certain CDS index trades in order to align with the Japanese bankruptcy regime. India requires local clearing of Rupee-denominated IRS swaps and China is considering local CCP clearing requirements.

---

[40] Australia, certain Canadian provinces, Indonesia, Russia, South Africa, Singapore and Turkey.

[41] The primary legislation that includes a framework for central clearing has gone through public consultation and is expected to be introduced for adoption by the Hong Kong Legislature.

[42] Argentina, Australia, Brazil, Russia, Indonesia, Saudi Arabia, South Africa.

[43] This figure counts EU member States as one, since they are subject to the single EU regime under EMIR.

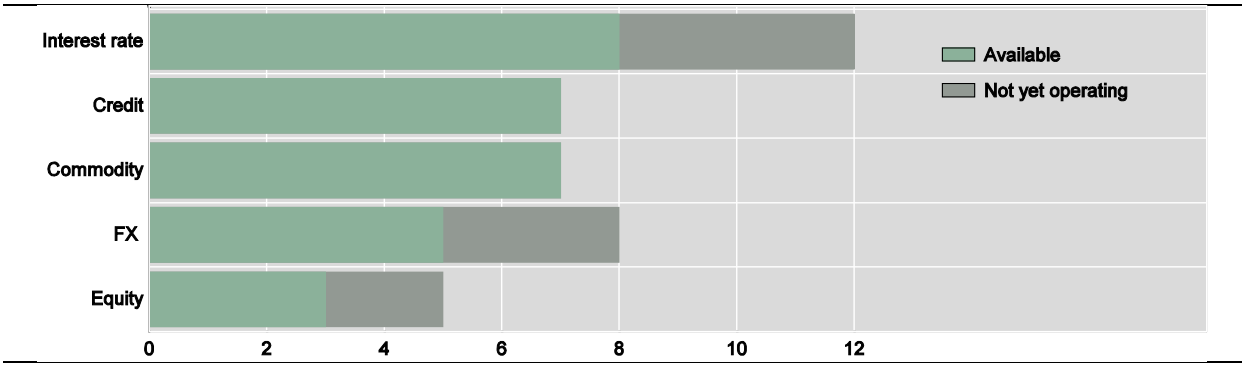
2.4.3. Availability of central clearing

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 (**Figure 4**). There is generally more than one CCP available for products in each asset class – and at least one global or cross-border CCP that clears some products within each asset class. **Appendix I** lists the CCPs providing clearing for OTC derivatives asset classes.

Figure 4

Availability of Central Counterparties

Number of CCPs in each asset class, April 2013[1]



[1] CCPs offering central clearing for at least some products in given asset class; participation available in at least one FSB member jurisdiction.

Sources: CCPs; FSB member jurisdictions.

The October 2012 progress report noted that infrastructure generally could scale up their operations and lack of capacity was not an impediment to implementing the G20 commitments, highlighting CCPs anticipated timeframes for adding new products and participants.[44]

Some authorities are in discussions with industry about how to establish appropriate infrastructure and whether existing global CCPs would accept products from their jurisdiction. In addition, it is also necessary for CCPs, market participants and regulators to work together to broaden the range of entities with CCP access with appropriate protections and risk management in place. Work in this area is still at an early stage and more needs to be done to facilitate appropriate access.

[44] CCPs previously reported taking three to six months to add new direct clearing members (less time, in some instances, to establish indirect clearing relationships with clients of direct members) and between 4 weeks to 21 months to add new products (depending on the complexity of the product and the existing product offerings). CCPs noted that risk modelling becomes more complex for less standardised products, lengthening the time needed to begin offering services for these products. Indeed, some CCPs were unable to estimate a timeframe, citing in part the uncertainties arising from the complexities of risk modelling and regulatory approval processes for clearing new products. This is discussed in the October 2012 report.

Clearing access is particularly important in light of the number of jurisdictions that anticipate market participants centrally clearing transactions through cross-border CCPs.[45] This also highlights the importance of the four safeguards and their further implementation.[46]

2.4.4. Measuring progress in implementation of central clearing

2.4.4.1. Overall progress to date

At end 2012, central clearing of OTC derivatives was most well established for interest rate and credit derivatives. Available data suggest that around 40–50% of notional outstandings in interest rate derivatives were being centrally cleared, across all market participants.[47] This has increased from around 35–40% at end-2011.[48] The proportion of gross notional outstanding credit derivatives that have been centrally cleared has been fairly constant over the past year at around 10–12%. Central clearing of commodity derivatives is increasing, though the variety of products offered for clearing, and the differences in how CCPs measure clearing activity for these products, makes it difficult to produce aggregate figures. Measuring progress in equity derivatives clearing is difficult for similar reasons; though available evidence suggests product offerings are expanding, there is yet to be a material amount of central clearing relative to global outstandings. For FX derivatives, a number of CCPs are offering clearing of non-deliverable forwards (amongst other products), and the uptake of these clearing offerings has been growing quite rapidly.

2.4.4.2. Scope for further progress in central clearing

Notwithstanding some increases in the uptake in central clearing by market participants, available data suggest that the potential exists for further increases in the amount of central clearing that is taking place. As discussed below, indicative estimates suggest that, across all asset classes, an increase in central clearing of at least 20% of outstanding notional principal amounts could be possible, based on existing clearing offerings of CCPs.[49]

Interest rate derivatives

Using publicly available information from TRs and CCPs on OTC interest rate derivatives, the gross notional outstandings of the G15 dealers as at end February 2013 was around $380 trillion. Of this, around $300 trillion (78%) could be cleared based on the current interest

---

[45] CGFS (2011), 'The macrofinancial implications of alternative configurations for access to central counterparties in OTC derivatives markets', CGFS Papers No.46, November. Available at: http://www.bis.org/publ/cgfs46.pdf.

[46] The four safeguards are: (i) fair and open access by market participants to CCPs, based on transparent and objective criteria; (ii) cooperative oversight arrangements between relevant authorities, both domestically and internationally and on either a bilateral or multilateral basis, that result in robust and consistently applied regulation and oversight of global CCPs; (iii) resolution and recovery regimes that aim to ensure the core functions of CCPs are maintained during times of crisis and that consider the interests of all jurisdictions where the CCP is systemically important; and (iv) appropriate liquidity arrangements for CCPs in the currencies in which they clear.

[47] Based on amounts cleared by CCPs, and amounts outstanding measured by DTCC data and BIS data.

[48] These figures for interest rate and credit derivatives central clearing do not adjust for trade compressions, whereby a set of economically redundant transactions are replaced by a smaller set of trades, which reduces gross outstanding amounts without changing net positions. CCPs that clear OTC derivatives regularly undertake trade compression that reduce the gross amounts outstanding on CCPs, which has the effect of deflating the ratio of centrally cleared trades as a share of all gross outstanding trades.

[49] Developments in the 'futurisation' of OTC derivatives could potentially affect the measurement of the extent of central clearing in OTC derivatives markets. See **Section 3.2.3** for further discussion.

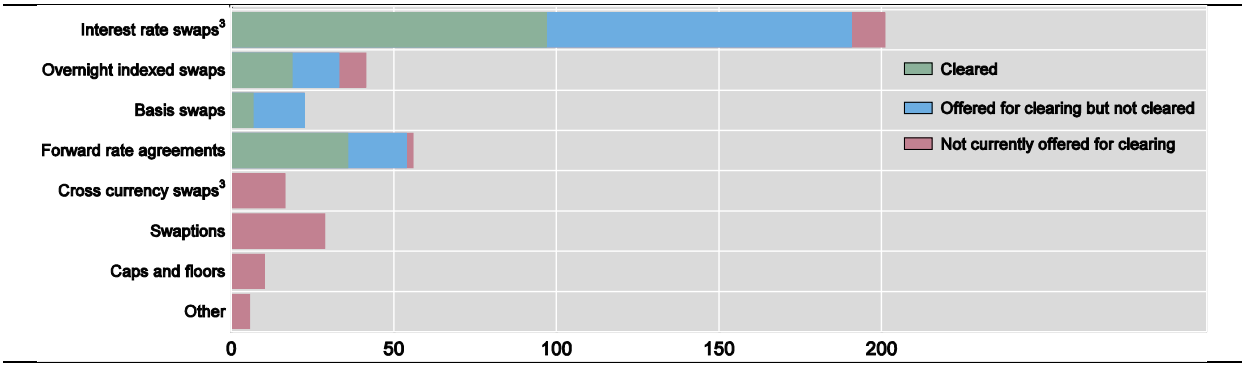
rate derivatives clearing offerings of CCPs: mainly single-currency interest rate swaps, but also forward rate agreements, basis swaps and overnight indexed swaps (**Figure 5**). Of this, however, only $160 trillion was actually being cleared by the G15 dealers (approximately 40% of their total outstandings and 50% of those that could be cleared based on CCPs' current offerings). Hypothetically, if all existing clearing opportunities were exhausted by this group of largest dealers, a further $140 trillion, or 35%, of interest rate notional outstandings of large dealers could be moved to CCPs (**Table 5**).

However, it is important to recognise that this is an upper bound, and many of the positions of these dealers that are not currently being centrally cleared are transactions that have been undertaken with non-G15 market participants. Central clearing of these positions will only be possible if these counterparties are also able to access central counterparties, either as direct participants or as clients of clearing members. Further, in a number of cases these counterparties are currently subject to exemptions from central clearing requirements. As mandates and incentives that promote central clearing take effect, and as these other counterparties gain direct or indirect access to CCPs, some further increase in central clearing should be expected. Even so, given the likelihood that there will be limits in the application of mandates and incentives across all market participants (with some exemptions likely remaining), it may be that not all of these standardised derivatives will ultimately be centrally cleared.

Figure 5

Central Clearing of OTC Interest Rate Derivatives[1]

Outstanding notional amounts, USD trillions, end February 2013[2]



[1] Presently offered for clearing by LCH.Clearnet Ltd (SwapClear). [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; LCH.Clearnet Ltd; BIS and FSB calculations.

Credit derivatives

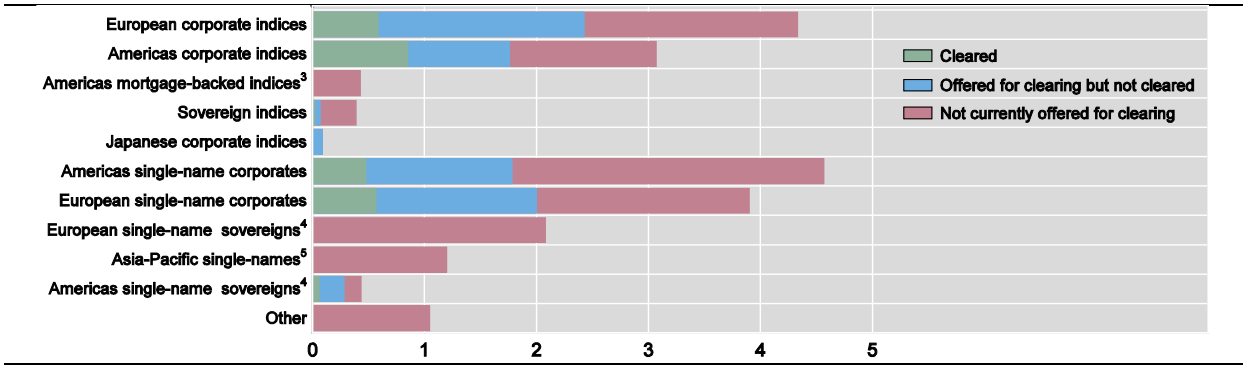
For credit derivatives, the scope for a further expansion in central clearing is proportionally greater. The gross notional outstanding amount of credit derivatives across all market participants (not just large dealers) was around $22 trillion at end-February 2013. Around $8.5 trillion (40%) of this could be cleared given existing credit derivatives clearing offerings of CCPs. Though as discussed in the Executive Summary, at end February 2013, of those OTC credit derivatives products offered for clearing by a CCP, only around 30% of the total

notional outstandings of all market participants had been centrally cleared; of all OTC credit derivatives products (both offered for clearing by CCPs and not), around $2.5 trillion (12%) had been centrally cleared (**Figure 6**). Exhausting all existing clearing opportunities would see a further $6 trillion, or 27%, of outstanding notional amounts of credit derivatives moved to CCPs (**Table 5**). As with interest rate derivatives, however, such an increase in the amount of credit derivatives central clearing will be dependent on all relevant counterparties having direct or indirect access to CCPs, and the extent to which clearing requirements and incentives affect all market participants.

Figure 6

Central Clearing of OTC Credit Derivatives[1]

Outstanding notional amounts, USD trillions, end February 2013[2]



[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; BIS and FSB calculations.

Results from WGMR Quantitative Impact Study for margin requirements for non-centrally cleared derivatives

Information collected by the WGMR over 2012 also indicates that substantial scope for increased central clearing looks possible. Given the various assumptions and differences in survey respondent coverage in this exercise, these results should only be treated as indicative. Nevertheless, the direction and broad magnitude are clear.

As part of the quantitative impact study undertaken by this working group in developing margin requirements for non-centrally cleared derivatives, a group of large market participants (internationally active derivatives dealers, banks, insurers and pension funds) was surveyed on their portfolios of cleared and non-centrally cleared OTC derivatives. The portfolios of these participants were estimated to be equivalent to around 75% of outstanding OTC derivatives positions as at December 2011.

Table 5

Estimated centrally cleared and non-centrally cleared trades

Outstanding notional amounts, USD trillions, end February 2013[1]

	Interest Rate[2]	**Credit**
Centrally cleared	158.3	2.6
Amounts that could be cleared, given products offered for clearing	300.0	8.4
Outstanding	**381.9**	**21.5**
Centrally cleared / offered for clearing	53%	44%
Centrally cleared / outstandings	41%	12%
Offered for clearing / outstandings	79%	39%
Increase in centrally cleared amounts if all existing CCP offerings were used	141.7	5.8
Increase / outstandings	**37%**	**27%**

[1] Adjusted for double-counting of dealers' centrally cleared trades and triple-counting of clients' centrally cleared trades. [2] G15 dealers only.

Sources: DTCC; various CCPs; BIS and FSB calculations.

Using these responses, it was estimated that a notional principal amount of $143 trillion was being centrally cleared (removing double counting of cleared positions), while $362 trillion was not centrally cleared (**Table 6**). Respondents were then provided with a list of products where central clearing requirements might be expected in the near term, and asked to estimate the amount of non-centrally cleared positions that might be centrally cleared as a result. Based on these responses, the gross notional amount that could be centrally cleared increases by 25 percentage points, to around $270 trillion (removing double counting of centrally cleared positions). The prospective increase was largest in interest rate derivatives, and lowest in FX derivatives.[50]

Appendix II discusses these figures in more detail.

[50] The October 2012 changes in the US by futures exchanges ICE and CME may have impacted these numbers for the commodity asset class, but further information in this regard was not requested from respondents.

Table 6

Estimated centrally cleared and non-centrally cleared trades

Total gross notional outstanding amounts, December 2011, USD trillions[1]

Based on WGMR QIS data

		Foreign Exchange	Interest Rate	Credit	Equity	Commodity	**Total**
Before migration	Centrally cleared	0.0	138.9	3.3	0.1	0.4	**142.7**
	Non-centrally cleared	67.8	261.8	24.0	6.2	2.5	**362.4**
	Centrally cleared as % of total	0%	35%	12%	2%	13%	***28%***
After migration	Centrally cleared	6.6	242.5	12.4	3.6	1.3	**268.0**
	Non-centrally cleared	61.2	158.2	15.0	2.7	1.6	**237.0**
	Centrally cleared as % of total	10%	61%	45%	57%	44%	***53%***
Increase / outstandings		**10%**	**26%**	**26%**	**33%**	**56%**	**25%**

[1] Adjusted for double-counting of centrally cleared transactions.

Sources: WGMR QIS and second consultation on margining standards (http://www.bis.org/publ/bcbs242.pdf) ; FSB calculations

2.4.5. Further application of the four safeguards

Substantial progress has been achieved in the four safeguards for resilient and efficient global framework for central clearing (see the October 2012 progress report), which has allowed jurisdictions to declare their respective approaches to central clearing – and jurisdictions must rapidly put in place the legislation and regulations needed to meet their commitment to central clearing. However, more work is needed to apply the safeguards.[51]

A number of jurisdictions have continued to make progress in implementing the safeguard relating to cooperative oversight arrangements by developing and participating in cooperative oversight agreements. Several jurisdictions noted entering into cooperative oversight arrangements with each other regarding the oversight of cross-border CCPs, while others highlighted pre-existing supervisory and enforcement cooperation agreements.

[51] Authorities should continue their work, with respect to developing appropriate cooperation and liquidity arrangements, resolution and recovery regimes and assessing access to CCPs.

Only a few jurisdictions noted steps taken to make CCP access requirements more transparent, but did not highlight ways in which they were assessing access requirements or ensuring fair and open access. Only Mexico specified that access requirements of global CCPs will be specifically considered when authorising a cross-border CCP. Almost no jurisdictions disclosed whether liquidity arrangements for CCPs are in place.[52]

To further implement the four safeguards, international guidance on recovery and resolution is also needed. Following the responses to the consultation paper on FMI recovery and resolution published in July, CPSS and IOSCO will publish draft guidance on FMI recovery, and the FSB, in cooperation with CPSS and IOSCO, will publish draft guidance on FMI resolution, for public consultation in mid-2013.

[52] One jurisdiction noted that a framework is in place to provide central bank liquidity, in limited circumstances.

Table 7

Timetable for implementation of central clearing obligations

Country	End 2012	2013				2014			
		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 there is sufficient progress towards clearing of products that are suitable for a central clearing or whether a mandatory obligation is required.	ASX clearing for IRS begins, phased in based on products and participants through end-2013.					
Brazil	*Brazil has existing authority to adopt clearing requirements, as needed.*								
Canada	Provincial legislation adopted in Ontario, Québec and Manitoba. No further action required for federally regulated financial institutions (See **Appendix IV, Table 2**).				Canadian Securities Administrators model rules to be proposed				Provincial rules to be adopted in Ontario, Québec and Manitoba

Country	End 2012	2013				2014			
		Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
China	Proposed legislation SHCH approved for clearing RMB FFA in Dec 2012								
European Union	Legislation adopted	Technical rules in force (March) CCP reauthorisation begins.			First clearing determinations expected.				
Hong Kong			Legislative amendments to be introduced to the Legislature.						
India	Legislation adopted Repo transactions required to be cleared		Clearing required for FX						
Indonesia	Legislation adopted								
Japan	Legislation adopted. Clearing requirements implemented beginning with certain CDS and IRS products.								
Mexico			Clearing required for peso denominated derivatives						

Country	End 2012	2013				2014			
		Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Republic of Korea	Legislation adopted								
Russia	Legislation adopted								
Saudi Arabia									
Singapore	Legislation adopted		Licensing legislation effective						
South Africa	Legislation adopted		Legislation effective				Market assessment to determine whether there is sufficient progress towards clearing of products that are suitable for central clearing or whether a mandatory obligation is required.		
Switzerland	Legislation proposed						Legislation anticipated to be adopted		
Turkey	Legislation adopted	Regulation being drafted	Regulation expected to be adopted						

Country	End 2012	2013				2014			
		Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
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.

2.5. 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.*

Robust and globally adopted minimum capital and margin requirements for non-centrally cleared derivatives help increase the resilience of market participants and the broader financial system. Higher requirements for non-centrally cleared derivatives than those for centrally cleared derivatives reflect the additional protections to participants and markets afforded by CCPs. Consistently applied minimum margin standards also limit opportunities for regulatory arbitrage and can encourage increased central clearing of OTC derivatives.

As discussed in **Section 2.4**, there is some variation in jurisdictions' approaches and timelines for ensuring commitments around central clearing are met. Even for those jurisdictions that have mandatory clearing obligations in operation, such obligations apply only to certain products, with certain participant and product exemptions meaning that large segments of the OTC derivatives market remain non-centrally cleared at this time. Some of the issues arising from this are discussed further in **Section 3.3**.

2.5.1. Development of international standards and policy for capital and bilateral risk management requirements

(i) Capital requirements

The Basel III framework sets out capital requirements for prudentially regulated banks. This framework came into effect from the start of 2013, with elements to be phased in over coming years. Final rules have been settled for capital requirements for the trade exposures that arise from transactions that are centrally cleared: these will receive a 2% risk weighting (subject to certain conditions being met), while transactions that remain bilateral will attract a higher capital charge. An interim approach has been developed to capitalise risks arising from participation in a CCP as a clearing member. Development of a final approach is being undertaken by a joint taskforce of BCBS, CPSS and IOSCO representatives, with this due for completion by the end of 2013.

(ii) Margin requirements / collateralisation

In November 2011, recognising that not all OTC derivatives transactions will be centrally cleared, the G20 called upon the BCBS and IOSCO, to develop (in consultation with other relevant standard-setting bodies) margining standards for non-centrally cleared OTC derivatives.

In July 2012, BCBS and IOSCO's WGMR proposed initial and variation margin requirements for non-centrally cleared transactions that would apply to all financial firms and systemically important non-financial entities with the objectives of reducing systemic risk and promoting central clearing.[53] In addition, the WGMR undertook a quantitative impact study to better

[53] BCBS and IOSCO (2012), 'Margin Requirements for non-centrally-cleared derivatives – consultative document', July. Available at: http://www.bis.org/publ/bcbs226.pdf .

understand the impact of these proposals on participants and the market for collateral and inform the discussion on calibration. A second consultative document was released in February 2013, with responses due by mid-March.[54] BCBS and IOSCO are working towards a final set of recommendations by mid-year, with jurisdictions expected to incorporate these into their respective regulatory regimes thereafter.

BCBS, in consultation with CPSS, has also developed guidance around margin requirements for deliverable FX forwards and swaps, and recommends the exchange of variation margin for deliverable FX swaps and forwards, as part of a set of risk management guidelines regarding the settlement of FX transactions more generally.[55]

2.5.2. Legislative and regulatory framework for bilateral risk management requirements

With Basel III now largely finalised, jurisdictions have set out their proposed implementation timelines for capital requirements around non centrally-cleared derivatives. Only a small number of jurisdictions have adopted requirements to date; other jurisdictions expect to adopt and phase in Basel III requirements for banks over coming years, or make changes to non-bank entities' capital requirements for non-centrally cleared derivatives.

The legislative and regulatory frameworks that have been established in the EU and US allow for margin requirements to be set for non-centrally cleared transactions, and both jurisdictions are working towards final requirements in these areas. Most other jurisdictions have indicated that they are waiting for these final recommendations from the WGMR before deciding their approach to this area. It is important that internationally consistent requirements be implemented so as to avoid regulatory arbitrage.

In the US, a determination has been made that deliverable FX forwards and swaps should not be regulated as swaps under the Commodity Exchange Act (CEA), thus making FX forwards and swaps not subject to, among other requirements, CEA margining provisions. This determination largely reflects views in the US that the most significant risk in these derivatives is settlement risk, and that this risk is adequately addressed by existing market infrastructure (namely payment-versus-payment settlement arrangements). Notwithstanding this determination, it has been recognised in the US that other risks are associated with such FX forwards and swaps – namely counterparty risks. Some other jurisdictions are also considering whether or not these classes of FX derivatives should be excluded from possible central clearing and/or initial margin requirements. The application of initial and variation margin requirements on deliverable FX forwards and swaps was a question for consultation in the most recent WGMR consultative document.

With respect to other post-trade risk management practices, the EU regime explicitly incorporates requirements for both small and large participants, and the US regime explicitly incorporates requirements for swap dealers and other large market participants required to be registered with US market regulators, with respect to trade confirmation timelines, portfolio reconciliation and compression, and trade valuation and dispute resolution practices. Some

---

[54] BCBS and IOSCO (2013), 'Margin requirements for non-centrally cleared derivatives - Second Consultative Document', February. Available at: http://www.bis.org/publ/bcbs242.pdf.

[55] BCBS (2013), 'Supervisory guidance for managing risks associated with the settlement of foreign exchange transactions', February. Available at: http://www.bis.org/publ/bcbs241.pdf.

other jurisdictions have incorporated reference to some of these areas as best practice for prudentially supervised institutions, though not with the level of specificity contemplated in the EU and US. Most other jurisdictions, however, have not established requirements in this area.

3. Issues and considerations in implementing reforms

This section provides an overview of general issues outstanding regarding further implementation of reform as well as issues specific to the main areas of ongoing reforms: reporting transactions to TRs, access to data held by TRs, standardisation, organised platform trading, and central clearing.

3.1. Cross-commitment issues

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

Potential inconsistencies between national approaches to implementation of the G20 commitments, and possible conflicting, inconsistent or duplicative regulatory requirements remain a concern in cases where individual transactions or market participants are subject to regulatory requirements under more than one national regime. It is difficult to identify and address potential conflicts, inconsistencies and duplications between jurisdictions and to find workable solutions for these issues until the jurisdictions concerned have each developed their own national frameworks.

The October 2012 progress report identified regulatory uncertainty as the most significant impediment to further progress and to comprehensive use of market infrastructure. It stated that jurisdictions should put in place their legislation and regulation promptly and in a form flexible enough to respond to cross-border consistency and other issues that may arise. The FSB urged authorities to: (i) identify the cross-border application of rules to infrastructure, market participants, and products; (ii) identify concrete examples of any overlaps, inconsistencies and conflicts; and (iii) develop options for addressing these issues.

The Regulators Group has met on several occasions to discuss reform of the OTC derivatives market and has made some progress towards resolving these cross-border uncertainties. As several jurisdictions have now finalised, or are close to finalising, their legislative frameworks, the group has examined the potential issues arising from identified conflicts, inconsistencies, duplicative rules, and regulatory gaps. In December 2012, the group announced that they had reached understandings regarding: (i) clearing determinations (to consult with one another prior to making any final determinations regarding which derivatives products will be subject to a mandatory clearing requirement); (ii) sharing of information and supervisory and enforcement cooperation (agreed that authorities should have appropriate and effective access to such data as required to properly perform their mandates and will make every effort to provide each other the assistance necessary to satisfy the counterpart's statutory and regulatory requirements under the terms and conditions of supervisory and enforcement cooperative arrangements); and (iii) timing (the regulators agreed to renew efforts to implement quickly OTC derivatives reforms and in a manner consistent with an orderly implementation process in each respective jurisdiction). The Regulators Group agreed

to explore further the scope of regulation and recognition or substituted compliance and to explore different possible approaches to regulating persons, transactions and infrastructures with respect to cross-border activity when more than one set of rules applies.[56]

Since then, the Regulators Group has progressed discussions in the following areas: (i) options and solutions to address identified conflicts, inconsistencies, duplicative rules, and treatment of regulatory gaps; (ii) basis for determinations of comparability of the applicable regime in a jurisdiction; (iii) consultation with one another regarding clearing determinations; and (iv) timing and sequencing. Progress has been made within the Regulators Group towards understanding one another's intended approaches to the application of rules to cross-border activities, the extent to which substituted compliance, or recognition would be available for market participants and infrastructures, and the processes for making such determinations.

Given the size of their OTC derivatives markets and the market participants in their jurisdictions, the approaches set forth by the EU and the US are important to the cross-border discussions. These jurisdictions are also among the farthest along in the implementation of their new regimes. Differences in some of their approaches have been cited by some other jurisdictions as delaying implementation of their OTC derivatives reforms.[57]

Most other jurisdictions have not yet fully specified an approach to cross-border transactions or cross-border treatment of products, participants, and infrastructures. Such jurisdictions should urgently set out their proposed cross-border approach, not least so as to enable potential conflicts, inconsistencies and duplications between jurisdictions' approaches to be identified and addressed.

In the US, 75 foreign and domestic institutions had provisionally registered as Swap Dealers by 5 April 2013, and are now subject to various provisions of the Dodd-Frank Act. As discussed in the October 2012 progress report, in July 2012, the CFTC proposed guidance on its cross-border approach. In December 2012, the CFTC provided exemptive relief to allow foreign swap dealers (and MSPs) and foreign branches of US swap dealers to delay compliance with several rules until July 2013 in order to allow for more time to address cross-border issues. Under the exemptive relief, registrants may apply a territorial-based definition of US person.

The CFTC has not yet adopted its cross-border guidance. As proposed, the CFTC's substituted compliance regime would permit non-US swap dealers and non-US MSPs (and in some cases, foreign branches of US swap dealers) to comply with the requirements of their home jurisdictions (or in the case of foreign branches, local jurisdictions), under certain circumstances. The proposed guidance also provides that CFTC rules would apply to transaction-level requirements between a US and a non-US person. However, with respect to infrastructure, CFTC rules (with the exception of registration requirements) would generally

---

[56] See http://www.sec.gov/news/press/2012/2012-251.htm.

[57] A number of jurisdictions, in their survey responses since June 2011, highlighted cross-border issues between jurisdictions further ahead in implementation as a cause for delay in their own jurisdictions. These jurisdictions, generally, were seeking to craft legislation consistent with jurisdictions whose market participants frequently trade with their own, in order to ensure consistency. Additionally, the legislative process for some jurisdictions is very time consuming and at least one jurisdiction noted that delaying initial implementation was likely still more timely than implementing legislation and later seeking amendment. Some of these jurisdictions include: Australia, Canada, France, Mexico, Saudi Arabia, South Africa and Switzerland.

not apply to foreign boards of trade, but may apply to other foreign infrastructures operating in the US, including CCPs.

In finalising its proposed interpretive cross-border guidance, the CFTC may consider whether to work with EU member states as a single block for purposes of reviewing comparability of particular requirements. CFTC and SEC staffs have been consulting regularly to discuss and compare their approaches to the application of Title VII of the Dodd-Frank Act in cross-border contexts. They have also been consulting with their counterparts in other jurisdictions. The SEC expects to make a proposal in the near future that addresses cross-border issues across the various areas of rule-making.

In the EU, the approach to cross-border regulation is based on recognition of regimes of non-EU jurisdictions as 'equivalent' to the EU regime under EMIR. Once the jurisdiction is recognised as equivalent, registration is not required by non-EU counterparties and EMIR does not make a distinction between entity based and transaction level requirements. Specifically, CCPs and TRs established in non-EU jurisdictions can be 'recognised' by ESMA as eligible for use to comply with requirements for central clearing and trade reporting if a number of conditions are met. One of these conditions is that cooperative arrangements must be in place between ESMA and the home supervisor of the non-EU CCP or TR, and EMIR sets out the core elements of such arrangements.

Equivalence determinations are also the mechanism under EMIR for mitigating the effects of duplicative or conflicting rules in transactions involving an EU and a non-EU counterparty. Counterparties to such transactions will be treated as having complied with EMIR if the transaction is subject to and carried out in accordance with the regime of a non-EU jurisdiction that has been determined to be equivalent, where the non-EU counterparty is established in that jurisdiction.

The EU has a phased programme for determining whether specified jurisdictions are equivalent.[58] Assessments are scheduled to begin in the first half of 2013. Other jurisdictions may be assessed for equivalence if a non-EU TR or CCP is expected to seek recognition to operate in the EU or the EC becomes aware of a need to mitigate the effect of duplicative rules.

In Japan, at the initial stage, mandatory clearing requirements are applied to transactions between large domestic financial institutions registered under the FIEA that are members of licensed clearing organisations. In this regard, it should be noted that currently in Japan there is only one licensed CCP under the amended FIEA. Foreign CCPs will need to be licensed in Japan, but with less onerous requirements applicable in light of their foreign status (e.g. no domestic subsidiary required). Going forward, the clearing requirements could be expanded to transactions between the above financial institutions and foreign financial institutions (not registered under FIEA), taking into account international discussions currently underway on cross-border regulation.

[58] This programme will include the following determinations – CCPs requirements: Australia, Canada, Dubai, Hong Kong, India, Japan, Singapore, Switzerland and the US; TR requirements: Hong Kong and the US; transaction requirements: Australia, Canada, Hong Kong, Japan, Switzerland and the US.

3.2. Specific issues in the implementation of commitment areas

3.2.1. Issues raised regarding reporting to TRs and access to data held in TRs

With reporting requirements now operative or soon becoming operative, authorities and market participants have identified legal and policy barriers to reporting transactions to TRs and to regulator access to data held in TRs. Specifically, certain jurisdictions and market participants have noted that domestic privacy laws, blocking statutes, the Dodd-Frank Act indemnification requirements and other laws in certain jurisdictions may limit or prevent reporting of counterparty information to a TR and regulator access to data held in TRs.[59] These laws have not been fully addressed for all jurisdictions, although some authorities have taken steps to address these issues. In addition, the scope of the reporting requirements continues to vary across jurisdictions.

3.2.1.1. Privacy laws, blocking statutes, and other laws

As domestic regulation is further adopted and requirements become operative, jurisdictions and market participants are raising questions regarding potential conflicts between reporting requirements and privacy laws, blocking statutes, and other laws that might restrict or limit the disclosure of certain information about trade counterparties. These laws could prohibit or limit counterparties from reporting counterparty identity information into a TR, and depending on the provision, could also limit a TR's ability to disclose transaction data to authorities. These potential barriers to reporting could limit the capacity of TRs to be used by authorities to carry out their regulatory mandates, including monitoring and analysing systemic risk.

As discussed further below, these types of restrictions, in the most general terms, fall into separate categories: privacy laws, which generally serve to protect information about a natural person or entity (where counterparty consent to disclose this information is usually sufficient to permit reporting); 'blocking statutes' (including secrecy laws) which typically protect the disclosure of information relating to entities in the jurisdictions from third parties and/or foreign governments and cannot typically be waived by the person or entity that is the subject of the information (the person or entity may, in some circumstances apply for an exemption to report certain information); and other obligations. These provisions can impede reporting to a TR in the first instance and also limit the TRs reporting out to appropriate regulators and supervisors.

Privacy laws and blocking statutes[60]

A priority for authorities is the ability to obtain full and timely access to data needed to fulfil their respective mandates, including data from domestic TRs and TRs located and regulated in another jurisdiction. In several jurisdictions with privacy or confidentiality provisions that limit reporting to a TR (or authority access to such data), authorities reported that plans to

---

[59] And in some cases, such privacy laws, blocking statutes, indemnification requirements and other laws may prohibit or limit counterparties or TRs from providing information directly to foreign regulators. Privacy laws, blocking statutes, and other laws may prevent counterparties that are registered with an authority in a jurisdiction that requires the authority to have direct access to registrants' books and records from complying with such requirements.

[60] The discussion of jurisdictions' legal frameworks is not an exhaustive review, but based on information provided by FSB members.

adopt legislation and/or regulation that would allow for such reporting are underway. Until these planned legislative and regulatory fixes are in force, reporting to a TR is still limited if counterparties to the transaction are subject to both reporting requirements and a privacy regime.[61]

At this early stage where few of the regulatory solutions are in force, it is difficult to assess whether the proposed changes would completely address the scope of the issue. New legislation, once adopted, may also need to be followed with guidance or interpretive statements in order to help clarify the interaction between privacy regimes and reporting requirements. Authorities should ensure that these privacy and confidentiality requirements are effectively addressed by continuing to monitor the implementation of requirements to assess whether barriers to reporting and authority access have been successfully removed.

Some jurisdiction-specific matters are discussed further below, and summarised in **Table 8**.

China

In China, reporting generally is permissible if it is required under Chinese national regulations. However, China also has financial secrecy and personal privacy laws that can prevent the third-party disclosure of financial information of Chinese counterparties to foreign authorities. China reports that additional legislative steps are being considered to fully implement the reporting requirement. Additional guidance is needed about the operation of such laws and whether mechanisms currently exist for foreign regulators to obtain TR held data.

EU

Some regulators and market participants have raised questions about laws that would block disclosure of counterparty information to either the TR or a requesting authority in certain individual EU member states. The scope of the regimes that could limit counterparty reporting varies between member states.[62]

As EU Regulations have direct effect in EU member states, with respect to reporting pursuant to EMIR requirements, it will eliminate barriers to reporting of identifying information and other information required under EMIR caused by member state privacy laws and other blocking statutes as comprehensive reporting of all derivatives transactions by all market participants will be required and phased in. Until EMIR reporting requirements are in force, EU member state privacy laws, blocking statutes and other laws and policies will apply.

EMIR also addresses reporting in foreign jurisdictions if the TR in the relevant foreign jurisdiction is recognised under EMIR. Where no TR exists in the foreign jurisdiction, and a cooperation agreement exists between regulators, foreign regulators can also access data held

---

[61] One jurisdiction noted that these laws could have the effect of causing counterparties subject to reporting requirements to cease doing business with counterparties subject to privacy laws or blocking statutes if effective mechanisms cannot be used to ensure compliance with both regimes.

[62] In Spain and Luxembourg for example, participants report that industry standard consent may not be sufficient and that consent would need to meet higher – and possibly, judicially determined – standards. France has privacy laws and blocking statutes that would protect counterparty identity from disclosure to third parties, absent consent and from disclosure to foreign governments, unless the information is disclosed by appropriate French authorities (and through appropriate processes). In the UK, on the other hand, privacy laws can be addressed by consent provisions included in a master agreement.

in EU authorised TRs. Implementing acts are being developed for the necessary equivalence decisions, for the purposes of recognition under EMIR, of TRs in non-EU jurisdictions. However, some jurisdictions have raised questions about the length of time needed to complete these steps, the possibility that the EU does not recognise a third-country TR, and that there may be limits on third-country counterparties reporting information about their EU counterparties in the interim.

Korea

Korea has privacy laws that could limit reporting of OTC derivatives transactions information about third parties. Under the Korean provisions,[63] disclosure of counterparty information is prohibited, unless consent is given by the counterparty, for *each* disclosure. An exemption, however, exists for reporting to the Bank of Korea. Additionally, the Financial Services Commission may share transaction information with foreign authorities, when requested, if an information sharing MOU has been entered into with the requesting authority. Finally, consent can be given on a disclosure by disclosure basis to provide transaction information to foreign TRs or authorities.

Singapore

In Singapore, the domestic banking confidentiality provision allows banks to disclose customer information if the customer's written consent has been obtained. Banks in Singapore are already working to incorporate consent provisions into client and trade documentation to prepare for reporting transactions pursuant to domestic and foreign laws.

However, overseas banks not licensed by the Monetary Authority of Singapore and trading with counterparties in Singapore are not subject to the banking confidentiality provision and would thereby be permitted to report to TRs.

Switzerland

In Switzerland, reporting information about a third party (i.e. a counterparty to a transaction) to TRs could trigger violations of privacy laws *unless* the reporting is required in accordance with national law or a waiver from the client is obtained. In addition, under the Swiss regime, disclosure to a foreign authority, be it directly or through a TR, is not permitted until the Swiss legislation providing a basis for such reporting is in place.[64] However, authorisation by the appropriate Swiss authorities could be obtained to disclose such information. Again, given the commitments of Switzerland to the necessary reforms, appropriate legislation that address any issues related to privacy regimes and blocking statutes that limit or prohibit the reporting of transactions pursuant to domestic or foreign law are going to be addressed by reporting requirements. Switzerland has also clarified that their legislative approach will address issues related to reporting counterparty information to TRs located in Switzerland or cross-border.

---

[63] The relevant Korean provision is the *Real Name Act.*

[64] Privacy is protected through provisions of the Swiss Civil Code (Art. 28), the Federal Act on Banks and Savings Institutions of 8 November 1934 (Art. 47); Federal Act on Data Protection and the Ordinance to the Federal Act on Data Protection (Art. 4, p.3); Federal Act on Stock Exchanges and Securities Trading of 24 March 1995 (Art. 43); and the Swiss Penal Code (Art. 271).

South Africa and Australia

South Africa and Australia are also close to adopting mandatory reporting requirements into domestic law that will address national privacy regimes. Currently, South Africa and Australia both permit counterparty consent that can address a series of transactions, such as a consent provision in a master agreement or other agreement noting that consent to disclosures is permitted for multiple disclosures. Allowing for a broad consent provision simplifies the reporting process into TRs and from TRs to authorities. In Australia, reporting requirements are anticipated to become operative starting in the mid- 2013 and reporting legislation in South Africa becomes effective at roughly the same time. Once in force in Australia, the requirement to report OTC transactions to a licensed or prescribed TR will also override contractual terms that may otherwise limit reporting to a TR. Australia also has the ability to require reporting to licensed or prescribed TRs, pursuant to foreign reporting requirements. Although the current consent process in South Africa is broad, the reporting requirements will also specify that consent provisions should be included in any master agreement that covers reporting both domestically and to a foreign TR, regardless of whether reporting is based on domestic or foreign law. This provision is merely intended to further clarify any ambiguity as to the scope of permissible reporting.

Turkey

Under the Banking Law in Turkey, information about banks or clients cannot be disclosed unless express consent is given by the counterparty *or* the disclosure is required by law. As discussed, Turkey passed authorising legislation to require reporting of OTC transactions. Once requirements are in place, counterparties can report this information without violating the Banking Law; however, information must be reported into an entity authorised to access confidential information.

Other jurisdictions and issues

In India and Saudi Arabia, the reporting regime only addresses domestic counterparties and requires domestic counterparties to report into a domestic TR.[65] At this point, India noted that cross-border guidance has not been contemplated, but also reported that cross-border counterparties could also report the same transaction to another TR to meet the foreign jurisdictions' requirements. Although this may lead to duplicative reporting, it does not limit initial reporting and may help to provide other avenues for data access. Saudi Arabia also noted that provisions would not block foreign counterparties from reporting transactions into TRs, pursuant to their own requirements and that TRs can share information with other TRs if mutual information sharing arrangements are in place.

In Russia, there are no prohibitions on reporting counterparty information to a TR. However, foreign regulators cannot access information directly from a TR and must request information from the appropriate regulator pursuant to the terms of an established information sharing MOU.

[65] RBI, as the domestic regulator in India, has access to information in the domestic TR and foreign regulators can request information from RBI.

Table 8

Summary of Trade Reporting and Privacy Considerations[1]

Jurisdiction		Privacy law/blocking statute, or other laws that prevents counterparties from reporting to *TRs*?	Privacy law, blocking statute or other laws that prevent TR reporting to *authorities*?	Current avenues for reporting	Approaches to remove barriers	Outstanding concerns
Australia		Yes (Privacy laws)	(Not specified)	Broad counterparty consent can be given to report into TRs and for TR reporting out.	Will propose new reporting requirements. New legislation will allow for reporting to a TR pursuant to an Australian obligation. Once information is reported to a TR pursuant to an Australian requirement, information can also be provided to prescribed third country authorities.	Timing. Reporting regime anticipated to be in force beginning Summer 2013.
Canada		Yes. (Private confidentiality provisions)	(Not specified)	Counterparty consent can be given as part of the agreement	Model rules requiring reporting have been proposed and expected to be operative in Q3 2013.	Timing for rules to be implemented.
China		Yes. (Privacy laws/secrecy laws)	Yes. (privacy laws/secrecy laws).	*Not specified*	Privacy laws may be addressed by implementing national reporting requirements.	Current scope of privacy and secrecy laws may be broad.
European Union	France	Yes (Privacy laws).	Yes. (Blocking statutes preventing disclosure of third party information to foreign authorities).	For privacy laws, counterparty consent can be given.	Once reporting requirements under EMIR are operative, beginning in the Summer of 2013 through 1 Jan	Timing for implementation in cross-border transaction and completion of necessary recognition

Jurisdiction		Privacy law/blocking statute, or other laws that prevents counterparties from reporting to *TRs*?	Privacy law, blocking statute or other laws that prevent TR reporting to *authorities*?	Current avenues for reporting	Approaches to remove barriers	Outstanding concerns
	Luxembourg[2]	Yes. (Privacy laws)	(Not specified)	Counterparty consent can be given.	2014, , reporting ***pursuant to*** EMIR will not violate privacy laws (or blocking statutes	decisions and cooperative or international agreements are needed. EMIR covers all OTC derivatives products and participants, so there should be no 'gaps' in coverage of reporting requirements in cross-border transactions.
	Spain	Yes. Privacy laws.	(Not specified)	Counterparty consent can be given.		
	UK	Yes (Privacy law)	Not specified	Counterparty consent can be given		
India		No	Yes. For information in CCIL, information can only be reported to RBI.	Foreign authorities can request information from RBI. Sharing of information with foreign authorities shall depend upon multilateral protocol in this regard. For transactions involving counterparties cross-border, transaction can be reported in a cross-border TR as well.		
Korea		Yes (privacy laws)	Yes, (privacy laws)	Consent can be given to report to a TR or to provide information to a foreign authority.	.	*TBD.*
Singapore		Yes. (Privacy laws). Only apply to reporting by domestic entities	(Not specified)	Consent can be given and does not apply to foreign banks reporting.		*TBD*
South Africa		Yes (Privacy	(Not specified)	Currently, broad	Reporting	

Jurisdiction	Privacy law/blocking statute, or other laws that prevents counterparties from reporting to *TRs*?	Privacy law, blocking statute or other laws that prevent TR reporting to *authorities*?	Current avenues for reporting	Approaches to remove barriers	Outstanding concerns
	laws)		counterparty consent can be given in order to report transactions.	requirements, once in force, specify consent for reporting to foreign or domestic TRs and pursuant to foreign or domestic reporting requirements.	
Switzerland	Yes. (privacy laws)	Yes (blocking statutes.)	Counterparty consent could be given to report client information, and authorisation of authorities could allow for disclosure to foreign authorities.	Draft legislation published June 2013 will address the issues related to privacy laws and blocking statutes.	*Timing* The legislation will be effective in late 2014.
Turkey	Yes (Banking law)	Yes. Public entities must also be approved by the board to receive otherwise confidential information.	Currently, consent can be given.	Anticipated that reporting requirements will be adopted.	*TBD*

[1] Based, in part, on ISDA 27 August 2012 letter to CFTC, and self-reporting from jurisdictions. [2] Note that Luxembourg is not an FSB member jurisdiction.

3.2.1.2. Indemnification

In the US, the US Dodd-Frank Act generally requires that, as a condition for obtaining data directly from a TR, domestic and foreign authorities agree in writing to indemnify a US-registered TR, and the SEC and CFTC, as applicable, for any expenses arising from litigation relating to the data provided. The CFTC issued a final interpretive statement clarifying that, under specified circumstances, the TR would not be subject to the confidentiality and indemnification provisions if (i) the registered TR is also registered, recognised or otherwise authorised in a foreign jurisdictions' regulatory regime; and (ii) the data sought to be accessed by a foreign regulatory authority has been reported pursuant to the foreign jurisdictions'

regulatory regime. 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. The SEC continues to consider this issue and will address it in its forthcoming proposal to address cross-border issues.

3.2.1.3. International agreements

Steps remain to be completed regarding the conditions under which access by non-EU authorities that have a trade repository in their own jurisdiction to data held in EU TRs may be possible. EMIR requires an international agreement regarding mutual access to data held in TRs and the exchange of information.

Some non EU authorities have questioned whether this may require formal negotiations at the 'treaty' level, which would be excessively time consuming and risk delaying data access for several years as well as prevent third country TRs from conducting business in the EU. The details of such agreements, the purpose of which is to guarantee mutual access to data held in third country TRs, including the terms on which they would be made and the process for concluding them, are still in the process of clarification in the EU.[66] The topic is under continued discussion in the Regulators Group and the EC is exploring the possible formats that such international agreement might take in order to expedite execution with the relevant jurisdictions.

3.2.1.4. Scope of reporting requirements

Several issues arise as jurisdiction propose and adopt reporting requirements. Some of these issues relate to the varying scope of and exemptions from the reporting requirements. One variation in requirements (as proposed or adopted) is whether jurisdictions will require only OTC data to be reported to TRs or require all derivatives transactions – including those traded on trading platforms or exchanges – be reported to a TR. Jurisdictions have also proposed different potential exemptions to the trade reporting requirements, based on asset class and counterparty. For example, the EU requires all derivatives including exchange traded derivatives to be reported to TRs whereas the Japanese framework does not require commodity derivatives to be reported to TRs.[67] Furthermore, some jurisdictions have stated different approaches to requiring central banks (and the BIS) to report their trades.[68] Some jurisdictions are considering whether legal constraints or policy responsibilities of central banks mean that they should be exempted from reporting to TRs.

There are also jurisdictional differences in the timing of implementation of reporting requirements. The EU and Hong Kong will phase in their requirements by asset class, and reporting for different types of US swaps (swaps and security-based swaps) are being phased in by asset class and reporting parties.

---

[66] The EU's approach is designed to address previous difficulties in obtaining access to data held in cross-border TRs.

[67] The Commodity Derivatives Act requires that transactions in certain OTC commodity derivatives be reported to the competent minister.

[68] Hong Kong, Japan, Singapore, and the US (for transactions involving the federal reserve banks).

To provide more time to resolve reporting challenges posed by current privacy restrictions in some jurisdictions, the CFTC provided reporting relief until June 2013, subject to certain conditions, with respect to the reporting of certain identifying data elements by various reporting counterparties and reporting entities (**Section 3.1.1** discusses cross-border issues in more detail).[69]

3.2.1.5. Public dissemination of trade data

There is substantial variation across jurisdictions regarding requiring public dissemination of trade data (which, if required, could be disseminated via a TR). In the US, the CFTC is currently phasing in the implementation or real-time public dissemination of market facing OTC products. The public dissemination requirements include provisions protecting anonymity of market participants. CFTC rules require public dissemination of swap transaction and pricing data in real time, with a temporary delay, from fifteen minutes to forty-eight hours during the phase-in period, with such delay depending on type of execution, underlying asset and market participant. In the EU, EMIR requires the weekly publication of derivatives data by TRs, and further public dissemination requirements are proposed under MiFID II/MiFIR. Recommendation 15 of the October 2010 report stated that authorities should ensure that TRs are established to collect, maintain and report (publicly and to regulators) comprehensive data for all OTC derivatives transactions.[70] Public dissemination of data increases market transparency – an underlying goal of the G20 commitments. Further, Recommendation 14 of the October 2010 report stated that authorities should explore the benefits and costs of requiring public price and volume of all trades, including for non-standardised or non-centrally cleared products that continue to be traded OTC. Variation in data dissemination requirements could lead to opportunities for regulatory arbitrage. The FSB urges authorities to establish consistent approaches to both authority access and public dissemination of data held in TRs. Jurisdictions and TRs should follow the recommendations in the *CPSS-IOSCO Report on OTC derivatives data reporting and aggregation requirements*, published in January 2012.[71]

Cross-border initiatives in CPSS-IOSCO are underway to address many of these issues.

3.2.1.6. Data reporting and aggregation

With the development of several TRs, there is potential for differences in data reporting formats, primarily in terms of technological compatibility, though there are some differences in data fields collected by TRs. Also, there may be differences in the type of data required to be reported. If the compatibility of reporting formats is not addressed through the implementation of unique and universal identifier regimes, as discussed in **Section 2.1.1**, and through the efforts of regulators, the usefulness of TRs could be diminished. Without the ability to aggregate data effectively, the ability to analyse data held in TRs would be limited,

---

[69] See http://www.cftc.gov/ucm/groups/public/@lrlettergeneral/documents/letter/12-46.pdf. This No-Action letter addresses, in particular, relief from reporting required identifying information about counterparties from jurisdictions that may have privacy laws prohibiting such disclosures.

[70] October 2012 report, available at http://www.financialstabilityboard.org/publications/r_121031a.pdf.

[71] See chapters 3.4 and 5.1.5 of this report. Available at: http://www.iosco.org/library/pubdocs/pdf/IOSCOPD366.pdf.

reducing the usefulness of TRs as sources of data for financial stability and systemic risk analysis.

As noted in **Section 2.1.1** there has not yet been a strong international regulatory focus on developing global standards for UPIs and UTIs/USIs and other identifiers. With a broader range of countries now implementing trade reporting obligations, there is a risk that the development of product and transaction identifiers will not be well coordinated, which may reduce the scope for standardisation and enhanced transaction processing in global markets. It is therefore important for regulators to facilitate the global consistency of identifier standards so that the maximum benefits of standardisation may be realised.

With some jurisdictions now moving forward quickly to finalise their reporting requirements, the FSB calls for those regulators tasked with developing and adopting reporting requirements to ensure this coordination takes place in a timely fashion.

Jurisdictions also need to move quickly in defining the data that will be required to be reported and in seeking consistency across jurisdictions in what is reported.[72]

One of the G20 objectives is to mitigate systemic risk. Some data held by TRs may be used to analyse markets in order to achieve this objective. The Access Report raises the issue of the likely existence of trade repositories in several jurisdictions, which may create difficulties for authorities seeking to obtain a comprehensive and accurate view of the global OTC derivatives market and activity.

Because no authority is likely to have access to all data in all TRs, individual authorities with a need for access to more global information will not be able to examine data relating to the entire market. This issue could limit the ability of authorities to perform macro assessment and systemic risk analysis, among other mandates. The Access Report acknowledges that further analysis of this issue warrants consideration, but notes that the proposal of any specific solution is beyond the scope of that report. The FSB believes that issues relating to aggregating data merits further attention in the near term and that authorities should consider the need to address this issue and to identify the legal and technical considerations that may be involved with developing a centralised or other mechanism to organise and share globally aggregated data.

The FSB recommends a study of (i) how a centralised or other mechanism would be able to provide globally aggregated data on OTC derivatives globally aggregated TR data; and (ii) possible approaches to a centralised or other mechanism, including identifying potential legal and technical issues to establishing such a centralised or other mechanism (and potential solutions to any identified issues).

---

[72] The OTC Derivatives Experts Group previously reported through the ODWG that four broad categories of data are essential for systemic risk monitoring, but also highlighted that TRs may not be the most appropriate place for all data to be reported: (i) transaction-level information on both historical and open transactions; (ii) portfolio-level information, including portfolio valuations and associated measures of risk exposure; (iii) information on the legal agreements governing netting and collateralisation, including bilateral agreements between market participants and prime brokerage and central clearing agreements; and (iv) information on the assets used to collateralise OTC derivatives transactions, including information about the assets, their location and treatment. TRs reported collecting data in several of these categories, but few collected portfolio level information and information regarding collateral and netting. Authorities should continue to consider how to best capture the full range of information needed for systemic risk monitoring.

3.2.2. Issues raised regarding standardisation

To date, a key effort in driving product and process standardisation has been through regulatory moves to expand the capacity of centralised infrastructure used in OTC derivatives markets, through dialogue between the largest global market participants and their respective regulators. In parallel, detailed business conduct and post-trade risk management practices that are, or soon will be, in effect in some jurisdictions will provide a further impetus for increasing the degree of product and process standardisation in these markets.

International work related to standardisation (spearheaded by the ODSG and initiated prior to 2009) helped several jurisdictions make early progress, focused largely on product and process standardisation. OTC derivatives in IRS, CDS and FX asset classes tend to be more standardised and jurisdictions have determined (or plan to determine) clearing requirements for products in these asset classes before products in equity and commodities asset classes.

For the most part, however, work to increase standardisation is only being undertaken within the largest jurisdictions, or with a focus on the largest market participants. An even greater uptake of centralised infrastructure will require ongoing standardisation efforts by industry market participants and regulators in all jurisdictions. This is particularly the case in markets and products where the largest global market participants are not a dominant presence. Consideration should therefore be given as to how standardisation efforts can be expanded within all FSB member jurisdictions, and whether any international work might be useful in supporting and furthering these efforts. For instance, authorities might consider how to leverage the work of the ODSG in their own jurisdictions. Such efforts would further support achieving the G20's goals of increased central clearing and trading on organised platforms, and the enhancements that flow from this.

3.2.3. Substitution between OTC and listed/exchange-traded derivatives markets

The FSB has long recognised that the distinction between 'OTC' and 'traditional' exchange-traded derivatives markets will become increasingly blurred as centralised infrastructure usage in OTC markets accelerates. A recent example of this has been 'futurisation', whereby some exchanges have recently listed new futures contracts that are economically equivalent to existing OTC derivatives contracts. This process in part likely reflects the long-recognised economic substitutability of many types of exchange-traded and OTC derivatives. Some stakeholders have noted that other factors, such as lower margin requirements, thresholds for block trading, and better liquidity for futures contracts, are also playing a role.

Whatever the factors driving futurisation to date, a migration towards products that are exchange-traded and centrally cleared which are economically equivalent to OTC products would be consistent with the G20 commitments that standardised OTC derivatives should be centrally cleared and traded on organised platforms, where appropriate, in jurisdictions where futures must be centrally cleared and traded on exchanges or trading platforms. However, the FSB has previously stated that regulators should ensure that the migration of OTC derivatives trading to organised trading platforms does not undermine other aspects of the reform agenda – namely, that standardised OTC derivatives should be centrally cleared, and that all OTC

derivatives transactions should be reported to trade repositories.[73] More generally, it is important for authorities to continue monitoring this trend to ensure that firms' risk management of futurised products remains appropriate.

3.2.4. Issues raised regarding implementation of central clearing

A number of the outstanding issues in implementation of central clearing have been discussed in previous reports and include: gaps in implementation, consistency of implementation, and interaction of national regimes;[74] scope and application of clearing requirements (i.e. product and participant exemptions); supervisory and oversight challenges; and the systemic importance of global CCPs. Many of these issues are being considered by the Regulators Group, and the group has made progress on a process for consultation with one another regarding clearing determinations.

There are differences in the scope of products and persons required to centrally clear across jurisdictions, an issue that continues to be discussed in various fora, including: central bank exemptions, treatment of physically settled FX forwards and swaps, temporary pension fund exemptions and end-user exemption. The approach taken by each jurisdiction regarding clearing exemptions is set forth in **Table 6**, in **Appendix IV**.[75] It is important that, to the extent feasible, there be consistency in the scope of product and participants that migrate to central clearing in order to maximise the systemic risk benefits of central clearing and minimise opportunities for regulatory arbitrage. As such, any product or participant exemptions should be carefully considered.

One of the challenges is the availability of CCPs to clear cross-border transactions. In order for counterparties to a cross-border transaction to be able to each satisfy any mandatory clearing obligations in their domestic jurisdictions, they are generally required to clear the transaction in a CCP that has been recognised, exempted, or otherwise licensed or authorised under each of their domestic frameworks. This creates a need for CCPs that are recognised, exempted, or otherwise licensed or authorised in multiple jurisdictions.

Risks identified since the 2009 G20 commitments with respect to central clearing – timing, concentration, demand on collateral and access to CCPs – are becoming more pressing as regulations become effective. Given the importance of consistent global incentives to centrally clear, the timing of implementation of both mandatory requirements and incentives is critical. The concentration of central clearing in global CCPs, additional demands on collateral, and need for indirect access to central clearing seem to have contributed to changes in market behaviour – changes that may come with as yet unknown risks.

Given the limited number of CCPs available for different products (and that clear globally) there may be some tension between the BCBS capital requirements for exposures to central

---

[73] FSB (2011), OTC Derivatives Market Reforms: Progress Report on Implementation, October 2011, p.14. Available at: http://www.financialstabilityboard.org/publications/r_111011b.pdf.

[74] 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.

[75] Additional discussions of the exemptions can be found in the June 2012 and October 2011 progress reports.

counterparties[76] and the forthcoming BCBS limits on counterparty exposure, if such limits are eventually applied to banks' exposures to CCPs. More specifically, market participants required to centrally clear will be facing the same CCP for a larger portion of their overall transactions, potentially affecting compliance with BCBS large exposure rules if such limits are applied to banks' exposures to CCPs. This regulatory work is ongoing and markets are still in transition, so the effects are not yet clear, but present a situation that needs to be monitored.

Finally, jurisdictions have taken different initial approaches on how to move OTC transactions to central clearing, specifically, whether to mandate requirements or initially use economic incentives. As noted in **Section 2.4.2**, incentives alone may not be sufficient to move all standardised OTC contracts to central clearing. Jurisdictions initially using incentives should establish a standard for measuring effectiveness of incentives and determining when to implement mandatory requirements. Additionally, given the potential significant delays in final implementation of capital and margin requirements due to phase-ins, there may be opportunities for regulatory arbitrage as other jurisdictions go forward with clearing requirements. Moreover, jurisdictions implementing mandatory rules, may not consider reliance on incentives alone as 'equivalent' for purposes of recognition or substituted compliance determinations.

Regulators and supervisors should continue to monitor developments in portfolio margining and offerings of cross-product offsets to ensure proper collateralisation of transactions.

3.2.5. Increasing CCP offerings for standardised derivatives

For some derivatives products, the impediments to expanding CCP product offerings would appear to be less due to insufficient standardisation, and more due to commercial considerations and, potentially, insufficient coordination between market participants and CCPs. While the expansion of CCP product offerings should only take place after rigorous testing and modelling, exploration of new products for central clearing often reflects perceived market demand. Incentives for central clearing should go some way in increasing market participants' demand for clearing, and therefore send a stronger signal to CCPs to expand their offerings. But in support of this process, regulators should continue to work to identify where expanded central clearing might be possible, and pursue clearing solutions with market participants and CCPs, where appropriate. Substantial expansion of the proportion of the market that is standardised, as discussed in **Section 3.2.2**, will help ensure the maximum benefit of the OTC derivatives reforms.

3.3. Issues regarding non-centrally cleared OTC derivatives.

Notwithstanding the current and prospective central clearing of OTC derivatives markets, as discussed in **Section 2.4.4**, it is evident that some fairly standardised products will remain non-centrally cleared for the time being. This is in addition to non-standardised products not being eligible for central clearing. Although not directly referred to in successive G20

[76] BCBS (2012), 'Capital requirements for bank exposures to central counterparties', July. Available at: http://www.bis.org/publ/bcbs227.pdf.

commitments, it is nonetheless important that authorities also consider appropriate risk management of non-centrally cleared derivatives to ensure the resilience of the financial system.

3.3.1. Considerations regarding bilateral risk management requirements

Work of standard-setting bodies to finalise standards for capital and margin requirements for non-centrally cleared derivatives will contribute to the robust risk management of these products, as well as support incentives for central clearing.

In addition, there are numerous measures that can be adopted by market participants to further enhance post-trade risk management; for example:

- trade compression
- portfolio reconciliation
- timely trade confirmations
- trade valuation
- dispute resolution procedures.

While the most active market participants are using these tools, they are also of benefit to smaller market participants. Moreover, the effectiveness of these tools is in part dependent on their being used in a multilateral and synchronised way. In the EU and the US, mandatory risk mitigation requirements that include these elements are part of the regulatory reform efforts underway. However, other than in 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 usage 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.

3.3.2. Addressing risks for standardised but non-clearing eligible derivatives

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.[77]

Many of the reforms already in progress are intended to be effective in addressing some of the risks inherent in non-centrally cleared products. For instance, market-wide reporting to TRs is a key tool for ensuring trade information is captured and verified, and available for review by counterparties and regulators. Regulators might also consider promoting widespread use of bilateral risk management tools such as portfolio reconciliation and compression. As

[77] Although an industry initiative is examining possible clearing solutions for deliverable FX options, the development of an actual clearing solution that is satisfactory to regulators (in meeting the CPSS-IOSCO principles for FMIs and that integrates with CLS) has not yet been achieved. Clearing solutions for other FX and currency derivatives (of any maturity) involving delivery of both currencies have not advanced for similar reasons.

discussed in **Sections 2.5 and 3.3.1**, some jurisdictions have incorporated requirements or recommendations regarding the use of these tools, and other jurisdictions might also consider whether these tools should be more widely used across products and participants. The work of the WGMR to develop recommendations on margin requirements will also be important in ensuring a strong approach to the management of counterparty credit risks associated with non-centrally cleared derivatives contracts. Appropriate collateralisation for mark-to-market price movements, combined with appropriate initial margin requirements, is needed to provide some protection against losses should a counterparty default on its obligations.

However, these measures still fall short of the full systemic risk mitigation benefits brought by central clearing. In particular, a CCP has the capacity to centrally manage a clearing member's default in a way that ensures the market it is clearing remains orderly and that spillovers to other markets and participants are minimised. Given CCPs – and the systemic risk mitigation they bring – will be absent for some widely used derivatives markets (such as cross-currency swaps) for the foreseeable future, authorities need to consider if other measures are necessary to ensure the robustness of these markets in the event of a large participant default.

In part the management of a large market participant default is being addressed through the FSB's work on resolution regimes for financial institutions.[78] In particular, this work recommends that authorities have the powers to impose a temporary stay on the exercise of contractual acceleration or early termination rights in financial contracts that arise by reason only of entry into resolution or in connection with the exercise of resolution powers. But such powers would only directly apply to the market participant in, or near, default. Further consideration should also be given to direct measures that might apply to surviving market participants, such as a possible coordination of close-out proceedings, so as to avoid disorderly markets that could propagate financial distress.

[78] See Financial Stability Board (2011), 'Key Attributes of Effective Resolution Regimes for Financial Institutions,' November 2011. Available at: http://www.financialstabilityboard.org/publications/r_111104cc.pdf.

Appendix I: Trade repositories and CCPs by asset classes

TRs by asset class

Asset Class	Trade Repositories	Location	Authorities with which TR is licensed, registered or hold an exemption	Status[79]
Interest rate	ASX	Australia	No information provided	Expected to be operating in Q3 2013
	Bank of Korea	Korea	*N/A*	Operating
	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	NOT OPERATING
	HKMA	Hong Kong	*N/A*	Expected to be operating in Q3 2013
	ICE Trade Vault Europe	No information provided	No information provided	No information provided
	REGIS-TR	Luxembourg	No information provided	Operating
	SAMA TR	Saudi Arabia	SAMA	Operating
	UnaVista	UK		Expected to be operating in Q3 2013
Credit	Bank of Korea	Korea	*N/A*	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

[79] 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 10 April 2013.

Asset Class	Trade Repositories	Location	Authorities with which TR is licensed, registered or hold an exemption	Status[79]
	DTCC Data Repository – Singapore	Singapore	Seeking licensing with MAS	NOT OPERATING
	ICE Trade Vault	USA	CFTC	Operating
	ICE Trade Vault Europe	No information provided	No information provided	No information provided
	UnaVista	UK		Expected to be operating in Q3 2013
Equity	Bank of Korea	Korea	*N/A*	Operating
	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	NOT OPERATING
	REGIS-TR	Luxembourg	No information provided	Operating
	UnaVista	UK	No information provided	Expected to be operating in Q1 2014
Commodities	Bank of Korea	Korea	*N/A*	Operating
	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	NOT OPERATING
	ICE Trade Vault	USA	CFTC	Operating
	ICE Trade Vault Europe		No information provided	No information provided
	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 hold an exemption	Status[79]
Foreign Exchange	Bank of Korea	Korea	*N/A*	Operating
	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	Expected to be operating in Q1 2013
	DTCC-DDR	USA	CFTC	Operating
	DTCC-DDRL	UK	No information provided	Expected to be operating in Q4 2012
	DTCC Data Repository – Japan	Japan	JFSA	Operating
	DTCC Data Repository – Singapore	Singapore	Seeking licensing with MAS	NOT OPERATING
	HKMA	Hong Kong	*N/A*	Expected to be operating in Q3 2013
	ICE Trade Vault Europe	No information provided	No information provided	No information provided
	INFX	USA	CFTC	Expected to be operating in Q2 2013
	REGIS-TR	Luxembourg	No information provided	Operating
	SAMA TR	Saudi Arabia	SAMA	Operating
	UnaVista	UK		Expected to be operating in Q1 2014

CCPs by asset class

Asset Class	CCPs	Location	Authorities with which CCP is licensed, registered or hold an exemption	Status[80]
Interest rate	ASX	Australia	ASIC	Not operating
	BM&F BOVESPA	Brazil	CVM and BCB	Operating
	CME Group	US	CFTC; UKFSA (as ROCH); SEC	Operating
	CME Clearing Europe	UK	UK FSA	Operating
	HKEx	Hong Kong	Registering with SFC	Anticipated Q2 2013
	Eurex Clearing	Germany	BaFin; UK FSA; CFTC (Pending)	Operating
	JSCC	Japan	JFSA	Operating
	LCH.Clearnet Ltd.	UK	UK FSA, BoE, CFTC; pursuant to exemptions in Canada, Germany, and Switzerland.	Operating
	LCH.Clearnet LLC	US	CFTC	Not 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; [UKFSA (as ROCH)]; SEC	Operating
	Eurex Clearing	Germany	BaFin; UK FSA; CFTC (Pending)	Operating
	ICE Clear Credit	US	CFTC, SEC	Operating
	ICE Clear Europe	UK	UK FSA, CFTC, SEC	Operating
	JSCC	Japan	JFSA	Operating
	LCH.Clearnet SA	France	AMF (France); ACP; Banque du France, UK FSA (ROCH), CFTC (pending)	Operating
	Shanghai Clearing House	China	PBC	Operating

[80] For the purposes of this table, 'operating' means offering central clearing for the particular asset class listed as at10 April 2013.

Asset Class	CCPs	Location	Authorities with which CCP is licensed, registered or hold an exemption	Status[80]
Equity	ASX	Australia	ASIC	Not operating
	BM&F BOVESPA	Brazil	CVM and BCB	Operating
	CDCC	Canada	AMF (Québec), BoC	Operating
	Nasdaq OMX Stockholm	Sweden	Swedish Financial Supervisory Authority	Operating
	The Options Clearing Corporation (OCC)	US	CFTC, SEC	Not operating
Commodities	BM&F BOVESPA	Brazil	CVM and BCB	Operating
	CME Clearing Europe	UK	UK FSA	Operating
	European Commodity Clearing	Germany	BaFin, Bundesbank	Operating
	ICE Clear Europe	UK	UK FSA, CFTC, SEC	Operating
	LCH.Clearnet Ltd.	UK	UK FSA, BoE, CFTC; pursuant to exemptions in Canada, Germany, and Switzerland.	Operating
	Nasdaq OMX Stockholm	Sweden	Swedish Financial Supervisory Authority	Operating
	SGX Asiaclear	Singapore	MAS	Operating
Foreign Exchange	BM&F BOVESPA	Brazil	CVM and BCB	Operating
	CCIL	India	RBI	Operating
	CME Group	US	CFTC, UKFSA (as ROCH), SEC	Operating
	HKEx	Hong Kong	Registering with SFC	Anticipated Q2 2013
	ICE Clear Europe	UK	UK FSA, CFTC, SEC	Anticipated Q2 2013
	LCH.Clearnet Ltd.	UK	UK FSA, BoE, CFTC; pursuant to exemptions in Canada, Germany, and Switzerland.	Operating
	Nasdaq OMX Stockholm	Sweden	Swedish Financial Supervisory Authority	Not operating
	SGX Asiaclear	Singapore	MAS	Operating

Appendix II: Estimates of migration to central clearing based on WGMR data

This Appendix describes the calculations used to estimate the amount of non-centrally cleared OTC derivatives that could be expected to migrate to central clearing, using data collected by the WGMR.[81]

As part of developing its proposals around margin requirements for non-centrally cleared derivatives, the WGMR undertook a QIS in the second half of 2012. The respondent coverage of the QIS suggests that the survey captured participants responsible for the bulk of activity in the global OTC derivatives market.[82] (Row 4 of Table II.1 suggests that the coverage was about 75% of the global total notional amount of non-centrally cleared derivatives.)

As part of this exercise, survey respondents were asked to report the amount of derivatives that they were centrally clearing as at June 2012. Based on these results, the amount of trades estimated to be centrally cleared was around USD 285 trillion (or USD 143 trillion in double-counting-adjusted terms) across all asset classes (bottom two rows of Table II.1).

The QIS respondents were also asked what share of their existing portfolios they might expect to have moved to CCPs as various clearing requirements come into effect. To estimate this, respondents were given a comprehensive list of major OTC derivatives contracts that were being offered for clearing by CCPs.[83] Of derivatives that were not being centrally cleared as at June 2012, the QIS results suggested that around USD 184 trillion in gross notional outstandings might be expected to migrate to central clearing once clearing requirements came into effect (Table II.2). Around 50–55% of non-centrally cleared outstandings in rates, credit and equity derivatives were estimated as likely to migrate to central clearing, while only 13% of FX derivatives were expected to migrate.

Note that these figures are aggregates of the raw survey responses, and therefore have not been thoroughly reviewed for data quality. They have also not been adjusted for double-counting of trades that are between two QIS respondents, so the 'raw' migration figures (total of USD 184.6 trillion) is likely greater than the 'true' migration figures. Adjusting these using the double-counting adjustment factor implied in the first two rows of Table II.1, the migration to central clearing could be estimated as USD 125.3 trillion (Table II.3).[84]

Applying this 'adjusted' migration to the underlying data suggests that around 53% of total OTC derivatives notional principal outstanding could be expected to be centrally cleared in the next year or two, up from 28% in mid-2012 (Table II.4). Note that these percentages are

---

[81] BCBS and IOSCO (2013), 'Margin requirements for non-centrally cleared derivatives - Second Consultative Document', February. Available at: http://www.bis.org/publ/bcbs242.pdf.

[82] The QIS respondents were a slightly different group of entities than those who report for the BIS semi-annual survey, so numbers are not strictly comparable across the two data sources.

[83] The October 2012 changes in the US by futures exchanges ICE and CME may have impacted these numbers for the commodity asset class, but further information in this regard was not requested from respondents.

[84] This only captures the estimated migration of the QIS respondents. Where transactions not reported by QIS respondents also migrated to CCPs, the dollar amount of migration would be larger. On the other hand, the market coverage of the QIS respondents, and the likelihood that these respondents would be counterparties to the bulk of non-centrally cleared derivatives, might suggest that the overall migration may not be significantly higher.

not directly comparable to the original BIS-sourced data on aggregate market size, since the centrally cleared amounts have been adjusted for double counting.

Table II.1

Comparison of QIS respondent and global non-centrally cleared derivative activity

Based on WGMR 2013 Report, Table 2[85]

Total gross notional outstanding amounts, USD trillions

	Foreign Exchange	Interest Rate	Credit	Equity	Commodity	Other	Total
Total QIS-unadjusted: (1)	69.1	289.4	30.5	8.3	2.5	0.6	400.6
Total QIS-adjusted: (2)	50.8	194.0	18.1	6.3	2.3	0.5	272.0
Total BIS/FSB - non-centrally cleared: (3)	67.8	261.8	24.0	6.2	2.5	N/A	362.4
QIS coverage (2)/(3): (4)	75%	74%	75%	101%	90%	N/A	75%
Memo: Total centrally cleared: (5)	*0.0*	*277.8*	*6.6*	*0.2*	*0.8*	*N/A*	*285.4*
Centrally cleared adjusted for double counting (6)	*0.0*	*138.9*	*3.3*	*0.1*	*0.4*	*N/A*	*142.7*

Note: The data in rows (1) and (2) reflect current non-centrally cleared derivative positions of QIS respondents as of June, 2012. The data in row (3) reflect BIS and FSB data as of December, 2011. The BIS semi-annual data includes a category of 'unallocated' – this has been allocated across the five main categories on a pro rata basis. Row (5) of the table presents an estimate of the total amount of centrally cleared derivatives. In the case of the Interest Rate and Credit categories, this estimate is calculated by applying the percentage of derivatives that are centrally cleared taken from the December 2011 FSB report to the BIS OTC derivative statistics. In the case of all other asset classes, this estimate is calculated by applying the percentage of derivatives that are centrally cleared computed using data provided by QIS respondents to the BIS OTC derivative statistics. These figures double-count transactions that have been centrally cleared – both sides of the trade that have been novated to a CCP are captured by BIS statistics, and therefore row (6) halves the central clearing amounts to give the 'underlying' outstanding amounts across asset classes

[85] Original WGMR report tables were expressed in EUR millions. EUR converted to USD using exchange rate of 1.2577 as at end-June 2012 for all tables

Table II.2

Non-centrally cleared derivative activity before and after central clearing takes effect

Based on WGMR 2013 Report, Table 3

Total gross notional outstanding amounts, USD trillions

	Foreign Exchange	Interest Rate	Credit	Equity	Commodity	Other	Total
Before	69.1	289.4	30.5	8.3	2.5	0.6	400.6
After	60.2	134.8	15.3	3.7	1.5	0.5	216.0
Migration to central clearing	*8.9*	*154.6*	*15.3*	*4.6*	*1.0*	*0.1*	*184.6*
% reduction in non-centrally cleared amounts	13%	53%	50%	56%	40%	21%	46%

Note: The data above reflect the notional amount of non-centrally cleared derivative activity that will remain after central clearing mandates take effect (future portfolio). Each cell represents the simple sum of non-centrally cleared derivative notional amounts for each QIS respondent within each asset class and jurisdiction. Not adjusted for double counting of trades between QIS respondents.

Table II.3

Estimated migration to central clearing

Total gross notional outstanding amounts, USD trillions

	Foreign Exchange	Interest Rate	Credit	Equity	Commodity	Other	Total
'Raw' migration	8.9	154.6	15.3	4.6	1.0	0.1	184.6
Adjustment factor	*73%*	*67%*	*59%*	*75%*	*89%*	*79%*	*68%*
'Adjusted' migration	6.6	103.6	9.1	3.5	0.9	0.1	125.3

Note: The adjustment factor in row 2 is calculated as row (2) in Table II.1 divided by row (1) in Table II.1.

Table II.4

Estimated centrally cleared and non-centrally cleared trades

Total gross notional outstanding amounts, USD trillions

		Foreign Exchange	Interest Rate	Credit	Equity	Commodity	Total
Before migration	Centrally cleared	0.0	138.9	3.3	0.1	0.4	142.7
	Non-centrally cleared	67.8	261.8	24.0	6.2	2.5	362.4
	Centrally cleared as % of total	*0%*	*35%*	*12%*	*2%*	*13%*	*28%*
After migration	Centrally cleared	6.6	242.5	12.4	3.6	1.3	268.0
	Non-centrally cleared	61.2	158.2	15.0	2.7	1.6	237.0
	Centrally cleared as % of total	*10%*	*61%*	*45%*	*57%*	*44%*	*53%*
Percentage point increase in central clearing		10 ppt	26 ppt	33 ppt	56 ppt	31 ppt	25 ppt

Note: Figures for 'centrally cleared' count each trade once only, rather than both trades that would result once a previously non-centrally cleared trade was novated to a CCP.

Appendix III: International policy development

ONGOING WORK			
Commitment(s)	**Action**	**Responsible**	**Status**
Standardisation (benchmarking)	On-going submission of agreed improved standardisation matrices: - 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 credit, equity and interest rates due 30 September 2012.**
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**	**Roundtables with TRs and other stakeholders in October 2012**
Legal Entity Identifier	Work to put in place the legal and institutional framework for the governance and operational component of the global LEI system.	**FSB**	**Global LEI system to be launched on a self-standing basis by mid-2013**
FMI Recovery and Resolution	Guidance on FMI recovery and 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 recovery, resolution and resolution planning to be published in mid-2013**
Capital requirements	Interim regulatory capital adequacy rules for capitalisation of trade and default fund exposures to CCPs.6	**BCBS**	**Interim rules published in July 2012**
Central clearing	International standards on margin requirements for non-centrally cleared derivatives	**BCBS and IOSCO (in consultation with CPSS and CGFS)**	**Consultative report published in 2012; working toward final standards by end-2012**

WORK COMPLETED SINCE OCTOBER 2010[86]			
Commitment	**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**
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 second set of populated Standardisation Matrices for credit, equity and interest rate asset classes	**ODSG**	**Standardisation data for Q1 and Q2 2012 submitted September 2012**

[86] In instances where only a consultative report has been published, the consultative report is listed and, where possible, an estimated time frame for publication of the final report.

[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.

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 TRs			
Consultation on data reporting and aggregation	Consultative report on OTC derivatives data reporting and aggregation requirements.[88]	**CPSS and IOSCO**	**Consultative report published August 2011**
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.[89]	**CPSS and IOSCO**	**Published in January 2012**
Principles for TRs	**Principles for Financial Market Infrastructures,**[90] including TRs, consisting of principles for FMIs and responsibilities for authorities. Principles for Financial Market Infrastructures: Disclosure Framework and Assessment Methodology.[91]	**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.[5]	**FSB**	**Report published in June 2012**
Access to TR data	Consultative report on access by authorities to data reported to TRs.[92]	**CPSS and IOSCO**	**Consultative report published in April 2013**
Legal Entity Identifier	Global LEI system launched on self-standing basis.[93]	**FSB**	**LEI Regulatory Oversight Committee established in January 2013**

88 http://www.bis.org/publ/cpss96.pdf and http://www.iosco.org/library/pubdocs/pdf/IOSCOPD356.pdf.

89 http://www.bis.org/publ/cpss100.pdf and http://www.iosco.org/library/pubdocs/pdf/IOSCOPD366.pdf.

90 http://www.bis.org/publ/cpss101a.pdf and http://www.iosco.org/library/pubdocs/pdf/IOSCOPD377.pdf.

91 http://www.bis.org/publ/cpss101b.pdf and http://www.iosco.org/library/pubdocs/pdf/IOSCOPD377.pdf.

92 http://www.bis.org/publ/cpss108.pdf and http://www.iosco.org/library/pubdocs/pdf/IOSCOPD408.pdf.

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

EXCHANGE AND PLATFORM TRADING			
Trading of OTC derivatives	Report on trading of OTC derivatives, analysing: - 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: - 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.

Requirements for mandatory clearing	Report on Requirements for Mandatory Clearing setting out recommendations for the establishment of mandatory clearing regimes in relation to: - 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	Principles for Financial Market Infrastructures (PFMIs),[98] consisting of principles for FMIs and responsibilities for Central Banks, market regulators and other relevant authorities. Draft Assessment Methodology for Principles for FMIs and Responsibilities for Authorities.[99] Draft Disclosure Framework for FMIs, providing a template to assist FMIs in providing comprehensive disclosure.[100]	**CPSS and IOSCO**	**Published in April 2012** **Assessment Methodology and Disclosure Framework each published for consultation, April 2012**
Consultation on CCP Recovery and Resolution	Consultative report on Recovery and Resolution of FMIs analysing the application of the FSB's *Key Attributes for Effective Resolution Regimes* to FMIs.[101]	**CPSS-IOSCO**	**Consultative report published in July 2012**
Central clearing	Revision of BCBS supervisory guidance for managing settlement risk in foreign exchange transactions.[102]	**BCBS**	**Updated guidance published in February 2013**

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/cpss101b.pdf and http://www.iosco.org/library/pubdocs/pdf/IOSCOPD377.pdf.

100 http://www.bis.org/publ/cpss101c.pdf and http://www.iosco.org/library/pubdocs/pdf/IOSCOPD377.pdf.

101 http://www.bis.org/publ/cpss103.pdf and http://www.iosco.org/library/pubdocs/pdf/IOSCOPD388.pdf.

102 http://www.bis.org/publ/bcbs241.pdf.

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).[103]	**BCBS**	**Basel III capital framework published December 2010**
Capitalisation of trade and default fund exposures to CCPs	First consultation on regulatory capital adequacy rules for capitalisation of trade and default fund exposures of banks to CCPs.[104]	**BCBS**	**First consultative report published December 2010**
Capitalisation of trade and default fund exposures to CCPs	Second consultation on regulatory capital adequacy rules for capitalisation of trade and default fund exposures of banks to CCPs.[105]	**BCBS**	**Second consultation paper published November 2011**
Capitalisation of trade and default fund exposures to CCPs	Interim regulatory capital adequacy rules for capitalisation of trade and default fund exposures to CCPs.[106]	**BCBS**	**Interim rules published in July 2012**
Consultation on margin requirements for non-centrally cleared derivatives	First consultation on international standards on margin requirements for non-centrally cleared derivatives.[107]	**BCBS and IOSCO (in consultation with CPSS and CGFS)**	**Consultative report published in July 2012**
Consultation on margin requirements for non-centrally cleared derivatives	Second consultation on international standards on margin requirements for non-centrally cleared derivatives.[108]	**BCBS and IOSCO (in consultation with CPSS and CGFS)**	**Second consultative report published February 2013**

[103] http://www.bis.org/publ/bcbs189_dec2010.pdf.

[104] http://www.bis.org/publ/bcbs190.pdf.

[105] http://www.bis.org/publ/bcbs206.pdf.

[106] http://www.bis.org/publ/bcbs227.pdf.

[107] http://www.bis.org/publ/bcbs226.pdf and http://www.iosco.org/library/pubdocs/pdf/IOSCOPD387.pdf.

[108] http://www.bis.org/publ/bcbs242.pdf.

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

Table 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	As from 1993, derivatives are traded through Mercado Abierto Electronico (MAE), a market regulated by the CNV. MAE together with ROFEX and MATBA (other regulated markets) have a share of 75% of all derivative contracts traded in Argentina. Only 25% of the contracts traded by banks are pure OTC derivatives because they are not suitable for standardisation (and are closely monitored).	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.	As markets do exist for standardised derivatives, there is no need to develop new regulation but of expanding the variety of contracts offered in these markets.
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 Basel III capital requirements (including the Basel rules for capital requirements for bank exposures to central counterparties, released July 2012).	Yes. APRA has implemented Basel III capital requirements into its prudential standards as of 1 January 2013.
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 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 mid-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 non-deliverable forwards).	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 and efforts are being made to standardise interbank IRS contracts.	Yes, CDS transactions permitted since 2011 are standardised and efforts are being made to standardise IRS contracts	The process of standardisation is planned to be undertaken gradually. CDS transactions are currently standardised and a working group was recently constituted to recommend standardisation of IRS contracts. (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)
Mexico	Most (approximately 90%) of the OTC derivatives transactions in the Mexican market are plain vanilla interest rate swaps.	No.	Yes. Financial authorities have worked on the development of a general framework based on amendments to secondary regulation, currently under consultation by the major stakeholders.

Table 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**
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.
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.

Table 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**
Singapore	Yes (major participants in the domestic market are the G-15 dealers that have committed to increase standardisation).	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 will be implemented on 1 July 2013.	Yes, detailed regulations to implement the clearing and reporting mandate are being developed.
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 will become effective in Q2, 2013. Requirements for the authorisation of OTC Derivative Providers (issuers). (including confirmation timelines, reconciliation and compression) will be released for consultation in Q2, 2013 and are expected to be effective by Q4, 2013.	Yes: the *Registration and Code of Conduct Workgroup* 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 mid-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 New Capital Markets Law to introduce OTC derivatives as capital market instruments was enacted in December 2012 and the sub-legislation is expected to be adopted by end of Q2 2013.	Yes. An internal-working group was set up to prepare the legislative framework to comply with FSB principles.
United States	Yes.	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.	Yes: Additional CFTC and SEC final rules to be adopted, including CFTC 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.

Table 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.	Central Bank regulation Com. "A" 4725 provides incentives to trade derivatives on organised platforms that provide for central clearing. 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.	No.
Australia	The Australian legislative framework passed the parliament in November 2012 and became effective in December 2012. Implementing regulation and rules would be required before any mandatory obligations are imposed.	The legislative framework is in place and 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.	In order to implement a mandatory clearing requirement, the Minister would need to make a determination that a product or set of products should be subject to a clearing obligation. The Minister is required to consult with APRA, ASIC and the RBA prior to making any such determination. ASIC would then need to make rules in order to implement the clearing obligation for the products covered by the determination.
Brazil	No.	Pre-existing 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, if the transaction is accepted for clearing by the CCP.	No: mandatory clearing requirement applies only to exchange-traded derivatives.

Table 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**
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.	No further legislative and/or regulatory steps are needed in the case of federally-regulated financial institutions (FRFIs), which in Canada account for the great majority of standardized OTC derivatives. The Office of the Superintendent of Financial Institutions has communicated its expectations to FRFIs regarding central clearing, and will consolidate its guidelines for FRFIs in 2013 accordingly. For certain other institutions, some provinces need to finalise their legislation. Canadian Securities Administrators (CSA), expect to publish Model Rules for consultation 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 currently 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 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 Q4 2013.
Hong Kong SAR	Work on legislative drafting has started, with the aim of introducing the required legislative amendments before the legislature in around Q2 2013. Pending those amendments, an interim legislative proposal has been made 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. Taking into consideration the responses received from the consultation, the regulators are now working on the legislative documents to be submitted to the Legislative Council.	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. 70% of IRS trades currently being centrally cleared without requirements to do so. Mandatory central clearing of foreign exchange forwards will be introduced on 01 April 2013. It may take more time to achieve the necessary market activity to support central clearing of CDS 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.	Time frame for guaranteed settlement of CDS will be mandated after a critical level of volume is attained. A decision to standardise IRS trades has been taken (October 2012).
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

Table 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**
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'.
Mexico	Authorities expect to issue new regulation requiring all standardised PTC derivatives to be centrally cleared by Q2 2013. .	No.	Yes: Financial authorities have completed the general framework and are waiting to complete the last round of public consultation. Full implementation is expected by H1 2013.
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.
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 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 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 March 2013.	Yes. Development of detailed regulations is underway.
South Africa	The Financial Markets Act will become effective in Q2, 2013. This Act is the enabling act which will allow for the imposition of a requirement to centrally clear standardised derivatives through CCPs. Implementing regulations and board notices would be required before any mandatory obligations are imposed.	The Financial Markets Act will become effective in Q2, 2013. The implementation of Basel III capital requirements for non-centrally cleared derivatives will incentivise clearing from 1 January 2014. Enabling provisions regarding central clearing have been included in the regulations governing authorisation of OTC Derivative providers.	Yes, authorities will monitor movements towards central clearing based on incentives and the *Central Clearing Workgroup* will consider a mandatory clearing requirement for all standardised derivatives in 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 mid-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.
Turkey	Yes. The new Capital Markets Law, 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 and the sub-legislation is expected to be adopted by end of Q2 2013.	Under preparation.	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.

Table 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 of 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 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.	Central Bank regulation Com. "A" 4725 provides incentives to trade derivatives on organised platforms that provide for central clearing. From March 2011, CNV has required software for the trading of negotiable securities to have a messenger interface compatible with FIX ("Financial Information eXchange Protocol") to ensure a standard functionality for international interconnection. 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.	No.
Australia	The Corporations Legislation Amendment (Derivatives Transactions) Act was given royal assent on 6 December 2012 and its substantive provisions became effective on 3 January 2013. The legislative framework allows the imposition of a requirement to trade standardised derivatives on trading platforms or exchanges. Implementing regulations and rules would be required before any mandatory obligations are imposed.	A legislative framework to facilitate trade reporting gained royal assent on 6 December 2012.	Yes. Implementing regulations and rules will be required for standardised derivatives to be effective.
Brazil	No.	Capital incentives for use of exchange-traded derivatives.	No.
Canada	Under review.	None. A consultation paper will be published in Q4 2013 that will help inform regulators regarding the impact of a trading requirement.	Yes.

Table 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**
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 mid-2014.	Adoption of a MiFID II and MiFIR is expected by mid-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 mid-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	The regulatory proposal which has been reviewed by a panel committee of the Legislative Council is under legislative drafting, which will give regulators the power to impose a trading requirement, although 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.
India	No.	Mandated for all derivatives transactions involving repos in Government securities, IRS, forward rate agreements and foreign exchange forwards. RBI is examining a recommendation to introduce an anonymous trading platform for IRS.	Yes: Legislative amendments must be adopted and further market consultation is needed in order to finalise regulations for a mandatory trading requirement.
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).

Table 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**
Mexico	Authorities plan to enact secondary regulation to require a subset of standardised derivatives to be traded on electronic trading platforms.	No.	Yes. Financial authorities have completed the general framework and are waiting for completion of the last round of public consultation. Full implementation is expected by H1 2013.
Republic of Korea	No. This is under review.	Legislation not yet proposed; review of policy options underway.	No.
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.	None.	Yes. The Financial Markets Act will become effective in Q2, 2013 but additional regulation and market consultation would be needed.

Table 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**
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 mid-2013.
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 non-deliverable forwards, 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. In addition, the CFTC has proposed regulations with regard to 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 CFTC staff issued a one-time no-action letter to allow certain swap trading facilities and trading platforms to continue operating while CFTC completes final rules for swap execution facilities. The SEC has proposed rules pertaining to the registration and operation of trading platforms.	Yes: CFTC and SEC implementing rules regarding swap and 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 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	Single-dealer functionality permitted.	Yes.
Australia	TBD. Under the current market licensing regime – which is under review – a single-dealer platform is not required to be regulated as a market. Consequently, under the current market licensing regime, if mandatory trading is imposed it would initially be on platforms or markets which offer multi-dealer functionality.	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 to be published Q4 2013.	The issues will be explored in a consultation paper to be published Q4 2013.
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).
Mexico	Multi-dealer functionality required.	Yes.
Republic of Korea	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
Singapore	To be determined.	To be determined.

Table 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**
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 CFTC and SEC have 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 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. 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	On 6 December 2012, a legislative framework that allows the imposition of a requirement to report derivatives to trade repositories, trade on trading platforms or exchanges gained royal assent. The legislation also introduces a licensing regime for trade repositories.	A legislative framework to facilitate trade reporting gained royal assent on 6 December 2012. Treasury released a consultation paper on a proposed mandate on trade reporting in December 2012.	Yes. Once the Minister has made a determination regarding a particular class of derivatives, ASIC may make rules (derivatives transaction rules) dealing with execution requirements, reporting requirements or clearing requirements. Classes of derivatives may be defined with reference to any matter, including the underlying asset, or the time when the derivatives were issued. The minister may amend or revoke a determination. Counterparties to be subject to reporting requirements would be detailed under DTRs.	TBD. The Bill provides the potential for obligations to be satisfied by reporting to non-licensed but prescribed facilities. Section 906A provides the mechanism for the creation of regulations to govern their operation. It is expected that prescription (rather than licensing) will be used in very limited circumstances. For example, a government agency may be prescribed for certain reporting obligations; or trade repositories licensed under foreign regimes may be prescribed for the purpose of rules directed at facilitating compliance with foreign trade reporting obligations.
Brazil	Yes.	Pre-exiting rules enacted by the Central Bank 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.

Table 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**
Canada	No.	Some provinces have completed their enabling legislation, including those in which the majority of OTC derivatives transactions are booked, while in some other provinces legislation has been proposed. Canadian Securities Administrators published Model Rules on transaction reporting and trade repository operation in 2012. Ontario and Québec have amended legislation to support reporting to TRs and regulatory access to data. Canadian Securities Administrators published a consultation paper on TRs and most jurisdictions are assessing what legislative changes may be required. Ontario and Québec have amended legislation to support reporting to TRs and regulatory access to data.	Yes: Some provinces need to finalise their legislation. 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 2013 in those provinces in which enabling legislation is currently in place. Timing of compliance with the requirements will be phased in.	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.
European Union	Yes (EMIR).	EMIR entered into force in August 2012.	Yes: detailed technical standards implementing EMIR entered into force in March 2013.	Yes: reporting to ESMA where a TR is not able to record the details of an OTC derivative.

Table 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**
Hong Kong SAR	The regulatory proposal which has been reviewed by a panel committee of the Legislative Council is under legislative drafting, with the aim of introducing the required legislative amendments before the legislature in around Q2 2013. The intention is to take a phased approach, beginning with interest rate swaps and non-deliverable forwards.	A consultation paper on the proposed OTC derivatives regulatory regime for Hong Kong, including the proposed mandatory reporting requirements was released in October 2011 and the regulators published the conclusion paper in July 2012. Taking into consideration the responses received from the consultation, the regulators are now working on the legislative documents to be submitted to the Legislative Council	Yes, legislative amendments must be adopted and further market consultation is also needed before finalising the detailed regulations on the mandatory reporting requirement.	OTC derivatives transactions that have a bearing on the HK financial market will be required to be reported to the local TR to be developed by HKMA.
India	Yes, as per existing regulatory guidelines, banks and primary dealers should report IRS/FRA and foreign exchange derivatives transactions to the CCIL reporting platform; in the case of CDS, all market makers must report all trades (including client trades) on the CCIL's reporting platform. Reporting of client trades in foreign exchange derivatives under suitable confidentiality protocols has commenced from April 2013 and steps are being taken to institute the reporting framework for the client trades in respect of interest rate derivatives.	Regulatory guidelines issued in 2007 for reporting of IRS and FRAs; reporting of CDS required by regulation in 2011; regulatory guidelines issued in June 2012 and October 2012 for certain forwards, swaps and options.	No. However, some legislative changes have been proposed to provide strengthened/specific statutory provisions for regulation of TRs, facilitating reporting o OTC trades to TRs and dissemination of information by TRs to its members, in some instances, and to the regulators.	Not applicable.

Table 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**
Indonesia	Not applicable, as derivatives products may only be traded on exchange. The current regulation, Bapepam-LK, already requires OTC transactions to be reported to TRs, but that requirement only covers debt instruments (not derivatives). Banks are required to report interest rate derivatives and FX derivatives transactions to the central bank.	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.
Mexico	The proposed regulation will require all centrally cleared transactions to be reported to trade repositories.	No.	Yes. Financial authorities have finished a general framework based on amendments to the secondary regulation.	No: 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.
Republic of Korea	Yes. 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 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
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.
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 March 2013.	Yes (in the process of developing detailed regulations, subject to international developments).	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	The Financial Markets Act will become effective in Q2, 2013. This Act is the enabling act which will allow for the imposition of a requirement to centrally report all derivatives to TRs. Implementing regulations and board notices would be required before any mandatory obligations are imposed.	The Financial Markets Act will become effective in Q2, 2013. Enabling provisions regarding reporting have been included in the regulations governing authorisation of OTC Derivative providers.	Implementing regulations and board notices would be required before any mandatory obligations are imposed.	No.

Table 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**
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 mid-2013.	Under review.
Turkey	The new Capital Markets Law which was enacted in December 2012 includes provisions related to TRs and will give the CMB authority to require transactions to be reported directly to an authorised TR. Although not currently required, equity linked OTC derivatives transactions and leveraged foreign exchange transactions are required to be reported to the Istanbul Stock Exchange (ISE) or the ISE Custody and Settlement Bank.	Under review	Yes. An internal working group was set up to prepare the legislative framework consistent with FSB principles.	The new Capital Markets Law will give CMB the authority to require capital markets transactions (including OTC derivatives) to be reported directly to the CMB or to an authorised TR.
United States	Yes.	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	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 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**
		phased in by swap class and type of counterparty. With respect to interest rate and credit swaps, swap dealers began reporting on December 31, 2013, major swap participants began reporting interest rate and credit swaps on February 28 2013. With respect to equity swaps, foreign exchange swaps and other commodity asset classes, swap dealers and major swap participants began reporting 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 will begin reporting interest rate and credit swaps on July 1, 2013 and all asset classes on August 19, 2013. The CFTC set a common date for compliance with the data reporting requirement so that swap dealers that register early will be subject to the requirement on the same day as swap dealers that register later. 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		

Table 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**
		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.		

Table 6 Application of central clearing requirements			
	Coverage of all asset classes	**Coverage of all types of financial entities**	**Intra-group transactions**
Argentina	Yes (for derivatives markets under the jurisdiction of the CNV).	Yes (for derivatives markets under the jurisdiction of the CNV).	No, if not traded through regulated markets.
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 smaller financial entities and smaller end users would be exempt).	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. Canadian Securities regulators 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 non-deliverable forwards 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. Specific details on exemptions from clearing will be provided when the regulators consult on the detailed requirements in summer 2013.

Table 6 Application of central clearing requirements			
	Coverage of all asset classes	**Coverage of all types of financial entities**	**Intra-group transactions**
India	A central clearing facility is available for interest rate swaps, foreign exchange forwards, and repos in government securities; central clearing for CDS will be considered, depending on market development. Mandatory guaranteed settlement of forex forwards will be introduced 01 April 2013. Steps taken support central clearing of IRS.	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.
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 houses.	No. Exemptions for intra-group transactions are not planned.
Republic of Korea	Yes. (Initially, the requirements will apply to Won interest rates swaps and extend to other products, in phases.)	Yes.	Under review.
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 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 non-deliverable forwards, 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 finalised by the CFTC; exempting inter-affiliate transactions from clearing is under consideration by the SEC.

Table 7 CCP location requirements	
Argentina	No.
Australia	No, but appropriate measures to ensure adequate domestic regulatory oversight will be imposed on foreign CCPs, which could require some Australian presence where a CCP is systemically important.
Brazil	No.
Canada	No.
China	Yes (Shanghai Clearing House).
European Union	No.
Hong Kong SAR	No.
India	Yes (CCP must be located in India and subject to the jurisdiction of the home country regulator).
Indonesia	Currently, derivatives in Indonesia are relatively very low and only traded on exchange. Hence, there is currently no plan to establish a CCP for OTC derivatives.
Japan	Yes, domestic CCP clearing is required for those derivatives required "to be aligned with the domestic bankruptcy regime"; iTraxx Japan series of CDS index trades are to be included.
Mexico	Authorities have determined to recognize CCPs based on their access policy and soundness, not on location.
Republic of Korea	No.
Russia	Only Russian entities can be granted a CCP license.
Saudi Arabia	No.
Singapore	No.
South Africa	No.
Switzerland	No.
Turkey	Under review, but expected to be concluded that the CCP will be located in Turkey and subject to the home country regulator.
United States	No.

Appendix V: 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	**Tiak-Peow Phua** 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 Services Authority
USA	**Warren Gorlick** Associate Director, Office of International Affairs Commodity Futures Trading Commission
	Kim Allen Senior Special Counsel, Division of Trading and Markets 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
	Ruth Walters Member of Secretariat