

Korea's Planned Actions to Address Legal Barriers in relation to the Trade Reporting
(As of end of May 2017)

1. Planned Actions to Address Legal Barriers to Trade Reporting

1) Reporting of Trade Information pursuant to Domestic Requirements

At present, the BOK, the FSS, and the KRX have in place separate trade reporting regimes in relation to derivatives transactions, based on which they store and manage relevant information. However, in order for full-fledged implementation of G20 commitment to mandatory trade reporting, it was necessary to set up a consolidated TR that is mandated to collect details of each OTC derivatives transaction. In acknowledging this, the FSC announced its plan to introduce a TR in June 2014 and designated the KRX as a preliminary TR in August 2015. Since the FSC needs to review how to consolidate the separate regimes, it announced relevant plans in November 2016 and is cooperating with the FSS, the BOK, and the KRX to come up with detailed measures.

■ Reporting information into domestic TRs

Even though KRX is a preliminary TR, once a new regime is completed any person will be able to engage in the trade repository business if it received FSC's authorization, and all derivative transaction data will be reported to domestic TRs. However, we are planning to have a single TR in the short run considering the domestic market circumstances.

■ Reporting information into foreign TRs

Any foreign TR that is approved of the regulatory equivalence will be permitted to receive FSC's authorization for TR business, and domestic and foreign financial institutions will be able to make trade reporting through foreign TRs.

2) Reporting of Trade Information pursuant to Foreign Requirements

There is no legal barrier to the reporting of transactions to either domestic or foreign TRs pursuant to foreign requirements in the domestic legal framework. Currently, domestic financial institutions are reporting to a foreign TR pursuant to foreign requirements based on standing consents.

3) Counterparty Consent

Given that trade repositories handle OTC derivatives transaction information including counterparties' privacy, counterparty-consent is required according to the current legal framework. In practice, Korean financial institutions have already been receiving counterparties' standing consent upon provision of financial transaction data to TRs. Currently, we are reviewing whether counterparties' standing consent would be remained in the fresh regime or counterparty-consent requirement would be exempt.

4) Discontinuation of Masking

Korean legal and regulatory framework permits provision of transaction information without masking, if counterparty-consent is obtained.

2. Planned Actions to Address Legal Barriers to Authorities' Access to TR-held Data

1) Domestic and Foreign Authorities' Access to Information Held by Domestic TR

Once the consolidated TR is established, the FSC, as the primary authority responsible for management and supervision of TRs, will be expected to have unlimited, direct access to TR-held data. In terms of non-primary authorities such as the FSS, BOK and Ministry of Strategy and Finance may access TR-held data directly or KRX as a TR may provide information or aggregate data to non-primary authorities if requested for suitable purpose. However, foreign authorities will be able to access data based on MoU.

2) Information Sharing with Other Domestic TRs or Foreign TRs

Regarding sharing information or TR-held data among the domestic TRs, they can share respective information and data with each other directly. For this, TRs need an MoU among themselves for the practical reason such as the scope of information shared, how to share it, usage of provided information and data, etc. However, as mentioned above there is going to be a single domestic TR in Korea for a moment. On the other hand, in terms of domestic TRs' sharing information and data with foreign TRs directly, we need a specific MoU between both TRs based on prior permission from their respective authorities. This case needs a MoU between authorities as well.

3. Use of TR-held Data

We are planning to adopt international recommendations on the use of identifiers, to prepare for verification of reporting items and data qualifications, and for information sharing with foreign TRs.

- UTI & UPI: We are planning to adopt international standards on introduction and management of UTIs and UPIs on which CPMI-IOSCO are currently leading discussion in an attempt to consolidate issuance standards and data formats.
- LEI: As for legal entities, we are planning to require indicating LEI as a counterparty identifier for book-keeping purpose.

TR will be responsible for providing data to the supervisory authority to help systemic risk management, and for disclosing data related to outstanding balance and transaction performance to the general public.