



15th January 2014

Bank Negara Malaysia,
Securities Commission Malaysia,
Perbadanan Insurans Deposit Malaysia (PIDM)

Re: Consultation Paper, NO. 1/2013 on TR reporting requirement for Over The Counter (OTC) derivatives

SWIFT is grateful for the opportunity to respond to the above consultation paper on Trade Repository reporting requirements for Over-The-Counter derivatives, co-issued by the Bank Negara Malaysia (BNM), Securities Commission Malaysia (SC) and Perbadanan Insurans Deposit Malaysia (PIDM). The comments contained herein are focused on specific areas pertaining to SWIFT's expertise.

SWIFT is a member-owned cooperative through which the financial world conducts its business operations with speed, certainty and confidence. More than 10,000 entities in 212 countries trust us every day to exchange millions of standardised financial messages. SWIFT's community is comprised of banks and other financial institutions active in the banking and securities markets, as well as market infrastructures and corporates.

SWIFT's global headquarters are in Belgium, however our activity is global. We have 23 offices around the world, including a global shared services centre in Kuala Lumpur and nine commercial and support centres in the Asia Pacific region.

SWIFT enables the automation and standardisation of financial information, thereby lowering costs, reducing operational risk and eliminating inefficiencies from their operations. By using SWIFT, customers can also create new business opportunities and revenue streams. Our core activity involves the secure exchange of proprietary data while ensuring its confidentiality and integrity. We provide the proprietary communications platform, products and services that allow our customers to connect and exchange financial information securely and reliably. SWIFT also acts as the catalyst that brings the financial community together to work collaboratively to shape market practice, define standards and consider solutions to issues of mutual interest.

Additionally, SWIFT is the global authority for financial messaging standards, acting as ISO Registration Authority for the ISO 20022 and 15022 financial messaging standards, as well as for the ISO 9162 Business Identifier Code (BIC) and other data standards.

SWIFT has been actively engaged in the Financial Stability Board (FSB) process covering legal entity identification (LEI). In 2013 SWIFT, working with the DTCC, received endorsement from the Global LEI Regulatory Oversight Committee (ROC) as a provider of pre-LEIs for the Global LEI system, which is currently under development. We believe firmly that use of the LEI, as well as the use of standardised financial messages, can contribute significantly to ensuring that Malaysia's objectives of enhancing data availability and further improving the transparency of OTC derivatives markets can be realised.

We would be pleased to engage further with the Regulatory Agencies on these and other aspects of the reporting requirements, and indeed to further elaborate on any other comments set out in our response.

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General Comment

We recommend that the Malaysian Regulatory Agencies, in establishing their reporting requirements, observe Principle 22 of the CPSS-IOSCO recommendations for financial market infrastructures (FMIs). Principle 22 covers communication procedures and standards and states that an FMI “*should use or accommodate the relevant internationally accepted communication procedures and standards in order to facilitate efficient recording, payment, clearing, and settlement across systems*”.

The widest possible adoption by market infrastructures of globally recognised, standardised communication procedures and data standards will help to reduce operational risks for financial firms linking to multiple market infrastructures, specifically trade repositories.

For reporting to trade repositories, it is particularly important that there is global consensus upon the data elements required to be reported, as well as the standards which should be used for those data elements. Such an approach would bring greater certainty for those financial firms obliged to report to multiple authorities. It also allows for better cooperation for data aggregation and comparison by regulatory authorities across different jurisdictions as well as for global benchmarking.

SWIFT has actively supported the FSB process to implement a global solution for Legal Entity Identification (LEI) to be used in regulatory reporting, work that is now being taken forward by the Global Regulatory Oversight Committee (ROC). In August 2012 SWIFT & DTCC launched a Utility (www.ciciutility.org) initially for assigning pre-LEIs for reporting to the US CFTC. The Utility was built, and is operated, on a cost-recovery basis as required by the ROC. The Utility was endorsed by the ROC in October 2013 to issue pre-LEIs for use in regulatory reporting globally.

We have now registered over 95,000 pre-LEIs that are available for use in regulatory reporting globally. Indeed, when the European trade reporting requirements under the European Market Infrastructure Regulation (“EMIR”) come into effect on 12 February 2014, the pre-LEIs issued by the Utility will be eligible for use in derivatives trade reports.

In addition to the LEI, SWIFT is closely engaged with the industry to enable access to trade repositories based on industry standardised messaging and data formats. Standardised messages supported by SWIFT, and currently used by the industry for OTC derivatives trade confirmations (FX, rates, and commodities derivative trades), could also be used for reporting to the proposed Malaysian Trade Repository.

SWIFT also offers a secure and standardised communications channel to enable our community to physically connect to trade repositories globally: For instance, REGIS-TR in Europe accepts reporting via SWIFT using standard derivatives trade confirmation formats, whilst the DTCC Global Trade Repository supports reporting via SWIFT file communication for initial trade submission, as well as uploading of other data, such as mark-to-market valuations.

Commentary on specific sections

On Data Requirements and reporting frequency 4.11 and 4.12

Legal Entity Identifier vs. SWIFT Code

We believe that the CPSS-IOSCO final report on *OTC Derivatives and Data Reporting and Aggregation Requirements* referenced in the consultation paper should be used as the basis for the Regulatory Agencies' trade reporting data requirements.

This CPSS-IOSCO document recommends the use of a Legal Entity Identifier for the identification of the parties to a trade. We would therefore encourage the use of the LEI and not the BIC (sometimes referred to as the SWIFT Code) for the identification of the following parties (as listed in Annex 1 of the consultation paper): Counterparty ID (1), Counterparty ID (2), Broker ID, Reporting Agent ID, Settlement Agent of reporting counterparty, Settlement Agent of non-reporting counterparty.

As other regulators globally are adopting the Legal Entity Identifier (US, EU, HK, SG, AU, etc.), we believe it is important that all regulators looking at implementing mandatory trade reporting also adopt the LEI. This will enable both the exchange of information between regulators, and the easier aggregation of the data needed for an efficient regional or global approach to systemic risk monitoring and management.

As in other jurisdictions, the SWIFT Code (ISO 9162 Business Entity Identifier – BIC) can be used as an alternate identifier in the absence of the LEI, along with the company registration number. This, however, should only be done during an interim period while all necessary LEIs are awaiting issuance.

SWIFT would be glad to further engage with the Regulatory Agencies to explain how Malaysia can leverage the SWIFT-DTCC pre-LEI utility to manage the introduction of the LEI for local reporting requirements.

ISO Date format:

SWIFT recommends that all dates be formatted as per the ISO 8601 Date format (YYYYMMDD instead of DD/MM/YYYY) to ensure consistency and compatibility with most software and messaging protocol specifications.

On Data Requirements and reporting frequency 4.15 (a) & (d)

For reporting trade confirmation details to the trade repository, standard SWIFT messages could be leveraged. As noted earlier, such messages are currently used by many in the industry for FX and rates derivatives trade confirmations, including interest rate swap confirmations.

SWIFT would be able to support reporting either on an intra-day or T+1 basis, (depending on the final requirement), and from either one or both sides of the transaction.

For reporting of collateral information, international messaging standards (ISO 15022 or 20022) exist that we would expect to cover all of Malaysia's eventual collateral reporting requirements. In order to minimise implementation costs, we would recommend the re-use of these ISO messages which are already familiar to reporting entities around the world.