MANAGED FUNDS ASSOCIATION
The Voice of the Global Alternative Investment Industry
WASHINGTON, DC | NEW YORK

March 26, 2012

Via Email: derivatives@mas.gov.sg

Capital Markets Department
Monetary Authority of Singapore
10 Shenton Way
MAS Building
Singapore 079117

Re: Consultation Paper on Proposed Regulation of OTC Derivatives

To whom it may concern:

Managed Funds Association[1] appreciates the opportunity to provide comments to the Monetary Authority of Singapore ("**MAS**") on its "Consultation Paper on Proposed Regulation of OTC Derivatives" dated February 2012 (the "**Consultation**").[2] MFA thanks MAS for offering interested parties an important opportunity to provide input into the proposed over-the counter ("**OTC**") derivatives regulatory regime. We recognize that many of these areas are complex and new to regulatory oversight, and we pledge to be active and constructive participants throughout the process and support MAS in its efforts to meet its G20 commitment to enhance oversight of the OTC derivatives market.

As active, longstanding participants in the OTC derivatives market, MFA members have a strong interest in promoting its integrity and proper functioning. We strongly support the goals of OTC derivatives regulation to enhance transparency and reduce systemic risk. We also believe that a well-functioning OTC derivatives market is essential to support efficient capital flows, given its critical role in the investment and risk management activities of many market participants. In keeping with this spirit, we respectfully offer our comments on the proposals in the Consultation to help bolster the efficacy of the proposed regulatory regime and minimize any adverse impacts or unintended consequences in its implementation.

I. Proposed Clearing Mandate

MFA supports MAS's efforts to reduce systemic risk by transitioning appropriate OTC derivatives transactions to a mandatory clearing regime. We believe that mandatory clearing is

[1] Managed Funds Association ("**MFA**") represents the global alternative investment industry and its investors by advocating for sound industry practices and public policies that foster efficient, transparent and fair capital markets. MFA, based in Washington, DC, is an advocacy, education, and communications organization established to enable hedge fund and managed futures firms in the alternative investment industry to participate in public policy discourse, share best practices and learn from peers, and communicate the industry's contributions to the global economy. MFA members help pension plans, university endowments, charitable organizations, qualified individuals and other institutional investors to diversify their investments, manage risk and generate attractive returns. MFA has cultivated a global membership and actively engages with regulators and policy makers in Asia, Europe, North and South America, and all other regions where MFA members are market participants.

[2] Available at: http://www.mas.gov.sg/resource/publications/consult_papers/2012/OTCDerivativesConsult.pdf.

essential to reducing systemic, operational and counterparty risk. While we expect a bilateral market to remain for customized business and risk management needs, we believe that mandatory clearing is a key first step that will offer increased regulatory and market efficiencies, greater market transparency and competition.

A. Implementation of Clearing Mandate

MFA strongly supports the establishment of a phased implementation approach to facilitate an orderly transition by all relevant market participants to mandatory clearing of their derivatives transactions. We believe that it is important to ensure implementation of the proposed regulation proceeds in a manner that strengthens the derivatives markets and does not impair market participants' ability to mitigate risk through derivatives transactions. As a result, we strongly support MAS's decision to proceed with regulations for which the infrastructure already exists (*e.g.*, the proposed clearing mandate) and to delay certain regulations in favour of further industry study or allowing time for the build out of necessary systems prior to adoption (*e.g.*, the trading mandate).

In addition, we encourage MAS to establish a firm timetable for implementing the clearing mandate for appropriately liquid and standardized transactions in order to: (i) give industry participants the confidence to commit resources to the new market paradigm; (ii) incentivize industry participants to develop competitive services that will overcome the current structural and economic barriers to widespread clearing; (iii) provide market participants with the appropriate time to evaluate relevant regulations and make any necessary adjustments to their business models or portfolio composition; and (iv) provide market participants with the time required to resolve outstanding operational issues and documentation prior to compliance with the mandatory clearing requirement.

B. Mandatory Client Access to Clearing

Although not discussed in the Consultation, we emphasize the need for MAS to facilitate client clearing.[3] In various markets, clients, including our members, have undertaken significant steps to prepare for greater, open access to clearing. For example, a number of client firms have negotiated clearing arrangements, tested margin methodologies, tested straight-through processing and worked through a wide range of operational and reporting prerequisites to clearing in volume. Clearing members have also been working for several years now on structuring offerings to clients, including smaller clients with limited operational capacity, to support widespread clearing. However, several key impediments to client clearing remain in the OTC

[3] MFA consistently has urged regulators to adopt timetables to implement OTC derivatives reforms, including central clearing of derivatives for clients. *See e.g.*, MFA letter to the Chairman of the U.S. Commodity Futures Trading Commission's ("**CFTC**"), Gary Gensler, and to the Chairman of the U.S. Securities and Exchange Commission ("**SEC**"), Mary Schapiro, dated March 24, 2011, in which we provided our recommendations for facilitating prompt implementation of OTC derivatives reforms in the U.S., available at: http://www.managedfunds.org/wp-content/uploads/2011/06/3.24.11-MFA-Letter-to-Chairman-Schapiro-3-24-11-1.pdf. In addition, in an attachment to that letter, MFA also provided a timeline for adoption and implementation of all OTC derivatives regulations in the U.S. as well as a timeline that articulated clear, practical, measurable milestones for all stakeholders to move clearing forward decisively, available at: http://www.managedfunds.org/wp-content/uploads/2011/06/3.24.11-MFA-Title-VII-Rulemaking-Implementation-Doc-FINAL-3-22-11.pdf.

derivatives market,[4] and thus, MFA would be pleased to provide MAS with recommendations for provisions that would ensure the proposed regulatory regime for OTC derivatives addresses such impediments.

As a result, we feel strongly that regardless of what products MAS initially makes subject to the clearing mandate, once clearing is available for any product, MAS should require mandatory access to clearing for all eligible market participants that desire to clear that product on a voluntary basis. Indeed, we believe that providing market participants access to voluntary clearing will help to facilitate the development of a clearing infrastructure that takes into account the views of many types of market participants.

C. Proposed Clearing Threshold

With respect to the proposed clearing mandate, we are concerned about limiting the mandate only to "entities above relevant thresholds"[5] that are subject to the central clearing requirement through an eligible central counterparty ("**CCP**"). We understand that MAS is proposing to use the clearing threshold "to balance the benefits of central clearing against the costs that central clearing may impose upon market participants".[6] Although MFA commends MAS for its efforts to strike a balance between the benefits and costs, we do not believe that the proposed balance is workable in this context because we believe that the application of this threshold is contrary to the goal of incentivizing greater clearing and will prove administratively burdensome. In particular, MFA's members have dynamic business models where the average notional value of the positions in their transaction portfolios may turnover, increase or decrease substantially from one six-month period to the next. Accordingly, unlike other market participants, our members have the potential to routinely fall above and below any specified threshold.

As a result, we recommend that MAS not apply a clearing threshold and instead impose the mandatory clearing obligation based solely on the type of market participants that are parties to the transaction. While we appreciate that MAS desires not to impose the clearing mandate on certain smaller or less actively trading financial institutions,[7] we believe that there are preferable options for addressing this issue (*e.g.*, other G20 countries have proposed clearing regimes that could provide useful guidance).[8] More importantly, we believe that eliminating this threshold and

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[4] *See* the "Framework for the Open Items List from Buy-Side Participants of Actions Required for Buy-Side Access to Clearing", which provides a list of key impediments to buy-side clearing, and was sent to a number of U.S. regulators in March 2010 as part of an industry effort sponsored by the U.S. Federal Reserve Bank of New York, available at http://www.managedfunds.org/wp-content/uploads/2011/06/3.24.11-Key-Impediments-to-Buy-Side-Clearing-FINAL-March-2010.pdfvb.

[5] Consultation at 8, where MAS proposes to exclude from the clearing mandate financial entities that are determined to have minimal exposure in derivative contracts.

[6] *Id*.

[7] *Id*. at 8-9, where MAS sets forth the criteria that it will consider in setting the clearing threshold for non-financial entities, and where MAS proposes to exclude from the clearing mandate financial entities that are determined to have minimal exposure in derivative contracts in recognition of the fact that derivative contracts are not widely used by all financial entities.

[8] *See e.g.*, Sections 723(a)(3) and 763(a) of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "**Dodd-Frank Act**"), which require market participants to clear any swap that a clearing agency will accept

imposing the clearing mandate based solely on type of market participant, rather than amount of derivatives exposure, would create clear delineations that would give market participants certainty and consistency as to whether they must clear their transactions, and would avoid the burden on MAS of establishing, calibrating, administering and monitoring compliance with such a threshold.

D. Backloading of Outstanding Contracts

In the Consultation, MAS proposes to "to require backloading of outstanding derivative contracts with remaining maturity of more than one year for products which are subject to mandatory central clearing" in response to recommendations from the Financial Stability Board.[9] As mentioned herein, MFA supports the proposed clearing mandate as well as mandatory access to clearing; however, we respectfully request that MAS reconsider this requirement because, as MAS mentions in the Consultation,[10] we think that the costs of such a requirement exceed the benefits of mandating clearing of those transactions. To comply with such a requirement, market participants would have to enter into costly renegotiations of trade terms, which are difficult to accomplish during the life of the trade, or it could force market participants to have to terminate certain trades. We also believe that mandating backloading is unnecessary from a systemic risk perspective, since implementation of the clearing mandate for new transactions will allow MAS to meet its obligation to reduce systemic risk, and since we believe that some market participants will choose voluntarily to backload trades. In addition, it is important that MAS not require backloading to ensure international harmonization of regulations,[11] which as discussed further in Section V below, we think is of paramount importance to prevent harm to the markets.

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for clearing, but excludes a swap transaction if one of the counterparties to the swap: "(i) is not a financial entity [as defined in Sections 723 and 763 of the Dodd-Frank Act]; (ii) is using swaps to hedge or mitigate commercial risk; and (iii) notifies the [relevant U.S. regulatory agency] . . . how it generally meets its financial obligations associated with entering into noncleared swaps", available at: http://housedocs.house.gov/rules/finserv/111_hr4173_finsrvcr.pdf. MFA cites the Dodd-Frank Act as merely one example of a workable approach and appreciates that MAS may wish to consider other examples.

[9] Consultation at 13.

[10] *Id.*

[11] We note that legislators and regulators in the U.S. and the European Union have exempted existing derivative transactions from their respective clearing mandates.

See Sections 72(a)(3) and 763(a) of the Dodd-Frank Act, which propose to exempt swaps entered into before the date of the enactment of the Dodd-Frank Act from the mandatory clearing requirements if those swaps are reported pursuant to the provisions in the Dodd-Frank Act; *see also* Article 3(1)(b) of the European Commission's "Proposal for a Regulation of the European Parliament and of the Council on OTC derivative transactions, central counterparties and trade repositories", which proposes to apply the clearing obligation only to derivative contracts that are entered into or novated either: (i) on or after the date from which the clearing obligation takes effect; or (ii) on or after a competent authority notifies ESMA that it has authorised a CCP to clear a class of OTC derivatives but before the date from which the clearing obligation takes effect if the contracts have a remaining maturity higher than the minimum remaining maturity determined by the European Commission.

II. Proposed Reporting Mandate

In the Consultation, MAS proposes to require certain market participants to report derivatives contracts across all asset classes to eligible trade repositories ("**TRs**").[12] MFA fully supports the need for MAS to receive timely transaction reporting in order to have transparency, assess systemic risk, conduct resolution activities and provide effective oversight of the financial markets. In addition, MFA supports MAS's efforts to harmonize the scope of information subject to the reporting mandate with proposed international standards.[13]

A. TR Confidentiality Protections

MFA appreciates and supports MAS's proposal in the Consultation to require approved trade repositories and recognised overseas trade repositories to "maintain confidentiality of user information, similar to sections 21 and 68 of the [Securities and Futures Act] in respect of markets and clearing facilities".[14] In addition, we note MAS's support for international adoption of legal entity identifiers ("**LEIs**"), which would be used for identifying parties in a derivative contract.[15] As mentioned above, MFA recognizes the need for regulators to have access to information about market participants' activities in order to have a comprehensive view of the markets and effectively oversee the financial system. In addition, we understand that it is necessary to permit TRs to collect data for such oversight purposes. At the same time, we are still concerned about, and want to emphasize the importance of, maintaining utmost confidentiality of the transaction data reported as well as counterparty identification information.

MFA's members invest heavily in their customized and proprietary investment strategies, which form the foundation of their businesses. Disclosure of transaction-level data[16] or identifying information (such as LEIs), whether intentional or accidental, could reveal such strategies to the market, thus, undermining our members' intellectual property and inviting copycat behaviour. Therefore, we recommend that MAS augment the proposed reporting mandate and confidentiality requirements by expressly requiring TRs to establish, maintain and enforce written policies and procedures: (1) specifying that it will use any confidential information it receives solely for the purposes of fulfilling its regulatory obligations; and (2) that limit access to confidential information exclusively to directors, officers, employees, agents and representatives of TRs who need to know such information to fulfil their regulatory obligations. We would also request that MAS clarify whether it proposes to disseminate to the public any of the reported data or identifying information, and if so, what confidentiality protections will MAS

[12] *See* Consultation at 15-22.

[13] *Id*. at 19-20, which discusses the reporting recommendations set forth in the "Report on OTC derivatives data reporting and aggregation requirements", dated August 2011 issued by the Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Commissions, available at: http://www.bis.org/publ/cpss96.pdf.

[14] *Id*. at 38.

[15] *Id*. at 20.

[16] *Id*. at 19-20, where MAS discusses that the scope of the data subject to the reporting mandate would include transaction-level data.

require TRs to implement to ensure adequate protection of that data and information (*e.g.*, only aggregated data will be publicly disseminated).

In addition, with respect to commercial use by TRs of the data each collects, MFA strongly urges MAS to expressly prohibit TRs from using data each maintains for the commercial or business purposes of it or any of its affiliated entities.[17] We believe the addition of the foregoing confidentiality protections, policies and procedures will ensure adequate protection of market participants' proprietary information and that they will utilize TRs with confidence.

B. Foreign Regulator Access to Transaction Data

In the Consultation, MAS discusses the indemnity that U.S. regulators require from foreign regulators requesting data from a TR licensed in its jurisdiction, as well as MAS's decision not to require a similar indemnity from foreign regulators accessing data maintained by approved or recognised overseas trade repositories.[18] While MFA supports foreign regulators having appropriate access to transaction data maintained by TRs for purposes of monitoring and regulating systemic risk, we are concerned about foreign regulators having unlimited access to the data. As a result, we request that MAS: (1) establish policies and procedures that limit access only to a foreign regulator that is acting clearly within the scope of the regulator's authority and for a well-defined regulatory purpose; and (2) actively participate in facilitating appropriate access limitations and confirming a foreign regulator's relevant authority in connection with any data request.[19] We believe that these measures would appropriately protect the proprietary nature of market data without constraining other regulators' legitimate needs to receive data necessary to oversee the financial system.[20]

C. Proposed Reporting Threshold

In the Consultation, MAS proposes "to require all financial entities, as well as non-financial entities above a certain threshold to report their derivative contracts to eligible TRs", if the contracts are subject to the reporting mandate and are booked or traded in Singapore.[21] As with the proposed clearing threshold,[22] MFA believes that MAS should not apply a reporting threshold because we do not believe that the proposed reporting mandate will impose an undue burden on smaller or less active market participants. Rather, we believe it is likely that most

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[17] *See e.g.*, CFTC Final Rule on "Swap Data Repositories: Registration Standards, Duties and Core Principles", 76 Fed. Reg. 54538 (Sept. 1, 2011), which includes sample language for such a prohibition, available at http://www.cftc.gov/ucm/groups/public/@lrfederalregister/documents/file/2011-20817a.pdf.

[18] Consultation at 39.

[19] *See* supra footnote 12 for sample requirements for foreign regulator access to data maintained by trade repositories.

[20] *See* the CFTC and the SEC Joint Final Rule on "Reporting by Investment Advisers to Private Funds and Certain Commodity Pool Operators and Commodity Trading Advisors on Form PF", Release No. IA-3308; File No. S7-05-11, which discusses the controls and systems that those agencies are developing to protect the confidential data that they will collect, available at http://www.sec.gov/rules/final/2011/ia-3308.pdf.

[21] Consultation at 16-17.

[22] *See* Section II above.

transactions that are booked or traded in Singapore will also involve a financial entity,[23] which are typically dealers or other large and more active market participants. Thus, since only one party to a transaction is required to report it, the reporting burden would fall on such financial entities or an agreed third party (*e.g.*, CCP or electronic trading platform).[24] Consequently, given the importance of transaction reporting for purposes of market transparency and regulatory oversight, we encourage MAS to require reporting of all transactions that involve relevant Singapore market participants.

III. Margin Requirements

In the Consultation, MAS states that it will consult on proposed margin requirements after "taking into account upcoming international standards on margin requirements for non-centrally cleared derivatives".[25] In the event that MAS decides to proceed with margin requirements for non-centrally cleared derivatives transactions, MFA believes it is critical that such requirements ensure that a well-functioning market for non-cleared transactions remains and that any such requirements are not so punitive that the market for non-cleared transactions becomes destabilized. Even after greater clearing has become commonplace, market participants will need a market for non-cleared transactions to meet their trading needs, including entering into customized transactions. Therefore, to ensure a transparent and efficient market for non-cleared transactions, we respectfully request that any adopted margin requirements: (1) permit legally enforceable netting; (2) allow the use of a variety of margining approaches that are transparent and consistent; and (3) include liquidation horizons that are consistent with the related cleared products.

A. Netting Arrangements

Effective netting arrangements lower systemic risk by reducing both the aggregate requirement to deliver margin and trading costs for market participants. Many market participants currently have netting agreements in place that allow them to net initial and variation margin amounts across many different exposures and assets. It is important for MAS to ensure that any margining regime permits market participants to net across a wide variety of offsetting exposures with their counterparties because, in addition to reducing aggregate counterparty credit risk and lowering trading costs, it would: (i) allow entities to make efficient use of their capital; (ii) provide market participants as well as MAS with better transparency as to the overall amount of counterparty risk between two parties, which is informative of risk in the derivatives market; and (iii) reduce complexity and settlement risk.[26] In contrast, without adequate allowances for netting, any proposed margin requirements would drain liquidity from the OTC derivatives markets as participants seek other execution strategies to prevent the over-collateralization of

[23] Consultation at 8, which defines "financial entity" as a financial institution regulated by MAS. According to MAS's website, regulated financial institutions in Singapore are, among other entities, commercial banks, dealers, money changers, registered insurers. *See* http://www.mas.gov.sg/fi_directory/index.html.

[24] *Id*. at 18, where MAS allows third parties to report on behalf, or fulfill the reporting obligations, of financial and non-financial entities.

[25] *Id*. at 14.

[26] Conversely, placing an artificial prohibition on offsetting margin requirements for cleared and non-centrally cleared derivatives transactions will impede a voluntary transition to the use of clearing.

otherwise offsetting positions. Therefore, MFA urges MAS to allow for such broad netting arrangements if they decide to adopt margin requirements for non-cleared transactions.

B. Margin Approaches

MAS should promote margin practices that are fair and understood by all market participants. Specifically, initial margin requirements should be determined in a transparent way that allows both parties to a derivatives transaction to determine independently the applicable margin. Clients' ability to replicate initial margin models enables them to anticipate how margin might change over the life of the transaction and how much they should hold in reserve. Such replicability is fundamental to conducting capital planning and underlies a client's ability or inability to devote its resources strategically to other investments or obligations. Thus, in setting any margin requirements, MFA believes that MAS should set minimum standards for all margin determinations that promote fairness and transparency, but should otherwise permit the parties to the transaction to negotiate the selection of an approach or calculation tool that best suits them.

C. Liquidation Time Horizons

MFA understands that, in setting initial margin for non-centrally cleared transactions, arguably the initial margin requirements must be equal to or greater than margin requirements for comparable cleared transactions, since non-cleared transactions may involve greater risks. We note that other regulators have sought to address this potential disparity in risk by imposing significantly higher liquidation horizons in the calculation of initial margin for non-cleared transactions as compared to comparable cleared transactions. However, we believe that it is incorrect to assume that a non-cleared transaction is substantially less liquid than its cleared counterpart, especially since after implementation of the clearing mandate, an efficient and liquid market will necessarily remain for many non-cleared OTC derivatives. Thus, we request that MAS be mindful of this concern and not require significantly higher liquidation horizons for non-cleared transactions than comparable cleared transactions, which could result in punitive margin requirements, thereby constraining liquidity and potentially stifling the growth of new products.

IV. Authorisation and Regulation of Clearing Facilities

A. Authorisation of Clearing Facilities

MFA strongly supports MAS's decision not to require market participants to centrally clear only with domestic CCPs.[27] MFA strongly agrees with MAS that such a requirement "may result in fragmentation of liquidity and reduction of benefits of central clearing."[28] We also support MAS's willingness to authorise each overseas, recognised clearing house to the extent it is subject to comparable obligations in their home jurisdiction, its home regulator has signed a memorandum of understanding with MAS and it submits to MAS a self-assessment report on a regular basis.[29]

[27] Consultation at 12.

[28] *Id.*

[29] *Id.* at 34-35.

MFA has a strong interest in ensuring that any regulatory reform in Singapore addresses counterparty and systemic risk, while permitting access to, and competition among, clearing facilities. Therefore, we are concerned that not permitting foreign clearing facilities to become recognised clearing houses could result in the fragmentation of the derivatives market along jurisdictional lines. Such segmentation could cause significant harm to the markets by, among other things, impeding competition, impairing portability and eventual interoperability, limiting participant access to clearing and their ability to operate in certain jurisdictions, and ultimately creating artificial barriers across a global marketplace and instrument type. As a result, MFA strongly commends MAS for its authorisation proposal and recommends that MAS continue to coordinate with regulators in relevant clearing facilities' jurisdictions on the authorisation procedures, with the view toward encouraging cross-border efficiency and consistency and ensuring that such clearing facility authorisations do not become unreasonably difficult to obtain.

B. Regulation of Clearing Facilities

In the Consultation, MAS proposes requirements for clearing facilities that, among other things, require each clearing facility to "ensure that access for participation in its facilities is subject to criteria that are fair and objective, and that are designed to ensure the safe and efficient functioning of its facilities and to protect the interests of its investing public."[30] As experienced and active market participants, MFA's members recognize that the success of the clearing mandate will depend on the structure, governance and financial soundness of clearing facilities. Accordingly, we emphasize the need for clearing facilities, wherever applicable, to have transparent and replicable risk models and straight-through, real-time processing that enable fair and open access in a manner that incentivizes competition and reduces barriers to entry.[31]

Real-time processing and acceptance of transactions is a critical component to the implementation of the clearing mandate because it gives market participants certainty of clearing immediately following execution, thereby allowing them to hedge more efficiently and maintain balanced risk management. Real-time acceptance also promotes open, competitive markets and access to best execution by giving parties to a cleared trade immediate certainty that they will face the clearing facility, thus eliminating the need to negotiate individual credit agreements with each of their counterparties.

In addition, to protect clients and promote clearing, we believe it is also important to have non-dealer, client representation on the governance and risk committees of clearing facilities because given the critical decisions such committees will make (*e.g.*, decisions about which classes of derivatives contracts the clearing facility is permitted to clear), they will benefit from the perspective of such significant and longstanding market participants. We also believe that to completely effect fair representation and balanced governance, it is critical that MAS prohibit clearing facilities from having any one group constitute a controlling majority of clearing

[30] *Id*. at 33.

[31] *See* CFTC Final Rule on "Customer Clearing Documentation and Timing of Acceptance for Clearing, and Clearing Member Risk Management", RIN 3038-0092, -0094, which minimises the time between trade execution and acceptance into clearing and that mandates straight-through processing for transactions, available at: http://www.cftc.gov/ucm/groups/public/@newsroom/documents/file/federalregister032012.pdf.

facilities' risk committees. In our view, measures that require non-dealer client representation and balanced governance will foster transparency and confidence in clearing facilities.

V. International Harmonization

MFA greatly appreciates MAS's consideration of "ongoing international developments",[32] the efforts of other countries to implement their G20 commitments as well as MAS's "ongoing work on OTC derivative reforms carried out by the FSB and various international bodies…"[33] To assist with MAS's development of a robust and internationally consistent regulatory regime for OTC derivatives, in this letter, we have identified some areas where we think it is important for MAS to harmonize the proposals in the Consultation with the proposed regulatory regimes in other jurisdictions.

As a general matter, MFA supports an internationally coordinated approach to regulation that ensures consistent regulation, reflects the global nature of the OTC derivatives market and promotes competition and innovation. We greatly appreciate that MAS and Singapore policymakers have been coordinating with their counterparts in other jurisdictions, and we strongly encourage such continued coordination to ensure that any regulatory reform is consistent, where applicable, and addresses counterparty and systemic risk, while promoting competition and limiting duplicative regulation.

While we recognize that the Singapore regulatory regime for OTC derivatives may need to diverge from similar laws promulgated in other jurisdictions, we strongly encourage MAS and Singapore policymakers to continue maintaining an open dialogue with their global counterparts and actively work toward developing harmonized regulations. Substantive regulatory differences may unintentionally and adversely impact the OTC derivatives markets by creating confusion or multiple standards that result not from necessity, but rather custom or insufficient attention. Our concerns about this potential disharmony extend to, among other areas, recognition of CCPs organized in countries outside of Singapore, transaction reporting requirements and protections related to collateral segregation and portability.

We recognize that it is not solely the responsibility of MAS or Singapore policymakers to ensure that international coordination and harmonization of OTC derivatives regulation proceeds in a thoughtful and expedient manner; therefore, we have made similar comments to regulators and policymakers in others jurisdictions as well.[34] We want to emphasize that ensuring that

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[32] Consultation at 1.

[33] *Id.*

[34] *See* MFA's written statement before the U.S. Senate Committee on Agriculture, Nutrition and Forestry's hearing entitled "One Year Later - The Wall Street Reform and Consumer Protection Act - Implementation of Title VII" on June 15, 2011, available at https://www.managedfunds.org/wp-content/uploads/2011/11/Senate-AG-Committee-Written-Testimony-FINAL-6-15-11.pdf; MFA's "Response to Proposed Regulation of OTC Derivatives, Central Counterparties and Trade Repositories", dated November 11, 2010, available at https://www.managedfunds.org/wp-content/uploads/2011/11/Final-MFA-White-Paper-EC-Derivatives-Proposed-Regulation.pdf; MFA comment letter to the Hong Kong Monetary Authority and the Securities and Futures Commission on their joint "Consultation paper on the proposed regulatory regime for the over-the-counter derivatives market in Hong Kong" dated October 2011, available at https://www.managedfunds.org/wp-content/uploads/2011/11/Hong-Kong-OTC-Derivatives-Regulatory-Regime-Final-MFA-Letter.pdf.

regulations are consistent wherever possible, will serve both the global development of the market as well as the ability of all regulators to oversee it effectively. Thus, MFA seeks to encourage such regulatory coordination and harmonization whenever possible, and in this regard, we appreciate MAS and Singapore policymakers undertaking such efforts.

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MFA thanks MAS for the opportunity to provide comments regarding the proposals in the Consultation. We strongly support the efforts of MAS to develop a regulatory framework for OTC derivatives transactions that will provide for greater transparency and for a pragmatic approach to encourage clearing. We would welcome the opportunity to discuss our views in greater detail. Please do not hesitate to contact Carlotta King or the undersigned at (202) 730-2600 with any questions MAS or its staff might have regarding this letter.

Respectfully submitted,

/s/ Stuart J. Kaswell

Stuart J. Kaswell
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