Securities and derivatives trading in singapore
Frequently asked questions

September 2024

1. WHAT IS MAS OTCD REPORTING?

The regulatory framework for reporting of over-the-counter (OTC) derivatives contracts is set out in Part 6A of the Securities and Futures Act (SFA), with the detailed requirements in the Securities and Futures (Reporting of Derivatives Contracts) Regulations 2013 (SF(RDC)R).

Under the reporting obligations, the prescribed information must be reported to the trade repository within two business days of the execution of the specified derivatives contracts. Please refer to FAQ #6 for the types of prescribed information to be reported.

2. WHO HAS REPORTING OBLIGATION UNDER MAS OTCD REPORTING REGULATORY FRAMEWORK?

The following persons are subject to reporting obligations:

- any bank in Singapore licensed under the Banking Act;
- any subsidiary of a bank incorporated in Singapore;
- any merchant bank that holds a merchant bank licence, or is treated as having been granted a merchant bank licence, under the Banking Act;
- any finance company licensed under the Finance Companies Act;
- any insurer licensed under the Insurance Act;
- any holder of a capital markets services licence (CMSL); and
- any significant derivatives holder (SDH) as set out in regulation 6 of the SF(RDC)R.

Banque Pictet & Cie SA, Singapore Branch (“the Bank”) is subject to the above reporting obligations and is required to report specified derivatives contracts which are traded in Singapore and/or booked in Singapore.

3. WHAT IS MAS REWRITE?

On 21 October 2024, revised requirements for SF(RDC)R will come into effect (commonly known in the industry as MAS Rewrite). The revised requirements is part of global harmonisation effort, with the objective to facilitate the aggregation of OTC derivatives data through standardisation and harmonisation of data elements by incorporating CPMI-IOSCO’s technical guidance on the harmonisation of the unique transaction identifier, unique product identifier and other critical data elements.

Unique Trade Identifier

As part of the revised SF(RDC)R which is effective from October 2024, MAS expects that a Unique Trade Identifier (UTI) is assigned for each reportable specified derivatives contract. The UTI assigned should be unique to that specified derivatives contract, and where the specified derivatives contract is reported more than once due to requirements in the SF(RDC)R or reporting requirements of a foreign jurisdiction, the same UTI should be reported under the SF(RDC)R.

To facilitate the compliance with the revised SF(RDC)R, the Bank will undertake to be the UTI generating party. The UTI generated will be indicated in the Contract Note or in the Long Form Confirmation (or any other documentation where relevant) issued by the Bank.

4. WHAT ARE THE IN-SCOPE DERIVATIVE CONTRACTS WHICH NEED TO BE REPORTED (REPORTABLE DERIVATIVE CONTRACTS) TO MAS?

The following types of derivatives contracts which are booked in Singapore or traded in Singapore are to be reported:

- interest rate derivatives contracts (e.g. interest rate swaps)
- credit derivatives contracts (e.g. credit derivatives swaps or index)
- foreign exchange derivatives contracts (e.g. forwards, swaps, options, non-deliverable forwards (NDF), non-deliverable options (NDO), accumulator/ decumulator (ACDC))
- commodity derivatives contracts (e.g. ACDC, pivots, forwards, options)
- equity derivatives contracts (e.g. Options, ACDC)

Not considered as OTC Derivatives:

- FX spot or 'excluded currency contracts' as defined in regulation 2 of SF(RDC)R are not considered as reportable derivative contracts.
- Dual currency investment (DCI), Dual currency deposit (DCD) as well as Dual currency notes (DCN) falls under the definition of structured deposit instead of derivatives contract.
- Exchange traded derivatives, Structured products or Notes and Securitized products.

5. WHO DOES THE BANK REPORT OTC TRANSACTIONS TO?

Under the MAS OTCD Reporting Regulatory Framework, the Bank reports its transactions to the DTCC Data Repository (Singapore) Pte. Ltd (DDRS). DDRS is the sole trade repository currently approved by the Monetary Authority of Singapore (MAS).

As a branch of Banque Pictet & Cie SA, the Bank is also subject to the Swiss legislation FMIA. Therefore, when it is counterparty to a transaction that falls within the scope of the regulators, it triggers FMIA reporting obligations.

For further information governing FMIA reporting obligation, please refer to the FAQs online at www.group.pictet/market_regulations.

6. HOW ARE DERIVATIVES REPORTED IN SWITZERLAND AND SINGAPORE?

All openings, daily valuation, modifications and closures of OTC derivative trades within the scope of Swiss or MAS OTC regulations need to be reported to a Swiss trade repository by end of the day after the execution, under the FMIA rules; and to DTCC within 2 days from execution, under MAS SF(RDC)R.

This includes the conclusion, modification and termination of any derivative contract within the scope with any counterparty (including individuals and third-country entities). The transmitted data include both transaction and counterparty data. The report must indicate the other counterparty of the trade. This is done via the Legal Entity Identifier (LEI) or company incorporation number.

For natural persons, an internal code number will be used both in Switzerland and in Singapore.

7. WHAT IS FMIA?

FMIA (Swiss Federal Act on Financial Market Infrastructure and Market Conduct in Securities and Derivatives Trading) enhance the transparency on derivatives and securities transaction, reduce counterparty risk and improve market integrity and supervision. Provisions of FMIA are largely similar to those from OTC derivatives regulations applicable locally in Singapore under the supervision of MAS. The main difference from a client perspective between Singapore and Swiss regulations, is that Swiss regulations requires additionally a reporting on Securities traded or admitted to trade on a Swiss exchange, in addition to the reporting of OTC derivatives to a trade repository (similar to DTCC in Singapore).

The relevant brochure is available on our website: https://www.group.pictet/wealth-management/market-regulations.

8. WHAT ARE SECURITIES UNDER FMIA?

FMIA Securities are standardised certificated and uncertificated securities, exchange traded derivatives and intermediated securities, which are suitable for mass trading.

9. HOW ARE SECURITIES REPORTED IN SWITZERLAND?

BPSA in Geneva, as a participant admitted to a Swiss trading venue (SIX exchange in Zurich) shall report all transactions they execute involving securities admitted to trade on a Swiss trading venue (SIX and BX).

The Bank, as a foreign branch of Swiss securities dealers (BPSA) will fulfil its reporting obligation under the membership of their Swiss parent company BPSA.

In particular, the following must be reported: the name and number of purchased or sold securities, the volume, date and time of the transaction; the price; the details necessary to identify the beneficial owner.

The reporting duty also applies to transactions in derivatives whose underlying instruments are securities admitted to trading on a Swiss trading venue.

The reporting duty applies not only to transactions on own account, but also to transactions executed on behalf of a client.

BPSA will perform this reporting on behalf of the Bank in Switzerland.

10. MAS RISK MITIGATION REQUIREMENTS – WHAT ARE 'RISK MITIGATION REQUIREMENTS'?

Risk mitigation requirements apply in respect of OTC derivatives that are not centrally cleared via Central Counterparty Clearing House (CCPs).

They consist of operational risk mitigation techniques – these obligations relate to:

- Trading relationship documentation
- Trade confirmation with the clients
- Valuation of OTC derivatives throughout the lifecycle of the transactions
- Portfolio reconciliation process
- Portfolio compression
- Dispute resolution

11. WHAT ARE THE INITIAL AND VARIATION MARGIN REQUIREMENTS?

OTC derivative trading regulations requires in some cases (upon client's classification) the bilateral exchange of margining or collateral to cover market and credit risk.

Determining the client's classification and potential need for margining requirements, is covered by section 2 and 3 of the "Onboarding form for securities and derivatives transactions regulatory reporting".

Variation Margin aims to protect the bank against market movement. Initial Margin aims to protect the bank against default of counterparty.

The Bank seeks your acknowledgment to collect the above information and to inform us in due course should there be a change in circumstance, such as a change in threshold for margining. This applies to all types of mandates.

12. WHAT ARE COVERED ENTITY OR FOREIGN COVERED ENTITIES IN THE CONTEXT OF MARGINING UNDER MAS RULES?

The Guidelines on Margin Requirements for Non-Centrally Cleared OTC Derivatives Contracts (the "Guidelines") apply to MAS Covered Entities, which refer to a person under section 99(1)(a) or (b) of the SFA:

– Section 99(1)(a) refers to any bank licensed under the Banking Act in respect of any regulated activity

– Section 99(1)(b) refers to any merchant bank approved as a financial institution under the Monetary Authority of Singapore Act in respect of any regulated activity which it is approved to carry out under that Act.

A MAS Covered Entity should undertake the exchange of margins with a counterparty to an uncleared derivatives contract if that counterparty is –

A. a MAS Covered Entity; or

B. a Foreign Covered Entity.

"Foreign Covered Entity" means a person operating outside Singapore who, if operating in Singapore, would have been a person within the meaning of a MAS Covered Entity.

13. WHAT IS MEANT BY 'CENTRALLY CLEARED' OTCD?

Central clearing is currently a requirement mostly applicable to large financial institutions. As a client of the Bank, you are not concerned by central clearing.

14. WHAT IS AN LEI?

The Legal Entity Identifier (LEI) is a unique global identifier of legal entities participating in financial transactions. These can be companies or government entities that participate in financial transactions. The identifier is used in reporting to financial regulators. All financial companies and funds are required to have an LEI.

The identifier is formatted as a 20-character, alpha-numeric code based on the ISO 17442 standard developed by the International Organization for Standardization (ISO). It connects to key reference information that enables clear and unique identification of legal entities involved in financial transactions. Each LEI contains information about an entity's ownership structure and thus answers the questions of 'who is who' and 'who owns whom'. Simply put, the publicly available LEI data pool can be regarded as a global directory of participants in the financial market.

15. ARE LEIs MANDATORY?

Having an LEI is a requirement for the Monetary Authority of Singapore ("MAS") and Banque Pictet & Cie SA, Singapore Branch ("the Bank") in the context of OTC transactions reporting. If you have not applied for an LEI yet, we encourage you to do so as soon as possible and provide us with your LEI, once you have it. In near future, LEI may become the only acceptable form for reporting purposes.

For clients who do not have LEIs but qualify as financial institutions, the Bank will use the identifier issued by a licensed trade repository or licensed foreign trade repository (i.e. commercial registry number).

The Bank, being a branch of Banque Pictet & Cie SA, which is subject to FMIA laws in Switzerland, must obtain LEIs (first priority) or company incorporation number (second priority) from its clients before providing services that would trigger reporting obligations in respect of transactions carried out for those clients. The Bank is required to furnish this information in its transactions reports. This requirement applies to all types of mandates.

Consequently, not providing an LEI or the incorporation number to the Bank within the stipulated timeframe will mean that no further transactions in any financial instruments will be allowed. This, in turn, may result in financial consequences.

In other words, no LEI / Incorporation number means no trade.

Please note that LEI is mandatory for EU/EEA entities who delegates its EMIR reporting to the Bank; or where the trading is serviced through Bank Pictet & Cie (Europe) AG.

16. WHY ARE LEIS REQUIRED IN SINGAPORE?

Currently, LEIs are used in Singapore for OTC reporting purposes to DTCC (see below) of OTC derivatives contracts - as defined in Singapore legislation SF(RDC)R - entered with the Bank as counterparty or traded through the Bank as agent.

17. ARE LEIS CONFIDENTIAL?

No, LEIs are not confidential. There is an international database of LEIs and related companies accessible on internet: https://www.gleif.org/en/.

18. WHERE CAN I GET AN LEI?

There are a number of LEI issuers around the world that issue and maintain the identifiers and act as primary interfaces to the global directory. These are typically financial exchanges or financial data vendors, who are accredited by the Global Legal Entity Identifier Foundation (GLEIF) to issue LEIs.

The most up-to-date list of LEI issuers is available here: https://www.gleif.org/en/about-lei/get-an-lei-find-lei-issuing-organizations.

Please note that there is a recurring annual cost for registering and maintaining an LEI.

The Bank does not recommend any LEI issuer specifically. Clients may select their preferred LEI issuers to register for an LEI. However, Relationship Managers may help clients to register for LEIs. Registering an LEI is a straightforward process requiring questions to be answered online.

19. WHICH LEGAL ENTITY NEEDS AN LEI?

An LEI enables a clear and unique identification of legal entities (natural persons are excluded) who participate in financial transactions issued under the Global LEI System. All unique parties that are legally or financially responsible for the performance of financial transactions or have the legal right in their jurisdiction to enter independently into legal contracts; are required to obtain LEIs, regardless of whether they are incorporated or constituted in some other way (e.g. trust, partnership, contractual). Therefore, even if an offshore company does not, for example, engage in any operations at all, if they are entering into a financial transaction and legally bound by it, they should apply for an LEI.

20. IS AN LEI REQUIRED FOR TRUST ENTITIES ?

Yes. All unique parties that are legally or financially responsible for the performance of financial transactions or have the legal right in their jurisdiction to enter independently into legal contracts are required to obtain LEIs, regardless of whether they are constituted in some other way (e.g. trust, partnership, contract). The trustee should apply for an LEI for the trust itself.

21. CAN A COMPANY HAVE MORE THAN ONE LEI?

No. A legal entity can have only one LEI.

22. WHAT HAPPENS IF A LEGAL ENTITY DOES NOT PROVIDE THE BANK WITH AN LEI OR ITS INCORPORATION NUMBER?

As defined in the Securities and Futures Act 2001, Securities and Futures (Reporting of Derivatives Contracts) Regulations [SF(RDC)R] 2013, Part III Miscellaneous, First Schedule (https://sso.agc.gov.sg/SL/SFA2001-S668-2013?ProvIds=Sc1-#Sc1-), LEI is the preferred option for OTC transactions reporting recognized by regulators worldwide. You are encouraged to apply for an LEI and inform the Bank afterwards.

The Bank, by being a branch of Banque Pictet & Cie SA, which is subject to FMIA laws in Switzerland, must obtain LEIs (first priority) or company incorporation number (second priority) from its clients before providing services that would trigger reporting obligations in respect of transactions carried out for those clients and use this information in its transactions reports. This requirement applies to all types of mandates.

Consequently, not providing an LEI or the incorporation number to the Bank within the stipulated timeframe will mean that no further transactions in any financial instruments will be allowed. This, in turn, may result in financial consequences.

In other words, no LEI / Incorporation number means no trade.

23. WHAT ABOUT 'NO LEI EQUALS NO TRADE' IN SINGAPORE?

MAS has not yet imposed the “no trade rule” in Singapore if a LEI is not available. We should not rule out, however, that MAS might impose this regulation in future.

As a proactive measure to comply with international standards, the Bank is opting to collect LEI information in advance.

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