29 August 2014

Mr Laurence White
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Financial Markets Infrastructure
Australian Securities and Investments Commission
GPO Box 9827
MELBOURNE VIC 3001

By email: otcd@asic.gov.au

Dear Laurence

Proposed Amendments to OTC Derivative Transaction Reporting Rules

Thank you for the opportunity to comment on ASIC's *Consultation Paper 221 – OTC derivatives reform: Proposed amendments to ASIC Derivative Transaction Rules (Reporting) 2013.*

COBA strongly supports the overarching purpose of the proposals, namely to "reduce compliance costs for reporting entities."[1]

We note that the majority of the proposed changes relate to foreign entities, and as such, are not directly of relevance to COBA members. In relation to other suggestions put forward by ASIC, we note the following:

- COBA supports the introduction of snapshot reporting as a replacement to the more administratively burdensome alternative of lifecycle reporting, which requires reporting intraday modifications to transactions.
- COBA also supports the proposal to provide a 'safe harbour' for delegated reporting. However, we note ASIC proposes that the reporting entity be required to make "regular inquiries that are reasonably designed to determine whether the delegate is discharging its obligations."[2] It would be useful if ASIC could provide some context around what it expects these "inquiries" would need to entail, and how "regular" they needed to be.

More generally, we note that the consultation paper seeks feedback on "any alternative approaches you think would achieve our objectives."[3]

[1] ASIC, *Consultation Paper 221,* July 2014, p. 6.
[2] ibid., p. 24.
[3] ibid., p. 2.

In this regard, COBA reiterates its support for the introduction of single-sided reporting for Phase 3B reporting institutions. While we acknowledge that there may be concerns around single-sided reporting at a "system wide" level, we nonetheless see it as a useful approach to take for institutions which make limited use of OTC derivatives.

Phase 3B institutions by definition have lower holdings of OTC derivatives, and it also appears that Phase 3B institutions complete far fewer OTC transactions. Certainly, the feedback we have received from members who use OTC derivatives has been that they only make a handful of transactions in any given month. As Treasury has previously noted, "a market participant's unit cost of reporting trades is therefore likely to be a function of its overall scale and level of activity."[4] As such, the relative costs of trade reporting are likely to be highest for Phase 3B institutions.

We believe that the incremental benefits to be gained from imposing double-sided reporting on Phase 3B institutions are far outweighed the additional costs that would be imposed. At a minimum, COBA recommends that any Regulatory Impact Statement looking at these proposed changes explicitly consider single-sided reporting for Phase 3B institutions as one of the Options.

Imposing double-sided reporting on smaller financial institutions would appear to be completely at odds with the government's desire to reduce business costs and cut unnecessary regulations.

Please contact me on   or Micah Green on   to discuss this submission.

Yours sincerely

LUKE LAWLER
Acting Head of Public Affairs

[4] Treasury, *Implementation of Australia's G-20 over-the-counter derivatives commitments,* December 2012, p. 10.