

26 June 2015

Mr Daniel McAuliffe
Manager, Banking and Capital Market Regulation Unit
Financial System and Services Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email: financialmarkets@treasury.gov.au

Dear Daniel

OTC Derivatives – Central Clearing and Single-Sided Trade Reporting

Thank you for the opportunity to comment on Treasury's draft regulations and explanatory materials of 28 May which would give effect to a number of changes regarding the regulation of OTC derivatives.

COBA is the industry body for credit unions, mutual building societies and mutual banks. Collectively, the institutions we represent have over \$92 billion in assets and serve more than 4 million customers. The customer owned model is the proven alternative to the listed model, delivering competition, choice, and consistently market-leading levels of customer satisfaction.

Specific comments on individual elements of the consultation package are set out below.

Central clearing

COBA notes that the current proposal would limit the application of central clearing obligations to "...a small number of major domestic and foreign banks that act as dealers in the Australian OTC derivatives market," and specifically to "...financial entities with total gross notional OTC derivatives outstanding above a threshold of \$100 billion."

COBA supports limiting the application of central clearing obligations to these larger institutions. We note this is consistent with the position proposed by the Government in earlier discussion papers on central clearing.

Single-sided trade reporting

COBA strongly supports the introduction of single-sided trade reporting for Phase 3B institutions. COBA has consistently argued that imposing double-side trade

reporting on all institutions was unnecessarily burdensome. As our August 2014 submission to ASIC on OTC trade reporting noted, "...the incremental benefits to be gained from imposing double-sided reporting on Phase 3B institutions are far outweighed by the additional costs that would be imposed."

COBA therefore welcomes this change as a pragmatic and sensible outcome.

COBA notes that, under the proposed regulations, where both parties to a transaction are Phase 3B institutions, one of the parties will still be required to report the transaction. As the regulations currently stand, the two parties to the transaction have the flexibility to determine which one is best placed to meet the transaction reporting requirements.

Please contact me on 02 8035 8448 or Micah Green on 02 8035 8447 to discuss this submission.

Yours sincerely

A handwritten signature in black ink, appearing to read 'L. Lawler', written in a cursive style.

LUKE LAWLER
Head of Public Affairs