G-20 OTC Derivatives Regulation for Non-Financials

Treasury – Efficient Finance Operations

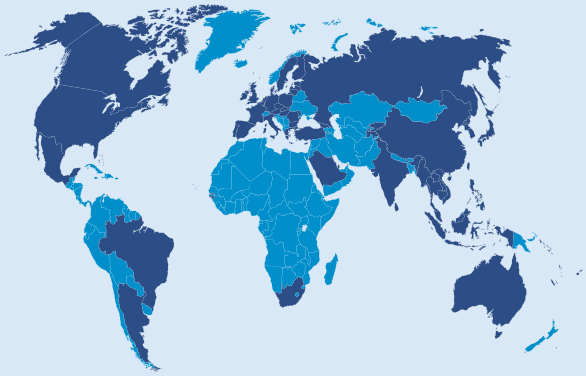
Globally acting corporations have to monitor the upcoming OTC regulations in those G20 countries in which derivatives are traded. KPMG's global regulatory network supports its clients by monitoring the regulations and recommending the actions.

Global regulation of derivatives markets

The agreement reached during the G20 Pittsburgh summit in 2009 obliges all G20 countries to gradually implement OTC derivatives regulations. The main objectives of the initiative are:

- Trading of all OTC derivatives on an exchange or other electronic platform
- Clearing of all standardised OTC derivatives through a central counterparty
- Reduction of counterparty risk
- Increase of transparency of the derivative markets

The first of these regulations have been incorporated in the U.S. (DoddFrank Act) and Europe (EMIR). In 2014 and 2015, other regions will implement the regulations required to make the financial and corporate sector comply with the G20 initiative.



G 20 countries / regions

Argentina, Australia, Brazil, China, Canada, Europe, Hong Kong*, India, Indonesia, Japan, Mexico, Russia, Saudi Arabia, Singapore*, South Africa, South Korea, Switzerland*, Turkey, United States

* Not G20 countries but are implementing similar regulations and will be covered by this service

What is the challenge?

Due to the great disparity between regulations in the respective countries, it is crucial to examine each of the requirements in detail. Since regulatory measures are of ten adopted hastily – even if they may still be partly unclear – companies currently face a high non-compliance risk. The following questions are pertinent for all countries:

- Which types of transactions fall within the scope of the regulation?
- Who is subject to clearing, reporting or risk management obligations?
- Can corporations make use of exemptions?
- Are there any applications or mandatory documents of proof which have to be created?
- What is the timeline of the tasks under the regulation?

As experienced under DFA and EMIR, definitions are complex and open to interpretations, timelines change and the information provided by authorities is extremely difficult to gather and often not specific.

KPMG services

KPMG provides monitoring of the upcoming global regulations through its international network. The service will start with a preliminary assessment followed by monthly reports and first rough instructions for each country.

Monitoring and ongoing impact assessment

A preliminary analysis of the scope will be the basis for the subsequent action required:

- The initial analysis covers the global entities in scope,their operations, primary business purposes and their typical transactions to provide a rough impact evaluation
- Monthly updates of the surveillance of regulations through our global network of regulatory experts including an impact evaluation and the next steps for each country
- Monthly jour fixes with project team to jointly discuss the impact and next steps for each country

Access to our local regulatory experts

Beyond the monthly monitoring of the crucial regulatory requirements and the joint assessment of the next steps and impacts on the organisation, we provide access to our local regulatory experts. If more specific questions arise or interpretations are suggested, or if applications have to be made or documents provided, our local experts will get in direct contact with the project team of the company in the respective country.

KPMG project set up

The joint project to monitor the regulation includes monthly update calls with the project team to discuss the latest developments and information provided by the authorities or new market interpretations and the suggested course of action in each country.

The fee model is based on the initial inventory and the subscription to the monthly report, including the impact evaluation, depending on the countries in the scope. Two packages are offered:

- The basic package includes this service for up to six countries
- The full package provides this service for all countries mentioned above

If additional access to our local experts is required, this will be charged separately.

If at any time during the ongoing project it should emerge that the subscribed time span is not fully required, the monthly surveillance can be immediately reduced or completely halted.

Positioned at your best

We provide a unique global network of local regulatory experts accompanying local governments and clients with regard to financial market regulations. This network guarantees a high quality approach to monitoring and assessing the regulation in each country given the high degree of uncertainty and dynamic regulatory development.

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