Regulatory Reporting and Instrument Identification in Asia/Pacific

For financial institutions in countries in the EU or the USA, it can be hard to imagine the complexities of regulatory reporting in the Asia/Pacific region. The USA may have multiple regulators (eg SEC, CFTC, FINRA) but it is still a single regulatory regime. The EU has 28 separate member-states and even more national regulators, but overall there is a single set of Regulations and Directives that apply to all of those countries and regulators. In Asia/Pacific, there is no similar uniformity or cohesion around regulation or regulatory reporting across the region. This means that financial institutions have to satisfy a vast range of different requirements from each different national and market regulator.

While the Financial Stability Board in Basel and CPMI-IOSCO are examining how OTC derivatives will need to be identifiable for regulatory reporting, financial institutions throughout Asia/Pacific have to consider how they are going to identify all instruments across all asset classes for regulatory purposes in the future. International cooperation between regulators has been increasing considerably in recent years, and future trends in regulation are starting to show themselves through that cooperation and within new regulations that are being issued in more and more countries.

Domestic systems for identifying financial instruments are usually insufficient to identify all domestic financial instruments, and usually do not address non-domestic instruments that domestic institutions may be involved in. International standards for instrument identification have traditionally tended to be adopted only in sub-sectors of the financial world, such as for equities and bonds but not for derivatives, commodities, loans, mortgages, etc.

The creation of the new Financial Instrument Global Identifier (FIGI) open standard for identifying all financial instruments across all asset classes is particularly timely. Non-proprietary and free FIGIs have already been allocated to over 200 million financial instruments globally, and that number is currently growing by around five million instruments per month. With the adoption of FIGIs by an increasing number of banks, brokers, investment managers and data vendors internationally, it is appropriate now for financial institutions and regulators across the Asia/Pacific region to examine how FIGIs and this new standard can help them with their risk management, regulatory reporting and data management.