19 June 2026

By email: CDWG.CR@iosco.org

Dear Sir/Madam

AFMA Submission to IOSCO Consultation Report on Good Practices concerning over-the counter Commodity Derivatives Markets

Executive Summary

The Australian Financial Markets Association (AFMA) welcomes the opportunity to comment on IOSCO's consultation report on Good Practices concerning over-the-counter Commodity Derivatives Markets.

AFMA members support IOSCO's objective of strengthening regulators' ability to monitor risks and promote orderly markets. There is a consistent view across the membership that any policy response should be proportionate, targeted and risk-based, with a strong emphasis on improving the effectiveness of existing regulatory frameworks rather than introducing new or potentially disruptive obligations.

In this context, members do not support the introduction of regular or systematic OTC position reporting to exchanges, nor the expansion of financial regulatory reporting regimes to include physically settled commodity forwards. These approaches would likely duplicate existing requirements while delivering limited additional supervisory benefit.

AFMA members instead favour a framework that enhances the use, aggregation and sharing of existing data, particularly trade repository data, and enables targeted, case-by-case information requests where a clear and demonstrable risk nexus exists. There is also strong agreement that any intervention in OTC markets should remain the responsibility of public authorities and be exercised only in exceptional circumstances, supported by clear communication to maintain market confidence and support effective risk management.

Responses to IOSCO Questions

Question 1: Do you agree with the key aspects and scope of the proposed good practices outlined in this Consultation Report? Please share any specific comment on any of the proposed good practices.

AFMA broadly supports the intent of the proposed good practices, particularly the focus on improving regulators' visibility of risks and the interconnectedness between OTC and exchange-traded commodity derivatives markets.

However, members emphasise that the effectiveness of these practices will depend on their implementation in a manner that is proportionate, targeted and grounded in practical market realities. IOSCO's framework should prioritise improving existing data frameworks and supervisory tools rather than introducing new standing obligations.

AFMA does not support approaches that would lead to systematic or ongoing reporting of OTC positions to exchanges, or the extension of reporting requirements to physically settled commodity forwards. Such measures would represent a significant expansion of current frameworks and risk imposing operational burdens that outweigh potential benefits.

The proposed good practices would be strengthened by explicitly recognising the limits of data aggregation, the importance of flexibility, and the need to avoid duplication with existing regulatory requirements.

Question 2: Are there any further key good practices that could be considered?

AFMA considers that IOSCO could further emphasise the importance of improving regulatory coordination and the effective use of existing data.

Strengthening data-sharing arrangements between regulators, particularly across jurisdictions, would materially improve oversight outcomes. Enhancing data quality, standardisation and analytical capability would also allow authorities to derive greater insight from existing reporting without imposing additional burdens on market participants.

It would also be beneficial for IOSCO to explicitly incorporate the distinction between bona fide commercial hedging and speculative activity into its good practices. This differentiation is fundamental in commodity markets and critical for ensuring that supervisory approaches appropriately reflect the underlying purpose of positions.

Finally, greater clarity around the objectives and triggers for regulatory intervention would help reduce uncertainty and support orderly market functioning.

Question 3: Under what conditions – such as relevant triggers, scope and frequency – should Market Authorities collect OTC position data to be reported to them? What criteria should be used to determine the need for regular or ad-hoc reporting of OTC position data for effective monitoring and oversight of relevant exchange traded contracts?

AFMA members strongly support a targeted, case-by-case approach to the collection of OTC position data, rather than regular or systematic reporting.

Such data collection should be initiated by Market Authorities acting in a regulatory capacity and triggered only where there is a clear and demonstrable nexus between OTC positions and risks to a specific exchange-traded contract, particularly where a contract is systemically important or critical to market functioning. Triggers may include emerging signs of market stress, disorderly trading conditions, or concerns regarding concentration risk that cannot be adequately assessed using existing data.

AFMA also considers that triggers should be clearly specified and transparent and linked to material risks to market integrity. Ad-hoc requests should be supported by documented justification tied to specific risk indicators, rather than broad or continuous surveillance mandates.

In this context, ad-hoc data requests are more appropriate than standing reporting arrangements. Regular reporting of OTC positions to exchanges is not supported, as it would introduce significant operational burden and raise concerns regarding data governance and the appropriate allocation of responsibilities.

Where routine reporting is contemplated for genuinely critical contracts, Market Authorities should clearly demonstrate why existing data sources are insufficient and ensure that any requirements are proportionate, appropriately calibrated, and implemented with adequate lead time and clarity.

Any data collection should be proportionate in scope and frequency, limited to what is necessary to assess the identified risk, and should leverage existing reporting channels wherever possible.

Question 4: Do you have suggestions for Market Authorities' improved use of existing data pipelines for purposes of ensuring market integrity?

AFMA members consider that there is substantial scope for improving the use of existing data pipelines. Priority should be placed on enhancing the usability of trade repository data through improvements in data quality, consistency and standardisation.

Greater coordination and data-sharing between Market Authorities, both domestically and across jurisdictions, would significantly enhance oversight capabilities and allow regulators to build a more comprehensive and coherent view of market activity without requiring additional reporting from market participants.

Before introducing new reporting obligations, Market Authorities should undertake a comprehensive assessment of existing data holdings and identify any genuine gaps. Enhancing interoperability and analytical use of existing datasets is likely to deliver more effective outcomes than creating parallel reporting frameworks.

Question 5: What metrics or indicators do you consider appropriate for assessing the degree of interconnectedness between a related OTC market and an exchange-traded market?

Assessing interconnectedness between OTC and exchange-traded markets is inherently complex and requires careful supervisory judgement. Relevant indicators may include the scale of overlapping exposures, concentration among key participants, and the extent to which OTC positions reference, hedge or otherwise rely on exchange-traded contracts.

However, such metrics must be interpreted with caution. In many commodity markets, OTC contracts are highly bespoke, long-dated and structured with features that differ materially from exchange-traded products. Differences in tenor, optionality and settlement terms mean that aggregation can be inherently imperfect and, in some cases, may produce misleading conclusions.

Care should therefore be taken to ensure that attempts to aggregate or standardise such positions do not reduce the accuracy of risk assessments.

At what level would such a measure be considered significant enough to indicate that activity in the OTC market can affect the orderly trading of the relevant exchange-traded market?

AFMA considers that it is not appropriate to define a universal quantitative threshold. The significance of interconnectedness should instead be assessed on a case-by-case basis, taking into account market conditions, liquidity, contract characteristics and participant behaviour.

Would it be helpful for us to provide further guidance on what constitutes a significant impact in this context?

Additional high-level guidance may be useful, provided it remains principles-based and avoids rigid thresholds. Flexibility will be essential to ensure that measures are applied appropriately across different markets.

Question 6: What types of information could help Market Authorities identify the beneficial owners of positions?

AFMA members recognise that existing datasets, including trade repository data, can assist in identifying counterparties and, in some cases, underlying beneficial owners.

However, identifying beneficial ownership in OTC markets is inherently complex due to the use of intermediaries, client clearing arrangements and omnibus account structures. While improvements to identifiers and data-linking capabilities may assist, these should be developed within existing frameworks.

Enhancements in this area should be implemented in a proportionate manner, including appropriate transition periods where changes affect existing portfolios. Any additional requirements should be carefully calibrated to avoid disproportionate operational burden.

Question 7: Do you foresee any challenges for Market Authorities in identifying, and obtaining data on, the underlying beneficial owners, and, if so, how could these be mitigated?

AFMA members note that significant challenges exist, including limited visibility beyond immediate counterparties, differences in reporting frameworks across jurisdictions and the complexity of market structures.

These challenges are most effectively addressed through enhanced use of existing identifiers, improved data-sharing between Market Authorities and greater standardisation of reporting approaches. A coordinated, cross-border approach is likely to be more effective than introducing new firm-level reporting requirements.

Where identification of beneficial ownership is constrained by legal or structural factors, regulators should adopt a pragmatic approach, including reliance on available information, documented explanations and risk-based mitigants.

Question 8: In what circumstances may it be necessary for regulators to intervene in OTC markets, and what potential impact, both positive and negative, might this cause?

AFMA considers that intervention in OTC markets should be reserved for exceptional circumstances, such as clear evidence of disorderly markets or systemic risk concerns. Any such intervention should be undertaken only by public authorities acting in a regulatory capacity.

While intervention may serve to stabilise markets in periods of acute stress, it also carries inherent risks. These include increased uncertainty, reduced market confidence and potential impairment of participants' ability to manage risk effectively. Careful calibration is therefore essential to ensure that any intervention achieves its intended objectives without unintended consequences.

Where intervention is necessary, it should be proportionate, clearly justified and supported by transparent communication of its objectives, scope and triggers. Providing clarity in advance of stressed conditions will help reduce uncertainty and support orderly market functioning.

Clear governance frameworks should define the respective roles of regulators and exchanges in both normal and stressed market conditions. Exchanges can play an important role in providing timely market intelligence, surveillance insights and relevant position information to support regulators' understanding of evolving risks.

However, exchanges should not have an independent role in initiating or executing interventions in OTC markets. Any such actions should remain the responsibility of public authorities, with appropriate accountability and oversight. Where exchanges are involved in escalation processes, these should operate within clearly defined protocols, including transparency around decision-making responsibilities and safeguards to manage potential conflicts of interest.

Question 9: What kind of cross-border cooperation do you think is necessary or beneficial to coordinate data collection, both generally and of OTC positions of underlying beneficiary owners?

AFMA strongly supports enhanced cross-border cooperation among Market Authorities acting in their regulatory capacity. Given the global nature of commodity markets, effective oversight depends on the ability of regulators to share data and coordinate supervisory approaches.

Key priorities include strengthening data-sharing arrangements, promoting consistency in reporting standards and enabling regulators to rely on shared datasets rather than requiring duplicative reporting.

Efforts should also focus on minimising inconsistencies in supervisory expectations, which can increase operational complexity and compliance risk. Greater alignment will help reduce fragmentation and improve overall efficiency.

Question 10: How do you contemplate that this consultation report may also be relevant to OTC execution venues, such as swap execution facilities, multilateral trading facilities and organised trading facilities?

AFMA considers that the consultation is relevant to OTC execution venues insofar as they form part of the broader market infrastructure and operate within existing regulatory frameworks overseen by Market Authorities.

However, any expectations placed on such venues should be consistent with existing obligations and should not introduce duplicative or venue-specific requirements that diverge across jurisdictions.

A coordinated, principles-based approach that leverages existing reporting frameworks will ensure that obligations remain proportionate and effective.

AFMA appreciates the opportunity to contribute to this consultation and looks forward to continued engagement with IOSCO as its work progresses. IOSCO is invited to contact Jodie Maurer at AFMA (jmaurer@afma.com.au) should further information or engagement be helpful.

Yours sincerely

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