HONG KONG MONETARY AUTHORITY
香港金融管理局

Banking Policy Department *銀行政策部*

Our Ref: B9/135C
B1/15C

11 June 2015

The Chief Executive
All Licensed Banks

Dear Sir/Madam,

Interim reporting requirements for OTC derivative transactions – migration to new reporting regime

In 2013, the HKMA introduced interim reporting requirements for licensed banks with respect to some of their OTC derivative transactions. As explained at the time of their introduction, these interim reporting requirements are a simplified version of the reporting requirements which will ultimately be adopted under the new regulatory framework for the OTC derivatives market.

I am now writing to inform you that following the enactment of the Securities and Futures (Amendment) Ordinance 2014 which establishes the new regulatory framework, a set of Securities and Futures (OTC Derivative Transactions – Reporting and Record Keeping Obligations) Rules (the "Reporting Rules")[1] have now been introduced into the Legislative Council for negative vetting. We will notify all authorized institutions, once the negative vetting process has been completed, of the effective date of the Reporting Rules.

The interim reporting requirements will cease to apply upon the commencement of the Reporting Rules. Accordingly, your institution should comply with the Reporting Rules for reporting OTC derivative transactions from the effective date of their commencement.

To ensure a smooth transition from the interim to the new reporting regime, licensed banks should follow the supplementary guidance annexed to this letter. The supplementary guidance endeavours to provide the clarifications necessary for a smooth transition. The relevant staff in your institution are therefore requested to study the supplementary guidance carefully and make system and procedural changes as appropriate to facilitate compliance with its terms.

[1] The draft Rules were published on the government gazette on 15 May 2015 and accessible at http://www.gld.gov.hk/egazette/pdf/20151920/es22015192096.pdf

In particular, although a concession period and a grace period are provided for in the Reporting Rules, we consider that licensed banks should already have their reporting systems ready (given that they have been reporting transactions under the interim reporting requirements) and so should continue to report those transactions (new transactions or subsequent events relating to existing transactions) that would have been reported under the interim reporting requirements on a T+2 basis after the commencement of the Reporting Rules. This will avoid any unnecessary interruption to the availability of data for regulatory purposes.

We also draw to your attention the draft FAQs for the Reporting Rules jointly issued by the SFC and the HKMA on 15 May 2015. This set of FAQs serves as a reference to aid understanding of the new reporting requirements and is accessible on the following website: http://www.hkma.gov.hk/media/eng/doc/key-information/press-release/2015/20150515e3a2.pdf.

Should your bank have any questions about this letter, please contact Mr Andy Cheung on 2878-1022 or Mr Lionel Wai on 2878-1279.

Yours faithfully,

Karen Kemp
Executive Director (Banking Policy)

Encl.
c.c. Financial Services and the Treasury Bureau
(Attention: Mr Jackie Liu)