

Reporting Requirements for Enhanced Currency Conversion Arrangement under Northbound Bond Connect

I. General

The Hong Kong FX Settlement Banks should report investor-level information of all Enhanced CNY Conversion Service provided to the Eligible Investors, regardless of whether the transactions are ultimately squared in the onshore FX market. Except during the transitional period (see Section V below), the Hong Kong FX Settlement Banks must fulfil reporting obligations within two business days of the trading day or the day of a subsequent event¹ (i.e. on a T+2 basis).

The Hong Kong FX Settlement Banks should, either directly or through reporting agents, submit reporting to the HKMA via HKTR², using HKTR templates³ of the corresponding asset class. Unless otherwise specified in Section IV of the document, the Hong Kong FX Settlement Banks should follow reporting instruments set out in the HKTR template and relevant HKTR manuals. The instructions set out in this document does not in any way affect the existing OTC derivative reporting requirements.

The reporting requirements will come into effect on 8 March 2021, with a twelve-month transitional period ending on 7 March 2022 (inclusive).

II. Reporting CNY Hedging Transactions

The Hong Kong FX Settlement Banks should use the “FX Standard” template to report CNY forward, vanilla option, non-deliverable forward and non-deliverable option transactions. Each transaction should only be reported once. In addition to observing relevant OTC derivatives reporting rules set out in the template and relevant HKTR manuals, The Hong Kong FX Settlement Banks are required to fill in two additional data fields, Remarks 1 and Remarks 2, following instructions set out in Section IV.

III. Reporting CNY Conversion Transactions

The Hong Kong FX Settlement Banks should use the “FX Other” template to report CNY conversion transactions. For the avoidance of doubt, the CNY conversion transactions subject to the reporting requirements under Bond Connect include both (1) conclusion of CNY spot transactions and (2) exercise of options (please refer to FAQ15 for details). The Hong Kong FX Settlement Banks are required to fill in the following data fields:

¹ A subsequent event refers to any event that affects the key economic terms of the transactions reported to the HKTR. The Hong Kong Settlement Banks may refer to relevant HKTR manuals for more details.

² An electronic reporting system operated by the HKMA for submitting and receiving reports on OTC derivative transactions.

³ The templates are available for downloading at HKTR’s website
<https://hktr.hkma.gov.hk/ContentDetail.aspx?pageName=HKTR-RPT-Administration-and-Interface-Development-Guide>

<u>Item No.</u>	<u>Data Field</u>
1	Action
2	Trade Event
3	Product Taxonomy
4	Event Request ID
5	Type of Reporting For
6	Identification code of the Reporting For trade party
7	Name of the Reporting For trade party
8	Agent Event Reference (required if report through agent)
9	User Event Reference (required if report directly)
25	Agent Trade Reference (required if report through agent)
26	User Trade Reference
27	Unique Transaction Identifier (UTI)
	Indicator
35	Confirmation Platform ID
38	Clearing
68	Type of Trade Party 1
69	Identification code of the Trade Party 1
71	Type of Trade Party 2
72	Identification code of the Trade Party 2
84	Industrial Sector
85	Counterparty Industrial Sector
92	Trade Date
93	Asset Class
157	Final Maturity Date
161	Exchanged Currency 1
162	Payment Amount of Exchanged Currency 1
166	Exchanged Currency 2
167	Payment Amount of Exchanged Currency 2
224	OTC Derivatives Product Taxonomy
225	Remarks 1
226	Remarks 2

Please refer to Appendix 1 for a sample spot transaction report.

IV. Supplementary Notes for Bond Connect Reporting

Unless otherwise specified in this Section, the Hong Kong FX Settlement Banks should follow reporting instruments set out in the HKTR template and relevant HKTR manuals.

1. **FX Standard template**

<u>Item No.</u>	<u>Data Field</u>	<u>Supplementary Notes</u>	<u>Example</u>
186	Remarks 1	Banks should fill in “BONDCONNECT”* to indicate the transaction is	BONDCONNECT

rising from Bond Connect
investment needs

187	Remarks 2	Banks should fill in CMU Sub-account Number of the Eligible Investor	ABCD001
-----	-----------	--	---------

* All capital letters without space

In addition, if Hong Kong FX Settlement Banks choose to report a cash-settled forward contract as a forward instead of a non-deliverable forward in data field “Product Taxonomy” (Item No. 3), they should use the optional data field of “FX Delivery Type” (Item No. 179) to denote cash settlement (please refer to FAQ 15 for details).

2. FX Other template

<u>Item No.</u>	<u>Data Field</u>	<u>Supplementary Notes</u>	<u>Example</u>
35	Confirmation Platform ID	Banks should select “OTHERS” if not applicable	OTHERS
92	Trade Date	Banks should fill in the trade date of a new spot transaction or a newly exercised hedging transaction	2021-01-31
93	Asset Class	Banks should select “ForeignExchange”	ForeignExchange
157	Final Maturity Date	Banks should fill in the settlement date of a spot transaction or value date of a hedging transaction	2021-01-31
161	Exchange Currency 1 – Currency	Banks should fill in the type of currency paid by the bank	CNY
162	Exchange Currency 1 - Amount	Banks should fill in the amount paid by the bank	10000
166	Exchange Currency 2 – Currency	Banks should fill in the type of currency paid by the Eligible Investor	USD

167	Exchange Currency 2 – Currency	Banks should fill in the amount paid by the Eligible Investor	10000
224	OTC Derivatives Product Taxonomy	Banks should select “ForeignExchange: Spot”	ForeignExchange: Spot
225	Remarks 1	Banks should fill in “BONDCONNECT”* to indicate the transaction is rising from Bond Connect investment needs	BONDCONNECT
226	Remarks 2	Banks should fill in CMU Sub-account Number of the Eligible investor	ABCD001

* All capital letters without space

V. Transitional Arrangements

To allow sufficient time for the Hong Kong FX Settlement Banks to put in place the system changes required for reporting through HKTR, there will be a twelve-month transitional period, during which we will accept CNY Transactions reports using the CFETS template and an interim template⁴ to be distributed to the banks’ designated contact persons. Reports⁵ should be submitted by email to bcreporting@hkma.gov.hk on a bi-weekly basis.

For avoidance of doubt, the Hong Kong FX Settlement Banks should report all CNY Transactions concluded with Eligible Investors or their custodian banks for the purpose of Bond Connect investments during the reporting period, including positions that are netted off and may not be ultimately squared in the onshore interbank FX market.

The Hong Kong FX Settlement Banks ready to commence HKTR reporting should notify the HKMA by emailing to bcreporting@hkmagov.hk for the latter to arrange a two-week simulation test. The Hong Kong FX Settlement Banks are advised to allow for sufficient lead time to complete the simulation test before the grace period ends.

VI. Pre-existing CNY Positions

If an Eligible Investor wishes to obtain the Enhanced CNY Conversion Service for its Bond Connect transactions settled prior to the Effective Date from both Primary and

⁴ For the avoidance of doubt, when using the CFETS and the interim templates, Hong Kong FX Settlement Banks should also observe reporting requirements set out in the covering circular and its annexes and follow the reporting examples set out in Annex 1.

⁵ File name format should be “BANKNAME_MMDD-MMDD”.

General Settlements set out in the covering circular, it should report all Pre-existing CNY Positions, including net CNY conversion and outstanding CNY hedges, to the HKMA through its Primary Settlement Bank using the CFETS template. The Primary Settlement Bank should submit one consolidated outstanding position report⁶ by email to bcreporting@hkma.gov.hk 10 business days before the appointed Primary and General FX Settlement Banks may provide Enhanced CNY Conversion Services for the said investor's Bond Connect transactions settled prior to the Effective Date. Please refer to Appendix 2 for a sample outstanding position report.

If a Hong Kong FX Settlement Bank has difficulty in reporting the Pre-existing CNY Positions of its Eligible Investors, it can continue to provide CNY Conversion Service to the Eligible Investors for their Bond Connect transactions settled prior to the Effective Date and the Enhanced CNY Conversion Service for Bond Connect transactions settled after the Effective Date. The said bank should put in place proper bookkeeping arrangements to differentiate new CNY transactions arising from the Bond Connect transactions settled before and after the Effective Date. For the avoidance of doubt, the Hong Kong Settlement Bank should continue to submit quarterly reports for the former and follow the reporting requirements set out in this document to report the latter.

VII. Others

If an Eligible Investor continues to engage only one Hong Kong Settlement Bank (i.e. not to obtain the Enhanced CNY Conversion Services), the designated Hong Kong Settlement Bank may continue to monitor their investors' CNY Transactions under regulatory requirements that have been in place since the launch of Bond Connect, and continue to submit the quarterly report to the HKMA. Alternatively, the Hong Kong Settlement Bank may choose to monitor their investors' CNY Transactions under the requirements set out in this circular, and in that case the Eligible Investor will need to designate the incumbent Hong Kong Settlement Bank as its Primary Settlement Bank and report Pre-existing CNY Positions to the HKMA through the said bank.

For operational and technical enquiries relating to submissions through HKTR, contact the HKTR at (852) 8100 3115 or email to hktr@hkma.gov.hk.

⁶ File name format should be "BANKNAME_Outstanding Position Report"