

Consultation paper on introducing mandatory clearing and expanding mandatory reporting

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HONG KONG MONETARY AUTHORITY
香港金融管理局



SECURITIES AND
FUTURES COMMISSION
證券及期貨事務監察委員會

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FOREWORD

In line with global efforts, the Hong Kong Monetary Authority (**HKMA**) and the Securities and Futures Commission (**SFC**) have been working with the Hong Kong Government and stakeholders on developing a regulatory regime for the over-the-counter (**OTC**) derivatives market in Hong Kong.

To that end, and subsequent to two consultation exercises (conducted in October 2011 and July 2012), the Securities and Futures (Amendment) Ordinance 2014 was passed by the legislature in March 2014. This piece of legislation introduces mandatory reporting, clearing, trading and record keeping obligations in respect of OTC derivative transactions. It further anticipates that the precise ambit of these obligations, and their related details, will be set out in rules to be made by the SFC with the HKMA's consent and after consultation with the Financial Secretary.

In line with other markets, we have always intended to implement the mandatory obligations in phases. To that end, the Securities and Futures (OTC Derivative Transactions – Reporting and Record Keeping Obligations) Rules (**the Reporting Rules**) were enacted earlier this year and came into force on 10 July 2015. The Reporting Rules mandate the reporting of certain interest rate swaps and non-deliverable forwards.

This consultation focuses on our next goal which is to: (i) introduce mandatory central clearing for certain standardised interest rate swaps; and (ii) expand the existing mandatory reporting regime so that it covers all OTC derivatives, and requires the reporting of certain additional transaction information. Drafts of our proposed rules for these obligations are attached at **Appendix A and Appendix B** respectively, and a list of the data fields to be completed when reporting is set out at **Appendix D**. This paper should be read in conjunction with papers relating to our October 2011 and July 2012 consultation on the OTC derivatives regulatory regime, as well as our earlier consultation on mandatory reporting.¹

Interested parties are invited to submit written comments on the draft rules and any other aspects of the proposals. Comments should reach either the HKMA or the SFC on or before **31 October 2015**, except that comments on the data fields to be completed (i.e. those set out in **Appendix D**) may be submitted on or before 30 November 2015. Comments may be submitted by any of the following methods –

By online submission at: <http://www.sfc.hk/edistributionWeb/gateway/EN/consultation/>

By email to: fss@hkma.gov.hk or otcconsult@sfc.hk

By fax to: (852) 2878 7297 or (852) 2521 7917

By post to one of the following:

Financial Stability Surveillance Division	Supervision of Markets Division
Hong Kong Monetary Authority	The Securities and Futures Commission
55/F Two International Finance Centre	35/F Cheung Kong Center
8 Finance Street, Central	2 Queen's Road Central
Hong Kong	Hong Kong

Any person wishing to submit comments on behalf of any organization should provide details of the organization whose views they represent.

¹ The papers may be downloaded from both the [HKMA](http://www.hkma.gov.hk) and the [SFC's](http://www.sfc.hk) websites.

Please note that the names of commentators and the contents of their submissions may be published by the HKMA and / or SFC on their respective websites and in other documents to be published by them. In this connection, please read the Personal Information Collection Statement attached to this consultation paper.

You may not wish your name and / or submission to be published by the HKMA and / or SFC. If this is the case, please state that you wish your name and / or submission to be withheld from publication when you make your submission.

September 2015

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 - (ii) in the case of the SFC, the relevant provisions³ and codes and guidelines published pursuant to the powers vested in the SFC;
 - (b) in performing –
 - (i) in the case of the HKMA, statutory functions under the provisions of the Banking Ordinance (Cap. 155) and the Securities and Futures Ordinance (Cap. 571); and
 - (ii) in the case of the SFC, its statutory functions under the relevant provisions;
 - (c) for research and statistical purposes; or
 - (d) for other purposes permitted by law.

Transfer of personal data

3. Personal data may be disclosed by the HKMA and / or SFC to members of the public in Hong Kong and elsewhere as part of the public consultation on this consultation paper. The names of persons who submit comments on this consultation paper, together with the whole or any part of their submissions, may be disclosed to members of the public. This will be done by publishing this information on the HKMA and / or SFC website and in documents to be published by the HKMA and / or SFC during the consultation period or at its conclusion.

Access to data

4. You have the right to request access to and correction of your personal data in accordance with the provisions of the PDPO. Your right of access includes the right to obtain a copy of your personal data provided in your submission on this consultation paper. The HKMA and SFC have the right to charge a reasonable fee for processing any data access request.

² Personal data means personal information as defined in the Personal Data (Privacy) Ordinance (Cap. 486).

³ The term "relevant provisions" is defined in section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap. 571) and refers to the provisions of that Ordinance together with certain provisions in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32), the Companies Ordinance (Cap. 622) and the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap. 615).

Retention

5. Personal data provided to the HKMA and / or SFC in response to this consultation paper will be retained for such period as may be necessary for the proper discharge of the HKMA's and SFC's respective functions.

Enquiries

6. Any enquiries regarding the personal data provided in your submission on this consultation paper, or requests for access to personal data or correction of personal data, should be addressed in writing to –

In the case of the HKMA –

Personal Data Privacy Officer
Hong Kong Monetary Authority
55/F Two International Finance Centre
8 Finance Street
Central Hong Kong

In the case of the SFC –

The Data Privacy Officer
The Securities and Futures Commission
35/F Cheung Kong Center
2 Queen's Road Central
Hong Kong

7. A copy of the Privacy Policy Statement adopted by the HKMA and SFC is available upon request.

EXECUTIVE SUMMARY

1. In line with G20 commitments to reform the OTC derivatives market, the Hong Kong Monetary Authority (**HKMA**) and the Securities and Futures Commission (**SFC**) have been working on implementing a regulatory regime for OTC derivatives in Hong Kong.
2. To that end, the Securities and Futures Ordinance (**SFO**) was amended in March 2014 to provide a framework for implementing Hong Kong's OTC derivatives regulatory regime. Subsequently, in July 2015, the Securities and Futures (OTC Derivative Transactions – Reporting and Record Keeping Obligations) Rules (**Reporting Rules**) came into effect. This introduced mandatory reporting for certain interest rate swaps (**IRS**) and non-deliverable forwards (**NDF**) in Hong Kong (**phase 1 reporting**).
3. Our next goal is to introduce –
 - (a) a first phase of mandatory clearing (**phase 1 clearing**), which will focus on certain standardised IRS transactions entered into between the major dealers, and
 - (b) a second phase of mandatory reporting (**phase 2 reporting**), which will expand our mandatory reporting regime so that it covers all OTC derivative products and requires the reporting of a wider range of information and particulars about the transaction to be reported (**transaction information**).
4. Our proposals in this regard are discussed in this Consultation Paper. We also attach, at **Appendix A** and **Appendix B**, respectively, drafts of our proposed subsidiary legislation for this purpose, namely –
 - (a) the Securities and Futures (OTC Derivative Transactions – Clearing and Record Keeping Obligations and Designation of Central Counterparties) Rules (**Draft Clearing Rules**), and
 - (b) the Securities and Futures (OTC Derivative Transactions – Reporting and Record Keeping Obligations) Rules, marked up to show our proposed changes for implementing phase 2 reporting (**Draft Expanded Reporting Rules**).
5. The proposals in this paper have been developed jointly by the HKMA and the SFC, and after taking into account relevant international developments, and the clearing and reporting requirements introduced in other major jurisdictions both regionally and internationally. In brief our proposals are as set out below.

Proposals for phase 1 mandatory clearing

Transactions to be subject to mandatory clearing

6. We propose to follow a clearing determination process when deciding which products should be subject to mandatory clearing. Our process will entail taking into account the following –
 - (a) whether the product is standardized enough,
 - (b) whether there are acceptable pricing sources for the product,
 - (c) the nature, depth and liquidity of the market for the product,
 - (d) the level of systemic risk posed by the product,
 - (e) the market impact of subjecting the product to central clearing,
 - (f) whether the product is subject to mandatory clearing in other jurisdictions, and

- (g) whether any Hong Kong-authorized central counterparty (**CCP**) provides services for clearing the product.
7. Adopting the above process, we propose that phase 1 clearing should only cover certain IRS, and that NDF and forward rate agreements (**FRA**) should not be covered at this stage. For NDF, we note that neither the US nor the EU have any immediate plans to mandate the central clearing of NDF. For FRA, although some overseas jurisdictions have mandated clearing for these, we do not propose to do so at least for now given the relatively low level of FRA activities in Hong Kong.
8. In terms of the specific IRS, we propose to cover fixed-to-floating swaps, basis swaps and overnight index swaps (**OIS**) that have the following features –
- (a) **Plain vanilla:** We propose to only cover plain vanilla IRS in phase 1 clearing. Accordingly, we will only cover IRS with a constant notional amount and no optionality that might affect the amount, timing or form of payments made under the IRS. This is largely in line with clearing requirements in other jurisdictions.
- (b) **Currency:** We propose to cover single currency IRS denominated in HKD, USD, EUR, GBP or JPY. The inclusion of HKD and USD IRS are necessary as both HKD and USD are systemically important currencies for Hong Kong. The other currencies are not systemically important to Hong Kong. However, as IRS in these currencies are mandated in other major jurisdictions, we consider it necessary to mandate them under our requirements as well so as to avoid regulatory arbitrage. We note however that IRS in some of these currencies are not supported by regional CCPs, and so we are not sure if this will present difficulties for market participants and therefore welcome views on this from the market.
- (c) **Floating rate index:** Assuming we proceed with all of the currencies mentioned above, we propose to cover the following floating rate indexes. These are commonly used for IRS and supported by a number of CCPs (although not necessarily regional CCPs). The indexes for the G4 currencies are also in line with those proposed in other major jurisdictions.

	IRS (fixed-to-floating swap and basis swap)				
Currency	HKD	USD	EUR	GBP	JPY
Floating rate index	HIBOR	LIBOR	EURIBOR	LIBOR	LIBOR

	IRS (overnight index swap)		
Currency	USD	EUR	GBP
Floating rate index	Fed funds	EONIA	SONIA

- (d) **Tenors:** In terms of tenors, we propose to only mandate clearing for OIS that have a tenor of 7 days to 2 years. This is in line with the US requirements but not the EU (which covers OIS of up to 3 years). As the size of our OIS market is relatively small, we believe it is sufficient to adopt the less stringent 2 year level. For other swaps, we only propose to cover those with a tenor of 28 days to 10

years. Other jurisdictions have specified a maximum of 30 years to 50 years. However, we do not believe this is necessary for Hong Kong given that over 90% (by notional amount) of the IRS transactions reported to the trade repository in Hong Kong (**HKTR**) so far have a tenor of less than 10 years.

Only dealer-to-dealer transactions to be covered in phase 1 clearing

9. As we intend to implement the mandatory obligations in phases, we propose to only cover transactions between major dealers in phase 1 clearing. This will ensure that our first phase focuses on transactions that pose the greatest systemic risk.
10. We believe major dealers with a presence in Hong Kong will likely be authorized institutions (**AIs**) or licensed corporations (**LCs**), with significant outstanding positions in OTC derivative transactions. They may also be approved money brokers (**AMBs**) although this is perhaps less likely given that AMBs do not tend to hold positions in OTC derivative transactions. We also believe that major dealers without a presence in Hong Kong will likely be the equivalent of an AI or LC in their home jurisdiction, and also have significant outstanding positions in OTC derivative transactions.
11. Accordingly, we propose to use two criteria to determine if a transaction is a dealer-to-dealer transaction –
 - (a) The counterparties to the transaction must be an AI, AMB or LC or the overseas equivalent of an AI or LC. The Draft Clearing Rules refer to the former as “**prescribed persons**” and to the latter as “**financial services providers**”.
 - (b) Both counterparties to the transaction must have outstanding OTC derivative positions that exceed certain specified thresholds (**clearing threshold**).
12. It is also necessary that at least one of the counterparties is an AI, AMB or LC as the transaction would otherwise have no nexus to Hong Kong. Moreover, in the case of an overseas-incorporated AI or AMB, the transaction must also be booked in its Hong Kong branch. This is because the HKMA's oversight of overseas-incorporated entities focuses on their activities in Hong Kong.
13. The above criteria will also ensure that phase 1 clearing does not capture transactions with non-regulated entities who may need to rely on client clearing services provided by a third party in order to fulfil the clearing obligation. This is important because the regulation of such third party service providers is not yet in force, and there is also some concern about the general availability of such service providers.

Clearing threshold and its calculation

14. Our proposals in respect of the clearing threshold are as set out below.
 - (a) ***Deliverable FX forwards to be excluded:*** We propose that *all* of a person's outstanding positions in OTC derivative transactions, excepting only deliverable FX forwards, should be taken into account when determining if the clearing threshold has been crossed.

- (b) **Multiple thresholds set by reference to calculation periods:** We propose to have multiple clearing thresholds, each set by reference to a different calculation period, i.e. if a person's "average position" in OTC derivative transactions during a particular calculation period exceeds the threshold level prescribed for that period, the person will be subject to mandatory clearing from a "prescribed day" which falls 7 months later.
- (c) **Calculation periods:** We propose that each calculation period should be 3 months long and that there should be two such periods in each year. We further propose that the first calculation period should commence on the day that phase 1 clearing takes effect.
- (d) **Average positions:** To determine if a person has crossed the clearing threshold, we will look at its average position during a calculation period, i.e. we will look at the notional amount of its outstanding OTC derivative positions as at the end of each month within the calculation period; add these up and then divide by 3.
- (e) **Prescribed day and concession period:** The 7-month gap between the end of the calculation period and the corresponding prescribed day (mentioned in paragraph (b) above) is to allow sufficient time for market participants to calculate if they have crossed the threshold and to set up their systems and complete the documentation and on-boarding exercise for accessing clearing facilities. There will be no requirement to clear historical transactions, i.e. when a person crosses the clearing threshold, it will only need to clear future transactions entered into after the relevant prescribed day – provided, of course, that they are transactions of the kind that are subject to mandatory clearing.
- (f) **Two thresholds for overseas entities:** Two threshold levels will apply in respect of overseas-incorporated entities – a lower threshold against which we will compare those positions that they have booked in Hong Kong; and a higher threshold against which we will compare their global positions. The clearing obligation will be triggered if *either* threshold is crossed.
- (g) **Decreasing thresholds:** We also expect that the threshold levels may decrease over time so that the clearing obligation can cover more market participants in future when appropriate. The initial threshold levels will however be set fairly high in line with our objective of capturing only dealer-to-dealer transactions in phase 1 clearing.
- (h) **No exit threshold:** We do not propose to have any exit threshold. Hence, once a person crosses the threshold for a particular calculation period, it will thereafter always be regarded as fulfilling the threshold criterion. This is notwithstanding that its positions in OTC derivative transactions may subsequently fall below that same threshold or the threshold for a later calculation period.

- (i) **Proposed clearing thresholds:** The table below summarises the clearing thresholds we propose for phase 1 clearing.

Threshold for local AI, AMB or LC	Threshold for overseas AI, AMB or LC		Threshold for financial services provider
	Positions booked in HK	Global positions	
US\$20 billion	US\$20 billion	US\$1 trillion	US\$1 trillion

Complying with the clearing obligation

15. Although, all OTC derivative transactions (except deliverable FX forwards) will be taken into account when determining if the clearing threshold has been crossed, the clearing obligation itself will only apply to IRS transactions that have the features discussed in paragraph 8 above. Additionally, although our proposed clearing obligation will apply in respect of transactions to which both a prescribed person and a financial services provider are counterparty, the onus of complying with the obligation will fall on the prescribed person only, i.e. on the counterparty that is an AI, AMB or LC. Of course, if both counterparties are AIs, AMBs or LCs, then the onus of complying will fall on both.

16. To discharge the clearing obligation, prescribed persons will need to check if the transaction is one that is subject to mandatory clearing, and if so, ensure that it is cleared in accordance with relevant requirements. Specifically –

- (a) **Check if transaction subject to clearing:** We expect that the prescribed person should at least check the following –

- (i) whether it has crossed the clearing threshold for the latest, or any previous, calculation period,
- (ii) whether its counterparty is an AI, AMB, LC or a financial services provider, and
- (iii) whether its counterparty has crossed the clearing threshold for the latest, or any previous, calculation period.

For the matters described in paragraphs (ii) and (iii) above, we expect prescribed persons to at least obtain a written confirmation of these matters from their counterparty, provided of course that the confirmation is received in good faith (e.g. the prescribed person has no reason to believe that the confirmation given is false).

- (b) **Clear in accordance with requirements:** The prescribed person should ensure that the transaction is submitted for clearing through a designated CCP. The person must also ensure that the transaction has been cleared by that CCP within the requisite timeframe (discussed below), i.e. it must at least do the following –

- (i) take all reasonable steps to ensure that the transaction will be cleared by the designated CCP, e.g. it must comply with all relevant requirements of the CCP's rules,
- (ii) check whether the transaction has in fact been accepted for clearing by the designated CCP, and if not, take all reasonable steps to ensure the transaction is cleared as soon as possible, including through another designated CCP if necessary, and

- (iii) terminate the transaction within the T+1 timeframe if it remains uncleared due to factors beyond the prescribed person's control.

Timeframe for complying with the clearing obligation

- 17. We propose that a transaction which is subject to mandatory clearing must be cleared within one business day after it is entered into, and "business day" here refers to Hong Kong business days. The one day lag should give market participants enough time to resolve any outstanding issues relating to the acceptance of the transaction for clearing. It should also provide some leeway for market participants who opt to clear their transactions through a designated CCP that is located in a different time zone.

Clearing obligation in respect of specified subsidiaries of locally incorporated AIs

- 18. Locally incorporated AIs are required to ensure that those of their subsidiaries that have been specified by the HKMA comply with the clearing obligation. The HKMA does not however expect to specify subsidiaries at the initial stage for ease of implementation. The Draft Clearing Rules do not therefore include provisions on specified subsidiaries. The HKMA will however keep the matter under close review, and appropriate amendments will be introduced in future if necessary.

Exemptions from the clearing obligation

- 19. We propose to introduce two exemptions to the clearing obligation – an intra-group exemption and a jurisdiction-based exemption.

Intra-group exemption

- 20. For intra-group transactions, we propose that these may be exempted subject to all of the following conditions being met –
 - (a) The transaction must be between a prescribed person and its affiliate, i.e. a corporation within the same group as the prescribed person, other than one that is a collective investment scheme.
 - (b) The accounts of the prescribed person and affiliate must be consolidated in full by the holding company.
 - (c) The consolidated financial statements must be prepared in compliance with certain specified standards (e.g. the Hong Kong Financial Reporting Standards, the International Financial Reporting Standards, or accounting standards applicable to the holding company in its place of incorporation).
 - (d) Both counterparties must be subject to centralized risk evaluation, measurement and control procedures.
 - (e) The affiliate in question must be an "exempt affiliate", i.e. the prescribed person must have notified either the HKMA or the SFC that the affiliate in question is to be regarded as an exempt affiliate, and such notice must still be in force.

Our proposed intra-group exemption is similar to exemptions proposed by regulators in other major jurisdictions such as the US, EU, Australia and Singapore.

21. The requirement for written notice of who are to be regarded as exempt affiliates is to ensure clarity and certainty for both regulators and the prescribed person concerned. For flexibility, we propose that the list of exempt affiliates may be changed at any time and from time to time. However, changes must be notified to regulators before they can take effect. Additionally, to reduce the compliance burden, we propose that a single notice may be sent in respect of multiple affiliates (including multiple AIs, AMBs and LCs within the same group), and that such notice can be sent to either the HKMA or the SFC. However, all prescribed persons seeking to rely on the notice must sign it.

Jurisdiction-based exemption

22. We also propose a jurisdiction-based exemption whereby transactions booked in one or more pre-identified overseas jurisdictions may be exempted from the clearing obligation subject to the following conditions being met –
 - (a) the jurisdiction in question must be an “exempt jurisdiction”, i.e. the prescribed person must have notified the HKMA (in the case of an AI or AMB) or the SFC (in the case of an LC) that the jurisdiction in question is to be regarded as an exempt jurisdiction, and such notice must still be in force, and
 - (b) the aggregate notional amount of the prescribed person’s OTC derivative positions booked in exempt jurisdictions must not exceed a certain limited portion of the person’s total OTC derivative positions (i.e. wherever booked), namely not more than 5% in respect of each exempt jurisdiction, and not more than 10% in respect of all exempt jurisdictions collectively.
23. The jurisdiction-based exemption is largely intended to address concerns about conflicting obligations that may apply to prescribed persons operating in closed markets. It can however also be used to reduce market participants’ compliance burden in respect of transactions booked in jurisdictions where their level of activity is within the 5% limit described above.
24. As with the intra-group exemption, the requirement for written notice as to which are to be regarded as exempt jurisdictions is to ensure clarity and certainty for both regulators and the prescribed person concerned. We do propose to allow prescribed persons to make changes to their list of exempt jurisdictions. However, again, these must be notified to regulators before they can take effect. Additionally, to prevent abuse, changes will be restricted so that jurisdictions removed from the list may only be reinstated one more time.
25. A point to highlight about the proposed jurisdiction-based exemption is that it will be critical to ensure that the list of exempt jurisdictions is kept up-to-date at all times. In particular, if market participants no longer expect to meet the 5% limit in respect of a particular exempt jurisdiction, they must ensure that it is removed from the list before the limit is exceeded. Likewise, if they do not expect to meet the combined 10% limit for all exempt jurisdictions, they must ensure that the list is amended in advance and as necessary. This is critical because a failure to meet either of these levels will affect the validity of the exemption in respect of *all* exempt jurisdictions.

De-clearing

26. We do not propose to prohibit de-clearing, whether for the purpose of trade compression or otherwise. We do not however consider it necessary to have express provisions in this regard.

Substituted compliance

27. We propose to allow substituted compliance under our regime. Specifically, cross-border transactions that satisfy the following conditions will not need to comply with our mandatory clearing obligation –
- (a) the transaction is *required* to be centrally cleared under the laws and regulations of a “comparable jurisdiction”, and
 - (b) the transaction *has been cleared* through a designated CCP and in accordance with the laws of that comparable jurisdiction.
28. For this purpose, we propose to designate the following as “comparable jurisdictions” at the outset, although the list may grow over time –
- (a) Australia
 - (b) Brazil
 - (c) Canada
 - (d) Member states of the European Union
 - (e) Japan
 - (f) Singapore
 - (g) Switzerland
 - (h) United States
29. We also propose to adopt a “stricter rule” approach in implementing substituted compliance. Consequently, if a transaction is exempted from clearing under the laws and regulations of a comparable jurisdiction, it will not be regarded as having fulfilled the conditions described in paragraph 27 above. In such circumstances, substituted compliance will not be available and the transaction will have to be centrally cleared in accordance with requirements under our mandatory clearing regime.

Clearing related record keeping obligations

30. As with mandatory reporting, we propose that mandatory clearing be supported by related record keeping obligations. Specifically, we propose that –
- (a) a prescribed person must keep records of all OTC derivative transactions in respect of which the clearing obligation applies,
 - (b) the records must be sufficient to demonstrate that the clearing obligation has been complied with, does not apply or is exempted (as applicable), and
 - (c) the records must also be kept for at least 5 years after maturity or termination, and in a manner that enables them to be readily accessible.

Designation and regulation of CCPs

31. We propose that both local and overseas CCPs may apply to be designated CCPs for the purposes of the mandatory clearing obligation.

32. As per the SFO, CCPs seeking to become designated CCPs must be recognized clearing houses (**RCHs**) or authorized automated trading services (**ATS**) providers. In the case of the latter, we propose that a CCP may submit its application for ATS authorization and CCP designation together.
33. We propose that CCPs seeking designation should apply in writing. There will be no prescribed form for application. However, they should identify the classes of OTC derivative transactions for which they seek designation, and include such other information as the SFC may reasonably require. For overseas CCPs, they should also identify their primary regulator and provide sufficient information to demonstrate compliance with their domestic requirements and international standards for CCPs. An application fee of HK\$10,000 is also proposed. Additionally, successful applicants will need to pay an annual fee of HK\$10,000 thereafter. This application and annual fee for CCP designation will be additional to the current HK\$10,000 application fee and HK\$10,000 annual fee payable in respect of an ATS authorization.
34. In the case of overseas CCPs providing clearing services for OTC derivative transactions, the following are worth noting –
- (a) **Expansion of ATS regime and regulation:** The existing ATS regime under the SFO will need to be enhanced to support the implementation of phase 1 clearing. In this regard, we propose that amendments to the ATS definition (i.e. to cover the provision of clearing services for OTC derivative transactions) should be implemented at the same time that phase 1 clearing commences. Additionally, the SFC's *Guidelines for the Regulation of Automated Trading Services (ATS Guidelines)* are in the process of being amended (i.e. to cover ATS for OTC derivative transactions), and the SFC will be conducting a separate consultation on this in the near future.
 - (b) **Impact on overseas CCPs:** The extension of the ATS definition will mean that overseas CCPs that provide ATS for OTC derivative transactions will need to be authorized by the SFC if they intend to actively market their services to persons in Hong Kong. This is irrespective of whether they wish to become designated CCPs for the purposes of mandatory clearing in Hong Kong. This should not however create any significant market disruption given that: (i) Hong Kong's provisions on CCP regulation are predominantly based on international standards; (ii) in regulating overseas CCPs, we rely heavily on their home regulator for day-to-day supervision; and consequently (iii) the successful authorisation (and designation) of an overseas CCP will depend largely on whether its oversight and regulation by its home regulator is consistent with international standards.
 - (c) **Insolvency override protections:** Insolvency override protections conferred under the SFO will not apply in respect of ATS providers. We had previously introduced legislative amendments to extend some of these protections to ATS providers that are designated CCPs. In particular, the amendments sought to expand the definition of "market contract" to cover OTC derivative transactions entered into between such ATS provider and its participant. However, as we understand that some CCPs risk manage their participants' positions on a portfolio basis rather than a product basis the changes previously introduced may not suffice and their implementation may create doubt or confusion. We therefore propose to hold back on implementing these changes for now. In the meantime,

overseas CCPs will still be able to rely on insolvency override protections applicable in their home jurisdictions.

Proposals for phase 2 mandatory reporting

35. With phase 1 reporting now in place, we propose to proceed with phase 2 reporting. Our key proposals under phase 2 are –
- (a) to expand the product scope so that *all* OTC derivatives transactions become subject to mandatory reporting,
 - (b) to expand the scope of transaction information that is to be reported when reporting a transaction or subsequent event, and
 - (c) to mandate the reporting of daily valuations.

Expanded product scope

36. We propose that phase 2 reporting should require the reporting of transactions in *all* OTC derivative products, i.e. all interest rate derivatives and foreign exchange derivatives not covered in phase 1, as well as all other OTC derivative products, such as equity derivatives, credit derivatives, commodity derivatives, etc.

Adjustments to the reporting regime in light of expanded product scope

37. We propose that the reporting regime should apply to the expanded product scope in much the same way that it applies under phase 1, but a few adjustments are proposed with a view to simplifying the rules and requirements. Specifically –
- (a) ***Reporting entities:*** We propose that the categories of persons subject to mandatory reporting should be largely the same as under phase 1, i.e. it will cover AIs, AMBs, LCs and RCHs. However, we also propose to extend the regime to cover CCPs that are authorized ATS providers (***ATS-CCPs***). We do not currently have ATS-CCPs in our market, but with the implementation of phase 1 clearing, there will be such entities in our markets and so it is appropriate to extend the obligation to them as well.
 - (b) ***Reporting obligations of different reporting entities:*** We propose that the reporting obligation of different reporting entities should be the same as under phase 1 reporting, i.e. AIs, AMBs and LCs should report transactions to which they are counterparty and those that they have conducted in Hong Kong, while CCPs should only report transactions to which they are counterparty. ATS-CCPs will have an added qualification in that they will only need to report transactions where the other counterparty is a Hong Kong company.
 - (c) ***Report new and historical transactions, and subsequent events:*** Similar to phase 1 reporting, we propose that both historical and new transactions should be reported under phase 2, as should all subsequent events.
 - (d) ***No product class or product type:*** Since the mandatory reporting obligation will cover *all* OTC derivative products, we believe it is no longer necessary to define our regime by reference to product classes and product types. We therefore propose to remove these concepts from our rules.

- (e) **Implications for “exempt person” relief:** With the removal of product classes, the “exempt person” relief will no longer apply on a product class basis. The criterion for this relief will instead have to be met in respect of *all* OTC derivative transactions before it can be triggered. In particular, a person will only be entitled to this relief if the aggregate notional amount of its outstanding positions in *all* OTC derivative transactions does not exceed US\$30 million. We do not propose to raise this US\$30 million limit under phase 2.
- (f) **Deferred commencement and hence no need for concession period:** Under phase 1 reporting, a 6-month concession period was conferred which applied on a product type basis. The purpose of the concession period was to allow market participants sufficient time to set up or enhance their systems and systems connection to the HKTR whenever a new product type was required to be reported. As we are proposing to remove product types, and with a view to further simplifying the reporting requirements, we propose to do away with the concession period altogether. We propose to instead defer commencement of phase 2 reporting by 6 months (from the day the amended rules are enacted) so that market participants may still have enough time to set up or enhance their systems and system connection.
- (g) **Reliefs:** We propose that reliefs under phase 1 reporting should generally apply under phase 2 as well except that: (i) the “exempt person” relief will no longer apply on a product class basis (as discussed above); and (ii) the masking relief in respect of transactions that require counterparty consent will not be extended further, i.e. transactions entered into after 9 January 2016 cannot be masked on the basis that counterparty consent is required but cannot be obtained despite reasonable efforts.
- (h) **Record keeping obligation:** We propose that the record keeping obligation should continue to apply under phase 2 as it does under phase 1 reporting.

Expanded scope of transaction information to be reported under phase 2

- 38. We propose to expand the scope of transaction information to be reported under phase 2. This is in part the result of the expanded product scope, and also takes into account reporting requirements imposed in other major markets. The wider scope is also necessary to ensure the efficacy of data collected by the HKTR. In the case of IRS and NDF reportable under phase 1 reporting, we also propose to expand the scope of information to be provided so as to be more specific in terms of information required for administrative purposes, about identifiers and documentation, trade execution and clearing, and compression, which will also be applicable to the expanded product scope. All this information will be useful in assisting regulatory analysis and facilitating data aggregation.
- 39. As the information to be reported is highly technical and complex, and also fairly lengthy, it is difficult to describe these in sufficient detail and precision in legislation. We therefore propose to take a different approach to defining the transaction information to be reported. Specifically, we propose that the Reporting Rules should only set out, in broad terms, the categories of information that have to be reported, and that the specific data

fields to be completed in respect of each category should be published separately by notice in the *Gazette*. For better transparency, these will also be available on the HKMA and the SFC's respective website. We believe this strikes an appropriate balance. The specific data fields to be completed when reporting are set out in **Appendix D**.

Reporting of valuation information

40. We propose to require the daily reporting of valuation information. Specifically, we propose as follows –
- (a) The following particulars should be reported on a daily basis –
 - (i) the basis on which the transaction is valued (i.e. valued by a CCP, mark-to-market or mark-to-model),
 - (ii) the date and time of the valuation,
 - (iii) the value of the transaction, and
 - (iv) the currency in which the value is denominated.
 - (b) In terms of the valuation to be adopted, we propose that –
 - (i) for transactions cleared through a CCP, entities should report the valuation determined by the CCP,
 - (ii) for non-centrally cleared transactions where the counterparties have agreed to exchange margin, entities should report the valuation mutually agreed for the purposes of exchanging margin, and
 - (iii) for other non-centrally cleared transactions, internal valuations may be reported, although we will keep in view international developments in this area, and review this requirement as appropriate in light of any new standards that might emerge in the future.
 - (c) In terms of the timeframe for reporting daily valuations, we propose that this should be done within two days, i.e. valuations should be reported within 2 days of the day of valuation.

Implications of proposed changes for different reporting entities

41. The proposed changes to our reporting regime will have different implications for different reporting entities depending on whether they were already reporting under phase 1, and if not, whether their grace period under phase 1 had already started to run. These are discussed in more detail under Section F on page 60.

Timeline for submitting comments and implementation

42. Our proposals for phase 1 clearing are largely in line with requirements imposed in other major jurisdictions. Moreover, the scope of products and persons that will be covered under phase 1 are confined to those that are likely to be subject to mandatory clearing in other major jurisdictions. Our proposals for phase 2 reporting are also largely in line with requirements imposed in other major jurisdictions. We believe therefore that market participants here will have anticipated the substance of our proposals for both phase 1 clearing and phase 2 reporting.

43. In view of the above, we propose to allow one month for the submission of comments, i.e. **comments on our proposals for phase 1 clearing and phase 2 reporting** (other than the specific data fields in Appendix D) must reach either the HKMA or the SFC by **no later than 31 October 2015**.
44. However, given the volume of the data fields in Appendix D, we propose to allow two months for the submission of comments on these, i.e. **comments on the data fields in Appendix D** must reach either the HKMA or the SFC by no **later than 30 November 2015**.
45. In terms of implementation, we are working toward introducing the relevant subsidiary legislation into the Legislative Council by Q1 2016, with a view that it will be enacted by mid-2016, and that accordingly –
- (a) phase 1 clearing may come into effect in mid-2016, and
 - (b) phase 2 reporting may come into effect in early 2017 (i.e. after a 6 month deferral as discussed above).

INTRODUCTION

Background

46. After the 2008 Global Financial Crisis, Leaders of the Group of Twenty Nations (**G20 Leaders**) committed to reforms that would require –
- (a) OTC derivative transactions to be reported to trade repositories (**TRs**),
 - (b) standardised OTC derivative transactions to be cleared through central counterparties (**CCPs**),
 - (c) standardised OTC derivative transactions to be traded on exchanges or electronic trading platforms, where appropriate, and
 - (d) non-centrally cleared OTC derivative transactions to be subject to higher capital and margin requirements.

Reform efforts thus far

47. Hong Kong has been making progress on implementing the G20 commitments. After two consultations on the proposed framework of Hong Kong's OTC derivatives regulatory regime⁴, the Securities and Futures (Amendment) Ordinance 2014 (**the Amendment Ordinance**) was passed by the legislature in March 2014. This provides the framework for implementing Hong Kong's OTC derivatives regulatory regime, and introduces reporting, clearing, trading and record keeping obligations, in respect of OTC derivative transactions.
48. Thereafter, and in line with our approach to implement the mandatory obligations in phases, we consulted the market⁵ on introducing mandatory reporting. This led to the enactment of the Securities and Futures (OTC Derivative Transactions – Reporting and Record Keeping Obligations) Rules (**Reporting Rules**), which came into effect on 10 July 2015. Those rules mandate the reporting of certain interest rate swaps (**IRS**) and non-deliverable forwards (**NDF**), and impose related record keeping obligations.

⁴ We conducted the following consultations on the regulatory regime for the OTC derivatives market in Hong Kong –

- (a) We issued our first joint consultation paper in October 2011 (**October 2011 Consultation**), inviting views on our proposed regulatory regime for the OTC derivatives market. In the 2011 consultation paper, we set out the key aspects of our proposed regime, our proposed reporting and clearing requirements, and our proposed regulation of key players in the OTC derivatives market.
- (b) We issued our joint consultation conclusions paper in July 2012 (**July 2012 Conclusions**), together with a supplemental consultation paper, issued on the same day (**July 2012 Supplemental Consultation**), seeking further views on proposals for regulating intermediaries and systemically important participants in the OTC derivatives market.
- (c) We then issued our joint conclusions paper to the July 2012 supplemental consultation paper in September 2013 (**September 2013 Conclusions**).

⁵ Two consultation exercises were conducted to introduce reporting requirements –

- (a) In July 2014 we issued a consultation paper on our proposals for the first phase of mandatory reporting (**July 2014 Consultation on Reporting**).
- (b) In November 2014, we issued our joint consultation conclusions to the July 2014 consultation exercise, and also sought further views on a few additional matters relating to the first phase of mandatory reporting (**November 2014 Further Consultation on Reporting**).
- (c) We then issued our joint conclusions paper on those further matters in May 2015 (**May 2015 Conclusions on Reporting**).

Focus of this consultation

49. Our next goal is to –
- (a) mandate the central clearing of certain standardised IRS, and introduce related record keeping requirements, and
 - (b) expand the mandatory reporting regime so that it covers *all* OTC derivative products and requires the reporting of certain additional information.
50. Our key proposals for mandatory clearing, and related record keeping requirements, are set out in paragraphs 54 to 164 below. In brief, we propose that the first phase of mandatory clearing (**phase 1 clearing**) should only cover transactions in certain standardised IRS that are entered into between major dealers. Similar to the approach taken in other jurisdictions, transactions subject to our mandatory clearing obligation must be cleared through designated CCPs. We also attach at **Appendix A** a draft of our proposed Securities and Futures (OTC Derivative Transactions – Clearing and Record Keeping Obligations and Designation of Central Counterparties) Rules (**Draft Clearing Rules**).
51. Our key proposals for the expanded reporting regime are set out in paragraphs 165 to 205 below. In brief, we propose to mandate the reporting of *all* OTC derivative transactions, and expand the range of transaction information that must be reported, including requiring the daily reporting of information relating to the valuation of transactions reported. A draft of the Reporting Rules, marked up to show our proposed changes for implementing the expanded reporting regime, is attached at **Appendix B (Draft Expanded Reporting Rules)**.
52. A point to note is that the draft rules at **Appendix A** and **Appendix B** are subject to review by the Department of Justice, and so there may be further drafting changes.
53. This paper should be read in conjunction with papers relating to our earlier consultation on the OTC derivatives regulatory regime (conducted in October 2011 and July 2012), as well as our earlier consultation on mandatory reporting (conducted in July 2014 and November 2014).⁶

⁶ The papers may be downloaded from both the [HKMA](#) and the [SFC's](#) websites.

KEY PROPOSALS ON MANDATORY CLEARING

A. Products to be subject to mandatory clearing

54. This Section discusses the types of transactions that will be subject to mandatory clearing, i.e. which product types they must be, and what particular features they must have. Such transactions are referred to as “**specified OTC derivative transactions**”.

Clearing determination process

55. In line with the approach taken in other jurisdictions, we propose to follow a clearing determination process when deciding which products should be subject to mandatory clearing under our regime. Specifically, we propose that the process should entail taking into account the following factors –
- (a) whether the product is standardized enough for central clearing,
 - (b) whether there are fair, reliable and generally acceptable pricing sources for the product,
 - (c) the nature, depth and liquidity of the market for the product,
 - (d) the level of systemic risk posed by the product,
 - (e) the impact to the market and market participants of imposing a clearing obligation in respect of the product,
 - (f) whether regulators in other jurisdictions consider such product to be suitable for mandatory clearing, and
 - (g) whether any CCP authorized by the SFC offers, or is proposing to offer, services for clearing such product.
56. The proposed clearing determination process is in line with what we said in our earlier consultations about adopting both a top-down and a bottom-up approach, i.e. taking into account both: (i) regulators’ views as to what product types are suitable or desirable for central clearing; and (ii) whether there are any authorized CCPs that provide, or are proposing to provide, services for clearing them. The proposed process also takes into account the factors set out in the Financial Stability Board’s October 2010 Report on *Implementing OTC Derivatives Market Reforms 2010*⁷, and the recommendations in IOSCO’s February 2012 report entitled *Requirements for Mandatory Clearing*.

Q1. Do you have any comments or concerns regarding the proposed clearing determination process, or any of the factors included in that process? If so, please provide specific details.

Initial focus on IRS and NDF only

57. We said in our earlier consultation⁸ that our mandatory obligations would initially cover only certain types of IRS and NDF, and that this would subsequently be extended, in phases, to cover other OTC derivative products. We have therefore focused only on IRS and NDF in this first phase.

⁷ Recommendation 5 in the FSB Report sets out the factors authorities should take into account when determining the clearing requirement to be imposed in respect of OTC derivatives.

⁸ See the HKMA and SFC’s July 2012 Conclusions on the proposed regulatory regime for the OTC derivatives market in Hong Kong.

Proposed product types for IRS

58. As mentioned in our earlier consultation,⁹ interest rate derivatives are the second largest class of OTC derivatives traded in Hong Kong. (The largest class is FX derivatives, but as most major jurisdictions have not mandated clearing for these, we do not propose to cover them under phase 1.) Based on information available to regulators, over 95% of interest rate derivatives traded by Als are IRS. We therefore believe that we should impose a clearing obligation on transactions in IRS.
59. In terms of which types of IRS to mandate for clearing, we propose as follows –
- (a) The first phase should cover only fixed-to-floating swaps, basis swaps and overnight index swaps (**OIS**) as these are standardized enough for central clearing and supported by an adequate number of CCPs. Additionally, and in line with the clearing determination process discussed above, we propose that such IRS should be further confined so that the clearing obligation only applies to those that are plain vanilla, and have features in terms of currency, floating rate index and tenor that meet certain criteria. Paragraphs 61 to 69 below discuss these further specifications in more detail and explain our rationale for how they have been defined.
 - (b) Additionally, although some overseas jurisdictions have mandated that forward rate agreements (**FRA**) should be centrally cleared, we do not believe it is necessary for us to do so, at least not in the first phase of mandatory clearing, due to the relatively low level of FRA activities in Hong Kong.
60. Our proposed definitions for IRS, fixed-to-floating swaps, basis swaps and OIS are all reflected in Section 1 of Schedule 1 to the Draft Clearing Rules. These largely track the current definitions and descriptions in Schedule 1 to the Reporting Rules, which we consulted the industry on previously. A point of difference to note is that although we did not define or describe OIS separately in the Reporting Rules (since they are essentially a type of fixed-to-floating swap), we are proposing to define and refer to them separately under the Draft Clearing Rules. This is because the currencies, floating rate indexes and tenors that we propose to specify for OIS that are to be subject to mandatory clearing are different from those we propose for other types of fixed-to-floating swaps. We therefore feel it would be clearer and more transparent to set them out separately under their own heading. A separate definition for OIS is therefore necessary. The definition in any case follows the definition for fixed-to-floating swap.

Q2. Do you have any comments or concerns about our proposals on the types of IRS that should be subject to mandatory clearing? If you do, please provide specific details.
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⁹ See the HKMA and SFC's October 2011 Consultation on the proposed regulatory regime for the OTC derivatives market in Hong Kong.

Plain vanilla IRS

61. We propose to only introduce plain vanilla IRS under phase 1 clearing. As such, we will not include IRS where the notional principal amounts (by reference to which payments of the two counterparties are calculated) are denominated in different currencies. We will also only include IRS with constant notional amounts, and with no option to change the amount, timing or form of payments. These qualifications are reflected in the definition of IRS itself (where we state that payments are to be calculated by reference to a notional amount that is denominated in a single currency) and in the last two columns of the Tables under Section 2 of Schedule 1 to the Draft Clearing Rules.

Q3. Do you have any comments or concerns about our proposals to only include plain vanilla IRS with constant notional amounts and no optionality? If so, please provide specific details.

Specified currencies for IRS

62. We propose that only IRS in HKD and the G4 currencies (i.e. USD, EUR, GBP and JPY) should be covered under phase 1 clearing. In doing so, we have considered the following factors –

- (a) ***Currencies which are systemically important to our market:*** We consider both HKD and USD to be systemically important currencies to Hong Kong as they are commonly used in commercial and financial activities here. Based on information reported to the trade repository in Hong Kong (**HKTR**), the level of inter-bank activities in USD IRS is higher than activities in HKD IRS. Both currencies together constitute a substantial volume of IRS transactions in Hong Kong. We therefore think that mandatory clearing should be applied to IRS in USD and HKD. We note however that, so far, no other jurisdiction has proposed a clearing obligation in respect of HKD IRS. We would therefore welcome market feedback on this point before finalizing our proposals on whether to cover HKD IRS under phase 1 clearing.
- (b) ***Consistency and harmonization with international clearing implementation:*** We note that major jurisdictions have mandated IRS denominated in the G4 currencies. Other than USD, the remaining three G4 currencies (i.e. EUR, GBP and JPY) are not systemically important to Hong Kong. Data collected by the HKTR also indicate that levels of inter-bank activities in IRS denominated in these three currencies are not high when compared to activities in USD IRS. Nevertheless, given that IRS in these currencies are subject to mandatory clearing in other major jurisdictions, including the US and the EU, we believe it is necessary for us to do likewise here in order to avoid regulatory arbitrage. Accordingly, and subject to the factors discussed in paragraphs (c) and (d) below, we propose that our clearing obligation should also cover plain vanilla IRS denominated in EUR, GBP and JPY.
- (c) ***Accessibility of central clearing facilities:*** Given that major jurisdictions have mandated the central clearing of IRS in the G4 currencies, we do not think accessibility in general is an issue. However, as far as IRS in EUR, GBP and JPY are concerned, we note that some of them are not supported by regional CCPs in

Asia. We are unsure whether mandating such IRS to be centrally cleared may present difficulties for local market participants who prefer to clear locally, or who prefer to clear as direct members but are unable to become a member of any global CCP. We invite views in this regard.

- (d) **Undue burden on market participants:** We have considered whether our clearing obligation should apply to IRS in currencies other than the G4 currencies. Our view is that this is not necessary for now given that the major jurisdictions have generally focused on IRS in the G4 currencies, and we see no need for Hong Kong to act differently. Doing so would also pose an undue burden for market participants.

63. Our proposal to cover IRS in HKD and the G4 currencies is reflected in the Tables under Section 2 of Schedule 1 to the Draft Clearing Rules (under the columns headed "Currency").

- Q4. Do you have any comments or concerns about our proposal to include IRS denominated in any of the G4 currencies under phase 1 clearing? If you do, please provide specific details.**
- Q5. Do you have any comments or concerns about our proposal to mandate HKD denominated IRS for clearing under phase 1 clearing? If you do, please provide specific details.**

Specified floating rate indexes for IRS

64. In the case of fixed-to-floating swaps and basis swaps, we propose that they should be subject to mandatory clearing only if they feature the floating rate indexes set out in the table below. We believe these indexes are commonly used for IRS and supported by a number of CCPs. We also note that our proposed indexes are in line with those proposed by regulators in major jurisdictions. The requirement for IRS to feature the proposed floating rate indexes is reflected the Tables under Section 2 of Schedule 1 to the Draft Clearing Rules (under the column headed "Floating Rate Index").

	IRS (fixed-to-floating swap and basis swap)				
Currency	HKD	USD	EUR	GBP	JPY
Floating Rate Index	HIBOR	LIBOR	EURIBOR	LIBOR	LIBOR

65. In the case of OIS, we note that the following indexes are proposed by regulators in major jurisdictions.

	IRS (overnight index swap)		
Currency	USD	EUR	GBP
Floating Rate Index	Fed Funds	EONIA	SONIA

66. According to data on inter-bank activities collected by the HKTR, the level of OIS activities in the G4 currencies is relatively thin. We further note that OIS, despite being a subset of IRS, are not supported by regional CCPs in Asia. Similar to our earlier

discussion on whether we should mandate clearing for IRS in EUR, GBP and JPY, we welcome views on whether mandating the central clearing of OIS may present difficulties for local market participants who prefer to clear locally, or who prefer to clear as direct members but are unable to become a member of any global CCP.

67. We would add that our current thinking is that if it is eventually decided that we should impose mandatory clearing in respect of IRS denominated in EUR, GBP and JPY, then we should cover OIS in these currencies as well for consistency and completeness. Accordingly, as we have (for now) included IRS denominated EUR, GBP and JPY in our Draft Clearing Rules, we have also done the same for OIS. However, if the first phase of our clearing obligation does not eventually cover IRS in these three currencies, there may not be a need to include OIS at all, due to the relatively low level of activities in USD OIS featuring Fed Funds rate. We welcome views on this approach.

- Q6. Do you have any comments or concerns about our proposal to only cover IRS that feature the indexes set out in the two tables above? If you do, please provide specific details.**
- Q7. Do you have any comments or concerns about our proposals on whether OIS should be covered under phase 1 clearing, and in what circumstances? If you do, please provide specific details.**

Specified tenors for IRS

68. In order not to impose any unnecessary compliance burden, we do not propose to include short dated IRS under phase 1 clearing. Additionally, we note from data collected by the HKTR that over 90% (by notional amount) of the IRS transactions reported have a tenor of less than 10 years. We therefore propose that only IRS featuring the following tenors should be subject to central clearing –
- (a) For fixed-to-floating swaps and basis swaps, we propose a minimum tenor of 28 days and a maximum tenor of 10 years. These are within the range of tenors commonly accepted by CCPs for central clearing, and hence clearing services for such products should be easily accessible to market participants. We note that some overseas regulators have specified a maximum tenor of 30 years to 50 years for fixed-to-floating swaps and basis swaps that are to be subject to mandatory clearing. We do not believe it is necessary for us to follow suit under our phase 1 clearing due to the relatively low level of long dated transactions in Hong Kong.
 - (b) For OIS (if covered), we propose a minimum tenor of 7 days and a maximum tenor of 2 years. In this regard, we note that the US and EU have specified maximum tenors of 2 years and 3 years, respectively. As the size of our OIS market is relatively small, we propose going for the less stringent requirement of 2 years.
69. The proposed tenors are reflected in the Tables under Section 2 of Schedule 1 of the Draft Clearing Rules (under the column headed “Tenor”).

Q8. Do you have any comments or concerns about our proposal that mandatory clearing should apply to IRS that feature the range of tenors described above? If you do, please provide specific details.

Appropriateness of mandating NDF for central clearing

70. We have been monitoring discussions in other major jurisdictions on whether it is appropriate to mandate NDF for central clearing. Some of the issues and concerns faced by regulators in other jurisdictions, such as in the US and EU, are also relevant to Hong Kong.
71. For example, it has been pointed out by respondents to overseas consultations that not all NDF contracts traded in the market are standardized contracts. Moreover, although there are several CCPs offering clearing services for NDF, the clearing of NDF contracts is relatively new and volumes of cleared NDF contracts are small. Consequently, market participants do not have the same level of experience in clearing such contracts. More importantly, client clearing for NDF contracts is still rare, with only a few token transactions having been conducted.
72. Further, market participants have also noted the importance of international consistency when implementing mandatory clearing for NDF. If the implementation schedules of different jurisdictions are not aligned, market fragmentation may occur. As a result, end users of NDF may not be able to access the existing liquidity pool. Since NDF is a relatively smaller market, the consequences of any market fragmentation could be magnified.
73. We understand that neither the US nor the EU has any immediate plan to implement mandatory clearing for NDF. In view of this, we do not propose including NDF in our first phase of mandatory clearing. We will however continue to monitor market developments in this area, and accordingly assess the need and timeline for mandating the central clearing of NDF in Hong Kong in future.

Q9. Do you have any comments or concerns about our proposal not to cover NDF transactions under phase 1 clearing? If so, please provide specific details.

B. Only dealer-to-dealer transactions to be subject to mandatory clearing in first phase

Dealer-to-dealer transactions

74. As mentioned above, we propose that phase 1 clearing should only cover dealer-to-dealer transactions, i.e. transactions between major dealers (whether global or local). We believe this limitation is appropriate because major dealers are the most active participants in the OTC derivatives market. They also very often trade among themselves, thus increasing their interconnectedness. Their transactions therefore potentially pose the greatest systemic risk. They are also more likely to have access (either direct or via a third party) to CCPs which clear the kinds of transactions that we are proposing for mandatory clearing.

75. We propose to use two criteria to determine whether a transaction is a dealer-to-dealer transaction, namely: (i) who the counterparties to the transaction are; and (ii) the level of their outstanding positions in certain OTC derivative transactions.
- (a) With respect to (i), we propose that at least one of the counterparties must be a “prescribed person”, and that the other counterparty may be either a “prescribed person” or a “financial services provider” – we explain this criterion and the terminology used under paragraphs 76 to 81 below.
 - (b) With respect to (ii), we propose that both counterparties must have outstanding positions in certain OTC derivative transactions, and that these must exceed certain prescribed thresholds – we discuss these thresholds and their calculation in Section C below.

The above criteria are reflected in Rule 5(1) of the Draft Clearing Rules.

One counterparty must be a “prescribed person”

76. Under new section 101C of the SFO, only prescribed persons are subject to the mandatory clearing obligation. It is necessary therefore for at least one counterparty to the transaction to either be, or be related in some way to, a prescribed person.
77. The term “prescribed person” is defined in the SFO to mean any of the following persons: (i) an authorized institution (**AI**); (ii) an approved money broker (**AMB**); a licensed corporation (**LC**); or (iv) a person of a class or description prescribed by subsidiary legislation. We propose that, for the first phase of mandatory clearing, the scope of prescribed persons should be limited to just the first three, i.e. AIs, AMBs and LCs. This is because we believe that major dealers with a presence in Hong Kong will mostly be AIs or LCs with significant outstanding positions in OTC derivative transactions. They may also be AMBs although this is perhaps less likely given that AMBs do not tend to hold positions in OTC derivative transactions. We will however keep the scope of prescribed persons under review, and expand it, as appropriate, in later phases.
78. A related point to mention here is that, in the case of overseas AIs and overseas AMBs, we propose that the clearing obligation should only apply in respect of transactions that they have booked in their Hong Kong branch. This is because the HKMA’s regulatory oversight of overseas-incorporated entities focuses on their activities in Hong Kong.

Other counterparty may be a “financial services provider”

79. The term “financial services provider” is intended to refer to entities that: (i) are essentially the equivalent of an AI or LC; but (ii) provide their services outside Hong Kong and hence are not required to be authorized or licensed under the BO or the SFO. The term seeks to capture major dealers who operate outside Hong Kong but who may conduct transactions with dealers here. We consider it necessary to provide for this given that transactions between major dealers may often be cross-border.
80. Two points in respect of financial services providers are worth highlighting –

- (a) As mentioned above, at least one of the counterparties to the transaction must be a prescribed person (i.e. an AI, AMB or LC) in order for the clearing obligation to be triggered. It follows therefore that transactions between two financial services providers will never be subject to mandatory clearing under our proposed regime.
 - (b) Although transactions entered into by a financial services provider may be subject to mandatory clearing under our proposed regime, the obligation to comply with such requirement will not fall on the financial services provider. It will only fall on the other counterparty, which (as discussed above) must be a prescribed person.
81. The definition of “financial services provider” is set out in Rule 2 of the Draft Clearing Rules. Although we do not expect a financial services provider to be incorporated in Hong Kong, the definition allows for this possibility so as to close off any possible loophole.

Other reasons for only covering dealer-to-dealer transactions in the first phase

82. A further benefit to limiting phase 1 clearing to dealer-to-dealer transactions is that it will exclude transactions entered into by non-regulated entities who may need to rely on client clearing services provided by a third party intermediary. This is important for two reasons –
- (a) ***The regulation of such intermediaries is not yet in force:*** Although we have introduced a new Type 12 regulated activity (i.e. providing client clearing services for OTC derivative transactions)¹⁰ under our new OTC derivatives regime, this has yet to be implemented.¹¹ Until this is done, we believe our clearing obligation should be limited so that it does not cover transactions entered into by non-regulated entities who are likely to have to rely on client clearing to fulfil any clearing requirement. To do otherwise would effectively mean such non-regulated persons will be compelled to use the services of intermediaries (i.e. providers of client clearing services) even though regulatory requirements in respect of such intermediaries are not yet in place.
 - (b) ***Concern about possible lack of clearing members who can provide client clearing:*** We understand that as a result of certain cost and risk constraints faced by clearing members, there are concerns about the general availability of clearing members who can provide client clearing services. We will continue to monitor global developments on clearing capacity when considering our next phase of mandatory clearing.

¹⁰ The new Type 12 RA covers the provision of clearing and settlement services on behalf of another person in respect of that other person's OTC derivatives transactions (i.e. client clearing services). It does not cover clearing and settlement activities in relation to a person's own proprietary positions in OTC derivatives transactions.

¹¹ The Amendment Ordinance introduced two new regulated activities (including Type 12 regulated activity) and expanded two existing regulated activities. These new and expanded activities have yet to be implemented pending the introduction of related rules and regulations.

- Q10. Do you have any comments or concerns about our proposal to restrict mandatory clearing to only dealer-to-dealer transactions in the first phase? If you do, please provide specific details.**
- Q11. Do you have any comments or concerns about our proposed criteria for scoping dealer-to-dealer transactions? If you do, please provide specific details.**
- Q12. Do you have any comments or concerns about our proposed scope for “prescribed persons” and “financial services providers”? If you do, please provide specific details.**

C. Clearing threshold and its calculation

83. We mentioned in paragraph 75 above that in order to cover only dealer-to-dealer transactions under phase 1 clearing, a key criterion we propose is that both counterparties to the transaction must hold positions in OTC derivative transactions, and that these must exceed certain prescribed threshold levels. In this Section, we discuss what our proposed clearing thresholds are, and how we propose to determine if these thresholds have been crossed.
84. In brief, we propose as follows –
- (a) All OTC derivative transactions, excepting only deliverable FX forwards, will be taken into account when determining if the clearing threshold has been crossed (**relevant OTC derivative transactions**).
 - (b) There will be multiple clearing thresholds, each tied to a “calculation period”. There will also be separate thresholds to cater for different types of market participants.
 - (c) A person’s “average position” during a calculation period will determine if it has crossed the threshold for that period.
 - (d) While a person’s *historical* positions (i.e. positions during a calculation period) will determine if it has crossed the clearing threshold and is therefore subject to mandatory clearing, the mandatory obligation itself will only apply to *future* transactions, i.e. those entered into after the clearing threshold is crossed and after a “prescribed day”. A grace period will also be provided for.
 - (e) There will be no exit threshold. Effectively therefore, a person will be regarded as having crossed the clearing threshold if it has crossed the threshold for the most recent, or any previous, calculation period.

Relevant OTC derivative transactions

85. When assessing if a person has crossed the clearing threshold, we propose to take into account not only its outstanding positions in specified OTC derivative transactions (i.e. transactions that are subject to mandatory clearing), but rather, its entire portfolio of outstanding OTC derivative transactions, minus only deliverable FX forwards.

86. We propose to exclude positions in deliverable FX forwards as they might otherwise distort our assessment of whether a person should be subject to mandatory clearing. As indicated in our earlier consultation, deliverable FX forward are not the focus of mandatory clearing given their short-term nature and unique settlement process. We therefore do not believe there is a need to mandate them for clearing. We note also that, internationally, there is no push towards mandating deliverable FX forwards for central clearing. At the same time however, deliverable FX forwards represent a significant portion of the OTC derivatives activities of market participants in Hong Kong. It follows that if they were included in the threshold calculation, market participants who are active in deliverable FX forwards (but not otherwise the focus of mandatory clearing) might become subject to the clearing obligation. The definition of “outstanding trades” in Rule 2 reflects the transactions that are to be taken into account when determining if a person has exceeded the relevant clearing threshold.

Q13. Do you have any comments or concerns about our proposal to look at all OTC derivative transactions, other than deliverable FX forwards, when assessing if the clearing threshold has been crossed? If you do, please provide specific details.

Calculation period

87. We propose to set clearing thresholds by reference to calculation periods. The idea is that a person’s positions in relevant OTC derivative transactions over a calculation period should determine if it has crossed the clearing threshold for that period.
88. We propose using a period of 3 consecutive months as the calculation period. We believe a 3-month period (as opposed to a longer period of say 6 months) suffices to give a fair idea of whether the person is a major dealer, and yet is short enough not to be unduly burdensome for market participants. We note also that the EU has adopted a calculation period of 3 months as well.
89. The first calculation period will commence when the clearing obligation is implemented, and subsequent calculation periods will follow at 6-month intervals, i.e. there will be a 6-month gap between the commencement of one period and the commencement of the next one. The 6-month gap is so that there will be no more than 2 calculation periods in each calendar year. The calculation periods are set out in Schedule 2 to the Draft Clearing Rules.
90. The use of multiple calculation periods and thresholds will mean that new dealers entering our market can be covered over time. It may also lessen the likelihood of potential abuse by market participants deliberately adjusting their positions for a particular calculation period in order to avoid the clearing obligation.

Q14. Do you have any comments or concerns about our proposal to set clearing thresholds by reference to a calculation period? If you do, please provide specific details.

Q15. Do you have any comments or concerns about our proposal to use multiple calculation periods and multiple thresholds? If you do, please provide specific details.

Threshold variations for different participants

91. We propose that the clearing thresholds should take into account whether a person is an overseas person. An overseas person may have significant outstanding positions outside Hong Kong, but its Hong Kong positions may be relatively small. It is essential therefore to look at an overseas person's global position, rather than just its Hong Kong positions, so that it cannot avoid clearing requirements in Hong Kong by simply keeping its Hong Kong positions low.
92. Accordingly, we propose as follows –
- (a) ***Thresholds for an overseas AI, AMB or LC:*** For an AI, AMB or LC that is incorporated outside Hong Kong, we will look at the notional amount of its outstanding positions in all relevant OTC derivative transactions (wherever booked). However, we will also, separately, look at those positions in relevant OTC derivative transactions that it has booked in Hong Kong. The Draft Clearing Rules refer to the former as a person's "total position" and the latter as a person's "local total position" – see Rule 5. We will accordingly prescribe two clearing thresholds for the purposes of determining if an overseas-incorporated AI, AMB or LC is subject to the clearing obligation: (i) a lower threshold, which will be relevant when looking at its "local total position"; and (ii) a much higher threshold, which will be relevant when looking at its "total position".
 - (b) ***Thresholds for a local AI, AMB or LC:*** For an AI, AMB or LC that is incorporated in Hong Kong, we will look at the notional amount of its outstanding positions in all relevant OTC derivative transactions. For such an institution, we will prescribe a single threshold and this will be the same as the lower threshold mentioned in paragraph (a) above.
 - (c) ***Thresholds for financial services providers:*** In the case of financial services providers, as we do not expect them to carry on OTC derivatives business in Hong Kong – if they did, they would need to be licensed or authorized under the BO or SFO and thus be an AI, AMB or LC – we propose to look at their global positions only. Accordingly, we will prescribe one threshold for them only, and it will be the same as the higher one referred to in paragraph (a) above.

Q16. Do you have any comments or concerns about our proposed threshold variations for different market participants? If you do, please provide specific details.

Average position

93. We noted above that we would look at a person's outstanding positions in relevant OTC derivative transactions when assessing if the clearing threshold has been crossed. The specific figure to be compared against the clearing threshold is the person's "average positions" in such transactions, which we propose should be calculated as S divided by n where:

S = the sum of the person's month-end position for each calendar month within the calculation period, and

n = the number of calendar months within the calculation period.

94. The month-end position mentioned above refers to the person's "total position" or "local total position" (as the case may be) as at the end of each calendar month. So for example, if the calculation period is 1 April 20XX to 30 June 20XX, a person would have to determine its "total position" and/or "local total position" (as the case may be) as at 30 April 20XX, as at 31 May 20XX, and as at 30 June 20XX. These would then be added and divided by three to derive, respectively, its "average total position" and "average local total position". These would then have to be compared, respectively, against the higher and lower clearing thresholds described in paragraph 92(a) above.
95. The above formula for calculating a person's average position is reflected in the definition of "average total position" and "average local total position" under Rule 5(5) of the Draft Clearing Rules.

Q17. Do you have any comments or concerns regarding our proposed formula for calculating the "average position", i.e. the position that is to be measured against the clearing threshold? If you do, please provide specific details.

Proposed threshold levels

96. The table below sets out our proposed clearing thresholds for the first calculation period. This table is reflected in Schedule 2 to the Draft Clearing Rules.

Type of person	Types of transactions to be taken into account when calculating the person's average position within a calculation period	Corresponding clearing threshold for the first calculation period
A prescribed person that is a locally-incorporated AI/AMB/LC	All outstanding OTC derivative transactions (other than deliverable FX forwards) to which the person is a counterparty.	US\$20 billion
A prescribed person that is an overseas-incorporated AI/AMB/LC	All outstanding OTC derivative transactions (other than deliverable FX forwards) to which the person is a counterparty and <i>which are booked in the books of its Hong Kong branch</i>	US\$20 billion
	All outstanding OTC derivative transactions (other than deliverable FX forwards) to which the person is a counterparty.	US\$1 trillion
A financial services provider	All outstanding OTC derivative transactions (other than deliverable FX forwards) to which the person is a counterparty.	US\$1 trillion

97. As we intend to catch only dealer-to-dealer transactions in the first phase, we have proposed fairly high threshold levels for the first calculation period. It is also worth

highlighting here that the threshold levels are set, and will apply, on an entity basis, and without taking into account positions of subsidiaries or affiliates.

98. The proposed threshold levels are set by reference to a recent HKMA survey on the activities of a group of 54 authorized institutions. Information collected from this survey indicates that the lower (local) threshold of US\$20 billion will capture institutions that, in aggregate, accounted for approximately 96% of the positions of the surveyed institutions. Based on our knowledge of the institutions concerned, we believe that the institutions captured at this threshold level will have access to services for centrally clearing OTC derivative transactions.
99. As for the higher threshold level of US\$1 trillion, which will be relevant when looking at the global positions of an overseas person, this has been set by reference to accounts and other publicly available information on the level of OTC derivatives positions held by major global dealers. We believe this level should bring most major global dealers within our mandatory clearing regime.
100. We expect to lower our clearing thresholds in the future so that more market participants will become subject to our clearing obligation over time as appropriate. This will be achieved by lowering the threshold levels for later calculation periods. Accordingly, although we have proposed to include four calculation periods under Schedule 2 to the Draft Clearing Rules, and to set the threshold level for all four periods at the same US\$20 billion and US\$1 trillion levels discussed above, we may lower the levels for some of the later calculation periods in future as necessary or appropriate. We will however consult the market before doing so. Lowering the thresholds over time will also mean that even if a person does not cross the threshold for a particular calculation period, it may do so in a subsequent calculation period when the threshold is lowered, even if its average position is stable over time.

Q18. Do you have any comments or concerns about the proposed threshold levels? If you do, please provide specific details.
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Prescribed day and concession period

101. While a person's *historical* positions (i.e. positions outstanding during a calculation period) will determine if it has crossed the clearing threshold, we propose that the mandatory obligation itself will only apply to *future* transactions, i.e. those entered into after the person has crossed the clearing threshold, and after a "prescribed day". For this purpose, we propose to set a separate prescribed day for each calculation period. There will therefore be multiple prescribed days.
102. We propose that the prescribed day for a calculation period should be the day that falls 7 months after the end of that calculation period. This 7-month gap is intentional. At the end of a calculation period (say, 1 April 20XX to 30 June 20XX), a person should have roughly one month (say 1 July 20XX to 31 July 20XX) to calculate whether its average position during the calculation period has crossed the threshold for that period. If it has, then the person will have a further 6-month period to set up its system and complete the documentation and on-boarding exercise to access clearing facilities necessary for it to comply with the clearing obligation. In essence, this 6-month period is similar to the concession period we provided under the Reporting Rules (i.e. for phase 1 reporting).

103. The above also means that there will be no requirement to clear pre-existing trades, i.e. trades entered into before the relevant prescribed day. This is different from the approach we took under the Reporting Rules where we required old transactions to be backloaded. Moreover, as we propose to have no more than two calculation periods within any one year period, it follows that we will have no more than two prescribed days in a year.
104. The requirement to centrally clear future transactions is reflected in Rule 5(2)(b), and the prescribed day for the first calculation period is reflected in column 7 of the Table under Schedule 2 to the Draft Clearing Rules.

Q19. Do you have any comments or concerns about our proposal that only future transactions should be subject to mandatory clearing? If you do, please provide specific details.

No exit threshold

105. An important point to highlight is that we are not proposing any exit threshold. In other words, once a person's average position crosses the applicable clearing threshold, then even if the person's average position in a *subsequent* calculation period falls below the threshold for that subsequent period, the person will still be regarded as having fulfilled the threshold criterion.
106. Bearing in mind that central clearing helps manage counterparty risk and should be encouraged, we believe it will be good for market participants who are ready for central clearing to continue to clear transactions. This would also be in line with global initiatives to implement mandatory clearing to the fullest extent possible. In any case, we believe that active dealers are likely to remain within the clearing system. This is because even if their positions were to fluctuate and hence go above or below the clearing threshold from time to time, staying in the clearing system is likely to be more cost efficient for them. For all of these reasons, we have not proposed an exit threshold. The absence of an exit threshold is reflected in Rule 5(3)(e) of the Draft Clearing Rules.

Q20. Do you have any comments or concerns about our proposal not to include an exit threshold? If you do, please provide specific details.

Extra-territorial aspects

107. For the avoidance of doubt, we clarify that the clearing obligation is intended to apply irrespective of whether the counterparty to the transaction is an overseas entity, and whether the transaction is entered into wholly or partially outside Hong Kong. This is reflected in Rule 6 of the Draft Clearing Rules.

D. Complying with the clearing obligation

Responsibilities of a prescribed person – matters to be checked

108. As indicated in paragraph 80(b) above, we intend that the responsibility for ensuring compliance with the clearing obligation should lie only with prescribed persons and not with financial services providers. This means that for specified OTC derivative transactions entered into between a prescribed person and a financial services provider, the responsibility to ensure compliance with the clearing obligation will lie solely with the prescribed person. To discharge this responsibility, we expect the prescribed person to at least check (among other things) –
- (a) whether the person has crossed the clearing threshold for any current or previous calculation period,
 - (b) whether its counterparty is an AI, AMB, LC or a financial services provider, and
 - (c) whether its counterparty's average position has crossed the clearing threshold for any current or previous calculation period.
109. Needless to say, where the transaction is between two prescribed persons, both will be responsible for ensuring compliance with the clearing obligation, and so both will need to check the above.
110. We expect that prescribed persons will typically seek to obtain a written confirmation from their counterparty regarding the latter's regulatory status and whether its average position has crossed the clearing threshold for the current or any previous calculation period. This is also echoed in the record keeping requirements under Rule 12(b) of the Draft Clearing Rules. (Record keeping requirements are discussed in more detail under Section H below.)
111. Where a prescribed person has obtained confirmation from a counterparty that it has not crossed the clearing threshold, and it subsequently comes to light that the counterparty had in fact crossed the threshold at the relevant time, we believe the confirmation obtained may provide a reasonable excuse (in the case of any action under section 101F or 101G of the SFO) and a mitigating factor (in any disciplinary proceedings against the prescribed person) for not having centrally cleared the transaction in question. This is provided of course that the confirmation was received in good faith (e.g. the prescribed person had no reason to believe that the confirmation given was false).

Q21. Do you have any comments or concerns regarding the matters to be checked by a prescribed person? If you do, please provide specific details.

Responsibilities of a prescribed person – ensuring transaction is cleared

112. In respect of whether a prescribed person has complied with the clearing obligation (i.e. that it has "cleared" the transaction), we believe the prescribed person should at least ensure that the transaction it has submitted to a designated CCP¹² for central clearing has indeed been accepted for clearing by that CCP.

¹² As per new section 101C(1)(a) of the SFO, the mandatory clearing obligation requires clearing through a designated CCP, i.e. a CCP designated by the SFC with the consent of the HKMA and after consultation of the Financial Secretary.

113. We recognize that a prescribed person can only ensure that its transactions have been properly submitted for central clearing, and that ultimately whether it is successfully cleared will also depend on: (i) whether the counterparty has done the same; and (ii) whether the transaction has been accepted for clearing by the CCP. These factors are, to some extent, outside the prescribed person's control. For example, the counterparty may have failed to meet the CCP's margin requirements, and as a result the CCP may have refused to accept the transaction for clearing.
114. At a minimum however, we expect a prescribed person to have done the following in terms of discharging its clearing obligation –
- (a) It must have taken all reasonable steps to ensure that the transaction will be cleared by the designated CCP. For example, it must at least have *itself* complied with all relevant requirements of the CCP's rules so that the CCP is not entitled to reject the transaction on account of anything the prescribed person has done or failed to do.
 - (b) It must have followed up on whether the transaction in question was in fact accepted for clearing by the designated CCP. If it was not, the prescribed person must have taken all reasonable steps to ensure that the transaction is cleared as soon as possible, including through another designated CCP if necessary.
 - (c) If the transaction remained uncleared due to factors outside the prescribed person's control, the prescribed person must have terminated the transaction with its counterparty within the T+1 timeframe. We believe this is reasonable as the transaction would have been priced as a cleared trade, and hence we do not expect market participants to let it stay as an uncleared bilateral trade under the same terms.
115. The Draft Clearing Rules do not stipulate what is to happen if a trade is not in fact cleared as this is very much fact-dependent, and it is not possible to cater for all possibilities in the Rules. We believe however that the matters discussed in paragraphs 114(a) to 114(c) above will likely be taken into account by the Court when considering if there is a "reasonable excuse" defence to any action under section 101F or 101G of the SFO, or by the regulator when considering what (if any) disciplinary action to take against the prescribed person.
116. For completeness, we note also that the clearing obligation can be fulfilled by the prescribed person directly (i.e. as a member of a designated CCP) or through a third party (i.e. through a client clearing services provider).
117. A final point to note in this context is that the validity of a transaction will not be affected by any failure to comply with the clearing obligation. This is already provided for under new section 101C(7) of the SFO.

Q22. Do you have any comments or concerns regarding a prescribed person's obligations vis-à-vis following up on transactions that have been submitted for clearing? If you do, please provide specific details.

Timeframe for complying with clearing obligation

118. We propose that a prescribed person should clear a specified OTC derivative transaction with a designated CCP as soon as possible, and in any event, within 1 business day after the transaction has been entered into (i.e. within T+ 1). This is reflected in Rule 5(1) of the Draft Clearing Rules.
119. We propose a timeframe of “T + 1” instead of “T” to take into account time needed when market participants trade with a counterparty, or clear through a CCP, which is not located in the same time zone. This one day lag would also give time for market participants to resolve any outstanding issues relating to the acceptance of the transaction for clearing.
120. The term “business day” refers only to a business day in Hong Kong. We have considered whether the term should be extended in some way given that a business day in one jurisdiction may be holiday in another. For example, a business day in the jurisdiction where a trade is entered into may be a holiday in another jurisdiction where the CCP is located. We understand however that, generally speaking, CCPs will accept a trade for clearing on any day that is a business day relevant to the product in question. For example, a CCP in Jurisdiction X may accept a JPY-denominated IRS for clearing on a Tokyo business day even if that day is a holiday in Jurisdiction X. In view of this, and given also that our proposed timeframe of T + 1 will in any case provide some buffer, we believe casting “business day” to mean Hong Kong business days only should not be an issue.

Q23. Do you have any comments or concerns about the proposed T + 1 timeframe for clearing, and our proposal to define “business day” to mean a business day in Hong Kong? If you do, please provide specific details.

Clearing obligation in respect of specified subsidiaries of locally incorporated AIs

121. New section 101C(3) of the SFO requires locally incorporated AIs to ensure that its subsidiaries comply with the mandatory clearing obligation if the HKMA has specified that the subsidiaries should do so. The HKMA does not however expect to specify any subsidiaries at this stage for ease of implementation. Accordingly, the Draft Clearing Rules do not include provisions in this regard. The HKMA will however keep the matter under close review, and appropriate amendments will be introduced in future if necessary.

Q24. Do you have any comments or concerns about our proposal not to cover specified subsidiaries of locally incorporated AIs under phase 1 clearing? If you do, please provide specific details.

E. Exemptions from the clearing obligation

122. We said in our previous consultation¹³ that we were prepared to consider granting clearing exemptions in respect of: (i) transactions with central banks, monetary authorities or public bodies charged with the management of public debts and reserves and the maintenance of market stability, as well as global institutions such as the International Monetary Fund, the Bank for International Settlements, etc.; (ii) intra-group transactions; (iii) transactions for hedging commercial risks of end users; and (iv) transactions involving participants from “closed markets”.
123. However, as we propose to cover only dealer-to-dealer transactions under phase 1 clearing, only exemptions (ii) and (iv) above are relevant for now. This Section discusses our proposals for such exemptions.

Exemption for intra-group transactions

124. We remain of the view stated in our earlier consultation that intra-group transactions pose limited risk particularly where the risk management of the group is centralized, and that the intra-group transactions are entered into to facilitate such central risk management. We note that regulators in other major jurisdictions have also provided exemptions for intra-group transactions on a similar basis.
125. Accordingly, we propose that intra-group transactions may be exempted from the clearing obligation if the following conditions are met –
- (a) The transaction is between a prescribed person and its affiliate. For this purpose, “affiliate” will take on the same meaning as in the Reporting Rules, i.e. it will refer to any corporation within the same group of companies as the prescribed person, other than one that is a collective investment scheme.
 - (b) The accounts of the prescribed person and the affiliate are consolidated in full by the holding company. This means that, from an accounting perspective, the prescribed person and the affiliate are accounted for on a full basis in the consolidated financial statements of the group’s holding company.
 - (c) Such consolidated financial statements are prepared in compliance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accounts, the International Financial Reporting Standards issued by the International Accounting Standards Board, or the accounting standards applicable to the holding company in its place of incorporation.
 - (d) Both counterparties are subject to centralized risk evaluation, measurement and control procedures, i.e. they are centrally overseen and managed within the group of entities.

¹³ See the HKMA and SFC’s July 2012 Conclusions on the proposed regulatory regime for the OTC derivatives market in Hong Kong.

- (e) The affiliate in question is an “exempt affiliate”, i.e. the prescribed person has notified either the HKMA or the SFC that the affiliate in question is to be regarded as an exempt affiliate, and such notice remains in force.

These requirements are reflected in Rule 7(1) and (2) of the Draft Clearing Rules.

Exempt affiliate notice

126. We propose that a prescribed person that wishes to benefit from the intra-group exemption must give prior written notice (**exempt affiliate notice**) of this to either the HKMA or the SFC. The notice must also identify the affiliates that are to be regarded as exempt affiliates. The notice continues in force in respect of an exempt affiliate until another notice (**exempt affiliate cessation notice**) is sent to the HKMA or the SFC, indicating that the affiliate in question is no longer to be regarded as an exempt affiliate. Additionally, the exempt affiliate notice and the exempt affiliate cessation notice must each specify the date from which it is to take effect. Moreover, such date cannot be earlier than the day on which the notice is received by the HKMA or SFC, i.e. the notices cannot be backdated. Details relating to the notification requirement are reflected in Rule 7(3) to (5) of the Draft Clearing Rules.
127. The notification requirement aims to provide better clarity as to which transactions are anticipated to be left uncleared. It also provides a means for regulators to monitor that the exemption is being properly used. A point to highlight is that an exempt affiliate notice may cover multiple affiliates. There is also no pre-requisite that the affiliate must have previously entered into, or be thinking to enter into, a specified OTC derivative transaction with the prescribed person. This is deliberate, with a view to providing more flexibility and reducing the paperwork and related compliance burden.
128. We do not propose to prescribe that AIs and AMBs must send their exempt affiliate notice to the HKMA, and that LCs must send their exempt affiliate notice to the SFC. Again, this is to allow for more flexibility and reduce unnecessary paperwork. For example, in the case of an intra-group transaction between an AI and an LC, our proposals would allow the parties to send a joint notice to either the HKMA or the SFC. The HKMA and SFC will then work together to ensure that notices received by one regulator are passed to the other where appropriate.
129. A point to highlight is that even if an exempt affiliate notice has been sent in respect of an affiliate, if that affiliate ceases to meet the requirements mentioned in paragraph 125 above, transactions between the prescribed person and that affiliate can no longer benefit from the intra-group exemption. In other words, merely having sent an exempt affiliate notice will not, of itself, suffice. However, previous transactions (i.e. those entered into when the affiliate still met the requirements mentioned in paragraph 125 above) will remain unaffected.

Q25. Do you have any comments or concerns regarding our proposed intra-group exemption or any aspect of it? If you do, please provide specific details.

Exemption for transactions booked in exempt jurisdictions

130. Apart from intra-group transactions, we also propose to provide a “jurisdiction-based exemption” whereby transactions booked in one or more pre-identified overseas jurisdictions may be exempted from mandatory clearing. The exemption –
- (a) will only apply in respect of transactions entered into by a prescribed person other than one that is an overseas-incorporated AI or an overseas-incorporated AMB, and
 - (b) will only apply if certain conditions (mainly relating to the volume of transactions booked in these jurisdictions) are met.
131. We do not propose to extend the exemption to transactions entered into by an overseas-incorporated AI or overseas-incorporated AMB because it is unnecessary to do so. Transactions of an overseas AI or AMB that are booked overseas will not be subject to our mandatory clearing regime in the first place, and so there is no need to cover such transactions in this exemption.
132. As for the conditions, we propose the following –
- (a) The jurisdiction in question must be an “exempt jurisdiction”, i.e. the prescribed person must have notified either the HKMA (in the case of an AI or AMB) or the SFC (in the case of an LC) that the jurisdiction in question is to be regarded as an exempt jurisdiction, and such notice must still be in force.
 - (b) The aggregate notional amount of relevant OTC derivative transactions booked by the prescribed person in an exempt jurisdiction must not exceed –
 - (i) in the case of *each* exempt jurisdiction, 5% of the aggregate notional amount of all relevant OTC derivative transactions entered into by the prescribed person (wherever booked), and
 - (ii) in the case of *all* exempt jurisdictions together, 10% of the aggregate notional amount of all relevant OTC derivative transactions entered into by the prescribed person (wherever booked).
133. The proposed jurisdiction-based exemption is reflected in Rule 8 of the Draft Clearing Rules, and the conditions discussed above are incorporated in Rule 8(1) and (2).

Purpose of the jurisdiction-based exemption

134. The jurisdiction-based exemption aims, in part, to address concerns about conflicting obligations that may apply to prescribed persons operating in closed markets. For example, a closed market may require transactions to be cleared through a CCP located in that market. However, such CCP may not have applied to become a designated CCP under our regime. If a transaction is subject to mandatory clearing under our regime, the prescribed person will be faced with conflicting obligations, i.e. to clear through the CCP in the closed market, and to clear through a designated CCP.
135. Although a main objective of the exemption is to deal with conflicting obligations, it can also help reduce market participants’ compliance burden in other circumstances. For example, it can be used in respect of transactions booked in other jurisdictions where the prescribed person’s activities are relatively unsubstantial.

136. Our intention is that the jurisdiction-based exemption should only apply in respect of jurisdictions where a prescribed person's level of activity is at a level that is unlikely to present significant risk to the prescribed person. The 5% limit per exempt jurisdiction has been proposed with that in mind. The 10% collective limit has been proposed with a view to avoiding potential abuse, e.g. as a result of the prescribed person spreading its activities among branches in numerous jurisdictions so as to bypass the clearing obligation here.

Exempt jurisdiction notice

137. As with the intra-group exemption, we propose that a prescribed person that wishes to benefit from the jurisdiction-based exemption must give prior written notice (**exempt jurisdiction notice**) of this to the HKMA or the SFC. The notice must also identify the jurisdictions that are to be regarded as exempt jurisdictions. For this exemption however, we propose that the notice must be sent to the relevant regulator, i.e. to the HKMA (in the case of an AI or AMB) and to the SFC (in the case of an LC).
138. We also propose that the exempt jurisdiction notice should continue in force in respect of an exempt jurisdiction until another notice (**exempt jurisdiction cessation notice**) is sent to the HKMA or the SFC, indicating that the jurisdiction in question is no longer to be regarded as an exempt jurisdiction. The requirements relating to exempt jurisdiction notices and exempt jurisdiction cessation notices are reflected in Rule 8(3) to (5) of the Draft Clearing Rules.

Further points to note about the jurisdiction-based exemption

139. A number of points relating to this exemption are worth highlighting.
- (a) **Changes to the list of exempt jurisdictions permitted:** We acknowledge that the list of exempt jurisdictions may need to be updated from time to time due to changing circumstances, such as changing laws and regulations, or expansion into a new jurisdiction resulting in the need to add to the list of exempt jurisdictions, or a current exempt jurisdiction no longer being able to meet the conditions discussed above, etc. We do therefore propose to allow prescribed persons to change their list of exempt jurisdictions from time to time, and they can do so by sending an exempt jurisdiction notice and/or exempt jurisdiction cessation notice, as appropriate. A point to note is that a change will not have retrospective effect, i.e. transactions that benefited from the exemption when the jurisdiction in question was still an exempt jurisdiction, will not have to be centrally cleared. Only new transactions, i.e. those entered into after the change takes effect, will have to be centrally cleared.
- (b) **Limitations to prevent abuse:** The above said, we are also mindful that giving prescribed persons the flexibility to change their list of exempt jurisdictions can allow for abuse – e.g. a prescribed person could switch jurisdictions as needed to bypass our clearing obligation. At the same time however, there may be a genuine need to reinstate a jurisdiction as an exempt jurisdiction after it has been removed. To address these conflicting concerns, we propose that once a prescribed person removes an exempt jurisdiction from the list, it should only be

possible to reinstate that jurisdiction again *one more time*. If the prescribed person chooses to remove the jurisdiction for a second time, it will mean that all new transactions booked in that jurisdiction after the second removal will be unable to benefit from the jurisdiction-based exemption going forward. We believe this approach strikes an appropriate balance between providing flexibility and preventing abuse. This limitation is reflected in Rule 8(4) of the Draft Clearing Rules.

- (c) **Notices must specify effective date and be forwarding looking:** Similar to the exemption for intragroup transactions, we propose to require that the exempt jurisdiction notice and the exempt jurisdiction cessation notice must each specify the date from which it is to take effect, and that such date must not be earlier than the day on which the notice is received by the HKMA or SFC (as applicable). This is necessary in order to provide better clarity and to avoid potential abuse. Prescribed persons may however notify the HKMA or SFC (as the case may be) of upcoming changes ahead of time if necessary. The requirement to specify dates is reflected in Rule 8(5)(e) of the Draft Clearing Rules.
- (d) **Critical for list of exempt jurisdictions to be up-to-date at all times:** It is critical for prescribed persons to ensure that the list of exempt jurisdictions notified to the HKMA or SFC is up-to-date at all times. In particular, it is critical that the list does not include any jurisdiction in respect of which the requirements in paragraph 132 above cannot be met, as this could adversely affect the validity of the exemption in respect of *all other* jurisdictions in respect of which the requirements *are* still met. To explain – this exemption requires that the 5% limit described in paragraph 132(b)(i) above must be fulfilled in respect of *each and every* exempt jurisdiction. So, for example, if a prescribed person has three exempt jurisdictions (i.e. Jurisdictions X, Y and Z) and the 5% limit is expected to be exceeded in respect of Jurisdiction X, the prescribed person will still be able to enjoy the exemption in respect of Jurisdictions Y and Z by removing Jurisdiction X prior to its exceeding the limit. If Jurisdiction X remains on the list and the 5% is exceeded, the prescribed person will not be able to enjoy the exemption in respect of Jurisdictions Y and Z either. This is because it cannot fulfil the requirement that the 5% limit must be satisfied by all three jurisdictions individually. Prescribed persons must therefore monitor the activities of their exempt jurisdictions closely to ensure that they all, individually and collectively, stay within the required limits.
- (e) **Effect of exemption ceasing to apply:** As mentioned above, the proposed jurisdiction-based exemption cannot apply retrospectively, i.e. the notices cannot take effect earlier than the day on which they are received by the HKMA or SFC (as applicable). It follows therefore that transactions booked in an overseas jurisdiction and entered into at a time when that jurisdiction was not an exempt jurisdiction, cannot subsequently benefit from this exemption. Similarly, where an exempt jurisdiction ceases to meet the requirements discussed under paragraph 132 above, the exemption immediately ceases to have effect and new transactions (including any transaction that takes it over either the 5% or 10% limit) cannot benefit from this exemption. Transactions that cannot benefit from the jurisdiction-based exemption must be cleared through a designated CCP within the stipulated T+1 timeframe. There will also be no grace period for clearing once the exemption ceases to apply. This again underscores the need

for prescribed persons to closely monitor their activities in exempt jurisdictions to ensure that the requirements discussed under paragraph 132 above are met at all times. As we are talking here about an exemption (rather than an obligation), we believe the responsibility lies with the prescribed person to ensure that it is entitled to benefit from it.

Q26. Do you have any comments or concerns regarding our proposed jurisdiction-based exemption or any aspect of it? If you do, please provide specific details.

F. Position on de-clearing

140. In our earlier consultation, several respondents noted the importance of allowing de-clearing to encourage the industry to compress trades, and thereby reduce counterparty risk. We had earlier agreed to incorporate appropriate provisions under our regime for this.

141. On reflection however, we do not consider this to be necessary. The Draft Clearing Rules do not expressly prohibit de-clearing (i.e. the removal of transactions from the clearing system). There is also nothing to expressly require cleared transactions to stay within the clearing system. We also believe it may be better for the rules to remain silent on this point for the reasons set out below.

- (a) **Trade compression may or may not necessitate de-clearing:** We understand that some CCPs provide trade compression services in addition to their clearing and settlement services. In such cases, the transactions do not have to be taken out of the clearing system for compression, and hence de-clearing is not an issue. On the other hand, where the compression service is provided by someone other than a CCP, the compression will likely have to be carried out outside the clearing system. In such cases, the transactions need to be de-cleared first.
- (b) **De-clearing poses no problem:** As we understand it, there may be many reasons for de-clearing a transaction. In any case, de-clearing typically results in transactions being cancelled, amended or replaced by new transactions. If these new or amended trades meet the criteria for triggering our clearing obligation¹⁴, they will in any event be subject to clearing under our proposed regime. If they do not, the clearing obligation will not apply in any event. In other words, we do not believe de-clearing will in itself somehow result in a transaction escaping or bypassing the clearing obligation. Market participants can therefore de-clear for legitimate purposes even though there is no specific provision included in the Draft Clearing Rules.

¹⁴ In other words: (i) the new or amended trades are transactions in a product type that is subject to mandatory clearing; (ii) they fall within the dealer-to-dealer ambit discussed under paragraph 75; and (iii) none of the exemptions or other relief (i.e. substituted compliance, discussed under Section G below) apply.

Q27. Do you have any comments or concerns regarding our proposal not to cover de-clearing and trade compression expressly under the rules? If you do, please provide specific details.

G. Substituted Compliance

142. In our earlier consultations, we mentioned that we were thinking of permitting substituted compliance where appropriate so that counterparties can fulfil the clearing obligation under our regime by complying with the clearing rules of a comparable jurisdiction. We have also had the opportunity to observe developments on clearing implementation since then. Our current policy intention remains unchanged.

Proposed framework for substituted compliance

143. In developing a substituted compliance framework under our regime, we have kept in mind that the objective is to strike an appropriate balance between: (i) putting in place a robust mandatory clearing regime for Hong Kong; and (ii) addressing market participants' concerns about duplicative and/or conflicting regulation which may result in them either breaching the laws of one jurisdiction or forgoing a trade.

144. With the above in mind, we propose to permit substituted compliance in respect of cross-border transactions that meet the following criteria –

- (a) the transaction must be one that is required to be centrally cleared under the clearing requirements of a comparable jurisdiction – the concept of “comparable jurisdiction” is discussed under paragraphs 153 to 156 below, and
- (b) the transaction must have been cleared through one of our designated CCPs and in accordance with the laws of that comparable jurisdiction – the requirement to use “designated CCPs” is discussed under Section I below.

Our view is that if a transaction meets the above criteria, there is no material regulatory benefit in requiring it to be cleared in accordance with the Draft Clearing Rules.

145. We see the proposed framework working as follows.

- (a) ***Transactions that are likely to benefit:*** A cross-border transaction will likely be subject to mandatory clearing in another jurisdiction if: (i) either or both counterparties to the transaction are incorporated in that jurisdiction; or (ii) the transaction is booked in that jurisdiction.
- (b) ***What if two overseas jurisdictions involved:*** Generally, where a cross-border transaction involves two overseas jurisdictions, we propose to look first at the jurisdiction with which the prescribed person is connected to see if substituted compliance is applicable. In other words, if the prescribed person is either incorporated or books its transaction in a comparable jurisdiction, then the place of incorporation of the *other* counterparty or the place where the *other* counterparty books the transaction will be irrelevant. If *both* counterparties to the transaction are prescribed persons, then it will suffice if at least one is incorporated, or books the transaction, in a comparable jurisdiction.

- (c) **What compliance entails:** We will look to the laws of the relevant comparable jurisdiction to determine how the transaction should be cleared. This includes where substituted compliance is allowed by the comparable jurisdiction to clear the transaction in accordance with the laws of a third country jurisdiction which we have not deemed comparable. For example, if a prescribed person is incorporated in a comparable jurisdiction X and its counterparty is incorporated in jurisdiction Y. If the laws of jurisdiction X allow substituted compliance for jurisdiction Y, the prescribed person and its counterparty can clear the transaction in accordance with the laws of jurisdiction Y to meet our clearing requirements even though jurisdiction Y is not on our list of comparable jurisdictions. In any event however, the transaction will have to be cleared through a designated CCP – see paragraph 152 below.

146. Our proposed substituted compliance framework is reflected in Rule 9 of the Draft Clearing Rules.

Stricter-rule approach

147. Our proposals for substituted compliance adopt a stricter-rule approach so as to avoid regulatory gaps. This means substituted compliance will not be available if the transaction is of a kind that is not subject to mandatory clearing under the laws of the comparable jurisdiction – e.g. if it is a product that is not subject to mandatory clearing under those laws, or if the transaction is exempted from mandatory clearing under those laws because of the type of entities that are counterparty to the transaction, etc. This is possible because some comparable jurisdictions may have implemented a mandatory clearing regime that achieves similar regulatory objectives as ours, but has granted specific exemptions or reliefs which we have not (e.g. in respect of particular products or class of entities) due to local market conditions. In such cases, and adopting the stricter rule approach, *our* mandatory clearing regime will apply as it is the stricter one.
148. It follows from the above that, under our proposals, substituted compliance will only be available if the transaction is actually subject to mandatory clearing under the laws of a comparable jurisdiction (i.e. no exemption applies under those laws) and the transaction is in fact cleared in accordance with those laws. This is reflected in Rule 9(1)(a) and (b) of the Draft Clearing Rules.
149. Our proposed approach is consistent with the consensus¹⁵ reached by the Principals of the OTC Derivatives Regulators Group (**ODRG**), of which Hong Kong is a member. The Principals agreed that it is important to address gaps in the trading or clearing obligation, and that accordingly where participants or products are subject to trading or clearing obligations in one regime but not another, transactions involving such participants or products should comply with the obligation, even if the two regimes are otherwise considered equivalent or comparable.
150. We note also that our proposed substituted compliance with stricter-rule approach has the benefit of lowering the administrative burden in situations where a transaction is subject to mandatory clearing under the laws of two jurisdictions. A counterparty in a

¹⁵ See the ODRG's August 2013 report to the G20 meeting of finance ministers and central bank governors, entitled *Report on agreed understandings to resolve cross-border conflicts, inconsistencies, gaps and duplicative requirements*.

comparable jurisdiction can then follow the clearing requirements in its own jurisdiction without having to study our clearing requirements.

151. One final point on the stricter-rule approach is that although it means our requirements will apply where they are stricter, at least this will not result in duplicative or conflicting requirements. This is because the transaction will in such case be subject to one mandatory clearing regime only.

Designated CCPs

152. We propose that even under substituted compliance, the transaction must be cleared through a designated CCP. We believe this is necessary in order for us to have an adequate regulatory handle over the CCP with which the transaction is cleared. We do not expect this to present major difficulty given that we understand the larger global CCPs are likely to apply to become designated CCPs in any event so that they may provide clearing services for our local participants.

Comparable jurisdictions

153. We propose that comparable jurisdictions should be designated by the SFC with the HKMA's consent, considering that the activities of prescribed persons in the OTC derivatives market are overseen by the HKMA and the SFC. We also propose that the list of comparable jurisdictions be designated by notice in the *Gazette* and will therefore not constitute subsidiary legislation.
154. In assessing what is a comparable jurisdiction, we will look at jurisdictions that have proposed or implemented clearing requirements that: (i) achieve similar regulatory outcomes as ours; and (ii) are appropriately supervised and enforced. The criteria for designating a comparable jurisdiction is reflected in Rule 9(2) of the Draft Clearing Rules.
155. We have been working with the ODRG closely on cross border issues relating to global implementation of OTC derivatives regulatory regimes. We believe that all ODRG members are working towards achieving a similar regulatory outcome (i.e. to reduce counterparty risk by introducing a mandatory clearing obligation in their jurisdiction) even though they may be at different stages of implementation. As we propose to adopt a stricter rule approach which will close any regulatory gap, we are not too concerned with the difference in timing of implementation. We therefore propose, as a starting point, to include all the jurisdictions of members of the ODRG in our list of comparable jurisdictions, i.e. –
- (a) Australia
 - (b) Brazil
 - (c) Canada
 - (d) Member states of the European Union
 - (e) Japan
 - (f) Singapore
 - (g) Switzerland
 - (h) United States
156. We expect the list of comparable jurisdictions to grow over time as more jurisdictions propose or implement mandatory clearing. However, it is possible that local CCPs in

these further jurisdictions may not have applied to become a designated CCP in Hong Kong. Transactions cleared through such CCPs will therefore not be able to benefit from our substituted compliance framework even though the jurisdiction has been added to our list of comparable jurisdictions. That said, we expect such situations are more likely to arise in the case of certain closed markets, and our proposed jurisdiction-based exemption (discussed under Section E above) should in any event help reduce operational issues arising from such conflicting requirements.

Q28. Do you have any comments or concerns about our proposed substituted compliance framework, or any aspect of it? If you do, please provide specific details.

Q29. Do you have any comments or concerns about our proposed list of “comparable jurisdictions”? If you do, please provide specific details.

H. Clearing related record keeping requirements

157. We propose that a prescribed person must keep records of specified OTC derivative transactions for at least 5 years after maturity or termination of these transactions and these records must be sufficient to demonstrate compliance with the clearing obligation. The records must also be kept in a manner that enables them to be readily accessible. These matters are reflected in Rules 10 and 13 respectively, of the Draft Clearing Rules.

158. We also propose that where a prescribed person has not cleared a specified OTC derivative transaction on the basis that: (i) the transaction is not one that is subject to mandatory clearing because one or more of the criteria for dealer-to-dealer transactions discussed under paragraph 75 above do not apply; or (ii) it is relying on an exemption or on substituted compliance, the person must nevertheless keep records sufficient to show that it is entitled to do so. This is reflected in Rule 12(b) of the Draft Clearing Rules.

Q30. Do you have any comments or concerns about our proposed record keeping requirements for demonstrating compliance with the clearing obligation? If you do, please provide specific details.

I. Designation and regulation of CCPs

159. As indicated in our earlier consultations, we intend that both local and overseas CCPs may become designated CCPs for the purposes of the clearing obligation. However, in either case, they must also be either a recognized clearing house (**RCH**) or an authorized provider of automated trading services (**ATS**) under our regime. This allows us to leverage on the existing RCH and ATS regimes instead of providing a separate regime for designated CCPs. The pre-requisite for a designated CCP to be an RCH or ATS is already reflected in new Section 101J(2) of the SFO.

160. While there is no such limitation in the legislation, we generally expect that overseas CCPs will apply to become authorized ATS providers rather than an RCH. We also expect that such CCPs may wish to apply for ATS authorization and CCP designation at

the same time.¹⁶ This is acceptable, i.e. we see no need for applicants to have successfully completed their ATS authorization process before submitting an application to become a designated CCP. However, because the CCP designation is conditional upon the applicant being an RCH or an authorized ATS provider, it follows that if the ATS authorization fails, the application for CCP designation will fail as well. In the ensuing paragraphs, we deal first with matters relating to CCP designation (which will apply to both local and overseas CCPs), and then with matters relating to ATS authorization (which will apply mainly to overseas CCPs).

Application and revocation of designated status

161. The designation of CCPs is largely covered by new section 101J of the SFO, but the application and revocation processes are envisaged to be set out in the rules. Specifically –

- (a) ***Application form and documents:*** We propose that the application to be a designated CCP should be made in writing. We do not propose to have a prescribed application form, but the application should –
 - (i) identify the classes of OTC derivative transactions in respect of which the applicant seeks to be designated,
 - (ii) in the case of overseas applicants, identify the regulator in their home jurisdiction who regulates their activities as a CCP,
 - (iii) include sufficient information to demonstrate that the applicant is able to comply with its domestic requirements and that these generally meet international standards for CCPs, such as the April 2012 *Principles of Financial Market Infrastructures* issued by the then Committee on Payments and Settlement Systems and the Technical Committee of IOSCO, and
 - (iv) include such other information as the SFC may reasonably require.
- (b) ***Approval or refusal of application:*** An application for CCP designation should only be approved if it is appropriate to do so in the interest of the investing public or in the public interest. Where an application is approved, the notice of designation should specify the classes of OTC derivative transactions for which the designation is granted, the conditions of the designation (if any), and the time from when the designation is to take effect. Where an application is refused, the applicant should be informed in writing of this, and of the reasons for the refusal.
- (c) ***Fees:*** We propose to set two fees in respect of CCP designations: (i) an application fee of HK\$10,000 payable when seeking designation; and (ii) an annual fee of HK\$10,000 payable every year so long as the CCP remains designated. The proposed fees are set relatively low, and hence will not cover the SFC's costs on a full recovery basis. However, they are in line with fees currently payable in respect of ATS authorization, and consistent with our light-touch approach to regulating overseas CCPs. We do not therefore propose higher levels for now.

¹⁶ Under the legislation, the application process for ATS authorization and CCP designation are set out separately, i.e. a person seeking to become an authorized ATS provider must apply under section 96 of the SFO, while a person seeking to become a designated CCP must apply under section 101J of the SFO. A person may however wish to apply for both and do so at the same time, i.e. in one go. This is acceptable.

- (d) **Revocation:** A designation may be revoked if: (i) it is appropriate to do so in the interests of the investing public or in the public interest; or (ii) if the CCP in question requests the revocation. The revocation notice should set out the reasons for the revocation in the case of (i).
 - (e) **Consequences of revocation:** We propose that once a designation is revoked, transactions cleared through the CCP thereafter should no longer fulfil our mandatory clearing obligation. We do not propose to specifically require that transactions *previously* accepted for clearing by the CCP should be transferred to another designated CCP. We propose instead to leave it to market participants to decide whether to continue to use the CCP for such existing transactions. We believe this would be appropriate so as to minimise operational disruption to the market. However, in order to provide flexibility to deal with extreme situations, we propose that the SFC may include directions in the revocation notice as may be appropriate.
162. The above matters are reflected in Rules 14 to 16 of the Draft Clearing Rules. These should be read together with section 101J of the SFO which provides for other matters relating to CCP designation, including –
- (a) **Designation conditions:** The approval as a designated CCP may be in respect of OTC derivative transactions generally, or in respect of certain class(es) or description(s) of OTC derivative transactions. A designation may also be subject to conditions, which may be amended, added to or revoked as and when appropriate.
 - (b) **Procedural matters:** Section 101J deals with various procedural matters relating to designations and revocations, i.e.: (i) the requirement to give a CCP an opportunity to be heard before refusing an application for designation, or revoking a designation already granted; and (ii) the ability to appeal against the refusal or revocation of a designation, or against conditions in respect of a designation.

We propose that section 101J should come into effect at the same time that mandatory clearing is implemented.

Overseas CCPs and the provision of ATS

163. As noted in paragraph 160 above, we expect that overseas CCPs seeking designation will likely apply to become authorized ATS providers rather than RCHs. In view of this, a few matters regarding the ATS regime are worth highlighting.
- (a) **Extension of definition under the SFO:** The term “ATS” refers to both trading and clearing services/facilities, i.e. it covers both a trading leg and a clearing leg. However, it currently only refers to services/facilities for the trading or clearing of securities or futures contracts. The Amendment Ordinance extends the definition of ATS to also cover services/facilities for the trading or clearing of OTC derivative transactions. However, this extended definition has yet to be implemented. Our current thinking is to only implement the clearing leg of the extended definition first, and to do so when we introduce mandatory clearing. This is necessary

because otherwise an overseas CCP that provides services/facilities for the clearing of OTC derivative transactions will not be able to apply to become an authorized ATS provider, and consequently will not be able to become a designated CCP. As for the trading leg of the extended definition, we propose to implement this at a later stage, possibly when the new licensing regime for OTC derivatives is implemented.¹⁷ Such an approach will also ensure that market participants who currently provide services/facilities for the trading of OTC derivative transactions can continue doing so for now.

- (b) **Amendment to ATS Guidelines:** The application process for ATS authorization is set out in section 96 of the SFO and is elaborated further in the SFC's *Guidelines for the Regulation of Automated Trading Services (ATS Guidelines)*.¹⁸ Those Guidelines are in the process of being amended (i.e. to cover ATS for OTC derivative transactions), and the SFC will be conducting a separate consultation on this in the near future.
- (c) **Implications for overseas CCP:** In view of our proposals to implement the clearing leg of the extended definition of ATS, it follows that an overseas CCP that provides clearing services/facilities for OTC derivative transactions will need to become an authorized ATS provider if it intends to actively market its services to persons in Hong Kong. This is irrespective of whether it wishes to become a designated CCP for the purposes of mandatory clearing in Hong Kong. This should not however create any significant market disruption for overseas CCPs given that: (i) Hong Kong's provisions on CCP regulation are predominantly based on international standards, including the Principles for financial market infrastructures; (ii) in regulating overseas CCPs, we rely heavily on the home regulator of the CCPs for their day-to-day supervision; and (iii) in view of the foregoing, the successful authorisation and designation of an overseas CCP will effectively depend on whether the oversight and regulation of the overseas CCP in its home jurisdiction is consistent with international standards.

Insolvency override protections for certain authorized ATS providers

164. One final point on overseas CCPs and the authorized ATS regime is worth highlighting. Currently, the SFO confers various insolvency override protections in respect of CCPs and their operations. However, these apply only in respect of CCPs that are RCHs. The Amendment Ordinance extended some (but not all) of these protections to authorized ATS providers that are designated CCPs. Our original thinking was to implement this extension when we implement mandatory clearing in Hong Kong. However, in light of further discussion with market participants, we propose to defer doing so for now as it may create other difficulties. To explain –

¹⁷ The Amendment Ordinance expanded the existing licensing regime under the SFO to cover various activities relating to OTC derivatives, including: (i) dealing in and advising on OTC derivatives products; (ii) providing client clearing services for OTC derivative transactions; (iii) providing ATS for OTC derivative transactions; and (iv) providing asset management in respect of OTC derivative products. The expanded licensing regime has yet to be implemented.

¹⁸ The ATS Guidelines set out the SFC's principles, procedures and standards for regulating ATS providers. They too currently only deal with services/facilities for the trading or clearing of securities or futures contracts.

- (a) A key aspect of the insolvency override protections hinges on the definition of “market contract”. The term refers to contracts entered into between a CCP and its participant, but only where the CCP is an RCH. The Amendment Ordinance extended this definition so as to also cover contracts where the CCP is an authorized ATS provider and designated CCP. However, this extension only applies in respect of contracts entered into for the purpose of clearing and settling OTC derivative transactions, i.e. it does not apply in respect of contracts entered into for the purpose of clearing and settling transactions in securities or futures contracts.
- (b) We understand however that CCPs do not always risk manage their exposure to clearing participants on a “product” basis. A portfolio approach may be adopted instead, whereby exposures arising from one product (say, OTC derivative transactions) may be set off against exposures arising from other products (such as futures contracts) thus resulting in an overall reduced exposure. Collateral provided by the participant may then be used to risk manage this combined portfolio of exposures. In view of this, the changes to the “market contract” definition, proposed in respect of authorized ATS providers that are designated CCPs, may not suffice. More importantly, the implementation of these changes may lead to ambiguities and uncertainties in terms of how the insolvency override provisions should apply in respect of overseas CCPs that risk manage on a portfolio basis. We therefore propose to hold back on implementing these changes for now. In the meantime, overseas CCPs will still be able to rely on insolvency override protections applicable in their home jurisdictions.
- (c) We have considered the other alternative, which is to expand the definition of “market contract” to also include other types of contracts cleared by a designated CCP which is an ATS provider. However, such an amendment would require change to primary legislation. It would also have a wider impact on other sections of the SFO and go beyond the implementation of an OTC derivatives regulatory regime. Consequently, it would be more appropriate for this to be undertaken as a separate exercise.

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| <p>Q31. Do you have any comments or concerns about our proposed processes for designating CCPs or for revoking a CCP designation? If you do, please provide specific details.</p> <p>Q32. Do you have any comments or concerns about our proposal to implement only the clearing leg of the extended definition of “ATS” at this stage? If you do, please provide specific details.</p> <p>Q33. Do you have any comments or concerns about our proposal to defer implementation of the changes to the definition of “market contract” to cover CCPs that are authorized ATS providers and designated CCPs? If you do, please provide specific details.</p> |
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KEY PROPOSALS ON EXPANDING MANDATORY REPORTING

A. Expanded Product Scope

All OTC derivative products to be covered

165. Our first phase of mandatory reporting (**phase 1 reporting / phase 1**) came into effect on 10 July 2015. This mandated the reporting of certain IRS and NDF which are systemically important to Hong Kong (**phase 1 IRS and NDF**). To enhance the transparency of the OTC derivatives market, and in line with the G20 commitments, we now propose to extend our mandatory reporting regime to cover *all* OTC derivative products, i.e. all interest rate derivatives and foreign exchange derivatives not covered in phase 1 reporting, as well as all other OTC derivative products¹⁹, such as equity derivatives, credit derivatives, commodity derivatives, etc. Our proposal to extend mandatory reporting to cover all OTC derivative products is reflected in our proposed amendments to Rule 7, which are marked up on the Draft Expanded Reporting Rules.

Q34. Do you have any comments or concerns about our proposal to include all OTC derivative products in the next phase of mandatory reporting? If you do, please provide specific details.

Application of existing regime to expanded product scope

166. We propose that the reporting regime should apply to the expanded product scope in much the same way that it applies to phase 1 IRS and NDF. However, we do also propose a few key changes which will affect how the regime operates under phase 2 and beyond. In particular –

- (a) **Scope of reporting entities:** We propose that the categories of persons subject to mandatory reporting under the next phase (**phase 2 reporting / phase 2**) should remain largely unchanged, except that central counterparties that are authorized ATS providers (**ATS-CCPs**)²⁰ will also become subject to mandatory reporting. In other words, phase 2 reporting will apply to AIs, AMBs, LCs, RCHs and ATS-CCPs. This will be achieved by bringing into effect Rule 15 of the Reporting Rules (which was not implemented when mandatory reporting was implemented in July 2015). The circumstances in which these persons become subject to reporting will however remain unchanged, i.e. AIs, AMBs and LCs will have to report OTC derivative transactions which they have “conducted in Hong

¹⁹ The term “OTC derivative products” is defined in Schedule 1 to the SFO. It basically includes all structured products other than those expressly excluded, such as spot contracts, products traded on a prescribed exchange and cleared through a prescribed clearing house, and certain investment products that are simultaneously offered to multiple persons.

²⁰ The Reporting Rules, in their current form, already apply to ATS-CCP (per Rule 15). It is just that that provision has not been implemented yet since there are currently no ATS-CCPs. However, with the implementation of mandatory clearing (as discussed in paragraphs 54 to 164 above), there will be ATS-CCPs in our market, and so the provision can be brought into effect.

Kong”²¹, and transactions to which they are a counterparty, while CCPs will have to report the latter only.

- (b) **Report new and historical transactions and subsequent events:** Similar to phase 1 reporting, we propose that the reporting obligation under phase 2 should apply in respect of new transactions, historical transactions and subsequent events. The above is reflected in the changes to Rules 23 to 25 as marked up on the Draft Expanded Reporting Rules.
- (c) **No product class or product type:** Since the mandatory reporting obligation will cover *all* OTC derivative products, we believe it is no longer necessary to specify any particular product classes or product types in the Reporting Rules. As a result, we propose that all references to “product class” and “product type” be removed. Likewise, we propose that the terms “product class specification day” and “product type specification day”²² be replaced with the term “specification day”²³. These changes will affect provisions that are currently cast by reference to a product type or a product class. In particular: (i) the “exempt person” relief will no longer apply on a product class basis; and (ii) the concession period and grace period will no longer apply on a product type basis. The implications of this are discussed under Section B below.
- (d) **No concession period and consequential adjustments to reporting timelines:** To simplify the rules further, we propose to do away with the concession period altogether, and to instead defer commencement of phase 2 reporting by a period of 6 months from the day the amended rules are enacted. The grace period will however be retained. These changes are discussed in more detail in Sections B and F below.
- (e) **Wider range of information to be provided:** We propose that the specific information to be reported under phase 2 should be expanded. This wider range of information is required in respect of all OTC derivative transactions, regardless of whether they were reported under phase 1 reporting, or are only reportable under phase 2 reporting. This is discussed in greater detail under Section C below.
- (f) **Reporting of valuation information:** We also propose to require the reporting of valuation information on a daily basis under phase 2 reporting. This is discussed in greater detail under Section D below.
- (g) **Reliefs:** We propose that the reliefs currently conferred (e.g. “exempt person” relief, masking relief, and relief where transaction is reported by an affiliate) should generally apply likewise under phase 2 reporting. A point to note however is that the timelines for the masking relief will not be extended further under phase 2. Specifically, in the case of transactions where counterparty consent is needed, masking relief is currently available only in respect of transactions

²¹ Rule 4 of the Reporting Rules set out the criteria which, if met, results in a prescribed person being regarded as having conducted a transaction in Hong Kong.

²² Both “product class specification day” and “product type specification day” refer to 10 July 2015, i.e. the day on which phase 1 reporting came into effect.

²³ The term “specification day” will refer to the day on which phase 2 reporting takes effect.

entered into before phase 1 reporting commenced (i.e. before 10 July 2015) or within 6 months after it commenced (i.e. between 10 July 2015 and 9 January 2016). This has always been intended as a one-off relief and hence will not be extended further under phase 2 reporting. Consequently, for transactions (in *any* product type) entered into after 9 January 2016, it will not be possible to mask counterparty identifying particulars on the basis that the counterparty has not consented to their disclosure. Masking will however still be permitted in respect of transactions where the disclosure of counterparty identifying particulars is prohibited by the laws of, or by an authority or regulatory organisation in, an overseas jurisdiction designated by the SFC with the consent of the HKMA.

- (h) ***Record keeping obligation:*** Lastly, we propose that the record keeping obligation should also apply likewise and remain unchanged under phase 2 reporting. This is discussed under Section E below.

167. The above will have different implications for different persons. In particular, persons who have already started reporting under phase 1 will be impacted differently from those who were not. Persons whose grace period under phase 1 had already started to run but had not ended will also be affected differently. These differences are discussed in greater detail under Section F below.

B. Implications of removing “product class” and “product type”

“Exempt person” relief

168. The current reporting regime provides an “exempt person” relief whereby AIs, AMBs and LCs that are small players, not active in the OTC derivatives market, may be exempted from reporting transactions to which they are counterparty, if certain criteria are met. This exemption currently applies on a product class basis, and once lost, is lost permanently, i.e. it cannot be revived.
169. As we are proposing to expand the mandatory reporting obligation to cover all OTC derivative products, this “exempt person” relief will need to be extended likewise to cover the whole spectrum of OTC derivative products. However, it may be confusing and administratively burdensome if this relief were to continue to apply on a product class basis. In particular, market participants would have to: (i) calculate their aggregate notional outstanding amount for each product class regularly; and (ii) keep track of the product class(es) in respect of which they *can* enjoy the “exempt person” relief and the product class(es) in respect of which they *cannot*. We therefore propose that the “exempt person” relief should no longer apply on a product class basis.
170. The above however means that a person can only enjoy the “exempt person” relief if they satisfy *all* of the criteria for it, and in respect of *all* OTC derivative products. In other words –
- (a) the aggregate notional amount of *all* outstanding OTC derivative transactions to which the person is counterparty must not exceed US\$30 million,
 - (b) the person must not have conducted *any* OTC derivative transaction in Hong Kong on behalf of an affiliate, and

- (c) in the case of an overseas AI, its Hong Kong branch must not have conducted *any* OTC derivative transaction on behalf of its head office or any non-Hong Kong branch.
171. It follows from the above that persons who are *not* entitled to the “exempt person” relief under phase 1 reporting, will remain so under phase 2 reporting, i.e. they will not be entitled to this relief under phase 2 either. Only persons who are entitled to the “exempt person” relief under phase 1 reporting *and* who continue to meet the criteria described in paragraph 170 above will be entitled to this relief under phase 2 reporting. So, for example, persons whose positions in IRS and NDF are, each, under US\$30 million but together over US\$30 million, will no longer be entitled to this relief under phase 2.
172. With respect to the criteria described in paragraph 170(a) above, we have considered whether the US\$30 million limit should be increased given that the criteria will no longer apply on a product class basis. Our view, however, is that this may not be necessary. To explain –
- (a) Any increase in the limit should not be such as to affect the *existing* per product class limit as that would be unfair to persons who have been reporting under phase 1. In other words, if we were to introduce an increase, this should be achieved by keeping the existing US\$30 million per product class limit, and adding an additional higher limit which then applies in respect of all (or a combination of) product classes. *Both* limits should then be satisfied in order for the “exempt person” relief to apply. We appreciate that this will make the rules more complex, but this is unavoidable if existing reporting entities are to be treated fairly.
- (b) We note however that the addition of such a second higher limit may be of limited value. The “exempt person” relief was designed primarily for the benefit of small players who are not active in the OTC derivatives market, e.g. those who enter into OTC derivative transactions only intermittently or for commercial hedging purposes. Such persons are unlikely to have outstanding positions in a wide range of OTC derivative transactions and so a higher limit that only applies in respect of all (or a combination of) product classes will be of limited use to them.

Taking into account the increased complexity and limited value to be gained, we propose to keep the US\$30 million limit unchanged.

173. The modified application of the “exempt person” relief is reflected in the changes to Rule 3 as marked up on the Draft Expanded Reporting Rules.

- Q35. Do you have any comments or concerns about our proposal that the “exempt person” relief should be extended to cover all OTC derivative products, but that it should no longer apply on a product class basis? If you do, please provide specific details.**
- Q36. With respect to the criteria for triggering the “exempt person” relief, do you have any comments or concerns about our proposal that the limit on the aggregate notional amount should stay at US\$30 million? If you do, please provide specific details.**

Concession period and grace period

174. Both “concession period” and “grace period” are currently defined by reference to a particular product type, i.e. a person’s concession period and grace period for a particular product type (say basis swaps) may be different from their concession period and grace period for another product type (say NDF).
175. The proposal to remove product classes and product types means each reporting entity will have only one concession period and one grace period, which will then apply across *all* product classes and product types. This will help simplify the rules and make compliance easier as reporting entities will not have to keep track of different concession periods and grace periods for different product types. We believe however that the rules can be simplified even further by removing concession periods altogether, and simply deferring commencement of phase 2 reporting by 6 months from the time the amended Reporting Rules are enacted. The end result for market participants would still be the same, but the rules would be simpler and more streamlined. To explain –
- (a) ***Objective of the concession period:*** The purpose of the concession period is to give market participants sufficient time to build or enhance their systems, and their system connection to the HKTR, for the purposes of complying with the reporting obligation. As enhancements may be needed each time a new product type is brought within the reporting regime, we had previously proposed that the concession period should start afresh in respect of each product type. However, as we are proposing to cover all products and product types under phase 2 reporting, there is no need to provide for more than one such period.
 - (b) ***Concession period ends on the same day for everyone:*** The concession period may vary in length (i.e. from 0 days to 6 months) for different persons depending on when they become subject to the reporting obligation. However, in all cases, it ends on the same day which is 6 months after implementation. So, for example, in the case of phase 1 reporting, which was implemented on 10 July 2015, the concession period for everyone will end on 9 January 2016. If a similar approach is adopted for phase 2 reporting, the concession period for everyone will end on a day which is 6 months after the day phase 2 reporting commences (i.e. 6 months after the day the amended Reporting Rules complete the legislative process).
 - (c) ***Simpler to defer and remove concession period:*** Given that the concession period ends on the same day for everyone, a simpler option might be to do away with the concession period altogether and simply defer commencement of phase 2 by 6 months after the amended Reporting Rules are enacted. This would simplify the rules considerably but still allow market participants a 6-month period to build or enhance their systems and system connection to the HKTR for the purposes of the expanded reporting regime.
176. The proposed removal of product classes, product types and concession periods will mean that each reporting entity will only be left with the grace period, which will then apply across all product classes and product types. Apart from simplifying the rules, a single grace period will also make compliance easier as reporting entities will not have to keep track of different concession periods and grace periods for different product types.

The implications of this will however be different for different persons depending on whether they were already reporting under phase 1, and if not, whether their grace period had already started to run. This is discussed in more detail under Section F below.

Q37. Do you have any comments or concerns about our proposal to do away with the concession period and defer commencement of phase 2 reporting until 6 months after the rules are enacted? If you do, please provide specific details.

C. Transaction information to be reported under phase 2 reporting

Different approach to defining transaction information to be reported

177. The Reporting Rules provide that where a person has to report a transaction, it must submit certain information and particulars relating to that transaction (**transaction information**). Part 4 of Schedule 1 to the Reporting Rules sets out the types of transaction information that currently have to be reported – items 1 to 7 describe generic information common to all reportable transactions, while items 8 and 9 respectively describe transaction information specific to IRS and NDF.
178. As we are proposing to expand mandatory reporting to cover all OTC derivative products, it will be necessary to amend Part 4 of Schedule 1 such that the transaction information to be reported covers all types of OTC derivative products, and takes into account their different structures and features.
179. We are mindful however that much of the transaction information that will be required is highly technical and complex. It may also be significantly different for different products, and so fairly lengthy. It is therefore unsuited to being set out in detail in legislation. At the same time, broad descriptions alone may not provide sufficient clarity as to what needs to be reported. In view of these conflicting concerns, we propose to take a different approach to defining the transaction information that has to be reported under phase 2. Specifically, we propose that –
- (a) the Reporting Rules should only identify, in broad terms, the categories of information that are to be reported; and
 - (b) the detailed requirements in respect of each such category, i.e. the **specific data fields** to be completed when reporting to the HKTR, should then be specified by notice in the *Gazette*.
180. The specific data fields will therefore not form part of the rules and will not constitute subsidiary legislation. However, their publication in the *Gazette* will ensure clarity and certainty in terms of what has to be reported. The specific data fields will also be available on the HKMA and SFC's respective websites for ready reference and access. The above revised approach is reflected in new Rule 2A and the amendments to Schedule 1, both of which are marked up on the Draft Expanded Reporting Rules.

Q38. Do you have any comments or concerns about our proposal to only set out the information categories in the subsidiary legislation, and separately publish, by way of a (non-statutory) Gazette notice, the specific data fields to be completed when reporting transaction information to the HKTR? If you do, please provide specific details.

Proposed categories of transaction information

181. The proposed categories of information to be reported (each, **an information category**) are as follows –

Item	Category of information and particulars relating to a specified OTC derivative transaction, and the persons involved in the transaction
1.	Information and particulars relating to the Monetary Authority's administration of the reporting of the transaction, including information and particulars identifying – (a) the nature of the report; (b) the person submitting the report; (c) the person that is required to comply with the reporting obligation; and (d) if the person that is required to comply with the reporting obligation is regarded as having conducted the transaction in Hong Kong on behalf of an affiliate of the person, the affiliate.
2.	Information and particulars relating to the class or type of product to which the transaction belongs.
3.	Days and periods relating to the transaction, including – (a) the day on which the transaction was entered into or on which a subsequent event is agreed; (b) the day on which the transaction or a subsequent event becomes effective; (c) the day on which the transaction matures or terminates; (d) dates or periods relating to a feature of the class or type of product to which the transaction belongs; and (e) dates or periods relating to the reporting of a transaction that is outstanding as at a particular time.
4.	Information and particulars relating to the counterparties to the transaction, including names, places of incorporation or residence, identifying references, and rights and obligations arising under, or relating to, the transaction.
5.	Information and particulars relating to pricing of the transaction (other than valuation transaction information), including – (a) notional amounts and schedules; (b) reference and settlement currencies; (c) agreed prices, rates or indices; (d) settlement details; and

	(e) other features or details specific to the class or type of product to which the transaction belongs that may affect the value of the transaction.
6.	Information and particulars relating to the documentation of the transaction, including the version, type and date of any master agreement executed and the type and date of any supplementary materials.
7.	Information and particulars relating to the confirmation of the transaction, including the platform through which and the manner in which the transaction was confirmed and any identifying reference assigned to the transaction by the confirmation platform.
8.	Information and particulars relating to the execution of the transaction, including – (a) the platform through which and the manner in which the transaction was executed; (b) any identifying reference assigned to the transaction by the execution platform; (c) the day on which, and the time at which, the transaction was executed; and (d) any agent involved in the execution of the transaction.
9.	Information and particulars relating to the clearing of the transaction, including – (a) whether the transaction was, or is intended to be, cleared through a central counterparty; (b) if applicable, the central counterparty through which the transaction was, or is intended to be, cleared; (c) identifying references assigned to the original transaction before it is cleared, and the two new transactions resulting from the clearing process; (d) the client clearing services provider (if any) involved in, or intended to be involved in, clearing the transaction; and (e) whether or not the clearing obligation applies to a person in relation to the transaction.
10.	Information and particulars relating to whether and how a transaction arises from, or is amended as a result of, a portfolio compression exercise.
11.	Particulars of any identifying reference assigned to the transaction (being types of references that may be accepted by the Monetary Authority, as specified by the Monetary Authority in the directions and instructions published under rule 21(2)).
12.	Information and particulars relating to the valuation of the transaction, including – (a) the basis of the valuation (b) the day on which, and the time at which, the valuation was calculated; (c) the value of the transaction; and (d) the currency in which the value is denominated.
13.	Information and particulars relating to a subsequent event, including –

	(a) the day on which the event occurred; (b) the type of the event; and (c) the changes resulting from the event to information or particulars submitted to the Monetary Authority.
14.	Other information and particulars relating to the transaction or the persons involved in the transaction.

182. The above information categories are reflected in the amended Schedule 1 as marked up on the Draft Expanded Reporting Rules. With respect to item 5 above (i.e. pricing information), **Appendix C** gives a brief summary of the pricing information that will be required in respect of each class or type of product. We have considered whether this brief summary should be included in the rules. Our view is that this may not be necessary. As we are proposing to publish the specific data fields separately in any event, it may be simpler, tidier and clearer to keep the description in the rules broad and leave the more technical descriptions to the *Gazette* notice.

Proposed data fields to be completed

183. As for the specific data fields to be completed when reporting to the HKTR, and which will be published in the *Gazette*, our proposals in this regard are set out in the tables at **Appendix D**. For better understanding of how the specific data fields tie up with the information categories described above, the data fields are grouped by reference to the information category that they come under. Needless to say, item 13 (on subsequent events) will not have its own separate data fields because, depending on the event in question, the information to be reported will fall under items 1 to 12. For item 14, this is an additional category included to cater for data fields that may be needed in light of future development but which do not fall squarely within items 1 to 12.
184. A point worth highlighting here is that as phase 2 reporting will cover all OTC derivative transactions (including standard-type and exotic or highly complex transactions), we have expanded the range of data fields that have to be completed so as to capture the key terms of all transactions. In particular, the HKTR templates have been enhanced to include extra fields to cater for transactions in exotic products or highly complex. However, where these extra fields do not suffice, any remaining transaction details should be submitted using a pdf file. Further guidance on the reporting of exotic transactions will be set out in the HKMA's Supplementary Reporting Instructions (SRIs).²⁴

Reasons for expanded scope of transaction information

185. We acknowledge that the transaction information proposed to be submitted under phase 2 reporting is wider than what is currently required under phase 1. This is to some extent inevitable given that we are proposing to cover all OTC derivative products under phase 2 reporting. The wider scope is also necessary to ensure the efficacy of the data collected by the HKTR. In the case of phase 1 IRS and NDF, we have expanded the scope slightly as well to be more specific in terms of information required for

²⁴ The SRIs, which are issued by the HKMA, provide detailed guidance and instructions on how to report transactions to the HKTR.

administrative purposes, about identifiers and documentation, trade execution and clearing, and compression, which will also be applicable to the expanded product scope. All this information will be useful in assisting regulatory analysis and facilitating data aggregation.

186. We would also note that in developing the wider scope of transaction information to be reported to the HKTR under phase 2 reporting, we have made reference to: (i) the current data templates used by certain global trade repositories, such as the Depository Trust and Clearing Corporation; (ii) similar requirements made under regulations in other major jurisdictions such as the EU and US; and (iii) local market conditions and requirements (including in particular the fact that, due to the nature of activities in our market, our reporting regime mandates the reporting of not only transactions to which a reporting entity is counterparty, but also (in some cases) the reporting of transactions that it has conducted in Hong Kong).

Q39. Do you have any comments or concerns about the specific data fields set out in the tables at Appendix D? If you do, please provide specific details, including suggestions for alternative ways to capture the relevant information.

D. Reporting of valuation transaction information

187. In our earlier consultation for phase 1 reporting, we noted that we would, at a later stage, require the reporting of certain information relating to the valuation of transactions (**valuation transaction information**). We also set out our proposals for: (i) the particulars to be reported; (ii) the valuations to be adopted; and (iii) the timelines for reporting. We received various comments and suggestions in response, mostly concerning our proposed valuations and timeline. Having considered these, and after taking into account international developments since then, we have revised our proposals as discussed below.

Particulars to be reported

188. We propose that the following information should be reported on a daily basis in respect of all transactions that have been reported to the HKTR –
- (a) the basis on which the transaction is valued (including whether the transaction is valued by a CCP, on mark-to-market basis or a mark-to-model basis),
 - (b) the valuation date and time,
 - (c) the value of the transaction, and
 - (d) the currency in which the value is denominated.
189. The above proposal is largely similar to the one put forward in our earlier consultation²⁵, except that we are now also proposing to require the reporting of the valuation time. Such information can be useful for market surveillance purposes, as it can provide a clearer picture especially of price fluctuations during times of market stress. We note also that other major jurisdictions, such as the EU, require the valuation time to be reported as well. The requirement to report valuation transaction information is reflected under item

²⁵ See the HKMA and SFC's November 2014 Further Consultation on Reporting.

12 of the Table under amended Schedule 1 as shown on the Draft Expanded Reporting Rules.

Valuations to be reported

190. In our earlier consultation, we proposed that the following valuations should be reported –
- (a) for transactions that are cleared through a CCP, reporting entities should report the valuation determined by the CCP,
 - (b) for non-centrally cleared transactions where the counterparties have agreed to exchange margins, reporting entities should report the valuation that the counterparties have mutually agreed for the purposes of exchanging margin, and
 - (c) for other non-centrally cleared transactions, reporting entities should report the valuation based on the methodology that the counterparties have mutually agreed.
191. Many respondents expressed difficulty in reporting valuations as described above, and suggested that the reporting of internal valuation should be allowed. In particular, respondents noted that –
- (a) For centrally cleared transactions, the CCP valuation may not be meaningful and so counterparties may not use it. If the CCP valuation is needed for reporting purposes, counterparties will need to obtain it specially from the CCP and this will create an extra burden for them.
 - (b) For non-centrally cleared transactions where the counterparties have agreed to exchange margins, the margin may not always be exchanged on a daily basis and may often be agreed and exchanged on a portfolio basis. Valuation at a transactional level may not therefore always be available or agreed.
 - (c) For non-centrally cleared transactions where margins are not exchanged, it will be operationally burdensome to require counterparties to agree valuations. Such a requirement would also be out of step internationally as other major jurisdictions are not requiring agreed valuations for such transactions.
192. We appreciate that counterparties may not always agree on valuations, and that they may need time to reconcile differences after entering into a transaction. However, as valuation is crucial to better risk management, parties should be encouraged to agree valuations and resolve differences quickly. The importance of this is echoed in IOSCO's January 2015 report entitled *Risk Mitigation Standards for Non-centrally Cleared OTC derivatives*. The report sets out nine standards for mitigating risks in non-centrally cleared OTC derivatives, including that counterparties should –
- (a) agree on and clearly document the process for determining the value of each non-centrally cleared OTC derivatives transaction at any time from the execution of the transaction to the termination, maturity, or expiration thereof, for the purpose of exchanging margins,

- (b) establish and implement policies and procedures to ensure that the material terms and valuations of all transactions in a non-centrally cleared OTC derivatives portfolio are reconciled with counterparties at regular intervals, and
 - (c) agree on the mechanism or process for determining when discrepancies in material terms or valuations should be considered disputes, as well as how such disputes should be resolved as soon as practicable.
193. We also note that as international discussion about margining and risk mitigation standards for non-centrally cleared transactions are becoming clearer, some of the concerns may already have been addressed or industry would have the benefit of a regulatory direction.
194. Given the above, and with a view to encouraging counterparties to agree valuations in line with the IOSCO standards wherever possible, we now propose as follows –
- (a) For transactions that are cleared through a CCP, entities should report the valuation determined by the CCP. Even if the CCP valuation may not suffice for a counterparty's own specific purposes, it still provides a useful and comparable reference for regulators. We therefore maintain our earlier proposal that the CCP valuation should be reported in the case of cleared transactions.
 - (b) For non-centrally cleared transactions where the counterparties are subject to the requirement to exchange margin, entities should report the valuation that is mutually agreed between the counterparties for the purposes of exchanging margin. We note that in some cases margins may not be exchanged on a daily basis or may be exchanged on a portfolio basis, and counterparties may not agree on valuation. However, as standards are now being developed for implementation of margin requirement following the publication of the framework by BCBS and IOSCO, it is necessary that counterparties subject to margin requirement agree timely with each other valuation of transactions for the purposes of the exchange of margin. Regulators are of the view that daily valuation agreed with counterparties would assist the process of exchanging margin, thus the reporting of such is required.
 - (c) For other non-centrally cleared transactions, in view of the concerns raised, we propose to allow the reporting of internal valuations. This would also be in line with current requirements in other major jurisdictions. However, we will keep in view international developments in this area, and review this requirement as appropriate in light of any new standards that might emerge in the future.

Timeframe for reporting valuation transaction information

195. Similar to the reporting of other transaction information, we previously proposed that valuation transaction information should be reported daily and no later than 2 days after the day of valuation. We propose to retain this requirement.
196. We note that respondents had previously expressed concerns that, for transactions that are cleared through a CCP, the CCP's valuation may not be available in time for reporting entities to report within the 2 day timeframe.

197. However, we consider that the current proposal to require valuations to be reported within two days is already quite lenient in comparison to international standards. Therefore, we remain of the view that valuation transaction information should in all cases, including where it is determined by a CCP, be reported daily and within 2 days of the day of valuation. This is reflected in new Rule 25A as marked up on the Draft Expanded Reporting Rules.

Other matters

198. Separately, one respondent to our earlier consultation sought clarification on whether it is possible to report a transaction and to report valuation separately within the 2 day timeframe, and whether it is possible to report the transaction details prior to reporting valuation transaction information. We confirm that the answer in both cases is yes.
199. One earlier respondent also noted that, due to the fluid nature of foreign exchange transactions, it would be useful if regulators could provide further guidance on the acceptable methodology for valuing foreign exchange transaction and associated margin exchange. We agree and will provide further guidance on the reporting of valuation transaction information for certain FX transactions by expanding the Frequently Asked Questions on the Reporting Rules that we have published previously.
200. One respondent to the earlier consultation sought clarification on whether it would be acceptable for reporting entities to submit the previous day's valuation figures if the valuation data is sourced from an overseas system and it is a holiday in the overseas jurisdiction. If the transaction involves an overseas currency and it is a public holiday in that overseas jurisdiction, it is acceptable for reporting entities to submit the previous day's valuation figures. We would also welcome views on whether there are other cases where it may be necessary to submit previous day valuations.

Q40. Do you have any comments or concerns about our revised proposal on the reporting of valuation transaction information? If you do, please provide specific details.

Q41. In what circumstances do you envisage it will be necessary to submit the previous day's valuation figures, and why? Please provide specific details including the practices adopted and the particular difficulty encountered in view of such practices.

E. Mandatory record keeping obligation

201. The purpose of the record keeping obligation is to ensure that adequate records are maintained as evidence of a person's compliance with the reporting obligation. Part 3 of the current Reporting Rules sets out the mandatory record keeping obligation that supplements the reporting obligation, i.e. the records to be kept to demonstrate compliance with the reporting obligation. In view of our proposal to expand the product scope for mandatory reporting, we propose to similarly extend the related record keeping obligation under Part 3 so that it applies in respect of transactions in all OTC derivative products. This is reflected in the proposed amendments to Rule 8 as marked up on the

Draft Expanded Reporting Rules. The amendment only expands the application of the record keeping obligation. It does not introduce any other change to the record keeping obligation. Accordingly, the records to be kept, and the manner and duration for which they are to be kept will remain the same under phase 2 reporting.

Q42. Do you have any comments or concerns about our proposal to expand the mandatory record keeping obligation so that it applies in respect of the expanded product scope, but to leave the obligation otherwise unchanged? If you do, please provide specific details.

F. Implications that proposed changes will have for different reporting entities

202. We discussed above our proposals to: (i) expand the product scope; (ii) do away with product classes, product types and concession periods; (iii) defer commencement of phase 2 reporting by 6 months; and (iv) expand the scope of transaction information to be reported under phase 2. A key consequence of these proposals is that under phase 2 there will be a single grace period per reporting entity, and that grace period will apply in respect of *all* OTC derivative transactions entered into by that person, i.e. regardless of the product or product type. The implications of this will be different for different persons depending on whether they were already reporting under phase 1, and if not, whether their grace period had already started to run under phase 1. This Section explains these differences in more detail and notes how these differences have been reflected in the Draft Expanded Reporting Rules.

Persons already reporting under phase 1

203. For persons who were already reporting under phase 1, they will already have enjoyed a concession period and grace period in respect of phase 1 IRS and/or NDF. Additionally, the deferred commencement of phase 2 will mean they will have 6 months to enhance their systems and system connection for the reporting of new products not covered under phase 1, as well as the reporting of additional fields for phase 1 IRS and NDF. Accordingly, for them, we propose as follows –

- (a) ***New transactions and new subsequent events:*** Upon commencement of phase 2, they should be able to start reporting *new* transactions (i.e. transactions in *any* products entered into after phase 2 commences) on a T+2 basis. Likewise, they should be able to report *new* subsequent events (i.e. subsequent events occurring after phase 2 commences, whether in respect of transactions reported under phase 1 or phase 2) on a T+2 basis. This is similar to what was required under phase 1 in respect of transactions entered into after the concession period.²⁶
- (b) ***Transactions already reported:*** For transactions in phase 1 IRS and/or NDF that such persons have already reported, the information reported previously will

²⁶ The requirement to report both new transactions and subsequent events on a T+2 basis is reflected, respectively, in amended Rule 24 and Rule 25 as marked up on the Draft Expanded Reporting Rules.

not have to be reported again. However, they will need to report (i.e. backload) the additional transaction information that is required under phase 2, i.e. the information described in paragraph 185 above.²⁷ Similar to the backloading obligation under phase 1, they will have until the end of the grace period to complete this.²⁸ A point to highlight here is that this backloading obligation vis-à-vis the expanded scope of transaction information will apply to *all* phase 1 IRS and/or NDF transactions reported by a person, i.e. both transactions to which the person is a counterparty *and* transactions that it has conducted in Hong Kong either on behalf of an affiliate or (in the case of an overseas AI) its head office or a branch outside Hong Kong.²⁹

- (c) ***Transactions entered into up to 2 days before phase 2 commences:*** For transactions in phase 1 IRS and NDF that a person –
 - (i) entered into just days before phase 2 commences (i.e. those that are still within the T+2 timeframe when phase 2 commences), and
 - (ii) is required to report under phase 1 (e.g. it is not entitled to rely on the “exempt person” relief in respect of that transaction),
 the existing Reporting Rules will continue to apply. In other words, the T+2 cycle will not be interrupted by the commencement of phase 2. Moreover, once these transactions are reported, the additional transaction information required under phase 2 (but not phase 1) reporting will have to be backloaded as discussed under paragraph (b) above. This is because that backloading obligation applies to transactions *entered into* before phase 2 commences, and not to transactions *reported* before phase 2 commences.³⁰
- (d) ***Breaches under phase 1:*** For transactions in phase 1 IRS and NDF that should have been reported but were not, the existing Reporting Rules will continue to apply, i.e. the regulators’ right to investigate and take regulatory action in respect of such breaches will not be affected.³¹
- (e) ***Backloading of transactions not reportable under phase 1:*** For other transactions (e.g. transactions in phase 1 IRS or phase 1 NDF that did not have to be reported because the person was entitled to the “exempt person” relief for that product class, and transactions in products not covered under phase 1), to the extent that these –
 - (i) were entered into before the commencement of phase 2 and are still outstanding at that time, and
 - (ii) are reportable under phase 2 (e.g. the person is not entitled to the “exempt person” relief under phase 2),

²⁷ This is reflected in amended Rule 23 as marked up on the Draft Expanded Reporting Rules – subrule 23(6) in particular confirms that there is no need to re-submit information that was previously reported.

²⁸ This is reflected in Rule 23(1) and the amended definition of “transaction information” in new section 2A as marked up on the Draft Expanded Reporting Rules.

²⁹ This is made clear in new Rules 10(2A), 11(2A), 12(2A) and 13(2A) as marked up on of the Draft Expanded Reporting Rules.

³⁰ This is reflected in amended Rule 23(3), which requires the reporting of transactions still outstanding on the first day of the grace period.

³¹ This is by virtue of section 23 of the Interpretation and General Clauses Ordinance (Cap. 1).

they will have to be backloaded. Again, similar to the backloading obligations under phase 1, reporting entities will have until the end of the grace period to complete such backloading.³²

- (f) **Further points to note:** A few further points are worth highlighting with regard to the category of transactions discussed under paragraph (e) above –
- (i) This backloading obligation will only apply in respect of transactions to which the reporting entity is a counterparty. It will not apply to transactions that the entity has conducted in Hong Kong.³³
 - (ii) The backloading of such transactions will entail reporting the wider scope of transaction information discussed under Section C above.³⁴
 - (iii) Similar to phase 1 reporting, the backloading of such transactions should comprise: (A) transaction information as at the commencement of phase 2, and this should reflect the net effect of all subsequent events that have occurred up till then; and (B) transaction information in respect of each subsequent event occurring since the commencement of phase 2 and up to a day no earlier than 2 business days before the day of backloading.³⁵
- (g) **Existing rules continue until phase 2 commence:** One final point worth highlighting here is that pending commencement of phase 2 reporting, the existing Reporting Rules will remain in force. This means that up till commencement of phase 2, reporting entities who are subject to reporting under phase 1 will have to continue reporting their phase 1 IRS and NDF. They may continue to report transaction information on the basis of the narrower scope required under phase 1 reporting. Alternatively, if preferred, they may report transaction information on the basis of the wider scope that will be required under phase 2.

Persons whose grace period under phase 1 is still running

204. For persons who became subject to mandatory reporting under phase 1 but whose grace period is still running when phase 2 reporting takes effect³⁶, we propose as follows –

- (a) **Grace period starts to run afresh:** Their old grace period will cease to apply. For simplicity, we propose that they be entitled to a fresh grace period which will start running from the day phase 2 reporting takes effect. The duration of the grace period will remain unchanged, i.e. 3 months.³⁷

³² This is reflected in the amended Rule 7 and Rule 23 as marked up on the Draft Expanded Reporting Rules.

³³ This is reflected in the language of new Rules 10(2A), 11(2A), 12(2A) and 13(2A) which apply the backloading obligation only in respect of transactions that were reportable under phase 1 reporting.

³⁴ This is reflected in Rule 23 (which requires the backloading of “transaction information” relating to “specified OTC derivative transactions”), new Rule 2A (which sets out the revised definition of “transaction information”) and new Rule 7 (which sets out the revised definition of “specified OTC derivative transactions”).

³⁵ This is reflected in the amended Rule 23(4) as marked up on the Draft Expanded Reporting Rules.

³⁶ These will be persons whose grace period started running within the 3 months before the deferred commencement of phase 2 takes effect, i.e. they became an AI, AMB or LC during those 3 months or they ceased to be entitled to the “exempt person” relief during that period.

³⁷ The above is reflected in the revised definition of “grace period” under Rule 19 and the backloading obligation under amended Rule 23 as shown on the Draft Expanded Reporting Rules.

- (b) **Other matters:** In terms of –
- (i) reporting new transactions and new subsequent events, and
 - (ii) backloading transactions entered into before the commencement of phase 2,
- the position of these reporting entities will be no different from the position of persons who were reporting transactions under phase 1.

Persons not yet subject to reporting under phase 1

205. For persons who were not reporting under phase 1 and whose grace period never started to run (i.e. because they were entitled to the “exempt person” relief under phase 1 in respect of both IRS and NDF, or did not have any outstanding positions in IRS or NDF prior to the commencement of phase 2), they will only be subject to the revised rules. The existing Reporting Rules will have no relevance to them. For them, we propose as follows –

- (a) **Grace period to start when reporting obligation triggered:** Their grace period will start running from the day they become subject to the reporting obligation (i.e. from the day they are both a prescribed person *and* (if applicable) no longer entitled to the “exempt person” relief). This may be on the commencement date for phase 2 (in which case their grace period will start running from that date) or later (in which case, their grace period will start running from such later date). This is no different from what was proposed under phase 1 reporting.³⁸
- (b) **New transactions:** Once the reporting obligation is triggered in respect of them (i.e. once their grace period starts running), they will need to immediately start reporting new transactions on a T+2 basis (i.e. transactions entered into after the reporting obligation is triggered). This includes both transactions that they are counterparty to and transactions that they have conducted in Hong Kong.³⁹
- (c) **Backloading historical transactions:** They will then also have to backload any historical transactions (i.e. transactions entered into before the start of their grace period but still outstanding at that time) and complete such backloading within their 3-month grace period.⁴⁰ A few points to note are that –
- (i) Historical transactions will necessarily be transactions to which they are a counterparty.
 - (ii) The backloading will entail reporting the wider scope of transaction information discussed under Section C above.
 - (iii) The backloading should also comprise: (A) transaction information as at the commencement of phase 2, and this should reflect the net effect of all subsequent events that have occurred up till then; and (B) transaction information in respect of each subsequent event occurring since the commencement of phase 2 and up to a day no earlier than 2 business days before the day of backloading.

³⁸ This is reflected in the revised definition of “starting day” in Rule 2 and the revised definition of “grace period” (which refers to “starting day”) under Rule 19 as marked up on the Draft Expanded Reporting Rules.

³⁹ This is reflected in the amended Rule 24 as marked up on the Draft Expanded Reporting Rules.

⁴⁰ This is reflected in amended Rule 23 as marked up on the Draft Expanded Reporting Rules.

- Q43. Do you have any comments or concerns about our proposal to have a single grace period under phase 2 that applies across all products and product types? If you do, please provide specific details.**
- Q44. Do you have any comments or concerns about our proposals for how the single grace period under phase 2 will apply in respect of persons who are already reporting under phase 1? If you do, please provide specific details.**
- Q45. Do you have any comments or concerns about our proposals for how the single grace period under phase 2 will apply in respect of persons who became subject to mandatory reporting under phase 1 but whose grace period under phase 1 is still running when phase 2 reporting takes effect? If you do, please provide specific details.**

Concluding Remarks

206. The HKMA and SFC continue working towards implementing the regulatory regime for the OTC derivatives market in Hong Kong. The proposals in this paper have been developed in light of similar reform efforts in other major markets including the US, the EU, Australia and Singapore, and taking into account local features and characteristics. We believe our proposals strike the right balance, but as always, we welcome market views on where proposals may be problematic or result in unintended consequences.
207. We note that the proposals contained in this paper are largely in line with requirements imposed in other major markets. At the same time, we are mindful that our proposed data fields for phase 2 reporting (set out in Appendix D) are highly technical, complex and lengthy. In view of this, we propose to allow –
- (a) one month for the submission of **comments on our proposals for phase 1 clearing and phase 2 reporting (other than the proposed data fields set out in Appendix D)**, i.e. comments should be submitted by **no later than 31 October 2015**, and
 - (b) two months for the submission of **comments on the proposed data fields to be completed for phase 2 reporting (i.e. the data fields set out in Appendix D)**, i.e. comments on Appendix D may be submitted by **no later than 30 November 2015**.
208. Subject to the completion of this consultation, we aim to finalise our proposals for phase 1 clearing and phase 2 reporting by the end of this year, and to issue a consultation conclusions paper on the same towards the end of 2015 or early 2016. The target is to introduce the relevant subsidiary legislation into the Legislative Council for negative vetting in Q1 2016. Subject to the legislative process, it is expected that –
- (a) phase 1 clearing may come into effect by the middle of 2016, and
 - (b) phase 2 reporting may come into effect by early 2017 (taking into account our proposal to defer commencement by 6 months).
209. We will maintain a close dialogue with the industry and provide market participants with sufficient lead time to prepare for the implementation of the requirements. We will provide an indicative implementation time table for other aspects of the OTC derivatives regime in subsequent consultations.

APPENDIX A – Draft Clearing Rules

Securities and Futures (OTC Derivative Transactions – Clearing and Record Keeping Obligations and Designation of Central Counterparties) Rules

(Made by the Securities and Futures Commission under sections 101N, 101P and 101Q of the Securities and Futures Ordinance (Cap. 571) with the consent of the Monetary Authority and after consultation with the Financial Secretary)

Part 1 Preliminary

1. Commencement

These Rules commence on [] 2016.

2. Interpretation

In these Rules –

AFI () means an authorized financial institution;

AMB () means an approved money broker;

deliverable FX forward () means an OTC derivative transaction under the terms and conditions of which the 2 counterparties to the transaction agree to exchange, on a single day in the future, an agreed amount of a currency for—

- (a) an agreed amount of another currency; or
- (b) an amount in another currency calculated by reference to an agreed exchange rate;

designated CCP () has the meaning given by section 101A of the Ordinance;

financial services provider () means a person (except a prescribed person), including a person that is incorporated outside Hong Kong, that carries on a business outside Hong Kong which the person would be prohibited from carrying on in Hong Kong under—

- (a) section 114(1) of the Ordinance, unless the person was a person referred to in section 114(2)(a) or (b); or
- (b) section 11 or 12 of the Banking Ordinance (Cap. 155), unless the person was an AFI;

LC () means a licensed corporation;

local AFI () means an AFI that is incorporated in Hong Kong;

local AMB () means an AMB that is incorporated in Hong Kong;

local LC () means an LC that is incorporated in Hong Kong;

overseas AFI () means an AFI that is incorporated outside Hong Kong;

overseas AMB () means an AMB that is incorporated outside Hong Kong;

overseas LC () means an LC that is incorporated outside Hong Kong;

outstanding trades (), in relation to a person and as at a particular time, means the OTC derivative transactions (except deliverable FX forwards) to which the person is a counterparty and which have not—
(a) matured; or
(b) before the transaction matures, been terminated in accordance with the terms and conditions of the transaction or by agreement between the counterparties to the transaction;

specified OTC derivative transaction () has the meaning given by section 101A of the Ordinance;

total position (), in relation to a person, means the aggregate of the notional amounts of the outstanding trades of the person.

3. Transactions that are specified OTC derivative transactions for purposes of clearing obligation

For the purposes of paragraph (b) of the definition of **specified OTC derivative transaction** in section 101A of the Ordinance, an OTC derivative transaction that is specified in section 2 of Schedule 1 is specified for the purposes of the clearing obligation.

4. Transactions that are specified OTC derivative transactions for purposes of record keeping obligation

For the purposes of paragraph (d) of the definition of **specified OTC derivative transaction** in section 101A of the Ordinance, an OTC derivative transaction that is specified in section 2 of Schedule 1 is specified for the purposes of the record keeping obligation.

Part 2

Clearing Obligation

5. When clearing obligation arises

- (1) Subject to subrule (4) and rules 7(1) and 8(1), a prescribed person must clear a specified OTC derivative transaction with a designated CCP (whether directly or through a third party) within 1 business day after the transaction is entered into if—
 - (a) the person is a counterparty to the transaction;
 - (b) the other counterparty to the transaction is a prescribed person or a financial services provider; and
 - (c) the requirements referred to in subrule (2) are met.
- (2) The requirements are that—
 - (a) before the transaction is entered into—
 - (i) the prescribed person has reached the clearing threshold; and
 - (ii) the other counterparty to the transaction has reached the clearing threshold; and
 - (b) the transaction is entered into on or after both of the following days (which may be different days)—
 - (i) the prescribed day for the calculation period in respect of which the prescribed person first reached the clearing threshold;
 - (ii) the prescribed day for the calculation period in respect of which the counterparty first reached the clearing threshold.
- (3) For the purposes of subrule (2)—
 - (a) a prescribed person that is a local AFI, a local AMB or a local LC reaches the clearing threshold if, for a particular calculation period, the average total position of the person equals or exceeds the amount specified in column 3 of Schedule 2 for the calculation period;
 - (b) a prescribed person that is an overseas AFI, an overseas AMB or an overseas LC reaches the clearing threshold if, for a particular calculation period, the average total position of the person equals or exceeds the amount specified in column 4 of Schedule 2 for the calculation period;
 - (c) a prescribed person that is an overseas AFI, an overseas AMB or an overseas LC reaches the clearing threshold if, for a particular calculation period, the average local total position of the person equals or exceeds the amount specified in column 5 of Schedule 2 for the calculation period;
 - (d) a person that is a financial services provider reaches the clearing threshold if, for a particular calculation period, the average total position of the person equals or exceeds the amount specified in column 6 of Schedule 2 for the calculation period; and
 - (e) a person is regarded as having reached the clearing threshold at all times after the calculation period in respect of which the person first reaches the clearing threshold, even if the person

does not reach the clearing threshold specified in relation to the person for a subsequent calculation period.

- (4) Subrule (1) applies to a prescribed person that is an overseas AFI or an overseas AMB only if the specified OTC derivative transaction to which the person is a counterparty is recorded in the form of an entry in the books of the person in Hong Kong.

- (5) In this Rule—

average total position (), in relation to a person for a calculation period, means the amount which is equal to the sum of the person's total positions on the last day of each month within the calculation period, divided by the number of months in the calculation period;

average local total position (), in relation to a prescribed person that is an overseas AFI, an overseas AMB or an overseas LC for a calculation period, means the amount which is equal to the sum of the person's local total positions on the last day of each month within the calculation period, divided by the number of months in the calculation period;

calculation period () means a period specified in column 2 of Schedule 2;

local total position (), in relation to a person, means the total position of the person excluding the outstanding trades of the person that are recorded in the form of an entry in the books of the person outside Hong Kong;

prescribed day (), in relation to a calculation period, means the day specified in column 7 of Schedule 2.

6. Clearing obligation applies even if counterparty, or transaction entered into, outside Hong Kong

For the purposes of this Part, a prescribed person must clear a specified OTC derivative transaction with a designated CCP even if—

- (a) a counterparty, or more than one counterparty to the transaction, is a person outside Hong Kong; or
- (b) the transaction was entered into wholly or partially outside Hong Kong.

7. Clearing obligation does not apply to transactions with exempt affiliate

- (1) Rule 5(1) does not apply to a prescribed person in relation to a specified OTC derivative transaction to which the person is a counterparty if, as at the day on which the transaction is entered into—
- (a) the other counterparty to the transaction is an affiliate of the person;

- (b) the affiliate is an exempt affiliate, within the meaning of subrule (3); and
 - (c) the requirements referred to in subrule (2) are met.
- (2) The requirements are that the person and the exempt affiliate are—
 - (a) accounted for on a full basis in the consolidated financial statements of the holding company of the group of companies to which they belong, for the purposes of and in compliance with—
 - (i) the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
 - (ii) the International Financial Reporting Standards issued by the International Accounting Standards Board; or
 - (iii) the standards of accounting practices applicable to the holding company in the place in which it is incorporated; and
 - (b) subject to risk evaluation, measurement and control procedures which are centrally overseen and managed within the group of companies to which they belong.
- (3) For the purposes of this Rule, an affiliate of a prescribed person is an exempt affiliate, as at a particular day, if—
 - (a) the person has given a notice, in accordance with subrule (4), that the affiliate is to be regarded as an exempt affiliate for the purposes of this Rule (***an exemption notice***); and
 - (b) the day is—
 - (i) on or after the day on which the exemption notice takes effect; and
 - (ii) if the person has given a notice, in accordance with subrule (4), that the affiliate is to cease to be regarded as an exempt affiliate for the purposes of this Rule (***a cessation notice***), before the day on which the cessation notice takes effect.
- (4) An exemption notice or a cessation notice given by a prescribed person must—
 - (a) be in writing;
 - (b) be given to the Commission or the Monetary Authority;
 - (c) specify the affiliate (or if more than one, each affiliate) of the person that is to be regarded as, or cease to be regarded as, an exempt affiliate for the purposes of this Rule; and
 - (d) specify the day on which the notice is to take effect, being a day that is not earlier than the day on which the notice is received by the Commission or the Monetary Authority.
- (5) In this Rule—

affiliate (), in relation to a prescribed person, means a corporation that is in the same group of companies as the person, except a corporation that is a collective investment scheme.

8. Clearing obligation does not apply to transactions booked in exempt jurisdiction

- (1) Rule 5(1) does not apply to a prescribed person that is an LC, a local AFI or a local AMB in relation to a specified OTC derivative transaction to which the person is a counterparty if—
 - (a) the transaction is recorded in the form of an entry in the books of the person in a jurisdiction outside Hong Kong;
 - (b) as at the day on which the transaction is entered into, the jurisdiction is an exempt jurisdiction, within the meaning of subrule (3); and
 - (c) as at the end of the day on which the transaction is entered into, taking into account all outstanding trades of the person (including the transaction), the requirements referred to in subrule (2) are met.
- (2) The requirements are that—
 - (a) the jurisdiction position of the person for each jurisdiction that is an exempt jurisdiction in relation to the person does not exceed 5% of the total position of the person; and
 - (b) the aggregate of the person's jurisdiction positions for all jurisdictions that are exempt jurisdictions in relation to the person does not exceed 10% of the total position of the person.
- (3) Subject to subrule (4), for the purposes of this Rule, a jurisdiction outside Hong Kong is an exempt jurisdiction in relation to a prescribed person, as at a particular day, if—
 - (a) the person has given a notice, in accordance with subrule (5), that the jurisdiction is to be regarded as an exempt jurisdiction in relation to the person for the purposes of this Rule (**an exemption notice**); and
 - (b) the day is—
 - (i) on or after the day on which the exemption notice takes effect; and
 - (ii) if the person has given a notice, in accordance with subrule (5), that the jurisdiction is to cease to be regarded as an exempt jurisdiction in relation to the person for the purposes of this Rule (**a cessation notice**), before the day on which the cessation notice takes effect.
- (4) A prescribed person that has given an exemption notice and a cessation notice in respect of a jurisdiction is permitted to give only 1 more exemption notice in respect of the jurisdiction.
- (5) An exemption notice or a cessation notice given by a prescribed person under subrule (3) must—
 - (a) be in writing;
 - (b) be given to the Monetary Authority, if the person is a local AFI or a local AMB;
 - (c) be given to the Commission, if the person is an LC;
 - (d) specify the jurisdiction (or if more than one jurisdiction, each jurisdiction) that is to be regarded as, or cease to be regarded

- as, an exempt jurisdiction in relation to the person for the purposes of this Rule; and
- (e) specify the day on which the notice is to take effect, being a day that is not earlier than the day on which the notice is received by the Monetary Authority or the Commission.

- (6) In this Rule—

jurisdiction position (), in relation to a prescribed person and an exempt jurisdiction, means the aggregate of the notional amounts of the outstanding trades of the person that are recorded in the form of an entry in the books of the person in the exempt jurisdiction.

9. Clearing obligation taken to have been complied with if transaction cleared under laws of designated jurisdiction

- (1) A prescribed person is taken to have complied with rule 5(1) in relation to a specified OTC derivative transaction to which the person is a counterparty if—
- (a) under the laws of a jurisdiction that is designated by the Commission in accordance with subrule (2) (***the designated jurisdiction***), the transaction is required to be cleared with a central counterparty;
- (b) the transaction has been cleared with a central counterparty in accordance with the laws of the designated jurisdiction; and
- (c) the central counterparty referred to in subparagraph (b) is a designated CCP.
- (2) For the purposes of subrule (1), the Commission may, with the consent of the Monetary Authority and by notice published in the Gazette, designate any jurisdiction outside Hong Kong if the Commission is satisfied that the laws of the jurisdiction—
- (a) provide for requirements that are similar to, or serve similar purposes as, the clearing obligation; and
- (b) are appropriately supervised and enforced in the jurisdiction.
- (3) The Commission may, with the consent of the Monetary Authority and by notice published in the Gazette, revoke the designation of a jurisdiction made under subrule (2).
- (4) A notice published in the Gazette by the Commission under subrule (2) or (3) is not subsidiary legislation.

Part 3

Record Keeping Obligation

10. Prescribed persons to keep records in relation to transactions

A prescribed person must, in relation to a specified OTC derivative transaction to which it is a counterparty, keep the records specified in rule 12 in the manner specified in rule 13 until no earlier than 5 years after the transaction has—

- (a) matured; or
- (b) before the transaction matures, been terminated in accordance with the terms and conditions of the transaction or by agreement between the counterparties to the transaction.

11. Prescribed persons to keep records even if counterparty, or transaction entered into, outside Hong Kong

Rule 10 applies to a specified OTC derivative transaction even if—

- (a) a counterparty, or more than one counterparty, to the transaction is a person outside Hong Kong; or
- (b) the transaction was entered into wholly or partially outside Hong Kong.

12. Records to be kept by prescribed persons

The records that a prescribed person must keep in relation to a specified OTC derivative transaction are records sufficient to demonstrate that—

- (a) rule 5(1) applied to the person and—
 - (i) the person complied with rule 5(1); or
 - (ii) rule 9(1) applied to the person; or
- (b) rule 5(1) did not apply to the transaction because—
 - (i) rule 5(1)(b) was not satisfied;
 - (ii) rule 5(1)(c) was not satisfied;
 - (iii) rule 7(1) applied to the person; or
 - (iv) rule 8(1) applied to the person.

13. Manner in which records to be kept

A prescribed person must, in relation to a specified OTC derivative transaction, keep the records specified in rule 12 in a manner that enables the records to be readily accessible.

Part 4

Designation as a Central Counterparty

14. Designation as a central counterparty

- (1) The Commission may, if it is satisfied that it is appropriate to do so in the interests of the investing public or in the public interest—
 - (a) designate a person under section 101J(1) of the Ordinance as a central counterparty for the purposes of Part IIIA of the Ordinance; and
 - (b) do the following with regard to a designation—
 - (i) impose conditions;
 - (ii) amend or revoke a condition;
 - (iii) impose additional conditions.
- (2) An application under section 101J(1) of the Ordinance for designation must—
 - (a) be in writing;
 - (b) specify the class or description of OTC derivative transactions in respect of which the applicant seeks to be designated;
 - (c) if the applicant is a person outside Hong Kong, specify—
 - (i) each authority or regulatory organization outside Hong Kong that is responsible for regulation of the applicant in its capacity as a central counterparty (**overseas regulators**); and
 - (ii) be accompanied by information that is sufficient to demonstrate that the applicant meets legal or regulatory requirements enforced or administered by the overseas regulators, and that those requirements meet generally recognized international principles and standards applicable to central counterparties; and
 - (d) contain or be accompanied by any other information that the Commission may reasonably require.
- (3) The Commission may, in considering an application for designation—
 - (a) by a notice in writing served on the applicant, request the applicant to submit any additional information that the Commission reasonably considers may be relevant to the Commission's consideration of the application; and
 - (b) have regard to any information in the possession of the Commission, whether provided by the applicant or not.
- (4) A notice of designation given by the Commission to a person under section 101J(1)(a) of the Ordinance must specify—
 - (a) the class or description of OTC derivative transactions in respect of which the person is designated;
 - (b) the conditions (if any) imposed on the designation; and
 - (c) the time at which the designation is to take effect.
- (5) The Commission may, in considering whether to do any of the matters referred to in subrule (1)(b) with regard to a designation, have regard to any information in the possession of the Commission, whether provided by the designated person or not.

15. Refusal to designate

If the Commission, under section 101J(1)(b) of the Ordinance, refuses to designate a person as a central counterparty for the purposes of Part IIIA of the Ordinance, the Commission must, by a notice in writing served on the person, inform the person of the refusal and the reasons for the refusal.

16. Revocation of designation

- (1) The Commission may revoke a designation of a person under section 101J(5)(d) of the Ordinance—
 - (a) if it is satisfied that it is appropriate to do so in the interests of the investing public or in the public interest; or
 - (b) at the request, in writing, of the person.
- (2) If the Commission revokes a designation of a person under section 101J(5)(d) of the Ordinance—
 - (a) it must include in the notice the reasons for the revocation, except where the revocation is at the request of the person; and
 - (b) it may include in the notice any directions to the person that it considers appropriate for the purpose of—
 - (i) the person ceasing to be designated; or
 - (ii) protecting the interests of the investing public or the public interest.
- (3) The Commission may, in considering whether to revoke a designation of a person under section 101J(5)(d) of the Ordinance, have regard to any information in the possession of the Commission, whether provided by the person or not.

Schedule 1

Specified OTC Derivative Transactions

1. Interpretation

In this Schedule—

basis swap () means an interest rate swap under the terms and conditions of which—

- (a) the payments to be made by 1 counterparty are to be calculated by reference to a floating interest rate applied to a notional amount; and
- (b) the payments to be made by the other counterparty are to be calculated by reference to another floating interest rate applied to the same notional amount;

features (), in relation to an interest rate swap, and as applicable depending on whether the swap is a basis swap (Table 1), a fixed-to-floating swap (except an overnight index swap) (Table 2) or an overnight index swap (Table 3), means the following—

- (a) the currency in which the notional amount and payments are denominated is as specified under the column headed “currency” in Table 1, 2 or 3;
- (b) the floating rate index on which the floating interest rate (or rates) for the swap is based is as specified under the column headed “floating rate index” in Table 1, 2 or 3;
- (c) the tenor of the swap is within the range specified under the column headed “tenor” in Table 1, 2 or 3;
- (d) whether or not the swap has optionality is as specified under the column headed “optionality” in Table 1, 2 or 3;
- (e) whether or not the notional amount of the swap is constant during the tenor of the transaction is as specified under the column headed “constant notional” in Table 1, 2 or 3.

fixed-to-floating swap () means an interest rate swap under the terms and conditions of which—

- (a) the payments to be made by 1 counterparty are to be calculated by reference to a fixed interest rate applied to a notional amount; and
- (b) the payments to be made by the other counterparty are to be calculated by reference to a floating interest rate applied to the same notional amount;

interest rate swap () means an OTC derivative transaction under the terms and conditions of which—

- (a) the 2 counterparties to the transaction agree to exchange interest rate cash flows (**payments**) at specified intervals while the transaction is still outstanding; and
- (b) the payments are to be calculated by reference to—

- (i) a notional amount that is denominated in a single currency; and
- (ii) agreed fixed interest rates or agreed floating interest rates;

optionality (), in relation to an interest rate swap, means a counterparty to the swap is granted an option which, if exercised, would or might affect the amount, timing or form of the payments that would otherwise be made under the swap;

overnight index swap () means a fixed-to-floating swap where the floating interest rate referred to in paragraph (b) of the definition of **fixed-to-floating swap** in this section is an overnight interest rate.

2. Specified OTC derivative transactions

The following OTC derivative transactions are specified for the purposes of rules 3 and 4—

- (a) a basis swap that has all of the features specified in a row of Table 1;
- (b) a fixed-to-floating swap (except an overnight index swap) that has all of the features specified in a row of Table 2;
- (c) an overnight index swap that has all of the features specified in a row of Table 3.

Table 1 – Basis Swaps

Item	Currency	Floating Rate Index	Tenor	Optionality	Constant Notional
1.	USD	LIBOR	28 days to 10 years	No	Yes
2.	EUR	EURIBOR	28 days to 10 years	No	Yes
3.	GBP	LIBOR	28 days to 10 years	No	Yes
4.	JPY	LIBOR	28 days to 10 years	No	Yes
5.	HKD	HIBOR	28 days to 10 years	No	Yes

Table 2 – Fixed-to-Floating Swaps (except overnight index swaps)

Item	Currency	Floating Rate Index	Tenor	Optionality	Constant Notional
1.	USD	LIBOR	28 days to 10 years	No	Yes
2.	EUR	EURIBOR	28 days to 10 years	No	Yes
3.	GBP	LIBOR	28 days to 10 years	No	Yes
4.	JPY	LIBOR	28 days to 10 years	No	Yes

Item	Currency	Floating Rate Index	Tenor	Optionality	Constant Notional
5.	HKD	HIBOR	10 years 28 days to 10 years	No	Yes

Table 3 – Overnight Index Swaps

Item	Currency	Floating Rate Index	Tenor	Optionality	Constant Notional
1.	USD	FedFunds	7 days to 2 years	No	Yes
2.	EUR	EONIA	7 days to 2 years	No	Yes
3.	GBP	SONIA	7 days to 2 years	No	Yes

Schedule 2

Calculation periods, clearing thresholds and prescribed days

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7
Item	Calculation period ⁴¹	Clearing threshold for local AFI, local AMB, local LC (rule 5(3)(a))	Clearing threshold for overseas AFI, overseas AMB, overseas LC (rule 5(3)(b))	Clearing threshold for overseas AFI, overseas AMB, overseas LC (rule 5(3)(c))	Clearing threshold for financial services provider (rule 5(3)(d))	Prescribed day
1.	1 March 2016 to 31 May 2016	US\$20 billion	US\$1 trillion	US\$20 billion	US\$1 trillion	1 January 2017
2.	1 September 2016 to 30 November 2016	US\$20 billion	US\$1 trillion	US\$20 billion	US\$1 trillion	1 July 2017
3.	1 March 2017 to 31 May 2017	US\$20 billion	US\$1 trillion	US\$20 billion	US\$1 trillion	1 January 2018
4.	1 September 2017 to 30 November 2017	US\$20 billion	US\$1 trillion	US\$20 billion	US\$1 trillion	1 July 2018

⁴¹ Dates are illustrative only.

APPENDIX B – Draft Expanded Reporting Rules

Securities and Futures (OTC Derivative Transactions—Reporting and Record Keeping Obligations) Rules

(Made by the Securities and Futures Commission under sections 101L and 101P of the Securities and Futures Ordinance (Cap. 571) with the consent of the Monetary Authority and after consultation with the Financial Secretary)

Part 1

Preliminary

~~1. Commencement~~

~~(1) Subject to subrule (2), these Rules come into operation on 10 July 2015.~~

~~(2) Rule 15 comes into operation on a day to be appointed by the Securities and Futures Commission by notice published in the Gazette.⁴²~~

2. Interpretation

In these Rules—

affiliate (聯屬公司), in relation to a prescribed person that is a licensed corporation, an authorized financial institution or an approved money broker, means a corporation that is in the same group of companies as the person, except a corporation that is a collective investment scheme;

ATS-CCP (自動化交易服務中央對手方) means a person authorized under section 95(2) of the Ordinance to provide automated trading services, but only when the person is—

- (a) providing services that it is authorized to provide; and
- (b) acting in its capacity as a central counterparty;

electronic reporting system (電子匯報系統) means the electronic system operated by or on behalf of the Monetary Authority for submitting and

⁴² The Securities and Futures (OTC Derivative Transactions—Reporting and Record Keeping Obligations) (Amendment) Rules 2016 (**Amendment Rules**) will contain a commencement clause which will have the effect of commencing the expanded reporting obligations (and the application of the regime to ATS-CCPs) 6 months after the day on which the Amendment Rules are enacted.

receiving reports on specified OTC derivative transactions for the purposes of these Rules and section 101B of the Ordinance;

exempt person (獲豁免人士) has the meaning given by rule 3;

local branch (本地分行), in relation to a prescribed person that is an authorized financial institution incorporated outside Hong Kong, has the meaning given by section 2(1) of the Banking Ordinance (Cap. 155) except that it includes its principal place of business in Hong Kong;

outstanding (未完結), in relation to an OTC derivative transaction on a particular day, means the transaction has not, as at that day, matured or been terminated;

~~**product class** (產品類別) means a class of OTC derivative transactions specified in column 2 of Part 2 of Schedule 1;~~

~~**product class specification day** (產品類別指明日期), in relation to a product class, means the day specified in column 3 of Part 2 of Schedule 1;~~

~~**product type** (產品類型) means a type of OTC derivative transaction within a product class, specified in column 3 of Part 3 of Schedule 1;~~

~~**product type specification day** (產品類型指明日期), in relation to a product type, means the day specified in column 4 of Part 3 of Schedule 1;~~

RCH (認可結算所) means a person that is a recognized clearing house, but only when the person is acting in its capacity as a central counterparty;

regulated prescribed person (受規管訂明人士), ~~in relation to a product type,~~ means the following prescribed persons—

- (a) a licensed corporation that is not an exempt person ~~in relation to a specified OTC derivative transaction within the product class to which the product type belongs;~~
- (b) an authorized financial institution that is not an exempt person ~~in relation to a specified OTC derivative transaction within the product class to which the product type belongs;~~
- (c) an approved money broker that is not an exempt person ~~in relation to a specified OTC derivative transaction within the product class to which the product type belongs;~~
- (d) an RCH;
- (e) an ATS-CCP;

specification day () means []⁴³.

⁴³ This will be the day on which the Amendment Rules commence - see footnote 1.

specified OTC derivative transaction (指明場外衍生工具交易) has the meaning given by section 101A of the Ordinance;

starting day (開始日期), in relation to ~~a specified OTC derivative transaction to which~~ a regulated prescribed person ~~is a counterparty~~, means the later of—

- (a) the ~~product type~~ specification day ~~for the product type to which the transaction belongs~~; and
- (b) the day on which the person becomes a regulated prescribed person ~~in relation to the product type~~;

subsequent event (其後事件), in relation to a specified OTC derivative transaction, means an event that occurs after the transaction was entered into, and which affects the terms and conditions on which the transaction was entered into or the persons involved in entering into the transaction;

terminated (被終止), in relation to an OTC derivative transaction, means the transaction is terminated in accordance with the terms and conditions of the transaction or by agreement between the counterparties to the transaction, before the transaction matures;

transaction information (交易資料), in relation to a specified OTC derivative transaction, ~~means the information and particulars specified in Part 4 of Schedule 1 relating to the transaction (including information and particulars relating to a subsequent event), and the persons involved in the transaction, which must be submitted to the Monetary Authority for complying with the reporting obligation~~ has the meaning given by rule 2A.

valuation transaction information () in relation to a specified OTC derivative transaction, means the information and particulars which are within the category of information and particulars specified in item 12 of Schedule 1, and which satisfy the requirement referred to in rule 2A(2)(b).

2A. Meaning of transaction information

- (1) In these Rules, **transaction information** (交易資料), in relation to a specified OTC derivative transaction, means the information and particulars relating to the transaction (including information and particulars relating to a subsequent event and valuation transaction information), and the persons involved in the transaction, which—
- (a) must be submitted to the Monetary Authority for complying with the reporting obligation; and
 - (b) satisfy the requirements referred to in subrule (2).

- (2) The requirements are that the information and particulars are—
 - (a) within a category of information and particulars specified in column 2 of Schedule 1; and
 - (b) required for completing a data field that is specified by the Monetary Authority in accordance with subrule (3).
- (3) For the purposes of subrule (2)(b), the Monetary Authority may, after consultation with the Commission and by notice published in the Gazette, specify (whether generally, or with reference to a class or description of specified OTC derivative transactions), the data fields that must be completed by a prescribed person in relation to a transaction for complying with the reporting obligation.
- (4) A notice published by the Monetary Authority under subrule (3) is not subsidiary legislation.

3. When prescribed person to be regarded as exempt person

- (1) Subject to subrule (4), for the purposes of rules 10(1)(a), 11(1)(a), 12(1)(a) and 13(1)(a), a prescribed person that is a licensed corporation, an authorized financial institution or an approved money broker is to be regarded as an exempt person ~~in relation to a specified OTC derivative transaction within a product class~~ if the person satisfies the requirements in subrule (2).
- (2) The requirements are that, on or at any time after the ~~product class~~ specification day—
 - (a) the sum of the notional amounts of all outstanding ~~OTC derivative transactions within the product class (whether or not the transactions are~~ specified OTC derivative transactions) to which the prescribed person is a counterparty does not exceed US\$30 million;
 - (b) rule 10(1)(b), 11(1)(b), 12(1)(c) or 13(1)(b) (as applicable) does not apply to the prescribed person in relation to a specified OTC derivative transaction ~~within the product class~~; and
 - (c) if the prescribed person is an authorized financial institution incorporated outside Hong Kong, rule 12(1)(b) does not apply to the person in relation to a specified OTC derivative transaction ~~within the product class~~.
- (3) For the purposes of subrule (2)(a), a prescribed person that is an authorized financial institution incorporated outside Hong Kong is to be regarded as a counterparty to an OTC derivative transaction if the person is a counterparty to the transaction and the transaction is recorded in the form of an entry in the books of a local branch of the person.

- (4) Despite subrule (1), ~~a the prescribed persons that is a bank within the meaning of section 2(1) of the Banking Ordinance (Cap. 155) is referred to in subrule (4A) are~~ not eligible to be regarded as ~~an~~ exempt persons for the purposes of rule ~~10(1)(a), 11(1)(a) or 12(1)(a) or 13(1)(a)~~ (as applicable) in relation to a specified OTC derivative transaction ~~within a product class if the person is taken to have submitted the transaction information for a specified OTC derivative transaction within the product class under rule 22(6).~~

~~(4A) The prescribed persons are persons that, under the Rules as they were in force immediately before the specification day—~~

- ~~(a) reported a specified OTC derivative transaction to the Monetary Authority;~~
- ~~(b) under rule 17(1) or 18(1) were taken to have reported a specified OTC derivative transaction to the Monetary Authority; or~~
- ~~(c) were required to report a specified OTC derivative transaction to the Monetary Authority but had not submitted the transaction information for the transaction to the Monetary Authority before the specification day (whether because the time for submitting the transaction information was not reached before the specification day, or otherwise).~~

- (5) A prescribed person that ceases to satisfy a requirement in subrule (2)—

- (a) is not eligible to again be regarded as an exempt person ~~in relation to any other specified OTC derivative transaction within the same product class~~; and
- (b) is to be regarded as becoming a regulated prescribed person ~~in relation to a product type within the product class~~ on the day on which the person ceases to satisfy the requirement.

4. When prescribed person to be regarded as having conducted transaction in Hong Kong on behalf of affiliate

- (1) For the purposes of rules 10(1)(b), 11(1)(b), 12(1)(c) and 13(1)(b), a prescribed person is to be regarded as having conducted a specified OTC derivative transaction in Hong Kong on behalf of an affiliate of the person if—

- (a) the affiliate is a counterparty to the transaction; and
- (b) one of the individuals who made the decision for the affiliate to enter into the transaction—
- (i) acted in his or her capacity as a trader; and
 - (ii) was employed or engaged by the person to perform his or her duties predominantly in Hong Kong.

- (2) Subrule (1) applies to a prescribed person in relation to a specified OTC derivative transaction even if the transaction was conducted wholly or partially outside Hong Kong.

5. Persons specified as prescribed persons for reporting obligation

For the purposes of paragraph (a)(iv) of the definition of ***prescribed person*** in section 101A of the Ordinance, the following persons are specified as being subject to the reporting obligation—

- (a) an RCH;
- (b) an ATS-CCP.

6. Persons specified as prescribed persons for record keeping obligation

For the purposes of paragraph (d)(iv) of the definition of ***prescribed person*** in section 101A of the Ordinance, the persons specified as being subject to the record keeping obligation are the persons specified under rule 5 as being subject to the reporting obligation.

7. Transactions that are specified OTC derivative transactions for purposes of reporting obligation

For the purposes of paragraph (a) of the definition of ***specified OTC derivative transaction*** in section 101A of the Ordinance, an OTC derivative transaction ~~in a product type~~ is specified for the purposes of the reporting obligation.

8. Transactions that are specified OTC derivative transactions for purposes of record keeping obligation

For the purposes of paragraph (d) of the definition of ***specified OTC derivative transaction*** in section 101A of the Ordinance, an OTC derivative transaction ~~in a product type~~ is specified for the purposes of the record keeping obligation.

Part 2

Reporting Obligation

Division 1—Reporting by Prescribed Persons

9. When reporting obligation arises

- (1) A prescribed person that is required by rule 10, 11, 12, 13, 14 or 15 to report a specified OTC derivative transaction to the Monetary Authority must report the transaction to the Monetary Authority in accordance with rule 20 in the circumstances specified in subrule (2).
- (2) The circumstances are—
 - (a) when rule 10, 11, 12, 13, 14 or 15 first begins to apply to the prescribed person in relation to the specified OTC derivative transaction; and
 - (b) if applicable, each time a subsequent event occurs while the transaction is still outstanding.

10. Reporting by licensed corporations

- (1) A prescribed person that is a licensed corporation must report a specified OTC derivative transaction to the Monetary Authority if the person—
 - (a) subject to subrule (3), is a counterparty to the transaction; or
 - (b) conducted the transaction in Hong Kong on behalf of an affiliate of the person within the meaning of rule 4(1).
- (2) The transaction referred to in subrule (1)(a) includes a transaction that is still outstanding on the starting day.

(2A) The transaction referred to in subrule (1)(b) includes a transaction that is still outstanding on the specification day and which, under the Rules as they were in force immediately before the specification day—

- (a) was reported to the Monetary Authority by the prescribed person or by the affiliate of the person on whose behalf the person conducted the transaction in Hong Kong; or
- (b) the person was required to report, or under rule 17(1) or 18(1) was taken to have reported, to the Monetary Authority, but the transaction information for the transaction was not submitted to the Monetary Authority before the specification day (whether because the time for submitting the transaction information was not reached before the specification day, or otherwise).

- (3) Subrule (1)(a) does not apply to a prescribed person that is an exempt person ~~in relation to the specified OTC derivative transaction.~~

11. Reporting by authorized financial institutions incorporated in Hong Kong

- (1) A prescribed person that is an authorized financial institution incorporated in Hong Kong must report a specified OTC derivative transaction to the Monetary Authority if the person—
- (a) subject to subrule (3), is a counterparty to the transaction; or
 - (b) conducted the transaction in Hong Kong on behalf of an affiliate of the person within the meaning of rule 4(1).
- (2) The transaction referred to in subrule (1)(a) includes a transaction that is still outstanding on the starting day.

(2A) The transaction referred to in subrule (1)(b) includes a transaction that is still outstanding on the specification day and which, under the Rules as they were in force immediately before the specification day—

- (a) was reported to the Monetary Authority by the prescribed person or by the affiliate of the person on whose behalf the person conducted the transaction in Hong Kong; or
 - (b) the person was required to report, or under rule 17(1) or 18(1) was taken to have reported, to the Monetary Authority, but the transaction information for the transaction was not submitted to the Monetary Authority before the specification day (whether because the time for submitting the transaction information was not reached before the specification day, or otherwise).
- (3) Subrule (1)(a) does not apply to a prescribed person that is an exempt person ~~in relation to the specified OTC derivative transaction.~~

12. Reporting by authorized financial institutions incorporated outside Hong Kong

- (1) A prescribed person that is an authorized financial institution incorporated outside Hong Kong must report a specified OTC derivative transaction to the Monetary Authority if the person—
- (a) subject to subrule (3), is a counterparty to the transaction and the transaction is recorded in the form of an entry in the books of a local branch of the person;
 - (b) is a counterparty to the transaction and—

- (i) the transaction is recorded in the form of an entry in the books of—
 - (A) the principal place of business outside Hong Kong of the person; or
 - (B) a branch (other than a local branch) of the person; and
 - (ii) one of the individuals who made the decision for the person to enter into the transaction—
 - (A) acted in his or her capacity as a trader; and
 - (B) was employed or engaged by the person to perform his or her duties predominantly in Hong Kong; or
 - (c) conducted the transaction in Hong Kong on behalf of an affiliate of the person within the meaning of rule 4(1).
- (2) The transaction referred to in subrule (1)(a) includes a transaction that is still outstanding on the starting day.
- (2A) The transaction referred to in subrule (1)(b) or (c) includes a transaction that is still outstanding on the specification day and which, under the Rules as they were in force immediately before the specification day—
- (a) was reported to the Monetary Authority by the prescribed person or by the affiliate of the person on whose behalf the person conducted the transaction in Hong Kong; or
 - (b) the person was required to report, or under rule 17(1) or 18(1) was taken to have reported, to the Monetary Authority, but the transaction information for the transaction was not submitted to the Monetary Authority before the specification day (whether because the time for submitting the transaction information was not reached before the specification day, or otherwise).
- (3) Subrule (1)(a) does not apply to a prescribed person that is an exempt person ~~in relation to the specified OTC derivative transaction.~~

13. Reporting by approved money brokers

- (1) A prescribed person that is an approved money broker must report a specified OTC derivative transaction to the Monetary Authority if the person—
 - (a) subject to subrule (3), is a counterparty to the transaction; or
 - (b) conducted the transaction in Hong Kong on behalf of an affiliate of the person within the meaning of rule 4(1).
- (2) The transaction referred to in subrule (1)(a) includes a transaction that is still outstanding on the starting day.

(2A) The transaction referred to in subrule (1)(b) includes a transaction that is still outstanding on the specification day and which, under the Rules as they were in force immediately before the specification day—

- (a) was reported to the Monetary Authority by the prescribed person or by the affiliate of the person on whose behalf the person conducted the transaction in Hong Kong; or
- (b) the person was required to report, or under rule 17(1) or 18(1) was taken to have reported, to the Monetary Authority, but the transaction information for the transaction was not submitted to the Monetary Authority before the specification day (whether because the time for submitting the transaction information was not reached before the specification day, or otherwise).

- (3) Subrule (1)(a) does not apply to a prescribed person that is an exempt person ~~in relation to the specified OTC derivative transaction.~~

14. Reporting by RCHs

- (1) A prescribed person that is an RCH must report a specified OTC derivative transaction to the Monetary Authority if the person is a counterparty to the transaction.
- (2) The transaction referred to in subrule (1) includes a transaction that is still outstanding on the starting day.

15. Reporting by ATS-CCPs

- (1) A prescribed person that is an ATS-CCP must report a specified OTC derivative transaction to the Monetary Authority if the person is a counterparty to the transaction and the other counterparty to the transaction is a company.
- (2) The transaction referred to in subrule (1) includes a transaction that is still outstanding on the starting day.

16. Reporting obligation applies even if counterparty, or transaction entered into, outside Hong Kong

For the purposes of this Division, a prescribed person must report a specified OTC derivative transaction to the Monetary Authority even if—

- (a) a counterparty, or more than one counterparty, to the transaction is a person outside Hong Kong; or

- (b) the transaction was entered into wholly or partially outside Hong Kong.

Division 2—Circumstances in which Reporting Obligation is Taken to have been Complied with

17. Licensed corporations, authorized financial institutions or approved money brokers taken to have reported entering into of transaction if affiliate has reported

- (1) If a prescribed person that is a licensed corporation, an authorized financial institution or an approved money broker is required by rule 10(1)(b), 11(1)(b), 12(1)(c) or 13(1)(b) to report a specified OTC derivative transaction to the Monetary Authority in a circumstance specified in rule 9(2)(a), the person is taken to have complied with the reporting obligation in that circumstance if the person satisfies the requirement in subrule (2).
- (2) The requirement is that the prescribed person has received, in good faith, a written confirmation from the affiliate of the person on whose behalf the person conducted the specified OTC derivative transaction in Hong Kong that the affiliate has reported the entering into of the transaction to the Monetary Authority (whether directly or indirectly) in accordance with rule 20 (as that rule applies to the person in relation to the circumstance).

18. Licensed corporations, authorized financial institutions or approved money brokers taken to have reported subsequent event if affiliate has reported

- (1) If a prescribed person that is a licensed corporation, an authorized financial institution or an approved money broker is required by rule 10(1)(b), 11(1)(b), 12(1)(c) or 13(1)(b) to report a specified OTC derivative transaction to the Monetary Authority in a circumstance specified in rule 9(2)(b), the person is taken to have complied with the reporting obligation in that circumstance if the person satisfies the requirement in subrule (2).
- (2) The requirement is that the prescribed person has received, in good faith, a written confirmation from the affiliate of the person on whose behalf the person conducted the specified OTC derivative transaction in Hong Kong that the affiliate has reported the subsequent event to the Monetary Authority (whether directly or indirectly) in accordance with rule 20 (as that rule applies to the person in relation to the circumstance).

Division 3—Reporting to Monetary Authority

19. Interpretation of Division 3

In this Division—

~~**concession period** (延緩期), in relation to a specified OTC derivative transaction in a product type that is required to be reported by a prescribed person that—~~

- ~~(a) — is a regulated prescribed person in relation to the product type on the product type specification day, means the period of 6 months beginning on the product type specification day; and~~
- ~~(b) — becomes a regulated prescribed person in relation to the product type within 6 months after the product type specification day, means the period beginning on the day on which the person becomes a regulated prescribed person and ending on the day that is 6 months after the product type specification day;~~

grace period (寬限期), in relation to ~~a specified OTC derivative transaction in a product type that is required to be reported by a prescribed person, that—~~

- ~~(a) — is a regulated prescribed person in relation to the product type on the product type specification day, means the period of 9 months beginning on the product type specification day;—~~
- ~~(b) — becomes a regulated prescribed person in relation to the product type within 6 months after the product type specification day, means the period beginning on the day on which the person becomes a regulated prescribed person and ending on the day that is 9 months after the product type specification day; and~~
- ~~(c) — becomes a regulated prescribed person in relation to the product type more than 6 months after the product type specification day, means the period of 3 months beginning on the starting day on which the person becomes a regulated prescribed person.~~

20. Transaction information to be submitted to Monetary Authority in accordance with this Division

A prescribed person that is required by rule 9(1) to report a specified OTC derivative transaction to the Monetary Authority must submit the transaction information for the transaction to the Monetary Authority in accordance with this Division.

21. Reporting by means of electronic reporting system

- (1) The transaction information for a specified OTC derivative transaction that is required to be submitted to the Monetary Authority under these Rules is to be regarded as duly submitted only if it is submitted—
 - (a) by means of the electronic reporting system; and
 - (b) in accordance with the directions and instructions referred to in subrule (2).
- (2) The Monetary Authority must publish, in the manner the Monetary Authority considers appropriate, directions and instructions for the use of the electronic reporting system and the submission of the transaction information for a specified OTC derivative transaction by means of the system.

~~22. Reporting outstanding transactions and transactions entered into during concession period~~

- ~~(1) Subject to subrules (5) and (6), a prescribed person referred to in subrule (2) and to which the requirement in subrule (3) applies must submit the transaction information for a specified OTC derivative transaction to the Monetary Authority no later than the last day of the grace period.~~
- ~~(2) Subrule (1) applies to a prescribed person that—
 - (a) is a regulated prescribed person in relation to the product type to which the specified OTC derivative transaction belongs on the product type specification day; or
 - (b) becomes a regulated prescribed person in relation to the product type to which the specified OTC derivative transaction belongs within 6 months after the product type specification day.~~
- ~~(3) The requirement referred to in subrule (1) is a requirement to report to the Monetary Authority a specified OTC derivative transaction—
 - (a) that is still outstanding on the first day of the grace period; or
 - (b) that is entered into during the concession period.~~
- ~~(4) The transaction information for a specified OTC derivative transaction referred to in subrule (1) is—
 - (a) if the transaction information is submitted during the concession period, the transaction information as at a day which is not earlier than 2 business days before the day on which the transaction information is submitted, reflecting the net effect of all subsequent events that have occurred since the transaction was entered into; or~~

- ~~(b) — if the transaction information is submitted after the concession period, the transaction information comprising —~~
 - ~~(i) — the transaction information as at the end of the concession period, reflecting the net effect of all subsequent events that have occurred since the transaction was entered into; and~~
 - ~~(ii) — in chronological order, the transaction information for each subsequent event that has occurred since the end of the concession period until a day which is not earlier than 2 business days before the day on which the transaction information is submitted.~~
- ~~— (5) — A prescribed person is not required to submit the transaction information for a specified OTC derivative transaction that has matured or been terminated before the end of the grace period to the Monetary Authority.~~
- ~~— (6) — A prescribed person that is an authorized financial institution is taken to have submitted the transaction information for a specified OTC derivative transaction referred to in subrule (3)(a) to the Monetary Authority under subrule (1) on the day on which these Rules commence if —~~
 - ~~(a) — the person is a bank within the meaning of section 2(1) of the Banking Ordinance (Cap. 155); and~~
 - ~~(b) — before the day on which these Rules commence, the person has submitted the transaction information (or information and particulars which in the opinion of the Monetary Authority are substantially similar to the transaction information) for the transaction to the Monetary Authority.~~

23. Reporting outstanding transactions ~~where no concession period~~

- (1) Subject to subrule (5), a regulated prescribed person ~~referred to in subrule (2) and~~ to which the requirement in subrule (3) applies must submit the transaction information for a specified OTC derivative transaction to the Monetary Authority no later than the last day of the grace period.
- ~~(2) — Subrule (1) applies to a prescribed person that becomes a regulated prescribed person in relation to the product type to which the specified OTC derivative transaction belongs more than 6 months after the product type specification day.~~
- (3) The requirement referred to in subrule (1) is a requirement to report to the Monetary Authority a specified OTC derivative transaction that is still outstanding on the first day of the grace period.

- (4) The transaction information for a specified OTC derivative transaction referred to in subrule (1) is the transaction information comprising—
- (a) subject to subrule (6), the transaction information as at the first day of the grace period, reflecting the net effect of all subsequent events that have occurred since the transaction was entered into; and
 - (b) except in the circumstances referred to in subrule (7), in chronological order, the transaction information for each subsequent event that has occurred since the first day of the grace period until a day which is not earlier than 2 business days before the day on which the transaction information is submitted.
- (5) Except in the circumstances referred to in subrule (7), ~~A~~a regulated prescribed person is not required to submit the transaction information for a specified OTC derivative transaction that has matured or been terminated before the end of the grace period to the Monetary Authority.
- (6) If, before the specification day, and under the Rules as they were in force immediately before the specification day, transaction information for a specified OTC derivative transaction was submitted to the Monetary Authority by a regulated prescribed person or by an affiliate of a regulated prescribed person on whose behalf the person conducted a specified OTC derivative transaction in Hong Kong (the previously reported transaction information)—
- (a) the person is taken to have submitted the previously reported transaction information to the Monetary Authority on the specification day; and
 - (b) subrule 4(a) applies to the person in relation to the transaction only to the extent that, as at the specification day, the previously reported transaction information is not all of the information and particulars that constitute transaction information for the transaction.
- (7) The circumstances are that, under the Rules as they were in force immediately before the specification day—
- (a) the specified OTC derivative transaction was reported to the Monetary Authority by the regulated prescribed person or by the affiliate of the person on whose behalf the person conducted the transaction in Hong Kong; or
 - (b) the regulated prescribed person was required to report, or under rule 17(1) or 18(1) was taken to have reported, the specified OTC derivative transaction to the Monetary Authority, but the transaction information for the transaction was not submitted to the Monetary Authority before the specification day (whether because the time for submitting the transaction information to the Monetary Authority was not reached before the specification day, or otherwise).

24. Reporting transactions entered into ~~after concession period, or where no concession period~~ on or after starting day

- (1) A regulated prescribed person ~~referred to in subrule (2) and~~ to which the requirement in subrule (3) applies must submit the transaction information for a specified OTC derivative transaction to the Monetary Authority within 2 business days after the transaction is entered into.

~~(2) Subrule (1) applies to a prescribed person that—~~

- ~~(a) is a regulated prescribed person in relation to the product type to which the specified OTC derivative transaction belongs on the product type specification day;~~
- ~~(b) becomes a regulated prescribed person in relation to the product type to which the specified OTC derivative transaction belongs within 6 months after the product type specification day; or~~
- ~~(c) becomes a regulated prescribed person in relation to the product type to which the specified OTC derivative transaction belongs more than 6 months after the product type specification day.~~

- (3) The requirement referred to in subrule (1) is a requirement to report to the Monetary Authority a specified OTC derivative transaction—
- ~~(a) for a prescribed person referred to in subrule (2)(a) or (b), that is entered into after the end of the concession period; or~~
- ~~(b) for a prescribed person referred to in subrule (2)(c), that is entered into on or after the first starting day of the grace period.~~

25. Reporting subsequent events

- (1) Subject to subrules (2) and (3), a prescribed person that has submitted, or is required to submit, the transaction information for a specified OTC derivative transaction to the Monetary Authority in accordance with rule ~~22~~, 23 or 24 (including a prescribed person that has submitted the transaction information for a specified OTC derivative transaction to the Monetary Authority despite rule ~~22(5) or 23(5)~~) must submit the transaction information for a subsequent event to the Monetary Authority within 2 business days after the event occurs.
- (2) If a prescribed person submitted the transaction information for one, or more than one, subsequent event to the Monetary Authority under rule ~~22(4) or~~ 23(4), subrule (1) applies to the person only in relation to a subsequent event that occurs after the last subsequent event that was included in the submission.

- (3) If a prescribed person is required to submit the transaction information for a subsequent event to the Monetary Authority under subrule (1), and more than one subsequent event occurs on the same day, the person is only required to submit the transaction information once for that day provided that the transaction information submitted incorporates all of the subsequent events that occurred on that day.
- (4) Subrule (1) does not require a person to submit the transaction information for a subsequent event that has occurred after the day on which the person ceases to be a prescribed person.

25A. Submitting valuation transaction information

A prescribed person that has submitted, or is required to submit, the transaction information for a specified OTC derivative transaction to the Monetary Authority in accordance with rule 23 or 24 (including a prescribed person that has submitted the transaction information for a specified OTC derivative transaction to the Monetary Authority despite rule 23(5)) must submit the valuation transaction information for the transaction to the Monetary Authority for every day on which the transaction is still outstanding, within 2 business days after the day to which the valuation transaction information relates.

26. Submitting counterparty identifying particulars in certain circumstances

- (1) A prescribed person that submits the transaction information for a specified OTC derivative transaction to the Monetary Authority in accordance with rule ~~22~~, 23 or 24 (including a prescribed person that submits the transaction information for a specified OTC derivative transaction to the Monetary Authority despite rule ~~22(5) or~~ 23(5)) may submit counterparty masking particulars instead of counterparty identifying particulars in relation to a counterparty to the transaction (other than the person) if—
 - (a) both of the following requirements are satisfied—
 - (i) the submission of the counterparty identifying particulars is prohibited under the laws of, or by an authority or regulatory organization in, a jurisdiction;
 - (ii) the jurisdiction referred to in subparagraph (i) is a jurisdiction designated by the Commission in accordance with subrule (3); or
 - (b) both of the following requirements are satisfied—
 - (i) the transaction is entered into before 10 January 2016 ~~the day which is 6 months after the day on which these Rules commence~~;
 - (ii) the counterparty consent limitation applies to the person in relation to the transaction.

- (2) A prescribed person that has submitted counterparty masking particulars under subrule (1) must submit counterparty identifying particulars in relation to the counterparty to the transaction within the following period, unless the transaction has matured or been terminated by the last day of the period—
- (a) if the person submitted the counterparty masking particulars under subrule (1)(a) and the prohibition referred to in subrule (1)(a)(i) ceases to apply to the transaction—
 - (i) unless subparagraph (ii) applies, 3 months after the day on which the Commission revokes the designation of the jurisdiction under subrule (4); or
 - (ii) if the counterparty consent limitation applies to the person in relation to the transaction on the last day of the period referred to in subparagraph (i), 1 month after the day on which the counterparty consent limitation ceases to apply to the person in relation to the transaction;
 - (b) if the person submitted the counterparty masking particulars under subrule (1)(b), 1 month after the day on which the counterparty consent limitation ceases to apply to the person in relation to the transaction.
- (3) For the purposes of subrule (1)(a)(ii), the Commission may, with the consent of the Monetary Authority and by notice published in the Gazette, designate any jurisdiction outside Hong Kong if the Commission is satisfied that it is likely that the laws of, or an authority or regulatory organization in, that jurisdiction would prohibit the submission of the counterparty identifying particulars in relation to a counterparty to a specified OTC derivative transaction.
- (4) The Commission may, with the consent of the Monetary Authority and by notice published in the Gazette, revoke the designation of a jurisdiction made under subrule (3).
- (5) A notice published in the Gazette by the Commission under subrule (3) or (4) is not subsidiary legislation.
- (6) In this rule—

counterparty consent limitation (對手方的同意限制), in relation to a prescribed person, means the person cannot submit counterparty identifying particulars for a specified OTC derivative transaction because the person is required to obtain consent from a counterparty to the transaction (other than the person) to the submission of the particulars and, despite reasonable efforts, the person has been unable to obtain consent from the counterparty;

counterparty identifying particulars (識別對手方身分的詳情) means the following transaction information ~~referred to in item 3, 8(e) or 9(d) or (e) (as applicable) in Part 4 of Schedule 1 for a specified OTC derivative transaction from which the identity of a counterparty to the transaction may be ascertained~~—

- (a) the name of a counterparty;
- (b) any identifying reference of, or assigned to, a counterparty, and the type of the identifying reference;

counterparty masking particulars (掩蓋對手方身分的詳情) means the particulars of a counterparty to a specified OTC derivative transaction which describe the counterparty in a way which prevents the ascertainment of the identity of the counterparty.

Part 3

Record Keeping Obligation

27. Prescribed persons to keep records in relation to transactions

A prescribed person must, in relation to a specified OTC derivative transaction, keep the records specified in rule 29(1) in the manner specified in rule 30 until no earlier than 5 years after the transaction has matured or been terminated.

28. Prescribed persons to keep records even if counterparty, or transaction entered into, or conducted, outside Hong Kong

Rule 27 applies to a specified OTC derivative transaction even if—

- (a) a counterparty, or more than one counterparty, to the transaction is a person outside Hong Kong; or
- (b) the transaction was entered into or conducted wholly or partially outside Hong Kong.

29. Records to be kept by prescribed persons

- (1) The records that a prescribed person must keep in relation to a specified OTC derivative transaction are—
 - (a) records sufficient to demonstrate that the person has complied with rule 9;
 - (b) without limiting paragraph (a)—

- (i) the records specified in Schedule 2 relating to the transaction; and
 - (ii) if the person engaged an agent to report the transaction to the Monetary Authority on its behalf—
 - (A) records relating to the agreement between the person and the agent; and
 - (B) records sufficient to demonstrate that the person monitored the reporting by the agent;
 - (c) if rule 10, 11, 12 or 13 (as applicable) does not apply to the person in relation to the transaction because the person is an exempt person~~in relation to the transaction~~—
 - (i) the records specified in Schedule 2 relating to the transaction; and
 - (ii) records sufficient to demonstrate that the person satisfied the requirements in rule 3(2) at the time the person would, but for rule 3, have been required to report the transaction to the Monetary Authority, including records of any calculation performed for the purpose of ascertaining whether the person satisfied the requirement in rule 3(2)(a);
 - (d) if rule 17 or 18 applies to the person in relation to the transaction (the affiliate of the person has reported the entering into of the transaction or the subsequent event to the Monetary Authority), the confirmation received from the affiliate; and
 - (e) if rule ~~22(5)~~ or 23(5) applies to the person in relation to the transaction (the transaction has matured or been terminated before the end of the grace period), the records specified in Schedule 2 relating to the transaction.
- (2) In this rule—

grace period (寬限期) has the meaning given by rule 19.

30. Manner in which records to be kept

A prescribed person must, in relation to a specified OTC derivative transaction, keep the records specified in rule 29(1) in a manner that enables the records to be readily accessible.

Part 4

Subsidiaries Specified by Monetary Authority under Section 101B(5) or 101E(5) of Ordinance—Reporting and Record Keeping Obligations

31. Interpretation of Part 4

In this Part—

cessation day (終止日期), in relation to a specified subsidiary, means the day notified by the Monetary Authority to the authorized financial institution incorporated in Hong Kong of which it is a subsidiary as the day on which the specification of the subsidiary is to cease to have effect for the purposes of section 101B(3) or 101E(3) (as applicable) of the Ordinance;

effective day (生效日期), in relation to a specified subsidiary, means the later of—

- (a) the day on which the Monetary Authority's written notice under section 101B(5) or 101E(5) (as applicable) of the Ordinance is given to the authorized financial institution incorporated in Hong Kong of which it is a subsidiary; and
- (b) the day specified in the notice referred to in paragraph (a) as the day on which the specification of the subsidiary is to take effect for the purposes of section 101B(3) or 101E(3) (as applicable) of the Ordinance;

specified subsidiary (指明附屬公司), in relation to a prescribed person that is an authorized financial institution incorporated in Hong Kong, means—

- (a) in relation to the reporting obligation, a subsidiary specified by the Monetary Authority under section 101B(5) of the Ordinance for the purposes of section 101B(3) of the Ordinance; and
- (b) in relation to the record keeping obligation, a subsidiary specified by the Monetary Authority under section 101E(5) of the Ordinance for the purposes of section 101E(3) of the Ordinance.

32. Reporting and record keeping obligations applicable to authorized financial institutions incorporated in Hong Kong in respect of specified subsidiaries

- (1) Subject to subrule (6), for the purposes of section 101B(3) of the Ordinance, a prescribed person that is an authorized financial institution incorporated in Hong Kong must ensure that a specified

subsidiary of the institution complies with the requirement in subrule (2).

- (2) The requirement referred to in subrule (1) is that, subject to the modifications specified in subrule (5), the specified subsidiary complies with rules 9 and 11 in relation to a specified OTC derivative transaction to which it is a counterparty, as if it were an authorized financial institution incorporated in Hong Kong to which rule 11(1)(a) applies.
- (3) For the purposes of section 101E(3) of the Ordinance, a prescribed person that is an authorized financial institution incorporated in Hong Kong must ensure that a specified subsidiary of the institution complies with the requirement in subrule (4).
- (4) The requirement referred to in subrule (3) is that, subject to the modifications specified in subrule (5), the specified subsidiary complies with rule 27 in relation to a specified OTC derivative transaction to which it is a counterparty, as if it were an authorized financial institution incorporated in Hong Kong to which that rule applies.
- (5) The modifications referred to in subrules (2) and (4) are—
 - (a) a reference to a prescribed person that is a regulated prescribed person, or to a prescribed person that is an authorized financial institution incorporated in Hong Kong (other than an institution that is an exempt person ~~in relation to a specified OTC derivative transaction~~), is to be construed as a reference to a specified subsidiary;
 - (b) a reference to a day on which a prescribed person is or becomes a regulated prescribed person is to be construed in relation to a specified subsidiary as a reference to the effective day; and
 - (c) a reference to a day on which a person ceases to be a prescribed person is to be construed in relation to a specified subsidiary as a reference to the cessation day.
- (6) This rule is not to be construed as requiring an authorized financial institution incorporated in Hong Kong to ensure that a specified subsidiary of the institution complies with rule 9 in relation to a specified OTC derivative transaction to which the subsidiary is a counterparty, if rule 11(1)(b) requires the institution to report the same transaction to the Monetary Authority.

33. Transitional arrangements for specification of subsidiary made before specification day

A specification of a subsidiary by the Monetary Authority under section 101B(5) of the Ordinance for the purposes of section 101B(3) of the

Ordinance, or under section 101E(5) of the Ordinance for the purposes of section 101E(3) of the Ordinance, that was in force immediately before the specification day (as defined in rule 2) continues to have effect on and after the specification day as if the specification was made on the specification day.

Schedule 1

Specified OTC Derivative Transactions and Transaction Information to be Submitted to Monetary Authority

[~~rr. 2 & 26~~]

Part 1

Interpretation

~~1. Interpretation~~

~~In this Schedule—~~

~~interest rate swap~~ (~~掉期息率~~) means an OTC derivative transaction under the terms and conditions of which—

- ~~(a) the 2 counterparties to the transaction agree to exchange interest rate cash flows at specified intervals while the transaction is still outstanding; and~~
- ~~(b) the payments are to be calculated by reference to—~~
 - ~~(i) a notional amount that is denominated in a single currency; and~~
 - ~~(ii) agreed interest rates or interest rate indexes;~~

~~non-deliverable forward~~ (~~不交收遠期~~) means an OTC derivative transaction under the terms and conditions of which the 2 counterparties to the transaction agree that—

- ~~(a) 1 counterparty is to purchase from the other counterparty a notional amount of a currency for settlement on a single date in the future;—~~
- ~~(b) on settlement of the transaction, the purchase is to be settled—~~
 - ~~(i) on a net cash payment basis (without physical delivery of the reference currency); and~~
 - ~~(ii) in an agreed currency that is not the same currency as the reference currency; and—~~
- ~~(c) the amount to be paid by 1 counterparty to the other counterparty is the difference between the values of the notional amount of the reference currency, denominated in the settlement currency, calculated using—~~

- (i) ~~an agreed currency exchange rate (whether express or implied); and~~
- (ii) ~~a market currency exchange rate (as determined in accordance with the terms and conditions of the transaction) that is prevailing on an agreed future date;~~

~~**payments** (付款), in relation to an OTC derivative transaction that is an interest rate swap, means the interest rate cash flows referred to in paragraph (a) of the definition of **interest rate swap** in this section;~~

~~**reference currency** (參考貨幣), in relation to an OTC derivative transaction that is a non-deliverable forward, means the currency referred to in paragraph (a) of the definition of **non-deliverable forward** in this section;~~

~~**settlement currency** (交收貨幣), in relation to an OTC derivative transaction that is a non-deliverable forward, means the agreed currency referred to in paragraph (b)(ii) of the definition of **non-deliverable forward** in this section;~~

~~**specified currency** (指明貨幣) means a currency that is specified by the Monetary Authority by notice published in the Gazette;~~

~~**specified floating interest rate index** (指明浮動息率指數) means a floating interest rate index specified by the Monetary Authority by notice published in the Gazette.~~

~~2. Monetary Authority notices not subsidiary legislation~~

~~The following notices published in the Gazette are not subsidiary legislation—~~

- ~~(a) a notice by which the Monetary Authority specifies a currency for the purposes of this Schedule;~~
- ~~(b) a notice by which the Monetary Authority specifies a floating interest rate index for the purposes of this Schedule.~~

Part 2

Specified Product Classes

Column 1	Column 2	Column 3
Item	Product class	Product class specification— day

Column 1	Column 2	Column 3
Item	Product class	Product class specification-day
1.	Interest rate swap	10 July 2015
2.	Non-deliverable forward	10 July 2015

Part 3

Specified Product Types

Column 1	Column 2	Column 3	Column 4
Item	Product class	Product type	Product type specification-day
1.	Interest rate swap	The payments are to be calculated by reference to— (a) a fixed interest rate applied to a notional amount that is denominated in a specified currency; and (b) a specified floating interest rate index applied to the same notional amount.	10 July 2015
2.	Interest rate swap	The payments are to be calculated by reference to— (a) a specified floating interest rate index applied to a notional amount that is denominated in a specified currency; and (b) another specified floating interest rate index applied to the same notional amount.	10 July 2015
3.	Non-deliverable forward	The reference currency is a specified currency and	10 July 2015

Column-1	Column-2	Column-3	Column-4
Item	Product class	Product type	Product type- specification- day
		the settlement currency is a specified currency.	

Part 4

~~Transaction Information to be Submitted to Monetary Authority~~

- ~~1. The product class and product type to which the specified OTC derivative transaction belongs.~~
- ~~2. The dates on which the specified OTC derivative transaction —~~
 - ~~— (a) was entered into;~~
 - ~~— (b) starts or otherwise becomes effective; and~~
 - ~~— (c) matures.~~
- ~~3. Particulars of the counterparties to the specified OTC derivative transaction.~~
- ~~4. Information relating to the confirmation of the specified OTC derivative transaction, including particulars of —~~
 - ~~— (a) the platform through which, or the manner in which, the transaction was confirmed; and~~
 - ~~— (b) any identifying reference assigned to the transaction by the platform.~~
- ~~5. Information relating to the clearing of the specified OTC derivative transaction, including particulars of —~~
 - ~~— (a) whether the transaction was, or is intended to be, cleared through a central counterparty;~~
 - ~~— (b) if applicable, the central counterparty through which the transaction was, or is intended to be, cleared; and~~
 - ~~— (c) the client clearing services provider (if any) involved in, or intended to be involved in, clearing the transaction.~~
- ~~6. Information relating to a subsequent event (being a type of subsequent event for which information may be accepted by the Monetary Authority, as specified by the Monetary Authority in the directions and instructions published under rule 21(2)), including particulars of —~~
 - ~~— (a) the date on which the event occurred;~~
 - ~~— (b) the type of the event;~~
 - ~~— (c) the changes to any of the matters referred to in any other item in this Part as a result of the event;~~
 - ~~— (d) the outstanding notional amount after the event; and~~

- ~~— (e) the currency in which the outstanding notional amount is denominated.~~
7. ~~The identifying references assigned to the specified OTC derivative transaction (being types of references that may be accepted by the Monetary Authority, as specified by the Monetary Authority in the directions and instructions published under rule 21(2)).~~
8. ~~If the specified OTC derivative transaction is an interest rate swap, particulars of—~~
- ~~— (a) the notional amount;~~
- ~~— (b) the currency in which the notional amount is denominated;~~
- ~~— (c) the currency in which the payments are to be made, if it is not the same currency as the currency referred to in paragraph (b);~~
- ~~— (d) each agreed interest rate or interest rate index, including the tenor and spread (if applicable); and~~
- ~~— (e) for each agreed interest rate or interest rate index, the counterparty to the transaction that has agreed to pay that rate or index.~~
9. ~~If the specified OTC derivative transaction is a non-deliverable forward, particulars of—~~
- ~~— (a) the reference currency;~~
- ~~— (b) the settlement currency;~~
- ~~— (c) the notional amount of the reference currency—~~
- ~~— (i) denominated in the reference currency; and~~
- ~~— (ii) denominated in the settlement currency;~~
- ~~— (d) the counterparty to the transaction that is the purchaser of the reference currency;~~
- ~~— (e) the counterparty to the transaction from which the reference currency is to be purchased;~~
- ~~— (f) the agreed currency exchange rate;~~
- ~~— (g) the fixing date, being the date referred to in paragraph (c)(ii) of the definition of **non-deliverable forward** in section 1 of Part 1 of this Schedule; and~~
- ~~— (h) the value date, being the date referred to in paragraph (a) of the definition of **non-deliverable forward** in section 1 of Part 1 of this Schedule.~~

<u>Column 1</u>	<u>Column 2</u>
<u>Item</u>	<u>Category of information and particulars relating to a specified OTC derivative transaction, and the persons involved in the transaction</u>
<u>1.</u>	<u>Information and particulars relating to the Monetary Authority's administration of the reporting of the transaction, including information and particulars identifying—</u>

	(a) <u>the nature of the report;</u> (b) <u>the person submitting the report;</u> (c) <u>the person that is required to comply with the reporting obligation; and</u> (d) <u>if the person that is required to comply with the reporting obligation is regarded as having conducted the transaction in Hong Kong on behalf of an affiliate of the person, the affiliate.</u>
<u>2.</u>	<u>Information and particulars relating to the class or type of product to which the transaction belongs.</u>
<u>3.</u>	<u>Days and periods relating to the transaction, including—</u> (a) <u>the day on which the transaction was entered into or on which a subsequent event is agreed;</u> (b) <u>the day on which the transaction or a subsequent event becomes effective;</u> (c) <u>the day on which the transaction matures or terminates;</u> (d) <u>dates or periods relating to a feature of the class or type of product to which the transaction belongs; and</u> (e) <u>dates or periods relating to the reporting of a transaction that is outstanding as at a particular time.</u>
<u>4.</u>	<u>Information and particulars relating to the counterparties to the transaction, including names, places of incorporation or residence, identifying references, and rights and obligations arising under, or relating to, the transaction.</u>
<u>5.</u>	<u>Information and particulars relating to pricing of the transaction (other than valuation transaction information), including—</u> (a) <u>notional amounts and schedules;</u> (b) <u>reference and settlement currencies;</u> (c) <u>agreed prices, rates or indices;</u> (d) <u>settlement details; and</u> (e) <u>other features or details specific to the class or type of product to which the transaction belongs that may affect the value of the transaction.</u>
<u>6.</u>	<u>Information and particulars relating to the documentation of the transaction, including the version, type and date of any master agreement executed and the type and date of any supplementary materials.</u>
<u>7.</u>	<u>Information and particulars relating to the confirmation of the transaction, including the platform through which and the manner in which the transaction was confirmed and any identifying reference assigned to the transaction by the confirmation platform.</u>
<u>8.</u>	<u>Information and particulars relating to the execution of the transaction, including—</u> (a) <u>the platform through which and the manner in which the transaction was executed;</u> (b) <u>any identifying reference assigned to the transaction by the execution platform;</u> (c) <u>the day on which, and the time at which, the transaction was</u>

	<u>executed; and</u> <u>(d) any agent involved in the execution of the transaction.</u>
<u>9.</u>	<u>Information and particulars relating to the clearing of the transaction, including—</u> <u>(a) whether the transaction was, or is intended to be, cleared through a central counterparty;</u> <u>(b) if applicable, the central counterparty through which the transaction was, or is intended to be, cleared;</u> <u>(c) identifying references assigned to the original transaction before it is cleared, and the two new transactions resulting from the clearing process;</u> <u>(d) the client clearing services provider (if any) involved in, or intended to be involved in, clearing the transaction; and</u> <u>(e) whether or not the clearing obligation applies to a person in relation to the transaction.</u>
<u>10.</u>	<u>Information and particulars relating to whether and how a transaction arises from, or is amended as a result of, a portfolio compression exercise.</u>
<u>11.</u>	<u>Particulars of any identifying reference assigned to the transaction (being types of references that may be accepted by the Monetary Authority, as specified by the Monetary Authority in the directions and instructions published under rule 21(2)).</u>
<u>12.</u>	<u>Information and particulars relating to the valuation of the transaction, including—</u> <u>(a) the basis of the valuation</u> <u>(b) the day on which, and the time at which, the valuation was calculated;</u> <u>(c) the value of the transaction; and</u> <u>(d) the currency in which the value is denominated.</u>
<u>13.</u>	<u>Information and particulars relating to a subsequent event, including—</u> <u>(a) the day on which the event occurred;</u> <u>(b) the type of the event; and</u> <u>(c) the changes resulting from the event to information or particulars submitted to the Monetary Authority.</u>
<u>14.</u>	<u>Other information and particulars relating to the transaction or the persons involved in the transaction.</u>

Schedule 2

[r. 29]

Records to be Kept by Prescribed Persons

1. Records evidencing the existence and purpose of the specified OTC derivative transaction, including all agreements relating to the transaction.
2. Records showing particulars of the execution of the specified OTC derivative transaction, including orders, ledgers and confirmations of the transaction.

3. Records showing particulars of the terms and conditions of the specified OTC derivative transaction, including particulars relating to all payments and margin requirements relating to the transaction.
4. Records sufficient to demonstrate that the transaction information submitted to the Monetary Authority under Division 3 of Part 2 was accurate.

APPENDIX C – Summary of the pricing information to be reported

1. Pricing information is intended to cover matters such as –
 - (a) the notional amounts or schedules of notional amounts (if applicable)
 - (b) the payments or schedules of payments and frequency of payments (if applicable)
 - (c) the factors affecting the maximum and minimum amount of any payment (if applicable)
 - (d) the upper and lower limits or levels for triggering any payment obligation (if applicable)
 - (e) the maximum and minimum notional amount that can be exercised (if applicable)
 - (f) the agreed prices and types of notation or schedules of prices (if applicable)
 - (g) the currency denominations (if applicable)
 - (h) the premium and upfront payment (if applicable)
 - (i) the settlement details, including payment amount and currency used, the method and frequency of payment and delivery method (if applicable)
 - (j) the price at which an option can be exercised (if applicable)
 - (k) the number of option and the quantity of subject matter per option comprised in the transaction (if applicable)
 - (l) the optional features of the specified OTC derivative transaction (if applicable)
 - (m) any associated specific features (if applicable)
2. Additionally, and depending on what the underlying subject matter of the transaction is, we also intend to cover the following further matters under this category –
 - (a) For transactions where the underlying subject matter relates to an **interest rate** –
 - (i) the agreed interest rates, interest rate indices, including tenor, spread and multiplier, or schedules thereof (if applicable)
 - (ii) the agreed Inflation rates, inflation rate indices, including period and type of day used (if applicable)
 - (iii) the sources of agreed inflation rates and inflation rate indices (if applicable)
 - (iv) the initial inflation indices level and methods calculating the inflation indices level (if applicable)
 - (v) the discounts and schedules of discounts (if applicable)
 - (b) For transactions where the underlying subject matter relates to **foreign exchange** –
 - (i) the agreed currency exchange rates quote basis and the observation frequency (if applicable)
 - (ii) the sources of currency exchange rates (if applicable)
 - (c) For transactions where the underlying subject matter relates to an **equity** –
 - (i) the underlying equity, basket of equities or equity indices (if applicable)
 - (ii) the agreed prices of the underlying equity, basket of equities, level of underlying equity indices and other applicable rates
 - (iii) the agreed rates of payment (if applicable)
 - (iv) the agreed rates, schedule of rates and multiplier (if applicable)

- (v) the types of dividends paid on the underlying equities (if applicable)
- (d) For transactions where the underlying subject matter relates to **credit events** –
 - (i) the underlying reference entity and reference obligation, and basket of reference entities and reference obligations (if applicable)
 - (ii) the agreed level of underlying credit derivatives indices and the sources of the agreed level of underlying credit derivatives (if applicable)
 - (iii) the agreed rates of payment (if applicable)
 - (iv) the agreed rates of protection or participation (if applicable)
- (e) For transactions where the underlying subject matter relates to **commodities** –
 - (i) the underlying commodity and the delivery grade of the commodity
 - (ii) the physical quantity and schedule of physical quantity of the commodity
 - (iii) the spread and spread schedule (if applicable)

APPENDIX D – Proposed data fields to be completed for phase 2 reporting

The following is a set of 5 tables, containing all the mandatory data fields that we propose should be completed when reporting under Phase 2. The 5 tables correspond to the HKTR templates for the 5 asset classes of OTC derivative transactions, i.e. interest rate, foreign exchange, equity, credit and commodity. Certain data fields which are tailored to capture information on the features of exotic products are also included.

Column 1 of the tables shows the names of the data fields. As some of these are not as self-explanatory as others, we have set out in column 3 a more descriptive explanation of the information expected to be entered in the data fields.

Readers are recommended to read columns 1 and 3 together for a better understanding of the data fields and information to be submitted when reporting under the next phase.

A point to note is that not all data fields may be relevant in all cases. Reporting entities are only required to complete data fields that are relevant to the particular transaction or matter they are reporting.

Rates

Data Field	Data Sub-field (if any)	Description
<u>(1) Information and particulars relating to administration of the reporting of the transaction</u>		
Action		Action Type
Trade Event		Trade Event
Event Request ID		A unique identifier assigned to the trade event request by its creating party.
Agent Event Reference		Unique event reference generated by the agent
User Event Reference		Unique event reference generated by the Reporting Party
Full Termination Indicator		Full Termination Indicator is used to indicate whether the transaction is fully terminated or not. The value should be "Yes" when the trade is fully terminated, otherwise the field should be left blank. (applicable to exotic products only)
Reporting For	Type	Type of Reporting For Reporting For means the trade party that the Reporting Party is reporting for. It should be the types of identification code of the trade parties. It should be either one of the trade parties.
	ID	Identification code of Reporting For
	Party Name	Party name of Reporting For
Remarks 1		An indication of whether pdf file has been uploaded as supplemental information to fulfil reporting requirement. (applicable to exotic products only)
Remarks 2		To specify the asset classes involved for hybrid trades. E.g. IR/EQ (applicable to exotic products only)

Version		The system version of the request.
File Reference		A unique file reference to identify the whole submission of requests assigned by user. This file reference will be carried forward to the response file for user to correlate the requests.
Purpose		Purpose of the file For reporting view, this must be "Reporting".
Submitting Party (Type)		Type of "Submitting Party" identification code, the party who submits the trade event to the HKTR system.
Submitting Party (ID)		Identification code of Submitting Party. The ID should have been maintained in the HKTR.
Reporting Party (Type)		Type of "Reporting Party" identification code, the party who has the reporting obligation to report the transaction.
Reporting Party (ID)		Identification code of Reporting Party. The ID should have been maintained in the HKTR.
Number of Trade Event Requests		Total number of Trade Event Requests in the file.
Valuation Request ID		A unique identifier assigned to the valuation request by its creating party.
<u>(2) Information and particulars relating to the class or type of product to which the transaction belongs</u>		
Asset Class		A simple asset class categorization.
Product Taxonomy		A classification of the type of product.
Unique Product Identifier (UPI)	ID Type	Product ID Type
	ID Value	Product ID Value
OTC Derivatives Product Taxonomy		OTC Product Taxonomy for Interest Rate (applicable to exotic products only)

Option Type		Whether it is a payer, receiver, straddle or non-standard option. / The type of option transaction.
Exercise Style		How and when the option can be exercised. (European, Bermudan, American) / The exercise style of the option. Exercise Style (European, Bermudan, American)
<u>(3) Dates and periods relating to the transaction</u>		
Backloading Date		Date of the trade snapshot being reported.
Trade Date		Trade date of the contract.
Effective Date	Unadjusted Date/Adjusted Date for FRA (Leg 1) Unadjusted Date (Leg 2)	The first day of the term of the trade. (Leg 1 and Leg 2) / Post trade event effective date
Effective Date - Leg 1 - Leg 2		The effective date of the transaction / Leg 1/ Leg 2 (applicable to exotic products only)
Termination Date	Unadjusted Date/Adjusted Date for FRA (Leg 1) Unadjusted Date (Leg 2)	The last day of the term of the trade. (Leg 1 and Leg 2)
Termination Date - Leg 1 - Leg 2		The termination date of the transaction / Leg 1/ Leg 2 (applicable to exotic products only)
Mandatory Early Termination Date	Unadjusted Date	The early termination date associated with a mandatory early termination of a swap.
Optional Early Termination Commencement Date	Unadjusted Date	Beginning of exercise period for American-style options.
Optional Early Termination Expiration Date	Unadjusted Date	Last date option can be exercised.

Optional Early Termination Bermuda Exercise Dates	Unadjusted Date	Dates on which a Bermudan-style exercise option can be exercised.
Optional Early Termination Relevant Underlying Dates	Unadjusted Date	The date on the underlying set by the exercise of an option.
Optional Early Termination Adjusted Exercise Date		The date on which option exercise occurs (can occur multiple times, the values are paired with those in optional early termination adjusted early termination date and blank fields within comma separated are allowed).
Optional Early Termination Adjusted Early Termination Date		The early termination date that is applicable if an early termination provision is exercised (adjusted) (can occur multiple times, the values are paired with those in optional early termination adjusted exercise date and blank fields within comma separated are allowed).
Cancellation Option Commencement Date	Unadjusted Date	Beginning of exercise period for American-style options.
Cancellation Option Expiration Date	Unadjusted Date	Last date option can be exercised.
Cancellation Option Bermuda Exercise Dates	Unadjusted Date	Dates on which a Bermudan-style exercise option can be exercised.
Cancellation Option Relevant Underlying Dates	Unadjusted Date	The date on the underlying set by the exercise of an option.
Commencement Date	Unadjusted Date	Beginning of exercise period for American-style options. / For options, the earliest exercise date of the option.
Expiration Date	Unadjusted Date	Last date option can be exercised. / For options, the last exercise date of the option.
Bermuda Exercise Dates	Unadjusted Date	Dates on which a Bermudan-style exercise swaption can be exercised. / For options, the dates on which a Bermudan-style exercise option can be exercised.
Relevant Underlying Dates	Unadjusted Date	The date on the underlying set by the exercise of an option.
Final Maturity Date		Final maturity date of a trade (applicable to exotic products only)

Maturity		The date when the principal amount of a security becomes due and payable (applicable to exotic products only)
Agreement Date		Post trade event trade date.
<u>(4) Information and particulars relating to the counterparties to the transaction</u>		
Reference Branch of Trade Party		The location of the branch/office of the trade party into which the transaction is booked.
Desk ID		The location of the trading desk responsible for the decision of entering into the transaction.
Trade Party 1 and 2	Type	Types of Trade Party identification code for the contracting parties of the trade being reported.
	ID	Identification codes of Trade Parties
	Party Name	Party names of Trade Parties
	Place of Incorporation	Places of Incorporation (for companies) and Residence (for individuals) of Trade Parties
Industrial Sector		Describes whether the trade party is a Corporate or an Individual.
Counterparty Industrial Sector		Describes whether the counter trade party is a Corporate or an Individual.
Buyer	Type	Type of Buyer identification code
	ID	Identification code of buyer
	Party Name	Party name of buyer
Seller	Type	Type of Seller identification code
	ID	Identification code of seller
	Party Name	Party name of seller

Leg 1 Payer	Type	Type of Leg 1 Payer identification code
	ID	Identification code of Leg 1 Payer
	Party Name	Party name of Leg 1 Payer
Leg 2 Payer	Type	Type of Leg 2 Payer identification code
	ID	Identification code of Leg 2 Payer
	Party Name	Party name of Leg 2 Payer
Cap Rate	Buyer	The buyer of the cap.
	Seller	The seller of the cap.
Floor Rate	Buyer	The buyer of the floor.
	Seller	The seller of the floor.
Single Party Option - Option Buyer	Type	Type of Buyer identification code The party which has bought the option to terminate. Option buyer is excluded if optional early termination is available to both parties
	ID	Identification code of buyer
	Party Name	Party name of buyer
Cancelation Option Buyer	Type	Party with right to exercise the option to cancel the swap early Type of Buyer identification code
	ID	Identification code of buyer
	Party Name	Party name of buyer
Cancelation Option Seller	Type	Party with obligation to fulfill the option if exercised (the writer of the option). Type of Seller identification code
	ID	Identification code of seller
	Party Name	Party name of seller

Premium Payer	Type	Party that pays the premium Type of payer identification code
	ID	Identification code of payer
	Party Name	Party name of payer
Premium Receiver	Type	Party that receives the premium Type of receiver identification code
	ID	Identification code of receiver
	Party Name	Party name of receiver
Cancellation Option Initial Fee Payer	Type	Party that pays the premium Type of payer identification code
	ID	Identification code of payer
	Party Name	Party name of payer
Cancellation Option Initial Fee Receiver	Type	Party that receives the premium Type of receiver identification code
	ID	Identification code of receiver
	Party Name	Party name of receiver
Counterparty Origin		Indicates whether a transaction was done on behalf of a customer or house account
<u>(5) Information and particulars relating to pricing of the transaction</u>		
Underlying asset		The underlying asset(s), e.g. floating rate indices, upon which the product is priced (applicable to exotic products only)
Notional Amount	Currency	The notional amount of the trade. (Leg 1 and Leg 2)
	Amount	

Notional Amount -Leg 1 -Leg 2	Currency	Notional currency and amount of the transaction / Leg 1 / Leg 2 (applicable to exotic products only)
	Amount	
Notional Schedule	Step Date	Date of notional changes (can occur multiple times, number of values must be same as step value). (Leg 1 and Leg 2)
	Step Value	Value of notional starting at the corresponding step date (can occur multiple times, number of values must be same as step date). (Leg 1 and Leg 2)
Notional units		Notional units of the transaction. (applicable to exotic products only)
Settlement Currency		The currency that streams settles in. (It is to be provided when the transaction is to be settled in a different currency other than the currency in which the notional amount is denominated.) (Leg 1 and Leg 2)
Reference Currency		The currency in which the stream is denominated (It is to be provided when the transaction is referenced to a different currency other than the currency in which the notional amount is denominated.) (Leg 1 and Leg 2)
Price Notation	Price Type	Describes how to interpret the quoted price. Valid values include but are not limited to: Basis Points, Percentage, Currency, Amount, Price, Spread.
	Price	The premium, yield, spread or rate, depending on the type of swap, that is calculated at affirmation and nets to a present value of zero at execution. The pricing characteristic shall not include any premiums associated with margin, collateral, independent amounts, reconcilable post-execution events, options on a swap, or other non-economic characteristics.
Cap Rate	Initial	The cap rate at the outset of the cap.
Floor Rate	Initial	The floor rate at the outset of the floor.
Premium Amount	Currency	Amount of the premium.
	Amount	
Cancellation Option Initial Fee Amount	Currency	Amount paid for the option
	Amount	

Payment Frequency		The frequency at which regular payment dates occur. (Leg 1 and Leg 2)
Settlement Method		The settlement method, either "Cash" or "Physical". (Leg 1 and Leg 2)
Known Amount	Currency	For Zero-coupon swaps, bullet payment is to be submitted using this field. (Leg 1 and Leg 2)
	Amount	
Known Amount -Leg 1 -Leg 2	Currency	Bullet payment to be submitted for zero-coupon swap. (applicable to exotic products only)
	Amount	
Settlement Type		How the option is settled (cash or physical)
Partial Exercise	Integral multiple amount	If buyer has the right to exercise less than the full amount on the European exercise date, the exercised amount must be an integral multiple of this value
	Minimum exercise amount	If buyer has the right to exercise less than the full amount on the European exercise date, the exercised amount must be at least this value
Multiple Exercise	Integral multiple amount	If buyer has the right to exercise less than the full amount on the American/Bermuda exercise date, the exercised amount must be an integral multiple of this value
	Minimum exercise amount	If buyer has the right to exercise less than the full amount on the American/Bermuda exercise date, the exercised amount must be at least this value
	Maximum exercise amount	If buyer has the right to exercise less than the full amount on the American/Bermuda exercise date, the exercised amount must no more this value on any given exercise date
Optional Early Termination Exercise Style		How and when the option can be exercised (European, Bermudan, American)
Cancellation Option Exercise Style		How and when the option can be exercised (European, Bermudan, American)
Cap Rate Schedule	Step Date	Date of cap rate changes (can occur multiple times, number of values must be same as step value).
	Step Value	Value of cap rate starting at the corresponding step date (can occur multiple times, number of values must be same as step date).

Floor Rate Schedule	Step Date	Date of floor rate changes (can occur multiple times, number of values must be same as step value).
	Step Value	Value of floor rate starting at the corresponding step date (can occur multiple times, number of values must be same as step date).
Initial Principal Exchange		Is the principal amount actually exchanged at deal inception?
Final Principal Exchange		Is the principal amount actually exchanged at deal termination?
Intermediate Principal Exchange		Are principal amounts exchanged at intermediate cashflows?
Option Entitlement		The number of units of underlyer per option comprised in the option transaction. (applicable to exotic products only)
Number of Options		The number of options comprised in the option transaction. (applicable to exotic products only)
Strike Price	Unit	The units in which an amount (not monetary) is denominated. (applicable to exotic products only)
	Currency	The currency in which an amount is denominated. (applicable to exotic products only)
	Amount	The price or level at which the option has been struck. (applicable to exotic products only)
Bond Instrument ID		Identification of the underlying asset, using public and/or private identifiers. (applicable to exotic products only)
Par Value		Specifies the nominal amount of a fixed income security or convertible bond. (applicable to exotic products only)
Coupon Type		Specifies if the bond has a variable coupon, step-up/down coupon or a zero-coupon. (applicable to exotic products only)
Coupon Rate		Specifies the coupon rate (expressed in percentage) of a fixed income security or convertible bond. (applicable to exotic products only)
Fixed Rate		The fixed interest rate at the start of the deal. A rate of 5% would be represented by 0.05. (Leg 1 and Leg 2)

Floating Rate Index		The ISDA Floating Rate Option, i.e. the floating rate index, or the ISDA Inflation Derivatives Definitions for inflation. (Leg 1 and Leg 2)
Floating Rate Multiplier		A rate multiplier apply to the floating rate. The multiplier can be a positive or negative decimal. (Leg 1 and Leg 2)
Floating Rate Tenor		The ISDA Designated Maturity, i.e. the tenor of the floating rate. (Leg 1 and Leg 2)
Floating Rate Spread		The ISDA Spread expressed as explicit spread. The spread is a per annum rate, expressed as a decimal. For purposes of determining a calculation period amount, if positive the spread will be added to the floating rate and if negative the spread will be subtracted from the floating rate. (Leg 1 and Leg 2)
Fixed Rate Schedule	Step Date	Date of fixed rate changes (can occur multiple times, number of values must be same as step value). (Leg 1 and Leg 2)
	Step Value	Value of fixed rate starting at the corresponding step date (can occur multiple times, number of values must be same as step date). (Leg 1 and Leg 2)
Floating Rate Multiplier Schedule	Step Date	Date when scaling factor changes (can occur multiple times, number of values must be same as step value). (Leg 1 and Leg 2)
	Step Value	New value of scaling factor (can occur multiple times, number of values must be same as step date). (Leg 1 and Leg 2)
Spread Schedule	Step Date	Date of floating rate spread changes (can occur multiple times, number of values must be same as step value). (Leg 1 and Leg 2)
	Step Value	Value of floating rate spread starting at the corresponding step date (can occur multiple times, number of values must be same as step date). (Leg 1 and Leg 2)
Inflation Index Initial Level		Initial known index level for the first calculation period
Inflation Lag - Period		The period type of an offsetting period from the payment date which determines the reference period for which the inflation index is observed
Inflation Lag - DayType		Whether a day offset is in business or calendar days
Inflation Rate Source		The reference source such as Reuters or Bloomberg from which the inflation rate is obtained

Inflation Index Main Publication		The current main publication source such as relevant web site or a government body. That generates the inflation index
Mandatory Early Termination Date Tenor Period		The period type of an offsetting period from the payment date which determines the reference period for which the inflation index is observed
Inflation Interpolation Method		The method used when calculating the Inflation Index Level from multiple points
FRA Discounting		The type of discounting, if any ,used in calculating the FRA

(6) Information and particulars relating to the documentation of the transaction

Master Agreement	Type	The type of agreement executed between the parties and intended to govern all OTC derivatives transactions between those parties.
	Version	The version of the master agreement.
	Date	The date on which the master agreement was signed.
Master Supplement Date		The date on which the master supplement was signed.
Definitions Type		The definitions such as those published by ISDA that will define the terms of the trade.

(7) Information and particulars relating to the confirmation of the transaction

Confirmation Platform ID		The code of the platform through which, or the manner in which, the trade was confirmed
CP Trade Reference		The identifying reference assigned to the trade by the platform

(8) Information and particulars relating to the execution of the transaction

Execution Type		Describes how the trade was executed.
Execution Date Time		The time and date when the trade was executed as in Coordinated Universal Time (UTC) of Hong Kong zone (UTC+8:00).
Execution Agent	Type	Type of Execution Agent identification code
	ID	Identification code of Execution Agent
	Party Name	Party name of Execution Agent

<u>(9) Information and particulars relating to the clearing of the transaction</u>		
Clearing		Indicates whether the trade was, or is intended to be, cleared through a central counterparty.
Central Counterparty ID		The code of the Central Counterparty through which the trade was, or is intended to be, cleared
Clearing Broker	Type	The type of identification code of client clearing services provider (if any) involved in, or intended to be involved in clearing the trade.
	ID	Identification code of Clearing Broker
	Party Name	Party name of Clearing Broker
Clearing Exemption		Are one or more counterparties to the contract transaction exempted from clearing?
Special Terms Indicator		Whether the transaction is subject to a clearing mandate
<u>(10) Information and particulars relating to the compression exercise of the transaction</u>		
Special Terms		Indicates whether the contract is linked to a compression exercise
<u>(11) Particulars of any identifying references assigned to the transaction</u>		
Agent Trade Reference		This field is required by agent only. / This is used to correlate the event request to the designated trade.
User Trade Reference		User trade reference of reporting party. / This is used to correlate the event request to the designated trade.
Unique Transaction Identifier (UTI) Indicator		Indicates whether a Unique Swap Identifier (USI) exists for the trade. The USI refers to the unique transaction identifier reportable under the mandatory reporting requirements in the US pursuant to Dodd-Frank Act.
Unique Transaction Identifier (UTI)	Issuer ID	If a USI exists for the trade, the value of the USI, presented in conformity with the format and structure applicable to it. / This is used to correlate the event request to the designated trade.
	UTI Value	
Prior - Unique Transaction Identifier (UTI)	Issuer ID	The USI for the original trade.
	UTI Value	

Unique Transaction Identifier - Unique Trade ID (UTI-TID)		If a unique Trade ID (TID) reportable under the mandatory reporting requirements in the European Union exists for the trade, the value of the TID, presented in conformity with the format and structure applicable to it. / This is used to correlate the event request to the designated trade.
Prior - Unique Transaction Identifier - Unique Trade ID (UTI-TID)		The UTI-TID for the original trade.
Bilateral Comments		A bilaterally agreed transaction identifier which is unique, shared and paired between the two counterparties.
Trade Reference		Unique trade reference generated by TR system. This is used to correlate the event request to the designated trade.
<u>(12) Information and particulars relating to the valuation of the transaction</u>		
Valuation Date Time		Business date and time of the valuation as in Coordinated Universal Time (UTC) of Hong Kong zone (UTC+8:00).
Valuation Value	Currency	Native currency of the calculated valuation value
	Amount	Calculated valuation value
Valuation Type		Reference model used to calculate daily mark.

<u>FX</u>		
Data Field	Data Sub-field (if any)	Description
<u>(1) Information and particulars relating to administration of the reporting of the transaction</u>		
Action		Action Type
Trade Event		Trade Event
Event Request ID		A unique identifier assigned to the trade event request by its creating party.
Agent Event Reference		Unique event reference generated by the agent
User Event Reference		Unique event reference generated by the Reporting Party
Full Termination Indicator		Full Termination Indicator is used to indicate whether the transaction is fully terminated or not. The value should be "Yes" when the trade is fully terminated, otherwise the field should be left blank. (applicable to exotic products only)
Reporting For	Type	Type of Reporting For Reporting For means the trade party that the Reporting Party is reporting for. It should be the types of identification code of the trade parties. It should be either one of the trade parties.
	ID	Identification code of Reporting For
	Party Name	Party name of Reporting For
Remarks 1		An indication of whether pdf file has been uploaded as supplemental information to fulfil reporting requirement. (applicable to exotic products only)
Remarks 2		To specify the asset classes involved for hybrid trades. E.g. IR/EQ (applicable to exotic products only)
Version		The system version of the request.

File Reference		A unique file reference to identify the whole submission of requests assigned by user. This file reference will be carried forward to the response file for user to correlate the requests.
Purpose		Purpose of the file For reporting view, this must be "Reporting".
Submitting Party (Type)		Type of "Submitting Party" identification code, the party who submits the trade event to the HKTR system.
Submitting Party (ID)		Identification code of Submitting Party. The ID should have been maintained in the HKTR.
Reporting Party (Type)		Type of "Reporting Party" identification code, the party who has the reporting obligation to report the transaction.
Reporting Party (ID)		Identification code of Reporting Party. The ID should have been maintained in the HKTR.
Number of Trade Event Requests		Total number of Trade Event Requests in the file.
Valuation Request ID		A unique identifier assigned to the valuation request by its creating party.
<u>(2) Information and particulars relating to the class or type of product to which the transaction belongs</u>		
Asset Class		A simple asset class categorization.
Product Taxonomy		A classification of the type of product.
Unique Product Identifier (UPI)	ID Type	Product ID Type
	ID Value	Product ID Value
OTC Derivatives Product Taxonomy		OTC Product Taxonomy for Foreign Exchange (applicable to exotic products only)
Option Type		Indicates how the product was original sold as a Put or a Call. / The type of option transaction.
Option Style		Exercise style (American, European) / The exercise style of the option. Exercise style (American, European, Asian)
<u>(3) Dates and periods relating to the transaction</u>		
Backloading Date		Date of the trade snapshot being reported.

Trade Date		Trade date of the contract.
Fixing Date		Describes the specific date when a non-deliverable forward will "fix" against a particular rate, which will be used to compute the ultimate cash settlement.
Value Date		The date on which both currencies traded will settle. (FX Forward) / For European Option, the date on which both currencies traded will settle. For American Option, the latest date on which both currencies traded will settle. (FX Option) / Specifies the value date of the trade.
Option Effective Date	Unadjusted Date	The unadjusted effective date for a forward starting derivative.
Option Commencement Date	Unadjusted Date	The earliest date on which the option can be exercised for American Option.
Commencement Date		For options, the earliest exercise date of the option (applicable to exotic products only)
Option Lockout Date		An indication of the first allowable exercise date of the option.
Expiration Date		For European, it represents a standard expiry date as defined for a FX OTC option. For American, it represents the latest date on which the option can be exercised. / For options, the last exercise date of the option.
Final Maturity Date		Final maturity date of a trade (applicable to exotic products only)
Execution Period Start Date		Start date of the execution period (applicable to exotic products only)
Execution Period Expiry Date		End date of the execution period (applicable to exotic products only)
Agreement Date		Post trade event trade date.
Effective Date		Post trade event effective date
Effective Date - Leg 1 - Leg 2		The effective date of the transaction / Leg 1 / Leg 2 (applicable to exotic products only)
Termination Date - Leg 1 - Leg 2		The termination date of the transaction / Leg 1 / Leg 2 (applicable to exotic products only)

<u>(4) Information and particulars relating to the counterparties to the transaction</u>		
Reference Branch of Trade Party		The location of the branch/office of the trade party into which the transaction is booked.
Desk ID		The location of the trading desk responsible for the decision of entering into the transaction.
Trade Party 1 and 2	Type	Types of Trade Party identification code for the contracting parties of the trade being reported.
	ID	Identification codes of Trade Parties
	Party Name	Party names of Trade Parties
	Place of Incorporation	Places of Incorporation (for companies) and Residence (for individuals) of Trade Parties
Industrial Sector		Describes whether the trade party is a Corporate or an Individual.
Counterparty Industrial Sector		Describes whether the counter trade party is a Corporate or an Individual.
Exchanged Currency 1 - Payer Party	Type	Type of Exchanged Currency 1 - Payer Party identification code
	ID	Identification code of Exchange Currency 1 - Payer Party
	Party Name	Party name of Exchange Currency 1 - Payer Party
Exchanged Currency 2 - Payer Party	Type	Type of Exchanged Currency 2 - Payer Party identification code
	ID	Identification code of Exchange Currency 2 - Payer Party
	Party Name	Party name of Exchange Currency 2 - Payer Party
Option Buyer	Type	Type of Option Buyer identification code
	ID	Identification code of Option Buyer
	Party Name	Party name of Option Buyer
Option Seller	Type	Type of Option Seller identification code
	ID	Identification code of Option Seller
	Party Name	Party name of Option Seller

Buyer	Type	Type of Buyer / Leg 1 Payer identification code (applicable to exotic products only)
	ID	Identification code of Buyer / Leg 1 Payer (applicable to exotic products only)
	Party Name	Party name of Buyer / Leg 1 Payer (applicable to exotic products only)
Seller	Type	Type of Seller / Leg 2 Payer identification code (applicable to exotic products)
	ID	Identification code of Seller / Leg 2 Payer (applicable to exotic products only)
	Party Name	Party name of Seller / Leg 2 Payer (applicable to exotic products only)
Premium Payer	Type	Type of Premium Payer identification code
	ID	Identification code of Premium Payer
	Party Name	Party name of Premium Payer
Counterparty Origin		Indicates whether a transaction was done on behalf of a customer or house account
<u>(5) Information and particulars relating to pricing of the transaction</u>		
Underlying Asset		The underlying asset(s), e.g. floating rate indices, upon which the product is priced (applicable to exotic products only).
Put Notional	Currency	The currency amount that the option gives the right to sell. The currency in which an amount is denominated.
	Amount	The monetary quantity in currency units.
Call Notional	Currency	The currency amount that the option gives the right to buy. The currency in which an amount is denominated.
	Amount	The monetary quantity in currency units.
Settlement Currency		The currency in which settlement occurs.

Price Notation	Price Type	Describes how to interpret the quoted price. Valid values include but are not limited to: Basis Points, Percentage, Currency, Amount, Price, Spread.
	Price	The premium, yield, spread or rate, depending on the type of swap, that is calculated at affirmation and nets to a present value of zero at execution. The pricing characteristic shall not include any premiums associated with margin, collateral, independent amounts, reconcilable post-execution events, options on a swap, or other non-economic characteristics.
Strike Price - Quoted Currency Pair Basis		Defines the option strike price. The method by which the strike rate is quoted.
Strike Price		Defines the option strike price. The rate of exchange between the two currencies of the leg of a deal. / The price or level at which the option has been struck.
Premium	Currency	Premium amount or premium installment amount for an option. The currency in which an amount is denominated.
	Amount	The monetary quantity in currency units.
Exchanged Currency 1 - Payment Amount	Currency	This is the first of two currency flows that define a single leg of a standard foreign exchange transaction. The currency amount of the payment. The currency in which an amount is denominated.
	Amount	The monetary quantity in currency units.
Exchanged Currency 2 - Payment Amount	Currency	This is the second of two currency flows that define a single leg of a standard foreign exchange transaction. The currency amount of the payment. The currency in which an amount is denominated.
	Amount	The monetary quantity in currency units.
FX Delivery Type		Denotes either Physical (deliverable) or cash (non-deliverable). It is either "Cash" or "Physical".
Exchange Rate - Quoted Currency Pair Currency 1		The first currency specified when a pair of currencies is to be evaluated.
Exchange Rate - Quoted Currency Pair Currency 2		The second currency specified when a pair of currencies is to be evaluated.
Exchange Rate Currency Pair Basis		The method by which the exchange rate is quoted. How an exchange rate is quoted.

Exchange Rate		Exchange rate on the value date based on the quoted currency pair quote basis specified.
Multiple Exercise Minimum	Currency	The minimum amount of notional that can be exercised. The currency in which an amount is denominated.
	Amount	The monetary quantity in currency units.
Multiple Exercise Maximum	Currency	The maximum amount of notional that can be exercised. The currency in which an amount is denominated.
	Amount	The monetary quantity in currency units.
Notional - Leg 1 - Leg 2	Currency	Notional currency of the transaction / Leg 1 / Leg 2 (applicable to exotic products only)
	Amount	Notional amount of the transaction / Leg 1 / Leg 2 (applicable to exotic products only)
Strike Price Unit		The units in which an amount (not monetary) is denominated (applicable to exotic products only)
Strike Price Currency		The currency in which an amount is denominated (applicable to exotic products only)
Option Entitlement		The number of units of underlying per option comprised in the option transaction (applicable to exotic products only)
Number of Options		The number of options comprised in the option transaction (applicable to exotic products only)
Barrier Type		This specifies whether the option becomes effective ("knock-in") or is annulled ("knock-out") when the respective barrier event occurs (applicable to exotic products only)
Barrier Direction		This specifies whether the barrier direction is "Up" or "Down"; that is, that a barrier event occurs if the spot rate is at or above the trigger rate, or at or below the trigger rate during the period of observation of an American barrier, or at the times of observation of a discrete or European barrier. (applicable to exotic products only)
Trigger Rate		The market rate is observed relative to the trigger rate, and if it is found to be on the predefined side of (above or below) the trigger rate, a barrier event is deemed to have occurred. (applicable to exotic products only – Barrier Feature and Digital Option)

Trigger Rate Source		The information source where a published or displayed market rate will be obtained, e.g. Telerate Page 3750. (applicable to exotic products only - Barrier Feature and Digital Option)
Trigger Rate Quoted Currency Pair	Currency 1	The first currency specified when a pair of currencies is to be evaluated. (applicable to exotic products only - Barrier Feature and Digital Option)
	Currency 2	The second currency specified when a pair of currencies is to be evaluated. (applicable to exotic products only - Barrier Feature and Digital Option)
	Quote Basis	The method by which the trigger rate is quoted. (applicable to exotic products only - Barrier Feature and Digital Option)
Observation Period Start Date		The date on which the observation period for an American barrier starts. If the start date is not present, then the date and time of the start of the period is deemed to be the date and time the transaction was entered into. (Barrier Feature) / The start of the period over which observations are made to determine whether a trigger has occurred. (Asian Feature) (applicable to exotic products only)
Observation Period End Date		The date on which the observation period for an American barrier ends. If the end date is not present, then the date and time of the end of the period is deemed to be the date and time of expiration. (Barrier Feature) / The end of the period over which observations are made to determine whether a trigger event has occurred. (Asian Feature) (applicable to exotic products only)
Observation Date Point		The dates at which rate observations are made to determine whether a barrier event has occurred for a discrete or European barrier. If the time is not present then the time is deemed to be the same as the expiration time. (applicable to exotic products only)
Touch Condition		This specifies whether the applied American trigger is a touch or no touch type. (applicable to exotic products only)
Touch Direction		This specifies whether the trigger direction is "AtOrAbove" or "AtOrBelow; that is, that a barrier event occurs if the spot rate is at or above the trigger rate, or at or below the trigger rate during the period of observation of an American trigger, or at the times of observation of a discrete trigger. (applicable to exotic products only)
Trigger Condition		The condition that applies to a European trigger applied to an FX digital option. It determines where the rate at expiry date and time at must be relative to the triggerRate for the option to be exercisable. (applicable to exotic products only)

Digital Option Payout	Currency	The settlement currency which becomes payable if and when a trigger event occurs. (applicable to exotic products only)
	Amount	The amount of currency which becomes payable if and when a trigger event occurs. (applicable to exotic products only)
	Style	The trigger event and payout may be asynchronous. A payout may become due on the trigger event, or the payout may (by agreement at initiation) be deferred (for example) to the maturity date. (applicable to exotic products only)
(Asian) Rate Source		The primary source for where the rate observation will occur. Will typically be either a page or a reference bank published rate. (applicable to exotic products only)
Observation Frequency		How often rates are observed (applicable to exotic products only)
Observation Rate Quote Basis		The method by which observed rate values are quoted, in terms of the option put/call currencies. In the absence of this element, rate observations are assumed to be quoted as per the option strikeQuoteBasis. (applicable to exotic products only)

(6) Information and particulars relating to the documentation of the transaction

Master Agreement	Type	The type of agreement executed between the parties and intended to govern all OTC derivatives transactions between those parties.
	Version	The version of the master agreement.
	Date	The date on which the master agreement was signed.
Master Supplement Date		The date on which the master supplement was signed.
Definitions Type		The definitions such as those published by ISDA that will define the terms of the trade.

(7) Information and particulars relating to the confirmation of the transaction

Confirmation Platform ID		The code of the platform through which, or the manner in which, the trade was confirmed
CP Trade Reference		The identifying reference assigned to the trade by the platform

<u>(8) Information and particulars relating to the execution of the transaction</u>		
Execution Type		Describes how the trade was executed.
Execution Agent	Type	Type of Execution Agent identification code
	ID	Identification code of Execution Agent
	Party Name	Party name of Execution Agent
Execution Date Time		The time and date when the trade was executed as in Coordinated Universal Time (UTC) of Hong Kong zone (UTC+8:00).
<u>(9) Information and particulars relating to the clearing of the transaction</u>		
Clearing		Indicates whether the trade was, or is intended to be, cleared through a central counterparty.
Central Counterparty ID		The code of the Central Counterparty through which the trade was, or is intended to be, cleared
Clearing Broker	Type	The type of identification code of client clearing services provider (if any) involved in, or intended to be involved in clearing the trade.
	ID	Identification code of Clearing Broker
	Party Name	Party name of Clearing Broker
Clearing Exemption		Are one or more counterparties to the contract transaction exempted from clearing?
Special Terms Indicator		Whether the transaction is subject to a clearing mandate
<u>(10) Information and particulars relating to the compression exercise of the transaction</u>		
Special Terms		Indicates whether the contract is linked to a compression exercise
<u>(11) Particulars of any identifying references assigned to the transaction</u>		
Agent Trade Reference		This field is required by agent only. / This is used to correlate the event request to the designated trade.

User Trade Reference		User trade reference of reporting party. / This is used to correlate the event request to the designated trade.
Unique Transaction Identifier (UTI) Indicator		Indicates whether a Unique Swap Identifier (USI) exists for the trade. The USI refers to the unique transaction identifier reportable under the mandatory reporting requirements in the US pursuant to Dodd-Frank Act.
Unique Transaction Identifier (UTI)	Issuer ID	If a USI exists for the trade, the value of the USI, presented in conformity with the format and structure applicable to it. / This is used to correlate the event request to the designated trade.
	UTI Value	
Prior - Unique Transaction Identifier (UTI)	Issuer ID	The USI for the original trade.
	UTI Value	
Unique Transaction Identifier - Unique Trade ID (UTI-TID)		If a unique Trade ID (TID) reportable under the mandatory reporting requirements in the European Union exists for the trade, the value of the TID, presented in conformity with the format and structure applicable to it. / This is used to correlate the event request to the designated trade.
Prior - Unique Transaction Identifier - Unique Trade ID (UTI-TID)		The UTI-TID for the original trade.
Trade Reference		Unique trade reference generated by HKTR system. This is used to correlate the event request to the designated trade.
Bilateral Comments		A bilaterally agreed transaction identifier which is unique, shared and paired between the two counterparties.
Swap Link ID		A linking element used to link the Near Leg and Far Leg of an FX Swap
<u>(12) Information and particulars relating to the valuation of the transaction</u>		
Valuation Date Time		Business date and time of the valuation as in Coordinated Universal Time (UTC) of Hong Kong zone (UTC+8:00).
Valuation Value	Currency	Native currency of the calculated valuation value
	Amount	Calculated valuation value
Valuation Type		Reference model used to calculate daily mark.

Equities

Data Field	Data Sub-field (if any)	Description
<u>(1) Information and particulars relating to administration of the reporting of the transaction</u>		
Action		Action Type
Trade Event		Trade Event
Event Request ID		A unique identifier assigned to the trade event request by its creating party.
Agent Event Reference		Unique event reference generated by the agent
User Event Reference		Unique event reference generated by the Reporting Party
Full Termination Indicator		Full Termination Indicator is used to indicate whether the transaction is fully terminated or not. The value should be "Yes" when the trade is fully terminated, otherwise the field should be left blank. (applicable to exotic products only)
Reporting For	Type	Reporting For means the trade party that the Reporting Party is reporting for. It should be the types of identification code of the trade parties. It should be either one of the trade parties.
	ID	Identification code of Reporting For
	Party Name	Party name of Reporting For
Remarks 1 (Exotic Template)		An indication of whether pdf file has been uploaded as supplemental information to fulfil reporting requirement. (applicable to exotic products only)
Remarks 2 (Exotic Template)		To specify the asset classes involved for hybrid trades. E.g. IR/EQ (applicable to exotic products only)
Version		The system version of the request.

File Reference		A unique file reference to identify the whole submission of requests assigned by user. This file reference will be carried forward to the response file for user to correlate the requests.
Purpose		Purpose of the file For reporting view, this must be "Reporting".
Submitting Party (Type)		Type of "Submitting Party" identification code, the party who submits the trade event to the HKTR system.
Submitting Party (ID)		Identification code of Submitting Party. The ID should have been maintained in the HKTR.
Reporting Party (Type)		Type of "Reporting Party" identification code, the party who has the reporting obligation to report the transaction.
Reporting Party (ID)		Identification code of Reporting Party. The ID should have been maintained in the HKTR.
Number of Trade Event Requests		Total number of Trade Event Requests in the file.
Valuation Request ID		A unique identifier assigned to the valuation request by its creating party.
<u>(2) Information and particulars relating to the class or type of product to which the transaction belongs</u>		
Asset Class		A simple asset class categorization.
Product Taxonomy		A classification of the type of product.
Unique Product Identifier (UPI)	ID Type	Product ID Type
	ID Value	Product ID Value
OTC Derivatives Product Taxonomy		OTC Product Taxonomy for Equities. (applicable to exotic products only)
Option Type		The type of option transaction.
Option Style		The parameters for defining how the equity option can be exercised, how it is valued and how it is settled. / The exercise style of the option. Exercise style (American, European, Bermuda)

<u>(3) Dates and periods relating to the transaction</u>		
Backloading Date		Date of the trade snapshot being reported.
Trade Date		Trade date of the contract.
Effective Date		Post trade event effective date.
Equity Leg Effective Date	Unadjusted Date	Specifies the effective date of this leg of the swap.
Interest Leg Effective Date	Unadjusted Date	Specifies the effective date of this leg of the swap.
Effective Date - Leg 1 - Leg 2		The effective date of the transaction / Leg 1 / Leg 2. (applicable to exotic products only)
Termination Date	Unadjusted Date	Specifies the termination date of this leg of the swap. (For Variance Swap)
Equity Leg Termination Date	Unadjusted Date	Specifies the termination date of this leg of the swap.
Interest Leg Termination Date	Unadjusted Date	Specifies the termination date of this leg of the swap.
Dividend Leg Termination Date	Unadjusted Date	Specifies the termination date of this leg of the swap.
Fixed Leg Termination Date	Unadjusted Date	Specifies the termination date of this leg of the swap.
Termination Date - Leg 1 - Leg 2		The termination date of the transaction / Leg 1 / Leg 2. (applicable to exotic products only)
Optional Early Termination Date	Unadjusted Date	Beginning of right to terminate an equity swap.
Optional Early Termination Indicator		Specifies whether the Optional Early Termination clause detailed in the agreement will apply.

Commencement Date	Unadjusted Date	First day of the exercise period for an American-style options. / For options, the earliest exercise date of the option.
Expiration Date	Unadjusted Date	Last date option can be exercised. / For options, the last exercise date of the option.
Final Maturity Date		Final maturity date of a trade. (applicable to exotic products only)
Agreement Date		Post trade event trade date.
Observation Start Date	Unadjusted Date	The first day of observing the movement of variance/volatility in respect of a Variance Swap.
Observation End Date	Unadjusted Date	The last day of observing the movement of variance/volatility in respect of a Variance Swap.
Dividend Period	Period Start Date	In respect of each Dividend Period, the date observations begin for the given Dividend Period.
	Period End Date	In respect of each Dividend Period, the date observations end for the given Dividend Period.
	Dividend Payment Date	In respect of each Dividend Period, the adjusted cash settlement date for the given Dividend Period.
Fixed Payment	Fixed Amount Payment Date Offset	In respect of each Dividend Period, the fixed payment date offset for the given Dividend period. Payment date is relative to a dividend period payment date.
	Fixed Amount Payment Date	In respect of each Dividend Period, the adjusted fixed payment date for the given Dividend period.
Final Valuation Date	Unadjusted Date	Specifies the final Valuation Date of an Equity Swap Transaction equity leg.
Valuation Date - Equity Swap - Variance Swap	Unadjusted Date	The date when the value of the transaction is determined. (For Equity Swaps) The date when the value of the transaction is determined. / Specifies the Valuation Date in respect of a Transaction (For Variance Swaps)

<u>(4) Information and particulars relating to the counterparties to the transaction</u>		
Reference Branch of Trade Party		The location of the branch/office of the trade party into which the transaction is booked.
Desk ID		The location of the trading desk responsible for the decision of entering into the transaction.
Trade Party 1 and 2	Type	Types of Trade Party identification code for the contracting parties of the trade being reported
	ID	Identification codes of Trade Parties
	Party Name	Party names of Trade Parties
	Place of Incorporation	Place of Incorporation (for corporates) and Residence (for individuals) of Trade Parties
Industrial Sector		Describes whether the trade party is a Corporate or an Individual.
Counterparty Industrial Sector		Describes whether the counter trade party is a Corporate or an Individual.
Buyer	Type	Type of Buyer / Leg 1 Payer identification code
	ID	Identification code of buyer / Leg 1 Payer
	Party Name	Party name of buyer / Leg 1 Payer
Seller	Type	Type of Seller / Leg 2 Payer identification code
	ID	Identification code of seller / Leg 2 Payer
	Party Name	Party name of seller / Leg 2 Payer

Interest Leg Payer	Type	Type of Interest Leg Payer identification code
	ID	Identification code of Interest Leg Payer
	Party Name	Party name of Interest Leg Payer
Equity Leg Payer	Type	Type of Equity Leg Payer identification code
	ID	Identification code of Equity Leg Payer
	Party Name	Party name of Equity Leg Payer
Variance Payer	Type	Type of Variance Payer identification code
	ID	Identification code of Variance Payer
	Party Name	Party name of Variance Payer
Dividend Amount Payer	Type	Type of Dividend Amount Payer identification code
	ID	Identification code of Dividend Amount Payer
	Party Name	Party name of Dividend Amount Payer
Fixed Amount Payer	Type	Type of Fixed Amount Payer identification code
	ID	Identification code of Fixed Amount Payer
	Party Name	Party name of Fixed Amount Payer

Interest Leg Receiver	Type	Type of Interest Leg Receiver identification code
	ID	Identification code of Interest Leg Receiver
	Party Name	Party name of Interest Leg Receiver
Equity Leg Receiver	Type	Type of Equity Leg Receiver identification code
	ID	Identification code of Equity Leg Receiver
	Party Name	Party name of Equity Leg Receiver
Variance Receiver	Type	Type of Variance Amount Receiver identification code
	ID	Identification code of Variance Amount Receiver
	Party Name	Party name of Variance Amount Receiver
Dividend Amount Receiver	Type	Type of Dividend Amount Receiver identification code
	ID	Identification code of Dividend Amount Receiver
	Party Name	Party name of Dividend Amount Receiver
Fixed Amount Receiver	Type	Type of Fixed Amount Receiver identification code
	ID	Identification code of Fixed Amount Receiver
	Party Name	Party name of Fixed Amount Receiver

Payer	Type	Type of Premium Payer identification code
	ID	Identification code of Premium Payer
	Party Name	Party name of Premium Payer
Premium Payer	Type	Type of Premium Payer identification code (applicable to exotic products only)
	ID	Identification code of Premium Payer (applicable to exotic products only)
	Party Name	Party name of Premium Payer (applicable to exotic products only)
Optional Early Termination Electing Party	Type	Type of Optional Early Termination Electing Party identification code. The party which has bought the option to terminate. Option buyer is excluded if optional early termination is available to both parties
	ID	Identification code of electing party.
	Party Name	Party name of electing party.
Counterparty Origin		Indicates whether a transaction was done on behalf of a customer or house account.
<u>(5) Information and particulars relating to pricing of the transaction</u>		
Underlying asset	Asset Type	Define the underlying asset, either a listed security or other instrument.
	Identifier Type	The type of identification code of the underlying assets, e.g. Ric code, Bloomberg ID, etc.
	Instrument ID	Identification of the underlying asset using public and/or private identifiers.
	Exchange ID	Identification of the exchange on which this asset is transacted for the purposes of calculating a contractual payoff.
	Open Unit	The number of units (index or securities) that constitute the underlying asset. (For Standard Template only)
	Place of Incorporation	Place of incorporation of the underlying asset.

Underlying asset - Leg 1 - Leg 2	Asset Type	Define the underlying asset of the transaction / Leg 1 / Leg 2, either a listed security or other instrument. (applicable to exotic products only)
	Identifier Type	The type of identification code of the underlying asset, e.g. Ric code, Bloomberg ID, etc. (applicable to exotic products only)
	Instrument ID	Identification of the underlying asset using public and/or private identifiers. (applicable to exotic products only)
	Exchange ID	Identification of the exchange on which this asset is transacted for the purposes of calculating a contractual payoff. (applicable to exotic products only)
	Place of Incorporation	Place of incorporation of the underlying asset for Leg 1 / 2. (applicable to exotic products only)
Notional	Currency	The currency in which notional amount of the trade is denominated. (For options)
	Amount	The notional amount of the trade. (For options)
Interest Leg Notional	Currency	Specifies the currency of the Notional Amount in respect of the Interest Leg of an Equity Swap Transaction.
	Amount	Specifies the Notional Amount in respect of the Interest Leg of an Equity Swap Transaction.
Deal Notional Amount	Currency	Specifies the currency of the Equity Notional Amount in respect of an Equity Swap Transaction.
	Amount	Specifies the Equity Swap Notional Amount in respect of the Equity Swap Transaction.
Variance Amount	Currency	Specifies the currency of Variance Amount in respect of a Variance Swap Transaction.
	Amount	Specifies the Variance Amount in respect of a Variance Swap Transaction.
Notional Amount	Currency	Specifies the currency of the Notional Amount in respect of a Dividend Swap Transaction.
	Amount	Specifies the Notional Amount in respect of a Dividend Swap Transaction.

Notional - Leg 1 - Leg 2	Currency	Notional currency of the transaction / Leg 1 / Leg 2. (applicable to exotic products only)
	Amount	Notional amount of the transaction / Leg 1 / Leg 2. (applicable to exotic products only)
Settlement Currency		Specifies the Settlement Currency in respect of a Transaction. (It is to be provided when the transaction is to be settled in a different currency other than the currency in which the notional amount is denominated.)
Reference Currency		Specifies the Reference Currency in respect of a Variance Swap, Equity Swap or Equity Option Transaction. (It is to be provided when the transaction is referenced to a different currency other than the currency in which the notional amount is denominated.)
Price Notation	Price Type	Describes how to interpret the quoted price. Valid values include but are not limited to: Basis Points, Percentage, Currency, Amount, Price, Spread.
	Price	The premium, price, spread or rate, depending on the type of transaction. The pricing characteristic shall not include any premiums associated with margin, collateral, independent amounts, reconcilable post-execution events, options on a swap, or other non-economic characteristics.
Payment Amount	Currency	The currency in which an amount is denominated. (The currency of the option premium.)
	Amount	The non negative monetary quantity in currency units. (The amount of the option premium.)
Fee In	Currency	The currency of the upfront payment paid by the buyer / non-equity payer.
	Amount	The upfront payment paid by the buyer / non-equity payer.
Fee Out	Currency	The currency of the end of swap payment paid by the buyer / non-equity payer.
	Amount	The end of swap payment paid by the buyer / non-equity payer.
Remarks 1 (Standard Template)		The frequency at which regular fixing or observation dates occur for Leg 1.

Remarks 2 (Standard Template)		The frequency at which regular fixing or observation dates occur for Leg 2.
Settlement Method		Shows how the transaction is to be settled when it is exercised. (The settlement method, either "Cash" or "Physical".)
Option Entitlement		The number of units of shares per option comprised in the option transaction.
Number of Options		The number of options comprised in the option transaction.
Strike Price		The price or level at which the option has been struck.
Strike Price Currency		The currency in which an amount is denominated. (The currency in which the strike is denominated.)
Fixed Rate		The calculation period fixed rate. A per annum rate, expressed as a decimal. A fixed rate of 5% would be represented as 0.05.
Floating Rate Option		Specifies the Floating Rate Option in respect of an Equity Swap Transaction. The ISDA Floating Rate Option, i.e. the floating rate index.
Designated Maturity Period		The ISDA Designated Maturity, i.e. the tenor of the floating rate. This includes a time period multiplier and a time period, e.g. a day, week, month or year of the stream.
Floating Rate Spread		The initial rate or amount, as the case may be. An initial rate of 5% would be represented as 0.05.
Initial Price	Currency	Specifies the currency associated with the net price. (For Equity Swap only)
	Amount	Specifies the net initial price amount. (For Equity Swap Only)
Volatility Strike Price		Specifies the Volatility Strike Price in respect of a Variance Swap Transaction.
Volatility Strike Price	Currency	Specifies the currency of Volatility Strike Price in respect of a Transaction. (applicable to exotic products only)
	Amount	Specifies the Volatility Strike Price in respect of a Transaction. (applicable to exotic products only)

Variance Strike Price		Specifies the Variance Strike Price in respect of a Variance Swap Transaction. (denominated in basis points)
Variance Strike Price	Currency	Specifies the currency of Variance Strike Price in respect of a Transaction. (applicable to exotic products only)
	Amount	Specifies the Variance Strike Price in respect of a Transaction. (denominated in basis points). (applicable to exotic products only)
Variance Cap Factor		A multiplier to the Variance Strike to determine the Variance Cap level.
Dividend Period	Period Fixed Strike	In respect of each Dividend Period, the fixed strike amount applicable to the given Dividend Period.
Fixed Payment	Period Fixed Amount Currency	In respect of each dividend Period, the currency of Fixed Cash amount calculated for the given Dividend Period.
	Period Fixed Amount	In respect of each dividend Period, the Fixed Cash amount calculated for the given Dividend Period.
Special Dividends		If present and true, then special dividends and memorial dividends are applicable
Material non-cash dividend		If present and true, then material non cash dividends are applicable
Type of Return - Equity Swap - Variance Swap		Specifies the Type of Return in respect of an Equity Swap Transaction. (For Equity Swap) Specifies the Type of Return in respect of a Variance Swap Transaction. (For Variance Swap)
<u>(6) Information and particulars relating to the documentation of the transaction</u>		
Master Agreement	Type	The type of agreement executed between the parties and intended to govern all OTC derivatives transactions between those parties.
	Version	The version of the master agreement.
	Date	The date on which the master agreement was signed.

Master Supplement Date		The date on which the master supplement was signed.
Definitions Type		The definitions such as those published by ISDA that will define the terms of the trade.
<u>(7) Information and particulars relating to the confirmation of the transaction</u>		
Confirmation Platform ID		The code of the platform through which, or the manner in which, the trade is confirmed.
CP Trade Reference		The identifying reference assigned to the trade by the platform
<u>(8) Information and particulars relating to the execution of the transaction</u>		
Execution Type		Describes how the trade was executed.
Execution Date Time		The time and date when the trade was executed as in Coordinated Universal Time (UTC) of Hong Kong zone (UTC+8:00).
Execution Agent	Type	Type of Execution Agent identification code
	ID	Identification code of Execution Agent
	Party Name	Party name of Execution Agent
<u>(9) Information and particulars relating to the clearing of the transaction</u>		
Clearing		Indicates whether the trade was, or is intended to be, cleared through a central counterparty.
Central Counterparty ID		The code of the Central Counterparty through which the trade was, or is intended to be, cleared.
Clearing Broker	Type	The type of identification code of client clearing services provider (if any) involved in, or intended to be involved in clearing the trade.
	ID	Identification code of Clearing Broker
	Party Name	Party name of Clearing Broker

Clearing Exemption		Are one or more counterparties to the contract transaction exempted from clearing?
Special Terms Indicator		Whether the transaction is subject to a clearing mandate
<u>(10) Information and particulars relating to the compression exercise of the transaction</u>		
Special Terms		Indicates whether the contract is linked to a compression exercise
<u>(11) Particulars of any identifying references assigned to the transaction</u>		
Agent Trade Reference		This field is required by agent only. / This is used to correlate the event request to the designated trade.
User Trade Reference		User trade reference of reporting party. / This is used to correlate the event request to the designated trade.
Unique Transaction Identifier (UTI) Indicator		Indicates whether a Unique Swap Identifier (USI) exists for the trade. The USI refers to the unique transaction identifier reportable under the mandatory reporting requirements in the US pursuant to Dodd-Frank Act.
Unique Transaction Identifier (UTI)	Issuer ID	If a USI exists for the trade, the value of the USI, presented in conformity with the format and structure applicable to it. / This is used to correlate the event request to the designated trade.
	UTI Value	
Prior - Unique Transaction Identifier (UTI)	Issuer ID	The USI for the original trade.
	UTI Value	
Unique Transaction Identifier - Unique Trade ID (UTI-TID)		If a unique Trade ID (TID) reportable under the mandatory reporting requirements in the European Union exists for the trade, the value of the TID, presented in conformity with the format and structure applicable to it. / This is used to correlate the event request to the designated trade.
Prior - Unique Transaction Identifier - Unique Trade ID (UTI-TID)		The UTI-TID for the original trade.
Bilateral Comments		A bilateral agreed transaction identifier which is unique, shared and paired between the two counterparties.
Trade Reference		Unique trade reference generated by TR system. This is used to correlate the event request to the designated trade.

<u>(12) Information and particulars relating to the valuation of the transaction</u>		
Valuation Date Time		Business date and time of the valuation as in Coordinated Universal Time (UTC) of Hong Kong zone (UTC+8:00).
Valuation Value	Currency	Native currency of the calculated valuation value
	Amount	Calculated valuation value
Valuation Type		Reference model used to calculate daily mark.

Credit

Data Field	Data Sub-field (if any)	Description
<u>(1) Information and particulars relating to administration of the reporting of the transaction</u>		
Action		Action Type
Trade Event		Trade Event
Event Request ID		A unique identifier assigned to the trade event request by its creating party.
Agent Event Reference		Unique event reference generated by the agent.
User Event Reference		Unique event reference generated by the Reporting Party.
Full Termination Indicator		Full Termination Indicator is used to indicate whether the transaction is fully terminated or not. The value should be "Yes" when the trade is fully terminated, otherwise the field should be left blank. (applicable to exotic products only)
Reporting For	Type	Reporting For means the trade party that the Reporting Party is reporting for. It should be the types of identification code of the trade parties. It should be either one of the trade parties.
	ID	Identification code of Reporting For
	Party Name	Party name of Reporting For.
Remarks 1		An indication of whether pdf file has been uploaded as supplemental information to fulfil reporting requirement. (applicable to exotic products only)
Remarks 2		To specify the asset classes involved for hybrid trades. E.g. IR/EQ (applicable to exotic products only)
Version		The system version of the request.
File Reference		A unique file reference to identify the whole submission of requests assigned by user. This file reference will be carried forward to the response file for user to correlate the requests.

Purpose		Purpose of the file For reporting view, this must be "Reporting".
Submitting Party (Type)		Type of "Submitting Party" identification code, the party who submits the trade event to the HKTR system.
Submitting Party (ID)		Identification code of Submitting Party. The ID should have been maintained in the HKTR.
Reporting Party (Type)		Type of "Reporting Party" identification code, the party who has the reporting obligation to report the transaction.
Reporting Party (ID)		Identification code of Reporting Party. The ID should have been maintained in the HKTR.
Number of Trade Event Requests		Total number of Trade Event Requests in the file.
Valuation Request ID		A unique identifier assigned to the valuation request by its creating party.
<u>(2) Information and particulars relating to the class or type of product to which the transaction belongs</u>		
Asset Class		A simple asset class categorization.
Product Taxonomy		A classification of the type of product.
Unique Product Identifier (UPI)	ID Type	Product ID Type
	ID Value	Product ID Value
OTC Derivatives Product Taxonomy		OTC Product Taxonomy for Credit. (applicable to exotic products only)
Option Style		The exercise style of the option. Exercise style (American, European, Bermuda) (applicable to exotic products only)
Option Type		The type of option transaction. (applicable to exotic products only)
<u>(3) Dates and periods relating to the transaction</u>		
Trade Date		Trade date of the contract.

Effective Date	Unadjusted Date	Post trade event effective date /The first day of the term of the trade.
Backloading Date		Date of the trade snapshot being reported.
Scheduled Termination Date	Unadjusted Date	The scheduled date on which the credit protection will lapse. This day may be subject to adjustment in accordance with a business day convention.
Initial Payment Date	Adjusted Date	A fixed payment date for initial payment that shall be subject to adjustment in accordance with the applicable business day convention if it would otherwise fall on a day that is not a business day.
Single Payment Date	Adjusted Date	Date for Single Payment
Agreement Date		Post trade event trade date.
Effective Date - Leg 1 - Leg 2		The effective date of the transaction / leg 1 / leg 2 (applicable to exotic products only)
Termination Date - Leg 1 - Leg 2		The termination date of the transaction / leg 1 / leg 2 (applicable to exotic products only)
Commencement Date		For options, the earliest exercise date of the option (applicable to exotic products only)
Expiration Date		For options, the last exercise date of the option. (applicable to exotic products only)
Final Maturity Date		Final maturity date of a trade (applicable to exotic products only)
<u>(4) Information and particulars relating to the counterparties to the transaction</u>		
Reference Branch of Trade Party		The location of the branch/office of the trade party into which the transaction is booked.
Desk ID		The location of the trading desk responsible for the decision of entering into the transaction.
Trade Party 1 and 2	Type	Types of Trade Party identification code for the contracting parties of the trade being reported
	ID	Identification codes of Trade Parties
	Party Name	Party names of Trade Parties
	Place of Incorporation	Places of Incorporation (for corporates) and Residence (for individuals) of Trade Parties
Industrial Sector		Describes whether the trade party is a Corporate or an Individual.

Counterparty Industrial Sector		Describes whether the counter trade party is a Corporate or an Individual.
Buyer	Type	Type of Buyer / Leg 1 Payer identification code
	ID	Identification code of buyer / Leg 1 Payer
	Name	Party name of buyer / Leg 1 Payer
Seller	Type	Type of Seller / Leg 2 Payer identification code
	ID	Identification code of seller / Leg 2 Payer
	Name	Party name of seller / Leg 2 Payer
Initial Payment Amount Payer	Type	Type of Initial Payment Amount Payer identification code Initial Payment specifies a single fixed payment that is payable by the payer to the receiver on the initial payment date. The fixed payment to be paid is specified in terms of a known currency amount. This element should be used for CDS Index trades and can be used for CDS Single Name trades where it is necessary to represent a payment from Seller to Buyer. For CDS Single Name trades where a payment is to be made from Buyer to Seller, the "Single Payment" related fields must be used.
	ID	Identification code of Initial Payment Amount Payer
	Name	Party name of Initial Payment Amount Payer
Initial Payment Amount Receiver	Type	Type of Initial Payment Amount Receiver identification code
	ID	Identification code of Initial Payment Amount Receiver
	Name	Party name of Initial Payment Amount Receiver
Counterparty Origin		Indicates whether a transaction was done on behalf of a customer or house account

<u>(5) Information and particulars relating to pricing of the transaction</u>		
Price Notation	Price Type	Describes how to interpret the quoted price. Valid values include but are not limited to: Basis Points, Percentage, Currency, Amount, Price, Spread.
	Price	The premium, yield, spread or rate, depending on the type of swap, that is calculated at affirmation and nets to a present value of zero at execution. The pricing characteristic shall not include any premiums associated with margin, collateral, independent amounts, reconcilable post-execution events, options on a swap, or other non-economic characteristics.
Notional Amount / Notional	Currency	Identifies the notional currency / Notional currency of the transaction / Leg 1 / Leg 2
	Amount	identifies the notional amount / Notional amount of the transaction / Leg 1 / Leg 2
Fixed Rate (per annum)		The fixed interest rate at the start of the deal. A rate of 11.9% would be represented by .119. For CDS, a value of Zero is equal to specifying "Null" or "Blank"
Attachment Point		Lower bound percentage of the loss that the Tranche can endure, expressed as a decimal. An attachment point of 5% would be represented as 0.05. The difference between Attachment and Exhaustion points is call the width of the Tranche.
Exhaustion Point		Upper bound percentage of the loss that the Tranche can endure, expressed as a decimal. An exhaustion point of 5% would be represented as 0.05. The difference between Attachment and Exhaustion points is call the width of the Tranche.
Initial Payment	Currency	Identifies the Initial Payment currency
	Amount	Identifies the Initial Payment amount
Single Payment	Currency	Specifies the currency associated with the Single Payment Amount.
	Amount	Specifies a single fixed amount that is payable by the buyer to the seller on the fixed rate payer payment date. The fixed amount to be paid is specified in terms of a known currency amount.
Payment Frequency		The time interval between regular fixed rate payer payment dates.
Cash Settlement Currency		Specifies the Cash Settlement Currency in respect of a Transaction. (It is to be provided when the transaction is to be settled in a different currency other than the currency in which the notional amount is denominated.)

Embedded Option on Swap		Describes the type of any embedded optionality in the transaction that might not otherwise be apparent. Can be used to represent embedded optionality such as early termination provisions, extendible provisions, or cancellable provisions, etc., where applicable. If omitted, no embedded optionality is applicable.
Option Entitlement		The number of units of underlyer per option comprised in the option transaction. (applicable to exotic products only)
Number of Options		The number of options comprised in the option transaction. (applicable to exotic products only)
Strike Price	Unit	The units in which an amount (not monetary) is denominated. (applicable to exotic products only)
	Currency	The currency in which an amount is denominated. (applicable to exotic products only)
	Amount	The price or level at which the option has been struck. (applicable to exotic products only)
Basket Constituent Weight Percentage		Describes the weight of each of the constituents within the basket in percentage. (applicable to exotic products only)
nth To Default		N th reference obligation to default triggers payout. (applicable to exotic products only)
nth To Default		M th reference obligation to default to allow representation of N th to M th defaults. (applicable to exotic products only)
Reference Entity	ID Type	The type of identification code of the reference entity. Reference Entity means the corporate or sovereign entity on which you are buying or selling protection and any successor that assumes all or substantially all of its contractual and other obligations.
	Entity ID	Identification of the reference entity.
	Entity Name	The name of the reference entity
Reference Obligation	Asset Type	Define the underlying asset, either a listed security or other instrument. The Reference Obligation is a financial instrument that is either issued or guaranteed by the reference entity. It serves to clarify the precise reference entity protection is being offered upon, and its legal position with regard to other related firms (parents/subsidiaries).
	ID Type	The type of identification code of the underlying asset.
	Instrument ID	Identification of the underlying asset.
	Place of Incorporation	Place of incorporation of the underlying asset.

Index Reference Information	ID Type	The type of identification code of the underlying index. The Index Reference Information contains all the terms relevant to defining the Credit Default Swap Index or Index Tranche.
	Index ID	Identification of the underlying index.
	Place of Issuance Reference	Place of reference of the underlying index.
<u>(6) Information and particulars relating to the documentation of the transaction</u>		
Master Agreement	Type	The type of agreement executed between the parties and intended to govern all OTC derivatives transactions between those parties.
	Version	The version of the master agreement.
	Date	The date on which the master agreement was signed.
Master Supplement Date		The date on which the master supplement was signed.
Definitions Type		The definitions such as those published by ISDA that will define the terms of the trade.
<u>(7) Information and particulars relating to the confirmation of the transaction</u>		
Confirmation Platform ID		The code of the platform through which, or the manner in which, the trade is confirmed.
CP Trade Reference		The identifying reference assigned to the trade by the platform.
<u>(8) Information and particulars relating to the execution of the transaction</u>		
Execution Type		Describe how the trade was executed.
Execution Agent	Type	Type of Execution Agent identification code
	ID	Identification code of Execution Agent
	Party Name	Party name of Execution Agent
Execution Date Time		The time and date when the trade was executed as in Coordinated Universal Time (UTC) of Hong Kong zone (UTC+8:00).
<u>(9) Information and particulars relating to the clearing of the transaction</u>		
Clearing		Indicates whether the trade was, or is intended to be, cleared through a central counterparty.

Central Counterparty ID		The code of the Central Counterparty through which the trade was, or is intended to be, cleared.”
Clearing Broker	Type	The type of identification code of client clearing services provider (if any) involved in, or intended to be involved in clearing the trade.
	ID	Identification code of Clearing Broker
	Party Name	Party name of Clearing Broker
Special Terms Indicator		Whether the transaction is subject to a clearing mandate
Clearing Exemption		Are one or more counterparties to the contract transaction exempted from clearing?
<u>(10) Information and particulars relating to the compression exercise of the transaction</u>		
Special Terms		Indicates whether the contract is linked to a compression exercise
<u>(11) Particulars of any identifying references assigned to the transaction</u>		
Agent Trade Reference		This field is required by agent only. / This is used to correlate the event request to the designated trade.
User Trade Reference		User trade reference of reporting party. / This is used to correlate the event request to the designated trade.
Unique Transaction Identifier (UTI) Indicator		Indicates whether a Unique Swap Identifier (USI) exists for the trade. The USI refers to the unique transaction identifier reportable under the mandatory reporting requirements in the US pursuant to Dodd-Frank Act
Unique Transaction Identifier (UTI)	Issuer ID	If a USI exists for the trade, the value of the USI, presented in conformity with the format and structure applicable to it. / This is used to correlate the event request to the designated trade.
	UTI Value	
Prior - Unique Transaction Identifier (UTI)	Issuer ID	The USI for the original trade.
	UTI Value	
Unique Transaction Identifier - Unique Trade ID (UTI-TID)		If a unique Trade ID (TID) reportable under the mandatory reporting requirements in the European Union exists for the trade, the value of the TID, presented in conformity with the format and structure applicable to it. / This is used to correlate the event request to the designated trade.

Prior - Unique Transaction Identifier - Unique Trade ID (UTI-TID)		The UTI-TID for the original trade.
Bilateral Comments		A bilateral agreed transaction identifier which is unique, shared and paired between the two counterparties.
Trade Reference		Unique trade reference generated by TR system. This is used to correlate the event request to the designated trade.
<u>(12) Information and particulars relating to the valuation of the transaction</u>		
Valuation Date Time		Business date and time of the valuation as in Coordinated Universal Time (UTC) of Hong Kong zone (UTC+8:00).
Valuation Value	Currency	Native currency of the calculated valuation value
	Amount	Calculated valuation value
Valuation Type		Reference model used to calculate daily mark.

Commodity

Data Field	Data Sub-field (if any)	Description
<u>(1) Information and particulars relating to administration of the reporting of the transaction</u>		
Action		Action Type
Trade Event		Trade Event
Event Request ID		A unique identifier assigned to the trade event request by its creating party.
Agent Event Reference		Unique event reference generated by the agent
User Event Reference		Unique event reference generated by the Reporting Party
Full Termination Indicator		Full Termination Indicator is used to indicate whether the transaction is fully terminated or not. The value should be "Yes" when the trade is fully terminated, otherwise the field should be left blank. (applicable to exotic products only)
Reporting For	Type	Reporting For means the trade party that the Reporting Party is reporting for. It should be the types of identification code of the trade parties. It should be either one of the trade parties.
	ID	Identification code of Reporting For
	Party Name	Party name of Reporting For
Remarks 1		An indication of whether pdf file has been uploaded as supplemental information to fulfill reporting requirement. (applicable to exotic products only)
Remarks 2		To specify the asset classes involved for hybrid trades. E.g. IR/EQ (applicable to exotic products only)
Version		The system version of the request.
File Reference		A unique file reference to identify the whole submission of requests assigned by user. This file reference will be carried forward to the response file for user to correlate the requests.

Purpose		Purpose of the file For reporting view, this must be "Reporting".
Submitting Party (Type)		Type of "Submitting Party" identification code, the party who submits the trade event to the HKTR system.
Submitting Party (ID)		Identification code of Submitting Party. The ID should have been maintained in the HKTR.
Reporting Party (Type)		Type of "Reporting Party" identification code, the party who has the reporting obligation to report the transaction.
Reporting Party (ID)		Identification code of Reporting Party. The ID should have been maintained in the HKTR.
Number of Trade Event Requests		Total number of Trade Event Requests in the file.
Valuation Request ID		A unique identifier assigned to the valuation request by its creating party.
<u>(2) Information and particulars relating to the class or type of product to which the transaction belongs</u>		
Asset Class		A simple asset class categorization.
Product Taxonomy		A classification of the type of product.
Unique Product Identifier (UPI)	ID Type	Product ID Type
	ID Value	Product ID Value
OTC Derivatives Product Taxonomy		OTC Product Taxonomy for Commodities.
Option Type		Specifies whether the option is a call or a put / The type of option transaction.
Option Style		The parameters for defining how the commodity option can be exercised and how it is settled. / The exercise style of the option. Exercise style (American, Asian, Bermuda, European)

<u>(3) Dates and periods relating to the transaction</u>		
Backloading Date		Date of the trade snapshot being reported.
Trade Date		Trade date of the contract.
Effective Date	Unadjusted Date	Specifies the effective date of this leg of the swap. When defined in relation to a date specified somewhere else in the document (through the <code>relativeDate</code> component), this element will typically point to the effective date of the other leg of the swap. / Post trade event effective date.
Effective Date -Leg 1 -Leg 2		The effective date of the transaction / leg 1 / leg 2 (applicable to exotic products only)
Termination Date	Unadjusted Date	Specifies the termination date of this leg of the swap. When defined in relation to a date specified somewhere else in the document (through the <code>relativeDate</code> component), this element will typically point to the termination date of the other leg of the swap.
Termination Date -Leg 1 -Leg 2		The termination date of the transaction / leg 1 / leg 2 (applicable to exotic products only)
Option Effective Date	Unadjusted Date	The effective date of the Commodity Option Transaction.
Option Commencement Date(s)	Unadjusted Date(s)	The first day of the exercise period for an American style option. (For Financial option and Physical option)
Commencement Date		For options, the earliest exercise date of the option. (applicable to exotic products only)
Commodity Forward Average Price Leg Pricing Start Date	Unadjusted Date	Defines the Start of the Pricing period.
Expiration Date	Unadjusted Date	For American Option, the last day within an exercise period for an American style option. For European Option, It is the only day within the exercise period. For options, the last exercise date of the option.

Value Date	Unadjusted Date	Specifies the value date of the transaction. This is the day on which both the cash and the physical commodity settle. /The value date of the transaction.
Agreement Date		Post trade event trade date.
Final Maturity Date		Final maturity date of a trade (applicable to exotic products only)
<u>(4) Information and particulars relating to the counterparties to the transaction</u>		
Reference Branch of Trade Party		The location of the branch/office of the trade party into which the transaction is booked.
Desk ID		The location of the trading desk responsible for the decision of entering into the transaction.
Trade Party 1 and 2	Type	Types of Trade Party identification code for the contracting parties of the trade being reported
	ID	Identification codes of Trade Parties
	Party Name	Party names of Trade Parties
	Place of Incorporation	Places of Incorporation (for corporates) and Residence (for individuals) of Trade Parties
Industrial Sector		Describes whether the trade party is a Corporate or an Individual.
Counterparty Industrial Sector		Describes whether the counter trade party is a Corporate or an Individual.
Buyer	Type	Type of Buyer / Leg 1 Payer identification code (applicable to exotic products only)
	ID	Identification code of Buyer / Leg 1 Payer (applicable to exotic products only)
	Party Name	Party name of Buyer / Leg 1 Payer (applicable to exotic products only)
Seller	Type	Type of Seller / Leg 2 Payer identification code (applicable to exotic products)
	ID	Identification code of Seller / Leg 2 Payer (applicable to exotic products only)
	Party Name	Party name of Seller / Leg 2 Payer (applicable to exotic products only)

Option Buyer	Type	Type of Option Buyer identification code
	ID	Identification code of Option Buyer
	Name	Party name of Option Buyer
Option Seller	Type	Type of Option Seller identification code
	ID	Identification code of Option Seller
	Name	Party name of Option Seller
Average Price Leg Payer	Type	Type of Average Price Leg Payer identification code
	ID	Identification code of Average Price Leg Payer
	Party Name	Party name of Average Price Leg Payer
Bullion Physical Leg Payer	Type	Type of Bullion Physical Leg Payer identification code
	ID	Identification code of Bullion Physical Leg Payer
	Party Name	Party name of Bullion Physical Leg Payer
Metal Physical Leg Payer	Type	Type of Metal Physical Leg Payer identification code
	ID	Identification code of Metal Physical Leg Payer
	Party Name	Party name of Metal Physical Leg Payer
Fixed Rate Payer	Type	Type of Fixed Rate Payer identification code
	ID	Identification code of Fixed Rate Payer
	Party Name	Party name of Fixed Rate Payer
Floating Leg 1 Payer	Type	Type of Floating Leg 1 Payer identification code
	ID	Identification code of Floating Leg 1 Payer
	Party Name	Party name of Floating Leg 1 Payer

Floating Leg 2 Payer	Type	Type of Floating Leg 2 Payer identification code
	ID	Identification code of Floating Leg 2 Payer
	Party Name	Party name of Floating Leg 2 Payer
Coal Physical Leg Payer	Type	Type of Coal Physical Leg Payer identification code
	ID	Identification code of Coal Physical Leg Payer
	Party Name	Party name of Coal Physical Leg Payer
Gas Physical Leg Payer	Type	Type of Gas Physical Leg Payer identification code
	ID	Identification code of Gas Physical Leg Payer
	Party Name	Party name of Gas Physical Leg Payer
Oil Physical Leg Payer	Type	Type of Oil Physical Leg Payer identification code
	ID	Identification code of Oil Physical Leg Payer
	Party Name	Party name of Oil Physical Leg Payer
Electricity Physical Leg Payer	Type	Type of Electricity Physical Leg Payer identification code
	ID	Identification code of Electricity Physical Leg Payer
	Party Name	Party name of Electricity Physical Leg Payer
Premium Payer	Type	Type of Premium Payer identification code
	ID	Identification code of Premium Payer
	Party Name	Party name of Premium Payer
Premium Receiver	Type	Type of Premium Receiver identification code
	ID	Identification code of Premium Receiver
	Party Name	Party name of Premium Receiver

Counterparty Origin		Indicates whether a transaction was done on behalf of a customer or house account
<u>(5) Information and particulars relating to pricing of the transaction</u>		
Commodity	Instrument ID	Identification of the underlying asset of the transaction / leg 1 / leg 2.
	Base	To identify the base type of the commodity being traded. Where possible, this should follow the naming convention used in the 2005 ISDA Commodity Definitions.
	Details	To identify the commodity being traded more specifically. Where possible, this should follow the naming convention used in the 2005 ISDA Commodity Definitions.
	Unit of Measure	To identify the unit of measure in which the underlyer is denominated.
	Currency	The currency in which the Commodity Reference Price is published
Commodity Exchange ID		The Exchange identification code for those commodities being traded with reference to the price of a listed instrument.
Commodity Publication	Rate Source	The publication in which the rate, price, index or factor is to be found.
	Rate Source Page	A specific page or screen (in the case of electronically published information) on which the rate source is to be found.
Commodity Specified Price		A description of the nature of the underlying price that is observed.
Option Floating Strike Price Per Unit Commodity	Instrument ID	Identification of the underlying asset.
	Base	To identify the base type of the commodity being traded. Where possible, this should follow the naming convention used in the 2005 ISDA Commodity Definitions.
	Details	To identify the commodity being traded more specifically. Where possible, this should follow the naming convention used in the 2005 ISDA Commodity Definitions.
	Unit of Measure	To identify the unit of measure in which the underlyer is denominated.
	Currency	The currency in which the Commodity Reference Price is published

Option Floating Strike Price Per Unit Commodity Exchange ID		The Exchange identification code for those commodities being traded with reference to the price of a listed instrument.
Option Floating Strike Price Per Unit Commodity Publication	Rate Source	The publication in which the rate, price, index or factor is to be found.
	Rate Source Page	A specific page or screen (in the case of electronically published information) on which the rate source is to be found.
Option Floating Strike Price Per Unit Commodity Specified Price		A description of the nature of the underlying price that is observed.
Underlying asset		The underlying asset(s), e.g. floating rate indices, upon which the product is priced (applicable in case of exotic product).
Bullion Type		The type of Bullion underlying a Bullion Transaction.
Metal Material		The types of metal product for a physically settled metal trade.
Metal Grade		The grade of material which can be delivered in seller's option.
Coal Type		The type of coal product to be delivered by reference to a pre-defined specification. For contracts under SCoTA terms this is the quality specification code (e.g. "DES ARA")
Coal Source		The SCoTA cargo origin, mining region, mine(s), mining complex(es), loadout(s) or river dock(s) or other point(s) of origin that Seller and Buyer agree are acceptable origins for the Coal Product. For International Coal transactions, this is the Origin of the Coal Product.
Gas Type		The type of gas to be delivered.
Oil Type		The type of oil product to be delivered.
Oil Grade		The grade of oil product to be delivered.
Electricity Type		The type of electricity product to be delivered.

Grade(s)		The grade(s) of material which can be delivered in seller's option (applicable to exotic products only).
Price Notation	Price Type	Describes how to interpret the quoted price. Valid values include but are not limited to: Basis Points, Percentage, Currency, Amount, Price, Spread.
	Price	The premium, yield, spread or rate, depending on the type of swap, that is calculated at affirmation and nets to a present value of zero at execution. The pricing characteristic shall not include any premiums associated with margin, collateral, independent amounts, reconcilable post-execution events, options on a swap, or other non-economic characteristics.
Price Notation	Value	The fixed price on a fixed-float swap or the total premium on an option or the spread on floating leg 2 of a float-float swap (applicable to exotic products only)
	Measure Type	The measure type which applies to the value (applicable to exotic products only)
	Quote Units	The units of measure which applies to the value (applicable to exotic products only)
	Currency	The currency which applies to the value (applicable to exotic products only)
Notional Quantity	Units	The units of measure which apply to fixed leg or floating leg notional quantity.
	Frequency	The frequency with which the notional quantity applied for fixed leg or floating leg
	Amount	The notional quantity for each period for fixed leg or floating leg
Notional - Leg 1 - Leg 2	Units	Notional units of Leg 1 or Leg 2 The units in which an amount (not monetary) is denominated. (applicable to exotic products only)
	Currency	Notional currency of Leg 1 or Leg 2 The currency in which an amount is denominated. (applicable to exotic products only)
	Amount	Notional amount of Leg 1 or Leg 2 The quantity of notional (in currency or other units). (applicable to exotic products only)

Notional Quantity Schedule	Step Unit	The units of measure which apply to fixed leg / floating leg 1 / floating leg 2 notional quantity for each Calculation Period.
	Step Frequency	The frequency with which the notional quantity applies for fixed leg / floating leg 1 / floating leg 2 for each Calculation Period.
	Step Quantity	The notional quantity for each period for fixed leg / floating leg 1 / floating leg 2 for each Calculation Period.
Physical Quantity	Unit	The unit of measure which applies to Bullion, Metal, Coal, Gas, Oil or Electricity
	Frequency	The frequency with which Bullion, Metal, Coal, Gas, Oil or Electricity is delivered
	Quantity	The quantity of Bullion, Metal, Coal, Gas, Oil or Electricity which is delivered
Physical Quantity Schedule	Step Unit	The unit of measure which applies to Bullion, Metal, Coal, Gas, Oil or Electricity for each calculation period
	Step Frequency	The frequency with which Bullion, Metal, Coal, Gas, Oil or Electricity is delivered for each calculation period
	Step Quantity	The quantity of Bullion, Metal, Coal, Gas, Oil or Electricity which is delivered for each calculation period
Total Notional Quantity		The total Notional Quantity for fixed leg / floating leg 1 / floating leg 2 over the life of the contract
Option Notional Quantity	Unit	The units of measure which apply to the floating leg notional option.
	Frequency	The frequency with which the notional quantity applies for the option.
	Quantity	The notional quantity for each period for the option.
Optional Notional Quantity Schedule	Step Unit	The units of measure which apply to the floating leg notional option for each Calculation Period.
	Step Frequency	The frequency with which the notional quantity applies for the option for each Calculation Period.
	Step Quantity	The notional quantity for each period for the option for each Calculation Period.

Option Total Notional Quantity		The Total Notional Quantity
Total Physical Quantity	Unit	The unit of measure of the total quantity of Bullion, Metal, Coal, Gas, Oil or Electricity to be delivered.
	Quantity	The total quantity of Bullion, Metal, Coal, Gas, Oil or Electricity to be delivered.
Fixed Price	Currency	The currency of the fixed price which applies for the trade
	Price	The fixed price which applies for the trade.
	Unit	The units of measure of the fixed price which applies for the trade
Fixed Price Schedule	Step Currency	The currency of the fixed price which applies in the transaction for each Calculation Period.
	Step Price	The fixed price for each Calculation Period.
	Step Unit	The units of measure of the fixed price which applies in the transaction for each Calculation Period.
Strike Price Per Unit	Currency	The currency amount of the strike price per unit.
	Amount	The monetary quantity in currency units.
Strike Price	Unit	The units in which an amount (not monetary) is denominated. (applicable to exotic products only)
Strike Price Per Unit Schedule	Step Currency	The currency amount of the strike price per unit for each Calculation Period.
	Step Amount	The monetary quantity in currency units for each Calculation Period.
Option Floating Strike Price Per Unit Spread	Currency	The currency of spread over or under the Commodity reference price for this leg
	Amount	The monetary quantity in currency units.
Option Floating Strike Price Per Unit Spread Schedule	Step Currency	The currency spread over or under the Commodity Reference Price for this leg of the trade for each Calculation Period.
	Step Amount	The monetary quantity in currency units for each Calculation Period.

Calculation Spread	Currency	The currency of the spread over or under the Commodity Reference Price for floating leg 1 / floating leg 2 of the trade.
	Amount	The monetary quantity in currency units
Calculation Spread Schedule	Currency	The currency of the spread over or under the Commodity Reference Price for floating leg 1 / floating leg 2 of the trade for each Calculation Period.
	Amount	The monetary quantity in currency units for each calculation period.
Premium Payment Amount	Currency	The currency amount of premium to be paid of the Total Notional Quantity.
	Amount	The monetary quantity in currency units.
Premium	Currency	Premium amount or premium installment amount for an option. The currency in which an amount is denominated. (applicable to exotic products only)
	Amount	The monetary quantity in currency units. (applicable to exotic products only)
Option Entitlement		The number of units of underlyer per option comprised in the option transaction (applicable to exotic products only).
Number of Options		The number of options comprised in the option transaction (applicable to exotic products only).
Quantity		The periodic quantity. Used in conjunction with the Quantity Frequency to define quantity per period. (applicable to exotic products only).
Quantity Frequency		The frequency at which the Notional Quantity is deemed to apply for purposes of calculating the Total Notional Quantity. (applicable to exotic products only).
Settlement Type		How the trade settles (cash or physical). This element is also used for CFTC the "Delivery Type" field. (applicable to exotic products only)
Settlement Currency		The currency in which settlement occurs. (It is to be provided when the transaction is to be settled in a different currency other than the currency in which the notional amount is denominated.)

<u>(6) Information and particulars relating to the documentation of the transaction</u>		
Master Agreement	Type	The agreement executed between the parties and intended to govern all OTC derivatives transactions between those parties.
	Version	The version of the master agreement.
	Date	The date on which the master agreement was signed.
Master Supplement Date		The date on which the master supplement was signed.
Definitions Type		The definitions such as those published by ISDA that will define the terms of the trade.
<u>(7) Information and particulars relating to the confirmation of the transaction</u>		
Confirmation Platform ID		The code of the platform through which, or the manner in which, the trade is confirmed.
CP Trade Reference		The identifying reference assigned to the trade by the platform
<u>(8) Information and particulars relating to the execution of the transaction</u>		
Execution Type		Describes how the trade was executed.
Execution Date Time		The time and date when the trade was executed as in Coordinated Universal Time (UTC) of Hong Kong zone (UTC+8:00).
Execution Agent	Type	Type of Execution Agent identification code
	ID	Identification code of Execution Agent
	Party Name	Party name of Execution Agent
<u>(9) Information and particulars relating to the clearing of the transaction</u>		
Clearing		Indicates whether the trade was, or is intended to be, cleared through a central counterparty.
Central Counterparty ID		The code of the Central Counterparty through which the trade was, or is intended to be, cleared.
Clearing Broker	Type	The type of identification code of client clearing services provider (if any) involved in, or intended to be involved in clearing the trade.
	ID	Identification code of Clearing Broker
	Party Name	Party name of Clearing Broker

Clearing Exemption		Are one or more counterparties to the contract transaction exempted from clearing?
Special Terms Indicator		Whether the transaction is subject to a clearing mandate
<u>(10) Information and particulars relating to the compression exercise of the transaction</u>		
Special Terms		Indicates whether the contract is linked to a compression exercise
<u>(11) Particulars of any identifying references assigned to the transaction</u>		
Agent Trade Reference		This field is required by agent only. / This is used to correlate the event request to the designated trade.
User Trade Reference		User trade reference of reporting party. / This is used to correlate the event request to the designated trade.
Unique Transaction Identifier (UTI) Indicator		Indicates whether a Unique Swap Identifier (USI) exists for the trade. The USI refers to the unique transaction identifier reportable under the mandatory reporting requirements in the US pursuant to Dodd-Frank Act.
Unique Transaction Identifier (UTI)	Issuer ID	If a USI exists for the trade, the value of the USI, presented in conformity with the format and structure applicable to it. / This is used to correlate the event request to the designated trade.
	UTI Value	
Prior - Unique Transaction Identifier (UTI)	Issuer ID	The USI for the original trade.
	UTI Value	
Unique Transaction Identifier - Unique Trade ID (UTI-TID)		If a unique Trade ID (TID) reportable under the mandatory reporting requirements in the European Union exists for the trade, the value of the TID, presented in conformity with the format and structure applicable to it. / This is used to correlate the event request to the designated trade.
Prior - Unique Transaction Identifier - Unique Trade ID (UTI-TID)		The UTI-TID for the original trade.
Bilateral Comments		A bilateral agreed transaction identifier which is unique, shared and paired between the two counterparties.

Trade Reference		Unique trade reference generated by TR system. This is used to correlate the event request to the designated trade.
<u>(12) Information and particulars relating to the valuation of the transaction</u>		
Valuation Date Time		Business date and time of the valuation as in Coordinated Universal Time (UTC) of Hong Kong zone (UTC+8:00).
Valuation Value	Currency	Native currency of the calculated valuation value
	Amount	Calculated valuation value
Valuation Type		Reference model used to calculate daily mark.