



HONG KONG MONETARY AUTHORITY  
香港金融管理局

*Assessment of OTC Derivatives Trade Repository of the  
Hong Kong Monetary Authority (HKTR)  
against  
Principles for Financial Market Infrastructures*

*April 2016*

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## I. Executive summary

1. This report contains the assessment by the Hong Kong Monetary Authority (HKMA)<sup>1</sup> (via the Payment Systems Oversight (PSO) team of the Payment Systems Oversight & Licensing Division (PSOLD))<sup>2</sup> of the Over-the-counter (OTC) Derivatives Trade Repository of the Hong Kong Monetary Authority (HKTR). HKTR is a centralised registry that maintains an electronic database of records of OTC derivative transactions (OTCD transactions). The objective of the assessment is to evaluate how well HKTR observes the *Principles for Financial Market Infrastructures (PFMI)*. The PFMI are issued jointly by the Committee on Payments and Market Infrastructures (CPMI)<sup>3</sup> of the Bank for International Settlements and the Technical Committee of the International Organization of Securities Commissions (IOSCO) in April 2012.

2. The assessment was conducted in accordance with the approach and rating system set out in the “*Principles for financial market infrastructures: Disclosure framework and Assessment methodology (DFAM)*” issued by CPMI-IOSCO.<sup>4</sup>

3. The assessment finds that HKTR observes Principles 1, 2, 3, 15, 17, 18, 21 and 22, broadly observes Principle 23 and partly observes Principle 24 of the PFMI, based on the rating system set out in the DFAM. The remaining principles (Principles 4-14, 16, 19 and 20) are not applicable to HKTR. The assessment includes recommended actions to be taken by the HKTR to improve the safety and efficiency of the system. The recommended actions are related to Principles 1, 17<sup>5</sup>, 23 and 24 are summarised in Table 2 of Part IV of this document.

4. The HKMA will conduct the assessment regularly in accordance with the requirements of the PFMI.

## II. Introduction

5. The HKTR is a centralised registry that maintains an electronic database of records of OTCD transactions. By collecting and providing OTCD transaction information to regulatory authorities, a trade repository (TR) plays a vital role in supporting authorities in carrying out their market surveillance responsibilities, which will help maintain financial stability. It also helps improve market transparency,

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<sup>1</sup> The office of the Monetary Authority (MA) is known as the Hong Kong Monetary Authority (HKMA), and the MA is the Chief Executive of the HKMA. The MA is appointed under the Exchange Fund Ordinance to assist the Financial Secretary in performing his functions under the Exchange Fund Ordinance and to perform such other functions as are assigned by other Ordinances or by the Financial Secretary.

<sup>2</sup> The Payment Systems Oversight & Licensing Division (PSOLD) has been renamed as the Financial Market Infrastructure Oversight & Licensing Division (FMIOLD) since February 2016.

<sup>3</sup> The Committee on Payment and Settlement Systems (CPSS) changed its name to Committee on Payments and Market Infrastructures (CPMI) in September 2014.

<sup>4</sup> The disclosure framework in the DFAM prescribes the form and content of the disclosures expected of FMIs. The assessment methodology provides guidance to assessors for evaluating observance of the principles and responsibilities set forth in the PFMI.

<sup>5</sup> The recommended actions in relation to Principles 1 and 17 are not issues of concern but items that the system could consider taking up in the normal course of business. According to the DFAM, these will not affect the “observed” rating of these two principles.

promotes standardisation and ensures availability and quality of transaction data.

6. The assessment of HKTR against relevant PFMI was conducted by the PSO team as the overseer of HKTR. Among other objectives of the HKMA, the assessment aims to ensure consistent implementation and application of the PFMI by the HKTR, and to identify possible risks and recommend actions to mitigate such risks. The assessment of the HKTR is based on the PFMI. This assessment covers all the PFMI principles which are applicable to a TR. The methodology follows the report on DFAM published by CPMI and IOSCO.

7. This assessment focuses on the core function of the HKTR (i.e. the reporting service). Ancillary functions performed by the HKTR (e.g. matching and confirmation services) will be assessed to the extent that performance of the ancillary functions may affect performance of the core function. Based on the current system design of the HKTR, the reporting service under the core function and the other services under the ancillary functions are offered separately and trade data submitted to the HKTR for one purpose cannot be used for the other purpose.

8. The assessment was conducted based on available information up to the end of December 2015. The information used in the assessment includes all the relevant laws, rules and operating procedures governing HKTR as well as the oversight information available to the HKMA, as the overseer of HKTR. The oversight information includes monthly returns on turnover and performance of the system, incident reports, information gathered during on-site reviews and regular meetings with the management of the system, and a self-assessment of HKTR conducted by the HKMA (via the TR team of Payment Systems Operation Division (PSOD) of the Financial Infrastructure Department (FID) as the system operator (SO) of the HKTR.

9. The HKMA did not encounter any particular difficulties in obtaining the information required to conduct the assessment of HKTR against the PFMI.

10. This is the first assessment report of HKTR against the PFMI. It will be updated every two years or more frequently if required when there is material change to the system.

### **III. Overview of the financial market infrastructure landscape**

#### ***Introduction***

11. In support of the policies for the maintenance and the further development of the status of Hong Kong as an international financial centre and maintenance of the stability and integrity of the financial system of Hong Kong, the HKMA has played an important role in developing the financial infrastructure of Hong Kong.

12. Financial market infrastructures (FMIs)<sup>6</sup> under the purview of the HKMA

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<sup>6</sup> The PFMI provided new international standards for FMIs, including payment systems (PSs) that are systemically important, central securities depositories (CSDs), securities settlement systems (SSSs), central counterparties (CCPs) and trade repositories (TRs).

include multi-currency payment systems for the settlement of interbank payments (PS); a debt securities settlement system (CSD/SSS); system links to facilitate PVP and DvP services, and external links to facilitate cross-border transactions. In addition, the HKMA owns and operates a TR that maintains an electronic database of records of OTCD transactions.

13. The HKTR is a centralised registry which maintains an electronic database of records of OTCD transactions. Its purpose is to support authorities in carrying out their market surveillance responsibilities, which will help maintain financial stability. It also helps improve market transparency, promotes standardisation and ensures availability and quality of transaction data.

14. The HKTR is owned and operated by the HKMA. The system operator of the HKTR is the HKMA (through its TR team under the PSOD of the FID). The TR team is tasked with the day-to-day operations of the HKTR, liaison with participants as appropriate and initiating on-going development and enhancements. The HKMA has appointed Hong Kong Interbank Clearing Limited (HKICL) to develop and oversee the day-to-day operation of the computer systems of the HKTR (computer system operator). The terms and the conditions of the appointment are set out in a service agreement signed between the two parties. The HKMA and HKICL have developed policies and procedures for the safe and efficient operation of the HKTR. The HKTR is subject to the oversight by the HKMA (via the PSO team under PSOLD of the Banking Conduct Department (BCD)).

15. Entities subject to the statutory reporting requirements under the OTCD regulatory regime in Hong Kong are required to report specified OTCD transactions to the HKTR via the reporting service of the HKTR. The HKTR also provides an optional service to match and confirm OTCD transactions. The matched transactions will be cleared by the central counterparty (CCP) facility of Hong Kong Exchanges and Clearing Limited. The matching and confirmation service and the reporting service of the HKTR were launched in December 2012 and July 2013 respectively.

### ***History and development of HKTR***

16. In response to the G20's commitment to improve the transparency and regulatory oversight of OTCD markets, the MA, the Securities and Futures Commission (SFC) and other stakeholders in Hong Kong established a regulatory regime for OTCD market under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (SFO), including an obligation for eligible entities to report specified OTCD transactions to a TR established by the HKMA, namely the HKTR. A set of "*Securities and Futures (OTC Derivative Transactions – Reporting and Record Keeping Obligations) Rules (the Reporting Rules)*" was promulgated and came into effect on 10 July 2015, and the OTCD regulatory regime took effect on the same day.

17. The HKTR plays an important role in maintaining financial stability. The safety and efficiency of the HKTR will enable its users to report eligible OTCD transactions in a timely and convenient manner in compliance with the regulatory requirements. The OTCD transaction data available from the HKTR will also help enhance market transparency and improve market surveillance.

## ***Operations and services of HKTR***

### Scope of services

18. The services provided by the HKTR comprise (a) trade reporting service and (b) trade matching and confirmation service. An entity must join the HKTR as a TR member before using the services of the HKTR. The two services are provided independently to TR members.

### Participation and operating hours

19. Participation in the HKTR is subject to terms and conditions set out by the HKMA. In general, the HKTR permits any institution that meets the relevant criteria for participation in the system. Entities eligible to subscribe to the trade reporting service are either (i) entities subject to reporting obligation under the SFO (reporting entities) or (ii) other entities at the discretion of and subject to conditions specified by the HKMA. Prior to becoming a TR member, each applicant is required to enter into a standard contractual agreement with the HKMA, i.e. the Reporting Service Agreement. Each member will be assigned and advised of a unique “TR Member code” to represent its identity in the HKTR system.

20. As of end-December 2015, reporting entities which include authorized institutions (AIs) and approved money brokers (AMBs) licensed and regulated by the HKMA under the Banking Ordinance (BO), licensed corporations (LCs) and recognised clearing houses (RCHs) licensed and regulated by the SFC under the SFO, are required to report specified OTCD transactions done or conducted by them to the electronic system operated by or on behalf of the MA for submitting and receiving reports on specific OTCD transactions under the OTCD regulatory regime. The HKTR is the system developed for the eligible entities to report their OTCD transactions. As of end-December 2015, the HKTR had 196 members.

21. The HKTR system operates 7 days a week and 24 hours a day, except for a regular daily maintenance window every night. The daily maintenance window is designed for routine end-of-day and start-of-day batch run, which includes trade matching, linking, report generation tasks, etc. The HKTR will inform participants and announce any change to the operating window in advance. During the daily maintenance window, participants can still submit files containing transaction information through the specified channels. The files will be queued in the system and processed after the system resumes operation.

22. The maintenance windows for submitting trade information to the HKTR through different channels are set out in the table below.

<b>Submission Channel</b>	<b>Monday to Saturday (Hong Kong time)</b>	<b>Sunday (Hong Kong time)</b>
User Interface (UI) upload via SWIFTNet FileAct via SWIFTNet	0:30 - 4:00	23:00 (Sat)– 12:00 (Sun) (and additional outage period published by SWIFT <sup>7</sup> from time to time, if any)
FTS (File Transfer Service) via HKICL Network (ICLNet) <sup>8</sup>	0:30 – 4:00	23:00 (Sat) – 5:00 (Sun)
UI upload via Internet	0:30 – 4:00	23:00 (Sat) – 5:00 (Sun)

### Submission of trade information

23. TR members can submit trade information of OTCD transactions to the HKTR through the above channels specified by the HKTR. TR members may adopt multiple channels for the submission of trade information of different transactions, of the same or different products, to the HKTR simultaneously. The status of trade events submitted to the HKTR can be accessed in real time via the HKTR UI by participants during operating hours. System reports which summarise information on trade submission status and records are also generated on an off-line batch mode during the daily maintenance window. These reports can be delivered to participants electronically via FileAct/FTS and viewed/downloaded by participants manually via the UI.

24. The HKTR allows members to submit trade information for reporting through an agent. The member assumes full responsibility over the activities of its agent in reporting on its behalf. The agent can be a third party service vendor or another TR member, including the counterparty participant in the transaction. A member opting to submit trade information through an agent has to nominate the agent to the HKTR in accordance with the procedures of the HKTR.

### Validation of trade information

25. Upon receiving a file containing trade event records from a participant, the HKTR system will validate the format, contents and syntax of the file as well as that of the individual records contained in the file. If an error is detected, the whole file or individual trade event records will be rejected, depending on whether the error occurs at the file or record level. An electronic response file is sent automatically to the member (via the file submission channel, or in the form of system enquiry reports for those who are submitting through the UI of the HKTR) for follow-up by members.

<sup>7</sup> SWIFT refers to Society for Worldwide Interbank Financial Telecommunication.

<sup>8</sup> ICLNet is a secure, open, scalable, and high performance restricted-access private IP-based network operated by HKICL for connecting the respective computer systems of the financial institutions and other licensed financial entities in Hong Kong for exchanging electronic data efficiently and in a secure manner.

## Linking and matching of trade information submitted by participants

26. To help enhance data quality at the HKTR, and to facilitate TR members to identify and resolve potential reporting errors, the HKTR system identifies, compares and links up trade event records reported by both sides of a transaction by TR members. To facilitate follow-up linking of trades, transaction and trade event records that cannot be linked and any discrepancies in reported details will be provided to members for review and any necessary action. Records of transaction conducted between a TR member and a non-TR member will not be linked and will be classified as single-sided transactions in the HKTR system.

### ***Oversight arrangements for HKTR***

27. The HKMA is the overseer for PS, CSD/SSS for debt securities and the HKTR. The responsibilities of the MA for overseeing the HKTR are derived from the Exchange Fund Ordinance (EFO)<sup>9</sup>.

28. Section 3(1A) of the EFO provides that, in addition to the primary purpose of the Exchange Fund, “the Financial Secretary may, with a view to maintaining Hong Kong as an international financial centre, use the Exchange Fund as he thinks fit to maintain the stability and integrity of the monetary and financial systems of Hong Kong”. Taking into account the important role performed by a trade repository in supporting regulatory authorities in carrying out their market surveillance responsibilities, which will contribute to maintaining monetary and financial stability, the MA considers that the proper functioning of the HKTR is systemically important to Hong Kong’s monetary and financial stability and therefore takes steps to ensure that the HKTR is operated in a safe and efficient manner. The MA oversees the HKTR with reference to the relevant principles of the PFMI.

29. The oversight framework of the HKMA in overseeing the FMIs under its purview is set out in the policy statement - “Oversight of Financial Market Infrastructures by the Hong Kong Monetary Authority”<sup>10</sup> (Policy Statement). To implement the requirements under the PFMI, the HKMA and SFC jointly issued a statement<sup>11</sup> in March 2013 on the adoption of PFMI for the systemically important FMIs in Hong Kong. For the HKTR, the relevant PFMI requirements were incorporated in the “*Guideline on the Oversight Framework for the Hong Kong Trade Repository*”<sup>12</sup> which was published in July 2013. The oversight requirements and arrangements for the HKTR set out in this Oversight Framework are fine-tuned and revised from time to

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<sup>9</sup> Exchange Fund Ordinance – [http://www.legislation.gov.hk/blis\\_pdf.nsf/4f0db701c6c25d4a4825755c00352e35/B14512AEA9D0D8E9482575EE0036BEF8/\\$FILE/CAP\\_66\\_e\\_b5.pdf](http://www.legislation.gov.hk/blis_pdf.nsf/4f0db701c6c25d4a4825755c00352e35/B14512AEA9D0D8E9482575EE0036BEF8/$FILE/CAP_66_e_b5.pdf)

<sup>10</sup> Policy statement - Oversight of Financial Market Infrastructures by the Hong Kong Monetary Authority - [http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/oversight/FMI\\_oversight.pdf](http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/oversight/FMI_oversight.pdf).

<sup>11</sup> HKMA and SFC joint statement - <http://www.hkma.gov.hk/eng/key-information/press-releases/2013/20130328-6.shtml>; or <http://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=13PR28>

<sup>12</sup> Guideline on the Oversight Framework for the Hong Kong Trade Repository – [http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/oversight/guideline\\_TR.pdf](http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/oversight/guideline_TR.pdf)



time in the light of the developments in international OTCD market and experience to be gained in this regard.

30. As mentioned above, the HKMA is the SO and overseer of the HKTR. To ensure effective operation and oversight of the HKTR, two different departments of the HKMA undertake the operational and oversight roles. The TR team of the FID is responsible for the development and operation of the HKTR. The PSO team of the BCD is responsible for the oversight of the HKTR. In order to avoid any potential and real conflicts of interest, there are effective “Chinese wall” arrangements between the TR and PSO teams. In particular, the two teams belong to two different departments of the HKMA and have separate reporting lines to the senior management of the HKMA.

#### IV. Summary assessment

##### **Recommendations for the FMI**

31. The assessment finds that HKTR observes Principles 1, 2, 3, 15, 17, 18, 21, 22, broadly observes Principle 23 and partly observes Principle 24 of the PFMI, based on the rating system set out in the DFAM report for the PFMI. The assessment was made based on available information up to the end of December 2015. The remaining principles (Principles 4-14, 16, 19 and 20) are not applicable to HKTR. Table 1 summarises the ratings for each principle. The assessment also identified recommended actions to be taken by the HKTR. The recommended actions are related to Principles 1, 17, 23 and 24 and are summarised in Table 2. A narrative summary of the key findings and recommendations are presented after Tables 1 and 2.

**Table 1 Ratings summary**

<b>Assessment category</b>	<b>Principle</b>
Observed	<i>Principles 1, 2, 3, 15, 17, 18, 21, 22</i>
Broadly observed	<i>Principle 23</i>
Partly observed	<i>Principle 24</i>
Not observed	<i>Nil</i>
Not applicable	<i>Principles 4-14, 16, 19 and 20</i>

**Table 2 List of recommended actions**

Principle (Key Consideration (KC))	Issue of concern or other gap or shortcoming	Recommended actions
<i>To be addressed in a defined timeline</i>		
1 (KC1)	<p><i>While the HKTR is ready to provide the required data maintained in the HKTR from the system perspective, the TR team will only be able to develop the internal operating procedures for the access, sharing and disseminating of TR data when the framework for access and disclosure of TR data is finalised. However, the access, sharing and disseminating of HKTR data is governed by the OTCD regulatory regime. The framework of such is under discussion by the policy makers of the HKMA and SFC.</i></p>	<p><i>HKTR to develop the relevant procedures to set out the internal processes and controls for the provision of TR data to the relevant entities (including regulators and the general public) according to the requirements set out in the framework subject to the readiness of the framework for access and disclosure of TR data.</i></p>
1 (KC2)	<p><i>The HKTR has put in place the 'document change process' when amending the TR documents. However, it is not included in the internal operating procedures.</i></p>	<p><i>To include in the internal operating procedures on the change management process for TR documents to ensure consistent processes are adopted for the amendments of TR documents.</i></p>
17	<p><i>The HKTR should continue to enhancing cyber resilience and business continuity arrangements, taking into account latest developments.</i></p>	<p><i>The HKTR should continue to review its approach to cyber security on an ongoing basis, in particular its mechanisms for preventing, detecting, responding to and recovering from cyber attacks, and its plans to enhance its business continuity arrangements, taking into account developments from both in Hong Kong and overseas, including the international guidance on cyber resilience for financial market infrastructures being developed</i></p>

Principle (Key Consideration (KC))	Issue of concern or other gap or shortcoming	Recommended actions
		<i>by the CPMI-IOSCO.</i>
23 (KC5)	<p><i>The HKTR has not commenced to provide market data to the public. The HKTR, as the electronic database for records of OTCB transactions, is ready to access and share data maintained in the HKTR to the relevant parties. However, the access, sharing and disseminating of TR data is governed by the OTCB regulatory regime. The framework for such access is under discussion by the policy makers of the HKMA and SFC. The HKTR is ready for the proper access and sharing to authorized parties and the dissemination of TR data, including to the general public, after the finalization of the framework. This is considered a minor gap.</i></p>	<p><i>The HKTR should publicly disclose the relevant TR market data to the public after the finalization of the framework allowing proper access and sharing to authorized parties and the dissemination of TR data under the OTCB regulatory regime.</i></p>
24	<p><i>From the system perspective, the HKTR appears to be ready to provide timely and accurate data to the relevant authorities and the public. However, the framework of access, sharing and disseminating of data maintained in the HKTR is not yet ready and is under discussion by the regulators. Further, a number of processes (including technical enhancements) are underway to facilitate timely and efficient access to TR data.</i></p> <p><i>This principle is assessed as “partly observed” for the moment as the means are yet to be fully implemented. Further, it is not possible to fully assess whether the data is provided in a timely manner in a format that</i></p>	<p><i>The HKTR is recommended to formulate a detailed plan for access and disclosure of TR data to various entities and the general public once the data access framework is agreed by the regulators.</i></p>

Principle (Key Consideration (KC))	Issue of concern or other gap or shortcoming	Recommended actions
	<i>permits it to be easily analysed as the HKTR has yet to provide data to overseas regulators.</i>	

*Notes: The recommended actions in relation to Principles 1 and 17 are not issues of concern but are of a nature that the system could consider taking them up in the normal course of business. According to the assessment methodology, these will not affect the observed rating of these two principles.*

## **Narrative summary key findings and recommendations**

### **General organisation (Principles 1–3)**

32. The relevant laws in Hong Kong provide a comprehensive and well-founded legal framework for the establishment and operation of HKTR in Hong Kong. The HKTR has a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities. The laws, regulations and contractual provisions clearly define the rights and obligations of each party with respect to the system. The legal basis of the HKTR consists of (i) the legal framework and (ii) the HKTR’s rules and operational procedures. Specifically, the legal framework, which includes the regulatory regime for the OTCD market in Hong Kong under the Securities and Futures (Amendment) Ordinance 2014 and Securities and Futures (OTC Derivative Transactions - Reporting and Record Keeping Obligations) Rules (Reporting Rules), provides the statutory requirements for reporting of eligible OTCD transactions and also the statutory assurance for access and disclosure of TR data. Participation in the HKTR is governed by contractual arrangements. A reporting entity has to become a member of the HKTR and is required to sign a standard service agreement with the HKMA, known as “Reporting Service Agreement” (SA for Participation), which contains rules and procedures for the HKTR.

33. All the relevant documents are governed by Hong Kong laws and are legally binding and enforceable. The rules, procedures and contracts signed between the relevant entities of the HKTR, including the HKMA (as the SO of the HKTR), TR participants, and HKICL as the computer system operator are clear and understandable and are comprehensively articulated. The HKTR has not been the subject of any judicial controversy. Actions taken under the rules, procedures and contracts have not been voided or reversed by another administrative or judicial authority.

34. Governance arrangements for the HKTR are in place to ensure safety and efficiency of the system and support the stability of the broader financial system and other relevant public interest considerations. The HKTR is owned and operated by the HKMA. Since it is operated as an internal unit of the HKMA, the operation of the HKTR falls under the governance arrangements of the HKMA and is subject to the governance, decision-making, audit and control processes of the HKMA. The governance arrangements of the HKMA are publicly available on HKMA’s website. Decisions on major issues/policies of the HKTR are subject to pre-established approval processes of the HKMA, and will be communicated to the relevant parties and the

general public where appropriate.

35. The responsibilities for establishing and implementing the risk management framework for the HKTR are in place. The division of responsibilities within the HKMA clearly separates the responsibility for operating HKTR from the oversight function. Participants are given the opportunity to provide input to the operation of HKTR and planning for its long term development. Major decisions are published on the HKMA and the HKTR websites and participants are informed via various means such as circulars.

36. HKTR has developed robust risk management policies and procedures that enable it to manage risks associated with the operation of the system. The HKMA (as the SO of the HKTR) and HKICL (as the computer system operator) both have a well-established risk management framework which facilitates the identification, assessment, management and monitoring the material risks for the HKTR. The HKMA and HKICL identified and managed separately the risks that have impact on its ability to operate the system in a safety and efficiency manner, including those arising from interdependencies with critical service providers. Business contingency arrangements and drills are in place to ensure continuity or recovery of services during crisis situation. The HKTR, which is owned and operated by the HKMA as a central banking institution, is exempt from the requirement to have a recovery plan.

### **General business and operational risk management (Principles 15–17)**

37. The HKMA manages the risks for the HKTR through the organisation-wide risk management framework. There is no business risk for the HKTR as it is owned and operated by the HKMA. For financial risk, the HKMA's budgeting and accounting processes and monitoring mechanism ensure that sufficient funds are provided to meet its current and projected operating and development expenses.

38. The HKMA and HKICL have established a robust risk-management framework covering operational risk with appropriate systems, policies, procedures and controls to identify, monitor, and manage operational risks. Plausible sources of operational risk have been identified. Robust physical and information security policies and control are in place. The HKMA as the SO of the HKTR is required to make an annual declaration that the physical and information security policies and control measures continue to be in place and kept under review. The business continuity plan (BCP) for HKTR is comprehensive and well-tested. Various system and network BCP drills are conducted annually. A hot back-up site has been set up to ensure timely recovery of operation in case of serious disruption.

### **Access (Principles 18–20)**

39. Access policies and requirements of the HKTR are clear, fair and disclosed publicly. The system adopts a single-tier membership structure in which institutions can join the HKTR subject to terms and conditions set by the HKMA. The participation policies and requirements are justified in terms of the safety and efficiency operation of the HKTR, which include a number of risk-based participation requirements to ensure that a participant has the legal, operational and technical capacity to fulfil its obligations

as a participant of the system.

40. The system design and technical requirements are designed to facilitate access of all types of participants, irrespective of their institutional status. The HKTR monitors participants' compliance with the participation requirements on an ongoing basis, and has clearly defined and publicly disclosed procedures for facilitating the suspension and orderly exit of participants.

### **Efficiency (Principles 21–22)**

41. HKTR is designed to meet the needs of participants and local and international regulatory requirements. The technical requirements and operational schedules are designed in consideration of participants' needs. Consultations are conducted for major services/requirements for the system. The HKMA also liaises closely with the industry and holds workshops to participants to solicit input from relevant users and the financial industry and will enhance the system where necessary.

42. HKTR adopts both locally and internationally accepted communication procedures and standards to cater for the need of different types of participants. The HKTR is a web-based system, which can be accessed via the internet or SWIFT for submission of trade information, performing enquiries and reporting of trade records that have been submitted to the system and performing administrative functions. Multiple submission channels (via the Internet, SWIFT and/or FTS on ICLNet) are supported and a set of standard templates are provided to ensure the information is provided according to requirements of the HKTR. The reporting requirements and technical specification are documented in details and made available to participants to facilitate efficient reporting to the HKTR.

### **Transparency (Principles 23–24)**

43. The HKTR has clear and comprehensive rules and procedures to facilitate participants to understand the risks, fees and other material costs they incur by participation in the system. Training, briefings and service support are provided to participants. HKTR operates in a transparent manner and discloses as much information as appropriate to the public. The basic features of the system and other essential information are set out in the PFMI Disclosure Framework of the HKTR, which is available on the websites of both the HKMA and HKTR.

44. The HKTR has not commenced to provide market data to the public. The HKTR, as the electronic database for records of OTCD transactions, is able to provide data maintained in the system to the relevant parties. However, the access, sharing and disseminating of TR data is subject to the policy requirement of the OTCD regulatory regime. The framework for such access is under discussion by the policy makers of the HKMA and SFC. The HKTR is ready to provide proper access and sharing to authorized parties and for the dissemination of TR data, including to the general public, after the finalization of the framework. The TR team will develop appropriate procedures to set out the internal processes and controls according to the requirements set out in the framework.

45. The HKTR has disclosed the relevant rules and procedures. However, given

that provision of market data to the public has not commenced, although preparation work is underway, Principle 23 is assessed as “broadly observed”.

46. As mentioned above, the HKTR is able to provide the required TR data to eligible entities, subject to authorization and controls on access, sharing and disseminating of TR data. The access, sharing and disseminating of TR data maintained with the HKTR is supported by the OTCD regulatory regime which has come into effect on 10 July 2015. Access to TR data will be based on requirements of each regulator/entity and subject to the data access framework and agreements between the HKTR and the relevant entities.

47. Currently, the HKTR is providing TR data to other internal units of HKMA for the following purposes: (i) overseeing the HKTR as an FMI; (ii) performing market surveillance; and (iii) supervising AIs’ and AMBs’ compliance with the Reporting Rules under the OTCD regulatory regime. From the system perspective, the HKTR is ready to provide data to the SFC for supervising LCs’ and RCHs’ compliance with the OTCD regulatory regime according to pre-agreed data requirements. Processes and measures are being developed to further enhance and meet the data access and disclosure requirements to the relevant authorities and the public.

48. It is considered that the means being developed to facilitate data access and disclosure will be able to provide data to relevant authorities and the public in line with regulatory and industry expectations. From the system perspective, the HKTR appears to be ready to provide timely and accurate data to the relevant authorities and the public. As mentioned above, the access, sharing and disseminating of TR data is subject to the policy requirement of the OTCD regulatory regime, the framework for which is under discussion by the policy makers of the HKMA and SFC. A number of processes (including technical enhancements) are also underway by the HKTR to facilitate access to TR data in a timely and efficiently manner. Principle 24 is assessed as “partly observed” for the moment as the means are yet to be fully implemented. Further, it is not possible to fully assess whether the data is provided in a timely manner in a format that permits it to be easily analysed as the HKTR is yet to provide data to all relevant regulatory authorities, other eligible entities and the general public. The HKTR is recommended to formulate a detailed plan for access and disclosure of TR data to various entities and the general public once the data access framework is agreed by the regulators.

## **Annex 1: List of Abbreviation**

AI	Authorized Institution
AMB	Approved Money Broker
BCD	Banking Conduct Department
BCP	Business Continuity Plan
BO	Banking Ordinance
CCP	Central Counterparty
CPMI-IOSCO	Committee on Payments and Market Infrastructures and the Technical Committee of the International Organization of Securities Commissions
DFAM	Principles for financial market infrastructures: Disclosure framework and Assessment methodology
EFO	Exchange Fund Ordinance
FID	Financial Infrastructure Department
FMI	Financial Market Infrastructure
FTS	File Transfer Service
HKICL	Hong Kong Interbank Clearing Limited
HKTR	OTC Derivatives Trade Repository of the HKMA
ICLNet	HKICL Network
LC	Licensed Corporation
MA/HKMA	Monetary Authority / Hong Kong Monetary Authority.
OTC	Over-the-counter
OTCD	OTC derivative
PFMI	Principles for Financial Market Infrastructures
PSOD	Payment Systems Operation Division
PSOLD	Payment Systems Oversight & Licensing Division
RCH	Recognised clearing house
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance
SWIFT	Society for Worldwide Interbank Financial Telecommunication
SO	System Operator
TR	Trade Repository
UI	User Interface