



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B9/135C

28 June 2013

The Chief Executive
All Licensed Banks

Dear Sir/Madam,

Interim reporting requirements for OTC derivative transactions

I refer to the recent industry consultation conducted with regard to the above.

I am now writing to inform you that, pursuant to section 63(2) of the Banking Ordinance, the Monetary Authority requires your bank (with effect from 5 August 2013) to report specified OTC derivative transactions to the trade repository operated by the HKMA (HKMA-TR). Reporting should be made in accordance with the requirements set out in the Annex to this letter.

Background

In keeping with the commitment of the G20 leaders to reform the OTC derivative market globally, the HKMA has been working with the Securities and Futures Commission (SFC) and the Financial Services and the Treasury Bureau (FSTB) to develop a regulatory regime for the local OTC derivative market. The FSTB intends to introduce a Securities and Futures (Amendment) Bill into the Legislative Council (LegCo) next month to provide the legal framework for the new regime. Thereafter, a further round of public consultation will be conducted on the detailed regulatory requirements to be set out in subsidiary legislation under the Securities and Futures Ordinance (SFO). This consultation is expected to be undertaken in the third quarter of this year. Subject to the passage of the relevant legislation by LegCo by the end of this year and taking into account the proposed transitional arrangements for the mandatory reporting and clearing requirements, the new regulations under the SFO are expected to take effect in the second quarter of 2014 at the earliest.

Earlier this year, however, the Financial Stability Board (FSB) indicated an expectation that its member jurisdictions (including Hong Kong) should have regulations on trade reporting in place by July this year. To meet this expectation, and given that the HKMA-TR will soon be ready to commence the receiving and processing of trade data, the HKMA considers it appropriate to implement interim reporting arrangements before the Securities and Futures (Amendment) Bill comes into effect.

Interim reporting requirements

The interim reporting requirements will apply to all licensed banks. Licensed banks are the major players in the local OTC derivative market.

The interim reporting requirements are a simplified version of the reporting requirements which will ultimately be adopted under the new regulatory framework once the Securities and Futures (Amendment) Bill takes effect.

Under the interim reporting requirements, a licensed bank will only be required to report OTC derivative transactions that are interest rate swaps or foreign exchange non-deliverable forwards to which the bank is a counterparty, where the transactions are booked in its Hong Kong office / branch and where the other counterparties to the transactions are also licensed banks. This means that trades with clients which are not licensed banks, or trades originated or executed by the bank but not booked in its Hong Kong office / branch, are excluded from the requirement to report during the interim reporting period. For each reportable transaction, the reporting obligation covers the original trade as well as any specified business events¹ over the life cycle of the trade. If a reportable transaction is novated for central clearing, the new transaction entered into by the reporting bank with the central counterparty concerned is also reportable.

The interim reporting requirements will take effect from 5 August 2013. In line with international practice, information on reportable transactions which are traded before, and remain outstanding on, the implementation date of 5 August 2013 should be backloaded into the HKMA-TR as appropriate. To allow for a smooth transition, reporting banks will be given a grace period of approximately four months up to and including 8 December 2013 to set up their system linkage with the HKMA-TR and a further grace period of approximately two months up to and including 4 February 2014 to complete the backloading or reporting of reportable transactions entered into by reporting banks on or before 8 December 2013. In other words, a reporting bank should report its first batch of reportable transactions to the HKMA-TR, at the latest, by 11 December 2013 (T+2 for transactions entered into on 9 December 2013). The reportable transactions entered into by reporting banks before, and which remain outstanding on, 5 August 2013 as well as those entered into by reporting banks between 5 August 2013 and 8 December 2013, can be backloaded / reported any time up until the end of the subsequent two months' grace period (i.e. no later than 4 February 2014).

In reporting OTC derivative transactions, reporting banks should adhere to the mode and format of reporting, and the detailed reporting requirements, set out in the *OTC Derivatives Trade Repository Reporting Service Reference Manual* issued by the HKMA-TR to all AIs. The HKMA-TR has announced that the first user test will be conducted in early July 2013, to prepare TR Members for reporting in August 2013. Subsequent user tests will be conducted about once every month, and the relevant

¹ These include any transactions arising from de-clearing / re-clearing operations.

schedule and arrangements will be announced by the HKMA TR shortly. Satisfactory completion of the user tests is a prerequisite to acceptance for reporting by the HKMA-TR. The HKMA-TR has been working closely with some major trade repositories overseas on the provision of compatible data and data format requirements to facilitate indirect reporting through those trade repositories.

To facilitate identification of counterparties that are licensed banks during the interim reporting period, the HKMA will send a notification, through the email address Banks@hkma.gov.hk, to all licensed banks whenever there is any change to the list of licensed banks. Your bank is advised to check its "ICLNET" email address, designated for receiving circulars from the HKMA, regularly for those notifications. The list of licensed banks is also available for downloading on the HKMA website.

Please refer to the Annex for details of the interim reporting requirements.

Should your bank have any questions about this letter, please contact Mr Andy Cheung on 2878-1022 or Ms Rita Yeung on 2878-1388.

Yours faithfully,

Karen Kemp
Executive Director (Banking Policy)

Encl.

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

Interim reporting requirements for OTC derivative transactions

Introduction

1. This Annex sets out the requirements issued by the Monetary Authority under section 63(2) of the Banking Ordinance for the interim reporting of over-the-counter (OTC) derivative transactions to the local trade repository operated by the HKMA (HKMA-TR). The interim reporting requirements will take effect from 5 August 2013 and will remain in effect until the relevant legislation implementing the local regulatory framework for the OTC derivative market comes into force.

Application

2. The interim reporting requirements are applicable to all licensed banks¹ (also referred to as reporting banks in this Annex).

Implementation

3. The implementation of the interim reporting requirements from 5 August 2013 is subject to the transitional arrangements provided for under paragraphs 22 to 30 below.

Scope of Reporting

4. Only OTC derivative transactions that fall within the scope of “reportable transactions” described in paragraphs 5 to 9 below are required to be reported to the HKMA-TR.
5. Reportable transactions are derivative transactions that meet the following criteria:

¹ These refer to companies authorized by the Monetary Authority under section 16 of the Banking Ordinance to carry on banking business.

- (i) the transaction is traded over-the-counter (i.e. exchange traded transactions are excluded) or is novated from an OTC transaction to a central counterparty (CCP);
 - (ii) the transaction is an interest rate swap or foreign exchange (FX) non-deliverable forward supported by the HKMA-TR²;
 - (iii) the transaction is conducted by a counterparty which is a licensed bank, and is booked in its Hong Kong office (in the case of a locally incorporated bank) or in its Hong Kong branch (in the case of an overseas incorporated bank);
 - (iv) the other counterparty to the transaction is -
 - (a) a licensed bank, regardless of the location of the office or branch of the bank in which the transaction is booked; or
 - (b) if the transaction is novated from an OTC transaction to a CCP, that CCP provided that the other counterparty to the OTC transaction, before novation to the CCP, is a licensed bank; and
 - (v) the transaction is traded before, and remains outstanding on, 5 August 2013 (i.e. the implementation date of the interim reporting requirements) or the transaction is traded on or after 5 August 2013.
6. A licensed bank will have an obligation to report a reportable transaction only if the transaction is booked in its Hong Kong office or Hong Kong branch, as the case may be. If a reportable transaction is, for example, entered into between the Hong Kong Branch of Bank X and the UK Head Office of Bank Y, Bank X falls within paragraph 5(iii) while Bank Y falls within paragraph 5(iv). The transaction is reportable by Bank X but not by

² Only transactions in plain vanilla single currency interest rate swaps (including fixed against floating, basis swaps and overnight indexed swaps) and FX non-deliverable forwards are reportable. To avoid doubt, cross currency swaps are not reportable at this stage. Structured swaps with embedded options or any other derivative features (e.g. cancellable swaps, amortising / accreting swaps, etc.) are excluded. The list of interest rate swaps and FX non-deliverable forwards supported by the Reporting Service of the HKMA-TR is contained in the HKMA-TR Reporting Service Product Scope, which can be found in Annex 1 of the *OTC Derivatives Trade Repository Reporting Service Reference Manual*.

Bank Y. If however the transaction is booked in the Hong Kong Branch of Bank Y, the transaction is also reportable by Bank Y.

7. The transactions referred to in paragraph 5(iii) above include those that are booked in the Hong Kong office / branch of a licensed bank as a result of the transfer of booking (i.e. through novation) of contracts entered into with external parties by the head office or overseas branches of the bank. If such novated transactions are reportable (i.e. other criteria set out in paragraph 5 above are also met after novation), the reporting bank should report the external counterparty (another licensed bank) who has originally entered into the contract with the bank, instead of the office / branch from which the contract is transferred, as its counterparty to the transaction. In other words, a novated transaction that does not involve any external counterparty, is not reportable.
8. Reportable transactions do not include interbranch transactions (except those that fall within paragraph 7 above) and intrabranh transactions (e.g. transactions between different desks of the treasury function). An interbranch transaction refers to a principal-to-principal transaction (or a back-to-back transaction) conducted between different branches of the same institution, including any transaction undertaken to transfer the risk of the transaction (or a portfolio of transactions) from one branch to another. Appendix 1 sets out some examples illustrating the reporting obligations in relation to interbranch and novation transactions.
9. To avoid doubt, reportable transactions -
 - (i) exclude “spot” FX transactions, which refer in this context to FX transactions that are settled via an actual delivery of the relevant currencies within two business days;
 - (ii) exclude, from the perspective of a reporting bank, those transactions booked in its local or overseas subsidiaries (unless those subsidiaries are licensed banks and the reporting criteria in this Annex are met) and overseas branches; and

- (iii) include, in the case of reportable transactions which are novated for central clearing, those new transactions entered into by reporting banks with CCPs (and where the other counterparties to the transactions before novation are licensed banks)³.

Manner of Reporting

10. Reporting banks should refer to the *OTC Derivatives Trade Repository Reporting Service Reference Manual, Operating Procedures for Hong Kong Trade Repository Reporting Service, Hong Kong Trade Repository Administration and Interface Development Guide – Reporting Service* and other relevant documents issued by the HKMA-TR for the mode and format of reporting and the detailed reporting requirements. Unless otherwise stated by the HKMA (or the HKMA-TR), the relevant mode and format of reporting and the detailed reporting requirements will remain applicable when the mandatory reporting requirements are implemented under the forthcoming regulatory regime for OTC derivative transactions.
11. A reporting bank can report to the HKMA-TR directly or through an agent. Banks intending to report indirectly have to nominate their reporting agents to the HKMA-TR. Indirect reporting is acceptable provided that the reporting agent can satisfy the data submission requirements and any other applicable requirements issued by the HKMA-TR. The reporting agent can be a third party service vendor, another trade repository or another reporting bank, including the counterparty bank in the transaction.
12. All licensed banks must join the HKMA-TR as a member (HKMA-TR member) before 5 August 2013 (i.e. the implementation date of the interim reporting requirements), regardless of whether they have any reportable transaction⁴ and whether they adopt direct or indirect reporting. An application for HKMA-TR membership must be made in writing to the

³ If the current system design of a reporting bank cannot identify whether a centrally cleared trade is novated from a licensed bank or not, the bank may optionally report during the interim reporting period such trades even if the original counterparty to the trade may not be a licensed bank. Nevertheless, it is the responsibility of the reporting bank to assess any risk involved in reporting more trades than required in this Annex.

⁴ It is not always the case that a licensed bank will have an obligation to report under the interim reporting requirements. For example, a foreign bank may not incur reporting obligations if it always conducts OTC derivative transactions through its Hong Kong branch and books the transactions in other overseas branches.

HKMA-TR. Prior to becoming an HKMA-TR member, each successful applicant is required to enter into a reporting service agreement with the HKMA. The forms and procedures for enrolment as an HKMA-TR member can be found in the *OTC Derivatives Trade Repository Reporting Service Reference Manual*.

13. The reporting service agreement signed by each licensed bank that becomes an HKMA-TR member with the HKMA contains a clause providing consent from the bank to the reporting of trade data to the HKMA-TR by its counterparties which are also licensed banks. This consent is essential to alleviate any potential concern on data confidentiality from bank counterparties, which may need to report trade data to the HKMA-TR relating to other bank counterparties that do not themselves have any such reporting obligation under the interim reporting requirements (see footnote 3). When the legislation for regulation of OTC derivative transactions comes into force, the full scope of mandatory reporting requirements will be implemented, in which case it will most probably be necessary, in any event, for all licensed banks to become HKMA-TR members.
14. Since reporting has to be made to the HKMA-TR by electronic means, the HKMA-TR members are required to set up system linkage and conduct user tests with the HKMA-TR. The user requirements and procedures for setting up system linkage with the HKMA-TR can be found in the *OTC Derivatives Trade Repository Reporting Service Reference Manual, Operating procedures for Hong Kong Trade Repository Reporting Service, Hong Kong Trade Repository Administration and Interface Development Guide – Reporting Service* and other relevant documents issued by the HKMA-TR. Reporting banks must complete the user tests to the satisfaction of the HKMA-TR before they will be accepted for reporting.
15. The HKMA-TR has designed specific templates⁵ for reporting the details of a reportable transaction. A reporting bank must complete all the fields designated as mandatory in the templates, which primarily relate to the key

⁵ Specific reporting templates are specified in *Hong Kong Trade Repository Administration and Interface Development Guide – Reporting Service*, which can be downloaded via the following web page: <http://www.hkma.gov.hk/eng/key-functions/international-financial-centre/infrastructure/otc-derivatives-trade-repository.shtml>

economic terms of a transaction and information essential for administrative purposes. Reporting of other fields can be done on a best effort basis. A list of the mandatory fields on the templates for reporting transactional data is set out in Section A of Appendix 2 for reference.

Reportable events

16. Subject to the requirements on backloading (set out in paragraphs 22 to 30 below), reporting to the HKMA-TR is compulsory -
 - (i) when a reportable transaction is booked in the Hong Kong office / branch of a reporting bank for the first time; and
 - (ii) whenever there are subsequent reportable business events until the transaction is fully terminated (which includes termination due to novation). A list of the reportable business events is set out in Section B of Appendix 2 for reference.
17. A reporting bank may report changes in the economic details of a reportable transaction by submitting amendments to update the transaction records of the HKMA-TR. Alternatively, the bank may update the records of the HKMA-TR by submitting specific templates designated for reporting individual business events.
18. Reportable business events can be reported by adopting either a life cycle approach or a snapshot approach. Under the life cycle approach, each business event will be reported according the T+2 reporting timeline referred to in paragraph 20 below. Under the snapshot approach, the day-end position pertaining to a reportable transaction will be submitted according to the T+2 timeline in a single report reflecting the net effect of all business events that happened on the same day.
19. After an original trade is novated for central clearing, the reporting bank should report business events with reference to the new trade entered into by the bank with the CCP concerned, and there is no need to trace back to the original trade. This recognises that once the original trade is novated for central clearing, the active record of the original trade will be removed

from the reporting bank's computer system, making it difficult to identify the original trade with which a business event is associated.

Timing of reporting

20. To facilitate the reporting of cross-border transactions, a reportable transaction, including where appropriate any subsequent business events, should be reported to the HKMA-TR within two business days from the date of transaction / event (i.e. on a T+2⁶ basis). For the purposes of this reporting requirement, Saturdays, Sundays and general holidays under Hong Kong law do not count as business days. The HKMA-TR is however always available to receive reports, including on general holidays.
21. Reporting is not required if a reportable transaction that has yet to be reported to the HKMA-TR is cancelled or fully terminated within the T+2 reporting timeline. This however does not apply to the cancellation or full termination of a transaction for the sake of subjecting the transaction to central clearing. In such cases, the original reportable transaction pending central clearing (and the business events arising from central clearing) should all be reported according to the T+2 reporting timeline, unless the transaction is cancelled or fully terminated before it is reported to the HKMA-TR within the T+2 timeline.

Transitional arrangements

22. To enable reporting banks to have sufficient time to prepare for reporting -
 - (i) an approximately four-month grace period (i.e. from 5 August 2013 to 8 December 2013) will be allowed for setting up system linkage and reporting channels with the HKMA-TR; and
 - (ii) an approximately six-month grace period (inclusive of the grace period referred to in paragraph 22(i) above) (i.e. from 5 August 2013 to 4 February 2014) will be allowed for completing any

⁶ The cut-off time for T+2 reporting is 11:59pm Hong Kong Time. The submission of reports for any reportable transaction / event after the cut-off time is regarded as late reporting.

backloading⁷ or reporting of reportable transactions entered into on or before 8 December 2013 (i.e. the expiry of the grace period referred to in paragraph 22(i) above).

23. Reporting banks should start the reporting to the HKMA-TR of reportable transactions (including any post-trade business events) entered into on and after 9 December 2013⁸ (i.e. after the expiry of the grace period referred to in paragraph 22(ii) above) according to the T+2 reporting timeline.
24. Under the transitional arrangements, reporting banks should submit trade reports to the HKMA-TR in respect of reportable transactions entered into (i) before 5 August 2013 and which remains outstanding at the day-end of 5 August 2013 and (ii) between 5 August 2013 and 8 December 2013, no later than 4 February 2014 (i.e. the expiry of the grace period referred to in paragraph 22(ii) above), unless the transactions have already matured or been fully terminated on the date of reporting to the HKMA-TR.
25. For trade reports submitted between 5 August 2013 and 8 December 2013 in respect of transactions referred to in paragraph 24 above, reporting banks are only required to include the trade positions as of the reporting date only. In other words, there is no need to report business events that occurred before the reporting date for these transactions.
26. For trade reports submitted between 9 December 2013 and 4 February 2014 in respect of transactions referred to in paragraph 24 above, reporting banks are required to include both the trade positions as of 9 December 2013 and all reportable business events subsequent to 9 December 2013 up to the reporting date.
27. The key difference in the reporting requirements set out in paragraphs 25 and 26 above is that the reporting of historical business events is not required during the grace period allowed for system set-up and linkage with the HKMA-TR (i.e. between 5 August 2013 and 8 December 2013),

⁷ Backloading refers to the reporting of reportable transactions entered into by a reporting bank before the implementation date (i.e. 5 August 2013) but which remain outstanding on that date.

⁸ To allow system changes to be conducted over the weekend, the first Monday after the end of the approximately four-month grace period (i.e. 9 December 2013) is chosen as the reporting “start date” for reportable transactions not covered by the transitional arrangements.

but such reporting is required for reports submitted after the end of the grace period (i.e. on and after 9 December 2013).

28. The reporting of business events should be made in a chronological order. These business events refer, where applicable, to those set out in Section B of Appendix 2, including those relating to central clearing.
29. Once a transaction is backloaded / reported, any subsequent business events should be reported on the normal T+2 reporting basis.
30. A table summarising the transitional arrangements is set out in Appendix 3.
31. If a reporting bank encounters any major practical difficulty in meeting the interim reporting requirements according to the implementation timeline mentioned above, the bank may approach its usual contact at the HKMA to apply for an extension of the grace period. Such applications will be considered on a case-by-case basis, and should be supported by valid justifications.

Reporting error amendment

32. Guidance on reporting error amendment can be found in Appendix 4.

Non-compliance with reporting requirements

33. If a licensed bank is found to have breached the interim reporting requirements, the HKMA will look into the circumstances leading to the non-compliance on a case-by-case basis, and consider whether any supervisory action should be taken.

Technical support

34. Enquiries relating to technical aspects of the reporting requirements can be forwarded to the HKMA-TR by:
 - telephone: (852) 8100 3115
 - facsimile: (852) 2878 1679
 - e-mail: hktr@hkma.gov.hk

Appendix 1

Examples illustrating reporting obligations in relation to interbranch and novation transactions

Under the interim reporting requirements, interbranch transactions that are principal-to-principal in nature and are conducted between branches of the same bank are not reportable. These include trades conducted for the purpose of transferring risks of a transaction (or a portfolio of transactions) from one branch to another (and cover back-to-back transactions).

If however an interbranch transaction involves the transfer of booking, of an original trade involving an external customer, into or out of the Hong Kong branch of the reporting bank, the transaction may be reportable provided that the other prescribed criteria for reporting (as set out in paragraph 5 of the Annex) are also met.

Some examples illustrating the reporting obligations in relation to interbranch and novation transactions are set out below.

| Case | Nature of Transaction | Reporting obligation |
|------|--|---|
| 1 | A transaction between the dealing desk and the marketing desk within the Hong Kong branch of a bank ¹ | An intrabranched transaction is not reportable. |
| 2 | An overseas branch of a bank conducts an OTC derivative transaction with the Hong Kong branch of the same bank for the sake of centralised risk management. | Not reportable because the transaction represents a proprietary trade between different branches of the same bank. |
| 3a. | An overseas branch of a bank conducts an OTC derivative transaction with an external customer. It then conducts a back-to-back transaction with its Hong Kong branch for the purposes of risk transfer. | This example is a subset of Case 2. Therefore the back-to-back transaction is also not reportable by the Hong Kong branch. |
| 3b. | The Hong Kong branch of a bank conducts an OTC derivative transaction with an external customer. It then conducts a back-to-back transaction with an overseas branch of the same bank for the purposes of risk transfer. | The original transaction may be reportable if the prescribed reporting criteria are met. The back-to-back transaction is also not reportable for the same reason as Case 2. |
| 4. | <u>Original Trade</u> : London branch of Bank A vs Hong Kong branch of Bank B <u>Novation</u> : London branch of Bank A novates the contract of the original trade to its Hong Kong branch. | The novation results in a contract between the Hong Kong branch of Bank A and another licensed bank. Assume other reporting criteria are met, the novated transaction is reportable by the Hong Kong branch of Bank A. The novation will not affect the |

¹ Banks in the examples all refer to licensed banks.

| | | |
|----|---|---|
| | | reporting obligation of the Hong Kong branch of Bank B. |
| 5. | <p><u>Original Trade:</u> Hong Kong branch of Bank A vs Hong Kong branch of Bank B (assume this trade is reportable)</p> <p><u>Novation:</u> Hong Kong branch of Bank A novates the contract of the original trade to one of its overseas branches.</p> | After novation, the Hong Kong branch of Bank A should report termination of the transaction to the HKMA-TR (because the transaction is no longer booked in the Hong Kong branch). The transaction remains reportable by the Hong Kong branch of Bank B. |
| 6. | <p><u>Original trade:</u> Overseas branch of Bank A vs a non-bank corporation</p> <p><u>Novation:</u> Overseas branch of Bank A novates the contract of the original trade to its Hong Kong branch</p> | The novation results in a transaction being booked in the Hong Kong branch of Bank A with the counterparty being a non-bank corporation. Since the other counterparty to this transaction is not a licensed bank, the novated trade is not reportable by the Hong Kong branch of Bank A. |
| 7. | <p><u>Original trade:</u> Hong Kong branch of Bank A vs a non-bank corporation</p> <p><u>Novation:</u> The corporation novates the contract of the original trade to an overseas branch of Bank B.</p> | <p>This case should be rare though theoretically possible. The novation results in the corporation withdrawing from the transaction and it requires an agreement between all three parties (i.e. Bank A, Bank B and the corporation) before this can happen.</p> <p>After novation, the transaction becomes reportable by the Hong Kong branch of Bank A as the counterparty to the transaction becomes another licensed bank, provided that other prescribed reporting criteria are met.</p> |
| 8. | <p><u>Original trade:</u> Overseas branch of Bank A vs a non-bank corporation</p> <p><u>Novation:</u> The corporation novates the contract of the original trade to the Hong Kong branch of Bank B</p> | Again this case should be rare. The novation results in a transaction being booked in the Hong Kong Branch of Bank B with the other counterparty being Bank A. Therefore it is reportable by the Hong Kong branch of Bank B. The transaction is still not reportable by Bank A because it is not booked in its Hong Kong branch. |

List of Mandatory Reporting Fields and Reportable Trade Events¹

**Section A: List of mandatory reporting fields
(1) for IRS (interest rate swap)**

- Asset Class
- Central Counterparty ID (*required only if the trade is subject to central clearing*)
- Confirmation Platform ID
- CP Trade Reference (*required only if the trade is matched on an electronic confirmation platform*)
- Product Type
- Product Sub-Type
- Trade Party 1 (ID Type, ID, Name)
- Trade Party 2 (ID Type, ID, Name)
- Fixed / Floating Rate Payer Participant (ID Type, ID, Name)
- Floating / Floating Rate Payer Participant (ID Type, ID, Name)
- Notional Amount (Currency, Amount)
- Trade Date, Post Trade Trade Date
- Fixed / Floating Leg Effective Date (Unadjusted Date, Business Day Convention)
- Fixed / Floating Leg Termination Date (Unadjusted Date, Business Day Convention)
- Fixed Rate
- Floating Rate Index
- Floating Rate Tenor
- Floating Rate Spread
- Industrial Sector²
- Counterparty Industrial Sector (see footnote 2 in this Appendix)
- Clearing
- UTI Indicator & UTI (*required only if such information is available*)
- Submitting Party (ID Type, ID)
- Reporting Party (ID Type, ID)
- Reporting For (ID Type, ID, Name)
- Action
- Trade Event
- Event Request ID

¹ This Appendix provides a list of mandatory reporting fields and trade events required to be reported. The detailed technical requirements are set out in the *OTC Derivatives Trade Repository Reporting Service Reference Manual* and *Hong Kong Trade Repository Administration and Interface Development Guide – Reporting Service*. Both documents can be accessed via the following link:- <http://www.hkma.gov.hk/eng/key-functions/international-financial-centre/infrastructure/otc-derivatives-trade-repository.shtml#trade-reporting-service>

² "Industrial Sector" and "Counterparty Industrial Sector" are designated as mandatory reporting fields as per the CPSS-IOSCO standards. These fields are intended to identify whether the counterparties to a transaction are corporations or individuals. The fields will be more relevant and useful when the full scope of reporting requirements is implemented after the interim reporting phase (i.e. the reporting obligations will be applicable to persons other than licensed banks).

- Backloading Date
- User / Agent Event Reference
- User / Agent Trade Reference
- User / Agent / TR Trade Reference / UTI (post trade correlation)

(2) for NDF (non-deliverable forward)

- Asset Class
- Central Counterparty ID (*required only if the trade is subject to central clearing*)
- Confirmation Platform ID
- CP Trade Reference (*required only if the trade is matched on an electronic confirmation platform*)
- Product Type
- Product Sub-Type
- Trade Party 1 (ID Type, ID, Name)
- Trade Party 2 (ID Type, ID, Name)
- Exchange Currency 1 Payer (ID Type, ID, Name)
- Exchange Currency 2 Payer (ID Type, ID, Name)
- Settlement Currency
- Trade Date, Post Trade Trade Date
- Exchange Currency 1 (Currency, Amount)
- Exchange Currency 2 (Currency, Amount)
- Exchange Rate
- Exchange Rate – Quoted Currency Pair Quote Basis
- Exchange Rate – Quoted Currency Pair Currency 1
- Exchange Rate – Quoted Currency Pair Currency 2
- Value Date
- Fixing Date
- Industrial Sector (see footnote 2 in this Appendix)
- Counterparty Industrial Sector (see footnote 2 in this Appendix)
- Clearing
- UTI Indicator & UTI (*required only if such information is available*)
- Submitting Party (ID Type, ID)
- Reporting Party (ID Type, ID)
- Reporting For (ID Type, ID, Name)
- Action
- Trade Event
- Event Request ID
- Backloading Date
- User / Agent Event Reference
- User / Agent Trade Reference
- User / Agent / TR Trade Reference / UTI (post trade correlation)

Section B: List of reportable business events for IRS and NDF¹

| Reportable business events | Explanation / Remarks |
|--|--|
| New Trade | This event will be triggered when the reporting bank enters into a new reportable transaction, including one newly transferred into the Hong Kong office/branch of the reporting bank. |
| Amendment | This event will be triggered whenever any amendment is made to any mandatory reporting field of any reported reportable transaction. |
| Full Termination² | This event will be triggered when a reportable transaction is terminated (which includes termination due to novation). |
| Partial Termination² | This event will be triggered when part of a reportable transaction is terminated (which includes termination due to novation). This event is not applicable to NDF trades. |

Notes:

1. Apart from templates for reporting specified business events, there are templates for initiating specified administrative events, for example, for backloading outstanding transactions and for maintaining transactions reported to the HKMA-TR. Please refer to *Operating Procedures for Hong Kong Trade Repository Reporting Service* for details.
2. Reporting of trade novations:
 - for a full novation, use the Full Termination event or an Amendment event (with a zero notional amount) to terminate the old trade, followed by a New Trade event for the new trade created;
 - for a partial novation, use the Partial Termination event or an Amendment event (with the reduced notional amount) to reduce the amount of the old trade, followed by a New Trade event for the new trade created.

Summary of Transitional Arrangements for Reporting of OTC Derivative Transactions

| <p>Reportable transactions conducted (1) before, but remain outstanding at the day-end of, 5 August 2013 or (2) between 5 August and 8 December 2013</p> | <p>Reportable transactions conducted from 9 December 2013</p> |
|--|---|
| <ul style="list-style-type: none"> Except for matured or fully terminated transactions, trade reports for the transactions are required to be made no later than 4 February 2014 in the following manner:- <ul style="list-style-type: none"> (i) where the reports are made between 5 August 2013 and 8 December 2013, the reporting bank is required to include the day-end positions as of the reporting date only. In other words, it is not necessary to report historical business events that happened before the reporting date; (i) where the reports are made between 9 December 2013 and 4 February 2014, the reporting bank is required to include both the day-end positions as of 9 December 2013 and all business events subsequent to 9 December 2013 up to the reporting date. Once the reporting referred to above is completed, any subsequent | <ul style="list-style-type: none"> Reporting of the transactions, and any post-trade business events, should be reported within two business days of the occurrence of the transactions or events, as the case may be. |

| | |
|--|--|
| business events of the reported transactions should be reported within two business days of the occurrence of the business events. | |
|--|--|

Guidance on reporting error correction during interim reporting arrangement

1. Within 2 business days from the identification of an error in the reports submitted to the HKMA-TR, the reporting bank should take action allowed in this appendix to correct the error.
2. Reporting error correction by both the snapshot approach (i.e. amendment of only the latest position) and the life-cycle approach (i.e. amendment of all events with errors reported to the HKMA-TR) are acceptable.
3. The application of the snapshot approach and the life-cycle approach will be illustrated with reference to the example below:

Example

A trade entered into between bank A and B was reported to the HKMA-TR correctly on 1 Jan. On 1 Feb, a business event of partial termination happened. The resultant amount of the transaction was reported correctly by bank A but not bank B. On 1 Mar, further partial termination happened (last business event). The error of bank B started on 1 Feb carried through to this date. The error was eventually identified by bank B on 1 April.

(A) Snapshot Approach

(1) By Amendment

4. Bank B may adopt the snapshot approach to correct the reporting error by amendment, provided that the reporting error is unrelated to the following data fields: *Asset Class, Product Type, Product Sub-Type, Reporting For, Trade Party 1, Trade Party 2, Trade Date, Notional Amount-Currency, Floating Rate Payer, Fixed Rate Payer, Floating Rate Payer1, Floating Rate Payer 2, Exchange Currency 1-Payer Party, Exchange Currency 2-Payer Party, Exchanged Currency 1-Payment Amount-Currency, Exchange Currency 2- Payment Amount-Currency*. Under this method, Bank B shall update either the latest position (1 Apr) or the latest event position (1 Mar) by amendment.
5. The result of updating the latest position is as follows:

| | 1 January | 1 February | 1 March | 1 April |
|--------|-----------|------------|---------|----------------|
| Bank A | USD 100 | USD 90 | USD 80 | |
| Bank B | USD 100 | USD 95 | USD 85 | USD 80* |

*Amended position (*Trade date: 1 Jan; Agreement date: 1 Apr (date of the latest position) and Notional: USD 80*)

6. The result of updating the last event position is as follows:

| | 1 January | 1 February | 1 March |
|--------|-----------|------------|----------------|
| Bank A | USD 100 | USD 90 | USD 80 |
| Bank B | USD 100 | USD 95 | USD 80* |

*Amended position (*Trade date: 1 Jan; Agreement date: 1 Mar (date of the last business event) and Notional: USD 80*)

(2) *By Replacement*

7. Alternatively, Bank B may adopt the snapshot approach to correct the reporting error by replacement. This method can be applied to all data fields. Under this method, Bank B shall withdraw the original transaction and report a new transaction by a backload event with either the latest position (1 Apr) or the last event position (1 Mar).
8. The result of loading the latest position is as follows:

| | 1 January | 1 February | 1 March | 1 April |
|--------|-----------|------------|---------|----------------|
| Bank A | USD 100 | USD 90 | USD 80 | |
| Bank B | - | - | - | USD 80* |

*Newly reported transaction (*Trade date: 1 Jan; Backloading date: 1 Apr (date of the latest position) and Notional: USD 80*)

9. The result of loading the last event position is as follows:

| | 1 January | 1 February | 1 March |
|--------|-----------|------------|----------------|
| Bank A | USD 100 | USD 90 | USD 80 |
| Bank B | - | - | USD 80* |

*Newly reported transaction (*Trade date: 1 Jan; Backloading date: 1 Mar (date of the last business event) and Notional: USD 80*)

10. Under the current design of the HKMA-TR system, to correct a reporting error which is identified after the maturity of a transaction, the latest snapshot position allowed to be corrected is either:
- (i) in the case the amendment method is used, the day before the maturity date of the transaction; or
 - (ii) in the case the replacement method is used, the maturity date of the transaction.
11. In any case, it is not acceptable to bring correction to the position of a date after the maturity of the transaction, which is obviously zero.

(B) Life-cycle Approach

12. To correct error by the life-cycle approach, Bank B shall withdraw the original transaction and report a new transaction with positions corrected at all business event dates. The result of this approach is as follows:

| | 1 January | 1 February | 1 March |
|--------|-----------------|----------------|----------------|
| Bank A | USD 100 | USD 90 | USD 80 |
| Bank B | USD 100* | USD 90* | USD 80* |

*Newly reported transaction (*Trade date: 1 Jan; Agreement date: each respective agreement date and Notional: each respective notional*)

Application

13. The requirements in this appendix are applicable to the interim reporting arrangement only. In determining the appropriate approach to be adopted in the final OTC regulatory regime, the HKMA will keep in view the developments in regulatory requirements in other major financial centres.