

## **CORPORATE SUPPORT**

BY EMAIL

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31<sup>st</sup> August 2012

Supervision of Markets Division  
Securities and Futures Commission  
8th Floor, Chater House  
8 Connaught Road, Central  
Hong Kong

and

Market Development Division  
Hong Kong Monetary Authority  
55/F, Two International Finance Centre  
8 Finance Street Central  
Hong Kong

Dear Sir,

**Response on Supplemental Consultation on the OTC Derivatives Regime for Hong Kong –  
Proposed Scope of New/Expanded Regulated Activities and Regulatory Oversight of Systemically  
Important Players (the “Supplemental Consultation”)**

Corporate Support (HK) Limited appreciates the opportunity to express its views on the Supplemental Consultation. Our responses to the questions set out in the Supplemental Consultation are set out below.

All capitalised terms that are not defined in this letter will have the meanings given to them in the Supplemental Consultation.

- Q1. Do you have any comments or concerns about our proposals for how the initial ambit of the new Type 11 RA should be cast, and the specific activities to be excluded from its scope? If you consider additional carve-outs are needed, please elaborate with justification.**

No comment.

- Q2. Do you have any comments or concerns about our proposals on how the provision of ATS (for OTC derivatives) by AIs and AMBs should be regulated?**

No comment.

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**CORPORATE SUPPORT (HK) LIMITED**

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**Q3. Do you have any comments or concerns about our proposals for how the initial ambit of the new Type 12 RA should be cast, and the specific activities to be excluded from its scope?**

No comment.

**Q4. Do you have any comments or concerns about our proposals for expanding the scope of the existing Type 9 RA?**

Regarding the qualifications for proposed Responsible Officers of existing Type 9 RA and the new Type 11 and Type 12 RA, the requirements should be made generally consistent with those of other RA types in that the prescribed two years' experience should be gained over the 6 years immediately prior to the date of the application rather than generally. This added requirement will ensure that senior professionals will have recent and relevant experience in this area. In addition there should be some recognition of Responsible Officers' experience with OTC derivatives gained in recognized markets outside Hong Kong, as there may be some Licensed Corporations managing or advising a portfolio of OTC derivatives which otherwise may not qualify.

**Q5. Do you have any comments or concerns about our proposed transitional arrangements for the new Type 11 and Type 12 RAs, and for the expanded Type 9 RA?**

The proposed transitional period for RA Type 9 Licensed Corporations should be lengthened so as to ensure they have appropriately qualified staff possessing the requisite experience for licensing. In addition, clear and specific guidance should be provided to such firms seeking deemed licensing.

**Q6. Do you have any comments or concerns about our proposals for how SIPs should be identified and regulated?**

Very specific and narrow definitions of SIPs should be established, particularly with respect to their qualitative elements so as not to draw into the definition ordinary commercial users of such instruments which are not financial institutions. There are many enterprises which will employ OTC derivatives to hedge commercial market risk for key inputs to their business (e.g. airlines' hedging their fuel cost) and

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despite the potential for their accumulating large positions, such firms are unlikely to present any systemic risk.

Yours faithfully,  
Corporate Support (HK) Limited