31 Aug 2012

Dear Sir/Madam,

Supplemental Consultation on the OTC derivatives regime for Hong Kong- proposed scope of new/expanded regulated activities and regulatory oversight of systemically important players

We have reviewed the supplemental consultation issued by HKMA/SFC in July 2012 on the OTC derivatives regime for Hong Kong. We set out below our comments to the questions raised in the supplemental consultation paper.

Unless otherwise defined herein, capitalised terms used herein shall have the same meanings as ascribed thereto in the consultation paper.

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.

DBS response: DBS has no comment regarding the ambit of new Type 11 RA. We welcome the approach that AIs should continue to be overseen and regulated by HKMA, as per current practice. Hence AIs will not be required to be licensed for the new Type 11 RAs

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?

DBS response: DBS welcomes the proposals that AIs should be allowed to provide ATS without obtaining either a Part III or Part V ATS. The provision of such ATS by AIs should continue to be overseen and regulated by HKMA, provided that the provision is incidental to the AI's activities of dealing in OTC derivatives.

We urge for a clear definition for "incidental" to facilitate market participants to understand if they need to register for the proposed new RA.

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?

DBS response: DBS has no comment regarding the ambit and scope of Type 12 RA. We welcome the proposed carve-out of clearing agency activities of AIs. The clearing agency activities of AIs should continue to be monitored by HKMA.

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

DBS response: DBS has no comment regarding the expansion of the scope of the existing Type 9 RA. Regarding the proposed carve-out, we recommend to clearly define the criteria of "wholly incidental" to facilitate market participants to understand whether they have to register for the expanded Type 9 RA.

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?

DBS response: DBS welcomes the proposed transitional arrangements so that market participants need not suspend their business during the registration period. We recommend that the transitional period should provide sufficient time for registration to process.

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

DBS response: DBS suggests that in the SIPs quantitative identification process, the hedging activities of commercial end-user should be exempted. We have no comment regarding how SIPs should be regulated.