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Cc:

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From:

18/08/2014 05:29 PM

Subject Re: Consultation paper on the Securities and Futures (OTC Derivative Transactions - Reporting and Record Keeping) Rules

Dear Sirs,

Thank you for having invited Hang Seng Bank to provide our comments on Consultation paper on the Securities and Futures (OTC Derivative Transactions - Reporting and Record Keeping) Rules. We wish to supplement our views on the following issues for your consideration.

OTC derivative transaction that will be subject to mandatory reporting

Q2. Do you have any comments or concerns about the proposed types of IRS and NDF that will be subject to the mandatory reporting obligation in the initial phase of implementation?

To facilitate a smooth implementation by AIs, the product types should align with the interim reporting requirements imposed by the HKMA last year which we are currently complying with.

In this perspective, we note the following:

1. The overnight index swaps is not found under the specified product types in Part 3 of Schedule 1.
2. The specified currency is defined as "a currency or precious metal" which may be confused with commodities transactions. We suggest removing it in this initial phase of implementation.

Time for reporting and grace periods

Q20. Do you have any comments or concerns about how the concession period and grace period are proposed to operate?

To build and test our reporting systems, sufficient time is required after the Draft Rules is finalized. This helps to reduce our operation risk and ensure sufficient operational capability in meeting the trade reporting requirements. As such, we recommend that the first phase of the trade reporting be implemented by six months after the enactment of the Draft Rules before the trade reporting regime will be commenced.

Barriers to reporting counterparty identifying information (Masking)

Q25. Do you have any comments or concerns about the proposals on masking counterparty information under certain circumstances as a temporary measure?

With reference to paragraph 140 and 141, the designated jurisdiction list is considered to be with momentous importance for trade reporting. We would be grateful if the relevant list can be available for all AIs so as to engage with counterparties in these jurisdictions.

Thanks and regards,

Phone

Email

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