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Clearing determination process	1	Do you have any comments or concerns regarding the proposed clearing determination process, or any of the factors included in that process? If so, please provide specific details.	The determination needs to take into account three key factors. 1. Liquidity of the product to support an active market when standardised sufficiently for acceptance by a central counterparty; 2. The ability for increased risk management and counterparty protections available through clearing; and 3. That the products are able to be cleared at more than one or two CCPs. The HKMA proposal to determine a clearing mandate appears to capture these factors.
Proposed product types for IRS	2	Do you have any comments or concerns about our proposals on the types of IRS that should be subject to mandatory clearing? If you do, please provide specific details.	Clearing mandates globally coalesce around standardised products given the relative ease of acceptance at a CCP and the systemic risk reduction. Fixed to float, basis swaps and OIS products are currently cleared and would be suitable product set for HK clearing so long as sufficient CCPs exist (in HK or recognised foreign clearing houses) for active trading and liquidity depth. Further investigation may be required around the OIS product set for local depth of trade in this product.
Plain vanilla IRS	3	Do you have any comments or concerns about our proposals to only include plain vanilla IRS with constant notional amounts and no optionality? If so, please provide specific details.	Clearing of plain vanilla IRS trades (fixed to float, basis swap and OIS) is largely the market and regulatory standard for clearing. We would welcome HKMA issuing clearing rules that are harmonised from a product (but not, understandably, currency) perspective. This gives market participants the best chance to adopt existing systems and processes allowing for ease of implementation. Removing optionality and maintaining a constant notional means that participants can, potentially, adopt simpler solutions for compliance.
Specified currencies for IRS	4	Do you have any comments or concerns about our proposal to include IRS denominated in any of the G4 currencies under phase 1 clearing? If you do, please provide specific details.	G4 IRS demonstrated clearing is the current market and regulatory standard. This determination will further standardise the clearing of vanilla G4 IRS globally. Concern though exists in regards access to G4 via regional CCPs. This may present difficulties for those who prefer to clear locally, or those who are not members of an global CCP.
Specified currencies for IRS	5	Do you have any comments or concerns about our proposal to mandate HKD denominated IRS for clearing under phase 1 clearing? If you do, please provide specific details.	HKD IRS is supported for clearing one local and two global clearing houses. It is import that market access is not restricted and that choice in clearing venue is maintained to prevent concentration and one-way risk. It appears logical that the home currency is included in any mandate.
Specified floating rate indexes for IRS	6	Do you have any comments or concerns about our proposal to only cover IRS that feature the indexes set out in the two tables above? If you do, please provide specific details.	These are standard indices and represent the bulk of product executed. Any changes to these indices should be discussed with captured participants to ensure sufficient liquidity to support clearing.
Specified floating rate indexes for IRS	7	Do you have any comments or concerns about our proposals on whether OIS should be covered under phase 1 clearing, and in what circumstances? If you do, please provide specific details.	OIS has a limited market and only offered for clearing by the two biggest clearing houses. The volume of these trades in Hong Kong or with Hong Kong counterparties should be assessed to ensure that compliance in the product is significant enough to create a reduction in systemic risk.
Specified tenors for IRS	8	Do you have any comments or concerns about our proposal that mandatory clearing should apply to IRS that feature the range of tenors described above? If you do, please provide specific details.	A ten year maximum tenor for IRS is reasonable and would be expected to captured the bulk of trading volume. Two year maximum tenor for OIS is also reasonable but questions remain regarding suitability of OIS for the mandate considering locally traded volumes.
Appropriateness of mandating NDF for central clearing	9	Do you have any comments or concerns about our proposal not to cover NDF transactions under phase 1 clearing? If so, please provide specific details.	No other regulator has included NDF clearing and any move to do so by HKMA would be strongly discouraged. The liquidity pool and availability of active clearing houses would make compliance difficult.
Dealer-to-dealer transactions	10	Do you have any comments or concerns about our proposal to restrict mandatory clearing to only dealer-to-dealer transactions in the first phase? If you do, please provide specific details.	No, this is reasonable for the first phase.
Dealer-to-dealer transactions	11	Do you have any comments or concerns about our proposed criteria for scoping dealer-to-dealer transactions? If you do, please provide specific details.	As per EU and US regulations the burden on firms to maintain an accurate list of captured/non-captured counterparties is onerous. It is suggested that HKMA maintain a publically accessible list defining captured counterparties in each phase. This suggestion has also been made to Australian and Singaporean regulators.
Dealer-to-dealer transactions	12	Do you have any comments or concerns about our proposed scope for “prescribed persons” and “financial services providers”? If you do, please provide specific details.	The proposed regulation should, where possible, always clearly identify the boundaries of mandatory clearing counterparty capture. For foreign entities likely captured by these regulations unclear definitions increases the challenge to identify and comply. It is suggested that definition of "financial services provider" is fully defined. A broad definition will only add to the complexity of implementation.
Clearing threshold and its calculation	13	Do you have any comments or concerns about our proposal to look at all OTC derivative transactions, other than deliverable FX forwards, when assessing if the clearing threshold has been crossed? If you do, please provide specific details.	HKMA needs to be very clearing which products are included. Alternatively lowering the threshold and applying it to only the proposed mandatory clearing trade set would also be acceptable.
Calculation period	14	Do you have any comments or concerns about our proposal to set clearing thresholds by reference to a calculation period? If you do, please provide specific details.	No, this is reasonable for the first phase.
Calculation period	15	Do you have any comments or concerns about our proposal to use multiple calculation periods and multiple thresholds? If you do, please provide specific details.	No, this is reasonable for the first phase. We agree that 12 months is a reasonable period.

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Threshold variations for different participants	16	Do you have any comments or concerns about our proposed threshold variations for different market participants? If you do, please provide specific details.	There is a burden to monitor both thresholds for foreign entities. The global trade set of USD1t is a relatively easy threshold to breach for foreign entities not incorporated in Hong Kong whilst the USD20b for trades booked in Hong Kong is expected to be a much tougher threshold to meet. It is suggested that one test is used rather than two, preferably the local booking threshold of USD20b would be adopted. This would provide for entities that have a Hong Kong operation but is not of any impact to the financial stability of Hong Kong.
Average position	17	Do you have any comments or concerns regarding our proposed formula for calculating the “average position”, i.e. the position that is to be measured against the clearing threshold? If you do, please provide specific details.	No, this is reasonable for the first phase.
Proposed threshold levels	18	Do you have any comments or concerns about the proposed threshold levels? If you do, please provide specific details.	No, this is reasonable for the first phase though it would be good if the timeframe for additional thresholds will have a consultation period as well.
Prescribed day and concession period	19	Do you have any comments or concerns about our proposal that only future transactions should be subject to mandatory clearing? If you do, please provide specific details.	Agreed, only new transactions should be covered.
No exit threshold	20	Do you have any comments or concerns about our proposal not to include an exit threshold? If you do, please provide specific details.	An exit threshold is consistent with other regional regulations (e.g. Australia). It should be possible for a counterparty to withdraw from the clearing mandate if they fall below the threshold. This would enable this counterparty to remain active in the market with the same regulatory burdens of similar counterparties. If no exit threshold exists then counterparties would remain burden by regulations traditionally applying only to larger counterparties.
Responsibilities of a prescribed person – matters to be checked	21	Do you have any comments or concerns regarding the matters to be checked by a prescribed person? If you do, please provide specific details.	As per EU and US regulations the burden on firms to maintain an accurate list of captured/non-captured counterparties is onerous. It is suggested that HKMA maintain a publically accessible list defining captured counterparties in each phase. This suggestion has also been made to Australian and Singaporean regulators.
Responsibilities of a prescribed person – ensuring transaction is cleared	22	Do you have any comments or concerns regarding a prescribed person’s obligations vis-à-vis following up on transactions that have been submitted for clearing? If you do, please provide specific details.	Suitable and applicable documentation would be required to ensure that any 'unwind' cost is considered as is not punitive or onerous if clearing fails. A provision for resubmission in case of failure is also required.
Timeframe for complying with clearing obligation	23	Do you have any comments or concerns about the proposed T + 1 timeframe for clearing, and our proposal to define “business day” to mean a business day in Hong Kong? If you do, please provide specific details.	Consideration must be given to what 'business day' is captured. If this is the Hong Kong day but use a US based CCP for clearing then T+1 is insufficient time to resubmit. Suggest that T+1 is only suitable if it is counted from end of New York day.
Clearing obligation in respect of specified subsidiaries of locally incorporated AIs	24	Do you have any comments or concerns about our proposal not to cover specified subsidiaries of locally incorporated AIs under phase 1 clearing? If you do, please provide specific details.	We welcome the proposal not to cover specified subsidiaries of locally incorporated AIs under phase 1 clearing.
Exemptions from the clearing obligation	25	Do you have any comments or concerns regarding our proposed intra-group exemption or any aspect of it? If you do, please provide specific details.	We agree that intra-group trades should be exempt but not subject to any pre-notification requirements.
Further points to note about the jurisdiction-based exemption	26	Do you have any comments or concerns regarding our proposed jurisdiction-based exemption or any aspect of it? If you do, please provide specific details.	We note that the proposed jurisdiction-based exemption has very narrow application as it does not apply to transactions entered into by an overseas-incorporated AI or an overseas-incorporated AMB.
Position on de-clearing	27	Do you have any comments or concerns regarding our proposal not to cover de-clearing and trade compression expressly under the rules? If you do, please provide specific details.	De-clearing is not common practice for most CCPs and largely not practiced by industry. Trades created through this process or via compression should not be included in the mandate given they are specifically risk reducing trades.
Substituted Compliance & CCPs	28	Do you have any comments or concerns about our proposed substituted compliance framework, or any aspect of it? If you do, please provide specific details.	We strongly supports the introduction of a substituted compliance regime to enable prescribed persons to fulfil the Hong Kong mandatory clearing obligation by complying with the rules of a comparable jurisdiction. However, we are concerned that the substituted compliance mechanism has been structured in a manner which will undermine its intended benefit to market participants. We also question the 'stricter rule' provision as this may reduce the benefit of substituted compliance reducing the number of available CCPs. HKMA should see that more available CCPs provides for ease of compliance and additional benefit in provide systemic risk reduction.
Substituted Compliance & CCPs	29	Do you have any comments or concerns about our proposed list of “comparable jurisdictions”? If you do, please provide specific details.	No, we welcome this list and would encourage HKMA to add to this list when suitable.
Clearing related record keeping requirements	30	Do you have any comments or concerns about our proposed record keeping requirements for demonstrating compliance with the clearing obligation? If you do, please provide specific details.	We are already submitting trade records to the HK TR. For participants to maintain these records for five years appears to be redundant and would impose additional cost for limited value.

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Designation and regulation of CCPs	31	Do you have any comments or concerns about our proposed processes for designating CCPs or for revoking a CCP designation? If you do, please provide specific details.	The ability to comply with the mandatory clearing regime as set out in the Consultation Paper is dependent on the recognition of certain main foreign CCPs. It is imperative that these CCPs become designated CCPs prior to the commencement of mandatory clearing in Hong Kong. If the HKMA and the SFC's clearing mandate has the effect of limiting major international dealers to clear certain specified OTC derivatives transactions through only a local CCP in Hong Kong, then this is likely to lead to the unintended consequences of reducing the volume of in-scope IRS that international dealers may choose to book locally in Hong Kong as well as artificially bifurcating the existing swap market between swaps that are to be cleared through a local CCP in Hong Kong (which will necessarily be a much smaller proportion of the whole) and swaps that may be cleared outside Hong Kong at venues which may attract larger volumes and greater volume related efficiencies. Whilst we appreciate that the designation of such CCPs is dependent on the CCPs in question applying to the SFC for designation, we encourage the SFC to engage with the CCPs listed to keep market participants informed of progress to the extent possible. This is particularly the case as substituted compliance is available only where the specified OTC derivatives transaction is cleared through a designated CCP. Going forward, it would be very useful for the industry if the SFC is able to publish and maintain a list of designated CCPs for the purposes of compliance with the mandatory clearing regime in Hong Kong.
Designation and regulation of CCPs	32	Do you have any comments or concerns about our proposal to implement only the clearing leg of the extended definition of "ATS" at this stage? If you do, please provide specific details.	We do not have any comments on the proposal to implement only the clearing leg of the extended definition of "ATS".
Designation and regulation of CCPs	33	Do you have any comments or concerns about our proposal to defer implementation of the changes to the definition of "market contract" to cover CCPs that are authorized ATS providers and designated CCPs? If you do, please provide specific details.	Not at this time but will reserve comment until draft of definition change has been published.
Reporting			
Scope	34	Do you have any comments or concerns about our proposal to include all OTC derivative products in the next phase of mandatory reporting? If you do, please provide specific details.	<p>We have no issue with HKMA expanding the scope. However, it is difficult to determine what is in scope with only a reference to Schedule 1 of the SFO. For example:</p> <ul style="list-style-type: none"> • Are physically delivered commodities covered by II.g) as a product that may be possessed? What structured products does this exemption refer to? • Is the most up-to-date recognised stock and futures markets documented in the letter from 10th July 2015? • A structured product offered within 2 weeks and to multiple persons is not included – how can this be captured? • Would using ISDA UPI list be more useful?
Exempt Person	35	Do you have any comments or concerns about our proposal that the "exempt person" relief should be extended to cover all OTC derivative products, but that it should no longer apply on a product class basis? If you do, please provide specific details.	No issue
Exempt Person	36	With respect to the criteria for triggering the "exempt person" relief, do you have any comments or concerns about our proposal that the limit on the aggregate notional amount should stay at US\$30 million? If you do, please provide specific details.	No issue
Concession period	37	Do you have any comments or concerns about our proposal to do away with the concession period and defer commencement of phase 2 reporting until 6 months after the rules are enacted? If you do, please provide specific details.	<p>Please can HKMA provide further details; What is the difference between deferring the rules, concession period, and grace period? What does HKMA mean by removing a 6 month concession period and replacing with a 6 month deferment? Relating to point 166 (b) ANZ request further clarification as rules 23-25 are not clear. Does ANZ need to backload open transactions of the new products, or report transactions in the deferred period mid 2016 – early 2017?</p>
Data field communication	38	Do you have any comments or concerns about our proposal to only set out the information categories in the subsidiary legislation, and separately publish, by way of a (non-statutory) Gazette notice, the specific data fields to be completed when reporting transaction information to the HKTR? If you do, please provide specific details.	Concern is that if there are multiple changes it is difficult to manage having specific detail relating to regulations on a non-statutory gazette rather than in the rules. Can HKMA confirm if it is likely that the details will change and / or if there are likely to be multiple publications of the gazette that we will need to check?
Data Fields	39	Do you have any comments or concerns about the specific data fields set out in the tables at Appendix D? If you do, please provide specific details, including suggestions for alternative ways to capture the relevant information.	<p>Please confirm which data fields are mandatory and which are conditional / optional or are all these mandatory?</p> <p>Please confirm which fields the HKTR will be matching on.</p> <p>HKMA states that not all fields may be relevant in each case – what will happen if one counterparty fills out a field that may not be mandatory for the trade but the other CP does not – will it mis-matched?</p> <p>Guidance on exotics "will be" set out in SRIs – are these the SRIs we received at the beginning of the year or are we expecting new ones?</p> <p>ANZ requests HKMA to highlight which are the new fields that have been added as part of phase 2. If we need to backload the new fields to open trades, this will make it easier to see what needs to be done.</p> <p>ANZ will provide further analysis prior to 31st Nov deadline</p>

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Valuation	40	Do you have any comments or concerns about our revised proposal on the reporting of valuation transaction information? If you do, please provide specific details.	<p>What time zone should the valuation time be reported in?</p> <p>Will this be a field HKTR matches on?</p> <p>Valuations will be done at different times internally depending on which systems are used and certainly at different times between counterparties.</p> <p>Mutually agreed valuations will be complex for reporting as the industry has not agreed on a method or model and, if reporting is in the draft rules, it is for a weekly netted figure. It should be noted that BCBS-IOSCO standards for uncleared margin have only been adopted by one regulator (FDIC in the USA) so far and the initial compliance date is Sept 2017. We would encourage HKMA to look at the relative benefits of IM valuation reporting before requiring mandatory reporting.</p>
Valuation	41	In what circumstances do you envisage it will be necessary to submit the previous day's valuation figures, and why? Please provide specific details including the practices adopted and the particular difficulty encountered in view of such practices.	No comment
Record Keeping	42	Do you have any comments or concerns about our proposal to expand the mandatory record keeping obligation so that it applies in respect of the expanded product scope, but to leave the obligation otherwise unchanged? If you do, please provide specific details.	No comment
Grace period	43	Do you have any comments or concerns about our proposal to have a single grace period under phase 2 that applies across all products and product types? If you do, please provide specific details.	<p>As per Q37 ANZ is not clear what the grace period translates to in terms of actions required. For new transactions should banks start reporting when the rules commence or after the deferred period?</p> <p>Is it necessary to backload the additional new trade information for trades that are already reported? This will be a substantial manual effort, additionally constrained by our agent DTCC. If the new fields are not setup at DTCC to trigger an event, we cannot update the trade.</p> <p>Would it not be more useful to include the additional new information on any new trades and subsequent events of open trades?</p> <p>Please confirm this is only for open historic trades rather than matured? We cannot update matured trades.</p> <p>Please confirm that the backloading of new information is for all open trades and not separated by phase 1 trades and trades reported due to conducted in HK rules – this seems to be the case for point 203(f)(i)</p> <p>Will open trades of the new products need to be backloaded?</p>
Grace period	44	Do you have any comments or concerns about our proposals for how the single grace period under phase 2 will apply in respect of persons who are already reporting under phase 1? If you do, please provide specific details.	As per Q43
Grace period	45	Do you have any comments or concerns about our proposals for how the single grace period under phase 2 will apply in respect of persons who became subject to mandatory reporting under phase 1 but whose grace period under phase 1 is still running when phase 2 reporting takes effect? If you do, please provide specific details.	No comment