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October 30, 2015

Financial Stability Surveillance Division
Hong Kong Monetary Authority
55/F Two International Finance Center
8 Finance Street, Central
Hong Kong
Via Email: fss@hkma.gov.hk

http://www.sfc.hk/edistributionWeb/gateway/EN/consultation/

Re: Consultation paper on introducing mandatory clearing and expanding mandatory reporting September 2015 issued by the Hong Kong Monetary Authority ("HKMA") and Securities and Futures Commission ("SFC") (the "Consultation Paper")

Dear Sir or Madam,

On behalf of the Depository Trust and Clearing Corporation ("DTCC"), we appreciate the opportunity to comment on the draft rules and proposals presented in the Consultation Paper at this time. We will be providing a second response with respect to the data field component of the Consultation Paper at a later time.

DTCC's Repository Service

DTCC operates companies that provide trade reporting around the world. These companies and the countries in which they are incorporated are listed below:

DTCC Data Repository (U.S.) LLC	("DDR")	United States
DTCC Derivatives Repository Ltd.	("DDRL")	United Kingdom
DTCC Data Repository (Japan) KK	("DDRJ")	Japan
DTCC Data Repository (Singapore) Pte Ltd	("DDRS")	Singapore

DDR, DDRJ and DDRS are licensed and are actively engaged in operating as trade repositories at present in their countries of incorporation. DDR is now also licensed as a trade repository in Canada by the Ontario Securities Commission, Manitoba Securities Commission and Autoritè Des Marchès Financier respectively. DDRS is additionally licensed by the Australian Securities and Investments Commission as a trade repository in Australia and has received its license to support reporting compliance. DDRL is licensed to operate as a trade repository by the European Securities and Markets Authority ("ESMA") under European Market Infrastructure Regulation ("EMIR") and is also licensed as an FCA service company and offers trade repository services for voluntary reporting. DDRL is acting as an agent to facilitate banks and licensed corporations to report their trades to the Hong Kong Trade Repository ("HKTR").

DTCC through its subsidiaries offering the Global Trade Repository service is the only company that supports regulatory reporting in the Asia-Pacific region for all five major derivatives asset classes, including credit, interest rates, equities, FX and commodities. It now processes two million submissions a week from across the region. Our global experience in providing trade reporting in all five asset classes positions us well to share some of the challenges we have encountered to date regarding the expansion of data, some of the solutions we have tried to implement, and suggestions for the future.

We encourage the HKMA and the SFC to continue to strive to implement the G20 commitments and in particular to work with CPMI-IOSCO on the work it is doing to standardize and harmonize the data required to be reported to trade repositories.

Attached are our comments to the Consultation Paper. Please note that we have elected not to comment on questions 1 through 33 that cover proposed clearing requirements, but rather have focused our efforts on those questions relating to Trade Reporting. If there are any questions or concerns regarding the contents of this response we welcome the opportunity to discuss these comments in greater detail if you wish.

Yours Sincerely,

Q34. 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.

DTCC encourages Hong Kong to align with other countries in reporting OTC derivative trade data in all of the 5 major asset classes. We respectfully have a number of concerns with the approach being taken in Consultation Paper.

DTCC is concerned with the breadth of the expansion, and our experience has shown that a phased approach has a greater chance of reducing confusion and other compliance issues, and will contribute to greater accuracy. Industry experience has shown that a measured, phased approach to implementation results in more efficient, cost effective and less problematic compliance as reporting participants can focus on their development and testing efforts. While many of the larger global institutions may have implemented trade reporting in all five asset classes in other jurisdictions already, the effort to implement in each new jurisdiction cannot be underestimated based upon the fragmented regulatory requirements across the globe. We would encourage Hong Kong to implement on an asset class basis with a minimum 6 month interval between asset class implementation in line with a proposed 12 month delay (as discussed further in our response to question 37 below) between the legislative effective date and the compliance date.

DTCC also recommends Hong Kong consider the phasing of non-bank entities separate from bank entities. It is our experience that the level of technological sophistication and the access to specific position data varies significantly across non-bank segments. This leads to unique reporting challenges and delegation arrangements (often with off shore parties) that will need to be fully understood to ensure smooth implementation.

We further suggest a more granular approach to reporting that aligns reportable products with those currently being reported in common with other jurisdictions. We respectfully urge the HKMA and the SFC to review the ISDA Product Taxonomy and the work being done by the industry through The International Swaps and Derivatives Association and a consortium of 18 buy-side and sell-side institutions to create an open source uniform product identification system. [1] This system will provide a standardized list of products traded in the OTC market that could be the basis for reportable product types.

With respect to the scope, DTCC would also respectfully suggest that the HKMA and SFC consider limiting certain products to ensure alignment with global standards. An example of this would be to limit the reporting of Foreign Exchange Contracts to those with settlement dates greater than 3 days, or in the case where the trade is done to facilitate the settlement of a securities trade, reporting only applies to those trades with settlement dates greater than 7 days.

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[1] This is known as the ISDA Symbology Project

Q35. 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.

DTCC has no comment.

Q36. 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.

DTCC has no comment.

Q37. 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.

DTCC agrees in principle with the proposed change as it provides needed certainty to reporting parties. DTCC, however, respectfully notes that the information to determine whether 6 months is adequate is incomplete and that any estimation of time needed to prepare for implementation is not possible without a clearer understanding of the data fields to be completed. We suggest that the timing issue be revisited once the compliance and implementation burdens are better understood post the November 30, 2015 review of the data fields in, Appendix D. DTCC believes that a 6 month lag between final legislation being enacted and compliance may be too short given the amount of system build out that is typically required to support new reporting requirements. DTCC believe that phase 2 will potentially see some entities reporting for the first time, and that as such, a delay of 12 months would be a more workable timeline for firms.

Q38. 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.

In general, DTCC agrees with a principles-based approach to legislation and the flexibility of the Gazette notice process as long as there are built in requirements for changes to reporting fields to be consulted on prior to publication. DTCC would respectfully suggest that along with consultation, a period of 12 months is allowed between notification of change and the change taking effect, in line with our response to Q37. This will allow industry sufficient time to develop, build and test new functionality.

Q39. 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.

DTCC will respond at a later date on specific data fields in Appendix D. We would respectfully suggest that the HKMA and SFC do not require the submission of PDF documents for exotic products. This is not consistent with other Asia Pacific jurisdictions and represents a high operational burden on firms. We would also point out that data in this form is free-format and not validated against global, harmonized standards.

Q40. 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.

DTCC urges Hong Kong to align its valuation reporting requirements to be in line with those in other jurisdictions and applauds its attempt to align with the work being done by IOSCO. Such alignment benefits all stakeholders: reporting firms can reuse technology and know-how to report in Hong Kong and regulators will be closer to being able to share and possibly aggregate data across jurisdictions.

Q41. 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.

DTCC has no comment

Q42. 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.

DTCC has no comment

Q43. 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.

DTCC has no comment.

Q44. 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.

DTCC would like to express concern with the proposal to implement new data fields retroactively and require back loading of historically reported trades with the new data fields. DTCC believes the new data fields should be prospective and that the cost to the industry to re-report trades outweighs any benefit to be gained. The effort involved to industry would be time consuming and technically challenging. We also believe it is not in line with other jurisdictional requirements within the Asia Pacific region.

Q45. 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.

DTCC has no comment