

# Hong Kong Investment Funds Association

## Questions/comments from members of Hong Kong Investment Funds Association re the HKMA and SFC consultation paper on introducing mandatory clearing and expanding mandatory reporting for OTC derivatives transactions (October 2015)

### Mandatory clearing

#### **Questions listed in the consultation paper**

Q23 We opine that the proposed clearing timeframe should be in line with the current market practice for other OTC derivatives settlement time and be amended to T+2/3.

Q26 We suggest that the approved or filed jurisdictions be published on a public portal to facilitate checking by market participants and to keep the market up-to-date.

#### **Others questions/comments**

- Clearing threshold calculation:  
The consultation paper proposes to use clearing threshold as one criterion to determine if a transaction is a dealer-to-dealer transaction. Is the calculation for the clearing threshold on a per contract basis?
- The need for guideline:  
We exhort the regulators to provide market participants with more guideline, prior to the clearing requirements take effect, on how buyer, seller and CCP interact with each other as many parties will be involved in the clearing process.
- CCP registration:  
Who can be registered as CCP? Will the Hong Kong stock exchange form a new clearing company? We envisage that SFC would have a mutual registration arrangement for CCP which is already being granted the status by CFTC or EMIR. It is important to keep the industry abreast of the arrangement to facilitate planning.
- Implementation timeframe:  
It is important that a longer implementation timeline be granted. Based on the CFTC CCP registration experience, most CCP will take at least 3 months to get licensed with the regulator. Following CCP status approval, it will take time for a Licensed Corporation to onboard and allow both parties to solve any technical issues for any margin requirement or settlement issues.

### Mandatory reporting

#### **Questions/comments from members**

- The role of CCP:
  1. The consultation paper proposes to extend the reporting regime to cover CCPs that are authorized ATS providers. Can the CCPs also perform reporting duties for the counterparties, in order to reduce the administrative and financial burden of the counterparties?
  2. Regarding the valuation to be reported, for transactions cleared through CCP, we suggest that SFC makes it mandatory for CCPs to publish their valuation for counterparties.

(End)