DTCC

2 Shenton Way
#11-02 SGX Centre 1
Singapore 068804

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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.

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. 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,

General Comments

DTCC appreciates HKMA's efforts to align the reporting of the 5 asset classes of OTC Derivative transactions, i.e. interest rate, foreign exchange, equity, credit and commodity to current global standards. As many regulatory regimes have already been established, DTCC continues to believe that the harmonization of data will reduce data fragmentation and improve data quality globally. DTCC encourages regulators globally to harmonize their requirements with ESMA as the de facto standard based on the fact that more than 60% of the world's OTC derivative transactions are reported under EMIR to ESMA. The benefits to be gained by harmonization, standardization and simplification are in the reuse of technology, facilitation of data aggregation and data access across jurisdictions and more efficient alternative compliance.

Reuse of Technology

In the current global OTC trade reporting landscape, the majority of firms reporting OTC derivatives are reporting trades in accordance with ESMA requirements. To maximize the reusability and reduce cost for firms, trade repositories, and other supporting platform vendors, DTCC has encouraged regulators who are looking to implement their trade reporting regulations to harmonize their requirements with ESMA. As a result of this effort, regulators in other jurisdictions have adopted an "ESMA-like" standard and it is becoming the global standard for trade reporting. Based on our analysis of reporting globally, ESMA represents the jurisdiction with the largest reporting universe and most complete data set. DTCC encourages HKMA to follow where possible these globally utilized data fields.

Facilitation of Data Aggregation Across Jurisdictions

For a trade repository to be fully valuable to regulators locally and globally, reported data must be in a form that allows for regulators to share and/or aggregate. This gives regulators the ability to see a global view of the OTC derivative market as well as their jurisdictional view. We recognize the recent (November 2015) MOU between SFC and ESMA on information exchange in this area. Without common data sets, or at a minimum a core set of common data, meaningful sharing and aggregation cannot be accomplished.

Alternative/Substituted Compliance and Cross Jurisdictional Data Access

Jurisdictions around the world are proposing to allow for entities with reporting obligations in multiple jurisdictions to ease their regulatory burden by submitting once to their home jurisdiction (or in some cases, any other convenient acceptable jurisdiction). This single submission would satisfy the entity's reporting obligations in these multiple jurisdictions. Substantial equivalence is the key to such multi-jurisdictional compliance and the basis of any equivalence finding must be the data elements. If jurisdictions begin to align their core data fields, it will be far more feasible to have a determination of equivalence and thus allow for the benefits of cross border reporting. DTCC believes that a large proportion of the information HKMA is seeking has already been reported in other jurisdictions and the alignment proposed in this comment paper will ultimately produce the fastest implementation and highest quality results.

Timing considerations – Industry readiness

DTCC encourages HKMA to take into account the considerable lead time for firms to comply with new regulations. While HKMA can leverage the existing technical work that has been done by all stakeholders in OTC reporting, stakeholders need sufficient time to adapt their systems to HKMA reporting across the 3 new asset classes and to include additional products in the existing 2 asset classes. There is also the added layer of complication in an agency model. Even with an emerging level of standardization, it is DTCC's experience, generally speaking, that a phased approach has a greater chance of reducing confusion and other compliance issues. We would encourage HKMA to implement on an asset class basis with a minimum of 6 months interval between asset class implementation in line with a proposed 12 month delay between the legislative effective date and the compliance date. DTCC believes that Phase 2 will potentially see some entities reporting for the first time, and as such, a delay of 12 months would be a more workable timeline for firms.