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TO:

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Via email: [fss@hkma.gov.hk](mailto:fss@hkma.gov.hk)

30 November, 2015

**Re: Consultation paper on introducing mandatory clearing and expanding mandatory reporting**

Dear Sir/Madam

The Global Foreign Exchange Division (GFXD) of the Global Financial Markets Association (GFMA) welcomes the opportunity to comment on behalf of its members on the *Consultation Paper on Introducing Mandatory Clearing and Expanding Mandatory Reporting* issued by the Hong Kong Monetary Authority ('HKMA') and the Securities and Futures Commission ('SFC') on 30 September, 2015. As instructed in the Consultation Paper, we submitted our response to the majority of questions in a separate response. This letter covers our response to Q39 of this Consultation Paper on the specific data fields of Appendix D.

The GFXD was formed in co-operation with the Association for Financial Markets in Europe (AFME), the Securities Industry and Financial Markets Association (SIFMA) and the Asia Securities Industry and Financial

Markets Association (ASIFMA). Its members comprise 24 global foreign exchange (FX) market participants,<sup>1</sup> collectively representing more than 90% of the FX inter-dealer market.<sup>2</sup> Both the GFXD and its members are committed to ensuring a robust, open and fair marketplace and welcome the opportunity for continued dialogue with global regulators.

The FX market is the world's largest financial market. Effective and efficient exchange of currencies underpins the world's entire financial system. Many of the current legislative and regulatory reforms have had, and will continue to have, a significant impact upon the operation of the global FX market, and the GFXD wishes to emphasise the desire of our members for globally co-ordinated regulation which we believe will be of benefit to both regulators and market participants alike.

The FX market is also the basis of the global payments system. The volume of transactions is therefore very high and these transactions are often executed by market participants across geographical borders. As reported by the Bank of International Settlements in their 'Triennial Central Bank Survey: Foreign Exchange Turnover in April 2013' over 75% of the FX activity was executed by market participants across 5 global jurisdictions, hence the continued view from the GFXD that regulations should be harmonised at the global level.

Cross border markets cannot operate in conflicting regulatory landscapes and the natural outcome, should this be the case, is unwanted fragmentation of what is an already highly automated and transparent FX market.

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**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.**

We understand from this Consultative Paper that specific field information will be set out in a forthcoming edition of the Gazette. Before addressing the high level field information that has been included in this Consultation Paper, we would like to bring to the HKMA and SFC's attention our concerns regarding this approach.

Firstly, the publication of the specific data fields in a non-statutory publication could result in misinterpretation or incorrect application, which would impact the quality of the data received by regulators. This is of particular concern in the FX market, where the number of participants and volume of transactions are both particularly high. The recent FSB Thematic Review on OTC Derivatives Trade Reporting<sup>3</sup> highlighted the problem of variation in submissions caused by inadequate requirements for standardised reporting. We therefore urge the HKMA and SFC to provide explicit direction on how fields are to be populated, and prioritise standardisation across all reporting parties.

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<sup>1</sup> Bank of America Merrill Lynch, Bank of New York Mellon, Bank of Tokyo Mitsubishi, Barclays Capital, BNP Paribas, Citi, Credit Agricole, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan, Lloyds, Mizuho, Morgan Stanley, Nomura, RBC, RBS, Société Générale, Standard Chartered Bank, State Street, UBS, Wells Fargo and Westpac.

<sup>2</sup> According to Euromoney league tables.

<sup>3</sup> <http://www.financialstabilityboard.org/2015/11/thematic-review-of-otc-derivatives-trade-reporting/>

Secondly, the limited field information given in this Consultation Paper does not give any indication of which fields will be mandatory and which optional. This is a crucial part of any set of reporting specifications and we encourage the HKMA and SFC to give the industry input into the final decisions. We suggest that in the interests of global consistency, the mandatory fields should be aligned with those which are already mandatory under EMIR in Europe.

Since the tables in Appendix D relate to the table set out on pages 53-55 of this Consultation Paper, we have also included in this section our concerns regarding those pages.

Category / Field	GFXD Comment
<i>(1) Information and particulars relating to administration of reporting the transaction</i>	No overall GFXD comment.
Action	GFXD recommends that this field is defined and mirrors the current field specifications for existing reporting.
Trade Event	GFXD suggests that this field should be used for recording those events that require re-confirmation, e.g. novation.
Event ID Request	GFXD suggests that this field is duplicative of the USI/UTI.
Agent Event Reference User Event Reference	As outlined in the GFXD response to the CPMI-IOSCO consultative report on Harmonisation of the UTI <sup>4</sup> , we are strongly supportive of the USI/UTI being used as the sole identifier by all parties. We also note that the FSB's Thematic Review strongly recommends that jurisdictions support and adopt global identifiers (such as the UTI, LEI etc). We therefore suggest that additional references are not recorded in connection with a trade, and that these fields are not required.
Full Termination Indicator	GFXD suggests that for FX this field is duplicative. Termination would be indicated by one of the following instead:  (a) A notation of '0'; (b) The 'Action' field populated with 'termination'; or (c) The expiry date.
Reporting For	This field corresponds to 'submitted on behalf of' in other jurisdictions, and GFXD is supportive of its inclusion. We strongly suggest that should be populated by a Legal Entity Identifier (LEI) as this is the international standard for counterparty identification. As noted in our comment on 'Agent Event Reference' above, use of global identifiers (such as LEI) is strongly supported by the FSB.  A key challenge, therefore, is ensuring that both parties have a LEI. Because the FX market acts as the global payment system, the users of the FX market are vast in number, wide in their geographical location and transact across jurisdictional borders. Outside of the G20, market participants may not feel

<sup>4</sup> <http://www.gfma.org/correspondence/item.aspx?id=723>

	<p>the need to apply for a LEI (or feel the need to permission a 3rd party to apply for a LEI on their behalf), especially if their local regulator does not require a LEI. In G20 jurisdictions this is a less acute problem, as all market participants with a reporting obligation must have a LEI in order to register with a trade repository.</p> <p>The GFXD suggests that any processes implemented to help market participants obtain a LEI are performed at the global regulatory level, not just the G20 level. All markets, including ‘emerging markets’ should be considered in this process as we believe the requirement to obtain a LEI should be implemented equally across all jurisdictions.</p> <p>If no LEI is available, then the GFXD suggests that a BIC code or HKTR counterparty code could be submitted. However, this should be a last resort, as the GFXD believes that all market participants should be required to obtain a LEI.</p>
Remarks 1	The FX industry uses a standard taxonomy <sup>5</sup> , which has evolved over the last 20 years to accurately reflect both what is being traded and the terminology used by global market participants. The industry has also developed Financial
Remarks 2	<p>products Markup Language (FpML)<sup>6</sup> to automate the flow of information across the marketplace, which is used for trade reporting. There are continual efforts underway in the industry to develop existing and new FpML templates for complex exotic products, in order to capture more easily and accurately the details of these trades. The GFXD requests that the SFC/HKMA leverages developments in FpML, along with the trade repositories, by amending its reporting field requirements as new FpML templates become available. This will better allow for the reporting of complex exotic products which will increase the quality and usefulness of the data available to the SFC/HKMA.</p> <p>Given the evolution of the market with respect to products, and the varied sophistication of market participants in using FpML, and the ongoing FpML developments, there continues to be variance in how well FpML can capture all the details of complex exotic trades from firms’ proprietary systems. GFXD therefore recommends that Remarks 1 and 2 should currently be used for complex exotics where the reporting requirements cannot be fulfilled through other existing specified fields, in accordance with our comments below.</p>
Version	It is unclear to GFXD members to what file this refers. We request additional clarity from the HKMA/SFC.

<sup>5</sup> ‘OTC Derivatives Product Taxonomy’, available at <http://www2.isda.org/functional-areas/technology-infrastructure/data-and-reporting/identifiers/upi-and-taxonomies/>

<sup>6</sup> <http://www2.isda.org/functional-areas/technology-infrastructure/fpml/>

File Reference	It is unclear to GFXD members to what file this refers. We request additional clarity from the HKMA/SFC.
Purpose	No GFXD comment.
Submitting Party (Type & ID)	'Type' and 'ID' should be one field. As above, in our comment on 'Reporting For', the GFXD strongly suggests that this field should be populated by a LEI.
Reporting Party (Type & ID)	'Type' and 'ID' should be one field. As above, in our comment on 'Reporting For', the GFXD strongly suggests that this field should be populated by a LEI.
Number of Trade Event Requests	No GFXD comment.
Valuation Request ID	As above, in our comment on 'Agent Event Reference, the GFXD supports the use of the USI/UTI as the sole trade identifier. We therefore suggest that this additional identifier is unnecessary and should be removed.
<i>(2) Information and particulars relating to the class or type of product to which the transaction belongs</i>	No overall GFXD comment.
Asset Class	No GFXD comment.
Product Taxonomy	The GFXD recommends that these fields are formatted according to the existing industry standard taxonomy, as outlined in our comments on 'Remarks 1 and 2'.
Unique Product Identifier	
OTC Derivatives Product Taxonomy	
Option Type	Due to the nature of vanilla and simple FX exotics, each trade consists of a call and a put. We request that the HKMA/SFC provide explicit guidance to ensure standardised use of this field.
Option Style	No GFXD comment.
<i>(3) Dates and period relating to the transaction</i>	No overall GFXD comment.
Backloading Date	The GFXD suggests that this should be a 'Yes/No' indicator of backloading, rather than a date. If left as a date field, the date provided would either be duplicative of the trade date, or of the date on which the record was submitted, both of which are reported elsewhere.
Trade Date	The GFXD suggests specifying that this should always be the original trade date, and never a lifecycle event date.
Fixing Date	For clarity, the GFXD asks that this field be specified as only applicable to FX cash/non-deliverable products. We also note that this field corresponds

	to 'Valuation Date' in the EMTA <sup>7</sup> NDF templates.
Value Date	In accordance with the description given in this Consultation Paper, the GFXD suggests renaming this field 'Settlement Date' to avoid confusion.
Option Effective Date	Complex and bespoke products are not traded electronically, cleared or confirmed through electronic matching platforms. There is limited standardisation of representation for these products in the marketplace and limited support in FpML for trade reporting, although efforts are underway to develop FpML in this area. Market participants therefore book these trades differently according to their proprietary systems, and are currently reporting these products using the Generic Product Template in FpML for US and European regulatory requirements. This lack of standardisation means that these fields would be interpreted and used differently by market participants, which would affect the quality of the data received by the HKMA/SFC. The GFXD suggests the removal of these fields, with participants able to include any trade details not covered in other fields in the pdf attached under 'Remarks 1'.
Option Commencement Date	
Commencement Date	
Option Lockout Date	
Expiration Date	
Final Maturity Date	
Execution Period Start Date	
Execution Period Expiry Date	
Agreement Date	In accordance with the description given in this Consultation Paper, the GFXD suggests renaming to 'Post Trade Event Date' to avoid confusion, or creating a separate 'Post Trade' section.
Effective Date	In accordance with the description given in this Consultation Paper, the GFXD suggests renaming to 'Post Trade Effective Date' to avoid confusion, or creating a separate 'Post Trade' section.
Effective Date: Leg 1/2	As outlined in our response to 'Option Effective Date', these fields are not suitable for complex exotic products and the GFXD suggests that they are removed, with participants able to include any trade details not covered in other fields in the pdf attached under 'Remarks 1'.
Termination Date: Leg 1/2	
<i>(4) Information and particulars relating to the counterparties to the transaction</i>	No overall GFXD comment.
Reference Branch of Trade Party	The GFXD recommends using standardised ISO country or city codes. This will ensure data harmonisation across reporting parties.
Desk ID	In order to ensure that the correct trades are being reported, the GFXD suggests renaming this field 'Hong Kong Nexus' with a 'Yes/No' response.
Trade Party 1 and 2	As above, in our comment on 'Reporting For', the GFXD suggests that this field should be populated by a LEI.
Industrial Sector	If each party is identified by a LEI, these fields will not be necessary.
Counterparty Industrial Sector	

<sup>7</sup> Emerging Markets Trade Association (EMTA) <http://www.emta.org/default.aspx>

Exchanged Currency 1 – Payer Party	As above, in our comment on ‘Reporting For’, the GFXD suggests that these fields should be populated by a LEI.
Exchanged Currency 2 – Payer Party	
Option Buyer	
Option Seller	
Buyer	
Seller	
Premium Payer	
Counterparty Origin	In accordance with the description given in this Consultation Paper, the GFXD suggests renaming to ‘Principal/Agent’, with those being the only permitted responses.
<i>(5) Information and particulars relating to the pricing of the transaction</i>	No overall GFXD comment.
Underlying Asset	For FX complex exotic trades, there is no underlying asset as there would be in, for example, credit derivatives. The GFXD suggests that this field be removed.
Put Notional	No GFXD comment.
Call Notional	No GFXD comment.
Settlement Currency	For clarity, the GFXD asks that this field be specified as only applicable for FX cash/non-deliverable products.
Price Notional	For FX, the GFXD has understood this field to refer to the premium on an option. This is captured elsewhere and we therefore suggest removal of this field.
Strike Price – Quoted Currency Pair Basis	No GFXD comment.
Strike Price	No GFXD comment.
Premium	No GFXD comment.
Exchanged Currency 1 – Payment Amount	No GFXD comment.
Exchanged Currency 2 – Payment Amount	No GFXD comment.
FX Delivery Type	The GFXD suggests that the only allowable values for FX for this field should be ‘deliverable’, ‘non-deliverable’ and ‘election’ (for trades where the settlement method has not been decided at time for trade entry). More

	details on our proposal for the global harmonisation of this data element can be found in the GFXD response to the CPMI-IOSCO Consultative Report on Key OTC Derivatives Data Elements <sup>8</sup> .
Exchange Rate – Quoted Currency Pair Currency 1	No GFXD comment.
Exchange Rate – Quoted Currency Pair Currency 2	No GFXD comment.
Exchange Rate Currency Pair Basis	In accordance with the description given in this Consultation Paper, the GFXD suggests renaming to ‘Quote Basis’ to avoid confusion.
Exchange Rate	No GFXD comment.
Multiple Exercise Minimum	No GFXD comment.
Multiple Exercise Maximum	No GFXD comment.
Notional: Leg 1/2	For FX, this is covered under ‘Exchange Rate – Quoted Currency Pair Currency 1 and 2’ above. The GFXD suggests that this might be more applicable for other asset classes and that the field should be removed for FX.
Strike Price Unit	FX prices are always denominated in currencies – the GFXD suggests that this might be more applicable to commodity derivatives and that this field should therefore be removed for FX.
Strike Price Currency	For FX, this is duplicative of the field ‘Strike Price – Quoted Currency Pair Basis’ above – the GFXD suggests removal of this field.
Option Entitlement	As outlined in our response to ‘Option Effective Date’, these fields are not suitable for complex exotic products and we suggest deletion, with participants able to include any trade details not covered in other fields in the pdf attached under ‘Remarks 1’.
Number of Options	
Barrier Type	
Barrier Direction	
Trigger Rate	
Trigger Rate Source	
Trigger Rate Quoted Currency Pair	
Observation Period Start Date	
Observation Period End Date	
Observation Date Point	
Touch Condition	

<sup>8</sup> <http://www.gfma.org/correspondence/item.aspx?id=724>



Touch Direction	
Trigger Condition	
Digital Option Payout	
(Asian) Rate Source	No GFXD comment.
Observation Frequency	No GFXD comment.
Observation Rate Quote Basis	No GFXD comment.
<i>(6) Information and particulars relating to the documentation of the transaction</i>	Item 6 on page 54 of the consultation paper refers to 'supplementary materials' to the documentation of the transaction, however we note that the fields specified in Appendix D for this section are limited to Master Agreement, Supplement and Definitions. Currently no other global regulators are requesting 'supplementary materials' in their trade reporting. We would interpret a CSA (as an example) to be 'supplementary materials' but do not believe that such material would be useful in enabling regulators to perform market oversight functions. Of significant consideration too is the ability for the industry, including CCPs, to communicate and report such documents. Historically, these are bilaterally agreed documents hence the lack of industry-wide architecture to support such a request.
Master Agreement	No GFXD comment.
Master Supplement Date	For FX, this would be covered under the 'Master Agreement' field – the GFXD suggests this field is removed for FX.
Definitions Type	For FX, this would be covered under the 'Master Agreement' field – the GFXD suggests this field is removed for FX.
<i>(7) Information and particulars relating to the confirmation of the transaction</i>	No overall GFXD comment.
Confirmation Platform ID	There are currently no centralised confirmation platforms for FX. The GFXD suggests removing this field, or renaming to 'Confirmation Method', with the permitted responses being 'Electronic' or 'Non-Electronic'.
CP Trade Reference	As there are no centralised confirmation platforms for FX, no trade reference would be generated – the GFXD suggests that this field should be removed for FX.
<i>(8) Information and particulars relating to the execution of the transaction</i>	The majority of FX trading in Asia is still via voice rather than via execution platforms. We therefore suggest that these fields should not be mandatory.
Execution Type	No GFXD comment.
Execution Agent	As above, in our comment on 'Reporting For', the GFXD suggests that this field should be populated by a LEI.

Execution Date Time	- The GFXD suggests that the time should be in UTC rather than Hong Kong time, as this is a globally standard approach.
<i>(9) Information and particulars relating to the clearing of the transaction</i>	Item 9 (e) on page 54 of the consultation paper says “whether or not the clearing obligation applies to a person in relation to the transaction”. However we cannot see a field which draws out this point.
Clearing	As outlined in our response to the CPMI-IOSCO Consultative Report on Key OTC Derivatives Data Elements <sup>9</sup> , we suggest the following as acceptable values: ‘Not Cleared’, ‘Intent to Clear’, ‘Cleared (Principal)’ or ‘Cleared (Agency)’. This would contribute to the global harmonisation of this data element.
Central Counterparty ID	As above, in our comment on ‘Reporting For’, we strongly suggest that these fields should be populated by a LEI. However, we also note that the ID name not be known at the time of trade entry, so this field should not be mandatory.
Clearing Broker	As above, in our comment on ‘Reporting For’, we strongly suggest that these fields should be populated by a LEI.
Clearing Exemption	No GFXD comment.
Special Terms Indicator	In accordance with the description given in this Consultation Paper, the GFXD suggests renaming to ‘Mandatory Clearing Indicator’ to avoid confusion.
<i>(10) Information and particulars relating to the compression exercise of the transaction</i>	No overall GFXD comment.
Special Terms	In accordance with the description given in this Consultation Paper, the GFXD suggests renaming to ‘Compression Indicator’ to avoid confusion.
<i>(11) Particulars of any identifying references assigned to the transaction</i>	No overall GFXD comment.
Agent Trade Reference	It is unclear to what this field refers – the GFXD requests more clarity from HKMA/SFC.
User Trade Reference	As above, in our comment on ‘Agent Event Reference, we are supportive of the use of the USI/UTI as the sole identifier. The GFXD suggests that this additional identifier is unnecessary.
Unique Transaction Identifier (UTI) Indicator	In accordance with the description given in this Consultation Paper, the GFXD suggests renaming to ‘Unique Swap Identifier (USI) Indicator’ to avoid confusion.
Unique Transaction Identifier	In accordance with the description given in this Consultation Paper, the

<sup>9</sup> <http://www.gfma.org/correspondence/item.aspx?id=724>

(UTI)	GFXD suggests renaming to 'Unique Swap Identifier (USI)' to avoid confusion.
Prior - Unique Transaction Identifier (UTI)	In accordance with the description given in this Consultation Paper, the GFXD suggests renaming to 'Prior Unique Swap Identifier (USI)' to avoid confusion.
Unique Transaction Identifier – Unique Trade ID (UTI-TID)	In accordance with the description given in this Consultation Paper, the GFXD suggests renaming to 'Unique Transaction Identifier (UTI)' to avoid confusion.
Prior - Unique Transaction Identifier – Unique Trade ID (UTI-TID)	In accordance with the description given in this Consultation Paper, the GFXD suggests renaming to 'Prior Unique Transaction Identifier (UTI)' to avoid confusion.
Trade Reference	No GFXD comment.
Bilateral Comments	In accordance with the description given in this Consultation Paper, the GFXD suggests renaming to 'Bilateral Agreed Identifier' to avoid confusion.
Swap Link ID	No GFXD comment.
<i>(12) Information and particulars relating to the valuation of the transaction</i>	No overall GFXD comment.
Valuation Time Date	No GFXD comment.
Valuation Value	No GFXD comment.
Valuation Type	No GFXD comment.

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We appreciate the opportunity to share our views on this consultation paper issued by the HKMA and SFC. Please do not hesitate to contact

should you wish to discuss any of the above.

Yours faithfully