

The DTC Association

(The Hong Kong Association of Restricted Licence Banks and Deposit-taking Companies)

存款公司公會 (香港有限制牌照銀行及接受存款公司公會)

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26th May, 2017 (Fri)

Hong Kong Monetary Authority
55th Floor, Two International Finance Centre,
8 Finance Street, Central, HONG KONG.

Dear

Joint HKMA - SFC consultation on the OCT derivatives regulatory regime

Thank you for your email of 9th May, 2017 (Tue) consulting us on the captioned subject.

We have received a response from one of our Association members. The content of this reply is herewith attached as appendix to the present letter.

Thank you for your kind attention,

Yours Sincerely

Encl.

20. The precise language for describing Delta One Warrants will be subject to the drafting practice and approach adopted by the Department of Justice. However, our intention is that the language should be such as to embody any warrant that has the following features:
- (a) it gives the holder the right to purchase the underlying asset(s); including cash settled warrants that settle in a currency different from their underlier currency;
 - (b) its strike price is set as zero or close to zero;
 - (c) its underlying subject matter (as defined in section 101A of the SFO) may be anything;
 - (d) it is transferrable, and there is no restriction or limitation to the effect that the warrant can only be transferred or sold to the issuer; and
 - (e) it is documented in the form of a warrant and not concluded by a confirmation made under an ISDA master agreement.
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