

We are supportive for the improvement suggestion from the HKMA and the SFC on current system, but we have the following recommended for the HKMA and the SFC while mandating the use of Unique Transaction Identifiers(UTIs):

1. HKMA and the SFC recommended that counterparties bilaterally agree on who would generate UTIs for their transactions in order to prevent the relevant parties from preparing more than one UTI for a single transaction. In case where a bilateral agreement cannot be reached or has not been reached, counterparties should adopt the list of factors, where applicable, recommended in the Technical Guidance for allocating responsibility for UTI generation as set out in Annex 1. Since the trading entity needs to fulfil the reporting obligation before the end of the next business day after the trading day(T+1), one business day may not be sufficient when both parties need to negotiate which could lead to delay on the confirmation and reporting obligation of the transaction.
2. Refer to point 5 and Annex 1, in reality, it will generate operational inefficiency and communication cost for financial institutions, especially for transactions done by cross-jurisdiction counterparties, as such factors to decide UTI generating party may not be simply defined or confirmed within the mandatory reporting timeline. Refer to point 13 in Annex, we suggest that HKTR could generate UTIs under the applicable rules which will facilitate the operational efficiency for all the TR members in Hong Kong. Or just to simplify the rules of which entity should be responsible for generating UTIs, e.g. market maker rather than price taker, or "Party A" defined in the contract.
3. Refer to point 26 (d), we wonder the necessity of a new UTI may be needed during the life-cycle of an OTC derivative transaction, as no matter what trade events occur during the life-cycle, the original UTI could still represent that transaction and all trade events will be reported if required.
4. Refer to point 3, 28, 36 and 42, pending the finalization of an international standard for UTIs, and according to the proposed implementation timeline of Apr 2020, it will generate uncertainty and additional development cost for financial institutions, especially if finalized international standard differs from the current proposed structure and format of UTIs stated in point 28.