

24 June 2019

Via online submission

Financial Stability Surveillance Division
Hong Kong Monetary Authority
55/F Two International Finance Centre
8 Finance Street, Central

Supervision of Markets Division
Securities and Futures Commission
35/F Cheung Kong Center
2 Queen's Road Central
Hong Kong

Re: Submission in response to *Joint consultation paper on enhancements to the OTC derivatives regulatory regime for Hong Kong to – (1) mandate the use of Unique Transaction Identifiers for the reporting obligation, (2) revise the list of designated jurisdictions for the masking relief of the reporting obligation and (3) update the list of Financial Services Providers under the clearing obligation*

Dear Sir or Madam:

CME Group Inc. ("CME Group"), on behalf of its subsidiary Chicago Mercantile Exchange Inc. ("CME"),¹ appreciates the opportunity to provide comments on the Hong Kong Monetary Authority ("HKMA") and Securities and Futures Commission ("SFC") consultation regarding enhancements to the OTC derivatives regulatory regime ("Consultation"), specifically with respect to the mandatory use of Unique Transaction Identifiers ("UTIs").

CME Group's General Comments

CME Group supports the efforts of the HKMA and the SFC to improve alignment with international standards and best practices, including the Technical Guidance on Harmonisation of the Unique Transaction Identifier ("Technical Guidance") issued by the Committee on Payments and Market Infrastructures and the Board of the International Organization of Securities Commissions (together,

¹ CME operates CME Clearing, one of the largest central counterparty ("CCP") clearing services in the world and provider of clearing and settlement services for exchange-traded contracts and over-the-counter derivatives transactions. CME is authorized in Hong Kong to provide automated trading services (ATS-CCP) and designated as a CCP for the clearing of OTC interest rate swaps.

“CPMI-IOSCO”) in February 2017.² CME offers the following response to Question 2 of the Consultation and related suggestions to further enhance alignment with international UTI standards and practices.

CME Group's Specific Comments

Q2: Will you have any difficulties adopting the use of UTIs in OTC derivatives trade reporting in the proposed timelines as stated above? If so, please provide specific details.

The Consultation proposes the following with respect to the structure and format of UTIs:

28. As for the structure and the format of UTIs, we propose to adopt the Technical Guidance. In particular, a UTI is required to be constructed as a concatenated combination of the LEI of the generating entity at the point of generation and a unique value created by that entity. It is only allowed to have a maximum of 52 characters constructed solely from the upper-case alphabetic characters A-Z or the digits 0-9, inclusive in both cases.³

Adoption of this proposal would create potentially conflicting reporting formats for CCPs such as CME whose regulator has adopted a different structure and format of UTIs. The U.S. Commodity Futures Trading Commission (“CFTC”), which is CME’s primary regulator, did not adopt the recommendation in the Technical Guidance that a UTI begin with the LEI of the issuing entity. Instead the CFTC established a Unique Swap Identifier (USI)⁴ that is broadly equivalent to the UTI but which mandates that the USI begin with a unique “namespace” assigned to the issuer of the LEI.⁵ This unique USI namespace is determined by the CFTC and differs from the LEI of a U.S.-registered entity that issues USIs. Thus, there is an inherent conflict in the USI requirements established in the U.S. and the UTI requirement proposed in the Consultation and recommended in the Technical Guidance.

If the UTI structure and format proposed in the Consultation is adopted, it appears necessary for a U.S. reporting entity with Hong Kong trade reporting obligations to generate two unique identifiers for each transaction: one that begins with a namespace as required by the CFTC and one that begins with the issuing entity’s LEI as proposed in the Consultation. The creation of multiple identifiers for the same transaction would undermine the Technical Guidance’s stated aim of consistent use of the same UTI across different jurisdictions,⁶ run the risk of creating confusion in trade records and impose an unnecessary and potentially costly burden on impacted reporting parties. For these reasons, we respectfully suggest an adjustment to paragraph 28 of the Consultation to permit greater flexibility in acceptable UTI formats:

28. As for the structure and format of UTIs, we propose to adopt the Technical Guidance **with slight modification**. In particular, a UTI is required to be constructed as a concatenated combination of either the LEI **or the USI Namespace** of the generating entity at the point of generation and a unique value created by that entity. It is only allowed to have a maximum of 52

² Comm. Payments & Mkt. Infrastructure & Technical Comm. Int’l. Org. Securities Comms.(CPMI-IOSCO), *Technical Guidance: Harmonisation of the Unique Transaction Identifier* (Feb. 2017), available at <https://www.bis.org/cpmi/publ/d158.pdf>.

³ See par. 28 of the Consultation.

⁴ See U.S. Commodity Futures Trading Comm’n Office of Data & Tech., *Unique Swap Identifier (USI) Data Standard*, 3 (Oct. 1, 2012) [hereafter, “Data Standard”], available at <https://www.cftc.gov/sites/default/files/idc/groups/public/@swaps/documents/dfsubmission/usidatastandards100112.pdf>.

⁵ See *id.*


⁶ See par. 2.3 of the Technical Guidance.

characters constructed solely from the upper-case alphabetic characters A-Z or the digits 0-9, inclusive in both cases.

In keeping with the above adjustment, we also respectfully suggest the following clarification:

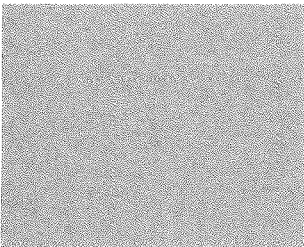
31. For the avoidance of doubt, reporting entities can use UTIs generated in accordance with relevant overseas requirements which are consistent with the structure and format set out in the Technical Guidance **or, in the case of U.S. reporting entities, UTIs generated in accordance with the CFTC's Unique Swap Identifier (USI) Data Standard**, to meet the proposed Hong Kong UTI requirement.

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CME Group thanks the HKMA and the SFC for the opportunity to comment on this matter. We would be happy to discuss any of these issues with HKMA or SFC staff. If you have any comments or questions, please feel free to contact 

While CME's submission may be made public by the HKMA and SFC, CME Group respectfully requests that name and other personal and contact information of the submitters be withheld.

Sincerely,



CME Group