



Securing Today. Shaping Tomorrow.®

55 Water Street
New York, NY 10041
United States of America
+1 (212) 855-1000

June 25, 2019

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

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

Re: Response to the Securities and Futures Commission (SFC) and Hong Kong Monetary Authority's (HKMA) (together, Agencies) Joint consultation paper on enhancements to the OTC derivatives regulatory regime for Hong Kong to (1) mandate the use of Unique Transaction Identifiers (UTI's) 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 Madam, Sir,

A. Summary

The Depository Trust and Clearing Company ("DTCC"), as the world's largest operator of global trade repositories for the OTC derivatives markets, continues to advocate for a safe and resilient financial industry through the implementation of robust, globally-consistent derivatives reporting regimes. This helps the international regulatory community form an accurate and timely view of the market in order to achieve their mandates, especially in relation to financial stability.

B. DTCC Supports harmonized reporting standards

DTCC fully supports the HKMA's and SFC's adoption of UTIs agreed by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO). We will continue to encourage other jurisdictions to adopt the globally agreed standards, including the UTI as well as the Critical Data Elements (CDE). As we have described in our comment letters to CPMI-IOSCO and the FSB, we believe that adopting the CPMI-IOSCO approach for all factors is key for a clear, well-defined, and globally harmonized reporting standards globally will be instrumental in improving the consistency of reporting.

C. Responses on the Consultation

This letter only addresses the first two questions regarding mandating the use of UTIs

Question 1: Do you have any comments or concerns about our proposals to mandate the use of UTIs in OTC derivatives trade reporting, in particular, the interim measure and to allow counterparties to bilaterally agree on the responsibility to generate a UTI prior to adopting the list of factors recommended in the Technical Guidance? If you foresee any operational difficulties in implementing the proposals, please provide specific details.

DTCC strongly supports the HKMA's and SFC's adoption of the use of UTI. While DTCC appreciates the Agencies' intent to provide firms flexibility for firms to bilaterally agree who will generate the UTI, before adopting the list of factors in the Technical Guidance for determining the generation party, we would like to attract your attention on the potential fragmentation in the UTI generation party logic across jurisdictions.

On the interim measure (Paragraph 29, 30, 35), the UTI mandate only contemplates new trades which take place on or after the implementation date having no Unique Swap Identifier (USI) or Unique Trade ID (TID) assigned. While the measure will help the reporting entities transition to the full and complete implementation of UTI, we would like guidelines clarifying how the Agencies expect the interim measures to be technically implemented. Specifically, further details on whether the UTI mandate will be technically enforced by the Trade Repository of the HKMA (HKTR), and if so, what technical validations will be applied. DTCC as reporting agent strives to align closely to the HKTR validation rules on its own platform. Please kindly refer to our comments to Question 2 for specific items.

Question 2: 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.

DTCC, as a reporting agent would like to seek clarification on whether the interim UTI mandate will be enforced technically by the HKTR system.

We respectfully request that a technical specification for the HKTR UTI mandate implementation be developed and made available, including details on the following items:

1. The field(s) specification for the new UTI, including CSV position, and format;
2. The validation rules intended to be built into the HKTR system for the new field(s), both trade transactions and valuations; and,
3. The business rule intended to be built into the HKTR system for determining a post trade event or valuation is for a new trade on or after the implementation date, therefore subject to the interim UTI mandate validation.

In addition, making the technical specification available at least six months prior to the effective implementation date would be helpful in allowing sufficient time for incorporating the recommendations into the technical platforms.

DTCC welcomes the opportunity to further discuss these comments and to provide additional views related to the mandate of UTI and other standardization efforts.

For further information or clarification on this response and any related matters, please feel free to contact me or

[REDACTED]

Truly yours,

[REDACTED]

Head of Derivatives and Collateral, DTCC
CEO & President, DTCC Deriv/SERV LLC