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17 May 2024

By online submission

Joint further consultation on enhancements to the OTC derivatives reporting regime for Hong Kong to mandate – (1) the use of Unique Transaction Identifier, (2) the use of Unique Product Identifier and (3) the reporting of Critical Data Elements

Dear Sir/Madam,

Bloomberg appreciates the opportunity to provide feedback to the joint further consultation on enhancements to the OTC derivatives reporting regime for Hong Kong to mandate – (1) the use of Unique Transaction Identifier, (2) the use of Unique Product Identifier and (3) the reporting of Critical Data Elements. Bloomberg appreciates the Hong Kong Monetary Authority ("HKMA") and the Securities and Futures Commission's ("SFC") ongoing engagements with market participants to share updates and capture market views. We also welcome the HKMA's and the SFC's efforts in working with global regulators to undertake revisions of the reporting regime with an aim to drive greater standardization across jurisdictions. We encourage Hong Kong and global regulators to continue with communications to harmonize report standards and implementation timelines before finalization of the rules.

Please find below our comments to the consultation.

In the meantime, if there is any way in which Bloomberg can be of assistance going forward, please do not hesitate to get in touch.

Yours sincerely,

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Bloomberg's feedback to the Joint further consultation on enhancements to the OTC derivatives reporting regime for Hong Kong to mandate – (1) the use of Unique Transaction Identifier, (2) the use of Unique Product Identifier and (3) the reporting of Critical Data Elements.

S/N	Questions	Feedback
4.	The HKMA and the SFC are seeking views on the proposed approaches to the UPIs: (a) the proposal to fully adopt the UPI Technical Guidance and the ISO 4914 standard for the structure and format of UPI to be implemented in Hong Kong; and (b) the proposal to mandate the use of the UPI for the underlying derivatives of each submitted reportable transaction to the HKTR from 29 September 2025. If you foresee any operational difficulties in meeting the implementation timeline or have other comments, please provide specific details.	We support the full adoption of the UPI (ISO 4914) by the HKMA and the SFC. The UPI should be adopted as defined by the original ISO standard, with additional data reported alongside the UPI as required. Where a derivative has a UPI, then we agree that the UPI should be used as an identifier in reporting where that derivative is an underlier. The metadata of the UPI standard includes the underlier for the derivative itself, which will commonly be an index/benchmark. We would suggest that the HKMA and the SFC recognise the excellent coverage of index/benchmarks provided by the Financial Instrument Global Identifier ("FIGI"), which frequently can provide unique identification where an index has no ISIN. The Derivatives Service Bureau ("DSB") currently enables a limited use of FIGI for UPI creation and retrieval, but it does not support FIGI in the UPI library. Instead, it only converts UPIs to or from an ISIN if there is one. We regard this implementation approach by the DSB as sub-optimal. We note, and agree with, the HKMA and the SFC's proposed alternative to maintain 'certain product-related data fields' in the reporting requirements. We would suggest that this includes provision in field 131 (Underlier ID) for the identification of underlier index/benchmarks with a unique openly available identifier, such as FIGI, if an ISIN is not available to use in the UPI underlier identifier field. This is pending any change in the stance of the DSB to support other identifiers in the UPI reference data library. Without this flexibility, underliers can only be identified by full name in the underlier field of the UPI when no ISIN is available. We believe this has negative implications on data quality, using full names can cause confusion when there are very similar names. We would be pleased to expand upon this feedback more fully if that would be of help to the HKMA and the SFC.

5.	The HKMA and the SFC are seeking comments on the proposed data elements and their definitions, formats and allowable values as set out in Appendix B. If there are data elements that you consider should be excluded or modified, or that you foresee any operational difficulties in implementing the proposal, please provide specific details and elaborate on the rationale.	As per our comment above, we recommend the inclusion of FIGI as a specific option for the reporting in field 131 Underlier ID (other). This would help improve the DSB's current approach, by providing underlier ID in the UPI reference data, which effectively augments and improves data quality. We would welcome the opportunity to further elaborate this point with the HKMA and the SFC. Also, we agreed with the HKMA's and the SFC's approach to mandate the use of Legal Entity Identifiers ("LEIs") for all entities involved in OTC derivatives transactions. We also would like to point out the importance of renewing LEIs. The annual renewal ensures the legal entity data is up-to-date and accurate. We would recommend that the HKMA and the SFC consider requiring the counterparties to have a renewed LEI, so as to help improve LEI data quality.
6.	Do you consider there are other data elements that the HKMA and the SFC should include in Appendix B? If so, please suggest the data elements together with the purposes, definitions, formats and allowable values of the suggested data elements.	As above – specific inclusion of the proposal to use FIGI in the reporting of underlier information and the requirement for all related entities to have a renewed LEI.
9.	Do you have any comments or concerns on the below? (a) The proposed approach of requiring re-reporting of live legacy transactions with maturity of more than one year as at the implementation date, and providing a six-month transition period for these reportable legacy transactions to be rereported; and (b) Are there any particular data fields that a reporting entity may find challenging in re-reporting a legacy transaction? If so, please specify the data field(s) and provide specific details.	As the market prepares for reporting and quality assurance, this proposed approach would mean the need to maintain two sets of processes at the same time: one that has processes built around the old format and fields (which those who are already reporting should already have in place), as well as a new process for oversight and reconciliation, for the new reporting regime. This means having to maintain different fields and lifecycle events across the old and new regimes, and can cause considerable duplication in processes. Rather than requiring historical trades to be reported in the old format, we suggest for everything to be migrated to the new format. This would help firms from having to duplicate their processes across reporting, reconciliation and quality assurance.
10.	The HKMA and the SFC are seeking comments on the adoption of the ISO 20022 XML message standard for OTC derivatives reporting to the HKTR and on implementing ISO 20022 XML message	We support the implementation of ISO 20022 XML, which represents a harmonized approach with other major markets.

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	standard at the same time when we implement the UTI, UPI and CDE. If you foresee any operational difficulties in implementing the proposals, please provide specific details.	

Additional feedback / comments from Bloomberg:

Should you have any standard language that you would like to include, please provide that below. We will incorporate your comments into our final response.

More information about FIGI:

Historically, market participants have been facing ID data management challenges as they are using so many different types of IDs. For instance, these IDs might change over time, causing licensing costs and sometimes these IDs could be missing etc.

A standard identifier approach will help solve this problem and we are seeing a global adoption trend of the open source ID called FIGI. It is a standard identifier in the industry, and it is open source, meaning it is free to use and redistribute.

We are seeing a growing number of regulators globally referring to the use of FIGI when it comes to reporting in these few years:

In 2015, FIGI became a standard with the Object Management Group (https://www.omg.org/figi/). In 2021 it became a standard with the American National Standards Institute (https://x9.org/asc-x9-publishes-u-s-standard-for-the-financial-instrument-global-identifier/) and in 2020, it is adopted as one of the Brazil national standards.

The US senate passed the Financial Data Transparency Act in 2022. This law requires the financial regulators to adopt standardized reporting across all agencies that must utilize only open source, unlicensed, machine readable identifiers and standards. They will have 2 years to implement these new rules and the clock has begun ticking. Since then, 4 SEC rules and 1 OFR rule have started to allow the use of this FIGI due to its persistent and open source nature.

Please refer to this article to understand more about the benefits:

https://www.bloomberg.com/professional/insights/data/how-figi-adapts-to-and-innovates-with-financial-markets/?tactic=443192&utm_campaign=443192&utm_content=MyCompany&utm_medium=LI_MyComp&utm_source=Social-o

For more details about FIGI: https://www.openfigi.com/assets/local/figi-allocation-rules.pdf