

Consultation on Standard Calculation Periods under OTC Derivative Clearing Rules

Response on Law Firm Partner dated 16 February 2026 **(Extract)**

To

Financial Stability Surveillance Division

Hong Kong Monetary Authority

55/F, Two International Finance Centre

8 Finance Street, Central, Hong Kong

And

Supervision of Markets Division

Securities and Futures Commission

54/F, One Island East

18 Westlands Road

Quarry Bay, Hong Kong

Dear Sirs / Madams,

Re: Consultation on Proposed Amendments to the Clearing Rules for OTC Derivative Transactions

I am writing in response to the joint consultation paper issued by the Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC) in January 2026 regarding proposed amendments to the Securities and Futures (OTC Derivative Transactions – Clearing and Record Keeping Obligations and Designation of Central Counterparties) Rules (the "Clearing Rules").

I welcome the opportunity to comment on the proposals and wish to express my strong support for the amendments set out in the consultation paper.

1. General Support for the Proposed Approach

I fully support the proposal to introduce a formulaic approach to Calculation Periods under the Clearing Rules from 1 March 2027 onwards. As noted in paragraph 12 of the consultation paper, the proposed approach "would provide prescribed persons

with certainty that future Calculation Periods can be determined based on the established methodology, without reliance on adding new calculation periods to Schedule 2 to the Clearing Rules from time to time."

This shift from a fixed schedule to a standing framework is a welcome development. It removes the need for periodic legislative amendments and provides clarity and predictability for market participants, which is essential for effective compliance planning.

2. Endorsement of the Retained Parameters

I note that the proposal retains the core features of the existing regime. As set out in paragraph 9, the authorities' observations indicate that "having two Calculation Periods per calendar year, each spanning three months, has proven effective." This is further supported by the regular updates to the list of prescribed persons meeting the Clearing Threshold, and the fact that "the timeframe is sufficient for a dealer that has met the threshold for the first time to make the necessary operational arrangements to comply with the clearing obligation by the Prescribed Day."

I also agree with the observation in paragraph 10 that the existing Clearing Threshold of USD 20 billion "has also been appropriate." The increase in the number of prescribed persons reaching the threshold—from 17 in 2017 to 27 in 2025—demonstrates that the threshold is set at a level that captures relevant market activity without being overly inclusive or burdensome.

3. Operational and Legal Certainty

From a practical standpoint, the proposed fixed Calculation Periods—1 March to 31 May and 1 September to 30 November in each year—provide long-term certainty. This enables market participants to align internal systems, compliance monitoring, and governance processes well in advance. As an individual market participant, I value this predictability, as it reduces the risk of last-minute adjustments and supports more effective internal planning.

I also welcome the confirmation in paragraph 13 that "such a formulaic approach also does not engender operational changes relating to compliance with the Clearing Rules by prescribed persons." This ensures continuity and minimises disruption for those already subject to the regime.

4. Support for the Draft Legislative Amendments

I have reviewed the draft amendments set out in the Annex to the consultation paper. The proposed revisions to Schedule 2 are clear and appropriately drafted. In particular, the addition of items 21 and 22, which state:

- "From 1 March 2027 onwards, 1 March to 31 May in a year – US\$20 billion – 1 January in the following year"

- "From 1 March 2027 onwards, 1 September to 30 November in a year – US\$20 billion – 1 July in the following year"

accurately reflects the intended policy and provides a transparent and workable framework for the future.

5. Conclusion

I commend the HKMA and SFC for their continued efforts to maintain a robust and internationally aligned OTC derivatives regulatory regime in Hong Kong. The proposed amendments are practical, forward-looking, and strike the right balance between regulatory effectiveness and operational feasibility.

I strongly support the proposals and encourage the authorities to proceed with the legislative process as outlined, with a target commencement date of 1 March 2027.

Thank you for considering my views. I would be happy to provide further elaboration if required.

Yours faithfully,
Law Firm Partner