

Supplementary Reporting Instructions for OTC Derivative Transactions

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Introduction -

1. This document provides a summary of the general requirements for reporting transactions to the HKTR (including clarification of important concepts) and specific instructions for reporting particular types of transactions under different circumstances. As an annex to the *Administration and Interface Development Guide* (AIDG), this document forms part of the set of HKTR reporting manuals which comprises three documents, i.e. the AIDG, the *OTC Derivatives Trade Repository Reporting Service Reference Manual* and the *Operating Procedures for Hong Kong Trade Repository Reporting Service – User Manual for Participants*. It is important that this document should be read in conjunction with the parts of the SFO relating to the mandatory reporting of OTC derivative transactions, the Reporting Rules and the HKTR reporting manuals stated above.

Section A - Abbreviations and glossary

2. Unless the context otherwise requires, terms defined in Schedule 1 to the SFO or in the Reporting Rules bear the same meaning when used in the instructions, and the following terms bear the following meanings:
 - **“Approved money broker” (AMB)** – has the meaning assigned to it under section 2 of the BO;
 - **“Authorized institution” (AI)** – has the meaning assigned to it under section 2 of the BO;
 - **“BO”** – refers to the Banking Ordinance (Chapter 155, Laws of Hong Kong);
 - **“HKTR”** – means the trade repository operated by or on behalf of the HKMA for submitting and receiving reports on specified OTC derivative transactions for the purposes of the Reporting Rules and section 101B of the SFO;
 - **“Interim reporting requirement”** – refers to the requirement to report certain OTC derivative transactions to the HKMA, applicable to licensed banks prior to the commencement of the Reporting Rules;
 - **“Reporting Rules”** – means the Securities and Futures (OTC Derivative Transactions – Reporting and Record Keeping Obligations) Rules;
 - **“SFC”** – means the Securities and Futures Commission;
 - **“SFO”** – refers to the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

Section B - General instructions

3. This section highlights general requirements for reporting transactions to the HKTR. To enhance the data quality of the HKTR, requirements in this document should also be applicable to transactions reported to the HKTR voluntarily, unless specified otherwise.
4. A report to the HKTR must be compiled in accordance with the instructions given in the HKTR reporting manuals mentioned in paragraph 1.
5. Where the reporting obligation applies, under the Reporting Rules, (i) transactions outstanding at the time when the reporting obligation starts to apply; (ii) new transactions; and (iii) subsequent events in relation to the transactions that have been reported to the HKTR, are reportable. “Subsequent event” is defined to cover any event which occurs after the transaction was entered into that affects the terms or conditions on which the transaction was entered into or the persons involved in entering into the transaction. In brief, it includes any happening that affects the key economic terms of the transactions reported to the HKTR. Key economic terms of a transaction are stated in the column under the title “Reporting Requirement” in each product template in the AIDG.
6. The events that are regarded as subsequent events are as follows:
 - (i) Subject to paragraph 7, agreement between the contracting parties to modify the key economic terms (e.g. floating rate in relation to an interest rate swap, notional amount etc.) of the transaction;
 - (ii) change in key economic terms due to change in industry standards (e.g. the currency code of a foreign currency being replaced by a new one);
 - (iii) termination of the transaction before maturity for any reasons (e.g. central clearing); and
 - (iv) any other events that may be specified by the HKTR.
7. Subsequent event does not include:
 - the reaching of the contractual maturity of a transaction;
 - for interest rate derivatives, the fixing of the floating interest rate during the life of the transaction; and
 - changes to mandatory (including “mandatory when applicable”) fields (such

as “Notional Amount”, “Fixed Rate”, “Floating Rate Multiplier”, “Floating Rate Spread” etc.) occurred according to a predetermined schedule. However, these changes are still requested to be reported to the HKTR by using Amendment templates to facilitate regulatory monitoring, even if the predetermined schedule has been reported to the HKTR before.

8. An institution may take actions to bring an intended effect to an OTC derivative transaction. The institution should consider each event that occurs in the course of such actions individually to determine whether an event is reportable. For example, it is a common industry practice for an institution to “novate” a transaction when seeking to change its counterparty in respect of the transaction from one entity to another. “Novation” typically involves termination of the existing transaction and creation of a new transaction with another counterparty. There is no reporting template for “novation” per se. Nonetheless, termination of the existing transaction reported to the HKTR is a reportable event as discussed in paragraph 6(iii) above. The new transaction (though not a subsequent event) is also reportable under the Reporting Rules as mentioned in paragraph 5. Please refer to paragraphs 88 to 89 on the treatment for reporting novation transactions.
9. The HKTR will announce special treatments to deal with the reporting of an event where system modification on its own part is expected to be required. An event in paragraph 6(ii) above is an example of this kind of event. HKTR will announce when it will start to accept reports of data compiled according to new industry standards. It can also generally be expected that a grace period for reporting the data according to new standards (including amendment of existing data in the HKTR database) will be provided.
10. Submissions to the HKTR must be made by completing the Standard templates provided by the HKTR, unless otherwise instructed by the HKTR. HKTR provides different templates to suit different reporting purposes, e.g. reporting new transactions or subsequent events, backloading outstanding transactions, making amendments, etc. These reporting purposes are referred to as trade events in the AIDG. A complete list of the templates and technical specification on which templates should be used can be found in Appendices A, B and C of the AIDG. To avoid uncertainty with respect to the choice between the templates for “New Trade” and “Backloading”, as a simple rule, if the intention is to report a snapshot of transaction information as at a date which is later than the trade date, the template for "Backloading" instead of "New Trade" should be used. If the

transaction involves special product features not supported by the current reporting templates, it is acceptable to report information in respect of the transaction to the extent supported by the templates. For information, currently the TR templates can already accommodate the following product features:

Interest rate swap

- option to cancel transaction
- amortizing/accreting notional¹
- early termination provision

11. Data fields are generally classified as being amendable or non-amendable. The list of non-amendable fields can be found in Appendices A and C of the AIDG. The manner for updating or correcting a non-amendable data field of a transaction should be by reporting a “withdrawal” event for the transaction together with reporting the transaction again i.e. re-submission. The re-submission to the HKTR can be a report of i) the latest snapshot position using the Backloading template with the backloading date as at the last event date or the date of the latest position, or ii) all of the life cycle events in chronological order, with updated information in respect of the non-amendable data field (i.e. re-submission should use the same type of template as used when the transaction was reported for the first time and follow with using the Amendment/Termination template to report the subsequent events, where applicable). However, in a situation where the updating of a non-amendable data field is for reasons unrelated to reporting errors or changes in economic terms (e.g. the data field is the currency code and the industry standard for the currency code concerned has been revised), it is also acceptable for the updating to be done by reporting a “quit” event for the transaction together with backloading the latest snapshot position of the transaction as of the quit date. Furthermore, where the updating of an amendable data field (e.g. floating rate index) is for reasons unrelated to reporting errors or changes in economic terms (e.g. the data field is the floating rate index and the industry standard for the floating rate index concerned has been revised), it can be done by reporting an amendment event with agreement date as of current date or the last event date of the transaction. For the situation where correcting an amendable data field is for reasons related to reporting errors, please refer to

¹ An institution should provide information on the amortization/accreting schedule for a relevant transaction to the HKTR when reporting the transaction for the first time.

paragraph 79.

12. The data fields are generally classified according to the nature of the fields. Reporting entities are required to observe the specific nature of respective data fields by referring to the Reporting Rules, FAQ, SRI and the AIDG. Reporting entities have to observe the reporting requirements accordingly and report the data fields as specified in Appendices A and C of the AIDG. Generally, the data fields fall into three categories:
 - (i) Mandatory fields – All the fields designated as mandatory must be completed. These fields are typically designed for (a) collecting the key economic terms of a transaction; or (b) administrative purposes;
 - (ii) “Mandatory when applicable” fields – All the fields designated as mandatory when applicable must be completed where applicable (for example, the data field “Clearing Broker” must be completed if the reporting entity appoints or intends to appoint a client clearing service provider); and
 - (iii) Optional fields – All the fields designated as optional are encouraged to be completed but their completion is at the discretion of the reporting entity.
13. The data fields “Desk ID” and “Reference Branch of Trade Party” became mandatory fields on 10 July 2016. Reports of transactions entered into on or after this date must contain information in respect of these two data fields. For transactions entered into on or after the commencement day of the Reporting Rules that have already been reported into HKTR and remained outstanding on 10 July 2016, reporting entities should supplement data in respect of these two fields when they submit a report of subsequent event on or after 31 January 2017². Although it is not mandatory to supplement the data in respect of these two fields for transactions entered into before the commencement day of the Reporting Rules, reporting entities are encouraged to do so if practicable.
14. Save for during grace periods provided for in the Reporting Rules or special arrangements announced by the HKTR, the reporting obligation must be fulfilled within two business days of the trading day or the day of a subsequent event (i.e. on a T+2 basis). For the avoidance of doubt, for CCP trades, the reporting obligation must be fulfilled within two business days after the trade is accepted

² A reporting entity which intends to request for longer time to comply with this requirement should, if it is primarily regulated by the HKMA, write to bpd_otc@hkma.gov.hk or if it is primarily regulated by the SFC, write to otc_enquiries@sfc.hk.

by the CCP for clearing.

15. Subsequent changes to the mandatory fields of a transaction that has been reported to the HKTR should be reported to the HKTR on a T+2 basis after the changes take place.
16. A gale warning day or a black rainstorm warning day, as defined in section 71(2) of the Interpretation and General Clauses Ordinance (Cap 1), will not be counted as a business day under the T+2 reporting requirement. A gale warning or black rainstorm warning happening on the trading date only but not the two days immediately following the trading date should not affect the normal timing for reporting under the T+2 basis.
17. The highlights of the technical reporting requirements contained in this section are not exhaustive. Therefore it is important that a reporting entity must also read the HKTR reporting manuals mentioned in paragraph 1 carefully before compiling a report to the HKTR.

Section C - Specific instructions

C.1 Data field “Reference Branch of Trade Party”

18. This has become a mandatory field since 10 July 2016. The intention is to identify, through this field, the location of the branch/office (of that Trade Party) into which the transaction is booked. A transaction always involves two trade parties. The data field “Reporting For” indicates the trade party that the reporting entity is reporting for. “Reference Branch of Trade Party” should be completed with reference to the trade party reported in “Reporting For” (i.e. a reporting entity is only required to fill out the “Reference Branch of Trade Party” field in relation to the trade party it is reporting for but not the other counterparty to the transaction).
19. Report in “Reference Branch of Trade Party” any of the following:
 - (i) The Swift BIC code (the first 11 characters) of the branch concerned;
 - (ii) A value formed by adding the jurisdiction code stated in Annex 1 (which contains essentially ISO 3166-1 alpha-3 codes) as a prefix to the internal branch code of the trade party; or
 - (iii) The jurisdiction code from Annex 1 for the branch concerned (if a trade party has no branch, report the jurisdiction code corresponding to its office

location).

20. Some illustrative examples for completing “Reference Branch of Trade Party” (the same treatment should apply for cases where the report is submitted by a reporting agent) are provided below:
- (i) A locally incorporated AI/LC reports an OTC derivative transaction that is booked in Hong Kong. In this case the reference branch should be the Hong Kong branch of the AI/LC. Assuming that due to internal policy the AI/LC prefers to report the Swift BIC code for the Hong Kong branch, this is acceptable.
 - (ii) A locally incorporated AI reports an OTC derivative transaction of its branch in Singapore. In this case the reference branch should be the AI’s Singapore branch. Assuming that the AI prefers to report the internal branch code of SIN123 for its Singapore branch, the value “SGPSIN123” should be reported. The prefix “SGP” is obtained from Annex 1.
 - (iii) A foreign incorporated AI reports a transaction that is booked into its Hong Kong branch. In this case the reference branch should be its Hong Kong branch. Assuming that the AI prefers to report the jurisdiction code from Annex 1, “HKG” should be reported.
 - (iv) A foreign incorporated AI reports a transaction that its Hong Kong branch “conducted in Hong Kong” on behalf of its UK branch (i.e. the transaction is booked into the UK branch). In this case the reference branch should be the UK branch. Assuming that due to internal policy the AI prefers to report the Swift BIC Code for its UK branch, this is acceptable.
 - (v) An AI/LC reports a transaction that its Hong Kong branch/office “conducted in Hong Kong” on behalf of an affiliate in the US (i.e. the transaction is booked into the affiliate in the US). In this case the trade party is the affiliate of the AI and therefore the reference branch should be the office/branch of the affiliate into which the transaction is booked. For administrative convenience, it is also acceptable for the AI/LC to report the jurisdiction code from Annex 1 corresponding to the principal place of business of the affiliate as an additional option to the ones stated in paragraph 19.
 - (vi) Assuming in the example in paragraph 20(v) above it is the affiliate of the AI/LC instead of the AI/LC itself that reports the transaction, it remains the case that the affiliate is the trade party and so the reference branch should still be the office/branch of the affiliate of the AI/LC. The same reporting instruction applies.

- (vii) Where a company reports an OTC derivative transaction voluntarily to the HKTR, it should also complete “Reference Branch of Trade Party” according to paragraph 19.
- (viii) A CCP reports the transactions that it cleared to the HKTR. Most likely a CCP would choose to report the jurisdiction code corresponding to its office location pursuant to the instruction in paragraph 19(iii).

C.2 Data field “Desk ID”

- 21. This has become a mandatory field since 10 July 2016. The intention is to identify, through this field, the location of the trading desk responsible for the decision of entering into the transaction. The trading desk need not belong to any of the trade parties. For example, if an AI/AMB/LC “conducted in Hong Kong” an OTC derivative transaction on behalf of an affiliate, the trading desk is in the AI/AMB/LC whereas the trade party is the affiliate. Report in this field any of the following:
 - (i) A value formed by adding the jurisdiction code stated in Annex 1 as a prefix to the internal desk ID of the trading desk concerned; or
 - (ii) The jurisdiction code from Annex 1 corresponding to the trading desk concerned.
- 22. Some illustrative examples for completing “Desk ID” are provided below:
 - (i) A bank (whether a local bank or the Hong Kong branch of a foreign bank) entered into an OTC derivative transaction through trading desk HKG123456 in Hong Kong – It can simply report “HKG”, which is the jurisdiction code for Hong Kong obtained from Annex 1. Alternatively, if the bank chooses to record its internal desk ID into this field, it should report “HKGHKG123456”. The prefix “HKG” is obtained from Annex 1³. Same reporting treatment should be adopted no matter whether the transaction is booked in the Hong Kong branch, an overseas branch or an affiliate of the bank (i.e. it does not matter whether it is a “counterparty” or “conducted in Hong Kong” type of transaction).
 - (ii) The Singapore branch of an AI incorporated in Hong Kong entered into an OTC derivative transaction domestically through the trading desk 98765 –

³ In this case, reporting “HKG123456” (i.e. simply the internal desk ID) is also acceptable because by coincidence the first three digits of the internal desk ID match exactly the relevant jurisdiction code “HKG”.

It can simply report “SGP”, which is the jurisdiction code for Singapore obtained from Annex 1. Alternatively, if the AI chooses to record the internal desk ID into this field, “SGP98765” should be reported.

- (iii) Where an institution reports an OTC derivative transaction voluntarily to the HKTR, it should also complete the “Desk ID” field according to paragraph 21. The reporting should be straightforward if the decision of entering into the transaction is made by its own trading desk. Where the institution does not have a trading desk, simply report the jurisdiction code that reflects the location of its office that made the trading decision. Where the institution has appointed another entity to make the decision of entering into the transaction on its behalf and it only knows the location but not the internal desk ID of the trading desk of that entity, simply report the jurisdiction code from Annex 1 that reflects the location of the trading desk. This treatment is applicable to the case where the institution is an affiliate of an AI/LC/AMB and the entity being appointed to make the trading decision is the AI/LC/AMB.
- (iv) A CCP reports the transactions that it cleared to the HKTR. Since a CCP does not have trading desks and therefore does not have any internal desk ID to provide, it should report the jurisdiction code from Annex 1 corresponding to its office location.

C.3 Interbranch⁴ and intrabranh transactions

- 23. Transactions between different units of the same legal entity are not reportable. These include interbranch and intrabranh transactions.

C.4 “Conducted in Hong Kong” transactions

- 24. Where an AI, LC or AMB reports (by itself or through a reporting agent) an OTC derivative transaction that it has “conducted in Hong Kong” on behalf of an affiliate, the report should reflect the following:
 - (i) the identifying information of the AI/LC/AMB in “Reporting Party”⁵;

⁴ An interbranch transaction refers to a principal-to-principal transaction (or a back-to-back transaction) conducted between different branches of the same institution, including any transaction undertaken to transfer the risk of the transaction (or a portfolio of transactions) from one branch to another.

⁵ “Reporting Party” means the party who has the reporting obligation to report the transaction. Meanings of data fields for different parties can be found in the AIDG (master document) and in the *Operating Procedures for Hong Kong Trade Repository– User Manual for Participants (Trade*

- (ii) the identifying information of the affiliate in “Reporting For”⁶;
 - (iii) information in respect of the branch/office of the affiliate of the AI/LC/AMB that books the transaction in “Reference Branch of Trade Party”, according to paragraphs 18-20; and
 - (iv) information in respect of the trading desk in Hong Kong of the AI/LC/AMB that made the decision to enter into the transaction in “Desk ID”, according to paragraphs 21-22.
25. Where the transaction in paragraph 24 is reported by the affiliate of the AI/LC/AMB, and the AI/LC/AMB:
- (i) appoints the affiliate as its reporting agent, the reporting should follow paragraph 24;
 - (ii) does not appoint the affiliate as its reporting agent, the reporting of the transaction is regarded as voluntary reporting by the affiliate. It should follow paragraph 24 except that the identifying information of the affiliate of the AI/LC/AMB should be reported in both “Reporting Party” and “Reporting For”.
26. Where the “conducted in Hong Kong” transaction concerns the Hong Kong branch of an overseas incorporated AI “conducting” the transaction for its overseas office / branch⁷, the report should reflect the following:
- (i) the identifying information of the AI in “Reporting Party”;
 - (ii) the identifying information of the AI in “Reporting For”;
 - (iii) information in respect of the overseas branch that books the transaction into “Reference Branch of Trade Party”, according to paragraphs 18-20; and
 - (iv) information in respect of the trading desk in Hong Kong that made the decision to enter into the transaction in “Desk ID”, according to paragraphs 21-22.
27. Care should be taken to ensure that if the same entity is to be entered in multiple data fields (e.g. “Trade Party 1”/“Trade Party 2”, “Reporting For”, “Clearing Broker” etc.); the identifying information (e.g. the ID, ID type and name) of that entity reported in different fields must be exactly the same.
28. To avoid doubt, a transaction that is entered into by the Hong Kong office/branch

Functions- Reporting Service).

⁶ “Reporting For” is the data field for reporting the trade party that the reporting entity is reporting for. It should be either one of the Trade Parties.

⁷ This refers to a transaction falling under Rule 12(1)(b) of the Reporting Rules.

of a locally incorporated AI and booked in its overseas office/branch is not regarded as a “conducted in Hong Kong” transaction. In this case, follow the same reporting instructions as under “C.5 Transactions of the overseas branches of a locally incorporated AI/LC/AMB” below.

29. If an AI/LC/AMB incurs multiple reporting obligations with respect to a transaction that it has “conducted in Hong Kong”, the AI/LC/AMB may report the transaction once only according to the specification below:
- (i) Subject to (ii), where the AI/LC/AMB is one of the counterparties to the transaction⁸ and at the same time has “conducted in Hong Kong” the transaction on behalf of one of its affiliates which is the other counterparty to the transaction, the AI/LC/AMB may submit a single report (either for its counterparty role or “conducted in Hong Kong” role) to satisfy its multiple reporting obligations with respect to the transaction;
 - (ii) Where the AI/LC/AMB has “conducted in Hong Kong” the transaction on behalf of both counterparties to the transaction and either (a) one of them is its affiliate and the other is its head office/overseas branch or (b) both of them are its affiliates, the AI/LC/AMB may submit a single report (for its “conducted in Hong Kong” role on behalf of either counterparty) to satisfy its multiple reporting obligations with respect to the transaction.

C.5 Transactions of overseas branches of a locally incorporated AI/LC/AMB

30. Report “Reference Branch of Trade Party” with reference to paragraphs 18 to 20, in particular the example in paragraph 20(ii).

C.6 Transfer booking

31. When a transaction is transferred into or out of the Hong Kong office/branch of an institution, it may create an effect as if the transaction was terminated by the Hong Kong office/branch or result in changes to “Reference Branch of Trade Party”. Therefore transfer booking warrants special reporting treatment. Specific reporting instructions are set out below.

“Transfer in”

⁸ And in the case of an overseas incorporated AI, the transaction is also booked in its Hong Kong branch.

32. “Transfer in” refers to a situation where a foreign office/branch of an institution transfers a transaction that it entered into with a third party to the Hong Kong office/branch of the institution, resulting in the transaction being “booked” into the Hong Kong office/branch. Where the institution involved is a locally incorporated AI, LC or AMB, the transaction should have been reported to the HKTR already. This is because locally incorporated AIs/LCs/AMBs are required to report a transaction to which they are a counterparty irrespective of the place of booking of the transaction. In this case, upon “transfer in”, a locally incorporated AI/LC/AMB may be required to submit a report to HKTR to update the data field “Reference Branch of Trade Party” (which should have been filled to reflect the location of the original booking branch of the transaction as required in paragraphs 18-20) to reflect the Hong Kong branch as the new booking branch. Specifically, updating the field is not required if the field has not been filled up at the time of “transfer in” (i.e. before 10 July 2016). For a “transfer in” that happens on or after 10 July 2016, however, the reporting entity is required to input (if the field has not been filled up before) or update (if the field has been filled up before) the field accordingly.
33. In the case of an overseas incorporated AI,
- (i) if the original transaction has not been reported to the HKTR because it was not a “conducted in Hong Kong” transaction, upon “transfer in” the transaction should be reported to the HKTR as a new transaction.
 - (ii) if the original transaction has been reported to the HKTR because it was a “conducted in Hong Kong” transaction, upon “transfer in”, the AI may be required to update the data field “Reference Branch of Trade Party” to reflect the Hong Kong branch as the new booking branch. Specifically, updating the field is not required if the field has not been filled up at the time of “transfer in” (i.e. before 10 July 2016). For a “transfer in” that happens on or after 10 July 2016, however, the reporting entity is required to input (if the field has not been filled up before) or update (if the field has been filled up before) the field accordingly.

“Transfer out”

34. Conversely, “transfer out” refers to a situation where the Hong Kong office/branch of an institution steps out of a transaction by transferring the transaction to a foreign branch/office of the institution (the latter becomes the booking office).

35. The original transaction should most probably have been reported to the HKTR under the “counterparty” criterion. Where the institution concerned is a locally incorporated AI, LC or AMB, the transaction should remain reportable upon the “transfer out”, still by the “counterparty” criterion. In this case, a report may be required to be submitted to the HKTR to update the data field “Reference Branch of Trade Party” (see paragraphs 18-20). Specifically, updating the field is not required if the field has not been filled up at the time of “transfer out” (i.e. before 10 July 2016). For a “transfer out” that happens on or after 10 July 2016, however, the reporting entity is required to input (if the field has not been filled up before) or update (if the field has been filled up before) the field accordingly. In addition, the AI/LC/AMB should still be obliged to report all subsequent events on the transaction to the HKTR.
36. Where the institution concerned is an overseas incorporated AI, whether the transaction should remain reportable after “transfer out” depends on whether a trader responsible for the decision of entering into the transaction was a Hong Kong trader. If this is not the case, the AI should report a “quit” event for the transaction, which serves to inform HKTR that no further update will be provided to this transaction. Conversely, if this is the case, the transaction should remain reportable by the “conducted in Hong Kong” criterion. In this case, the AI may be required to update the data field “Reference Branch of Trade Party” to reflect the new booking branch which should be the overseas branch. Specifically, updating the field is not required if the field has not been filled up at the time of “transfer out” (i.e. before 10 July 2016). For a “transfer out” that happens on or after 10 July 2016, however, the reporting entity is required to input (if the field has not been filled up before) or update (if the field has been filled up before) the field accordingly. The “Desk ID” is expected to be unchanged, i.e. it should reflect the trading desk in Hong Kong. The AI should continue to report subsequent events on the transaction after “transfer out”.

“Transfer to an affiliate”

37. The Hong Kong office/branch of an institution may also step out of a transaction by novating it to an affiliate (defined in Rule 2 of the Reporting Rules). The difference between “transfer out” above and “transfer to an affiliate” lies in the institution remaining a counterparty to the transaction under “transfer out” but not under “transfer to an affiliate”. The effect of “transfer to an affiliate” is as if the institution had terminated the transaction. For an AI/LC/AMB, whether the

transaction should remain reportable after “transfer to an affiliate” depends on whether a trader responsible for the decision of entering into the transaction was a Hong Kong trader. If this is not the case, the AI/LC/AMB should report a termination event for the transaction. Conversely, if this is the case, the transaction should remain reportable by the “conducted in Hong Kong” criterion. Upon the transfer of the transaction to the affiliate, the AI/LC/AMB should report a termination event for the original transaction but simultaneously report a new transaction (which only needs to reflect the snapshot position on the day of transfer, i.e. no need to report historical events) per instructions for reporting a “conducted in Hong Kong” transaction (see paragraph 24). The AI/LC/AMB should continue to report subsequent events on the transaction after the transfer.

C.7 Centrally cleared transactions

38. Central clearing typically involves cancellation of an original transaction entered into bilaterally between two counterparties and creation of new transactions such that a CCP becomes the counterparty of each of the two parties, either directly or indirectly. To avoid doubt, termination of the original transaction for the purposes of carrying out central clearing is required to be reported and the transactions entered into for the purposes of central clearing and their subsequent events should be reported in chronological order.
39. Under the interim reporting requirement, a “see through” approach was allowed for reporting transactions subject to client clearing⁹. However, such a “see through” approach is not allowed in the Reporting Rules. Therefore from the commencement of the Reporting Rules, whether a transaction is entered into with a client clearing service provider will not make any difference to the way it should be reported to the HKTR. For transactions that have been reported to the HKTR under the “see through” approach, the banks should withdraw those transactions after the commencement of the Reporting Rules and replace them by transactions reported in a manner pursuant to the Reporting Rules. Licensed banks should refer to a separate circular letter issued by the HKMA on the specific arrangements.

⁹ Under the “see through” approach in interim reporting, when a party reports a transaction that it entered into with its client clearing service provider for the purposes of central clearing, it is required to “see through” the client clearing service provider and report the CCP as the counterparty to the transaction. At the same time, the client clearing service provider is not required to report the transactions it entered into incidental to the provision of client clearing services.

Direct clearing

40. Direct clearing applies when an institution clears a transaction with a CCP by becoming the CCP's direct clearing member.

Counterparty to the original transaction

41. The reporting by a counterparty to the transaction that adopts direct clearing should include the following:
- (i) the original bilateral OTC derivative transaction;
 - (ii) event of termination of the transaction in (i) above; and
 - (iii) the new transaction entered into with the CCP.
42. In reporting the trade events in paragraph 41(i) and (iii), the data field "Central Counterparty ID" must be completed with information in respect of the CCP that is planned to be used to clear the transaction.

CCP

43. In reporting a transaction that a CCP entered into in the capacity of a CCP, it should enter its identifying information into the data field "Central Counterparty ID".

Client clearing (Principal Model¹⁰)

44. As mentioned in paragraph 39, there is no special treatment for reporting transactions subject to client clearing under the Reporting Rules, such as the "see through" approach under the interim reporting requirement.
45. Reporting of transactions subject to client clearing under the principal model is illustrated in the following example (assuming all entities are prescribed persons with no exemption and a reporting obligation applies to all entities as counterparties to the transaction in the example):
- (i) Entity A entered into a transaction bilaterally with Entity B;
 - (ii) Event of termination of the transaction in (i) above;
 - (iii) Entity A entered into another transaction with its client clearing service

¹⁰ Under a principal clearing model, the clearing service provider, being a clearing member of a CCP, clears the transaction by entering into one contract as principal with its client (which may be a sub-clearing agent) and a corresponding back-to-back contract as principal with the CCP.

provider, Entity C;

(iv) Case 1

- (a) Entity C was a direct clearing member of a CCP and it entered into a back-to-back transaction with the CCP for central clearing of the transaction; or

Case 2

- (b) Entity C entered into a back-to-back transaction with another client clearing service provider Entity D; and
 - (c) Entity D was a direct clearing member of a CCP and it entered into a back-to-back transaction with the CCP for central clearing of the transaction;
- (v) Entity B was a direct clearing member of a CCP and it entered into a transaction with the CCP for central clearing of the transaction.

Counterparty who appoints client clearing service provider (i.e. Entity A in above example)

- 46. Entity A is required to report trade events (i) to (iii) in the above example.
- 47. In reporting the trade events (i) and (iii) in paragraph 45, Entity A must complete the data field “Clearing Broker” with the identifying information of its client clearing service provider (i.e. Entity C) and the data field “Central Counterparty ID” with identifying information of the CCP that is planned to clear the transaction. For the trade event in paragraph 45(iii) above, care should be taken to ensure that the identifying information of Entity C being entered in the data fields for trade party and “Clearing Broker” is exactly the same.

Counterparty who does not appoint client clearing service provider (i.e. Entity B in above example)

- 48. Entity B is required to report trade events (i), (ii) and (v) in paragraph 45 above. Since Entity B does not appoint a client clearing service provider, it should leave blank the data field “Clearing Broker”. It should however report the identifying information of the CCP that is planned to clear the transaction in the data field “Central Counterparty ID”.

Client clearing service provider (i.e. Entity C in above example)

- 49. When an entity reports a transaction that it entered into in the course of providing

clearing agency services, it should always report its own identifying information in the data field “Clearing Broker” and the CCP that is planned to clear the transaction in the data field “Central Counterparty ID”. This includes the transactions that it entered into with the client (see paragraph 45(iii)) and, in the case that no sub-provider of clearing agency services is involved, transactions with the CCP (see paragraph 45(iv) (a)). It should also ensure that its own identifying information being entered in the data fields for trade party and “Clearing Broker” is exactly the same.

50. When the client clearing service provider (Entity C) is reporting the transaction that it entered into with the sub-provider (Entity D) (see paragraph 45(iv)(b)), the client clearing service provider should input the sub-provider’s name (instead of its own name) into the data field “Clearing Broker”.
51. An entity may take up dual roles as a counterparty to a bilateral OTC derivative transaction and a client clearing service provider to the other counterparty of the transaction (for example, Entity B is one of the trade parties to the transaction and also the client clearing service provider of Entity A). In this case, the entity should separately report the transactions under each role according to the reporting instructions for a counterparty not appointing a client clearing service provider (paragraph 48) and those for the client clearing service provider (paragraph 49).

Client clearing service sub-provider (i.e. Entity D in above example)

52. When an entity reports a transaction that it entered into in the capacity as a clearing service sub-provider, it should always report its own identifying information in the data field “Clearing Broker” and the CCP that is planned to clear the transaction in the data field “Central Counterparty ID”. This includes the transaction with its client (which is the first client clearing service provider, or, in our example, Entity C) (see paragraph 45(iv)(b)) and the transaction with the CCP (see paragraph 45(iv)(c)). It should also ensure that its own identifying information being entered in the data fields for trade party and “Clearing Broker” is exactly the same.

CCP

53. In reporting a transaction that a CCP entered into in the capacity of a CCP, it should enter its identifying information in the data field “Central Counterparty

ID”. This requirement is the same as in the case of direct clearing.

Client clearing (Agency Model¹¹)

54. Reporting of transactions subject to client clearing under the agency model is illustrated in the following example (assuming all entities are prescribed persons with no exemption):

- (i) Entity A entered into a transaction bilaterally with Entity B;
- (ii) Event of termination of the transaction in (i) above;
- (iii) Entity A cleared the transaction via its client clearing service provider, Entity C, through a CCP. Entity C, a clearing member of the CCP, acted as an agent for Entity A in its transaction with the CCP and had the obligation towards the CCP in respect of Entity A’s transaction with the CCP.
- (iv) Entity B was a direct clearing member of a CCP and it entered into a transaction with the CCP for central clearing of the transaction.

Counterparty who appoints client clearing service provider (i.e. Entity A in above example)

55. Entity A is required to report trade events (i) to (iii) in the above example. In reporting the trade events (i) and (iii) in paragraph 54, Entity A must complete the data field “Clearing Broker” with the identifying information of its client clearing service provider (i.e. Entity C) and the data field “Central Counterparty ID” with identifying information of the CCP that is planned to clear the transaction. For trade event (iii) in paragraph 54, Entity A must report the identifying information of the CCP in the data field for trade party.

Counterparty who does not appoint client clearing service provider (i.e. Entity B in above example)

56. The same requirement as paragraph 48 applies.

Client clearing service provider (i.e. Entity C in above example)

57. Entity C with its role as a clearing service provider under the agency clearing

¹¹ Under an agency clearing model, the clearing service provider, being a clearing member of the CCP, acts as an agent for its client to clear a transaction with the CCP and takes on the obligations of the client under the contract of the transaction being cleared.

model does not incur any reporting obligation.

CCP

58. In reporting a transaction that a CCP entered into in the capacity of a CCP, it should:
- enter its identifying information in the data fields “Central Counterparty ID”; and
 - (with respect to the transaction with Entity A) report Entity C as the clearing broker.

C.8 “De-cleared and re-cleared” transactions

59. A “de-clear and re-clear” operation is usually undertaken to amend the economic terms of a transaction that has undergone central clearing. The processes comprise: (i) “de-clear” the transaction, which involves terminating the transactions entered into between the original counterparties and the CCP (and the transactions associated with client clearing where applicable); (ii) the original counterparties enter into a new transaction with amended terms; and (iii) the original counterparties clear the new transaction (may involve client clearing service providers) again with a CCP (i.e. “re-clearing”). There is no special treatment under the Reporting Rules for reporting trade events arising in the course of “de-clearing and re-clearing”¹².

C.9 Ceasing reporting of subsequent events regarding an outstanding transaction

60. A person whose reporting obligation has ceased (e.g. an institution has ceased to be an AI/LC/AMB) is not precluded from continuing to report the subsequent events of transactions that the person has reported to the HKTR while its reporting obligation was in force. However, the person can choose to stop reporting further subsequent events on the transactions by reporting a “quit”

¹² Under the interim reporting requirement, a simplified reporting approach is accepted for reporting a transaction subject to a “de-clear and re-clear” process provided that the “re-cleared” transaction occurred within T+2 from the date of the “de-cleared” transaction. The simplified reporting approach operates by amending the economic terms of the original transaction to reflect the net effect of “de-clearing” and “re-clearing”. This approach is not allowed under the Reporting Rules.

event for the transactions to the HKTR. Similarly, this applies to a person who has reported transactions to the HKTR voluntarily but determines to stop reporting further subsequent events on the transactions. Where the person is an affiliate of an AI/LC/AMB and the AI/LC/AMB has been relying on the reports submitted by this affiliate in order to have its own reporting obligation taken to have been complied with, upon the affiliate “quitting” the transactions, the AI/LC/AMB should arrange to report these transactions to the HKTR within two business days after the date the affiliate “quit” the transactions. The AI/LC/AMB should continue to comply with the obligation to report subsequent events of these transactions.

C.10 Transactions cancelled or terminated within T+2

61. Under the interim reporting requirement, it is not necessary to report a transaction otherwise reportable if it is cancelled or fully terminated within the T+2 reporting timeline. The Reporting Rules, however, no longer allow this treatment. Accordingly with effect from the commencement date of the Reporting Rules, a reporting entity should report every transaction in respect of which it has a reporting obligation without regard to whether the transaction will be / has been cancelled or terminated within two business days after the trade day.
62. If a new transaction is entered into and cancelled/fully terminated within the same day, a report of the new transaction must still be submitted. In addition, if more than one subsequent event happens on that day (including the event of cancellation/ full termination), submission of one report incorporating all these subsequent events is acceptable pursuant to Rule 25(3).

C.11 Identifiers for transactions and counterparties

Identifiers for transactions

63. To facilitate the HKTR to link up the reports submitted by the two transacting TR Members of the same transaction, and to facilitate TR Members to efficiently identify and resolve potential reporting errors, TR Members on both sides of a transaction are required to provide: (i) a transaction reference, which may be an internal reference; and (ii) a unique and paired transaction identifier (UTI) when reporting their respective sides of the transaction to the HKTR. This section sets out the key standards and requirements for the UTIs.

64. To facilitate future global sharing and aggregation of TR data, specified overseas UTIs, if available, must be used in reporting the UTI of a transaction to the HKTR. The specified overseas UTIs include the Unique Swap Identifier (USI) reportable under the mandatory reporting requirements in the U.S. pursuant to the Dodd-Frank Act¹³, and the Unique Trade ID (TID) reportable under the mandatory reporting requirements in the European Union¹⁴. The data field “UTI indicator” is for identifying whether a USI is available to the transaction and must be reported as either “Yes” or “No”. For example, for a transaction assigned with a USI, the field “UTI indicator” should be filled with “Yes” and the field “UTI” should be filled with the value of the USI. For a transaction assigned with a TID only, the field “UTI indicator” should be filled with “No” and the field “UTI-TID” should be filled with the value of the TID. For a transaction assigned with both a USI and a TID, the field “UTI indicator” should be filled with “Yes” and the fields of “UTI” and “UTI-TID” should be filled with the value of the USI and TID respectively. Please note that the field “UTI indicator” must always be filled with “Yes” or “No” to reflect whether the transaction is assigned with a USI.
65. In the case where neither a USI nor TID has been assigned in respect of the transaction, the reporting of UTI is optional until further notice. After the reporting of UTI becomes mandatory, transactions that do not have a USI or TID must be assigned a bilaterally agreed UTI which is unique and shared and paired between the two counterparties. This bilaterally agreed UTI must then be included when reporting the transaction to the HKTR. It should be noted that although the reporting of a bilaterally agreed UTI is currently optional, market participants are nevertheless expected to exercise best endeavours in the meantime to: (i) agree on a UTI in respect of transactions that have to be reported, even if they are unable to report the bilateral UTI immediately; and (ii) when

¹³ Please refer to rule 45.5 of Document 1 under footnote 14 for the details on the construction of a USI and Document 2 under footnote 14 for the details on the USI data standards.

¹⁴ Please refer to “TR Question 18” of Document 3 below for the details on the construction of a TID.

- Document 1 *Swap Data Recordkeeping and Reporting Requirements (17 CFR Part 45)*, Jan 2012
<http://www.cftc.gov/idx/groups/public/@lfederalregister/documents/file/2011-33199a.pdf>
- Document 2 *Unique Swap Identifier Data Standard*, Oct 2012
<http://www.cftc.gov/idx/groups/public/@swaps/documents/dfs submission/usidatastandards100112.pdf>
- Document 3 *Questions and Answers, Implementation of the Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR)*, Apr 2015
https://www.esma.europa.eu/sites/default/files/library/2015/11/2015_775_qa_xii_on_emir_implementation_april_2015.pdf

sharing and pairing a UTI, adopt a methodology which is in line with agreed industry best practices for generating, communicating and matching transaction identifiers. For transactions reported before the reporting of UTI is mandatory, and in respect of which no bilaterally shared and paired UTI was submitted at the time of reporting, a UTI may subsequently have to be added to the report, and in accordance with any international standards on UTIs that the HKMA may then require reporting entities to adopt.

66. Reporting entities should also note that where a UTI has been agreed on, irrespective of whether it has been reported, a record of it has to be kept as per the record keeping obligation.
67. The HKMA may (on or after the implementation of the UTI “share-and-pair” requirement) require the UTIs to follow a particular format or practice. The HKMA will provide guidance nearer the time if it intends to impose such a requirement. In that event, all previously submitted UTIs that follow a different format or practice may have to be re-submitted. Institutions are therefore encouraged to adopt methodologies and formulae that are in line with industry best practices for generating UTIs.
68. Where applicable, the bilaterally agreed UTI should be entered in the field “Bilateral Comments” in a format allowed by HKTR’s specification spelled out in the AIDG.
69. A USI or TID can be obtained by, for example:
 - (i) executing the transactions on the electronic platforms capable of generating a USI/TID;
 - (ii) using the transaction matching services capable of generating a USI/TID;
 - or
 - (iii) clearing the transactions in CCPs capable of generating a USI/TID.

Alternatively, it may be generated by a counterparty to the trade according to the prescribed criteria on USI or TID generation. The transacting parties should communicate and confirm with each other the availability of any of the specified overseas UTIs for the transaction, and report all of them to the HKTR. For the avoidance of doubt, if both a USI and TID are available, both should be reported. Also, the two sides of the trade should communicate to ensure that the same types of UTI (USI, TID, or bilaterally agreed UTI) and the same value for each applicable type will be reported by both sides of the same transaction to the HKTR. For example, if both counterparties to a transaction are capable of

generating a USI, they should agree on the one to conduct the generation. The generating party should inform the other of the result so that both of them would report the same USI in their respective reports of the same transaction to the HKTR.

Identifiers for reporting entities or transacting parties

70. This paragraph applies to the reporting of identifiers for reporting entities or transacting parties which are not private individuals (i.e. natural persons). As set out in the enumerations and coding schemes in the AIDG, the HKTR can support several types of third party-assigned identifiers for indicating the identity of the reporting or transacting parties of a transaction. If none of such third party-assigned identifiers is available for a party, a unique internal customer/counterparty reference code assigned by the reporting entity (the same code should be used for identifying the same party in all transactions reported by the reporting entity) meeting the specifications in the AIDG can be used. Where a party possesses several types of third party-assigned identifiers, the identifier to be reported for indicating the identity of the party should be determined by the order of priority applicable to the different types of identifiers. Specifically, among the various types of third party-assigned identifiers that may be available, the identifier with the highest level of priority in the following list should be reported to indicate the identity of the party:

- (i) **1st Priority:** Global Legal Entity Identifier (Global LEI) issued under the Global LEI System established by the Regulatory Oversight Committee (ROC) of the Global LEI System. If the Global LEI is not yet available, pre-LEI identification codes (pre-LEIs) issued by pre-Local Operating Units (pre-LOUs) that have been endorsed by the ROC. The ROC will make an announcement when a pre-LOU is endorsed to issue pre-LEIs. A hyperlink to the updated list of pre-LOUs announced by the ROC can be found on the HKTR Info Page website (<https://hktr.hkma.gov.hk>). Alternatively, the TR Member code assigned and published by the HKTR can be used.
- (ii) **2nd Priority:** SWIFT BIC (Business Identifier Code) issued by SWIFT under ISO 9362.
- (iii) **3rd Priority:** Number of the Certificate of Incorporation (CI) (for locally incorporated companies)/Certificate of Registration (CR) (for companies incorporated overseas) issued by the Companies Registry of Hong Kong.
- (iv) **4th Priority:** Business Registration Number (BRN) issued by the Inland

Revenue Department of Hong Kong.

71. The list of TR Members, their TR Member codes and other third party-assigned identifiers that have been registered with the HKTR can be found in the HKTR Info Page website (<https://hktr.hkma.gov.hk>). The list will be updated regularly. Upon request by a counterparty TR Member, TR Members should supply the relevant identifiers to the counterparty TR Member for reporting to the HKTR.
72. Where masking relief is applicable under the Reporting Rules, reporting entities should fill in the counterparty particulars of the masked entity in the following manner¹⁵:
- Data fields related to “Party Name” – enter “Masked”.
 - Data fields related to party “Type” – enter “User Defined Code”.
 - Data fields related to party “ID” – enter a unique internal reference code.¹⁶
73. When reporting a transaction with a private individual (whether masking relief is applicable or not), with effect from date of issuance of this revised SRI, the counterparty particulars of the individual should be reported in the following manner:
- Data fields related to “Party Name” - leave blank.
 - Data fields related to party “Type” - enter “User Defined Code”.
 - Data fields related to party “ID” - enter a unique internal reference code.¹⁷

¹⁵ As a transitional arrangement, a reporting entity which requires more time to adopt the reporting method in paragraph 72 may continue with its current practices to report masked transactions until 31 January 2017 or a later date as agreed with its relevant regulator. A reporting entity which intends to request for extending the deadline to a date beyond 31 January 2017 should, if it is primarily regulated by the HKMA, write to bpd_otc@hkma.gov.hk or if it is regulated by the SFC, write to otc_enquiries@sfc.hk.

¹⁶ In this connection, each counterparty should be assigned a unique internal reference code, which should be used consistently when reporting all transactions with the same counterparty.

¹⁷ As a transitional arrangement, a reporting entity which require more time to adopt the reporting method in paragraph 73 may continue to report counterparty identifying particulars of private individuals according to paragraph 68 of the SRI issued on 29 January 2016 (see Annex 2) until 31 January 2017 or a later date agreed with their relevant regulator. For the reported transactions which contain particulars of private individuals and remain outstanding on 31 January 2017 or a later date agreed with the relevant regulator, on the same date, the reporting entity is required to withdraw the transactions and resubmit (by the Backloading template) the latest snapshot position of the transactions concerned with the counterparty identifying particulars reported in the manner described above. To avoid doubt, the withdrawal and re-submission of the relevant transactions may be conducted before 31 January 2017 or the later date agreed with the regulator. A reporting entity which intends to request for extending the deadline (for compliance with the new requirement as well as withdraw & resubmission) to a date

- Data field “Counterparty Industrial Sector” – enter “Individual”

Maintenance of reporting or transacting party identifiers at the HKTR

74. For transactions reported to the HKTR that have not yet matured, TR Members are required to review the identifiers reported by them and update those that are no longer valid:
 - (i) for transactions carrying internal customer/counterparty reference codes, to review whether any of the third party-assigned identifiers specified by the HKTR have become available for the parties for whom internal customer/counterparty reference codes have been reported, and replace the codes by the available third party-assigned identifier of the highest level of priority; and
 - (ii) for transactions carrying third party-assigned identifiers, to review whether those identifiers have become invalid, e.g. the reporting or transacting party no longer possesses an identifier; or an identifier of a higher level of priority has become available for the reporting or transacting party. The TR Member should obtain valid identifiers from the relevant parties and update the records at the HKTR.
75. The HKTR will notify TR Members when an entity becomes a TR Member, when a TR Member relinquishes its Member status, or when a TR Member reports that its third party-assigned identifier(s) has/have been changed. This facilitates TR Members to keep track of and report the appropriate identifiers arising from changes related to TR Member status or when any of the third party-assigned identifiers is no longer valid.
76. TR Members should review and update the identifiers reported for parties that are not TR Members at least annually, say during annual reviews of the parties’ banking or trading facilities. The HKTR will issue half-yearly reminders to TR Members in this regard.

C.12 Error corrections and missing trades

77. A reporting entity should correct errors in their reports submitted to the HKTR

beyond 31 January 2017 should, if it is primarily regulated by the HKMA, write to bpd_otc@hkma.gov.hk or if it is regulated by the SFC, write to otc_enquiries@sfc.hk.

within two business days from the day the errors are identified.

78. There are two approaches to error correction: (1) snapshot approach – this approach only corrects the latest position of the transaction; and (2) the life-cycle approach – this approach corrects the error in all the previous reports submitted to the HKTR. An institution is free to apply either the snapshot or life-cycle approach when correcting errors.
79. When correcting errors on amendable data fields, a reporting entity should (i) update the relevant data field with the correct information by using the Amendment template with the agreement date field input with the last event date or the date of the latest position, thereby applying the snapshot approach, or (ii) withdraw the original trade with the error, and make a re-submission of the transaction by using the Backloading template with the backloading date field input with the last event date or the date of the latest position, thereby also employing the snapshot approach, or (iii) if using the life-cycle approach, withdraw the old trade record and submit the old trade with the correct information and followed by all the life-cycle events accordingly (i.e. re-submission should use the same type of template as used when the transaction was reported for the first time and follow with using the Amendment/Termination template to report the subsequent events, if applicable).
80. Whereas when correcting errors on non-amendable data fields, a reporting entity should withdraw the original trade with the error, and make a re-submission of the transaction with either (i) the latest position by using the Backloading template with the backloading date field input with the last event date or the date of the latest position, thereby applying the snapshot approach or (ii) all of the changes in previous positions corrected, if applicable, under the life-cycle approach, by submitting the old trade with the correct information and followed by all the life-cycle events accordingly (i.e. the re-submission should use the same type of template as used when the transaction was reported for the first time and follow with using the Amendment/Termination template to report the subsequent events, if applicable).
81. For reported trades where certain information is missing, a reporting entity should provide the missing information as an error correction with the treatment stated in paragraphs 78-80 above. Reporting entities should make such correction as soon as they become aware of any errors or omission of information in the report of the transaction without prejudice to the regulators taking any

enforcement actions in respect of reporting breaches if appropriate.

82. An example is provided below to illustrate the application of the snapshot approach and the life-cycle approach:

Entity A and Entity B entered into a transaction on 1 January. Both entities have a reporting obligation in respect of this transaction and both reported the transaction correctly. On 1 February, a subsequent event of partial termination occurred. The resultant amount of the transaction was reported correctly by Entity A but wrongly by Entity B. On 1 March, a further partial termination occurred (last subsequent event). The error of Entity B started on 1 February carried through to this date. The error was eventually identified by Entity B on 1 April.

Errors identified by Entity B (i.e. entries underlined below) on 1 April:

	1 January	1 February	1 March
Entity A	USD 10 million	USD 9 million	USD 8 million
Entity B	USD 10 million	<u>USD 9.5 million</u>	<u>USD 8.5 million</u>

Snapshot approach

83. To correct the error by the snapshot approach, Entity B may, if choosing to withdraw the trade, make a re-submission of the transaction by using the Backloading template with the backloading date field input as 1 March (the last event position) or 1 April (e.g. the date which the latest position is based on). In the case of correcting an amendable data field, Entity B can alternatively simply submit one report, using the Amendment template to correct the error in the relevant data field, with the agreement date field input as 1 March (the last event position) or 1 April (e.g. the date which the latest position is based on). The result of this approach is as follows:

	1 January	1 February	1 March
Entity A	USD 10 million	USD 9 million	USD 8 million
Entity B	USD 10 million	USD 9.5 million	USD 8 million *

**Amended position (Trade date: 1 January; Agreement date/Backloading date: 1 March (date of the last subsequent event) / 1 April (date of which the latest position reported is based on) and Notional: USD 8 million)*

Life-cycle approach

84. To correct the error by the life-cycle approach, Entity B should withdraw the original transaction and report new transactions with positions corrected at all subsequent event dates. The result of this approach is as follows:

	1 January	1 February	1 March
Entity A	USD 10 million	USD 9 million	USD 8 million
Entity B	USD 10 million *	USD 9 million *	USD 8 million *

**Newly reported transaction (Trade date: 1 January; Agreement date: each respective agreement date and Notional: each respective notional)*

85. Where a reporting error is identified after the transaction has already matured / been terminated, no correction is to be made.
86. For trades missing the T+2 reporting timeframe, reporting entities should make a submission of the transaction as soon as possible, without prejudice to the regulators taking any enforcement actions in respect of reporting breaches if appropriate. In any event, the reporting of a missing trade should be completed with the rebuild of all previous life-cycle events as from the trade date. The snapshot approach is not allowed for such cases.

C.13 Fund allocation¹⁸

87. When trading with a fund manager, a reporting entity may only be informed of the allocated funds that are the actual counterparties of the transaction after the point of execution of the trade. If the reporting entity were to report the transaction after the allocation, the report should already contain the correct counterparties. If, however, the report was submitted prior to the allocation, there is a need to correct the counterparty in the submitted report. The reporting entity should either:
- (i) Withdraw the original trade report and make a re-submission with the Backloading template, amending the counterparties data fields and providing a snapshot of the latest position with the backloading date field

¹⁸ If a reporting entity cannot comply with the reporting instructions under C.13 immediately because of a need for system enhancement, it should write to its relevant regulator (see logistics arrangement under footnote 15).

input with the date of the latest position. The re-submission report should keep both the trade date and the effective date as in the original trade; or

- (ii) Terminate the original trade report and make a submission of the new trade(s) using the New Trade template with the correct counterparties and a snapshot of the latest position. The re-submission report should keep both the trade date and the effective date as in the original trade. We encourage reporting entities to populate the “Prior-UTI” data field should a USI be provided in the “UTI” data field previously, the “Prior-UTI-TID” data field should a TID be provided in the “UTI-TID” data field previously, or both the “Prior-UTI” and “Prior-UTI-TID” data fields should both a USI and TID be available from the original trade report. The requirement for a bilaterally agreed UTI in the case where neither a USI nor TID is available will be subject to the implementation of the UTI “share-and-pair” requirement and will not be mandatory until further notice. The data fields “Prior-UTI” and “Prior-UTI-TID” will only become mandatorily required when the phase 2 reporting requirements come into force on 1 July 2017.

C.14 Novation¹⁹

- 88. As mentioned in paragraph 8, the reporting of novation transactions involves both i) the termination of the existing trade to the HKTR and ii) the submission of a new transaction reflecting the new counterparty information.
- 89. An example is provided below to illustrate the reporting of novation transactions:

Entity A and Entity B entered into a transaction on 1 January. Both entities have a reporting obligation in respect of this transaction and both reported the transaction correctly. On 1 April, Entity A novated the trade to Entity C.

¹⁹ As a transitory arrangement, reporting entities have until 28 February 2017 to comply with the reporting instructions under C.14. In cases where a reporting entity cannot comply with the requirement by the deadline because of the time needed for system enhancement, it should write to its relevant regulator to request for an extension. If it is primarily regulated by the HKMA, write to bpd_otc@hkma.gov.hk or if it is regulated by the SFC, write to otc_enquiries@sfc.com.hk.

- (i) Entity A should terminate the original reported trade between itself and Entity B.
- (ii) Entity B should terminate the original reported trade between itself and Entity A, and submit a new trade using the New Trade template. In the new trade submission, Entity B should fill in the “Prior-UTI” data field should a USI be provided in the “UTI” data field previously, the “Prior-UTI-TID” data field should a TID be provided in the “UTI-TID” data field previously, or both the “Prior-UTI” and “Prior-UTI-TID” data fields should both a USI and TID be available from the original trade report. The requirement for a bilaterally agreed UTI in the case where neither a USI nor TID is available will be subject to the implementation of the UTI “share-and-pair” requirement and will not be mandatory until further notice.. The data fields “Prior-UTI” and “Prior-UTI-TID” will only become mandatorily required when the phase 2 reporting requirements come into force on 1 July 2017. The “Trade Date” and “Effective Date” data fields should be populated by the respective trade and effective dates of the new trade between Entity B and Entity C, i.e. the novation trade date and novation effective date. If Entity B wishes to report the effective date of the original old trade between Entity A and Entity B, it may do so using the optional data field “Remarks” under the Event Block in the Trade Event section of the New Trade template as listed in the AIDG. Regulators encourage the reporting of the effective date of the original trade and may consider mandating the reporting of this information in the future..
- (iii) Entity C should input a new trade between itself and Entity B. In the new trade submission, Entity C should fill in the “Prior-UTI” data field should a USI be provided in the “UTI” data field previously, the “Prior-UTI-TID” data field should a TID be provided in the “UTI-TID” data field previously, or both the “Prior-UTI” and “Prior-UTI-TID” data fields should both a USI and TID be available from the original trade report. The requirement for a bilaterally agreed UTI in the case where neither a USI nor TID is available will be subject to the implementation of the UTI “share-and-pair” requirement and will not be mandatory until further notice. The data fields “Prior-UTI” and “Prior-UTI-TID” will only become mandatorily required when the phase 2 reporting requirements come into force on 1 July 2017. The “Trade Date” and “Effective Date” data fields should be

populated by the respective trade and effective dates of the new trade between Entity B and Entity C i.e. the novation trade date and novation effective date. If Entity B wishes to report the effective date of the original old trade between Entity A and Entity B, it may do so using the optional data field “Remarks” under the Event Block in the Trade Event section of the New Trade template as listed in the AIDG. Regulators encourage the reporting of the effective date of the original trade and may consider mandating the reporting of this information in the future.

Hong Kong Monetary Authority
25 November 2016

Annex 1 - Frequently-used jurisdiction codes for reporting the prefix for certain data fields* (ISO 3166-1 3-letter country codes)

***“Desk ID”, “Reference Branch of Trade Party” and “Party ID code” (applicable to the reporting of passport number of a natural person)**

Jurisdiction	Prefix Code
Australia	AUS
Austria	AUT
Bahamas	BHS
Bahrain	BHR
Bangladesh	BGD
Belgium	BEL
Brazil	BRA
Brunei	BRN
Canada	CAN
Cayman Islands	CYM
Chile	CHL
China	CHN
France	FRA
Germany	DEU
Hong Kong	HKG
India	IND
Indonesia	IDN
Italy	ITA
Japan	JPN
Jersey	JEY
Liechtenstein	LIE
Luxembourg	LUX
Macau	MAC

Jurisdiction	Prefix Code
Malaysia	MYS
Maldives	MDV
Mauritius	MUS
Netherlands	NLD
New Zealand	NZL
Pakistan	PAK
Philippines	PHL
Qatar	QAT
Republic of Latvia	LVA
Singapore	SGP
South Africa	ZAF
South Korea	KOR
Spain	ESP
Sri Lanka	LKA
Sweden	SWE
Switzerland	CHE
Taiwan	TWN
Thailand	THA
United Arab Emirates	ARE
United Kingdom	GBR
United States	USA
Vietnam	VNM
Any other jurisdiction	Please refer to ISO 3166-1 3-letter country code of the corresponding jurisdiction: https://www.iso.org/obp/ui/#search/code/ (On the left, choose officially assigned codes for the Code Type to access the 3-letter codes)

Annex 2 - Paragraph 68 in the SRI issued on 29 January 2016

“If a reporting entity needs to supply counterparty identifying particulars of a private individual to the HKTR to fulfil its reporting obligation, the counterparty identifying particulars of the individual concerned should be reported in the following manner:

- For data fields related to party names, enter the name of the individual.
- For data fields related to party ID type, enter User Defined Code.
- For data fields related to party ID code, enter, in this order of priority: (i) the Hong Kong Identity Card number; (ii) a value formed by adding the jurisdiction code for the nationality of the individual as a prefix to the passport number of that individual; or (iii) a value formed by adding the jurisdiction code of the authority which issued an official identification number to the individual as a prefix to the relevant identification number. The choice of official identification number to be reported should be subject to the following order of priority: birth certificate number, social security number, national insurance number and any others. If option (iii) is adopted, the reporting entity should separately notify the HKMA of the nature of the identification number reported or the type of identification document to which the reported identification number corresponds in writing to the email address hktr-fss@hkma.gov.hk. The relevant jurisdiction codes under options (ii) and (iii) should be obtained from Annex 1. For example, where applicable, the party ID code of an Australian individual should be reported as “AUSxxxxx”, where AUS is the jurisdiction code obtained from Annex 1 and “xxxxx” represents the passport number of that individual. If a reporting entity needs to undertake system enhancement to report the prefixed passport number as required, it is allowed to report the plain passport number to the HKTR first but should amend it to the required standard by the end of 12 months after the commencement of the Reporting Rules.”