

Supplementary Reporting Instructions for OTC Derivative Transactions
(to be effective at the same time as the Securities and Futures (OTC Derivative
Transactions – Reporting and Record Keeping Obligations) Rules)

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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 – User Manual for Participants (Trade Functions- Reporting Service)*. 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) agreement (whether or not according to the terms and conditions¹) 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:

¹ To avoid doubt, changes in the notional of the transaction according to an amortization/accreting schedule is regarded as a subsequent event and should be reported to the HKTR, even if the amortization/accreting schedule has been reported to the HKTR before.

- the reaching of the contractual maturity of a transaction; and
 - for interest rate derivatives, the fixing of the floating interest rate during the life of the transaction.
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.
 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. 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 notional²
 - early termination provision
11. Certain data fields are prohibited from amendment. The list of non-amendable fields can be found in Appendices A and C of the AIDG. The standardised approach for updating or correcting a non-amendable field of a transaction is by reporting a “withdrawal” event for the transaction together with backloading the transaction and all of the life cycle events in chronological order (with updated information in respect of the non-amendable data field) to the HKTR. However, in a situation where the updating of a non-amendable field is for reasons unrelated to reporting errors (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 field (e.g. floating rate index) is for reasons unrelated to reporting errors (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 field is for reasons related to reporting errors, please refer to paragraph 74.
12. The classification of data fields is specified in Appendices A and C of the AIDG. They 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.

² 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.

13. The data fields “Desk ID” and “Reference Branch of Trade Party” are designated as optional for a transitional period of 12 months after the commencement day of the Reporting Rules. From the first day after the end of the transitional period (the designated day), these two data fields become mandatory. Reports of transactions entered into on or after the designated day must contain information in respect of these two data fields. For other transactions entered into on or after the commencement day of the Reporting Rules that remain outstanding on the designated day, data in respect of these two fields should be retained and may be required to be backloaded.
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 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.
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 is an optional field for the first 12 months after the commencement day of the Reporting Rules. Thereafter this will become a mandatory field. 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 Party 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 party 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).
21. For transactions reported by the licensed banks to the HKTR under the interim reporting requirement that remain outstanding on the commencement day of the Reporting Rules, it is not necessary to supplement information in respect of the data field “Reference Branch of Trade Party” for these transactions at the time the Reporting Rules commence or immediately after the data field becomes mandatory. The transitional arrangements in relation to the reporting of the fields “Desk ID” and “Reference Branch of Trade Party” as set out in paragraph 13 also apply to the licensed banks which have reported under the interim reporting arrangement. To avoid doubt, this includes the requirement to keep records and potentially backload the information for the two fields, but only for trades entered into subsequent to the commencement of the Reporting Rules.

C.2 Data field “Desk ID”

22. This is an optional field for the first 12 months after the commencement day of the Reporting Rules. Thereafter this will become a mandatory field. 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.

23. 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 – 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 22. 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

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”.

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.
24. For the transactions reported by licensed banks to the HKTR under the interim reporting requirement that remain outstanding on the commencement day of the Reporting Rules, it is not necessary to supplement information in respect of the data field “Desk ID” for these transactions at the time the Reporting Rules commence or immediately after the data field becomes mandatory. The transitional arrangements in relation to the reporting of the fields “Desk ID” and “Reference Branch of Trade Party” as set out in paragraph 13 also apply to the licensed banks which have reported under the interim reporting arrangement. To avoid doubt, this includes the requirement to keep records and potentially backload the information for the two fields, but only for trades entered into subsequent to the commencement of the Reporting Rules.

C.3 Interbranch⁴ and intrabranh transactions

25. 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

26. 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) (optional up to the end of 12 months after the commencement day of the Reporting Rules) 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) (optional up to the end of 12 months after the commencement day of the Reporting Rules) 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 22-23.
27. Where the transaction in paragraph 26 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 26;
 - (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 26 except that the identifying information of the affiliate of the AI/LC/AMB should be reported in both “Reporting Party” and “Reporting For”.
28. 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) (optional up to the end of 12 months after the commencement day of the Reporting Rules) information in respect of the overseas branch that books the transaction into “Reference Branch of Trade Party”, according to paragraphs 18-20; and
 - (iv) (optional up to the end of 12 months after the commencement day of the Reporting Rules) 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 22-23.
29. Care should be taken to ensure that if the same entity is to be entered in multiple

Functions- Reporting Service).

⁶ “Reporting For” is the data field for reporting the Trade Party that the Reporting Party 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.

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.

30. To avoid doubt, a transaction that is entered into by the Hong Kong office/branch 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 “Transactions of the overseas branches of a locally incorporated AI/LC/AMB” below.

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

31. (Optional up to the end of 12 months after the commencement day of the Reporting Rules) 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

32. The field “Reference Branch of Trade Party” will become a mandatory field after 12 months from the commencement of the Reporting Rules. 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”

33. “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. within 12 months after commencement of the Reporting Rules). For a “transfer in” that happens after the field is made mandatory, however, the reporting institution 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.

34. 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. within 12 months after commencement of the Reporting Rules). For a “transfer in” that happens after the field is made mandatory, however, the reporting institution 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”

35. 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).
36. 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. within

12 months after commencement of the Reporting Rules). For a “transfer out” that happens after the field is made mandatory, however, the reporting institution 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.

37. 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. within 12 months after commencement of the Reporting Rules). For a “transfer out” that happens after the field is made mandatory, however, the reporting institution 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”

38. 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 26). The AI/LC/AMB should continue to report subsequent events on the transaction after the transfer.

C.7 Centrally cleared transactions

39. 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.
40. Under the interim reporting requirement, a “see through” approach was allowed for reporting transactions subject to client clearing⁸. 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.

Direct clearing

41. Direct clearing applies when an institution clears a transaction with a CCP by becoming the CCP’s direct clearing member, including the case where its membership is accepted on consideration that the obligations arising in

⁸ 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.

connection with its membership are covered by guarantee or similar credit enhancement arrangements.

Counterparty to the original transaction

42. 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.
43. In reporting the trade events in paragraph 42(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

44. 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

45. As mentioned in paragraph 40, 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.
46. Reporting of transactions subject to client clearing is illustrated in the following example (assuming a reporting obligation applies to all entities 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 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 intends to appoint client clearing service provider (i.e. Entity A in above example)

- 47. Subject to applicable reporting reliefs, Entity A is required to report trade events (i) to (iii) in the above example. Relief from reporting these events is possible, for example, if Entity A is a small AI qualified as an exempt person.
- 48. In reporting the trade events (i) and (iii) in paragraph 46, 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 46(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 intend to appoint client clearing service provider (i.e. Entity B in above example)

- 49. Entity B is required to report trade events (i), (ii) and (v) in paragraph 46 above. Since Entity B does not intend to 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)

- 50. 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 46(iii)) and, in the case that no sub-provider of clearing agency services is involved, transactions with the CCP (see paragraph 46(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.

51. When the client clearing service provider (Entity C) is reporting the transaction that it entered into with the sub-provider (Entity D) (see paragraph 46(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”.
52. 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 49) and those for the client clearing service provider (paragraph 50).

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

53. 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 46(iv)(b)) and the transaction with the CCP (see paragraph 46(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

54. 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.

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

55. 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”⁹.

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

56. 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” 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 voluntarily 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

57. 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.

⁹ 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.

Accordingly with effect from the commencement date of the Reporting Rules, a reporting party 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.

58. 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

59. 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.
60. 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 Act¹⁰, and the Unique Trade ID (TID) reportable under the mandatory reporting requirements in the European Union¹¹. The data field “UTI indicator” is for identifying whether a USI is available to the transaction and must

¹⁰ Please refer to rule 45.5 of Document 1 under footnote 8 for the details on the construction of a USI and Document 2 under footnote 8 for the details on the USI data standards.

¹¹ 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/ucm/groups/public/@lrfederalregister/documents/file/2011-33199a.pdf>
- Document 2 *Unique Swap Identifier Data Standard*, Oct 2012
<http://www.cftc.gov/ucm/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
http://www.esma.europa.eu/system/files/2015_775_qa_xii_on_emir_implementation_april_2015.pdf

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.

61. In the case where neither a USI nor TID has been assigned in respect of the transaction, the reporting of UTI is optional, but only until the end of January 2016. On and after 1 February 2016, 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 optional prior to 1 February 2016, market participants are nevertheless expected to exercise best endeavours in the meantime to: (i) use the time leading up to the commencement of the mandatory reporting regime and concession period to set up the necessary systems for generating and reporting UTIs; (ii) 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 (iii) when 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 1 February 2016, 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.
62. 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.
63. The HKMA may (on or after 1 February 2016) 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.

64. 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.
65. 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 parties or transacting parties

66. This paragraph applies to the reporting of identifiers for reporting parties 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.
67. 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.
68. 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; or (ii) a value formed by adding the jurisdiction code for the country issued the passport as a prefix to the passport number of that individual. The jurisdiction code for the country issued the passport should be obtained from Annex 1. For example, where applicable, the party ID code of an individual who provides a passport number of a passport issued by Australia should be reported as “AUSxxxxx”, where AUS is the jurisdiction code obtained from Annex 1 and “xxxxx” represents the passport number. 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.

69. Where submission of counterparty masking particulars is acceptable under the Reporting Rules, reporting entities should fill in a unique internal reference code as the counterparty particulars (for the party ID code and party name). 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.

Maintenance of reporting or transacting party identifiers at the HKTR

70. 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.

71. 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.
72. 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

73. A reporting entity should correct errors in their reports submitted to the HKTR within two business days from the day the errors are identified.
74. There are two approaches to error correction: (1) snapshot approach – this approach only corrects the latest position of the transaction, leaving errors in all previous reports uncorrected; and (2) the life-cycle approach – this approach corrects the error in all the previous reports submitted to the HKTR. The standardised approach for error correction is the life-cycle approach. An institution is free to apply this approach for error correction in all circumstances. The snapshot approach is only allowed if the error identified is not significant to the reporting institution and is unlikely to impact industry statistics. For corrections that involve significant reporting error, non-amendable fields (subject to paragraph 11), or transactions that have already matured/been terminated, the life-cycle approach must be used.
75. Where a reporting entity decides to correct reporting error by the snapshot approach, apart from amending the reporting error, it should separately notify the HKMA by writing to the email address hktr-fss@hkma.gov.hk and explain why the error is not significant. The HKMA reserves the right to require a reporting entity to correct a reporting error by the life-cycle approach if the HKMA considers it appropriate.
76. An example is provided below to illustrate¹² the application of the snapshot

¹² The figures in the example are for illustration purposes only and not meant to infer or indicate which approach should be adopted in real cases. A reporting entity should determine, based on the criteria set

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

77. To correct the error by the snapshot approach, Entity B should submit one report (using the Amendment template) to amend the last event position (1 March). 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: 1 March (date of the last subsequent event) and Notional: USD 8 million*)

Life-cycle Approach

78. 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

out in paragraph 74, the appropriate approach to be used to amend a reporting error.

	1 January	1 February	1 March
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*)

79. Where a reporting error is identified after the transaction has already matured / been terminated, the reporting error should still be corrected. Due to the HKTR system setup, this must be done by submitting a withdrawal event, to be followed by backloading of all previous events of the transaction with accurate information.

Hong Kong Monetary Authority

10 July 2015

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	<p>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)</p>