

Updates on the Supplementary Reporting Instructions for OTC Derivative Transactions published in August 2017 (March 2019 Updates)

This March 2019 Updates, along with the Supplementary Reporting Instructions for OTC Derivative Transactions (SRI) published in August 2017, the Administration and Interface Development Guide (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, forms the complete set of Hong Kong Trade Repository (HKTR) reporting manuals. It is important that these reporting manuals be read in conjunction with the parts of the SFO relating to the mandatory reporting of OTC derivative transactions and the Reporting Rules. This document provides updates to the SRI published in August 2017 to reflect the latest changes in the reporting requirements effective from 1 April 2019.

SRI

C.9 Identifiers for transactions and counterparties

Paragraphs 70-71 Identifiers for reporting entities or transacting parties

The SRI originally outlined a waterfall of identifiers for reporting entities or transacting parties which are not private individuals (i.e. natural persons). Given the implementation of the first phase of mandatory use of Legal Entity Identifiers (LEIs) on 1 April 2019, the reporting requirements are revised as set out in Paragraphs 70, 71A, 71B and 71C below, which collectively replace Paragraphs 70-71 in the SRI.

70. The first phase of mandatory use of LEIs requires reporting entities to use only LEI issued under the Global LEI System established by the Regulatory Oversight Committee (ROC) of the Global LEI System to identify all parties on the reporting entity's side of a transaction. Such requirement applies to reporting of new trades¹ and daily valuation information. Nevertheless, reporting entities may report life-cycle events with LEIs to the existing reported trades if they wish to do so.
- 71A. For indicating the identity of parties that are not on the reporting entity's side of a transaction, reporting entities are allowed to use several types of

¹ Including subsequent life-cycle events of new trades.

third-party assigned identifiers supported by the HKTR as set out in the enumerations and coding schemes in the AIDG. 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:** LEI issued under the Global LEI System established by the ROC of the Global LEI System.
- (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.

71B. While reporting entities are allowed to use the above third-party assigned identifiers to indicate the identity of parties that are not on the reporting entity's side of a transaction, they are expected to put in place a process to request LEIs from their clients after implementation of the first phase of mandatory use of LEIs on 1 April 2019. For those clients which do not already have LEIs, this process also includes educating their clients about LEI and encouraging or assisting them to obtain one.

71C. When LEI is used for indicating the identity of a party in trade reporting, we expect reporting entities to take reasonable steps to verify the LEIs that

they obtain from their counterparties. This means that reporting entities should ensure that the LEIs they obtain pertain to the entities concerned and are included in the Global LEI System. Although we do not expect reporting entities to check the registration status of their counterparty's LEI before reporting each trade, they should have appropriate arrangements in place for their counterparty to update them if there is any change in the counterparty's LEI status. In any case, reporting entities should ensure that current and valid LEIs are maintained and used for their own groups of companies in trade reporting.