

Explanatory Notes for Public Disclosure of the Trade Repository of the HKMA (HKTR)

The reports available for the purpose of public disclosure (Public Disclosure Reports) cover the (I) outstanding positions report and (II) turnover report for some of the products, i.e. foreign exchange and interest rate derivatives, which are mandated under the Securities and Futures (OTC Derivative Transaction – Reporting and Record Keeping Obligations) Rules.

Starting from 1st April 2018, Public Disclosure Reports are published weekly to provide a snapshot as of the close-of-business of the last business day of each week. Public Disclosure Reports prior this date were published monthly as of the close-of-business of the last business day of each month.

I. Outstanding positions report

The outstanding positions report provides breakdowns of outstanding trades* under three dimensions:

- by product type and intention to clear*,
- by product type and currency*, and
- by product type and residual maturity*.

Each breakdown is given under two units of measure:

- outstanding notional*, and
- number of outstanding trades*.

II. Turnover report

The turnover report contains statistics regarding new trades* reported to the HKTR with a trade date falling within the previous week. The breakdowns are the same as those of the outstanding positions report.

Each breakdown is given under two units of measure:

- new trade turnover*, and
- number of new trades*.

* Please refer to the Key Definitions section for further explanations.

Key Definitions

*Outstanding
trades*

For non-ISO trades:

Trades reported to the HKTR that have not yet been terminated, quitted, withdrawn or reached their scheduled maturity date.

For ISO trades:

Trades reported to the HKTR that have not yet been terminated, transferred out, errored or reached their scheduled expiration date.

*Outstanding
notional*

Represents the sum of the notional value (i.e. the face value of a trade upon which the payment is derived) of outstanding trades that are reported to the HKTR. The outstanding notional is one measure of the size of the OTC derivatives market.

I. Double counting

If a trade is linked (see “*Link status*”), the outstanding notional of a linked trade is equal to its notional amount divided by 2. For an unlinked or single-sided trade, the outstanding notional is equal to its notional amount.

II. Currency conversion

Outstanding notional is expressed in millions of U.S. Dollar. The notional amount of trades denominated in other currencies is converted to U.S. Dollar equivalent using publicly available exchange rate information as at the position date.

*Number of
outstanding trades*

Counts all outstanding trades that are reported to the HKTR. Depending on the link status, a pair of linked trades is counted as 1 outstanding trade.

New trades

For non-ISO trades:

New trades are submissions to the HKTR by reporting a “New Trade” event.

For ISO trades:

New trades are submissions to the HKTR by reporting a “NEWT” action type.

New trade turnover

Represents the sum of the notional amount of new trades that are reported to the HKTR. The new trade turnover is one measure of activity in the OTC derivatives market.

I. Double counting

Depending on the link status, the new trade turnover of a linked trade is equal to its notional amount divided by 2. For an unlinked or single sided trade, new trade turnover is equal to its notional amount.

II. Currency conversion

New trade turnover is expressed in millions of U.S. Dollar. The notional amount of trades denominated in other currencies is converted to U.S. Dollar equivalent using publicly available exchange rate information as at the date when the HKTR receives a new trade.

Number of new trades

Counts all new trades that are reported to the HKTR. Depending on the link status, a pair of linked trades is counted as 1 new trade.

Intention to clear

It is indicated by the “Clearing” data field in trades reported to the HKTR.

Currency

I. Foreign exchange

Foreign exchange derivatives trades are categorised into 7 major currency pairs (USD/CNY, USD/IDR, USD/INR, USD/KRW, USD/MYR, USD/PHP and USD/TWD). All other currency pairs which fall outside are grouped under “Others”.

II. Interest rate

Interest rate derivatives trades are categorised into 6 major currencies (USD, CNY, EUR, GBP, JPY and HKD). All the other currencies which fall outside are grouped under “Others”.

Residual Maturity Defined as the length of the period calculated from the day of the report to the scheduled maturity of the trade. The calculation is carried out on a calendar-month basis.

I. Foreign exchange

Foreign exchange derivatives trades are categorised into 7 different residual maturity buckets, they are 0-3 months, 3-6 months, 6-9 months, 9-12 months, 1-2 years, 2-5 years and over 5 years.

II. Interest rate

Interest rate derivative trades are categorised into 7 different residual maturity buckets, they are 0-1 year, 1-2 years, 2-5 years, 5-10 years, 10-15 years, 15-20 years and over 20 years.

Examples:

- A trade which matures in 5 months falls into the “3-6 months” category.
- A trade which matures in 18 months falls into the “1-2 years” category.
- A trade with 12 months and 1 day of residual maturity falls into the “1-2 years” category.
- A trade with exactly 60 months (5 years) of residual maturity falls into the “2-5 years” category.

Link status

I. Linked trades

For non-ISO trades:

When the product taxonomy and trade parties of a trade submitted by a reporting entity are identical to those of another trade submitted by another reporting entity, the automatic linking process of the HKTR system will compare some key fields of the two submissions to identify if they are referring to the same real life trade contract. There are five sets of key fields that the system will compare in a pre-set sequence as shown below:

1. Unique Trade ID (UTI-TID)
2. Unique Trade Identifier (UTI)
3. Confirmation Platform (CP) ID and CP Trade Reference
4. The bilaterally agreed identifier in the Bilateral Comments field
5. Linking Fields

Linking Fields are defined specifically for each product. They cover mainly the core economical terms such as the notional currency, notional amount, trade date, maturity date, other pricing information, etc.

For further details of the linking process, please refer to *Operating Procedures for HKTR-RPT - User Manual for Participants* and *HKTR-RPT Administration and Interface Development Guide (AIDG)* available on the HKTR Info Page website <http://hktr.hkma.gov.hk>.

For ISO trades:

For dual-sided reported trade, the “Unique Transaction Identifier (UTI)” is used as the linking key field to identify if they are referring to the same real life trade contract.

For further details of the linking process, please refer to *Operating Procedures for HKTR-RPT - User Manual for Participants (ISO 20022)* and *HKTR-RPT Administration and Interface Development Guide (AIDG)* available on the HKTR Info Page website <http://hktr.hkma.gov.hk>.

II. Unlinked trades

When a reporting entity submits a trade with the other side of the trade party being a registered member of the HKTR but a matched submission from the other side cannot be found in the HKTR system, the trade will remain unlinked. This might due to one or more of the following reasons:

- The counterparty has not yet submitted the trade or;
- The counterparty does not have an obligation to report

such trade or;

- There are errors in the key fields submitted either by the reporting entity or the counterparty, or both.

Unlinked trades remain subject to further automatic linking process once the issues aforementioned have been resolved.

III. Single-sided trades

A single-sided trade is a trade that does not link to any other trades and is not subject to automatic linking process. There are a number of conditions under which a trade is regarded as single-sided. Below are the main ones:

- The counterparty of the trade is a non-TR entity
- The trade is manually set as single-sided

Disclaimer

The Public Disclosure Reports are compiled on the basis of information obtained from all reporting institutions. Although great care has been taken to ensure that the information provided in the Disclosure Reports is accurate and up to date as at the date of publication, there is a possibility that the reporting institutions may subsequently make amendments or revisions to their reported transactions to the HKMA. In these circumstances, the HKMA will not make a corresponding amendment to the reports.

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