

# Regulators conclude consultation on further enhancements to the OTC derivatives regulatory regime

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC) today issued [conclusions](#) to a joint consultation on further enhancements to the over-the-counter (OTC) derivatives regulatory regime in Hong Kong (Note 1).

Based on market feedback, the mandatory use of Legal Entity Identifiers (LEIs) (Note 2) in trade reporting will only apply to the identification of entities that are on a reporting entity's side of a transaction (Note 3). This requirement will apply to the reporting of new transactions and daily valuation information beginning April 1, 2019.

Reporting entities should continue to identify their counterparties in transaction reports in accordance with a waterfall of identifiers specified in the Supplementary Reporting Instructions for OTC Derivative Transactions (Note 4). Meanwhile, reporting entities are expected to establish a process to request LEIs from their clients. Regulators will maintain close dialogue with reporting entities and keep in view international development to assess the need for further requirements in this area.

The HKMA and the SFC will proceed with their proposals for Phase 2 Clearing with some fine tuning. The clearing obligation will be expanded to include specified standardised interest rate swaps denominated in Australian Dollars and the list of Financial Services Providers will be revised (Note 5).

The regulators have also adopted the trading determination process proposed in the joint consultation paper and are currently using the process to determine for which products it may be appropriate for Hong Kong to introduce a platform trading obligation (Note 6).

The consultation conclusions paper can be downloaded from the websites of the [HKMA](#) or the [SFC](#).

Notes:

1. See the March 2018 [joint consultation paper](#) on enhancements to the OTC derivatives regime for Hong Kong to – (1) mandate the use of Legal Entity Identifiers for the reporting obligation, (2) expand the clearing obligation and (3) adopt a trading determination process for introducing a platform trading obligation.
2. A unique 20-digit, alpha-numeric code which identifies an entity in a

financial transaction.

3. Entities that are on a reporting entity's side of a transaction include the reporting entity, the transacting party that a reporting entity reports or acts for, a central counterparty or a provider of clearing services that is a reporting entity or one that clears a transaction for a reporting entity or the transacting party that a reporting entity acts for.
4. The Supplementary Reporting Instructions for OTC Derivative Transactions are available on the [Hong Kong Trade Repository Website](#).
5. A list of entities designated as Financial Services Providers for the purpose of the OTC derivatives regulatory regime.
6. The obligation to trade specified OTC derivative products on a designated trading platform in accordance with trading rules to be proposed.