

8 June 2021

Circular to Licensed Corporations

Proposed updates to the Technical Specifications for OTC Derivatives Trade Reporting

Over the past months, the Securities and Futures Commission (**SFC**) has been working closely with the Hong Kong Monetary Authority (**HKMA**) to review the Equity reporting templates and other reporting requirements under OTC derivatives trade reporting. As a result of the review, the SFC would like to inform reporting entities on the proposed updates to the Administration and Interface Development Guide (**AIDG**), which includes mandating new/ modified data fields, under the OTC derivatives reporting requirements.

Proposals:

The key proposed updates to the technical specifications for OTC derivatives reporting include:

- (i) mandating the supporting field value of “Proprietary rates” (which is currently reported on a voluntary basis) under the data fields “Floating Rate Index” and “Floating Rate Option”;
- (ii) making available the data field “Global Unique Transaction Identifier” (**Global UTI**) and related data fields in anticipation of the global implementation of UTI;
- (iii) mandating the reporting of product types under the data field “Special Terms”¹ for products specified in the Supplementary Reporting Instructions (**SRI**); and
- (iv) enhancing the Equity templates to address market feedback and to cater to regulatory needs. The proposed changes have made reference to international standards.

A list of the proposed changes to the data fields (**Annex**) is attached to this Circular.

If reporting entities have any questions on the technical specifications of the proposed data fields, or if any practical difficulties in reporting the proposed data fields are envisaged, please write to us with specific details via the following channels on or before 30 June 2021:

For Authorised Institutions and Approved Money Brokers – please write to the HKMA by email to fss@hkma.gov.hk or by fax to 2878 7297.

For Licensed Corporations and Central Counterparties – please write to the SFC by email to otconsult@sfc.hk or by fax to 2521 7917.

¹ Currently reporting entities are required to indicate “Yes” value in the data field “Special Terms Indicator” in situations such as the templates do not have the relevant data fields to capture material pricing information of a trade. The HKMA and the SFC (**Regulators**) may, where appropriate, contact the reporting entities if they require such details (paragraphs 94-95 of the SRI refer). This proposed update is to streamline and automate this process by requiring reporting entities to input the product types of such transactions in the reporting templates.

Implementation timelines:

For the supporting field value of “Proprietary rates” under the data fields “Floating Rate Index” and “Floating Rate Option”, HKTR announced the relevant specifications in July 2020 in the AIDG version 1.7 and has arranged for a testing environment since November 2020. As the technical specifications of the supporting field value “Proprietary rates” have been available, the Regulators propose an implementation date of 31 March 2022.

For the addition of data field “Global UTI” and the changes to related data fields, the Regulators are working towards a harmonised implementation timeline with other APAC regulators as far as possible and therefore we now propose to issue the technical specifications in Q1 2022. In the meantime, we are closely monitoring the global implementation timeline of the UTI and will inform the industry of the Hong Kong implementation timeline in H2 this year.

For the data field “Special Terms”, when the data field “Special Terms Indicator” is reported “Yes” and the product transacted is on the specified list in the SRI, reporting entities are required to report the types of products transacted². As the technical specifications of the data field “Special Terms” have been available, the Regulators proposed an implementation date of 31 March 2022.

For the enhancement to the Equity templates, the Regulators appreciate that reporting entities need adequate time to study the various changes and upgrade their systems. Hence we propose to issue the technical specifications in Q1 2022 and propose the implementation in December 2022.

The implementation date of each specific data field is also contained in the Annex. If reporting entities envisage any practical difficulties in implementing the relevant data fields, please write to us with specific details via the contact details as set out above.

An updated AIDG and SRI incorporating the proposed changes will be published in Q1 2022.

For questions about the service, operation and testing arrangement of the HKTR, please contact the HKTR at 8100 3115 or email to hktr@hkma.gov.hk. For questions about the policy or regulatory requirements, or about the proposals set out in this Circular, please email to the HKMA at fss@hkma.gov.hk (for Authorised Institutions and Approved Money Brokers) or to the SFC at otc_enquiries@sfc.hk (for Licensed Corporations and Central Counterparties).

Supervision of Markets Division Securities and Futures Commission

² The SRI will be updated to list out certain products that are currently not specified in the reporting templates, e.g. inputting “01” to represent an accumulator transaction and “02” to represent a decumulator transaction.

List of Proposed Updates to the Technical Specifications for OTC Derivatives Trade Reporting

Item no.	Data Field Name	Impacted Asset Class & Corresponding Template(s)	Proposed Change	Details	Regulatory Implementation Date
1	"Floating Rate Index" in IR (Standard and Other) & "Floating Rate Option" in EQ (Standard)	IR (Standard & Other) EQ (Standard)	Mandate the supporting value "Proprietary rates" under the Floating Rate Index coding scheme	<p>"Proprietary rates" refers to custom-made rates or proprietary rates to which the pricing of a particular transaction refers. We propose to mandate the supporting field value "Proprietary rates" under the Floating Rate Index coding scheme, which applies to the existing data fields "Floating Rate Index" in IR (Standard and Other) & "Floating Rate Option" in EQ (Standard) reporting templates.</p> <p>This supporting value only caters to proprietary or custom-made rates but not to industry-wide/standard new floating rate indices emerging from the markets from time to time. To cope with the latter, HKTR has implemented regular updates to the Floating Rate Index coding scheme on a bi-monthly basis.</p>	31 March 2022
2	"Global Unique Transaction Identifier" ("Global UTI")	All (Standard & Other) & Valuation	Add a new data field "Global UTI"	<p>The data field "Global UTI" refers to the unique transaction identifier as described in the <i>Technical Guidance on the Harmonisation of the Unique Transaction Identifier</i> published by the Committee on Payments and Market Infrastructures and Board of International Organization of Securities Commissions in February 2017. We propose to add a new data field "Global UTI" to the reporting templates. The functionality of this data field is the same as the existing data field "Unique Transaction Identifier - Unique Trade ID" ("UTI – TID") including enabling this data field to correlate trades (e.g. reporting valuation information).</p> <p>Format: alphanumeric</p>	TBD (technical specifications will be issued in Q1 2022)
3	"Prior – Global Unique Transaction Identifier" ("Prior – Global UTI")	All (Standard & Other)	Add a new data field "Prior – Global UTI"	<p>The data field "Prior - Global UTI" refers to the value of the Global UTI of the original trade, if applicable. We propose to add a new data field "Prior – Global UTI" to the reporting templates. The functionality of this field is the same as the existing field – "Prior - UTI-TID".</p> <p>Format: alphanumeric</p>	TBD (technical specifications will be issued in Q1 2022)

4	<p>“Unique Transaction Identifier - Unique Swap Identifier Indicator” (“UTI – USI Indicator”)</p> <p>“Unique Transaction Identifier - Unique Swap Identifier” (“UTI-USI”)</p> <p>“Prior - Unique Transaction Identifier - Unique Swap Identifier” (“Prior - UTI-USI”)</p>	All (Standard & Other) & Valuation	Rename the existing data fields related to "Unique Transaction Identifier" (“UTI”) to "UTI-USI"	<p>The existing data field “UTI” in fact refers to the Unique Swap Identifier introduced under the US regulations. In contemplation of the launch of the “Global UTI” and in order to avoid confusion, we propose to rename the following data fields in the reporting templates –</p> <p>from:</p> <p>Unique Transaction Identifier (UTI) Indicator Unique Transaction Identifier (UTI) - Issuer ID Unique Transaction Identifier (UTI) - UTI Value Prior - Unique Transaction Identifier (UTI) - Issuer ID Prior - Unique Transaction Identifier (UTI) - UTI Value</p> <p>to (respectively):</p> <p>Unique Transaction Identifier - Unique Swap Identifier (UTI-USI) Indicator Unique Transaction Identifier - Unique Swap Identifier (UTI-USI) - Issuer ID Unique Transaction Identifier - Unique Swap Identifier (UTI-USI) - UTI-USI Value Prior - Unique Transaction Identifier - Unique Swap Identifier (UTI-USI) - Issuer ID Prior - Unique Transaction Identifier - Unique Swap Identifier (UTI-USI) - UTI-USI Value</p>	TBD (technical specifications will be issued in Q1 2022)
5	<p>“Underlying Asset - Leg 1”</p> <p>“Underlying Asset - Leg 2”</p>	EQ (Other)	Add a new data sub-field "Weighting" to the existing data fields "Underlying Asset - Leg 1" and "Underlying Asset - Leg 2" to capture the constituents of a basket of underlying assets	We propose to add a new data sub-field "Weighting" under the existing data fields "Underlying Asset - Leg 1" and "Underlying Asset - Leg 2". When supporting value "Basket" or "Others" is selected in the data sub-field "Asset Type", reporting entities shall be able to input multiple identifier types. Accordingly, the inputs of existing data sub-fields "Identifier Type", "Instrument ID" and "Exchange ID", together with the proposed new data sub-field "Weighting", will allow multiple occurrences to be separated by commas, and each occurrence of a data sub-field will correspond to that of the other data sub-fields.	December 2022
6	Knock in Event	EQ (Other)	Add a new data field "Knock in Event"	<p>The data field “Knock in Event” refers to the triggering event of a knock-in option. This field is applicable for transactions with knock in features. We propose to add a new data field "Knock in Event" to both Leg1 and Leg 2 of a transaction.</p> <p>Format: alphanumeric</p> <p>Supporting values: "Equal or Less", "Equal or Greater", "Less" and "Greater"</p>	December 2022
7	Knock in Price	EQ (Other)	Add a new data field "Knock in Price"	<p>The data field “Knock in Price” refers to the price of share and level of index in case when the Knock-in Event is applicable. This field is applicable for transactions with knock in features. We propose to add a new data field "Knock in Price" to both Leg1 and Leg 2 of a transaction.</p> <p>Format: numeric</p>	December 2022

8	Knock out Event	EQ (Other)	Add a new data field "Knock out Event"	<p>The data field "Knock out Event" refers to the triggering event of a knock-out option. This field is applicable for transactions with knock out features. We propose to add a new data field "Knock out Event" to both Leg1 and Leg 2 of a transaction.</p> <p>Format: alphanumeric</p> <p>Supporting Values: "Equal or Less", "Equal or Greater", "Less" and "Greater"</p>	December 2022
9	Knock out Price	EQ (Other)	Add a new data field "Knock out Price"	<p>The data field "Knock out Price" refers to the price of share and level of index in case when the Knock-out Event is applicable. This field is applicable for transactions with knock out features. We propose to add a new data field "Knock out Price" to both Leg1 and Leg 2 of a transaction.</p> <p>Format: numeric</p>	December 2022
10	Option Style	EQ (Other)	Add a new supporting value "Asian" to existing data field "Option Style"	<p>The existing data field "Option Style" refers to how the equity option can be exercised, if applicable. We propose to add a new supporting value "Asian" to the existing enumerated value list of this data field.</p>	December 2022
11	Floating Rate Option	EQ (Other)	Add a new data field "Floating Rate Option" to the Equity Other template to synchronise the Standard and the Other Template	<p>The data field "Floating Rate Option" is an existing data field in the Equity Standard template. It refers to the floating rate option for the interest leg of a transaction, if applicable. We propose to add this data field to both Leg 1 and Leg 2 of a transaction under the Equity Other template.</p> <p>Please note that the proposal to mandate the supporting value "Proprietary rates" under the Floating Rate Index coding scheme also applies to this data field "Floating Rate Option" in the Equity templates.</p> <p>Format: follow the Equity Standard template</p>	December 2022
12	Designated Maturity Period	EQ (Other)	Add a new data field "Designated Maturity Period" to the Equity Other template to synchronise the Standard and the Other Template	<p>The data field "Designated Maturity Period" is an existing data field in the Equity Standard template. It refers to the ISDA Designated Maturity period, i.e. the tenor of the floating rate, if applicable. This includes a time period multiplier and a time period, e.g. a day, week, month or year of the stream. We propose to add this data field to both Leg 1 and Leg 2 of a transaction under the Equity Other template.</p> <p>Format: follow the Equity Standard template</p>	December 2022
13	Floating Rate Spread	EQ (Other)	Add a new data field "Floating Rate Spread" to the Equity Other template to synchronise the Standard and the Other Template	<p>The data field "Floating Rate Spread" is an existing data field in the Equity Standard template. It refers to the spread added to the floating rate, if applicable, expressed in decimal, e.g. a floating rate spread of 5% should be represented as 0.05. We propose to add this data field to both Leg 1 and Leg 2 of a transaction under the Equity Other template.</p> <p>Format: follow the Equity Standard template</p>	December 2022

14	Fixed Rate	EQ (Other)	Add a new data field "Fixed Rate" to the Equity Other template to synchronise the Standard and the Other Template	<p>The date field "Fixed Rate" is an existing data field in the Equity Standard template. It refers to the fixed rate for the interest leg of a transaction, if applicable, expressed as an annualized rate in decimal. We propose to add this data field to both Leg 1 and Leg 2 of a transaction under the Equity Other template.</p> <p>Format: follow the Equity Standard template</p>	December 2022
15	Payment Frequency Equity Leg Valuation Frequency Observation Frequency	EQ (Standard & Other)	Add new data fields "Payment Frequency", "Equity Leg Valuation Frequency", "Observation Frequency" to the Equity Standard Template and add a new data field "Payment Frequency" to Leg 1 / Leg 2 of the Equity Other template	<p>The date fields "Payment Frequency", "Equity Leg Valuation Frequency" and "Observation Frequency" refer to the time interval between regular payments for transactions with multiple valuations/fixings.</p> <p>(1) For the Equity Standard template, we propose to:</p> <ul style="list-style-type: none"> (i) Add a new data field "Payment Frequency" to the Interest Leg of a transaction (ii) Add a new data field "Equity Leg Valuation Frequency" to the Equity Leg of a transaction (iii) Add a new data field "Observation Frequency" to the Variance Leg of a transaction <p>Format: alphanumeric</p> <p>(2) For the Equity Other template, we propose to add new data fields "Payment Frequency Period- Leg 1" & "Payment Frequency Period- Leg 2"</p> <p>Format: alphanumeric</p>	December 2022
16	Other Payment	EQ (Other)	Add a new data field "Other Payment"	<p>The data field "Other Payment" refers to the types of payment linked to the derivative transaction but that are not regular periodic payments. We propose to add this data field with data sub-fields "Other payment amount", "type", "currency", "date", "payer" and "receiver" with reference to the FpML standards.</p> <p>Format:</p> <p>Amount: numeric</p> <p>Type: alphanumeric</p> <p>Currency: ISO4217</p> <p>Date: YYYY-MM-DD</p> <p>Payer / Receiver: ISO 17442 Legal Entity Identifier (LEI) / Third party-assigned identifiers (if LEI is not applicable)</p> <p>Payer / Receiver [ID]: alphanumeric</p> <p>Payer / Receiver [Name]: alphanumeric</p>	December 2022
17	Settlement Type	EQ (Standard & Other)	Add a new data field "Settlement Type"	<p>The data field "Settlement Type" refers to the settlement type of a transaction and indicates whether the transaction is Quanto, Composite or Cross Currency in nature. We propose to add this data field to distinguish the different settlement types.</p> <p>Format: alphanumeric</p>	December 2022

18	Special Terms	All (Standard & Other)	Mandate the reporting of product types under the existing data field "Special Terms"	<p>"Special Terms" is an existing optional data field which captures any special terms of a transaction that cannot be reported in other data fields. We propose to mandate the reporting of product types under this data field. When (1) the data field "Special Terms Indicator" is flagged as "Yes" and (2) the product transacted is specified in the Supplementary Reporting instructions, reporting entities are required to report the types of products transacted, e.g. by inputting "01" to represent an accumulator transaction and "02" to represent a decumulator transaction.</p> <p>Format: alphanumeric</p>	31 March 2022
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