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財經事務及庫務局
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22 January 2015

Ms Connie Szeto
Clerk to Panel on Financial Affairs
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Ms Szeto,

Legislative Council Panel on Financial Affairs

First Phase of Implementation of the Over-the-Counter (“OTC”) Derivatives Regulatory Regime in Hong Kong

Thank you for your letter dated 7 January 2015, inviting the Administration to provide a written response to the questions raised by Panel members at the meeting held on 5 January 2015 regarding the subject discussion item. I provide below a consolidated reply by this Bureau, the Hong Kong Monetary Authority and the Securities and Futures Commission.

2. Under the OTC derivatives regulatory regime in Hong Kong, the mandatory reporting obligation applies to prescribed persons, which include authorized institutions, approved money brokers, licensed corporations and certain central counterparties, in respect of certain OTC derivatives transactions (“reportable transactions”). The scope of prescribed persons does not cover sovereign states. We are not aware of any jurisdiction not adopting a similar approach in respect of the treatment of sovereign states. Since an OTC derivatives transaction conducted directly among sovereign states does not involve any prescribed person as counterparty, we do not see any direct systemic

implications arising from these transactions to the OTC derivatives market in Hong Kong. If the counterparty of a sovereign state in a reportable transaction is a prescribed person, the prescribed person will be required to report such transaction under the mandatory reporting obligation.

Yours sincerely,



(Ms Ada Chan)

for Secretary for Financial Services and the Treasury

c.c. Hong Kong Monetary Authority (Attn: Mr Daryl Ho)
Securities and Futures Commission (Attn: Ms Daphne Doo)