Frequently Asked Questions on

the Securities and Futures (OTC Derivative Transactions Reporting and Record Keeping Obligations) Rules

To take effect from 29 September 2025 (version 1.0)

These FAQs elaborate on how the Securities and Futures (OTC Derivative Transactions ï Reporting and Record Keeping Obligations) Rules will operate and are intended to help market participants better understand the requirements of the Reporting Rules so as to ensure compliance going forward.

- ³ 6) & *refers to the Securities and Futures Commission;*
- ³ 6) 2 ´ *refers to the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong);*
- ³ 6 5 , ´ *refers to the Supplementary Reporting Instructions annexed to the AIDG;*
- ³ 7 5 ´ *means trade repository;*
- ³ 8 7 , ´ *refers to the Unique Transaction Identifier as set out in the UTI Technical Guidance; and*
- ³ 8 7 , 7 H F K Q L F D O *refers to the Technical Guidance on the Harmonisation of the Unique Transaction Identifier published by the Committee on Payments and Market Infrastructures and International Organization of Securities Commissions in February 2017, as may be amended from time to time.*

Legislation and regulatory guidance

Q1. Where are the reporting and related record keeping requirements set out? (Updated on 29 September 2025)

The broad framework for mandatory reporting and related record keeping is contained in Part IIIA of the SFO, and the detailed requirements for reporting and related record keeping are set out in the Reporting Rules. The data fields for each OTC derivative transaction are published by Government Gazette. These documents are accessible at the Hong Kong eLegislation website and Government Gazette website

The reporting and related record keeping requirements first came into effect on 10 July 2015, only covering transactions in certain interest rate swaps and non-deliverable forwards. The reporting and related record keeping requirements were subsequently expanded on 1 July 2017 to cover all specified OTC derivatives transactions. Covered transactions have to be reported within 2 business days (i.e. on a T+2 basis).

Reporting entities are required to report the gazetted data fields of a specified OTC derivative transaction, if applicable, in accordance with the description thereof and the instructions set out in the SRI. Subsequent events of these transactions, as set out in the SRI to cover any event which occurs after the transaction was entered into that affects the terms or conditions on which the transaction was entered into or the persons involved, are also required to be reported (please also see Q18). Valuation information of the transactions should be reported for every business day (please also see Q63). Margin and collateral information should be reported when it is calculated or updated in accordance with the relevant margin requirements (please also see Q64).

From 29 September 2025 onwards, reporting entities should submit reporting of new transactions and their subsequent events in ISO 20022 XML message format.

Q3. (Repealed on 29 September 2025)

<u>Entities subject to reporting and related record keeping obligations</u>

Q4. Who would be subject to the mandatory reporting and related record keeping obligations? (Updated on 29 September 2025)

The mandatory reporting and the related record-keeping obligations apply to an entity that is:

(a) an AI;

(b) an AMB;

(c) an LC;

(d) an RCH ±i.e. a CCP that is recognized as a clearing house under section 37 of the SFO; or

(e) an ATS-CCP (effective from 1 September 2016) ±i.e. an automated trading service provider authorized under section 95(2) of the SFO to provide automated trading services and is acting in its capacity as a central counterparty.

Q7. I expect that although my institution is eligible for the exempt person relief under the Reporting Rules, it will likely lose this relief some time later due to planned changes in business strategies. Is there any transitional arrangement for my institution to report transactions after my institution loses the exempt person relief? (Updated on 29 September 2025)

Any institution expects itself to be subject to the reporting requirements should get necessary preparation to report transactions on a T+2 basis. There is however still a 3-month grace period for backloading any outstanding transactions from the date the person ceases to be regarded as an exempt person.

Circumstances when reporting is required

Q8. Under what circumstances should an OTC derivative transaction be reported? (Updated on 29 September 2025)

Counterparty limb - An AI, AMB, LC, RCH or ATS-CCP is required to report an OTC derivative transaction (see Q9) if it is a counterparty to the transaction. Additionally:

(a) for an overseas incorporated

By definition (as set out in Schedule 1 to the SFO), OTC derivative transactions do not include, among others:

(a) transactions in securities or futures contracts that are traded on a recognized stock market or recognized futures market (i.e. a market operated by an entity that is a recognized exchange company under the SFO);

(b) transactions in securities or futures contracts that are traded on a stock or futures market and cleared through an overseas CCP if those markets and CCPs are prescribed under the Securities and Futures (Stock Markets, Futures Markets and Clearing Houses) Notice ±the 182Tce is accessible at the Hong Kong eLegislation website:

https://www.elegislation.gov.hk/hk/cap571AM;

(c) transactions in a spot contract;

(d) transactions in a structured product which is offered to the multiple persons for a short period and on essentially identical terms; and

(e) transactions in an embedded derivative.

In addition, as set out in the Reporting Rules, excluded currency contracts (i.e. certain FX forward contracts for the purpose of settling a sale or purchase of securities which are denominated in a foreign currency, settled within a customary settlement period and in any event settled in not longer than 7 days) is also not a specified OTC derivative transaction.

Please also refer to Q10 in respect of warrants and Delta One Warrant.

Q10. Is Delta One Warrant subject to the reporting obligation? (Updated on 29 September 2025)

Warrants are generally OTC derivatives and, except those specifically carved out under the definition of ³ 2 7 & G H U L Y D W L Y H S U R G X F W ´ D U H W K H U H the reporting obligation. $(92(vtsp@36198.5700B4000F00035 52C 387.arket

198.5700B4000F00035 52C08871 0 5q5.87 Tmm0 g0 GLe9(rnd.000to0 g18008871 0 5950/Lang (en-GB)>BDC q0.00000887

Q18. Are there any other reporting obligations after a transaction is first reported? (Updated on 29 September 2025)

Yes. After a transaction is reported to the HKMA via the HKTR, valuation information for every business day L Q F O X G L Q J U H S R U W L Q J W K H 3 transactions with option feature) and regular updates on margin and collateral information are required to be reported (please also see Q63 and Q64). You also need to submit a report (again via the HKTR) when a subsequent event (see Q41) in respect of that transaction takes place or when you identify a reporting error. (Please also see Q2) (See the SRI annexed to the AIDG for detailed guidance on correcting erroneous reports.)

Q19. Clarification of certain transactions

(A)

Yes, they are. If your transactions are booked in your institution (or the Hong Kong branch of your institution if your institution is an overseas incorporated AI)

your institution and the client.) We assume also that neither the client nor the third party institution is affiliate of your institution.

Subject to the above assumptions, this transaction will not be reportable as it will not fall within either of the reporting limbs described in Q8.

How to report

Q29. How should my institution prepare for reporting via the HKTR? (Updated on 29 September 2025)

An entity that has a reporting obligation must become a HKTR member, even if it plans to report through an agent (see Q31). Information on application for HKTR membership is available on the HKTR website: https://hktr.hkma.gov.hk/. Entities intending to report through an agent need to follow the agent nomination procedure set out in the HKTR Reporting Manuals. Completion of simulation test to the satisfaction of the HKTR operator is a must before an entity will be accepted for reporting. Simulation test applies to both (i) direct submission entities (i.e. those who report transaction by themselves and are not using reporting agent) and (ii) reporting agents. For reporting entities using reporting agents, they are also required to take the

Q32.

will I be considered to have fulfilled my reporting obligation in respect of that transaction?

No. A reporting obligation is considered fulfilled only when the report reaches the HKMA via the HKTR (unless any exemption or relief applies). A reporting entity may appoint an agent, including an overseas TR, to submit reports via the HKTR on its behalf. The HKTR reporting templates have been designed to align as far as possible with those of overseas TRs as we anticipate some market participants may appoint overseas TRs as their reporting agent (see Q31).

Q33.

affiliate and the affiliate has already reported the transaction to the HKMA via the HKTR, do I need to

Time allowed to report

Q36. What is the time allowed to report a transaction or an event? (Updated on 29 September 2025)

In general, a transaction (or subsequent event) should be reported within two business days of the trade execution (or occurrence of the subsequent event), i.e. on a T+2 basis, in order to fulfil the reporting obligation.

Valuation information for every business day

reported to facilitate regulatory monitoring. Further technical guidance on ³ V X E V H T X H Q W H Y H Q W V and how they are to be reported, is given in the SRI annexed to the AIDG.

Q42. (Repealed on 29 September 2025)

Q43. (Repealed on 29 September 2025)

<u>Masking of counterparty identity</u>

Q44. How can my institution report transactions that are subject to a prohibitive legal or regulatory limitation? (See also Q47.)

If the submission of counterparty identifying particulars is prohibited in a jurisdiction that has been designated by the SFC

Q50. What records do I need to keep in relation to the reporting obligation?

The list of records to be kept is set out in Schedule 2 to the Reporting Rules.

Q51. For how long the records should be kept?

Records of a reportable transaction must be kept while the transaction is outstanding and for a further 5 years after the transaction matures or is terminated.

Q52. What criteria will the HKMA adopt when specifying subsidiaries of an AI whose OTC derivative transactions must be reported to the HKMA?

implementing interest rate benchmark reforms required to be reported? (Updated on 25 September 2025)

by a clearing member for its counterparty for a trade in which the CCP is not a counterparty;

(b) for OTC derivatives transactions which are centrally executed but not centrally cleared, the UTI shall be generated by the venue of execution for its member;

(c) for OTC derivatives transactions other than those referred to in points (a) and (b), where either counterparty is subject to the reporting requirements in a jurisdiction outside Hong Kong[1], the UTI shall be generated pursuant to the rules of the jurisdiction of the counterparty that must first comply with those reporting requirements.

Where the counterparty subject to reporting must first comply with Hong .RQJ¶V UHSRUWLQJ UHTXLUHPHQWV WKH IROORZ generating the UTI:

(i) for OTC derivatives transactions that were centrally confirmed by electronic means, the trade confirmation platform at the point of confirmation;

LEI[4] is first based on sorting the identifiers of the counterparties with the characters reversed shall be responsible for UTI generation;

(d) for OTC derivatives transactions other than those referred to in points (a), (b) and (c), that were centrally confirmed by electronic means, the UTI shall be generated by the trade confirmation platform at the point of confirmation;

(e) for all OTC derivatives transactions other than those referred to in points (a) to (d), the following shall apply:

(i) where reporting counterparties[5] conclude an OTC derivatives transaction with non-reporting counterparties, the reporting counterparties shall generate the UTI;

(ii) for all OTC derivatives transactions other than those referred to in point (i), the counterparties shall agree on the entity responsible for generating the UTI. Where the counterparties fail to agree, the counterparty whose LEI[6] is first based on sorting the identifiers of the counterparties with the characters of the identifier reversed shall be responsible for UTI generation.

Q56. My institution is the UTI generating entity. Do we have the responsibility to share the UTI with our counterparty? Can we delegate the UTI generation to another entity? (Added on 29 September 2025)

Yes, a UTI must be generated, shared and paired (to the extent possible) with other entities in a timely manner for all relevant entities to comply with their reporting deadlines, pursuant to the reporting requirements of Hong Kong or other jurisdictions. To facilitate the timely identification of the entity generating the UTI, we encourage

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Q57. My institution is the UTI receiving entity. Do we have the responsibility to chase for the UTI? (Added on 29 September 2025)

Yes, if a reporting entity is not the entity responsible for generating the UTI, it should make reasonable efforts to obtain the UTI in a timely manner, whether from the UTI generating entity or a counterparty to the OTC derivatives transaction, in order to comply with the reporting requirements. We expect reporting entities to establish internal policies and/or procedures to obtain the UTI in a timely manner.

Q58. My institution is the UTI receiving entity. When we do not receive a UTI from the UTI generating entity in sufficient time to meet the reporting deadline, can we (Added on 29 September 2025)

1R \RX VKRXOG QRW OLHDYHEWKHQ18D,V DGDWUDGH ZLWK field will be rejected by the HKTR. In the event that a reporting entity does not receive a UTI from the UTI generating entity in sufficient time to meet the reporting deadline, the reporting entity should generate its own UTI[7] in a format that is consistent with the UTI Technical Guidance as an interim UTI for reporting purposes and continue to make reasonable efforts to obtain the UTI from the UTI generating entity. Where the reporting entity subsequently obtains the UTI, it should report the UTI (and also report

Q61. Does the Hong Kong reporting regime apply position reporting like that adopted in the Europe after a reporting entity reports an OTC derivatives transaction at the trade level? (Added on 29 September 2025)

No, currently the Hong Kong reporting regime mandates reporting on the trade level. No position reporting is applied.

<u>Event approach and snapshot approach of reporting</u>

Annex 1 Repealed

Annex 3 List of jurisdictions for the purposes of the masking relief

From 10 July 2015

1. Algeria
2. Argentina
3. Austria
4. Bahrain
5. Belgium
6. France
7. Hungary
8. India
9. Indonesia