

Date: 04 September, 2014

Mr Colin Pou
Head, Payment Systems Operation Division,
Financial Infrastructure Department
Hong Kong Monetary Authority
55th Floor, Two International Financial Centre
8 Finance Street, Central
Hong Kong

By email and Post

Re: Mandatory reporting of unique transaction identifiers

Dear Colin,

We refer to the reporting of unique transaction identifiers to the trade repository (HKTR) established and operated by the Hong Kong Monetary Authority (HKMA) for the purpose of collection of data relating to OTC derivatives transactions.

The International Swaps and Derivatives Association (ISDA)¹ greatly appreciates the helpful discussions which have taken place on the technical specifications of the HKTR. We commend the pragmatic approach undertaken by the HKMA in meeting international commitments and achieving consistency. ISDA and the industry support the G20 commitments, including increased regulatory transparency in the OTC derivatives markets and the industry is committed to assisting regulators in meeting the G20 commitments.

We also commend HKMA for not developing a separate set of transaction identifiers. In order to allow data aggregation across multiple jurisdictions, it is imperative to have a single unique transaction identifier. A global unique identifier is also easier to implement from an industry standpoint. ISDA has published a best practice document² on generation, communication and

¹ Since 1985, ISDA has worked to make the global over-the-counter (OTC) derivatives markets safer and more efficient. Today, ISDA has over 800 member institutions from 64 countries. These members include a broad range of OTC derivatives market participants including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure including exchanges, clearinghouses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's web site: www.isda.org.

² Unique Trade Identifier (UTI): Generation, Communication and Matching (the [latest version](#) is as of 15 August, 2014)

matching of transaction identifiers and regularly updates this document to reflect evolving trading practices and standards. The best practice document does lay out one way to achieve a global UTI. However, as a best practice document, parties to a transaction are not obligated to follow these standards unless mandated by their regulator. We urge regulators to work on and endorse a global solution for UTI and we understand that the Financial Stability Board is considering this issue.

Mandatory reporting of unique transaction identifiers

As set out in the HKMA letter³ on OTC Derivatives Trade Repository of the HKMA, New Phase of System Implementation and Refinements to Reporting Procedures dated 31 March 2014 and the OTC Derivatives Trade Repository Reporting Service Reference Manual (version: v.1.4), we understand that reporting entities are required to report a unique Trade ID (TID) under the mandatory reporting requirements as per the European Market Infrastructure Regulation (EMIR), if available, for new transactions and to complete the provision of TIDs for existing transactions to the HKTR by the end of 2014.

The industry is concerned that they are not able to meet the TID requirement by the end of 2014. Consequently, we respectfully request HKMA to consider a deferment for the reporting of TID, if available, for new transactions and existing transactions until 01 October 2015.

The industry has identified the following challenges in complying with this requirement:

1. Difficulty in sharing and pairing of a transaction's unique transaction identifier

The provision of a TID requires the parties to a transaction to share and pair the transaction identifier. Although the best practice document on the generation, communication and matching of transaction identifiers has been published by ISDA, the industry practice regarding sharing of transaction identifiers in the region is still being developed and the industry is still in the process of developing a solution. Whilst the sharing and pairing of transaction identifiers has been implemented in Europe, the industry requires additional time in other jurisdictions.

2. Lead time required in configuring the infrastructure

The sharing and pairing process is complex. This includes the generation and communication of a transaction identifier at the point of execution, or within the confirmation (paper or electronic) execution process and, when applicable, the application of an identifier generated from counterparties and the subsequent update and reconciliation in the system. Firms would need significant lead time to configure their system and workflow to support this process.

3. Additional time required for existing transactions

³ The letter is issued by HKMA dated 31Mar2014



Firms would need to negotiate bilaterally on the generation and sharing of a TID for existing transactions. Given the large volume of existing transactions and the multitude of counterparties, firms would need additional time in agreeing the transaction identifier for each existing transaction, and amending their system records accordingly. We understand this remains a challenge in Europe.

The industry is committed to developing a pragmatic solution for the “sharing and pairing” of transaction identifiers through ongoing industry discussions. Our members believe that the deferment until 01 October 2015 would allow sufficient time to implement this requirement.

Linking of transactions reported to HKTR

We understand that HKTR would link the transactions records between the HKTR members. Further to the introduction of TID, we respectfully request that the TID is assigned with the first priority in the linking process. Accordingly, the linking of Unique Swap Identifier (USI) will only be triggered in the absence of a TID. This is in line with the industry’s best practice document of using the Unique Trade Identifier (UTI) as the primary trade identifier for reporting on a global level and the Unique Swap Identifier (USI) as a subset of the UTI.

If you have any questions on this letter, please do not hesitate to contact Jeffrey Kan (jkan@isda.org) or Cindy Leiw (cleiw@isda.org).

Yours faithfully

Jeffrey Kan

Director of Infrastructure Management, Asia Pacific

ISDA