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Financial Stability Surveillance Division  
Hong Kong Monetary Authority  
55/F, Two International Finance Centre  
8 Finance Street, Central  
Hong Kong

Supervision of Markets Division  
Securities and Futures Commission  
54/F, One Island East  
18 Westlands Road  
Quarry Bay, Hong Kong

By email: [fss@hkma.gov.hk](mailto:fss@hkma.gov.hk); [otcconsult@sfc.hk](mailto:otcconsult@sfc.hk)

**ISDA response to the Joint consultation paper on proposed amendments to the Clearing Rules for over-the-counter derivative transactions pursuant to global interest rate benchmark reform**

**Executive Summary**

ISDA members are supportive of the joint consultation by the Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC) on adapting the Hong Kong derivatives clearing obligation (CO) in the context of the on-going interest rate benchmark reform.

ISDA members acknowledge the benefits of central clearing, as demonstrated by the current clearing rates for risk free reference rate (RFR) swaps.

While we welcome the timely and early consultation, we would ask the HKMA and the SFC to provide sufficient notice for firms to get prepared for the changes from the time the implementation date is known.

We also welcome that the proposed changes are in line with global developments and rulemaking of other jurisdictions on clearing obligations in relation to the IBOR transition.

## Consultation Questions

**1. Do you have any comments regarding our proposed changes as set out in paragraphs 10 and 11 above? If so, please provide details and justifications for your comments, as well as suggestions on how best to address them.**

We agree with the proposed modifications to the scope of the clearing obligation, which would bring Hong Kong in line with other major jurisdictions.

We would like to point out that generally, members require sufficient notice to prepare for the implementation of a clearing obligation or a change in a clearing obligation.

Many preparations can only be done once the final rules and compliance dates are available. For example, such actions include:

- Adapting the control framework to make sure all transactions that fall under the new clearing obligation will be cleared.
- Adapting middleware, which include liaising with external suppliers that might impose their own notice periods.
- Making changes to reporting systems. For instance, EMIR reporting which requires adjustments in term of mandatory clearing instrument eligibility.

These preparations take time, and our members require a sufficient notice period between final rules and effective date of the clearing obligation. We would respectfully request an implementation time of six months from finalisation of the rules. We are mindful that shorter implementation period could impose additional costs on industry with higher implementation risk and no identified benefit.

Please contact Ulrich Karl, Head of Clearing at [ukarl@isda.org](mailto:ukarl@isda.org) or Benoit Gourisse, Head of Public Policy, Asia Pacific at [bgourisse@isda.org](mailto:bgourisse@isda.org) if you have any queries in relation to this response letter.

Yours sincerely

[SIGNED]

**Benoit Gourisse**  
**Head of Public Policy, Asia Pacific**