

# Joint consultation conclusions paper on annual update to the list of Financial Services Providers under the clearing obligation for OTC derivative transactions

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HONG KONG MONETARY AUTHORITY  
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SECURITIES AND  
FUTURES COMMISSION  
證券及期貨事務監察委員會

**TABLE OF CONTENTS**

**Introduction .....1**

**Comments and Conclusions to Annual Update to the FSP List.....1**

**Concluding Remarks and Next Steps .....2**

**Appendix A – List of Respondents.....3**

**Appendix B – Updated List of Financial Services Providers.....4**

## Introduction

1. In March 2020, the Hong Kong Monetary Authority (**HKMA**) and the Securities and Futures Commission (**SFC**) issued a joint consultation paper (**Consultation Paper**) on the annual update to the list of Financial Services Providers (**FSP List**) under the clearing obligation for over-the-counter (**OTC**) derivative transactions<sup>1</sup>.
2. The deadline for submitting comments on the update to the FSP List was 28 April 2020. We received a total of four submissions. A list of respondents is set out at [Appendix A](#) and the full text of their comments (unless requested to be withheld from publication) can be viewed on the websites of the [HKMA](#) and the [SFC](#).
3. This consultation conclusions paper (**Conclusions Paper**) sets out the comments received and should be read together with the Consultation Paper.

## Comments and Conclusions to Annual Update to the FSP List

4. In the Consultation Paper, we identified new proposed Financial Services Providers (**FSPs**) based on our criteria for determining whether an entity comes within the scope of an FSP<sup>2</sup>, and taking a snapshot of entities falling under the FSP criteria as at the end of 2019.
5. In respect of GSIBs or G15-dealers member entities which are no longer clearing members of IRS CCPs, our approach is to keep them on the FSP List unless there is a permanent change in their business models on OTC derivatives. We received a submission that as part of a reorganisation relating to the provision of broker/dealer services within the Bank of America group in 2019, BofA Securities, Inc. now provides the institutional services previously provided by Merrill Lynch, Pierce, Fenner & Smith Incorporated (**MLPF&S**). As a result, MLPF&S no longer enters into OTC derivative transactions with non-affiliated counterparties. As BofA Securities, Inc. has already been identified as a new FSP in this annual update, we will remove MLPF&S from the updated FSP List.

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<sup>1</sup> The current clearing regime covers transactions between major dealers where at least one of them is a prescribed person (ie, an authorized institution, an approved money broker or a licensed corporation). Transactions in standardised interest rate swaps in G4 currencies (ie, US dollar, Euro, British pound and Japanese yen) and Hong Kong dollar between a prescribed person which has reached the prescribed clearing threshold and another major dealer which is not a prescribed person also have to be centrally cleared. To that end, the concept of Financial Services Providers was introduced to identify such major dealers outside of Hong Kong.

<sup>2</sup> The FSP List includes entities that meet the following two criteria –

- (a) They belong to a group of companies appearing on the list of global systemically important banks (**GSIBs**) published by the Financial Stability Board, or on the list of dealer groups which undertook to the OTC Derivatives Supervisors Group to work collaboratively with central counterparties, infrastructure providers and global supervisors to continue to make structural improvements to the global OTC derivatives markets (**G15-dealers**); and
- (b) They are members of the largest central counterparties offering clearing for interest rate swaps in the US, Europe, Japan and Hong Kong (**IRS CCPs**).

6. Other than the above, we did not receive any other objection to our proposed FSP List. The final proposed FSP List is set out at [Appendix B](#).

## **Concluding Remarks and Next Steps**

7. We take this opportunity to thank everyone who took the time and effort to comment and assist us in the annual update to the FSP List.
8. Following our current approach for the annual update, we will gazette the updated FSP List at [Appendix B](#) during the fourth quarter of 2020 for implementation on 1 January 2021.
9. We will continue to maintain close dialogue with the industry as we consult on other proposals regarding the OTC derivatives regulatory regime in the future.

## **Appendix A – List of Respondents**

(in alphabetical order)

### **Respondents whose comments are published on the websites of the HKMA and the SFC in full**

1. DTC Association, The
2. Hong Kong Association of Banks, The
3. Hong Kong Bar Association, The

### **Respondents who requested their full comments to be withheld**

4. Bank of America

## **Appendix B – Updated List of Financial Services Providers**

The following entities are proposed to be designated as Financial Services Providers for the purposes of the Clearing Rules.

### **Name of the entities**

(in alphabetical order)

1. Agricultural Bank of China Limited
2. Banco Santander S.A.
3. Bank of America Merrill Lynch International Designated Activity Company
4. Bank of America, N.A.
5. Bank of China (UK) Ltd
6. Banque Palatine S.A.
7. Barclays Bank Ireland Plc
8. Barclays Bank PLC
9. Barclays Bank UK PLC
10. Barclays Capital Inc.
11. BNP Paribas Fortis SA/NV
12. BNP Paribas SA
13. BNP Paribas Securities Corp.
14. BofA Securities Europe SA
15. BofA Securities, Inc.
16. CACEIS Bank SA
17. Citibank Europe Plc
18. Citibank, N.A.
19. Citigroup Global Markets Europe AG
20. Citigroup Global Markets Inc.
21. Citigroup Global Markets Japan Inc.
22. Citigroup Global Markets Limited
23. Credit Agricole Corporate and Investment Bank
24. Credit Foncier de France
25. Credit Suisse AG
26. Credit Suisse International
27. Credit Suisse (Schweiz) AG
28. Credit Suisse Securities (Japan) Limited
29. Credit Suisse Securities Sociedad de Valores, S.A.
30. Credit Suisse Securities (USA) LLC
31. DB Privat- und Firmenkundenbank AG
32. Deutsche Bank AG
33. Deutsche Bank Securities Inc.
34. Goldman Sachs & Co. LLC
35. Goldman Sachs Bank Europe SE
36. Goldman Sachs Bank USA
37. Goldman Sachs Financial Markets Pty Ltd
38. Goldman Sachs International
39. Goldman Sachs Japan Co., Ltd.
40. HSBC Bank plc
41. HSBC Bank USA, N.A.
42. HSBC France
43. HSBC Securities (USA) Inc.
44. HSBC UK Bank plc

45. ING Bank N.V.
46. ING Bank Slaski S.A.
47. ING-DiBa AG
48. J.P. Morgan AG
49. J.P. Morgan Securities LLC
50. J.P. Morgan Securities plc
51. JPMorgan Chase Bank, N.A.
52. JPMorgan Securities Japan Co., Ltd.
53. Merrill Lynch Capital Services Inc.
54. Merrill Lynch International
55. Merrill Lynch Japan Securities Co., Ltd.
56. Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
57. Mizuho Bank, Ltd.
58. Mizuho Capital Markets LLC
59. Mizuho International plc
60. Mizuho Securities USA LLC
61. Morgan Stanley & Co. International plc
62. Morgan Stanley & Co. LLC
63. Morgan Stanley Capital Services LLC
64. Morgan Stanley Europe SE
65. Morgan Stanley MUFG Securities Co., Ltd.
66. MUFG Bank, Ltd.
67. MUFG Securities EMEA plc
68. National Westminster Bank Plc
69. NATIXIS
70. NatWest Markets N.V.
71. NatWest Markets plc
72. Nomura Financial Products & Services, Inc.
73. Nomura Global Financial Products, Inc.
74. Nomura International plc
75. Nomura Securities Co., Ltd.
76. Nomura Securities International, Inc.
77. Nordea Bank Abp
78. RBC Capital Markets, LLC
79. RBC Europe Limited
80. Royal Bank of Canada
81. Santander Financial Services Plc
82. Santander Investment Securities Inc.
83. SG Americas Securities LLC
84. SMBC Capital Markets Inc.
85. SMBC Nikko Securities Inc.
86. Societe Generale
87. Societe Generale International Limited
88. Standard Chartered Bank
89. Sumitomo Mitsui Banking Corporation
90. Sumitomo Mitsui Trust Bank, Limited
91. TD Bank, N.A.
92. TD Bank USA, N.A.
93. The Bank of New York Mellon
94. The Toronto-Dominion Bank
95. UBS AG
96. UBS Europe SE
97. UBS Securities LLC
98. UBS Switzerland AG

99. UniCredit Bank AG
100. UniCredit Bank Austria AG
101. UniCredit S.p.A.
102. Wells Fargo Bank, N.A.
103. Wells Fargo Securities, LLC