

SECURITIES AND DERIVATIVES TRADING IN HONG KONG

FREQUENTLY ASKED QUESTIONS

September 2025

1. WHAT ARE THE APPLICABLE RULES?

Introduced in the wake of the 2008 financial crisis, market infrastructure rules were designed to address systemic risks and enhance the stability, transparency, and efficiency of financial markets. These rules govern the operation and supervision of financial market infrastructures, such as stock exchanges, central counterparties, and trade repositories, while also establishing comprehensive regulations for derivatives trading. Key areas covered include clearing, reporting, risk mitigation, and transparency requirements, ensuring robust market practices and aligning with international standards to safeguard the integrity of the financial system. These rules have been introduced globally under the supervision of the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO), often in conjunction with the Bank for International Settlements' Committee on Payments and Market Infrastructures (CPMI).

Each country then incorporated them into its local regulations as follows.

In Hong Kong

- Securities and Futures (OTC Derivative Transactions-Reporting and Record Keeping Obligations) Rules (Cap 571AL)
- Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission
- HKMA Supervisory Policy Manual CR-G-14 (Non-centrally Cleared OTC Derivatives Transactions - Margin and Other Risk Mitigation Standards)

In Switzerland

- Financial Market Infrastructure Act (FMIA)
- Financial Market Infrastructure Ordinance (FMIO)

2. WHAT ARE THE HONG KONG AND SWITZERLAND TRADE REPORTING OBLIGATIONS WHICH THE BANK IS SUBJECT TO?

Banque Pictet & Cie SA, Hong Kong Branch (the "**Bank**") is subject to the following trade reporting obligations:

In Hong Kong

- **Hong Kong OTC Derivatives Reporting Regime:** The Hong Kong OTC Derivatives Reporting Regime is the Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC) regulatory framework for reporting of over-the-counter (OTC) derivatives contracts. Under these obligations, the prescribed information must be reported to the authorised trade repository within two business days of the execution of the specified derivatives contracts. The detailed requirements are set out in the Securities and Futures (OTC Derivative Transactions-Reporting and Record Keeping Obligations) Rules (Cap 571AL) ("**OTCD Reporting Rules**").
- **Hong Kong Investor Identification Regime ("HKIDR"):** HKIDR is an investor identification regime at trading level for the securities market in Hong Kong (HKIDR). Under the HKIDR, brokers and banks will need to submit their clients' identity document information to SEHK. The detailed requirements are set out in paragraph 5.6 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission ("**Code of Conduct**").

- Over-the-Counter Securities Transactions Reporting (“OTCR”): OTCR is an over-the-counter securities transactions reporting regime for shares listed on the SEHK. Under the OTCR, information about OTC securities transactions in ordinary shares and real estate investment trusts listed on SEHK as well as deposits and withdrawals of physical share certificates will be reported to the SFC. The detailed requirements are set out in paragraph 5.7 of the Code of Conduct.

In Switzerland

As a branch of Banque Pictet & Cie SA, the Bank is also subject to the Swiss legislation, FMIA. This regulation mainly requires:

- Derivatives: Transactions in derivatives must be reported to a trade repository authorized or recognized by FINMA, as stipulated under FMIA Art. 104
- Securities: Transactions involving securities admitted to trading on a Swiss trading venue must be reported to the relevant Swiss trading venue, as stipulated under FMIA Art. 39

For further information governing FMIA reporting obligation, please refer to the FAQs online at <https://www.pictet.com/hk/en/legal-documents-and-notes/market-regulations>.

3. WHAT IS CALLED THE “HKMA REWRITE”?

“HKMA Rewrite” is an update of the OTCD Reporting Rules explained above. This is part of a global harmonisation effort by regulators, with the objective to facilitate the aggregation of OTC derivatives data through standardisation and harmonisation of data elements by incorporating CPMI-IOSCO’s technical guidance on the harmonisation of the unique transaction identifier (UTI), unique product identifier (UPI) and other critical data elements. On 29 September 2025, the updated requirements will come into effect and it is commonly referred to as the “HKMA Rewrite”.

Key Changes: Unique Transaction Identifier

As part of the revised OTCD Reporting Rules which is effective from 29 September 2025, HKMA and SFC requires that a Unique Trade Identifier (UTI) to be assigned for each reportable specified derivatives contract. The UTI must be unique to that specified derivatives contract. Where the specified derivatives contract is reported more than once due to requirements in the OTCD Reporting Rules or foreign jurisdiction reporting requirements, the same UTI must be used.

To comply with the revised OTCD Reporting Rules, the Bank will undertake to be the UTI generating party. The UTI generated will be indicated in the Contract Note or in the Long Form Confirmation (or any other documentation where relevant) issued by the Bank. If you are a “prescribed person” under the OTCD Reporting Rules or have reporting obligations in a foreign jurisdictions, please use the UTI issued by the Bank in your reporting. For further assistance on this topic, please contact your Relationship Manager.

4. WHAT IS THE SCOPE OF REPORTABLE OTC DERIVATIVES CONTRACTS?

In Hong Kong:

The following types of OTC derivatives contracts which are booked in Hong Kong or conducted in Hong Kong are to be reported under the HK Reporting Rules:

- interest rate derivatives contracts (e.g. interest rate swaps)
- credit derivatives contracts (e.g. credit default swaps)
- foreign exchange derivatives contracts (e.g. forwards, swaps, options, non-deliverable forwards (NDF), non-deliverable options (NDO), accumulator/ decumulator (ACDC))
- commodity derivatives contracts (e.g. ACDC, pivots, forwards, options)
- equity derivatives contracts (e.g. Options, ACDC)

Not considered as OTC Derivatives:

- transactions in listed securities, options or futures contracts, which are traded or cleared through markets and Central Counterparty Clearing House (“CCP”) recognized by HKMA or SFC
- transactions in a spot contract;
- transactions in a structured product which is offered to the multiple persons for a short period and on essentially identical terms; and

- transactions in an embedded derivative i.e. a transaction involving a derivative that is embedded within a host contract, such as a bond, loan, or other financial agreement

In Switzerland:

Under FMIA Art. 104, derivatives transactions in scope encompass all over-the-counter (OTC) and exchange-traded derivatives contracts. This includes OTC derivatives that are either bilaterally traded or centrally cleared.

5. HOW ARE OTC DERIVATIVES REPORTED?

In Hong Kong:

Under the OTCD Reporting Rules, all openings, daily valuations, collateral information, modifications, and termination of OTC derivative trades must be reported to the Hong Kong Trade Repository (HKTR) within two days of execution (T+2), as stipulated by the Reporting Rules. The HKTR, operated by or on behalf of the HKMA, serves as the trade repository for submitting and receiving reports on specified OTC derivative transactions.

In Switzerland:

Under the FMIA rules, all openings, daily valuations, collateral information, modifications, and termination of OTC derivative trades must be reported to a Swiss trade repository by the end of the day following execution (T+1).

General Reporting Requirements:

For both Hong Kong and Switzerland, reporting is required regardless of the counterparty type (including individuals and third-country entities). The transmitted data must include both transaction and counterparty information. For legal entities, reports must identify the other counterparty to the trade using a Legal Entity Identifier (LEI), company incorporation number or internal code. For Hong Kong, the counterparty name will also need to be provided if the legal entity does not have an LEI. For natural persons, an internal code number is used in both jurisdictions.

6. WHAT IS THE SCOPE OF REPORTABLE SECURITIES TRANSACTIONS?

In Hong Kong

Under the OTCR, the following securities transactions are in scope:

- Transfer of shares which is not recorded by SEHK and where stamp duty is chargeable in Hong Kong. Transaction granted stamp duty relief (whether in full or in part), or transfer of shares made in accordance with the terms of a structured product or a derivative, or for the conversion of a depository receipt into shares or vice versa are exempted.
- Deposit / withdrawal of physical certificates

Under the HKIDR, the following securities transaction are in scope:

- An order submitted to the trading system of The Stock Exchange of Hong Kong Limited (SEHK) for execution
- An off-exchange trade reported to SEHK by the Bank in accordance to SEHK's Rules of the Exchange

In Switzerland

Under the FMIA Art 39, the following securities transactions are in scope:

- Transactions which the Bank execute involving securities admitted to trade on a Swiss trading venue
- Transactions in derivatives whose underlying instruments are securities admitted to trading on a Swiss trading venue

Securities are defined as standardised certificated and uncertificated securities, exchange traded derivatives and intermediated securities, which are suitable for mass trading.

7. HOW ARE SECURITIES TRANSACTION REPORTED?

In Hong Kong

Under the HKIDR, BPSA HK will have to assign a Broker-Client Assigned Number (BCAN) to each of their clients and tag the BCAN to their clients' securities orders. They will also have to submit to SEHK's data repository the identification data (i.e. names and identity document information) of clients placing securities orders on SEHK or who conduct off-exchange trades reportable to SEHK.

Under the OTCR, BPSA HK will have to report specific information about OTC securities transactions to the SFC within 3 Hong Kong trading days. The information to be reported includes transfer description (e.g., stock details, quantity, dates, and price), and client identification data.

In Switzerland

Under FMIA Art. 39, the Bank must report all transactions they execute involving securities admitted to trade on a Swiss trading venue. The reporting duty applies to transactions on own account, but also to transactions executed on behalf of a client. In particular, the following must be reported: the name and number of purchased or sold securities, the volume, date and time of the transaction; the price; the details necessary to identify the beneficial owner.

The Bank, as a foreign branch of Swiss securities dealers (BPSA) will fulfil its reporting obligation under the membership of their Swiss parent company BPSA. BPSA will perform this reporting in Switzerland on behalf of the Bank.

8. AS A CLIENT OF THE BANK, DO I HAVE ANY TRADE REPORTING OBLIGATIONS?

Generally, no.

In Hong Kong

As a client of Banque Pictet & Cie SA, Hong Kong Branch (the "Bank"), we do not anticipate that you will have any reporting obligations, unless you qualify as a "prescribed person" under the OTCD Reporting Rules or a "Relevant Regulated Intermediaries" under the HKIDR and OTCR.

The Bank will fulfill its own reporting obligations by reporting specified derivatives contracts booked or conducted in Hong Kong to the HKMA, including any OTC derivatives contracts you have entered into with the Bank. Under HKIDR, the Bank will report the required client identification information (CID) for relevant transactions to the SEHK. For OTCR, the Bank will fulfill its own reporting obligation by reporting the required transaction details to SFC.

In Switzerland

Separately, the Bank will report to FMIA when it is counterparty to a transaction that falls within the scope of the regulations FMIA Art. 104 and FMIA Art. 39. Both FMIA Art. 104 and Art. 39 follow a single-sided reporting approach, which means that only one counterparty to the transaction is required to report.

9. WHAT ARE THE RISK MITIGATION STANDARDS?

In Hong Kong

The HKMA Risk Mitigation Standards are set out in the HKMA Supervisory Policy Manual CR-G-14 (Non-centrally Cleared OTC Derivatives Transactions - Margin and Other Risk Mitigation Standards) ("CR-G-14"), and apply to OTC derivatives that are not centrally cleared through CCPs. These requirements include operational risk mitigation techniques, such as maintaining trading relationship documentation (e.g., OTC Master Agreements) and issuing trade confirmations to clients.

Additionally, the Bank is required to establish a dispute resolution process, which includes mechanisms for identifying and resolving disputes with clients. If you identify any potential disputes regarding your OTC derivatives transactions with the Bank, please notify us immediately using the contact details provided in the Onboarding form for securities and derivatives trading under HKMA, SFC and FMIA rules.

In Switzerland

As a branch of Banque Pictet & Cie SA, the Bank is also subject to the risk mitigation standards under the FMIA. The FMIA requirements are largely aligned with those set out in CR-G-14.

10. AS A CLIENT OF THE BANK, AM I SUBJECT TO INITIAL AND VARIATION MARGIN REQUIREMENTS?

Generally, no.

In Hong Kong

As a client of the Bank, you are generally not expected to be subject to initial and variation margin requirements, unless you qualify as a "Covered Entity" (CE), as defined in CR-G-14. Broadly, a CE refers to a financial counterparty, a significant non-financial counterparty, or another entity designated by the HKMA, but excludes a sovereign (i.e. central government of a country), central bank, public-sector entity, multilateral development bank and the Bank for International Settlements. Under the CR-G-14, the Bank is required to exchange margin when trading non-centrally cleared derivatives with a CE.

If you are a CE, please do inform the Bank immediately via your Relationship Manager.

In Switzerland

As a branch of Banque Pictet & Cie SA, the Bank is also subject to the margining standards under the FMIA. Under the FMIA, the Bank is required to exchange margin if you are a Large Financial Counterparty ("FC+"), Small Financial Counterparty ("FC-") or a Large Non-Financial Counterparty ("NFC+"). Please refer to the Onboarding form for securities and derivatives trading under HKMA, SFC and FMIA rules for the definition of FC+, FC- and NFC+.

If you are a FC+, FC- or NFC+, please do inform the Bank immediately via your Relationship Manager.

11. AS A CLIENT OF THE BANK, AM I SUBJECT TO CLEARING REQUIREMENTS?

Generally, no.

As a client of the Bank, you should not be concerned by central clearing. Central clearing is currently a requirement mostly applicable to large financial institutions.

12. WHAT IS AN LEI?

The Legal Entity Identifier (LEI) is a unique global identifier for legal entities. It is a 20-character alphanumeric code based on the ISO 17442 standard, developed by the International Organization for Standardization (ISO). Each LEI connects to key reference information that enables clear identification of entities and their ownership structures, effectively answering the questions of "who is who" and "who owns whom."

LEIs are not confidential; there is an international database of LEIs and related companies accessible online. This publicly available data pool serves as a global directory of financial market participants. Additionally, a legal entity is permitted to have only one LEI, ensuring a singular and unique identification for each entity in the financial system.

The LEI is essential for reporting to financial regulators, and below are examples of how LEI is being used in Hong Kong and Switzerland.

In Hong Kong

LEIs are used for reporting OTC derivatives to HKTR; and also HKEX and SFC for reporting under the OTCR and HKIDR regime.

In Switzerland

LEIs are used in the FMIA Art 39 and FMIA Art 41 reporting.

13. ARE LEIs MANDATORY?

Generally, LEIs are not mandatory yet in both Hong Kong and Switzerland.

In Hong Kong

In the near future, LEIs may become the only acceptable form for reporting purposes. If you have not applied for an LEI yet, we encourage you to do so as soon as possible and provide us with your LEI, once you have it.

As part of HKMA Rewrite, HKMA has once again reminded all reporting entities (including the Bank in this case) to put in place a process to request LEIs from clients. For clients who do not already have LEIs, this process includes informing clients about the necessity to obtain an LEI and to encourage or assist them to obtain it. HKMA also expects the Bank to have appropriate arrangements in place for their clients to update them if there is any change in the clients' LEI status.

In Switzerland

The Bank, being a branch of Banque Pictet & Cie SA, which is subject to FMIA, must obtain LEIs (first priority) or company incorporation number (second priority) from its clients before providing services that would trigger reporting obligations in respect of transactions carried out for those clients. The Bank is required to furnish this information in its transactions reports. This requirement applies to all types of mandates.

Consequently, not providing an LEI or the incorporation number to the Bank within the stipulated timeframe will mean that no further transactions in any financial instruments will be allowed. This, in turn, may result in financial consequences. In other words, no LEI / Incorporation number means no trade.

In EU/EEA

Please note that LEI is mandatory for EU/EEA entities who delegates its EMIR reporting to the Bank; or where the trading is serviced through Bank Pictet & Cie (Europe) AG.

14. WHICH LEGAL ENTITIES NEED AN LEI?

All legal entities (excluding natural persons) that participate in financial transactions should have an LEI. This includes any unique parties that are legally or financially responsible for the performance of financial transactions or have the legal authority in their jurisdiction to enter into contracts independently. This applies regardless of the entity's structure, whether it is incorporated, a trust, a partnership, or established through a contractual agreement:

- An offshore company which does not engage in operations, should apply for an LEI if it is entering into a financial transaction and is legally bound by it.
- Trust entities are also required to obtain an LEI, with the trustee responsible for applying for the LEI on behalf of the trust itself.
- Financial companies and funds are mandated to have an LEI in most jurisdictions.

15. WHERE CAN I GET AN LEI?

LEIs can be obtained from various accredited issuers worldwide, typically financial exchanges or data vendors authorized by the Global Legal Entity Identifier Foundation (GLEIF). These issuers are responsible for issuing and maintaining LEIs and serve as primary interfaces to the global directory.

The most current list of LEI issuers can be found here: <https://www.gleif.org/en/about-lei/get-an-lei-find-lei-issuing-organizations>

Please note that there is an annual fee associated with registering and maintaining an LEI. The Bank does not endorse any specific LEI issuer and clients are free to choose their preferred issuer for registration. Additionally, Relationship Managers are available to assist clients in the LEI registration process, which is straightforward and involves answering questions online.

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