

## **Addressing Legal Barriers to Reporting of, and Access to, OTC Derivatives Transaction Data**

### **1. Introduction**

China Foreign Exchange Trade System (CFETS) provides electronic trade system for the market of RMB interest rate derivatives and RMB/FX derivatives and is the TR-like entity in China Inter-bank Market. Although CFETS has not gained legal status of TR from the People's Bank of China (PBC), PBC has authorized CFETS to perform TR functions such as receiving and storing transactions data reported by market participants. Pursuant to relevant regulations issued by PBC, market participants shall report transactions data to CFETS if such transactions are conducted outside CFETS electronic trade system. This is why CFETS is called TR-like entity.

The size of China IR and FX derivatives market is relatively small. IR derivatives notional outstanding is less than \$2 trillion and that of FX derivatives is a little more than \$2 trillion. The turnover of IR and FX derivatives transactions is also low. The average daily trade volume is about \$50 billion. Although some types of foreign investors may conduct derivatives transactions in the China Inter-Bank Market, the percentage of their trade volume can be

ignored. The market is dominated absolutely by domestic investors.

## **2. Data reporting to TRs**

In terms of reporting to domestic TR-like entity, for the purpose of China Interbank markets' reporting requirements, there are no barriers for reporting to CFETS. Both counterparties shall report transactions data to CFETS if necessary no matter what size of derivatives transactions and what type of participants. Masking of counterparty information is not permitted. there is no need for a trade participant to obtain a counterparty's consent to report trade data.

In terms of reporting to foreign TR or TR-like entity, there is no relevant regulation or rule. In the following work, it needs careful consideration and cross-border regulatory cooperation..

## **3. Authorities' access to TR-held data**

PBC is the primary authority in China Interbank Market and can access to TR data directly. Non-primary authority such as China Securities Regulatory Commission, China Banking Regulatory Commission etc can access to TR data indirectly within their respective mandate.

In terms of foreign authorities access to CFETS-held data, there

is no relevant legislation and regulation in China. In the future, if the requirement of foreign authorities for accessing the CFETS-held data is indeed, indirect access to CFETS by foreign authorities may be considered, which means that foreign authorities may sign regulatory cooperation agreement or a MOU with PBC and through the way of data exchange between regulatory authorities.