

55th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

30th September 2019

Re: Consultation Paper CP 19.0 June 2019 Market Risk

Dear Dr. Sprenger,

Thank you for taking the time to meet with me and discuss our feedback on 4th September 2019. Refinitiv welcomes the opportunity to comment on HKMA's Consultation Paper CP 19.01 issued on 28th June 2019. The below highlights the main points we shared during that meeting.

Refinitiv is one of the world's largest providers of financial markets data and infrastructure, serving over 40,000 institutions in over 190 countries. It provides leading data and insights, trading platforms, and open data and technology platforms that connect a thriving global financial markets community - driving performance in trading, investment, wealth management, regulatory compliance, market data management, enterprise risk and fighting financial crime.

Refinitiv is working with a group of banks and market infrastructure providers with the aim of providing "real" price observation data via an industry solution. Our feedback on this consultation paper focuses on Section 20 (Model Eligibility of Risk Factors) of the Consultation Paper CP 19.01. Refinitiv is supportive of the HKMA's proposal regarding "real" price observation requirements. It follows both the BCBS recommendations and existing market convention thereby aiding consistency across jurisdictions and ensures alignment with trading activity. Below we highlight specific areas where we think it is important that HKMA maintain the requirements put forward in the consultation as they are critical for the success of the market risk standard's policy objectives.

Refinitiv believes it is essential for financial institutions to have sufficient access to data from third party providers. This data is integral to effectively conduct the risk factor eligibility test. Incomplete input data can lead to the misclassification of risk factors as non-modellable and lack of data access can create barriers and extra costs for smaller institutions or new market entrants. To mitigate this scenario, Refinitiv encourage HKMA not to introduce incremental compliance requirements on third party vendors over and above those outlined in the BCBS January 2019 Minimum capital requirements for market risk.

The definition of a "real" price observation must be consistent with existing market convention for publishing trades and committed quotes since the policy objective of the risk factor eligibility test (RFET) is to ensure that the risk factors included in the Expected Shortfall (ES) model are sufficiently liquid and observable. The liquidity and observability assessments are based on the number and

distribution of trades and committed quotes. Defining “real” price observations in such a way that is inconsistent with market convention, such as mandating the need for committed quotes to include a bid and an offer or placing unnecessary minimum size restrictions would mean RFET is no longer a fair and accurate measure of the level of liquidity and observability in the market.

Discrepancies between jurisdictions introduces significant operational barriers to sourcing and delivering “real” price observation data as well as additional costs since data providers are unable to benefit from the scale and efficiency gains associated with a single global service. The presence of these added barriers and costs would likely lead to undersupply of data and weaker demand from banks. Refinitiv believes such an outcome would not be consistent with RFET achieving its policy objectives.

In submitting our response, we draw upon Refinitiv’s global experience and expertise as a company active in over 190 markets globally. Should you have any questions concerning our response, we would be delighted to make ourselves available to discuss in more detail.

Yours sincerely,



John Mason

Head of Pricing and Reference Data