

Joint consultation conclusions on the prescription of additional markets and clearing houses and the prescription of Delta One Warrants under the OTC derivatives regulatory regime

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Strike price is set as zero or near zero

12. One

Others

17. One respondent noted that Delta One Warrants are not issued only for the purposes of gaining synthetic exposure to assets in closed or difficult-to-access markets. They may be issued over underlying assets in open markets as well. We clarify that there is no limit in the definition of Delta One Warrants by reference to the rationale for their issue. The features discussed above also do not impose any such restriction. We will nevertheless keep this concern in view when working with DoJ on the precise language of the definition.
18. One respondent requested industry guidance from the HKMA to ensure that all banks receive consistent information on the expectations of the HKMA during the interim between commencement of phase 2 of mandatory reporting and

been anticipated, we will monitor market development closely and revisit the prescription as necessary.

22. The precise time-table for implementing the two proposals discussed above will depend on completion of the relevant legislative drafting work, and thereafter, the Legislative Council's negative vetting process. The HKMA and SFC will endeavour to initiate the process as quickly as possible. However, in light of the Legislative Council's summer recess, it may be that implementation is not possible till Q4 of 2017.
23. The regulatory intention is to exclude the following products from the definition of "OTC derivative product":
 - (a) products traded on and cleared through the list of new markets and clearing houses set out in Appendix A to the Consultation Paper; and
 - (b)

