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香港期貨結算有限公司

(香港交易及結算所有限公司集團全資附屬成員機構)

HKFE Clearing Corporation Limited

(A wholly-owned member of the Hong Kong Exchanges and Clearing Limited Group)

通告 CIRCULAR

事項

Subject: **Update on Renminbi Currency Futures**

查詢

Enquiry: **DCASS Hotline** **2979 7222**
Risk Management Hotline **2211 6901**

Further to the HKCC circular issued on 19 April 2012 regarding “Readiness for Clearing Renminbi Currency Futures” (Ref: [CD/DCO/HKCC/005/2012](#)), please note that relevant rules amendments for the RMB currency futures – USD/CNH futures have been approved by the Securities and Futures Commission. The rule amendments relating to this product will be released via a separate circular.

To prepare for the launch of the USD/CNH futures, interested Participants please refer to the Attachment for the key clearing and risk management arrangements for the product.

HKCC has planned for a readiness test for USD/CNH futures (Test) on 30 June 2012 (Saturday), to facilitate Participants to verify their operations and system readiness necessary for the product launch. Participants are strongly encouraged to participate in the Test to ensure adequate preparation has been undertaken. Test details are documented in the [Clearing Information Package](#). After the Test, Participants are required to confirm their readiness for clearing and settling the USD/CNH futures by completing and returning the confirmation form (Appendix D of the Clearing Information Package) to the Clearing Division of HKEx at or before 6:00 p.m. on 5 July 2012 (Thursday).

For risk management related matters, please contact the risk management hotline at 2211-6901. For other enquiries, please contact the DCASS hotline at 2979-7222.

Vicky Chan
Vice President
Derivatives Clearing Operations

香港交易及結算所有限公司
Hong Kong Exchanges and Clearing Limited

Clearing Arrangements

The USD/CNH futures contracts are margined in Renminbi (RMB) and Participants are required to settle the full principal amount by making and taking deliveries of USD and RMB upon final settlement. An [example of the final settlement process](#) is available for illustration purpose.

Further to the clearing arrangements and preparation works as referred to in HKCC circular issued on 19 April 2012 regarding “Readiness for Clearing Renminbi Currency Futures”, Participants are reminded that **only** those with RMB and USD settlement bank accounts set up with HKCC for both house and client accounts will be allowed to clear and settle trades in USD/CNH futures. It normally takes about 3 weeks to complete the relevant setup after HKCC has received the duly completed [mandates](#).

Risk Management Arrangements

(1) Minimum Settlement Currency Requirement

Same as other existing HKCC products, at least 50% of the margin requirement for USD/CNH futures in each CCMS Collateral Account of a Participant must be covered by cash in the settlement currency (i.e. RMB). The remaining margin requirement can be satisfied by other forms of approved collaterals.

The margin requirement for USD/CNH futures will first be satisfied by cash in RMB. If the RMB cash balance is insufficient to cover the margin requirement, the uncovered portion will then be covered by other available collaterals.

Participants who are interested in clearing USD/CNH futures are strongly advised to make necessary arrangements in advance to ensure there is sufficient cash collateral in RMB to meet the requirements.

(2) Concentration Risk Margin

HKCC will impose 20% additional clearing house margin on a Participant for its USD/CNH futures positions when the following triggering conditions are met:

- (i) Total net open interest of USD/CNH futures at market level exceeds 20,000 contracts on any day prior to the last five business days before the final settlement day and 10,000 contracts during the last five business days before the final settlement day; and
- (ii) Participant’s aggregate position delta of USD/CNH futures with the same directional risk (i.e. either upside or downside risk) is greater than 30% of the total position delta of all Participants with the same directional risk.

(3) Failure to Fulfill Obligations upon Final Settlement

Participants are reminded that any failure to fulfill obligations upon final settlement under the USD/CNH futures contract would be constituted as an event of default pursuant to HKCC Rule 509. HKCC would take such actions against the defaulting Participant as it considers appropriate, including executing a buy-in and/or a borrowing of the underlying currency and/or executing a purchase and/or a borrowing of the currency in which payment is required to be made to effect settlement as soon as practicable.

The defaulting Participant may be imposed a penalty charge equivalent to 0.25% of the market value on the final settlement day of its overdue positions and/or payment obligations, and shall indemnify the clearing house and the exchange against all costs, fees, expenses, liabilities, losses and damages that may be incurred in executing a buy-in, effecting a purchase or borrowing and taking such other action as the clearing house considers appropriate.

(4) Spot Month Charge

HKCC will introduce a new margin parameter named “spot month charge” for USD/CNH futures. This charge, set at 20% of the clearing house and client margin rates, will be imposed on the spot month contract during the last four business days before the business day immediately preceding the final settlement day.

Participants who are interested in clearing USD/CNH futures are strongly advised to make necessary arrangements in advance to ensure that their back office systems can support the calculation of spot month charge as part of the margin calculation process. In this connection, HKCC will make available a set of simulated risk parameter files (Simulated RPF) for Participants’ testing purpose.

Please note that the spot month charge will NOT be covered in the Test scheduled on 30 June 2012 and Participants will be notified of the details in relation to the Simulated RPF in due course after the Test.

The above-mentioned risk management arrangements will be implemented upon the product launch (around third quarter of 2012), **with the exception of the spot month charge**, which is tentatively scheduled to be implemented in the fourth quarter of 2012.