

香港中央結算有限公司
(香港交易及結算所有限公司全資附屬公司)
Hong Kong Securities Clearing Company Limited
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

通告 CIRCULAR

致
To: CCASS Participants

事項
Subject: Launch of the HKSCC Risk Management Reform Measures

查詢
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Reference is made to circulars issued on 14 May 2012 ([Ref. No.: RMD/CCRM/002/2012](#)), 25 June 2012 ([Ref. No.: RMD/CCRM/003/2012](#)), 23 July 2012 ([Ref. No.: RMD/CCRM/005/2012](#)), 5 October 2012 ([Ref. No.: RMD/CCRM/008/2012](#)) and 16 October 2012 ([Ref. No.: LSD/36/2012](#)). The Securities and Futures Commission (SFC) has approved the proposed amendments to the General Rules of CCASS and CCASS Operational Procedures, and the HKSCC Risk Management Reform Measures (Reform Measures) will be implemented on **5 November 2012**.

Deposit of Specific Cash Collateral (SCC)

1. As mentioned in previous circulars, SCC will be introduced alongside the Reform Measures. This feature can provide Clearing Participants (CPs) with an option to deposit prepaid settlement monies with HKSCC as SCC. Long CNS positions covered by SCC will be excluded from the computation of Marks and Concentration Collateral and hence can reduce the Margining Position for computation of Margin in accordance with the CCASS Operational Procedures. Also, SCC will be used to offset the settlement obligations of the respective long CNS positions on due settlement day.

A CP who wishes to provide SCC to HKSCC is reminded to comply with the relevant law and regulations, and to ensure that it has title and authority to provide such SCC free from all liens, charges, encumbrances, equities and all other third party rights of any nature.

New User Groups for new CCMS functions

2. New user groups ‘W’ and ‘X’ for makers and checkers respectively will be created for the new CCMS functions “Specific Cash Collateral”, “Preferred Single Settlement Currency” and “Enquire Specific Cash Collateral Movement”. To use the new functions, CPs should assign users amongst their operational staff to these groups according to their respective roles as maker or checker. For details, please refer to Section 3.1 of the [CCASS and CCMS Terminal User Guide](#)

Margin Rate

3. The Margin Rate to be used from 5 November 2012 will be 5% which is determined with reference to the Benchmark Rate of the 7th last trading day of October 2012 and pursuant to Section 10.10A.2 of the CCASS Operational Procedures. HKSCC will monitor this Margin Rate against the daily Benchmark Rate on an ongoing basis. In the event that the Margin Rate is lower than the daily Benchmark Rate, an ad hoc review and Margin Rate adjustment will be triggered. CPs will be notified of any ad hoc Margin Rate adjustment 2 trading days via circular before the adjusted Margin Rate become effective.

Revision to Guarantee Fund (GF) Process

4. HKSCC conducts monthly review to determine the required size of the GF and contributions from CPs. Monthly review is currently conducted on the 5th business day of each month, and collection and refund of Contributions resulting from the review will be conducted on the 12th business day. Starting from January 2013, monthly review will be conducted on the first business day of the month, and the corresponding collection and refund will be conducted on the 4th business day of the month by the generation of Direct Debit Instructions and Direct Credit Instructions respectively.
5. After the launch of the Reform Measures, there will be two types of Contributions to the GF, the Basic Contribution and the Dynamic Contribution (collectively called “Contributions”). The first collection for the Dynamic Contribution will be made on 7 January 2013. Prior to the collection, a monthly review on CPs’ Contributions will be conducted on 2 January 2013, and the relevant GF contribution statements will be available for download on 3 January 2013 (Statement of Guarantee Fund Contributions (GFR608) for all CPs, and the NCP(s) Guarantee Fund Contribution Projection By Position (GFR616) for General Clearing Participants).
6. When the daily risk exposure of the GF calculated by HKSCC exceeds 95% of the existing GF size plus the aggregate Dynamic Contribution Credit utilized by all CPs in three consecutive business days or if HKSCC considers it appropriate to do so in any other circumstances, HKSCC may review the size of the GF and the Contributions required from each CP. The corresponding collection and refund will be made on the 4th business day from and including the date of review

Clarification on CPs' liability to loss sharing and replenishment of GF Contributions

7. Under the existing General Rules of CCASS (Rules), a CP's GF Contributions may be applied to cover closing-out loss resulting from another CP's default and a CP is required to replenish its Contributions when its Contributions have been applied. The revised Rules make it clear that only Contributions from non-defaulting CPs which participate in CCASS as Clearing Participant on the day of the default may be applied to the relevant default.
8. A non-defaulting CP may limit its obligations to replenish its Contributions by resigning its CCASS participantship. The revised Rules specify that:
 - (a) the liability of a resigning non-defaulting CP will be limited to the amount of its required Contribution on the day that the CP's termination notice is received by HKSCC, plus two times of such amount (Cap); and
 - (b) If a replenishment notice is issued to a CP, it will be given three business days to settle the replenishment contribution (unless an earlier payment date is demanded by HKSCC in light of the circumstances). In the event that a CP's termination notice is received within the three business days, the Cap will be applied to cover the demanded replenishment and its future replenishment obligations. If however the CP's termination notice is received after the three business days, it would have to pay up the replenishment so demanded, but its liability to future replenishment would be limited to the Cap.

CPs may refer to Chapter 25 of the revised Rules, and Section 18.6 of the revised CCASS Operational Procedures for further details.

Simulation Reports on Margin

9. Upon the launch of the Reforms Measures on 5 November 2012, official production margin reports, "Margin Payable Report (CRMMG02)" and "NCP Margin Projection Report (CRMNP04)" will replace the simulation margin reports, "Margin Payable Report (Simulation) (CRMMG02)" and "NCP Margin Projection Report (Simulation) (CRMNP04)" that are currently provided to CPs.

Simulation Reports on GF

10. After the launch of the Reform Measures on 5 November 2012, the generation of the GF simulation reports will continue until HKSCC starts to collect Dynamic Contributions in January 2013. The last set of GF simulation reports will be generated to CPs for download from CCASS Terminal on 4 December 2012.

Funding Arrangement

11. CPs are reminded to have the necessary funding arrangements with their Designated Banks to fulfill the obligations of Marks, Margin, Concentration Collateral and Guarantee Fund Contributions.

More information related to Reform Measures is available at:

http://www.hkex.com.hk/eng/market/rm/rm_reform/RM_Reform.htm

Should you have any enquiries regarding the above, please contact our hotline at 2979 7111 or Iris Lui at 2211 6907.

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