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香港聯合交易所期權結算所有限公司

(香港交易及結算所有限公司集團全資附屬成員機構)

The SEHK Options Clearing House Limited

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

通告 CIRCULAR

事項

Subject: **Readiness for Clearing Renminbi Denominated Stock Options**

查詢

Enquiry: **DCASS Hotline 2979 7222**

The Stock Exchange of Hong Kong Limited (SEHK) is preparing for the readiness to introduce Renminbi (RMB) denominated stock option classes on RMB denominated stocks listed on SEHK when demand emerges in the future. The SEHK Options Clearing House Limited (SEOCH) is capable of clearing RMB denominated stock options. Apart from the difference in currency denomination, clearing of RMB denominated stock options would be in the same manner as that applicable to Hong Kong dollar denominated stock options today.

Participants, which are interested in trading and clearing RMB denominated stock options, should review and ensure that your operations, front and back office systems can support trading and clearing of RMB denominated stock options. Trading arrangements and preparation works required are set forth under SEHK circular reference: [DMD/108/11](#) dated 26 August 2011.

Interested Participants can refer to the Attachment on the required clearing arrangements and preparation works needed to support RMB denominated stock options. The Attachment also highlights the key risk management arrangements supported by SEOCH.

To assist Participants to verify readiness, RMB readiness test will be conducted tentatively in January 2012. Details of the RMB readiness test will be announced in due course. Clearing access to RMB denominated stock options will only be granted to Participants which have declared readiness to clear RMB denominated stock options. Non-Clearing Exchange Participants may contact their General Clearing Participants for their eligibility of clearing RMB denominated stock options.

For any enquiries regarding the above matters, 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 and Preparation, and Risk Management Arrangements

(1) RMB Bank Account

RMB denominated stock options will be traded and settled in RMB (CNY being the currency code). All its margin, premium, trading tariff and exercise fee will be settled in RMB. In order to be eligible for clearing RMB denominated stock options, Participants will need to have two RMB accounts for house and client accounts respectively with any one of the settlement or designated banks providing RMB money settlement services

(http://www.hkex.com.hk/eng/market/clr/dvclr/clrarng_hkccseoch/banklist_hkccseoch/SEOCH_Banklist.htm)

Once the RMB bank accounts are opened, the Participants shall complete the relevant mandates (http://www.hkex.com.hk/eng/market/hkex_part/criteria/opsetup_seoch_part/Table_SEOCH.htm) as required by SEOCH. Participants should then return the duly completed mandates to SEOCH by post or by hand at:

The SEHK Options Clearing House Limited
7/F, Infinitus Plaza,
199 Des Voeux Road Central, Hong Kong

Provided that Participants have already opened the required RMB bank accounts, it will normally take about 3 weeks to complete the relevant setup after SEOCH has received the duly completed bank mandates.

(2) Readiness of Back Office Systems

Participants should review and ensure that their back office systems can support clearing of RMB denominated stock options. Various sample reports have been revised to include RMB denominated transactions where applicable, and are now available for download for your reference:

DCASS Reports (*Please refer to Amendment Log of DCASS Terminal User Guide for the list of clearing reports revised and Appendix 1 for the revised clearing reports*)

<http://www.hkex.com.hk/eng/market/clr/dvclr/dcass/dcass.htm>

CCMS Reports (*Reports in the list are revised*)

http://www.hkex.com.hk/eng/market/clr/dvclr/dcass/ccmstug/documents/ccms4_3.pdf

To facilitate Participants with DCASS OMnet Application Programming Interface (OAPI) Programs to prepare their OAPI program readiness, RMB denominated stock options will be available for testing in the testing environment from September 2011.

Participants are advised to discuss with your internal IT support or system vendors to ensure that relevant changes to back office systems, if required, would be made to cater for processing in RMB.

In addition, Participants are also advised to note the following risk management arrangements:

(1) Minimum Margin Coverage Requirement

The minimum margin coverage requirement will also apply to RMB denominated stock options. The minimum margin coverage requires that at least 50% of the margin requirement for RMB denominated stock options 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 RMB denominated stock options would first be satisfied by cash in RMB. If the RMB cash balance is insufficient to cover the margin requirement, the uncovered portion would then be converted into their HKD equivalent before SEOCH applies any other available collaterals, which would have also been converted into their HKD equivalent, to cover the remaining margin requirement.

In this connection, Participants which are interested in clearing RMB denominated options are strongly advised to make necessary arrangements in advance to ensure there is sufficient cash collateral in RMB to meet the requirement.

(2) Margin Offset Arrangement

At present, for HKD denominated stock options margined on a net basis, SEOCH allows mark-to-market margin credits of long positions of a particular stock option class to offset margin requirement of another option class. Upon the launch of RMB denominated stock options, margin offset will also be available amongst RMB denominated stock options similar to the current stock options denominated in HKD.

As for the cross-currency margin offset between stock options margined in RMB and HKD, Participants will be notified of the arrangements in due course when such it is available.