

# Establishment of a Central Counterparty Clearing House for OTC derivatives by HKEX

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# OTC Clearing – Rationale

## Global Regulatory Mandate

- G-20 Initiatives
- Comply with international standards
- HKEx – proven record in central clearing



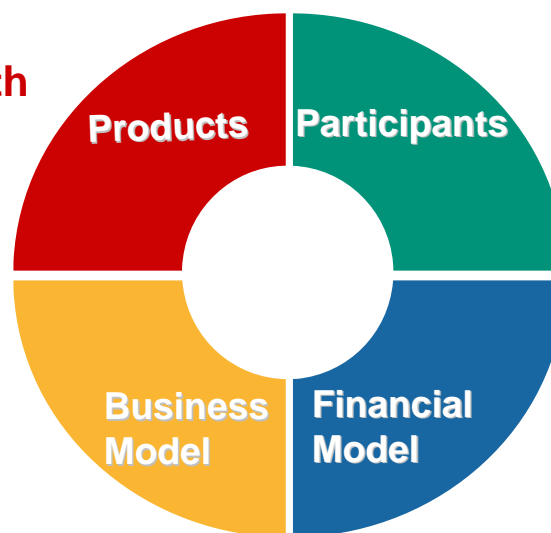
## Strategic Value to HKEx

- New business and revenue
- New customers and products
- Capture RMB related opportunity

# OTC Clearing – Overview

- **Current HK market size: Small**
- **Start up: IRS and NDF**
- **Future expansion: FX and equity derivatives**
- **RMB: the potential growth driver**

- **Potential participants: International banks, Mainland banks in HK and local banks**

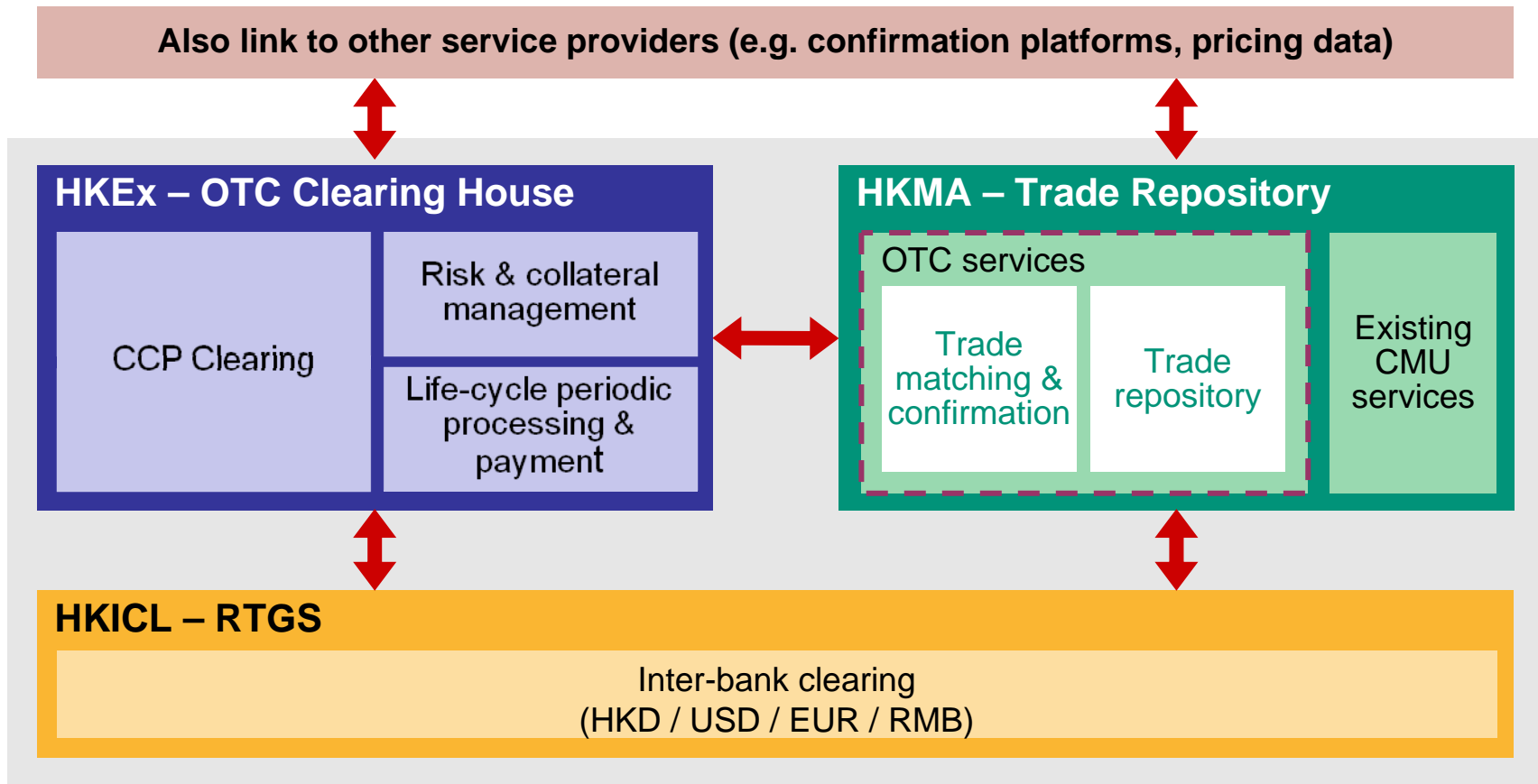


- **Set up by HKEx**
- **Flexible shareholding structure**
- **May invite partners**

- **Initial Guarantee Fund seeded by HKEx and contribution by participants**

***HKEx Board approved in Nov 2010; Target to launch before end 2012***

# OTC Clearing – Interface with the Trade Repository



*HKMA to develop these functions in its existing CMU system to support OTC Clearing*