

OTC Clear Rates and FX Derivatives Clearing Rules

Preface

General

This preface is intended to give a general explanation of the purpose of the Clearing Rules of OTC Clearing Hong Kong Limited ("**OTC Clear**") in respect of the clearing and settling of certain interest rate derivatives and FX derivatives in the over-the-counter derivatives market. This preface does not form part of the Clearing Rules and does not affect the construction of the Clearing Rules.

OTC Clear has been established to operate a clearing house for the purpose of clearing and settling ~~(i) structured products that are regarded as futures contracts for the purpose of certain provisions of the Securities and Futures Ordinance (Laws of Hong Kong Cap. 571) ("**SFO**") ("**section 392 Notice**") pursuant to the Securities and Futures (Futures Contracts) Notice 2012 made under section 392 of the SFO and effective as of 27 June 2012 ("**Designated Futures Contracts**") and that OTC Clear has been authorised to clear and settle by each of the Exchange (pursuant to Chapter XVII of the rules of the Exchange) and the Securities and Futures Commission ("**SFC**"), respectively, or (ii) if any applicable legislation is enacted to establish a framework for the clearing of over-the-counter derivatives transactions in Hong Kong,~~ any types of over-the-counter derivatives transactions that OTC Clear has been approved by the SFC to clear (such transactions ~~together with the Designated Futures Contracts,~~ the "**OTC Derivatives Contracts**"). ~~OTC Clear is subject to Chapter XVII of the rules of the Exchange.~~ OTC Clear has been recognized by the SFC as a recognized clearing house pursuant to the SFO.

OTC Clear may from time to time clear and settle OTC Derivatives Contracts other than interest rate derivatives or FX derivatives, ~~provided that for as long as the section 392 Notice remains in force, such OTC Derivatives Contracts must be Designated Futures Contracts that are approved by the Exchange in accordance with Chapter XVII of the rules of the Exchange.~~ In such case, OTC Clear may decide to amend or expand the Clearing Rules such that they may operate to govern the terms and conditions of clearing such other types of OTC Derivatives Contracts, or to introduce separate rules and documentation to govern the terms and conditions of clearing such other types of OTC Derivatives Contracts.

In its provision of the clearing services and implementation of the Clearing Rules^{*}, OTC Clear will comply with its statutory duties under the SFO and will seek to ensure general compliance with the relevant principles set out in the "Principles for financial market infrastructures" issued by the Committee on Payment and Settlement Systems and Technical Committee of the International Organization of Securities Commissions dated April 2012.

Membership

Clearing Members of OTC Clear may be admitted to clear interest rate derivatives and/or FX derivatives. In addition, with the prior written approval of OTC Clear, designated branches of a Clearing Member and/or designated affiliates of such Clearing Member may submit interest rate derivatives and/or FX derivatives for registration in the name of such Clearing Member. OTC Clear may introduce new membership categories if it decides to clear other types of OTC Derivatives Contracts. ~~Clearing Members in respect of Designated Futures Contracts only are automatically subject to Chapter XVII of the rules of the Exchange.~~

^{*} Client clearing service will not be available during the initial phase of establishment of OTC Clear.

Chapter 1 Definitions and Interpretation

Definitions

101. In these Clearing Rules, unless the context otherwise requires:

<p>“Base Currency”</p>	<p>means the Eligible Currency designated by OTC Clear and notified to the Clearing Members from time to time, means Hong Kong dollars means Hong Kong dollars, or such other Eligible Currency as designated by OTC Clear and notified to the Clearing Members from time to time;</p>
<p>“Capital”</p>	<p>means, (1) in respect of an entity that is an Authorized Institution incorporated in Hong Kong, “core-Tier 1 capital” as defined in the Banking (Capital) Rules (Cap. 155L); (2) in respect of an entity that is a Licensed Corporation, “liquid capital” as defined in the Financial Resources Rules; (3) in respect of an entity that is a futures commission merchant registered with the U.S. Commodities Futures Trading Commission, “adjusted net capital” as defined in CFTC Regulation 1.17; (4) in respect of an entity that is a broker-dealer registered with the U.S. Securities and Exchange Commission, “net capital” as defined in SEC Rule 15c3-1; (5) in respect of an entity that is a firm registered with the U.K. Financial Services Authority, “tier one capital” as calculated under the General Prudential sourcebook; (6) in respect of an entity that is an institution licensed by the German Federal Financial Supervisory Authority, “tier one capital” as defined in section 10(2a) of the German Banking Act and as calculated under section 10 of the German Banking Act and the rules stipulated under the Solvency Regulation (<i>Solvabilitätsverordnung</i>); and (7) in respect of an entity that is not subject to any of the aforementioned rules, such other classes, categories or description of capital as set out in the Clearing Procedures or as otherwise may be determined by OTC Clear in its discretion. In the event that an entity falls within more than one category referred to in the immediately foregoing, then OTC Clear shall have the sole right and discretion to select one of the above categories as applicable to such entity for the purposes of the Clearing Documentation and will notify the relevant Clearing Member of such selection;</p>
<p>“Chapter XVII of the rules of the Exchange”</p>	<p>means Chapter XVII of the rules of the Exchange as set out in Appendix I to these Clearing Rules;</p>
<p>“Clearing Notice”</p>	<p>means any notice, announcement, circular, guidance or practice note issued by OTC Clear under these Clearing Rules and stated to be <u>a</u> clearing notices which relates to the interpretation, application or implementation of these Clearing Rules or the operation or facilities of OTC Clear;</p>

“Companies Ordinance”	means the Companies Ordinance (Laws of Hong Kong Cap. 32);
“Designated Futures Contract”	means any structured product that is regarded as a futures contract for the purpose of certain provisions of the SFO pursuant to the section 392 Notice;
“Early Termination Date”	means, in respect of a Contract registered in the name of a Clearing Member, the date determined as an Early Termination Date for such Contract in accordance with Clearing Rule 210(1), 1303, 1305, 1320(1), 1321, <u>or</u> 1322 or 1921(1) , as the case may be. A Contract shall be terminated with effect from the Early Termination Date relating to it;
“Eligibility Requirements”	means, with respect to an Original Transaction submitted for registration with OTC Clear, the eligibility requirements applicable to such Original Transaction as set out in sections 3.4 and 4.6 of the Clearing Procedures, subject to Chapter XVII of the rules of the Exchange;
“Exchange”	means the Hong Kong Futures Exchange Limited;
“OTC Derivatives Contract”	<u>has the meaning given to it in the Preface to the Clearing Rules</u> means (1) any Designated Futures Contracts or (2) if any applicable legislation is enacted to establish a framework for the clearing of over-the-counter derivatives transactions in Hong Kong, any contract in over-the-counter derivatives;
“section 392 Notice”	means the Securities and Futures (Futures Contracts) Notice 2012 made under section 392 of the SFO and effective as of 27 June 2012 as reproduced in rule 1718 of Chapter XVII of the rules of the Exchange;
“SEHK”	means The Stock Exchange of Hong Kong Limited;

Interpretation

110. These Clearing Rules are in the English language, ~~with a separate Chinese language version. If there is any conflict between the English language version and the Chinese language version, the English language version shall prevail.~~

Chapter 2 General Provisions

Disclosure of Information

212. Each Clearing Member agrees that OTC Clear has the power to publish ~~on its own or through the Exchange or the Exchange’s agent~~ aggregated trade information in respect of Contracts cleared and settled through OTC Clear, whether relating to data on open positions, trade volumes, types of Contracts cleared and settled by OTC Clear, provided that the identity of Clearing Members or Clients cannot reasonably be determined from the data, statistics or other materials so published. ~~Should OTC Clear decide that publication of aggregated trade information be made through the Exchange or its agent, it is entitled to transfer, transmit or provide the relevant information to the Exchange or its agent on terms that OTC Clear considers appropriate~~

~~without seeking further consent from Clearing Members.~~

Chapter 3 General Provisions

Clearing Members

302. OTC Clear may admit Clearing Members for the clearing of FX Derivatives and/or Rates Derivatives and/or such other types of OTC Derivatives Contracts as OTC Clear may determine from time to time, ~~provided that for as long as the section 392 Notice remains in force, such OTC Derivatives Contracts must be Designated Futures Contracts that are approved by the Exchange in accordance with Chapter XVII of the rules of the Exchange.~~ OTC Clear will only register an Original Transaction if such transaction satisfies the Eligibility Requirements applicable to the Original Transaction at the time of its submission to OTC Clear for registration, through to the Registration Time. Clearing Members may register Contracts to their House Account and, if approved by OTC Clear, to one or more Client Clearing Category 1 Accounts. ~~Any person that is admitted by OTC Clear as a Clearing Member to clear Designated Futures Contracts shall automatically be subject to Chapter XVII of the rules of the Exchange for so long as the section 392 Notice remains in force.~~

Chapter 4 Legal Obligations

Continuing Obligations

401. Each Clearing Member shall at all times:
- (21) (a) comply with all Applicable Laws relating to its status, the conduct of its business and the performance of its obligations as a Clearing Member, including, for the avoidance of doubt, all Applicable Laws relating to the prevention of bribery, money laundering, financial crimes and terrorist financing and (b) not be subject to any sanctions promulgated or imposed by the United Nations or any Governmental Authority relevant to it or its clearing activities; and
 - ~~(22) in connection with the clearing of any Designated Futures Contracts only for so long as the section 392 Notice remains in force, comply with Chapter XVII of the rules of the Exchange; and~~
 - ~~(23)~~(22) be able to demonstrate, to the satisfaction of OTC Clear, the ability to comply with the above.

Chapter 8 Clearing by OTC Clear

Acceptance for Registration of Original Transactions

801. Clearing Members (or Designated Person on behalf of the relevant Clearing Member) and Clients may from time to time submit Original Transactions to OTC Clear for registration in accordance with the Clearing Procedures. In order to qualify for registration, an Original Transaction must satisfy the Eligibility Requirements applicable to such Original Transaction. The Eligibility Requirements applicable to an Original Transaction are determined by OTC Clear, ~~subject to Chapter XVII of the rules of the Exchange,~~ and will be set out in the Clearing Procedures.

Chapter 13 Default Procedures

Termination following a Clearing Member Event of Default

1305. Upon the occurrence of an Automatic Early Termination Event or delivery of a Notice of Default with respect to a Defaulting Clearing Member, OTC Clear may take such steps with respect to such Defaulting Clearing Member as in the circumstances appear to it, in its absolute discretion, best calculated:

- (3) without the need for any prior notice to or consent of such Defaulting Clearing Member:
 - (a) (where an Automatic Early Termination Event has not occurred) to terminating any Contract of the Defaulting Clearing Member by designating an Early Termination Date in respect of such Contract;
 - ~~(b) (where an Automatic Early Termination Event has not occurred) novating any Contract of the Defaulting Clearing Member to any Non-Defaulting Clearing Member who agrees to accept the novation of such Contract pursuant to any Auction, by terminating such Contract with the Defaulting Clearing Member and entering into a new Contract with such Non-Defaulting Clearing Member on the same economic terms as such terminated Contract;~~
 - ~~(c) entering into and registering any new Original Transactions in the name of and on behalf of the Defaulting Clearing Member, and novating any such new Original Transactions in the name of and on behalf of the Defaulting Clearing Member;~~
 - ~~(d)~~(b) to applying any Collateral in the form of cash, and arranging for the liquidation of any non-cash Collateral and applying the liquidation proceeds, for the absorption of losses incurred by OTC Clear as a result of the default of the Defaulting Clearing Member;
 - ~~(e)~~(c) to obtaining any advice or assistance from the Defaulting Clearing Member and/or any third party as OTC Clear may deem necessary for any matter arising out of or in connection with an Event of Default and at the expense of the Defaulting Clearing Member, and/or
 - ~~(f)~~(d) to complete the process set out in Clearing Rule 1306 in relation to such Defaulting Clearing Member,

in each case, acting in consultation with the Default Management Group and in accordance with the Default Management Process.

~~Each Clearing Member consents to the novation of any Contract registered in its name pursuant to sub-paragraph (3)(b) or (c) above, and grants irrevocable authority to OTC Clear to do such acts in its name and on its behalf following the occurrence of an Automatic Early Termination Event or declaration of an Event of Default with respect to it as OTC Clear, in consultation with Default Management Group, may deem appropriate in connection with the execution and registration of any Original Transactions pursuant to sub-paragraph (3)(b) or (c) above.~~

Calculations of Net Payment following a Clearing Member Event of Default

1306. In determining the trade values in relation to each Position Account under sub-paragraph (1) above, OTC Clear will calculate an amount that it determines to be the losses and costs that it would incur (expressed as a negative number) or gains that it would realise (expressed as a positive number) under the prevailing circumstances in replacing, or providing itself with the economic equivalent of, the Contracts in such Position Account, taking into account its losses, costs and gains under the porting, Hedging and Auction processes. OTC Clear will determine each such trade values in the Base Currency, and for the purpose of the calculations under this Clearing Rule 1306 to Clearing Rule 1308, OTC Clear may convert any amounts denominated in other currency into the Base Currency at such rate prevailing at the time of the calculation as it shall reasonably select.

Chapter 15 Rates and FX Guarantee Resources

Winding Down of the Rates and FX Clearing Services

1534. If, pursuant to Clearing Rule 1533, a net sum is determined to be payable by a Clearing Member to OTC Clear with respect to one or more of its Position Accounts, OTC Clear shall reduce each such sum by application of the Outright Transfer Margin Balance, if any, relating to the relevant Position Account. With respect to each Clearing Member and each of its Position Account(s), after application of the Outright Transfer Margin Balance relating to the relevant Position Account:

- (2) if the Clearing Member fails to pay the Remaining Balance within the time frame set out in sub-paragraph (1) above, OTC Clear may declare an Event of Default in respect of such Clearing Member. OTC Clear may, in satisfaction of any due but unpaid Remaining Balance in respect of a Position Account, apply the proceeds of enforcement of any non-cash Collateral comprising the Margin Balance of the corresponding Collateral Account, and if any of the Remaining Balance remains unsatisfied following such application, the unsatisfied amount shall form part of the Limited Recourse Interim CM Payable with respect to the relevant Position Account.

Chapter 19 Auction

Registration of Auction Contracts

1921. Following the completion of the Auction process with respect to all Auction Portfolios constructed for a DMP Event, all Successful Bidders will be notified of their Successful Bids and the Auction Payment or Auction Receivable (as applicable) payable in connection the registration of Auction Contracts relating to such Successful Bids. OTC Clear will register the Auction Contracts to the account specified by each Successful Bidder. Auction Contracts will be registered in the name of the Successful Bidder by OTC Clear entering into the Auction Contracts with the Successful Bidder; in accordance with any of the following as may be specified by OTC Clear.

- ~~(1) by novation of Contracts registered in the name of the Defaulting Clearing Member to the Successful Bidder, in which case the Early Termination Date of the Contracts registered in the name of the Defaulting Clearing Member shall~~

~~occur as of the date that the Auction Contracts are registered in the name of the Successful Bidder;~~

~~(2) if the Contracts registered in the name of the Defaulting Clearing Member have been terminated pursuant to the operation of Clearing Rule 1303, OTC Clear will enter into new Original Transactions in the name and on behalf of the Defaulting Clearing Member with each Successful Bidder on equal but~~

~~opposite economic terms as such Contracts, and upon the creation of such Original Transactions, each such Original Transaction shall be immediately registered with OTC Clear and novated into two Contracts, one between the Defaulting Clearing Member and OTC Clear acting as principal, and the other being the Auction Contract between OTC Clear acting as principal and the Successful Bidder, in the manner provided in Clearing Rule 806(1) except that upon registration of the two Contracts as described in the immediately foregoing, the Contract between the Defaulting Clearing Member and OTC Clear (as principal) shall be immediately terminated. The exchange of any Auction Payment or Auction Receivable between OTC Clear and the Successful Bidder shall satisfy and discharge in full all payment or other obligations required of each party for the submission, creation or termination of each relevant Contract described in this Clearing Rule 1921(2); or~~

~~(3) by OTC Clear entering into the Auction Contracts with the Successful Bidder.~~

Chapter 20 Confidentiality Obligations relating to Receipt of DMP Information

Confidentiality

2004. Nothing in these Clearing Rules shall prohibit disclosure or use of the DMP Information if and to the extent:

(3) the Clearing Member is required or requested to do so by ~~the rules of any relevant stock exchange or~~ any Regulatory Authority asserting jurisdiction over the Clearing Member; or

Appendix I
Chapter XVII of the rules of the Exchange

Chapter XVII
Designated Futures Contracts

General

- ~~1701. Terms used in this Chapter shall have the meaning given to them in Rule 1717.~~
- ~~1702. Pursuant to the section 392 Notice (reproduced in Rule 1718), certain structured products are regarded as futures contracts for the purpose of certain provisions of the Ordinance. The overall effect of the section 392 Notice is to enable such structured products to:~~
- ~~(1) constitute a market contract if they are either effected on, or subject to, the rules of a recognized exchange company and cleared and novated through a recognized clearing house, and thereby~~
 - ~~(2) enjoy the insolvency override protections conferred under Division 3 of Part III of the Ordinance.~~
- ~~1703. The structured products which are regarded as futures contracts in the section 392 Notice are referred to as Designated Futures Contracts in this Chapter.~~
- ~~1704. The Exchange is a recognized exchange company and these Rules constitute rules of a recognized exchange company. OTC Clear is a recognized clearing house and has been established to, among others, provide clearing and settlement services for Designated Futures Contracts.~~
- ~~1705. In furtherance to the section 392 Notice, the Exchange hereby sets out the Rules in this Chapter to provide for the clearing and settlement of Designated Futures Contracts. Accordingly, OTC Clear and OTC Clear Clearing Members shall be subject to this Chapter in connection with the clearing and settlement of Designated Futures Contracts.~~

Authorisation by the Exchange

- ~~1706. No Designated Futures Contracts shall be cleared and settled by OTC Clear unless they are authorised for clearing by the Exchange under Rule 1707 or Rule 1708.~~
- ~~1707. The Exchange hereby authorises OTC Clear to accept Designated Futures Contracts which are rates derivatives or foreign exchange derivatives and which, at a minimum, meet the eligibility requirements set out in the table below for clearing and settlement.~~

For rates derivatives:

Instrument		Currencies	Floating-Rate Option	Maximum Residual Term	Designated Maturity
Standard Rates Derivatives Transactions	Single currency interest rate swaps	USD	USD-LIBOR-BBA	10 years (3,660 days)	One-month, three-months, six-months and one-year
		EUR	EUR-EURIBOR-Reuters EUR-LIBOR-BBA	10 years (3,660 days)	One-month, three-months, six-months and one-year
		HK\$	HKD-HIBOR-HIBOR=	10 years (3,660 days)	One-month, three-months, six-months and one-year
			HKD-HIBOR-HKAB		
	CNY (offshore)	CNY-SHIBOR-Reuters	10 years (3,660 days)	One-month, three-months, six-months and one-year	
	Single currency basis-swaps	USD	USD-LIBOR-BBA	10 years (3,660 days)	One-month, three-months, six-months and one-year
		EUR	EUR-EURIBOR-Reuters	10 years (3,660 days)	One-month, three-months, six-months and one-year
	EUR-LIBOR-BBA				
Non-Deliverable Rates Derivatives Transactions	Non-deliverable interest rate swaps	CNY	CNY-CNREPOFIX=CFXS-Reuters	5 years (1,830 days)	Not Applicable

For foreign-exchange derivatives:

Reference Currency	Settlement Currency	Maximum Residual Term	Valuation Days-Offset
CNY	USD	2 years (740 days)	2-Beijing-Business-Days
INR		2 years (740 days)	2-Mumbai-Business-Days
KRW		2 years (740 days)	2-Seoul-Business-Days

Reference Currency	Settlement Currency	Maximum Residual Term	Valuation Days Offset
TWD		2 years (740 days)	2 Taipei Business Days

~~1708. With respect to any Designated Futures Contracts which are not within the scope of Rule 1707 but with respect to which OTC Clear wishes to provide clearing and settlement services, OTC Clear shall obtain the prior authorisation of the Exchange to clear and settle the relevant Designated Futures Contracts. The Exchange shall have regard to the following factors in deciding whether or not to grant the relevant authorisation under this Rule 1708:~~

- ~~(1) the type of Designated Futures Contracts concerned and whether they are sufficiently standardised for clearing; and~~
- ~~(2) whether the clearing of the relevant Designated Futures Contracts would complement the Exchange's product range, benefit Exchange Participants or create synergy with HKEx's strategic or business development or that of any company within HKEx's group of companies.~~

~~1709. The Exchange reserves the right to withdraw, amend or suspend its authorisation under Rules 1707 and 1708 in respect of the clearing and settlement of Designated Futures Contracts at any time provided that this right shall not be exercised by the Exchange without (1) the prior consent of the Commission; and (2) giving reasonable prior notice to OTC Clear and the OTC Clear Clearing Members, the duration of such prior notice to be subject to approval by the Commission.~~

~~1710. Where OTC Clear breaches any obligations under this Chapter, the Exchange is entitled to exercise its power under Rule 1709.~~

Obligations of OTC Clear Clearing Members

~~1711. OTC Clear Clearing Members may only submit Designated Futures Contracts for clearing and settlement in accordance with the OTC Clear Clearing Documentation and through trade registration systems approved by OTC Clear.~~

~~1712. Each OTC Clear Clearing Member shall undertake to the Exchange through OTC Clear (acting for itself and as the agent of the Exchange) in the OTC Clear Membership Agreement that for as long as the section 392 Notice remains in effect, it will comply with and abide by the Rules in this Chapter as in force from time to time.~~

~~1713. Where the Exchange has reasonable cause to suspect or believe that any OTC Clear Clearing Member is in breach of Rule 1711 or the undertaking referred to in Rule 1712, the Exchange shall have the power to require OTC Clear to commence investigation against such OTC Clear Clearing Member for the purpose of considering whether disciplinary proceedings should be taken against such OTC Clear Clearing Member under the Rules of OTC Clear.~~

The Exchange's power to publish trade information in respect of Designated Futures Contracts

~~1714. Without prejudice to any other right it may have to disclose information in its possession, the Exchange may, in such a manner and form and at such intervals as it~~

~~deems appropriate, publish, disseminate or publicly distribute aggregated trade information in respect of Designated Futures Contracts cleared and settled through OTC Clear, whether relating to data on open positions, trading volumes or types of Designated Futures Contracts cleared and settled by OTC Clear, provided that the identities of OTC Clear Clearing Members and OTC Clear Clearing Member Clients cannot reasonably be determined from the information so published, disseminated or publicly distributed by the Exchange.~~

Scope of application

~~1715. The Rules in this Chapter are only applicable to OTC Clear and OTC Clear Clearing Members (in their capacity as such). For the avoidance of doubt, OTC Clear and OTC Clear Clearing Members (in their capacity as such) are not subject to any provisions in any other Chapter of these Rules. Exchange Participants other than OTC Clear Clearing Members (in their capacity as such) are not subject to the Rules in this Chapter.~~

~~1716. The Exchange will not be a party, whether as principal, agent or otherwise, to any Designated Futures Contracts submitted to OTC Clear for clearing and settlement, and the Exchange shall have no liability or obligations whatsoever with respect to any such contract or with respect to any OTC Clear Clearing Member.~~

Definitions

~~1717. For purposes of this Chapter:-~~

- ~~(1) the expressions listed in this Rule 1717(1) shall bear the meanings assigned to them in Chapter I of these Rules: "Exchange", "Exchange Participant", "group of companies", "HKE_x", "Ordinance" and "Rules"; and~~
- ~~(2) unless the context otherwise requires, the following expressions shall bear the following meanings:~~

"Designated Futures Contract"	means a structured product set out in the schedule to the section 392 Notice;
"futures contract"	has the meaning assigned to it by section 1 of Part 1 of Schedule 1 to the Ordinance;
"market contract"	has the meaning assigned to it by section 1 of Part 1 of Schedule 1 to the Ordinance;
"OTC Clear"	means OTC Clearing Hong Kong Limited;
"OTC Clear Clearing Documentation"	means "Clearing Documentation" as defined in the Rules of OTC Clear;
"OTC Clear Clearing Member"	means any legal entity admitted as a clearing member of OTC Clear and in respect of which OTC Clear has not terminated its clearing membership;

“OTC Clear Clearing Member Clients”	means “Clients” as defined in the Rules of OTC Clear;
“OTC Clear Membership Agreement”	means a “Membership Agreement” as defined in the Rules of OTC Clear;
“recognized clearing house”	means a clearing house recognized by the Commission as such under section 37 of the Ordinance;
“recognized exchange company”	means an exchange company recognized by the Commission as such under section 19 of the Ordinance;
“Rules of OTC Clear”	means the rules and procedures applicable to the clearing services provided by OTC Clear as in force from time to time;
“section 392 Notice”	means the Securities and Futures (Futures Contracts) Notice 2012 made under section 392 of the Ordinance and effective as of 27 June 2012; and
“structured product”	has the meaning assigned to it by section 1 of Part 1 of Schedule 1 to the Ordinance.

Section 392 Notice

1718.—The section 392 Notice is reproduced below:

Chapter:	571AK	Securities and Futures (Futures Contracts) Notice 2012	Gazette Number	Version Date
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		Empowering section	E.R. 2 of 2012	02/08/2012
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~~(Cap 571, section 392)~~

~~(Enacting provision omitted—E.R. 2 of 2012)~~

~~[27 June 2012]~~

~~(Originally L.N. 81 of 2012)~~

Section:	4	(Omitted as spent—E.R. 2 of 2012)	E.R. 2 of 2012	02/08/2012
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Section:	2	Structured product to be regarded as futures contract	L.N. 81 of 2012	27/06/2012
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~~The structured product set out in the Schedule is to be regarded as a futures contract for the purposes of the following provisions of the Ordinance—~~

- ~~(a) Division 3 of Part III;~~
- ~~(b) section 63(1)(b);~~
- ~~(c) section 71(1)(a)(iii);~~
- ~~(d) the definition of **clearing house** in section 1 of Part 1 of Schedule 1 in so far as the definition applies to the following provisions of the Ordinance—~~
 - ~~(i) section 37;~~
 - ~~(ii) section 43; and~~
 - ~~(iii) the definition of **clearing participant** in section 1 of Part 1 of Schedule 1; and~~
- ~~(e) the definition of **market contract** in section 1 of Part 1 of Schedule 1 in so far as the definition applies to the following provisions of the Ordinance—~~
 - ~~(i) section 18;~~
 - ~~(ii) Division 3 of Part III;~~
 - ~~(iii) section 271(9);~~
 - ~~(iv) section 292(9); and~~
 - ~~(v) Part 5 of Schedule 3.~~

Schedule:		Schedule	L.N. 81 of 2012	27/06/2012
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[section 2]

Structured Product to be Regarded as Futures Contract

Item _____ Description of structured product

1. Any structured product that—

- ~~(a) does not fall within the definition of **securities** in section 1 of Part 1 of Schedule 1 to the Ordinance; and~~
- ~~(b) is not a contract or an option on a contract made under the rules or conventions of a futures market.~~

OTC Clear Rates and FX Derivatives Clearing Procedures

Chapter 6 Rates and FX Guarantee Resources

6.4 OTC Clear Contribution

OTC Clear has two tranches of capital reserves specifically designated to cover Rates and FX Loss suffered by it as a result of its provision of the Rates and FX Clearing Services.

OTC Clear First Contribution will initially have a value of HK\$ 150 million. OTC Clear Second Contribution will start with a value of HK\$ 6 million and be built up to a maximum value of HK\$ 650 million using the investment income generated from investing the Rates and FX Guarantee Resources in the form of cash, less any administrative costs, hedging costs, commitment fees for credit lines, bid-offer on currency conversion, and/or other investment related expenses.