

Submitted via Email
Company/Entity View

Question 1(i)

Do you have any comments or concerns on the proposed trading arrangements?

Yes

If the answer is "Yes", please specify your comments or concern:

- 1) Is SEOCH in scope of the holiday trading arrangement?
- 2) For contracts with same holiday in domestic market and Hong Kong, i.e. MSCI SG when HK and SG have same holiday, will the contracts be eligible for trading and clearing?

Question 1(ii)

Do you have any comments or concerns on the proposed clearing arrangements?

Yes

If the answer is "Yes", please specify your comments or concern:

- 1) Will non-H products be allowed for post trade activities during holidays?

Question 1(iii)

Do you have any comments or concerns on the proposed risk management arrangements?

Yes

If the answer is "Yes", please specify your comments or concern:

- 1) Appears to be a disparity in risk management treatment between participants and non-participants. Participants are subject to settling IM and VM for COB H Day-1 on H Days while non-participant will settle on the next HK business day. Funding drag on participants throughout H Days for EOD and intraday margin calls. Risk exposure to participants is greater than non-participants as non-participants' margin requirements remain outstanding until next HK business day.

- 2) Since the NH CPs cannot trade H products even on a business day and there will not be any price movement for NH products over the holidays, theoretically they will not be subject to any margin call for the holiday position. Can HKEX please advise what are the circumstances under which NH CPs can incur any payment obligations for either house or clients positions during the holiday?
- 3) The question stemmed from HKEX's comment during the FIA call that NH CPs will also be subject to margin calls over the holiday period but they will be settled on the following business day (as opposed to H CPs who will need to settle all payments on the H Day).
- 4) The consultation paper does not provide information regarding the impact on default management and auction arrangement. For instance, will there be separate default fund tranches for holiday trading participants and non-participants? If there is a default by a H CP on a holiday, and that defaulted H CP's portfolio may include both H and NH positions, will the NH positions be liquidated as well? How will the loss be allocated among surviving H CPs and NH CPs?
- 5) Item 35.1.2 indicates that any HKD payment obligation will be collected in USD first during H Days, and H CPs are required to settle such outstanding HKD obligations on H+1 Days. Presumably such HKD payment obligation will mainly be the Reserve Fund top up? In such case, when and how will HKCC return the initial USD amount that was paid by the H CPs? Is it possible that the H CP may be double charged (e.g. the refund of the USD is after the HKD payment on H+1 Days)?
- 6) Can HKEX share the estimated impact on the market size for each H product group once the NH CPs are required to unwind all H positions, e.g. from the perspectives of market liquidity and also potential concentration risk additional margins for the H CPs?
- 7) Would HKEX provide the specific currency and margin call amounts that would be collected from MLFE? E.g. HKD / USD equivalent on HKD products vs USD on USD products.
- 8) Would HKEX still be collecting USD equivalent margin calls on a HKD & USD settlement holiday?
- 9) In addition to the posting of IM, VM and intraday margin which will be calculated based on existing methodology during the HK public holiday, will CP have any additional payment and/or performance obligations as a result of becoming an H CP?
- 10) Once the CP has signed up for the holiday trading program, does it have any opportunity to opt-out, suspend or withdraw its H CP status?

Question 1(iv)

Do you have any comments or concerns on the proposed market data arrangements?

Yes

If the answer is "Yes", please specify your comments or concern:

- 1) To confirm timing of risk parameter files (e.g. price, span margin) will remain the same as current, and end of day (EOD) margin report (CCMPY02) SLA remains at 10am HKT.

Question 1(v)

Do you have any comments or concerns on the proposed large open position reporting arrangements?

Yes

If the answer is "Yes", please specify your comments or concern:

- 1) To clarify, are we able to keep the existing logic to report all positions for all products for H Day?
- 2) Does the same apply to both main reporting and delegated reporting & HKCC and SEOCH reports?

Question 2

Are there any other issues regarding the Proposal that HKEX should consider?

Yes

If the answer is "Yes", please specify your comments or concern:

COB H Day-1 (e.g. CNY eve)

- 1) To confirm only HKCC products are in scope for H Day and SEOCH products are out of scope?
- 2) For H EPs, HKD products on COB H Day-1 (e.g. CNY eve): a) IM are subject to Holiday Margin Rate (i.e. higher margin than regular days)? b) HKEX calculates IM and VM in HKD, and debits HKD from CP's HKCC balance to meet IM and VM? c) if there is insufficient HKD excess from b) to cover all HKD IM and VM, will the remaining HKD IM and VM be translated into USD equivalent amount and HKCC will issue a direct debit instruction (DDI) to CP's agent bank and debit CP's USD bank account? d) if c) is

correct, which reports will show how much HKD is used in b) and how much in c)? e) if c) is correct, which reports will show the split of USD used to cover i) HKD IM, ii) HKD VM, iii) USD IM and iv) USD VM products?

- 3) For H EPs, will IM and VM of CNH, JPY and SGD products for COB H Day-1 (e.g. CNY eve) settle in a) respective contract currency or b) USD on H Day? b) Which reports should CP use to check margin requirements?
- 4) If IM and VM of CNH, JPY and SGD products for COB H Day-1 (e.g. CNY eve) are to settle in respective contract currency on H Day, are local HK banks able to a) support CP in cross-border settlement to receive and pay CNH, JPY and SGD on H Day against offshore banks? b) if a) is not possible, local HK banks will provide overnight unsecured credit line to CP subject to the DDI amount? This partnership is fundamental in enabling CPs to meet the money settlement on H Days requirement.

H-Day (e.g. CNY Day 1, 2 and 3)

- 5) To confirm on H Day, HKEX will follow regular business day's intraday margin cycles and settlement time for non-HKD products (CNH, JPY, SGD and USD products): a) 10am HKT mandatory margin call for T+1 night session trading; and b) 10.30am to 4pm HKT intraday margin calls for day session trading? c) Which reports should CP use to check margin requirements?
- 6) Currency for settlement for 5) are the respective contract currencies i.e. CNH, JPY, SGD and USD?
- 7) For HKD products, will HKEX not issue intraday and EOD margin call as products are not traded and cleared during H Days.
- 8) Will HKEX also issue and collect CNH margin calls on H-day given that it is also a HK based currency and we will not be able to call our clients in CNH?

Day after H-Day (e.g. CNY Day 4)

- 9) HKEX will revert to regular margin rate for all HKCC products
- 10) How will HKEX calculate margin requirement for HKD products assuming EOD margin for COB H Day-1 (e.g. CNY eve), some of HKD IM and VM was covered by USD that was DDI from CP's agent bank on H Day (e.g. CNY Day 1), a) will HKEX call HKD to replace the USD collected from CP on H Day? b) If a) is correct, will the HKD margin call be issued during 10am HKT mandatory call or during the intraday margin call cycle (10.30am to 4pm HKT)? c) If b) is correct, which reports should CP use to check margin requirements? d) For the HKD IM obligation that are collected in USD on H-day, if the amount is within the 50-50 rule then this USD will be kept in HKEX to cover the HKD IM requirement and not allowed to be withdrawn. Would the CP be allowed to deposit the

HKD equivalent in CCASS to cover HKD IM requirement (that is covered in USD) in order to withdraw the USD amount?

Currency settlement on H-Day

- 11) Should currency futures delivery fall on an H-Day, settlement will continue to take place on H-Day? Are there any exceptions to take note?

H Day & USD shared holiday

- 12) Please clarify settlement arrangement on HKD and USD shared holidays (e.g. Christmas Day, Mon after Christmas Day), a) will IM and VM of HKD products for COB H Day-1 and H Days be settled in HKD on next HK business day b) will IM and VM of HKD products for COB H Day-1 be settled in USD on the next USD business day? c) which report will inform CP on the approach a) or b) d) can HKEX send early notification (at least 2 weeks before shared holiday) to remind CPs of such exceptional days and the approach a) or b)?

HKEX and SFC Regulatory Rules

- 13) Do HKEX and SFC allow CP to issue and collect margin of an alternative currency (e.g. USD) to its end client, which is different from the contract denominated currency (CNH, JPY and SGD) that its end client has traded?
- 14) If 12 is allowed, do HKEX and SFC have any expectation on the FX rate used for CP to issue and collect margin of an alternative currency from the end client?
- 15) If 12 is allowed, do HKEX and SFC have any expectation on the margin requirement rate (e.g. minimum 1.33x margin requirement) used by CP to issue and collect margin of an alternative currency from its end client?
- 16) What are the relevant HKEX and SFC rules that CP should take note of and are required to comply with?
- 17) Is CP expected to perform client money calculation on H-Day?