



# Introduction of Mini USD/CNH Futures

**FIC Development, Markets Division**

April 2021

**HKEX**  
香港交易所

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# Agenda

- 01 | HKEX's Currency Derivatives Market Overview
- 02 | Trading of USD/CNH Futures
- 03 | Advantages of Exchange-traded USD/CNH Derivatives
- 04 | Features of Mini USD/CNH Futures



# HKEX's Currency Derivatives Market Overview



# HKEX's Currency Derivatives Products as Risk Management Tools

## Mainland Users

- Qualified Domestic Institutional Investors (QDII)
- Import/export companies
- Commodities trading companies



Chinese Capital



Stock Connect

Bond Connect

QDII / QFII and other approved schemes

Risk management

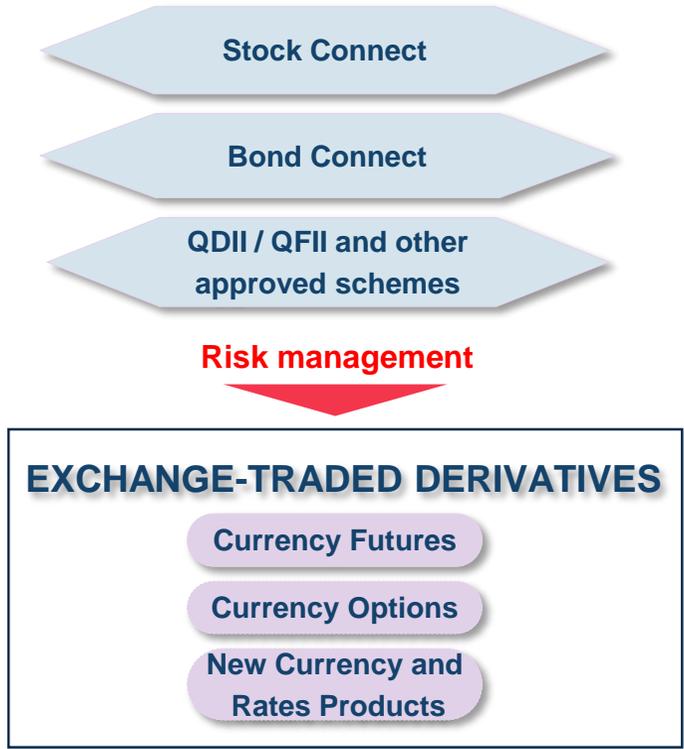
EXCHANGE-TRADED DERIVATIVES

Currency Futures

Currency Options

New Currency and Rates Products

Capital efficiency



## International Users

- Institutional investors holding RMB assets
- Qualified Foreign Institutional Investors (QFII)
- Bond connect / stock connect users

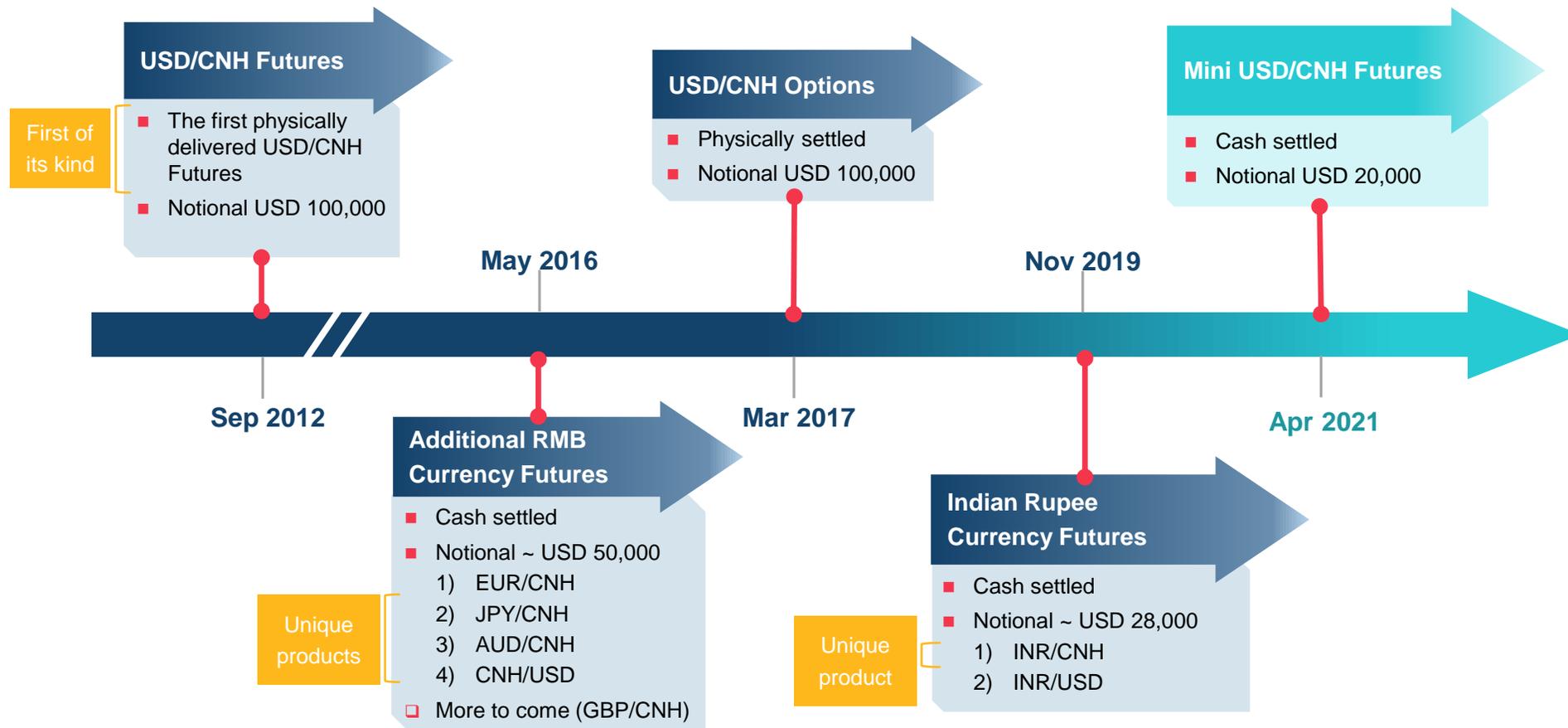


International Capital



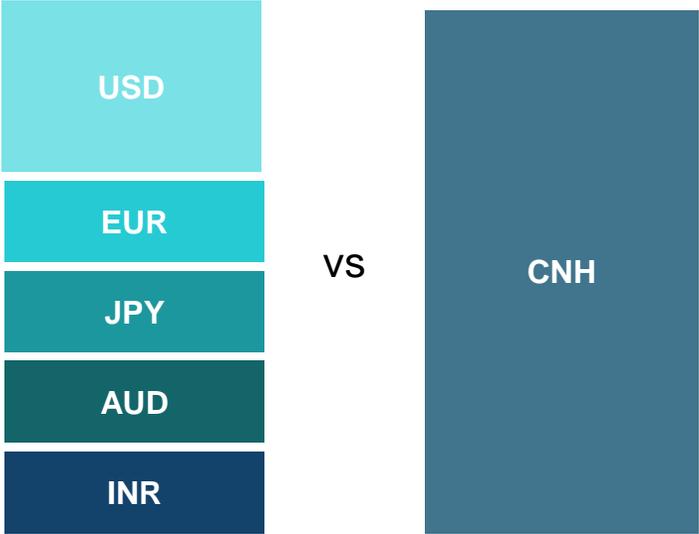
# HKEX's Currency Futures Product Suite

Expanding product suite and offering a number of unique products

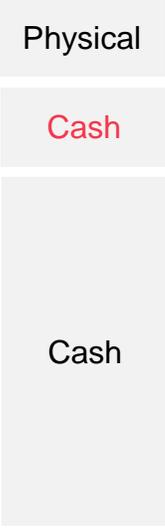


# Overview of HKEX's Currency Futures Product Suite

## RMB Currency Futures



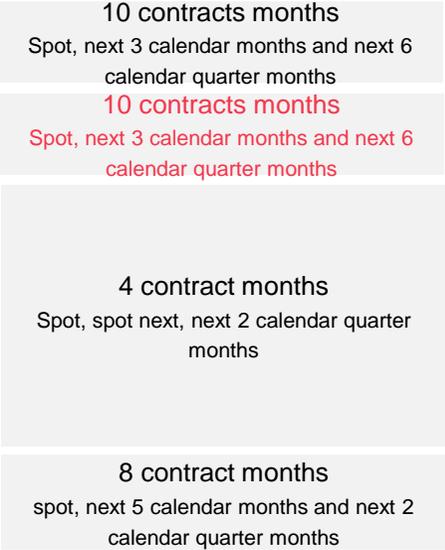
### Settlement method



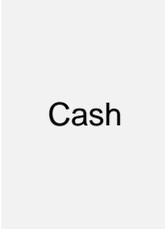
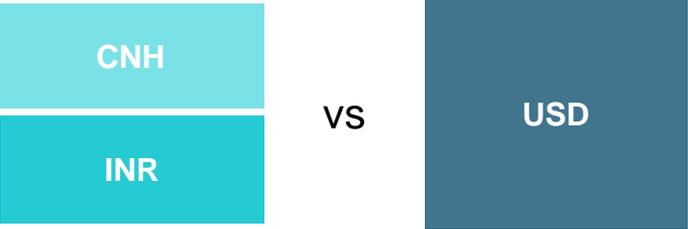
### Contract size



### Contract month



## USD Currency Futures



# Trading of USD/CNH Futures

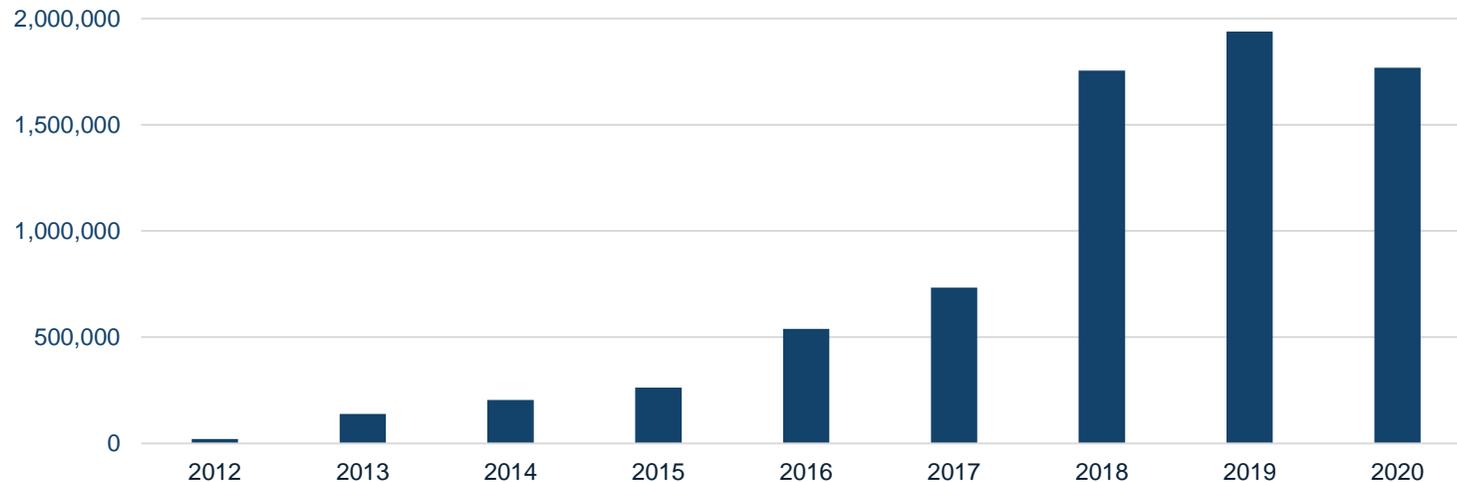


# USD/CNH Futures

Growing since its debut in 2012

## Trading volume

No. of contracts



## Record Highs

Single-day Turnover Record

**24,345** Contracts

Open Interest Record

**46,711** Contracts

T+1 Session Turnover Record

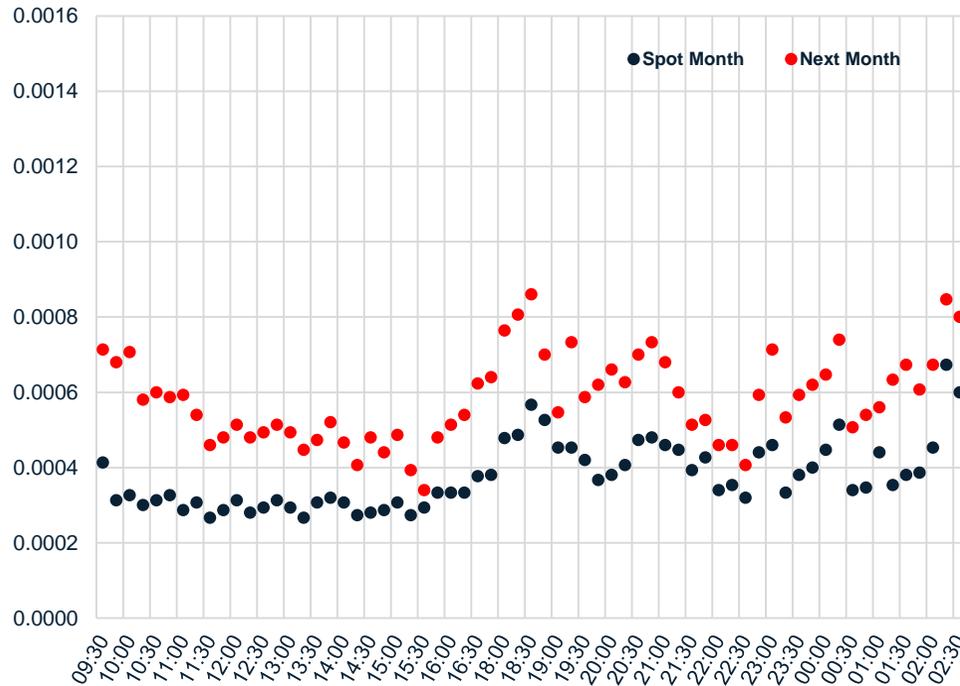
**11,747** Contracts



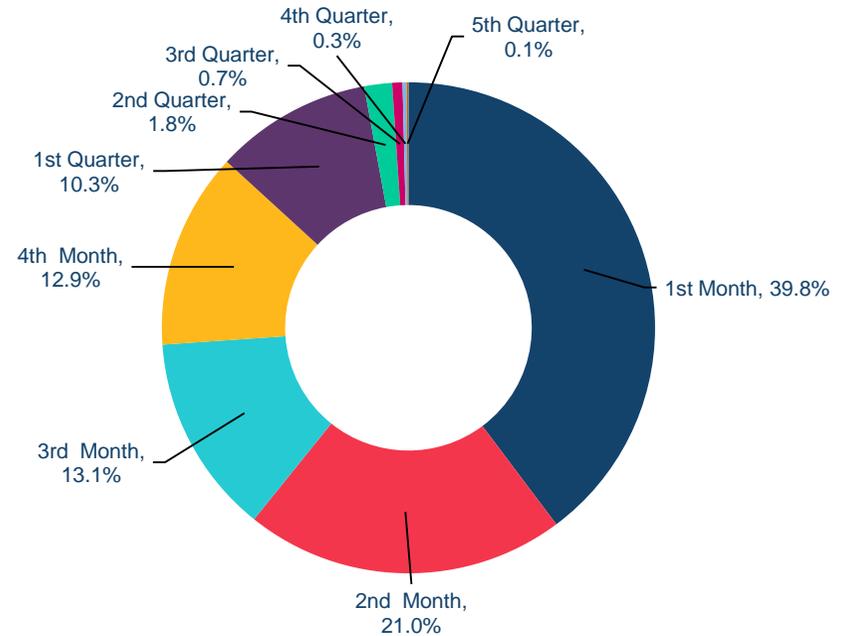
# USD/CNH Futures

Narrow bid-ask spread and active trading across all tenors

Bid-ask spread\*



Volume distribution by contract month^



\* Data source: Bloomberg, 09:30 21 Sep 2020 – 02:30 22 Sep 2020

^ Data source: Refinitiv, Jan – Dec 2020

# Advantages of Exchange-traded USD/CNH Derivatives



# Advantages of Exchange-traded USD/CNH Derivatives

	RMB OTC Derivatives	HKEX USD/CNH Futures and Options
Central Clearing	<b>Bilateral</b> and no central clearing	<b>Central clearing</b> counterparty on both sides of transactions
Credit and Collateral	Need to <b>negotiate credit lines</b> and collateral arrangements with banks	<b>Margin-based</b> and <b>cash collateral</b> is accepted
Settlement Risk	RMB is not a CLS-eligible currency, therefore <b>cannot</b> utilise the CLS system for <b>position netting</b>	<b>Position netting</b> is <b>available</b> for exchange traded derivatives
Documentation	Bilateral documents such as ISDA and CSA are required	Only account opening documents are needed
Capital Efficiency	Relatively <b>lower</b> capital efficiency	<b>Enhanced</b> capital efficiency



# Features of Mini USD/CNH Futures



# Key Terms of Mini USD/CNH Futures

Items	Mini USD/CNH Futures (Proposed)	USD/CNH Futures (Existing)
Contract Size	<b>USD 20,000</b>	<b>USD 100,000</b>
Price Quotation	RMB per USD (e.g. RMB 6.8418 per USD)	
Contract Months	Spot, next 3 calendar months and next 6 calendar quarter months	
Settlement Method	<b>Cash settled in RMB</b>	<b>Physically settled (RMB and USD)</b>
Trading Hours	8:30 a.m. – 4:30 p.m. (T Session) 5:15 p.m. – 3:00 a.m. (T+1 Session)	
Last Trading Day (“LTD”)	2 business days before the 3 <sup>rd</sup> Wednesday	
LTD Trading Hours	8:30 a.m. – 11:00 a.m.	
Final Settlement Price	USD/CNY(HK) Spot Rate published by the Hong Kong Treasury Markets Association at or around 11:30 a.m. on the LTD	
Final Settlement Day (“FSD”)	1 HK business day after LTD	3 <sup>rd</sup> Wednesday
Position Limit	Position delta for USD/CNH Futures, Mini USD/CNH Futures, CNH/USD Futures and USD/CNH Options combined of 8,000 long or short in all Contract Months combined	
Trading/Settlement Fee (per contract per side)	<b>RMB 1.60</b>	<b>RMB 8.00</b>
Cross product margin offset rates	Mini USD/CNH Futures and USD/CNH Futures & Options: 80% Mini USD/CNH Futures and CNH/USD Futures: 90%	



# Features of Cash Settled Mini USD/CNH Futures



# Product information on HKEX Website

Latest Market Data ▾ **Hang Seng Index** 31,068.54 -16.40 (-0.05%) **HSCEI** 12,222.42 -6.21 (-0.05%) **Hang Seng TECH Index** 10,944.05 -1.17 (-0.01%)

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Mini USD/CNH Futures  
New tool for managing RMB currency risk.  
Launching Soon >

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## Mini USD/CNH Futures

**Listed Derivatives**

- Equity Index ▶
- Single Stock ▶
- Foreign Exchange ▼
- USD/CNH Futures
- USD/CNH Options
- Mini USD/CNH Futures**
- EUR/CNH Futures
- JPY/CNH Futures
- AUD/CNH Futures

**MINI USD/CNH FUTURES**

The USD/CNH Futures, together with other RMB currency futures and options listed on HKEX, are widely traded and popular risk management tools for investors to manage their RMB exposures. The upcoming launch of Mini USD/CNH Futures would complement these products, catering to the needs of some market participants who prefer cash settled contract and/or smaller contract size.

\*To be launched in 1H 2021\*

To subscribe to our mailing list, or to enquire about the RMB currency products, please contact [FICD@hkex.com.hk](mailto:FICD@hkex.com.hk).

**ADVANTAGES**

- Capital efficiency of exchange-traded futures
- Margin offset with USD/CNH Futures & Options and CNH/USD Futures
- Flexible collateral policy on RMB margin requirement
- Allow more precise hedging with a smaller contract size of USD 20,000
- Block trades offer OTC flexibility with minimal counterparty risk

**Product Page** ▶

Our Products > Listed Derivatives > Foreign Exchange > Mini USD/CNH Futures



For details of the launch of Mini USD/CNH Futures, please refer to the Circular [MKD/FIC/001/21](#).

# Product information on HKEX Website

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## Publications & Announcements

**Listed Derivatives**

- Equity Index
- Single Stock
- Foreign Exchange
- USD/CNH Futures**
- USD/CNH Options
- Mini USD/CNH Futures
- EUR/CNH Futures
- JPY/CNH Futures
- AUD/CNH Futures
- INR/CNH Futures
- INR/USD Futures
- CNH/USD Futures
- RXY Currency Indices
- Publications & Announcements**
- Interest Rate
- Commodities
- Market Maker Program

**PUBLICATIONS & ANNOUNCEMENTS**

HKEX's USD/CNH Futures contract is the world's first deliverable RMB currency futures product that is quoted and traded in RMB. After its launch in 2012, the FX product suite continued to expand, adding different currencies against CNH, namely EUR/CNH, JPY/CNH and AUD/CNH Futures in 2016, and further expanded to include INR/USD and INR/CNH Futures in 2019. Along with the cash-settled USD denominated CNH/USD futures and physically settled USD/CNH options, these products provide greater capital efficiency and flexibility for managing RMB exposure for offshore investors.

This page provides updates on performance and recent development of our products. To subscribe to our mailing list, or to enquire about the RMB currency products, please contact [FICD@hkex.com.hk](mailto:FICD@hkex.com.hk).

- Recent Product Performance Update Reports**
  - FIC Market Update - 2020 Nov
  - FIC Market Update - 2020 Jul
  - FIC Market Update - 2020 Mar
- Related Circulars**
  - Product Enhancements
    - Launch of Four Additional Contract Months for Indian Rupee Currency Futures
    - Product Enhancements to USD/CNH Options and Cash-Settled CNH/USD Futures Contracts
    - Introduction of the Liquidity Provider Protection Function for the RMB Currency Options Contracts
  - Incentives
    - Active Trader Program and Joint Promotional Program for Currency Futures and Options Contracts in 2021
    - Cash Incentive Program for trading US Dollar versus Renminbi (Hong Kong) ("USD/CNH") Futures contract and Indian Rupee versus US Dollar ("INR/USD") Futures contract in 2021
    - Bundled Liquidity Providing Incentive Program for Currency Derivatives Products in 2021
  - Product Launches
    - Online Briefing Sessions on Mini USD/CNH Futures Contract
    - Introduction of Mini USD/CNH Futures Contract
    - Launch of Indian Rupee Currency Futures Contracts
- Other Publications**
  - Presentation Material on RMB Currency Options
  - Presentation Material on RMB Currency Futures Updates
  - Block Trade Factsheet

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Contact us: [FICD@hkex.com.hk](mailto:FICD@hkex.com.hk)

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