

香港期貨結算有限公司  
(香港交易及結算所有限公司全資附屬公司)

**HKFE CLEARING CORPORATION LIMITED**  
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

## 通告 CIRCULAR

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Subject: Risk Management, Clearing and Settlement Arrangements for Introduction of MSCI Singapore Free (SGD) Index Futures, MSCI Japan (JPY) Index Futures and MSCI Japan Net Total Return (JPY) Index Futures

Enquiry: DCASS Hotline: 2979 7222

Reference is made to circular (Ref: [MKS/EQD/23/20](#)) dated 3 September 2020 regarding the introduction of MSCI Singapore Free (SGD) Index Futures (“SGD denominated Futures”), MSCI Japan (JPY) Index Futures and MSCI Japan Net Total Return (JPY) Index Futures (“JPY denominated Futures”) and circular (Ref: [CD/CDCO/HKCC/115/2020](#)) dated 1 June 2020 regarding readiness for clearing Singapore Dollars (“SGD”) and Japanese Yen (“JPY”) settled futures. Please be advised that the following risk management, clearing and settlement arrangements will be effective upon the product launch, i.e. 28 September 2020.

### **I. Risk Management Arrangements**

#### **Collateral Policy**

HKFE Clearing Corporation Limited (HKCC) will make the following changes to enhance the collateral policy applicable to the SGD and JPY denominated Futures. The enhancements will provide HKCC Clearing Participants (CPs) with greater flexibility in meeting their SGD and JPY margin requirements.

##### ***1. Acceptance of SGD as Cash Collateral for Margin Requirements***

HKCC will accept SGD as cash collateral for satisfying HKCC margin requirements with a haircut rate at 2%. The haircut rate will be published and updated periodically.

A limit of SGD 25 million will be imposed on each HKCC CP for acceptance of SGD as general collateral to cover non-SGD margin requirements. HKCC CPs will be required to post other acceptable collaterals as soon as practicable if such limit is exceeded. Please refer to the Appendix I for examples illustrating the new requirement.

*2. Revision on the 50/50 collateral combination policy for SGD and JPY denominated contracts*

Currently, HKCC CPs are required to satisfy at least 50% of their margin requirements with cash in the Settlement Currency. The following changes will be implemented on SGD and JPY denominated contracts (similar to the approach currently in place for CNH denominated contracts):

- (i) Remove the requirement of at least 50% of SGD / JPY margin requirement to be covered by SGD / JPY cash; and
- (ii) Introduce a fixed limit of SGD 25 million / JPY 750 million<sup>1</sup> for each HKCC CP:
  - (a) below which the HKCC CP can satisfy the margin requirement of SGD / JPY denominated contracts by any acceptable cash and/or non-cash collateral where non-cash collateral could satisfy up to 50% of the SGD / JPY margin requirement only; and
  - (b) beyond which HKCC CP must satisfy its SGD / JPY margin requirement by SGD / JPY cash.

Please refer to the Appendix II for examples illustrating the new requirements. There is no change to the cash collateral policy for contracts denominated in other currencies.

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<sup>1</sup> The amount will be reviewed and announced by HKCC from time to time.

## **II. Clearing and Settlement Arrangements**

### **Cash Collateral Deposit / Withdrawal Process**

In relation to cash collateral deposit / withdrawal of SGD / JPY cash, the value dates of cash transfer are tabulated below if such request is made before 11:00 am:

	<b>SGD</b>	<b>JPY</b>
Deposit	Same day value	Same day value
Withdrawal	Next Hong Kong and Singapore business day	The second Hong Kong and Japan business day

### **Interest Structure**

Interest payable / charged to and costs and charges levied on HKCC CPs for SGD and JPY cash<sup>2</sup> are as follows:

SGD cash: Interest payable or charged shall be determined from time to time based on prevailing bank savings rates.

JPY cash: Interest and costs charged shall be calculated at a rate of 0.25% plus any costs incurred by HKCC (including any negative yield, swap costs and charges imposed by banks), as may be reduced by any positive return thereon received by HKCC.

HKCC CPs are strongly advised to review their operational procedures to ensure their readiness to support the clearing and settlement of SGD and JPY denominated Futures, including but not limited to, the followings:

1. SGD/JPY funding arrangements with their settlement banks, taking into consideration the need of pre-funding and/or bank credit facility.

<sup>2</sup> Appendix V of Clearing House Procedures for Futures/Options Contracts Traded on the Automated Trading System of the Exchange ("HKATS")

2. Familiarization of money settlement flow, which will follow the existing HKCC money settlement flow and payment deadline.
3. Bank accounts for money settlement with HKCC should always be in active status. Please refer to the Appendix III for the list of HKCC appointed settlement banks to support the money settlement of SGD and JPY.

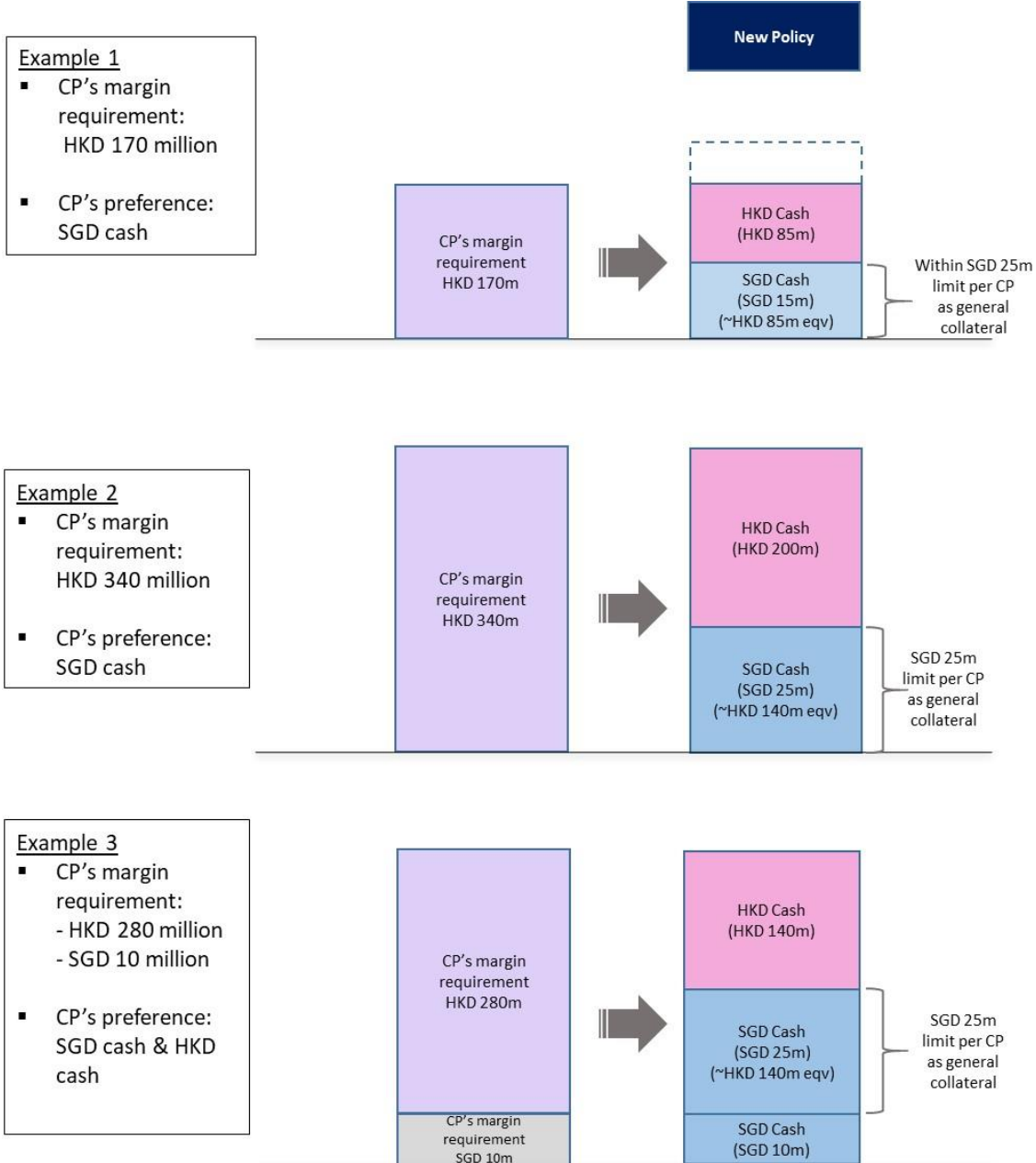
Should you have any enquiries in relation to the above, please contact DCASS Hotline on 2979 7222.

For and on behalf of  
HKFE Clearing Corporation Limited

Terence Low  
Authorized Signatory

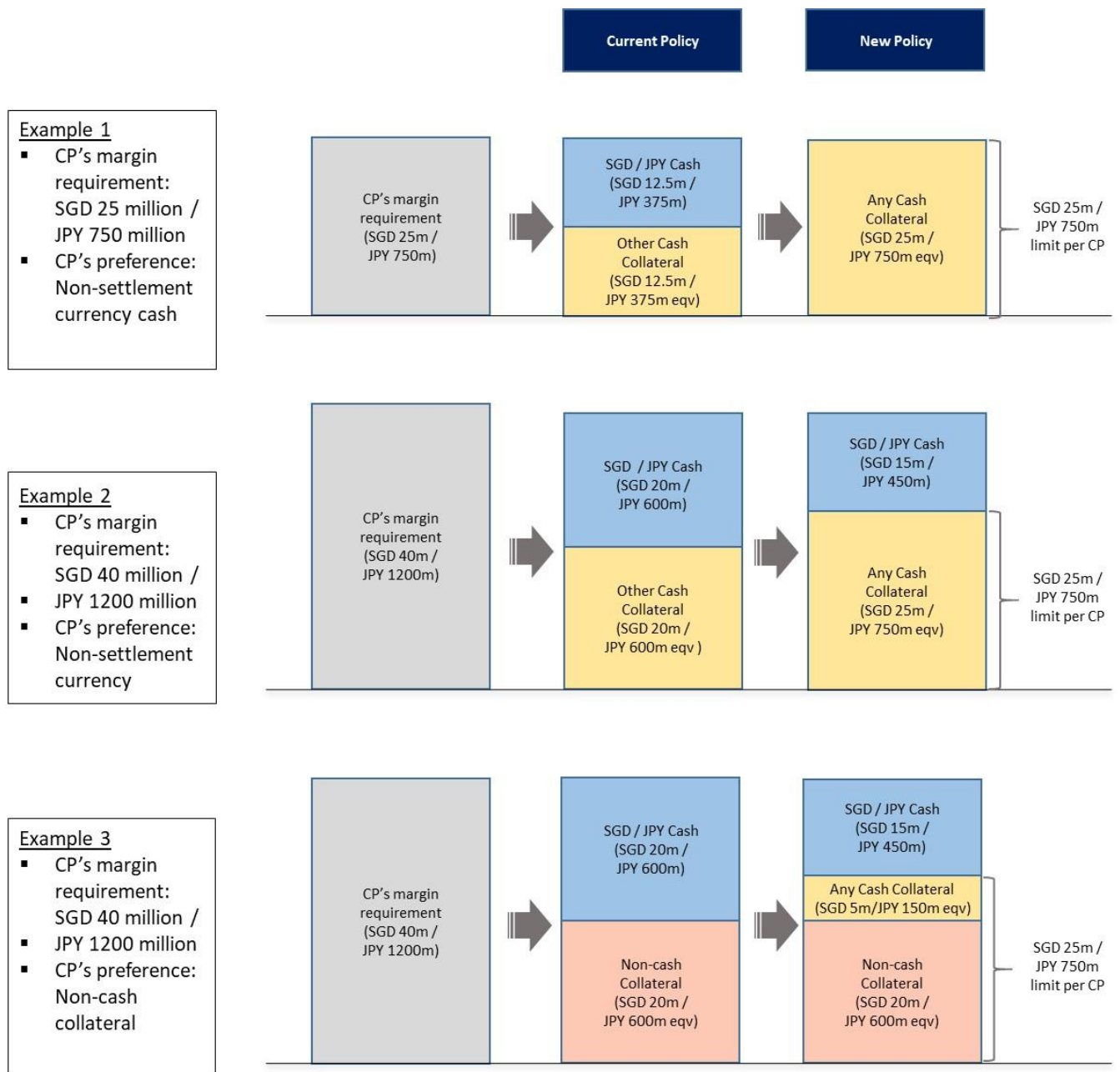
**Appendix I**

**Examples for SGD cash usage as general collateral for non-SGD margin requirements**



**Appendix II**

**Examples for SGD / JPY denominated contracts**



**Appendix III**

**List of HKCC appointed settlement banks to support money settlement of SGD and JPY**

	<b>Bank Name</b>	<b>Operate for currencies</b>
1	The Hong Kong and Shanghai Banking Corporation Limited	SGD and JPY
2	Standard Chartered Bank (Hong Kong) Limited	SGD and JPY
3	Citibank N.A.	SGD and JPY