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香港期貨交易所有限公司
(香港交易及結算所有限公司全資附屬公司)

HONG KONG FUTURES EXCHANGE LIMITED
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

通告 CIRCULAR

Subject: Readiness Test and Briefing for Derivatives Holiday Trading and Briefing on Extension of T Session Closing Hours for Selected Contracts

Enquiry: HKATS Hotline¹ Tel: 2211-6360

Reference is made to the circular dated 12 November 2021 (Ref: [MO/DT/ 242/21](#)) and 6 January 2022 (Ref: [MO/DT/007/22](#)). Hong Kong Futures Exchange Limited (“HKFE” or “the Exchange”) plans to implement Derivatives Holiday Trading to allow all MSCI futures and options (“Holiday Trading Products” or “H Products”) to be traded on Hong Kong public holidays² (“Holiday Trading Days” or “H Days”) starting from Good Friday, 15 April 2022, subject to regulatory approval and market readiness.

Upon the implementation of Derivatives Holiday Trading, only Exchange Participants (“EPs”) who have already declared system and operational readiness³ to support trading activities during H Days, i.e. becoming Holiday Trading EPs (“H EPs”), may continue to trade H Products on both Business Days⁴ and H Days. For the avoidance of doubt, EPs who cannot verify and confirm their systems and operations readiness in the Readiness Test (“RT”), i.e. becoming a non-Holiday Trading EPs (“NH EPs”), will be required to unwind their positions of H Products 3 weeks before the implementation date of Derivatives Holiday Trading, if any, and will not be able to trade H Products after the implementation of Holiday Trading in any event. For ease of reference, the latest full operational model of Derivatives Holiday Trading, including the criteria to be H / NH EPs, can be found in the Attachment⁵.

¹ All calls to the HKATS hotline will be recorded. Please refer to the following link for HKEX privacy policy statement: http://www.hkex.com.hk/eng/global/privacy_policy.htm

² except for holiday of New Year’s Day

³ For EPs who plan to become H EPs, their assigned Clearing Participants need to be able to support Derivatives Holiday Trading, i.e. a Holiday Trading Clearing Participants

⁴ Business Day means any day other than a Saturday, Sunday or public holiday in Hong Kong

⁵ Further details can also refer to the [consultation paper](#) and [conclusion paper](#) of Derivatives Holiday Trading

In order to allow EPs to verify and declare their readiness of the associated systems and operations to become H EPs before the implementation date of Derivatives Holiday Trading, a RT will be held on 26 February 2022. Please register by enrolling in the [form](#) on or before **18 February 2022**. EPs should declare their readiness of the associated systems and operations to be H EPs no later than 3 weeks before the implementation date of Derivatives Holiday Trading.

Market Education

To facilitate EPs' and Clearing Participants' ("CPs") preparation for the implementation and readiness test of Derivatives Holiday Trading, the Exchange will arrange two online briefing sessions in January 2022 to provide the overview of Derivatives Holiday Trading including changes in the post-trade and risk management reports as well as the details of the RT.

Apart from details in relation to Derivatives Holiday Trading, the briefing will also cover potential changes in the post-trade and risk management reports of a planned initiative (Ref: [MO/DT/242/21](#)), extension of T Session closing hours for selected futures and options contracts⁶, which target to be implemented in Q2 2022 subject to market readiness and regulatory approval.

Both interested EPs and CPs should register for the briefings through the links below on or before 21 January 2022 and nominate no more than 4 staff to attend. Confirmation will be sent to successful registrants.

Date	Time	Format	Language	Link for Registration
25 January 2022 (Tuesday)	4:30 p.m. – 6:00 p.m.	Webinar	English	Click here to register
26 January 2022 (Wednesday)	4:30 p.m. – 6:00 p.m.	Webinar	Cantonese	Click here to register

In addition, all the information in relation to Derivatives Holiday Trading will be available on [HKEX's website](#) in due course.

⁶ Details can be referred to third item in the circular

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This circular has been issued in the English language with a separate Chinese language translation. If there is any conflict in the circulars between the meaning of Chinese words or terms in the Chinese language version and English words in the English language version, the meaning of the English words shall prevail.

Any information provided in this circular relating to the trading of security futures or how the law may be interpreted is provided for reference generally without considering your specific circumstances and does not constitute legal or other advice from HKFE or any member of the HKEX group. Such information should not be regarded as substitute for professional advice. You should seek independent legal or other professional advice before taking any action to trade any contracts listed on HKFE, whether for yourself or as intermediary on behalf of any other person.

Attachment

Operational Model of Derivatives Holiday Trading

1. Holiday Trading Days (“H Days”)

1.1. All HK public holidays, except holiday of New Year’s Day, which fall on weekday

2. Holiday Trading Products (“H Products”)

2.1. List of products which can be traded on H Days starting on 15 April 2022 are as follows:

1. MSCI AC Asia ex Japan Net Total Return Index Futures	23. MSCI Japan (JPY) Index Futures
2. MSCI Australia Net Total Return (USD) Index Futures	24. MSCI Japan Net Total Return (JPY) Index Futures
3. MSCI China A 50 Connect (USD) Index Futures	25. MSCI Japan Net Total Return (USD) Index Futures
4. MSCI China (USD) Index Futures	26. MSCI Malaysia (USD) Index Futures
5. MSCI China Net Total Return (USD) Index Futures	27. MSCI Malaysia Net Total Return (USD) Index Futures
6. MSCI China Free (USD) Index Futures	28. MSCI New Zealand Net Total Return (USD) Index Futures
7. MSCI China Free (USD) Index Options	29. MSCI Pacific ex Japan Net Total Return (USD) Index Futures
8. MSCI China Free Net Total Return (USD) Index Futures	30. MSCI Pacific Net Total Return (USD) Index Futures
9. MSCI Emerging Markets (USD) Index Futures	31. MSCI Philippines (USD) Index Futures
10. MSCI Emerging Markets Asia ex China Net Total Return (USD) Index Futures	32. MSCI Philippines Net Total Return (USD) Index Futures
11. MSCI Emerging Markets Asia ex Korea Net Total Return (USD) Index Futures	33. MSCI Singapore Free (SGD) Index Futures
12. MSCI Emerging Markets Asia Net Total Return (USD) Index Futures	34. MSCI Singapore Free Net Total Return (USD) Index Futures
13. MSCI Emerging Markets EMEA Net Total Return (USD) Index Futures	35. MSCI Singapore Net Total Return (USD) Index Futures
14. MSCI Emerging Markets ex China Net Total Return (USD) Index Futures	36. MSCI Taiwan (USD) Index Futures
15. MSCI Emerging Markets ex Korea Net Total Return (USD) Index Futures	37. MSCI Taiwan (USD) Index Options
16. MSCI Emerging Markets Latin America Net Total Return (USD) Index Futures	38. MSCI Taiwan Net Total Return (USD) Index Futures
17. MSCI Emerging Markets Net Total Return (USD) Index Futures	39. MSCI Taiwan 25/50 (USD) Index Futures

18. MSCI Hong Kong Net Total Return (USD) Index Futures	40. MSCI Taiwan 25/50 Net Total Return (USD) Index Futures
19. MSCI India (USD) Index Futures	41. MSCI Thailand (USD) Index Futures
20. MSCI India Net Total Return (USD) Index Futures	42. MSCI Thailand Net Total Return (USD) Index Futures
21. MSCI Indonesia (USD) Index Futures	43. MSCI Vietnam (USD) Index Futures
22. MSCI Indonesia Net Total Return (USD) Index Futures	44. MSCI Vietnam Net Total Return (USD) Index Futures

3. Exchange Participantship for Derivatives Holiday Trading

3.1. Participation in Derivatives Holiday Trading is optional. Exchange Participants (“EPs”) may consider their business need and setup to be Holiday Trading Exchange Participants (“H EPs”) or non-Holiday Trading Exchange Participants (“NH EPs”).

3.2. **H EPs:** EPs who would like to continue trading H Products during both Business Days and H Days must fulfil the following criteria to become eligible:

3.2.1. **Support from CPs:** As money settlement is required between CPs and the Clearing House for all products under Hong Kong Futures Exchange (“HKFE”) during H Days, EPs looking to become an H EP must ensure that their appointed CP is a Holiday Trading Clearing Participant (“H CP”).

3.2.2. **System and operational readiness:** EPs who intend to become H EPs are required to successfully complete the readiness test (“RT”) and declare their system and operational arrangement readiness.

3.3. **NH EPs:** Participants who choose not to, or are ineligible, to trade H Products during H Days will not be able to access H Products even on Business Days. NH EPs will be required to unwind their positions of H Products, i.e. all MSCI futures and options, 4 weeks after the readiness test, details will be announced in due course.

4. Half Day Arrangements for H Products

4.1. Currently, there are no afternoon and after-hours trading sessions on the eves of Christmas, New Year’s and Chinese New Year for all H Products.

4.2. Upon the implementation of Derivatives Holiday Trading, trading hours for H Products will be extended to cover until the end of regular trading hours of the T Session for the mentioned days on 4.1.

4.3. Christmas Eve and Chinese New Year's Eve would have after hours trading session for H Products⁷, though New Year's Eve would not have after hours trading session.

4.4. For the avoidance of doubt, non-H Products ("NH Products") would maintain trading until 12:30 for the mentioned days on 4.1.

5. Trading Arrangements on H Days

5.1. **Trading arrangements:** For H EPs, trading arrangements during an H Day will be the same as those for a Business Day.

5.2. **Last trading day arrangement:** The last trading day for H Products mentioned in section 2 and their settlement day may fall on an H Day.

5.3. **Severe Weather situations:** Trading arrangements for typhoon, black rainstorm and severe weather on H Days will follow the same arrangements for a Business Day.

6. Clearing and Settlement Arrangements

6.1. The clearing and settlement services timeline in HKFE Clearing Corporation Limited ("HKCC") would follow that of the current Business Days.

6.2. For H CPs, post trade activities will be allowed for all Hong Kong Futures Exchange ("HKFE") products; for NH CPs, post trade activities will not be allowed on H Days.

6.3. H CPs will be required to settle all payment obligations (including obligations for HKD and other currencies) arising on H Days. Please refer to the Risk Management Arrangements section below for the collateral management arrangement on H Days. NH CPs will not be

⁷ for H Products which can be traded in the after-hours trading session on Business Days

required to fulfil any HKCC payment obligations during H Days, and any outstanding payment obligation will be settled the next Business Day after an H Day.

6.4. Collateral deposit services will be available in HKCC on H Days, though withdrawal services from settlement banks will not be available.

7. Risk Management Arrangements

7.1. Daily mark to market and initial margin: HKCC will follow the existing practice by enforcing the timely calculation and collection of Initial Margin (“IM”), Variation Adjustments (“VA”) and additional margins for all HKFE products from H CPs on H Days. NH CPs are not required to settle any IM, VA or additional margins on H Days.

7.2. Margin offset: Margin offset arrangements between all products will be maintained throughout all H Days.

7.3. Mandatory Intra-Day VA and Margin Call (“MMC”) arrangement: Upon the implementation of Holiday Trading, the current MMC arrangement will be extended to every trading day and applicable to all HKFE products.

7.4. Holiday margin: Holiday margin will be applied to all NH Products, and H Products that are eligible for margin offset with NH Products. For H CPs, any excess collateral released from the reversion back to the normal margin rate is available for withdrawal from 9:00 a.m. on the Business Day after H Day. For NH CPs, any excess collateral released from the reversion of margin rate will be available for withdrawal after MMC calculation (i.e. at around 10:00 a.m.) in the morning, on the Business Day after H Day.

7.5. Concentration Risk: The assessment and triggering mechanism of the concentration risk on H Days will follow the existing practice on Business Days. H CPs will be required to settle the concentration risk margin, if any, during H Days. For the avoidance of doubt, H Days will be excluded from the counting of grace period for both H CPs and NH CPs.

7.6. Capital Based Position Limits (“CBPL”): The assessment and triggering mechanism of the CBPL on H Days will follow the existing practice on Business Days. H CPs will be required to settle CBPL margin, if any, during H Days. For the avoidance of doubt, it will exclude H Days in counting grace period for both H CPs and NH CPs.

7.7. Collateral for Margin and VA:

7.7.1. Margin:

HKCC will temporarily suspend the 50-50 collateral rule on H Days in order to allow H CPs to cover their HKD and USD margin requirements with other eligible collateral (where non-cash collateral could satisfy up to 50% of the margin requirement) to meet their margin obligations on H Day. For RMB, JPY and SGD denominated contracts, the current collateral policy would be followed on H Days.

7.7.2. VA:

(i) On H Day which is HK Public Holiday only

As there is no HKD inter-bank transfer on Hong Kong public holidays due to the absence of HKD Real Time Gross Settlement (“RTGS”) on HK Public Holidays, HKCC will collect USD for HKD VA obligation during H Days which is HK Public Holiday. H CPs are required to settle such outstanding HKD obligations after H Days. For the VA obligation of other settlement currencies, including USD, RMB, JPY and SGD, it is required to be fulfilled by the corresponding settlement currency on H Days, which follows the practice on Business Days.

(ii) On H Day which is HK and US Mutual Holiday

For HK and US mutual holidays, HKCC will allow H CPs to satisfy their HKD / USD VA obligations by any acceptable cash collaterals⁸ if H CPs cannot meet all the HKD / USD VA obligations in HKD / USD on HK and US mutual holidays. H CPs are required to pay the corresponding settlement currency back on the first Business Day after an HK and US mutual holiday to replace the amount of acceptable cash

⁸ Where existing SGD limit as a general collateral (i.e. SGD 25 million per CP) for non-SGD denominated contracts is still in place and will be extended to all holidays.

collaterals in other currencies utilised during the HK and US mutual holiday. For the avoidance of doubt, if the day after an HK and US mutual holiday is still an H Day but not an HK and US mutual holiday, the arrangement set out above for (i) H Day which is HK public holiday will be applied. For the VA obligation of other settlement currencies, including RMB, JPY and SGD, it is required to be fulfilled by the corresponding settlement currency on H Days, which follows the practice on a Business Day.

The arrangements for margin and VA settlement for H CPs on H Days are summarised below.

	Margin	VA⁹
(i) H Day which is HK Public Holiday only		
<i>HKD</i>	<ul style="list-style-type: none"> • Covered by HKD collateral first, the shortfall can be covered by other cash and non-cash collateral. • 50-50 collateral rule will be suspended. 	<ul style="list-style-type: none"> • Settled in HKD, any outstanding balance can be covered by USD on H Days first and paid back in HKD on the first Business Day after H Day (“H+1 Day”).
<i>USD</i>	<ul style="list-style-type: none"> • Covered by USD collateral first, the shortfall can be covered by other cash and non-cash collateral. • 50-50 collateral rule will be suspended. 	<ul style="list-style-type: none"> • Must be settled in USD.
<i>RMB/ JPY/SGD</i>	Same arrangement as Business Day	
(ii) H Day which is HK and US Mutual Holiday		
<i>HKD</i>	<ul style="list-style-type: none"> • Same arrangement as (i) above. 	<ul style="list-style-type: none"> • Settled in HKD, any outstanding balance can be covered by other cash collateral¹⁰ first if H CPs cannot meet all the HKD VA obligations on HK and US mutual holidays first and paid back in HKD on H+1 Day. • If the next day after HK and US mutual holiday is an H Day which is HK public holiday,

⁹ On H Days, H CPs are only liable to cover the VA outstanding balance by other cash collateral if such balance exceeds HKD 1 million.

¹⁰ Where existing SGD limit as a general collateral (i.e. SGD 25 million per CP) for non-SGD denominated contracts is still in place and will be extended to all holidays.

		<i>follow the same arrangement as (i) above.</i>
<i>USD</i>	<ul style="list-style-type: none"> • <i>Same arrangement as (i) above.</i> 	<ul style="list-style-type: none"> • <i>Settled in USD, any outstanding balance can be covered by other cash collateral first if H CPs cannot meet all the USD VA obligations on HK and US mutual holiday and paid back in USD on the next day.</i> • <i>If the next day after HK and US mutual holiday is an H Day which is HK public holiday, follow the same arrangement as (i) above.</i>
<i>RMB/ JPY/SGD</i>	<ul style="list-style-type: none"> • <i>Same arrangement as Business Day</i> 	

The haircut rates, which are applied on the non-cash and cash collateral where the currency of the collateral is different from the settlement currency of the contracts, will continue to be applied on H Days.

7.8. Reserve Fund (“RF”): All CPs are not required to settle the HKCC Participant Additional Deposits on H Days. The settlement time of HKCC Participant Additional Deposits will be maintained on the first Business Day after disseminating notification to all CPs.

Nevertheless, H CPs will be required to settle the RF additional margin (if any) during H Days. For NH CPs, the RF additional margin calculated on the Business Day before H Days is required to be settled on the first Business Day after H Days.

7.9. Default Management: The default management process during an HK public holiday will be similar to the procedures on a Business Day. There will be no separate Reserve Fund tranches for H CPs and NH CPs. For H Products which are not subject to holiday margin, HKCC will perform default management on HK public holidays. For H Products which are subject to holiday margin, the market risk exposure throughout the H Days will be mitigated by the margin collected beforehand, so there will be sufficient resources for HKCC to perform liquidation after H Days. HKCC retains the flexibility to perform liquidation on H Days.

8. Market Data Arrangements on H Days

8.1. Real-time data on H Products will be available through Orion Market Data – Derivatives Market (“OMD-D”).

8.2. Market statistical reports on H Products will be published as those on Business Days.

9. Large Open Positions (“LOP”) reporting arrangements on H Days

9.1. EPs who hold open positions in excess of a LOP for its own account or for each of its Clients in any H Products, shall file a LOP report with HKFE by no later than 12:00 noon of the next trading day, whether it is a holiday or not, after the positions are opened or accumulated, and shall continue to file the LOP report as long as the prescribed reporting level remains to be exceeded.

10. Others

10.1. **Criteria of established Clients:** Upon the implementation of Holiday Trading, H EPs should issue margin calls during H Days to their clients who trade H Products and clients who trade H Products should continue fulfilling their money settlement for margin obligations during H Days. To meet the criteria of established Clients as specified in HKFE Rule 617(b), an established Client must have demonstrated to the EP a record of consistently meeting margin obligations.

10.2. During HK and US mutual holidays, there may be a situation that an established Client is unable to complete fund transfers to the EP within the prescribed timeframe to settle an outstanding margin call due to a lack of banking support. If an established Client is able to demonstrate to the EP with documentary evidence that (i) there is sufficient funding with the bank to fulfil the margin obligations, (ii) fund transfer instructions have been placed with the bank pending completion due to the abovementioned reason and (iii) the fund transfer in (ii) being completed on the day which H Products open for trading immediately after US banking holidays. It is considered acceptable not to treat the outstanding margin call as an unfulfilled margin call for the purpose of EP’s assessment under HKFE Rule 617(b).

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