

香港場外結算有限公司

(香港交易及結算所有限公司附屬公司)

OTC CLEARING HONG KONG LIMITED

(A subsidiary of Hong Kong Exchanges and Clearing Limited)

通告 CIRCULAR

Subject: Enhancements to Recovery Plan

Enquiry: Hotline 2211-6753

Please be advised that the Securities and Futures Commission (SFC) has approved the amendments to the OTC Clear Rates and FX Derivatives Clearing Rules and OTC Clearing Hong Kong Limited Clearing Procedures (“the rules amendments”) relating to the enhancements to recovery plan of OTC Clearing Hong Kong Limited (OTC Clear) (“the enhanced recovery plan”). The enhanced recovery plan together with the rules amendments will come into effect on 15 October 2018.

Enhancements to OTC Clear’s Recovery Plan

Voluntary Recapitalization

Voluntary recapitalization is an existing recovery tool of OTC Clear, and will be enhanced by specifying the detailed recapitalization mechanism. Under the enhanced recovery plan, OTC Clear will determine the amount of voluntary recapitalization based on the remaining realized loss out of the default event. If the total amount provided voluntarily by Clearing Members (CMs) is not sufficient, any amounts received will be refunded to the relevant CMs.

Contract Termination

Contract termination is currently available in the rulebook of OTC Clear, but it can only be applied under events of force majeure or illegality. Under the enhanced recovery plan, the application of this tool will be expanded to cover situations where OTC Clear is unable to re-establish a matched book after an event of CM default where the auction process is not successful.

The enhancement will allow OTC Clear to terminate some or all open positions, and such termination can be applied to specific contracts, a subset of contracts or all contracts in a particular product or market. In such event, the contracts identified for termination shall be cash-settled with reference to prevailing market prices.

The rules amendments will be published in due course. For any enquiries, please contact hotline 2211-6753.

For and on behalf of
OTC Clearing Hong Kong Limited

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