

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: Risk Management Measures for Cross-currency interest rates swaps and basis swaps with reference to new Floating Rate Options

Enquiry: Hotline Number 2211-6753

Further to the circular (reference number: [OTCO/008/2021](#)), OTC Clearing Hong Kong Limited (OTC Clear) will launch the products and clearing services of Cross-currency Interest Rate Swaps and Basis Swaps with reference to the below new Floating Rate Options:

- Hong Kong Dollar Overnight Index Average (**HONIA**)
- Secured Overnight Financing Rate (**SOFR**)

OTC Clear will update the stress testing framework to incorporate additional scenarios relevant to the new products. The updated stress scenarios will be applied in the assessment and determination of the Rates and FX Guarantee Fund size.

OTC Clear will update the Liquidity Risk Multipliers to cover the new products. The levels of Liquidity Risk Multipliers are determined based on the results from a poll recently conducted with Clearing Members. The following tables summarized the updated Liquidity Risk Multipliers which will be effective from 10 May 2021.

Liquidity Risk Multipliers

Component Level Liquidity Risk Multiplier of RFR Cross Currency Swaps:

Component Liquidity Risk Multiplier	USDCNH CCS (RFR)	USDHKD CCS (RFR)
<i>Component Initial Margin (HKD mn)</i>	<i>Multiplier</i>	<i>Multiplier</i>
≥0 & ≤125	1.00	1.00
>125 & ≤250	1.00	1.00
>250 & ≤500	1.00	1.00
>500 & ≤750	1.00	1.00
>750 & ≤1000	1.07	1.00
>1000 & ≤1,500	1.09	1.00
>1,500 & ≤2,000	1.12	1.00
>2,000 & ≤2,500	1.15	1.00
>2,500 & ≤3,000	1.18	1.02
>3,000 & ≤3,500	1.21	1.02
>3,500 & ≤4,000	1.24	1.03
>4,000 & ≤4,500	1.27	1.03
>4,500 & ≤5,000	1.30	1.04
>5,000	1.33	1.04

Andy Li

Senior Vice President, Clearing Risk Management