

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: **Annual Default Management Drill**
Enquiry: **Hotline 2211-6753**

Please be advised that pursuant to Rule 401(17) of the OTC Clear Rates and FX Derivatives Clearing Rules, OTC Clearing Hong Kong Limited (**OTC Clear**) completed its drill of Default Management Process on 28 April 2021 with the participation of all Clearing Members.

The objective of the drill was to enable Clearing Members to familiarize themselves with the Default Management Process. During the drill, OTC Clear simulated an Event of Default with five hypothetical portfolios which included Standard Rates Derivative Contracts and Standard Cross-currency Rates Derivatives Contracts.

As part of the drill exercise, a meeting of the Default Management Group (DMG) was convened via video conference on 26 April 2021. The DMG reviewed the hypothetical portfolios and simulation details, devised a hedging strategy and simulated the execution of hedge trades on behalf of OTC Clear. The simulated hedged portfolios were then disseminated to relevant Clearing Members, and the biddings were successfully provided by relevant Clearing Members within the prescribed timeframe.

OTC Clear would like to thank all Clearing Members and DMG Delegates for their participation in the exercise.

Terence Low
Head of Clearing Risk Management