

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: **Increase of Notional Exchange Risk Limits**

Enquiry: **OTC Clearing Risk Management team Hotline 2211-6753**

To accommodate the increasing demand for clearing Cross Currency Swap (**CCS**) and Deliverable FX Derivatives (**DFX**) Contracts, OTC Clearing Hong Kong Limited (**OTC Clear**) has decided to increase the Notional Exchange Risk Limits applicable to the CCS and DFX clearing.

Increase of Notional Exchange Risk Limits

The following revised Notional Exchange Risk Limits will be imposed on the daily net notional exchange amounts payable to OTC Clear across positions in CCS and DFX for each currency pair of Clearing Member (**CM**) and Sponsored Settlement Member (**SSM**), effective from 19 December 2022.

	Settlement Horizon	Notional Exchange Risk Limit	
		USD/CNH pair	USD/HKD pair
For a CM/SSM engaged in CCS clearing services only	All	USD 270 million; CNH 1,875 million	USD 300 million; HKD 2,355 million
For a CM/SSM engaged in both CCS and DFX clearing services	Within 15 OTC Clear Business Days (Near Limit)	USD 270 million; CNH 1,875 million	USD 300 million; HKD 2,355 million
	Beyond 15 OTC Clear Business Days (Far Limit)	USD 1.5 billion; CNH 10.43 billion	USD 1.8 billion; HKD 13.9 billion

Please note that there is no netting between daily net notional exchange amounts of different currency pairs in determining the usage of Notional Exchange Risk Limits. All CMs and SSMs are required to observe the above-mentioned limits at all times.

Enhanced Liquidity Arrangement

OTC Clear has currently arranged liquid resources to cover the notional settlement failure under bulk settlement run. Under extreme scenario where the defaulting CM is one of the liquidity providers and the liquid resources are insufficient to cover the notional settlement failure amount under bulk settlement run, the affected CMs will be notified and required to pay the uncovered notional settlement obligations to OTC Clear first under “Pay First and Receive Later” arrangement by 2:00 p.m. Hong Kong Time. OTC Clear will then pay back the notional settlement obligations in the contractual currencies to the affected CMs by 6:00 p.m. Hong Kong Time on such OTC Clear Clearing Day.

For any settlement failure amount uncovered by OTC Clear’s liquid resources, OTC Clear may settle in another currency as described in section 3.19 of OTC Clear’s Clearing Procedures.

For and on behalf of
OTC Clearing Hong Kong Limited

Irene Lee
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