

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**

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Please be advised that pursuant to Rule 401(19) 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 15 October 2024 with the participation of all Clearing Members and the Special Clearing House Participant.

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 two hypothetical portfolios which included Standard Cross-currency Rates Derivatives Contract and Standard Northbound Rates Derivatives Contract.

As part of the drill exercise, a meeting of the Default Management Group (DMG) was convened via video conference on 10 October 2024. 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 and Special Clearing House Participant within the prescribed timeframe.

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

Irene Lee

Senior Vice President

Post Trade

Operations Division