

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)

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| 編號 Ref. No.: | OTCRM/033/2024 |
| 日期 Date: | 25/09/2024 |

通告 CIRCULAR

Subject: **Reminder on Payment Obligations of Clearing Members**
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OTC Clearing Hong Kong Limited (OTC Clear) considers it appropriate to remind members of the importance of having proper risk management and robust funding arrangements in place to adequately monitor their exposure and fulfill their OTC Clear payment obligations on time to ensure the smooth operation of the OTC market.

Clearing Members must adhere to the settlement timelines stipulated by OTC Clear. Failure to do so constitutes an **Event of Default** under OTC Clear Clearing Rule 1301, the consequence of which includes disciplinary proceedings and/or disciplinary actions against the member concerned pursuant to OTC Clear Clearing Rules 1401(3) and/or 1405 which may lead to suspension of Membership and/or imposition of penalties. Members are strongly advised to review their existing operational and monitoring arrangements and introduce enhancement measures where appropriate. Below are examples of areas that should be covered in the review:

1. Operational capabilities to perform trade affirmation, contract settlement, portfolio valuation, portfolio reporting and system linkage with an Approved Trade Registration System;
2. Pursuant to Clearing Rule 401(9)(c), OTC Clear requires all Clearing Members to have established adequate risk management systems that are applied appropriately;
3. Contingency and business continuity plan (e.g. back up sites, system connection resilience and remote working arrangement); and
4. Back-up staff arrangement (e.g. sick leave, holiday cover and split team arrangement during pandemic).

As the best practice, for instance, members should have established procedures to project the amount of payment obligations to OTC Clear and arrange sufficient funding to meet such requirements in a timely manner. Clearing Members should refer to Clearing Procedures 4.7.2 for the relevant payment obligations of their Margin requirements and Clearing Procedures 2.3.3(v) for the relevant payment obligations of their Rates and FX Guarantee Fund requirements. A summary of payment obligations is also set out in the Appendix for reference.

Johnny Chan
Vice President
Post Trade
Operations Division

Appendix

Clearing Members shall log into OASIS Web Portal to check the exact call amount and the call currency for settlement purpose. Clearing Members may however refer to the report published by OTC Clear in OASIS on the preceding OTC Clear Clearing Day and Northbound Clearing Day for an indicative call amount as reference. All calls must be settled (i.e. credited to OTC Clear bank account) via the Real Time Gross Settlement system (RTGS) by the settlement time in accordance with the OTC Clear Clearing Procedures:

| Type of Calls | Settlement Time | Terminal / Report Name (Report ID ¹) | Terminal / Report Available Time | Report (Report ID) with Indicative Call Amount and Available Time |
|---------------------------------|---|--|---|--|
| End-of-day Initial Margin | By 09:30 HKT on the OTC Clear Clearing Day ² on which the margin call is made at 08:30 HKT | OASIS Web Portal / WEB Margin Call (RMRP28) | Around 08:30 HKT | WEB IM Call Amt (RMRP10) on the preceding OTC Clear Clearing Day and Northbound Clearing Day ³ (around 22:00 HKT) |
| Ad hoc intra-day Initial Margin | Within an hour of notification at any time between 08:30 HKT and 15:00 HKT on an OTC Clear Clearing Day and a Northbound Clearing Day | OASIS Web Portal | Shortly after each ad-hoc intra-day margin call | N/A |
| End-of-day Variation Margin | 11:00 HKT on each OTC Clear Clearing Day and Northbound | WEB Money Settle (STRP01) or | Daily on each preceding OTC Clear Clearing Day | N/A |

¹ Please refer to the OASIS Report Usage Guide published on the HKEX website ([OASIS Report Usage Guide](#)).

² OTC Clear Clearing Day refers to Monday to Friday, including Hong Kong public holidays, except 1st January each year, on which the Rates and FX Clearing Services is in operation.

³ Northbound Clearing Day means a day on which the Special Clearing House Participant is carrying out clearing operations (including Special Working Day).

| Type of Calls | Settlement Time | Terminal / Report Name (Report ID ¹) | Terminal / Report Available Time | Report (Report ID) with Indicative Call Amount and Available Time |
|--|---|--|---|---|
| | Clearing Day, provided that such day is a Currency Day for the currency in which the end-of-day Variation Margin is denominated | WEB Money Settle_C (STRP01_C) for Client | and Northbound Clearing Day (around 22:00 HKT) | |
| Routine Intra-day VM Call | By 15:15 HKT on the OTC Clear Clearing Day on which the margin call is made at 14:15 HKT | OASIS Web Portal / WEB Margin Call (RMRP28) | Around 14:15 HKT | N/A |
| Ad Hoc Intra-day VM Call | Within an hour of notification at any time between 08:30 HKT and 15:00 HKT on an OTC Clear Clearing Day and a Northbound Clearing Day | OASIS Web Portal | Shortly after each ad-hoc intra-day margin call | N/A |
| Notional Exchange Failure Margin | Within 90 minutes following demand made at any time on a HK business day | OASIS Web Portal | Shortly after the notional exchange failure margin call | N/A |
| Rates and FX Guarantee Fund and Rates and FX Assessments due to resizing | By 17:00 HKT on the following HK business day of the monthly or ad-hoc Rates and FX Contribution Determination Date ⁴ | OASIS Web Portal | Shortly after the Rates and FX Guarantee Fund call | WEB GF Recalculation Result (RMRP15) on the monthly or ad-hoc Rates and FX Contribution |

⁴ Clearing Members are advised to deliver additional collateral to OTC Clear, if any, by 16:00 HKT on the following Hong Kong business day of the monthly or ad-hoc Rates and FX Contribution Determination Date. Any unfulfilled amount will be demanded via Rates and FX Guarantee Fund call at 16:00 HKT, and the concerned Clearing Member(s) shall meet it within one hour (i.e. 17:00 HKT).

| Type of Calls | Settlement Time | Terminal / Report Name (Report ID ¹) | Terminal / Report Available Time | Report (Report ID) with Indicative Call Amount and Available Time |
|--|--|--|----------------------------------|---|
| | | | | Determination Date (around 14:10 HKT) |
| End-of-day Rates and FX Guarantee Fund and Rates and FX Assessments due to market movement ⁵ | By 09:30 HKT on the OTC Clear Clearing Day on which the margin call is made at 08:30 HKT respectively | OASIS Web Portal / WEB Margin Call (RMRP28) | Around 08:30 HKT | WEB GF Call amt (RMRP52) on the preceding OTC Clear Clearing Day (around 22:00 HKT) |
| Routine Intra-day Rates and FX Guarantee Fund and Rates and FX Assessments due to market movement ⁴ | By 15:15 HKT on the OTC Clear Clearing Day on which the margin call is made at 14:15 HKT respectively | OASIS Web Portal / WEB Margin Call (RMRP28) | Around 14:15 HKT | N/A |
| End-of-day Participating Margin ⁶ | By 09:30 HKT on the OTC Clear Clearing Day and the Northbound Clearing Day on which the margin call is made at 08:30 HKT | OASIS Web Portal / WEB Margin Call (RMRP28) | Around 08:30 HKT | WEB PM Call amt (RMRP45) on the preceding OTC Clear Clearing Day and Northbound Clearing Day (around 22:00 HKT) |

⁵ If the shortfall arises as a result of either market movement affecting the value of such collateral or change in the applicable collateral haircut, the Clearing Member shall deliver additional collateral required to meet such shortfall to OTC Clear within one hour following receipt of such demand.

⁶ Participating Margin is issued in HKD on Hong Kong business day, in USD on Hong Kong holiday but China and U.S. business day and in RMB on Special Working Day. Clearing Members shall log into OASIS Web Portal to check the exact call amount and the call currency for settlement purpose.