

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: **Liquidity Risk Multiplier in Initial Margin calculation for Loan Prime Rate for Northbound Swaps**

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Following the introduction of LPR1Y for Northbound swaps with reference to the circular dated 19 September 2025 (Ref: [OTCO/009/2025](#)), pursuant to Chapter 4 of the OTC Clearing Hong Kong Limited ("OTC Clear") Clearing Procedures, OTC Clear has completed the calibration of the Liquidity Risk Multiplier for such product, i.e. CNY IRS (LPR1Y). The component levels of Liquidity Risk Multiplier are determined based on the results from the poll conducted with Clearing Members in July 2025. The following tables summarize the levels of Liquidity Risk Multiplier which will be effective from 22 September 2025.

### Portfolio Level Liquidity Risk Multiplier:

Portfolio Initial Margin (HKD mn)	≥0 & ≤1,500	>1,500 & ≤2,000	>2,000 & ≤2,500	>2,500 & ≤3,000	>3,000 & ≤3,500	>3,500 & ≤4,000	>4,000 & ≤4,500	>4,500 & ≤5,000	>5,000
Portfolio Liquidity Risk Multiplier	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

### Component Level Liquidity Risk Multiplier (for each clearable product type):

Component Liquidity Risk Multiplier	CNY IRS (LPR1Y)
<i>Component Initial Margin (HKD mn)</i>	<i>Multiplier</i>
≥0 & ≤125	1.00
>125 & ≤250	1.00
>250 & ≤500	1.24
>500 & ≤750	1.36
>750 & ≤1000	1.48
>1000 & ≤1,500	1.61
>1,500 & ≤2,000	1.85
>2,000 & ≤2,500	2.10
>2,500 & ≤3,000	2.34

>3,000 & ≤3,500	2.58
>3,500 & ≤4,000	2.83
>4,000 & ≤4,500	3.07
>4,500 & ≤5,000	3.32
>5,000	3.56

## Further explanation:

To mitigate the added risk associated with large cleared portfolios, OTC Clear imposes a margin add-on on portfolios that present material liquidation risk in the potential event of default. Based on the poll results, OTC Clear calibrates the required levels of margin add-on with respect to the different level of risks as reflected by the Initial Margin requirements. OTC Clear will apply the relevant Liquidity Risk Multiplier to calculate a margin add-on for the entire cleared portfolio (Portfolio Level Add-on) and a margin add-on with reference to the product group within the cleared portfolio (Component Level Add-on). The higher between the Portfolio Level Add-on and the Component Level Add-on shall be the margin add-on to be imposed on the Clearing Member.

For example, if a Clearing Member's cleared portfolio consists of only CNY IRS (LPR1Y) trades:

- Initial Margin for the portfolio is HKD 700 mn

The margin add-on to be imposed would be HKD 252 mn, being the higher of i) Portfolio Level Add-on of HKD 700 mn x (1 – 1) = HKD 0 mn and ii) Component Level Add-on of HKD 700 mn x (1.36 – 1) = HKD 252 mn

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