HKEX
香港交易所

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Hong Kong Exchanges and Clearing Limited is a recognized exchange controller under the Securities and Futures Ordinance which is the controller of The Stock Exchange of Hong Kong Limited, Hong Kong Futures Exchange Limited, Hong Kong Securities Clearing Company Limited, The SEHK Options Clearing House Limited, HKFE Clearing Corporation Limited and OTC Clearing Hong Kong Limited.

通告 CIRCULAR

Subject: System Readiness in relation to the Revised Client Margining Methodology for Derivatives Products

Enquiry: Mr. Marc Luk 2211-6905 / Ms. Fiona Ng 2840-3590

As part of the on-going process to enhance our margining arrangements, we have made changes to the client margining methodology in Hong Kong Futures Exchange Limited (HKFE), HKFE Clearing Corporation Limited (HKCC), the stock options market operated by The Stock Exchange Hong Kong Limited (SEHK), and The SEHK Options Clearing House Limited (SEOCH). The changes, which have received approval from the Securities and Futures Commission recently, will facilitate the introduction of portfolio margining[1] in eligible products with different underlying instruments.

Currently, HKCC and SEOCH disseminate two risk parameters files[2] (RPFs) to facilitate margin calculations by Exchange Participants[3] (EPs) / Clearing participants (CPs) on their clients' portfolios as well as the clearing house margin. As a result of the changes, the minimum client margin will be set at 1.33 times of the clearing house margin. Please refer to HKEX website[4] for further details. The existing HKCC and SEOCH client RPFs will cease to be distributed accordingly.

EPs and CPs are required to make necessary system enhancements and confirm their system readiness on the above-mentioned changes by signing and returning the attached confirmation

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[1] PRiME Margining Guide (http://www.hkex.com.hk/eng/market/rm/rm_dcrm/rm_dcrm_clearing/Documents/PRiME%20Margining%20Guide_version%201.2.pdf).

[2] One for calculating clearing house margin to be collected by HKCC/SEOCH from CPs (clearing house RPF) while another for calculating client margin to be collected by CPs from their clients (client RPF).

[3] HKFE Exchange Participants and SEHK Options Exchange Participants.

[4] Margining System Overview (http://www.hkex.com.hk/eng/market/rm/rm_dcrm/rm_dcrm_clearing/MarginingSystemOverview.htm).

form (Attachment) to HKEX on or before 30 December 2016. To facilitate system testing by EPs/CPs, test cases with expected results have been made available on HKEX website (http://www.hkex.com.hk/eng/market/rm/rm_dcrm/riskdata/Documents/Revised Client Margining Test Case.zip).

Upon receipt of system readiness confirmations, HKEX will announce the effective date of the revised client margining methodology as well as the portfolio margining arrangement in HKCC.

Should you have any inquiries in relation to the above, please contact our Mr. Marc Luk on 2211-6905 or Ms. Fiona Ng on 2840-3590.

Sanly Ho
Head
Derivatives Trading
Markets Division

HKEX
香港交易所

Attachment

System Readiness Confirmation Form -
Revised Client Margining Methodology for Derivatives Products

Form Submission Deadline: 30 December 2016

To: Derivatives Clearing Risk Management
Hong Kong Exchanges and Clearing Limited

Email: RMinquiry@hkex.com.hk
Fax No.: 2561-1567
Tel No.: 2211-6901

1. Particulars of Participant

Participant Name	

	HKFE Participant / HKCC Participant	SEHK Options Exchange Participant / SEOCH Participant
HKATS Code		
DCASS Code		

2. Confirmation

We hereby confirm our system is ready to support the revised client margining methodology for:

☐ HKFE products
☐ Stock Options products

Primary Contact Person: ____________ Position: ____________

Office Tel: ____________ Email: ____________

Secondary Contact Person: ____________ Position: ____________

Office Tel: ____________ Email: ____________

S.V

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Authorized Signature(s) and Company Chop
(Name of Signatories:)

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Date