

香港聯合交易所期權結算所有限公司

(香港交易及結算所有限公司全資附屬公司)

THE SEHK OPTIONS CLEARING HOUSE LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

通告 CIRCULAR

Subject: Reminder on Payment Obligations of Clearing Participants

Enquiry: 2979 7222

SEHK Options Clearing House Limited (SEOCH) considers it appropriate to remind all participants of the importance of having proper risk management and robust funding arrangements in place to adequately monitor their exposures and fulfil their payment obligations to SEOCH on time to ensure the smooth operations of the derivatives market.

Participants must adhere to the settlement timelines stipulated by SEOCH. Failure to do so constitutes an **event of default** under SEOCH Rule 701, the consequence of which includes default actions and/or disciplinary actions against the participant concerned pursuant to SEOCH Rules 702, 703, 718, and/or 806 which may lead to suspension of participantship, imposition of penalties and/or additional risk management measures. Participants are strongly advised to review their existing operational and monitoring procedures and introduce enhancement measures where appropriate. Below are examples of areas that should be covered in the review:

1. Timeliness of completion of position close-out and claiming margin offsets (including attention to the completion timeline set for specific occasion e.g. under Typhoon arrangement and before holidays);
2. Funding arrangement procedures, taken into account the (i) timeliness of interbank or intra-bank funding transfer and FX conversion, and appropriate limit and authorization assigned to facilitate the transfer and conversion (if applicable); (ii) cut-off time of your Designated Bank; (iii) process to ensure relevant bank accounts are in active status; (iv) the service level agreement with the banks; and v) validity of internet banking and authorized personnel if

applicable;

3. Adequacy of funding and bank facilities;
4. Contingency and business continuity plan (e.g. back up sites, system connection resilience and remote working arrangement);
5. Effectiveness of client and proprietary exposure monitoring; and
6. Back-up staff arrangement (e.g. sick leave, holiday cover and split team arrangement during pandemic).

As a best practice, participants should have established procedures to project the amount of payment obligations to SEOCH and arrange sufficient funding to meet such requirements in a timely manner. A summary of payment obligations to SEOCH is also set out in the Appendix for reference.

Should you have any queries on the above, please contact 2979 7222.

Irene Lee
Senior Vice President
Clearing Risk Management

Appendix

Participants can refer to the relevant reports in Common Collateral Management System (CCMS) / Derivatives Clearing and Settlement System (DCASS) for the settlement amounts. All calls must be settled (i.e. credited to SEOCH bank account) via the designated bank account by the settlement time in accordance with the Operational Clearing Procedures for Options Trading Exchange Participants:

Type of Calls	Settlement Time	Terminal / Report ID	Report Name	Report Available Time
End of day margins, premiums and other settlement amounts	By 9:15 a.m. on the next Business Day	CCMS / CCMPY02	Posting / Collateralisation Result Report	Shortly after each day-end collateralisation run (approximately by 12:00 a.m.)
Ad-hoc intra-day margin calls	Within one hour of notification	CCMS / CCMPY01	Posting / Collateralisation Result Report	Shortly after each ad-hoc intra-day margin call
Reserve Fund Variable Contributions	By 4:00 p.m. on the first Business Day after the distribution of the report	DCASS / RP008	SEOCH Reserve Fund Contribution Notice	Around 12:00 noon
Concentration Risk Margin *	Before 11:00 a.m. of the next Business Day	DCASS / RP012	Net Projected Loss	Around 2:00 a.m.
Capital Based Position Limits *	Before 11:00 a.m. of the next Business Day	DCASS / RP001, RP003 and RP010	Mark-To-Market Margin, Margin Summary and Net Margin Summary	Around 10:00 p.m.
Reserve Fund Additional Margin */#	Before 11:00 a.m. of the next Business Day	DCASS / RP008	SEOCH Reserve Fund Contribution Notice	Around 12:00 noon

* Concerned CPs will be notified by email for the amount of additional margin required around 2:00 a.m.

Reserve Fund (RF) additional margin in the amount of net projected loss of the Clearing Participants (CPs) in excess of 50% of the RF will be collected from the concerned CPs should the RF threshold be reached. Information can be obtained via SEOCH circular issued after each RF review.

In addition, SEOCH may issue additional margin calls from time to time. Participants are required to meet and settle the calls within the timelines as advised by SEOCH at the time.