

## Chapter 9

### Special Events / Business Continuity

#### 9.1 Arrangement for Special Events

The procedures set out in this Chapter 9 provide an outline of steps that can be taken by OTC Clear in the event of a Force Majeure Event or other special events or OTC Clear being unable to access, or being evacuated from OTC Clear's premises.

The need for business recovery is driven by the uncertain nature of special events. Therefore, the steps set out herein are not intended to be exhaustive and OTC Clear reserves the right to modify or depart from the procedures set out in this Chapter 9 to meet the characteristics of the special events. The procedures set out in this Chapter 9 are without prejudice to the provisions of the Clearing Rules.

##### 9.1.1 Message Dissemination

When there is a need to communicate with Clearing Members in an emergency situation, including but not limited to, the evacuation of OTC Clear's premises and the invocation of business continuity plans, messages will be disseminated to Clearing Members by any of the following methods:

- (i) posting message on the HKEX website;
- (ii) electronic messages via SWIFT;
- (iii) electronic mails to Clearing Members' designated contact personnel; or
- (iv) facsimile transmissions to Clearing Members' designated fax machines.

Regardless of the message dissemination methods, the content of the message is expected to be substantially the same.

##### 9.1.2 Evacuation of OTC Clear's Premises

If it is necessary for OTC Clear to evacuate OTC Clear's premises, a message will be communicated to Clearing Members using the methods set out in section 9.1.1.

During this period, all activities normally carried out at OTC Clear's premises will cease. Clearing Members will be kept updated of the situation (using the methods set out in section 9.1.1) once further details are available.

##### 9.1.3 Invocation of Business Continuity Plans

Once OTC Clear has decided to invoke the business continuity plans, Clearing Members will be informed at the earliest possible time. A message will be communicated to Clearing Members using the methods set out in section 9.1.1.

OTC Clear expects that a maximum of two hours may elapse between the invocation of the business continuity plan and relocation of recovery teams. During that time, most of the usual activities carried out at OTC Clear's premises will cease. Any updates on the arrangements will be communicated to Clearing Members using the methods set out in section 9.1.1.

##### 9.1.4 Special Event Settlement Arrangement

A number of routine settlement procedures may be amended, deferred or suspended while business continuity plans apply. These changes may have an impact on, among others, the usual sequences or mechanisms surrounding the following:

- (i) the withdrawal, porting or deposit of Collateral;
- (ii) the conversion of currencies;
- (iii) the ability to cover liabilities in currencies other than their Contractual Currencies;
- (iv) the time at which Margin may be demanded by OTC Clear;
- (v) the settlement of a Settlement Component; and
- (vi) the settlement of Rates and FX Contribution.

In case of any amendment, deferral or suspension to the above-mentioned items, a message will be communicated to Clearing Members using the methods set out in section 9.1.1.

#### **9.1.5 Registration of Contracts**

During the period when business continuity plans have been invoked, the procedures for registration of Contracts as set out in Chapter 3 of these Clearing Procedures will continue to apply. However, OTC Clear reserves the right to amend the timing of registration of Contracts. Clearing Members will be notified (using the methods set out in section 9.1.1) if the registration of Contracts has to be delayed.

#### **9.1.6 New Office Address Notification**

If OTC Clear is unable to reoccupy OTC Clear's premises within two hours, Clearing Members will be notified of the proposed new office location, the contact details of OTC Clear and the effective date prior to it occupying the new premises, using the methods set out in section 9.1.1.

#### **9.1.7 Resumption of Normal Service**

If OTC Clear is able to resume normal service in the original OTC Clear's premises or in the permanent new location as stated in section 9.1.6, message will be communicated to Clearing Members using the methods set out in section 9.1.1.

#### **9.1.8 Periodic Testing of Business Continuity Plans**

OTC Clear will periodically review and test its business continuity plans and associated arrangements against various scenarios that may simulate wide-scale disasters. Clearing Members and critical service providers to OTC Clear may be involved in such review and testing.

### **9.2 Primary Data Center**

As the primary data center of OTC Clear is not located at OTC Clear's premises, evacuation of OTC Clear's premises will not affect Clearing Members' ability to access the Web Portal.

If the primary data center of OTC Clear fails, OTC Clear will switch to the secondary data center of OTC Clear as soon as reasonably practicable. The secondary data center is expected to be synchronized with the primary data center which means that data are stored at both data centers. In the absence of any failure or disruption to the primary data center, the secondary data center serves as a back-up and will be on standby.

The switch from the primary data center of OTC Clear to the secondary data center of OTC Clear is expected to take up to two hours for the core mission critical system. During the switch from primary data center to the secondary data center of OTC Clear, the Rates and FX Clearing Services will be suspended.

### 9.3 Service Outage

If the Rates and FX Clearing Services are not available to or the Web Portal is not accessible to Clearing Members due to technical failure or other reasons, OTC Clear cannot guarantee Clearing Members a particular level of services in this situation. OTC Clear will activate the relevant business continuity plans and use its best endeavours to restore the normal service. Message will be disseminated to Clearing Members using the methods set out in section 9.1.1 of these Clearing Procedures.

### 9.4 Special Arrangement for Valuation of a Standard Rates Derivatives Contract which is Denominated in HK\$ and a Standard Cross-currency Rates Derivatives Contract which has a Fixed Amount or Floating Amount Denominated in HK\$ under Adverse Weather Conditions

For the avoidance of doubt, when a Black Rainstorm Warning or a Typhoon Signal Number 8 or above is issued by The Hong Kong Observatory or Extreme Conditions are announced, for purposes of valuing a Standard Rates Derivatives Contract denominated in Hong Kong dollars and a Standard Cross-currency Rates Derivatives Contract which has Fixed Amount or Floating Amount denominated in Hong Kong dollars, Section 9.23.6 of the ISDA Definitions shall apply.

### 9.5 [Deleted]

### 9.6 Special Arrangements of settlement of Initial Exchange Amount and/or Final Exchange Amount of any Standard Cross-currency Rates Derivatives Contract and Notional Amounts of any Deliverable FX Derivatives Contract under Adverse Weather Conditions

This section 9.6 includes the arrangements surrounding settlement of Initial Exchange Amount and/or Final Exchange Amount of any Standard Cross-currency Rates Derivatives Contract and Notional Amounts of any Deliverable FX Derivatives Contract as adopted by OTC Clear when a Black Rainstorm Warning or a Typhoon Signal Number 8 or above is issued by The Hong Kong Observatory or Extreme Conditions are announced.

#### 9.6.1 Black Rainstorm Warning

The following arrangements will be adopted when a Black Rainstorm Warning is issued by The Hong Kong Observatory:

Time at which Black Rainstorm Warning is issued and/or cancelled on a particular payment date	Arrangements
(i) Black Rainstorm Warning is issued at or after 09:00 hours Hong Kong time	Same as a day on which no Black Rainstorm Warning is issued or cancelled.
(ii) Black Rainstorm Warning is issued before 09:00 hours Hong Kong time, and is cancelled at	

<p>or before 08:00 hours Hong Kong time (and after issued time)</p>	
<p>(iii) Black Rainstorm Warning is issued before 09:00 hours Hong Kong time, and is cancelled after 08:00 hours Hong Kong time and at or before 09:30 hours Hong Kong time</p>	<p>“Notional Exchange USD/HKD Settlement Ready Time” means T+3.5 hours.</p> <p>“Notional Exchange USD/CNY (offshore) Settlement Ready Time” means T+3.75 hours or, if later, 12:00 hours Hong Kong time.</p> <p>“Notional Exchange USD/HKD Settlement Cutoff Time” means, in relation to the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and HKD:</p> <p>(a) subject to sub-section (b) below, the time which is 15 minutes after the Commencement Time of such Bulk Settlement Run process; or</p> <p>(b) where OTC Clear requires any Transaction File Replacement in relation to such Bulk Settlement Run process, the time which is 60 minutes after the Commencement Time of such Bulk Settlement Run process.</p> <p>“Notional Exchange USD/CNY (offshore) Settlement Cutoff Time” means, in relation to the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and CNY (offshore), the earlier of:</p> <p>(a) (A) subject to sub-section (B) below, the time which is 15 minutes after the Commencement Time of such Bulk Settlement Run process; or</p> <p>(B) where OTC Clear requires any Transaction File Replacement in relation to such Bulk Settlement Run process, the time which is 60 minutes after the Commencement Time of such Bulk Settlement Run process,</p> <p>and</p> <p>(b) 14:45 hours Hong Kong time.</p>
<p>(iv) Black Rainstorm Warning is issued before 09:00 hours Hong Kong time, and is cancelled after 09:30 hours Hong Kong time and at or before 10:30 hours Hong Kong time</p>	<p>“Notional Exchange USD/HKD Settlement Ready Time” means 11:30 hours Hong Kong time.</p> <p>“Notional Exchange USD/CNY (offshore) Settlement Ready Time” means 12:00 hours Hong Kong time.</p> <p>“Notional Exchange USD/HKD Settlement Cutoff Time” means, in relation to the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and HKD, the earlier of:</p> <p>(a) (A) subject to sub-section (B) below, the time which is 15 minutes after the Commencement Time of such Bulk Settlement Run process; or</p> <p>(B) where OTC Clear requires any Transaction File Replacement in relation to the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and HKD, the time which is 60</p>

	<p>minutes after the scheduled commencement of such Bulk Settlement Run process,</p> <p>and</p> <p>(b) T+2.5 hours.</p> <p>“Notional Exchange USD/CNY (offshore) Settlement Cutoff Time” means, in relation to the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and CNY (offshore):</p> <p>(a) subject to sub-section (b) below, the time which is 15 minutes after the Commencement Time of such Bulk Settlement Run process; or</p> <p>(b) where the Commencement Time is at or after 13:45 hours Hong Kong time in accordance with the operating rules of the RTGS system, 14:45 hours Hong Kong time.</p>
<p>(v) Black Rainstorm Warning is issued before 09:00 hours Hong Kong time, and is cancelled after 10:30 hours Hong Kong time and at or before 12:00 hours Hong Kong time</p>	<p>“Notional Exchange USD/HKD Settlement Ready Time” means 11:30 hours Hong Kong time.</p> <p>“Notional Exchange USD/CNY (offshore) Settlement Ready Time” means 12:00 hours Hong Kong time.</p> <p>“Notional Exchange USD/HKD Settlement Cutoff Time” means, in relation to the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and HKD:</p> <p>(a) subject to sub-section (b) below, the time which is 15 minutes after the Commencement Time of such Bulk Settlement Run process; or</p> <p>(b) where OTC Clear requires any Transaction File Replacement in relation to such Bulk Settlement Run process, the time which is 60 minutes after the Commencement Time of such Bulk Settlement Run process.</p> <p>“Notional Exchange USD/CNY (offshore) Settlement Cutoff Time” means, in relation to the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and CNY (offshore), the earlier of:</p> <p>(a) (A) subject to sub-section (B) below, the time which is 15 minutes after the Commencement Time of such Bulk Settlement Run process; or</p> <p>(B) where OTC Clear requires any Transaction File Replacement in relation to such Bulk Settlement Run process, the time which is 60 minutes after the Commencement Time of such Bulk Settlement Run process,</p> <p>and</p> <p>(b) T+2.5 hours.</p>
<p>(vi) Black Rainstorm Warning is issued before 09:00 hours Hong Kong time</p>	<p>“Notional Exchange USD/HKD Settlement Ready Time” means 11:30 hours Hong Kong time.</p> <p>“Notional Exchange USD/CNY (offshore) Settlement Ready Time” means</p>

<p>and is cancelled after 12:00 hours Hong Kong time</p>	<p>12:00 hours Hong Kong time.</p> <p>“Notional Exchange USD/HKD Settlement Cutoff Time” means, in relation to the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and HKD:</p> <p>(a) subject to sub-section (b) below, the time which is 15 minutes after the Commencement Time of such Bulk Settlement Run process; or</p> <p>(b) where OTC Clear requires any Transaction File Replacement in relation to such Bulk Settlement Run process, the time which is 60 minutes after the Commencement Time of such Bulk Settlement Run process; and</p> <p>“Notional Exchange USD/CNY (offshore) Settlement Cutoff Time” means, in relation to the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and CNY (offshore):</p> <p>(a) subject to sub-section (b) below, the time which is 15 minutes after the Commencement Time of such Bulk Settlement Run process; or</p> <p>(b) where OTC Clear requires any Transaction File Replacement in relation to such Bulk Settlement Run process, the time which is 60 minutes after the Commencement Time of such Bulk Settlement Run process.</p>
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For the purpose of this section 9.6.1 only, “T” means the time at which the Black Rainstorm Warning is cancelled, rounded up to the next nearest quarter of an hour. For example, if the Black Rainstorm Warning is cancelled at 09:10 hours Hong Kong time, T means 09:15 hours Hong Kong time.

For the avoidance of doubt, the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and CNY (offshore) will commence after the completion or cancellation of the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and HKD, in any case no earlier than 12:00 hours Hong Kong time.

**9.6.2 Typhoon Signal Number 8 or Above or Extreme Conditions**

The following arrangements will be adopted when a Typhoon Signal Number 8 or above is hoisted by The Hong Kong Observatory or Extreme Conditions are announced:

Time at which Typhoon Signal Number 8 is hoisted and/or cancelled or Extreme Conditions are announced and/or cancelled on a particular payment date	Arrangements
(i) Typhoon Signal Number 8 or above is hoisted or Extreme Conditions are announced after 09:00 hours Hong Kong time	Same as a day on which no Typhoon Signal Number 8 or above is hoisted or cancelled or no Extreme Conditions are announced or cancelled.
(ii) Typhoon Signal Number 8 or above is hoisted or Extreme Conditions are announced at or before 09:00 hours Hong Kong time, and the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) at or	

before 08:00 hours Hong Kong time (and after hoisted time or announcement time)	
(iii) Typhoon Signal Number 8 or above is hoisted or Extreme Conditions are announced at or before 09:00 hours Hong Kong time, and the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) after 08:00 hours Hong Kong time and at or before 09:30 hours Hong Kong time (and after hoisted time or announcement time)	Same as the arrangements set out in section 9.6.1(iii) of these Clearing Procedures.
(iv) Typhoon Signal Number 8 or above is hoisted or Extreme Conditions are announced at or before 09:00 hours Hong Kong time, and the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) after 09:30 hours Hong Kong time and at or before 10:30 hours Hong Kong time	Same as the arrangements set out in section 9.6.1(iv) of these Clearing Procedures.
(v) Typhoon Signal Number 8 or above is hoisted or Extreme Conditions are announced at or before 09:00 hours Hong Kong time, and the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) after 10:30 hours Hong Kong time and at or before 12:00 hours Hong Kong time	Same as the arrangements set out in section 9.6.1(v) of these Clearing Procedures.
(vi) Typhoon Signal Number 8 or above is hoisted or Extreme Conditions are announced at or before 09:00 hours Hong Kong time, and the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) after 12:00 hours Hong Kong time	Same as the arrangements set out in section 9.6.1(vi) of these Clearing Procedures.

For the purpose of this section 9.6.2 only, “T” means the time at which the Typhoon Signal Number 8 is lowered and Extreme Conditions are cancelled (where applicable), rounded up to the next nearest quarter of an hour. For example, if the Typhoon Signal Number 8 is lowered and Extreme Conditions are cancelled (where applicable) at 09:10 hours Hong Kong time, T means 09:15 hours Hong Kong time.

For the avoidance of doubt, the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and CNY (offshore) will commence after the completion or cancellation of the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and HKD, in any case no earlier than 12:00 hours Hong Kong time.