

Post Trade Arrangements on Holiday Trading Days (H Days)

Clearing and Settlement Arrangements

1. The clearing and settlement services timeline in HKCC would follow that of the current Business Days.
2. For Holiday Trading Clearing Participants (H CPs), post trade activities will be allowed for all Hong Kong Futures Exchange (“HKFE”) products; for Non-Holiday Trading (NH) CPs, post trade activities will not be allowed on H Days.
3. H CPs will be required to settle all payment obligations (including obligations for HKD and other currencies) arising on H Days. Please refer to the Risk Management Arrangements section below for the collateral management arrangement on H Days. NH CPs will not be required to fulfil any HKCC payment obligations during H Days, and any outstanding payment obligation will be settled the next Business Day after an H Day.
4. Collateral deposit services will be available in HKCC on H Days, though withdrawal services from settlement banks will not be available.

Risk Management Arrangements

5. **Daily mark to market and initial margin:** HKCC will follow the existing practice by enforcing the timely calculation and collection of Initial Margin (“IM”), Variation Adjustments (“VA”) and additional margins (e.g. concentration risk margin, CBPL margin and RF additional margin) for all HKFE products from H CPs on H Days. NH CPs are not required to settle any IM, VA or additional margins on H Days. Below is the daily settlement prices used for VA and Margin Calculation on H Day:
 - ♦ The daily settlement prices of H Products are determined in accordance with the existing Procedures of HKCC¹.
 - ♦ The daily settlement prices of non-Holiday Trading futures contracts will simply be the same as those set on previous HK Business Day, and the daily settlement prices of non-Holiday Trading options contracts will be calculated with the change in time value.

Risk Parameters Files (including intraday RPF) will be generated on H Days. Same as Business Day, all products including H products, NH products and SEOCH products will be included in the RPF.

6. **Margin offset:** Margin offset arrangements between all products will be maintained throughout all H Days.
7. **Mandatory Intra-Day VA and Margin Call (“MMC”) arrangement:** Upon the implementation of Holiday Trading, the current MMC arrangement will be extended to every trading day and applicable to all HKFE products. Same price and position snapshot for H Products as Business Day will be applied on H Day. For the avoidance of doubt, as there is no trading for NH Products on H Day, the price snapshot of MMC for NH Products will be the daily settlement price on H-1 Day.

¹ Section 2.3.1 for Futures Contracts and 2.3.2 for Options Contracts of HKCC Procedures

8. **Holiday margin:** Holiday margin will be applied to (i) all NH Products, and (ii) H Products that are eligible for margin offset with NH Products. All CPs, including both H CPs and NH CPs, are required to settle the holiday margin. For H CPs, any excess collateral released from the reversion back to the normal margin rate is available for withdrawal from 9:00 a.m. on the Business Day after H Day. For NH CPs, any excess collateral released from the reversion of margin rate will be available for withdrawal after MMC calculation (i.e. at around 10:00 a.m.) in the morning, on the Business Day after H Day.
9. **Concentration Risk:** The assessment and triggering mechanism of the concentration risk on H Days will follow the existing practice on Business Days. H CPs will be required to settle the concentration risk margin, if any, during H Days. For the avoidance of doubt, H Days will be excluded from the counting of grace period for both H CPs and NH CPs.
10. **Capital Based Position Limits ("CBPL"):** The assessment and triggering mechanism of the CBPL on H Days will follow the existing practice on Business Days. H CPs will be required to settle CBPL margin, if any, during H Days. For the avoidance of doubt, it will exclude H Days in counting grace period for both H CPs and NH CPs.

11. **Collateral for Margin and VA:**

a. **Margin:**

HKCC will temporarily suspend the 50-50 collateral rule on H Days in order to allow H CPs to cover their HKD, RMB and USD margin requirements with other eligible collateral(s) (where non-cash collateral could satisfy up to 50% of the margin requirement) to meet their margin obligations on H Day. For JPY and SGD denominated contracts, the current collateral policy would be followed on H Days.

b. **VA:**

(i) On H Day which is HK Public Holiday only

As there is no HKD inter-bank transfer on Hong Kong public holidays due to the absence of HKD Real Time Gross Settlement ("RTGS") on HK Public Holidays, HKCC will collect USD for HKD VA obligation during H Days which is HK Public Holiday. H CPs are required to settle such outstanding HKD obligations after H Days. For the VA obligation of other settlement currencies, including USD, RMB, JPY and SGD, it is required to be fulfilled by the corresponding settlement currency on H Days, which follows the practice on Business Days.

(ii) On H Day which is HK and US Mutual Holiday

For HK and US mutual holidays, HKCC will allow H CPs to satisfy their HKD / USD VA obligations by any acceptable cash collaterals if H CPs cannot meet all the HKD / USD VA obligations in HKD / USD on HK and US mutual holidays. H CPs are required to pay the corresponding settlement currency back on the first Business Day after an HK and US mutual holiday to replace the amount of acceptable cash collaterals in other currencies utilised during the HK and US mutual holiday. For the avoidance of doubt, if the day after an HK and US mutual holiday is still an H Day but not an HK and US mutual holiday, the arrangement set out above for (i) H Day which is HK public holiday will be applied. For the VA obligation of other settlement

currencies, including RMB, JPY and SGD, it is required to be fulfilled by the corresponding settlement currency on H Days, which follows the practice on a Business Day.

The arrangements for margin and VA settlement for H CPs on H Days are summarised below.

| | Margin | VA ² |
|--|--|---|
| (i) H Day which is HK Public Holiday only | | |
| HKD | <ul style="list-style-type: none"> - Covered by HKD collateral first, the shortfall can be covered by other cash and non-cash collateral. - 50-50 collateral rule will be suspended. | <ul style="list-style-type: none"> - Settled in HKD, any outstanding balance can be covered by USD on H Days first and paid back in HKD on the first Business Day after H Day ("H+1 Day"). |
| USD | <ul style="list-style-type: none"> - Covered by USD collateral first, the shortfall can be covered by other cash and non-cash collateral. - 50-50 collateral rule will be suspended. | <ul style="list-style-type: none"> - Must be settled in USD. |
| RMB | <ul style="list-style-type: none"> - Covered by RMB collateral first, the shortfall can be covered by other cash and non-cash collateral. - 50-50 collateral rule will be suspended. | <ul style="list-style-type: none"> - Must be settled in RMB. |
| JPY / SGD | <ul style="list-style-type: none"> - Same arrangement as on Business Days | |

² On H Days, H CPs are only liable to cover the VA outstanding balance by other cash collateral if such balance exceeds HKD 1 million.

| (ii) H Day which is HK and US Mutual Holiday | | |
|---|--|--|
| HKD | <ul style="list-style-type: none"> - Same arrangement as (i) above. | <ul style="list-style-type: none"> - Settled in HKD, any outstanding balance can be covered by other cash collateral first if H CPs cannot meet all the HKD VA obligations on HK and US mutual holidays and paid back in HKD on H+1 Day. - If the next day after HK and US mutual holiday is an H Day which is HK public holiday, follow the same arrangement as stated above for H Day which is HK public holiday only. |
| USD | <ul style="list-style-type: none"> - Same arrangement as (i) above. | <ul style="list-style-type: none"> - Settled in USD, any outstanding balance can be covered by other cash collateral first if H CPs cannot meet all the USD VA obligations on HK and US mutual holiday and paid back in USD on the next day. - If the next day after HK and US mutual holiday is an H Day which is HK public holiday, follow the same arrangement as stated above for H Day which is HK public holiday only. |
| RMB | <ul style="list-style-type: none"> - Same arrangement as (i) above. | |
| JPY / SGD | Same arrangement as on Business Days | |

The haircut rates, which are applied on the non-cash and cash collateral where the currency of the collateral is different from the settlement currency of the contracts, will continue to be applied on H Days.

12. **Reserve Fund (RF):** Should the monthly review fall or an ad hoc review be triggered on an H day, HKCC will calculate the RF based on the latest positions and informs all CPs of their recalculated HKCC Participant Additional Deposits (HPAD) on the first trading day (which is also the Business day) after H Day(s). All CPs are **not** required to settle the HPAD on H Days. The settlement time of HPAD will be maintained on the first Business Day after disseminating notification to all CPs.

Nevertheless, H CPs will be required to settle the RF additional margin (if any) during H Days. For NH CPs, the RF additional margin calculated on the Business Day before H

Days is required to be settled on the first Business Day after H Days.

- 13. Default Management:** The default management process during an HK public holiday will be similar to the procedures on a Business Day. There will be no separate Reserve Fund tranches for H CPs and NH CPs. For H Products which are not subject to holiday margin, HKCC will perform default management on HK public holidays. For H Products which are subject to holiday margin, the market risk exposure throughout the H Days will be mitigated by the margin collected beforehand, so there will be sufficient resources for HKCC to perform liquidation after H Days. HKCC retains the flexibility to perform liquidation on H Days.

Recommended risk controls for Holiday Trading Clearing Participants (“H CPs”) to manage risk matters arising from Derivatives Holiday Trading

The arrangement with appointed settlement bank to facilitate fund transfer and prepare sufficient funding in advance (or credit facilities) to settle all payment obligations during Holiday trading Day (“H Day”):

1. A CP should **have arranged with appointed settlement bank(s) for the service, especially proper e-banking authorisation and limits**, of:
 - a. foreign currency conversion, in particular from HKD and/or any contract currency to USD; and
 - b. inter-bank transfer via Real Time Gross Settlement (“RTGS”) for its house and client money between its appointed settlement bank and other banks in Hong Kong, if any.
2. A CP should ensure there is sufficient support from **staff with relevant authorisation to conduct the funding transfer on H day**.
3. A CP should have arranged pre-funding or credit facilities with appointed settlement bank(s) in advance, for H Day’s settlement. The currencies of the **pre-funding or credit facilities should be extended to non-HKD**.
4. A CP should have a process to estimate the funding need for meeting its clearing obligation on H day. **The estimate should be at currency level**. As for a Hong Kong holiday, USD is the settlement currency for HKD obligations.
5. Based on the funding estimate, a CP should **conduct related currency conversion and inter-bank transfer in advance if CP's sources of funding is from other banks in Hong Kong**.
6. Apart from margin and VA obligations, other obligations including Capital Based Position Limit Margin, Concentration Risk Margin and Reserve Fund Additional Margin could be collected on H day. A CP should ensure relevant reports are monitored and sufficient buffer liquidity should be maintained to meet the obligation.

The contingency plan in case the funding in the designated bank account for settling payment obligations is found to be insufficient during H Day:

7. In case insufficient balance is found, a CP should have the capability (such as e-banking access) on H day to:
 - a. **enquire bank balance** so as to provided it to HKCC upon request;
 - b. **conduct immediate fund transfer** from CP's other bank accounts to its appointed settlement bank account (either intra-bank or inter-bank transfer);
8. A CP should have **proper limit and authorization assigned** to ensure the fund transfer can be conducted:
 - a. from its bank account to HKCC bank account within the appointed settlement bank (i.e. necessary third party transfer limit should be assigned);
 - b. from its CP's other bank accounts via RTGS to HKCC bank account;