

26 Jan 24

Proposal on Severe Weather Trading of Hong Kong Securities and Derivatives Markets – FIA Response

1. Do you have any comments or concerns on the proposed arrangements for the Hong Kong securities market?

No comments

2. Do you have any comments or concerns on the proposed arrangements for Northbound Trading under Stock Connect?

No comments

3. Do you have any comments or concerns on the proposed arrangements for Hong Kong derivatives market?

We fully support the initiative to open trading and clearing venues during on SWT Days. However, for the success of this initiative, we believe additional measures are necessary beyond the involvement of CPs.

Firstly, the Hong Kong banking network, including authorized CCP settlement banks, must support the SWT Day as they do a regular settlement day for all relevant currencies. This ensures regular settlements and collateral movements.

Secondly, both the SEOCH and the HKCC should operate at the same capacity on SWT days as they do on regular business days, providing the same level of service and support to CPs.

Thirdly, all relevant ETD vendors, including execution platforms, market data vendors, and back-office vendors, must actively support the SWT initiative. Their participation is crucial for seamless market operations during such events.

Finally, all EPs operating during a SWT should leverage supporting CPs for adequate give-up processing. In light of this, a non-optional participation model would be beneficial to the market to ensure optimal price discovery.

By implementing these additional measures, we can ensure the success of the SWT initiative and enhance the resilience of Hong Kong's financial markets during severe weather events.

We also seek clarification on the following:

- a. If the final settlement price of the 1 and 3 month HIBOR will be based on the HIBOR rate on the trading day following SW, please clarify how existing positions will be margined and marked to market for the SWT Day?
- b. Will HKEx be issuing a circular to notify members whenever such an event occurs?

4. Do you have any comments or concerns on the proposed arrangements for new listings and new products?

No concerns as long as HKEX provides its usual level of support to CPs on SWT Days.

5. **Do you have any comments or concerns on the proposed money transfer arrangements:**
- (i) **Cheque clearing** – No comments
 - (ii) **Banking services** – The success of the SWT initiative will require Hong Kong's banking network, including authorized CCP settlement banks, treating SWT days as regular settlement days for all relevant currencies.
6. **Do you agree with the proposed arrangements for listing applicants and listed issuers as set out in paragraphs 90 – 91 above, where (a) no change should be made to the existing definition of “business day” under the Listing Rules; and (b) consequential amendments (where necessary) should be made to the Listing Rules to remove any current time extension? Please provide reasons for your view.**
- To eliminate ambiguity, HKEX rules should explicitly define "business day" as encompassing a SWT Day.
7. **Do you agree with the proposed arrangements for listing applicants and listed issuers as set out in paragraphs 92 – 94 above, and that consequential amendments (where necessary) should be made to the Listing Rules to accommodate situations where there are practical difficulties in complying with a Listing Rule obligation on a SWT Day? Please provide reasons for your view.**
- No comments
8. **Do you envisage there being any material practical difficulty in complying with any particular Listing Rule requirements (e.g. those identified in paragraph 93) if a SWT Day is counted as a “business day”? If so, please explain the practical difficulty with reference to the relevant Listing Rules.**
- No comments
9. **Do you agree that consequential amendments to the Listing Rules should be made to reflect any arrangements proposed under this chapter and the relevant trading and clearing arrangements proposed under Chapter 2?**
- Yes. To eliminate potential ambiguity and optimize implementation, the relevant amendments should be made to establish uniformity in the application of any required measures.
10. **Under the proposed model, do you foresee any insurmountable difficulties for implementing SWT? If yes, please specify.**
- No difficulties. [With key stakeholders such as Settlement Banks committed to the provision of uninterrupted and regular services, there should not be any insurmountable difficulties implanting SWT.]
11. **Would there be adequate time to prepare for SWT to come effective in July 2024 under the proposed model? If not, what would be a reasonable length and why?**
- We agree that participants should be provided with a minimum lead time of six months to fully prepare for the necessary development, testing, and implementation of SWT.