



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: B9/129C
B1/15C

27 January 2017

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Supervisory Policy Manual (SPM): CR-G-14 “Margin and risk mitigation standards for non-centrally cleared OTC derivatives”

I am writing to inform you that, following consultation with the banking industry, the Monetary Authority (MA) is issuing the above SPM module as a statutory guideline by notice in the Gazette under section 7(3) of the Banking Ordinance today. Early sight of the final draft form of the module was provided on 30 December 2016.¹

This new module sets out the minimum standards that the MA expects authorized institutions (AIs) to adopt in respect of margin and other risk mitigation standards for non-centrally cleared OTC derivatives transactions.

As noted in our letters issued in December 2016, the phase-in of (i) initial margin requirements for phase 1 institutions²; and (ii) variation margin requirements for all covered entities³ will start from 1 March 2017, subject to a 6-month transitional period.⁴

On-line access to the SPM module is available under the icon for “Supervisory Policy Manual” on the MA’s public (<http://www.hkma.gov.hk>) and private (<http://www.stet.iclnet.hk>) websites.

¹ The final SPM module incorporates a small number of minor editorial amendments as compared to the version circulated on 30 December 2016.

² Phase 1 institution refers to an AI that has an average aggregate notional amount of non-centrally cleared derivatives, calculated according to paragraph 2.4.9 of the SPM module CR-G-14, of more than HKD 24 trillion.

³ As defined in paragraph 1.1.1 of the SPM module CR-G-14.

⁴ Please refer to our letter dated 30 December 2016 for more information on the transitional arrangement.

Should you have any questions regarding this new module, please feel free to contact Johannes Ehrentraud at jehrentraud@hkma.gov.hk.

Yours faithfully,

Karen Kemp
Executive Director (Banking Policy)

c.c.: The Chairperson, The Hong Kong Associations of Banks
The Chairman, The DTC Association
FSTB (Attn: Ms Eureka Cheung)