

**Subcommittee on Securities and Futures
(Futures Contracts) Notice 2012**

**Information/response to be provided by the Administration in
response to Members' requests made at the meeting on 22 May 2012**

1. In respect of the proposed voluntary clearing of over-the-counter ("OTC") derivatives transactions, to provide information on –
 - (a) the steps to be taken for the establishment of a local central counterparty ("CCP") for the voluntary clearing of OTC derivatives transactions, and the expected timeframe;
 - (b) the procedures for the Securities and Futures Commission to approve a local CCP and authorize the latter to provide clearing service for specific types of OTC derivatives, and the relevant considerations and criteria involved;
 - (c) the types of products that are intended to be covered under the voluntary clearing regime;
 - (d) how the risks associated with OTC derivatives transactions can be reduced through the establishment of a local CCP for voluntary clearing;
 - (e) what are the risks associated with a local CCP for voluntary clearing and what risk management measures will be put in place by and for the local CCP under contemplation;
 - (f) the role and possible liability of the HKSAR Government under the voluntary clearing regime;
 - (g) the estimated volume of OTC derivatives transactions and the percentage of such volume out of the global transaction volume of OTC derivatives;
 - (h) the benefits of the establishment of a local CCP for voluntary clearing; and
 - (i) the consequences of not establishing a local CCP for voluntary clearing.

2. In respect of the mandatory clearing obligation to be imposed on market participants in the proposed regulatory framework for the OTC derivative market, to provide information on –
 - (a) Whether it is mandatory for Hong Kong to follow the "G20 requirements" and pursue mandatory clearing of OTC derivatives through CCPs;
 - (b) If the answer to (a) above is affirmative, what are the risks (if any) that may be faced by the financial system of Hong Kong and whether Hong Kong can stand such risks; and
 - (c) What will be the loss to or impact on Hong Kong, should Hong Kong choose not to follow the said "G20 requirements" and/or not providing a local CCP.
3. To consider imposing a cap (say, on a daily basis or otherwise) on the transaction volume of OTC derivatives to be handled under the proposed voluntary clearing regime and/or specifying a cap on the face value of each OTC derivative transaction that is to be regarded as a futures contract that may be cleared through a local CCP.

Council Business Division 1
Legislative Council Secretariat
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