



## NOTICE OF DESIGNATION

Pursuant to section 101J(1) of the Securities and Futures Ordinance (Cap. 571) (**SFO**), the Securities and Futures Commission (**Commission**) hereby designates LCH.Clearnet Limited (**LCH**) as a designated central counterparty (**CCP**) in respect of the specified class(es) of OTC derivative products set out in the Annex to this Notice. The designation is subject to the following conditions.

1. This designation only applies in respect of transactions cleared through LCH's SwapClear System.
2. LCH must notify the Commission of any material change to information provided by LCH as part of its application for designation, and particularly to changes in the matters specified below –

2.1. LCH's regulatory status with the Bank of England;

2.2. the jurisdictions (other than the UK) in which LCH –

- carries on business as a CCP; and
- is regulated (or, if applicable, exempted from having to be regulated) as a CCP,

through which transactions in OTC derivative products may be cleared for the purposes of fulfilling any mandatory clearing requirements in force in that jurisdiction; and

2.3. details of any arrangements to facilitate compliance with the Securities and Futures (OTC Derivative Transactions—Clearing and Record Keeping Obligations and Designation of Central Counterparties) Rules, as in force from time to time, by persons clearing OTC derivative transactions through LCH's facilities.

Any notification of change pursuant to this Condition must be given prior to the change taking effect or (if it is not reasonably practicable to give prior notification) as soon as practicable after the change takes effect.

3. LCH must put in place and/or maintain appropriate business continuity plans and disaster recovery programmes for LCH's activities as a designated CCP in Hong Kong and notify the Commission of any material change to such plans or programmes.
4. In respect of all OTC derivative products covered by this Designation Notice, and subject to paragraph 5 below, LCH must provide the following **monthly** statistics to the Commission –

4.1. the total volume of all trades (in terms of their aggregate notional amount and,



if applicable, the total number of contracts) cleared and settled during the relevant month through the SwapClear system, with a breakdown in respect of each OTC derivative product or product class (as agreed by the Commission in writing);

- 4.2. the total volume of all trades (in terms of their aggregate notional amount and, if applicable, the total number of contracts) cleared and settled during the relevant month through the SwapClear system, by each member who is a "Hong Kong Clearing Member" as defined in the Notice of Authorization to provide automated trading services issued to LCH on 31 August 2016 (**Hong Kong Clearing Member**), with a breakdown in respect of each OTC derivative product or product class (as agreed by the Commission in writing);
- 4.3. the total notional outstanding and, if applicable, the total number of contracts, as at month end, of all of its members combined, with a breakdown in respect of each OTC derivative product or product class (as agreed by the Commission in writing);
- 4.4. the total notional outstanding and, if applicable, the total number of contracts, as at month end, of each Hong Kong Clearing Member, with a breakdown in respect of each OTC derivative product or product class (as agreed by the Commission in writing);
- 4.5. the total margin balances and total collateral balances of all of its members combined, as at month end;
- 4.6. the margin balance and collateral balance of each Hong Kong Clearing Member, as at month end;
- 4.7. the total size of its default fund, as at month end (and if LCH maintains more than one default fund, the total size of each default fund to which any Hong Kong Clearing Member has contributed); and
- 4.8. the total default fund contributions of each Hong Kong Clearing Member, as at month end (and if LCH maintains more than one default fund, the Hong Kong Clearing Member's total contributions to each default fund to which it has contributed).

The above statistics must be provided within **four** weeks after the end of the relevant month or within such other period as the Commission may agree in writing. A nil return is required if no trade was cleared or settled in the relevant reporting period.

5. The requirement (under paragraphs 4.2, 4.4, 4.6, 4.7 and 4.8 above) to provide statistics in respect of Hong Kong Clearing Members applies only in respect of Hong Kong Clearing Members that are incorporated in Hong Kong.



6. This Notice takes effect from 1 September 2016.

DATED: 31 AUGUST 2016



## Annex

### BASIS SWAPS<sup>1</sup>

CURRENCY	FLOATING RATE INDEX	TENOR	OPTIONALITY <sup>2</sup>	CONSTANT NOTIONAL
USD	LIBOR	28 DAYS TO 10 YEARS	NO	YES
EUR	EURIBOR	28 DAYS TO 10 YEARS	NO	YES
GBP	LIBOR	28 DAYS TO 10 YEARS	NO	YES
JPY	LIBOR	28 DAYS TO 10 YEARS	NO	YES
HKD	HIBOR	28 DAYS TO 10 YEARS	NO	YES

### FIXED-TO-FLOATING SWAPS<sup>3</sup> (EXCEPT OVERNIGHT INDEX SWAPS<sup>4</sup>)

CURRENCY	FLOATING RATE INDEX	TENOR	OPTIONALITY	CONSTANT NOTIONAL
USD	LIBOR	28 DAYS TO 10 YEARS	NO	YES
EUR	EURIBOR	28 DAYS TO 10 YEARS	NO	YES
GBP	LIBOR	28 DAYS TO 10 YEARS	NO	YES
JPY	LIBOR	28 DAYS TO 10 YEARS	NO	YES
HKD	HIBOR	28 DAYS TO 10 YEARS	NO	YES

### OVERNIGHT INDEX SWAPS

CURRENCY	FLOATING RATE INDEX	TENOR	OPTIONALITY	CONSTANT NOTIONAL
USD	FED FUNDS	7 DAYS TO 2 YEARS	NO	YES
EUR	EONIA	7 DAYS TO 2 YEARS	NO	YES
GBP	SONIA	7 DAYS TO 2 YEARS	NO	YES

<sup>1</sup> As defined in section 1 of Schedule 1 to the the Securities and Futures (OTC Derivatives Transactions—Clearing and Record Keeping Obligations and Designation of Central Counterparties) Rules.

<sup>2</sup> Ditto

<sup>3</sup> Ditto

<sup>4</sup> Ditto