

# Prime Services Onboarding Workshop

Swap Connect



standard  
chartered

# Agenda

	1	Onboarding
	2	Daily Clearing Process
	3	Margining and Reporting
	4	OTCC Swap Connect Transaction Fees
	5	Value Added Services
	6	SCB Prime Contact Details



# Onboarding



# Legal Documentation

## ISDA/CSA

The ISDA and CSA enable OTC derivatives to be documented fully and flexibly. The ISDA framework consists of a master agreement, a schedule, confirmations, definition booklets, and a credit support agreement. The master agreement is never altered but is customised via the schedule which contains elections and amendments to the master agreement. Individual transactions are documented through confirmations, and collateral support for the ISDA is provided for in the CSA.

## Client Clearing Addendum

The Client Clearing Addendum is used by SCB and Clients for documenting their relationship with respect to OTC derivatives transactions booked under the ISDA/CSA and cleared with SCB's Central Counterparty Clearing House.

## Client Clearing Addendum Annex

The Client Clearing Addendum Annex amends the provisions of the Client Clearing Addendum and contains any elections. The Addendum, as amended by the Annex, governs the Client Transactions that arise as a result of SCB accepting trades for clearing on behalf of the Client. It does not amend nor affect the terms of the bilateral trading under the ISDA/CSA between SCB and the Client.

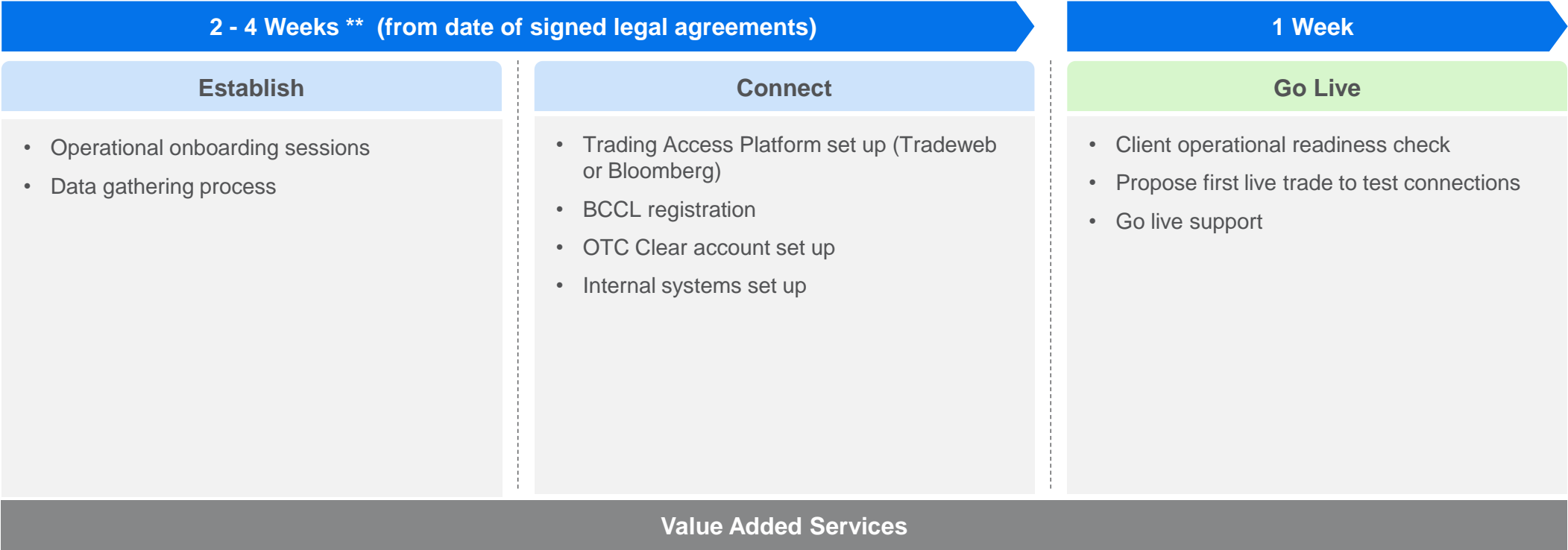
## Fee Letter

The Fee Letter sets out the fee arrangements between the SCB and the Client for SCB to clear transactions booked under the ISDA/CSA with SCB's Central Counterparty Clearing House.



# Comprehensive Integrated Onboarding

- The Prime Services Client Solutions team is structured to facilitate an efficient account opening
- A dedicated representative will be tasked with all aspects of your account opening and will remain engaged throughout the on-boarding process



- Portfolio analysis for margin simulation

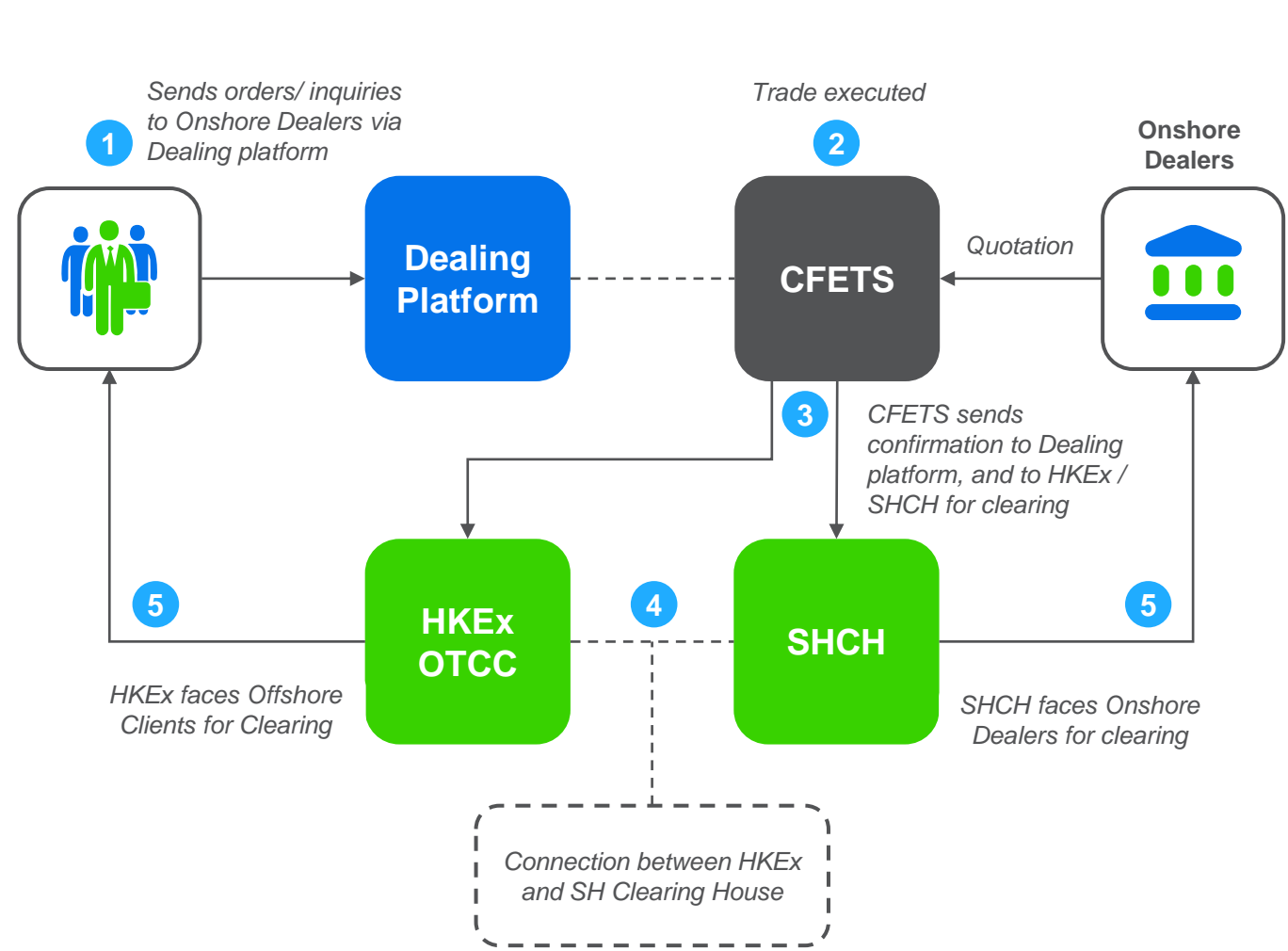
\* \* Timelines might be extended if there are unforeseen delays caused by external onboarding setups



# Daily Clearing Process



# Swap Connect Trading and Clearing Flow



- 1 International investors place orders on international trading platforms (Tradeweb/Bloomberg)
  - CFETS executes the trade between offshore investors and onshore dealers, and subsequently sends the trade details to the international trading platform for offshore investors
- 2
- 3 CFETS sends clearing requests to both OTC Clear and SHCH
  - SHCH provides final clearing status confirmation to both OTC Clear and CFETS
- 4 CFETS
  - International investors will face OTC Clear once the trade is cleared with only offshore exposure and OTC Clear will take up as Central Counterparty
- 5



# Product Eligibility

OTC Clear will accept an Original Standard Northbound Rates Derivatives Transaction for registration only if such transaction satisfies the below requirements:

(i) Such Original Standard Northbound Rates Derivatives Transaction is of the type set out in the table as follows:

Instrument	Currency	Reference Rate	Time to Maturity
Original Standard Northbound Rates Derivatives Transaction	CNY	SHIBOR 3M	10 Years
		SHIBOR O/N	3 Years
		FR007	10 Years

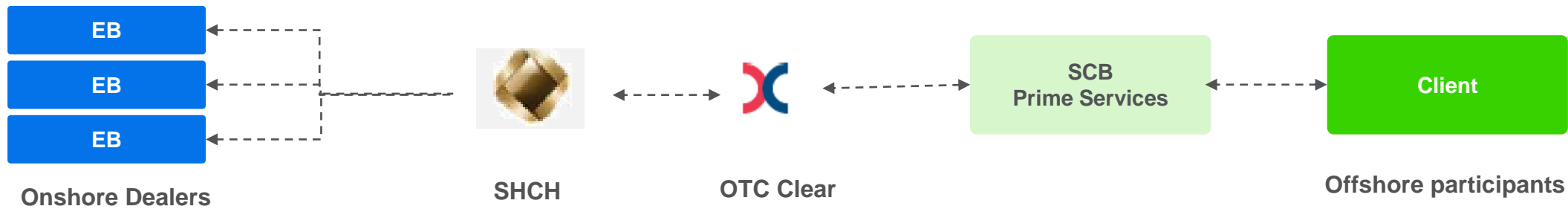
ii) no payments are due in respect of such Original Standard Northbound Rates Derivatives Transaction under the economic terms thereof within the next Northbound Clearing Day

(iii) such Original Standard Northbound Rates Derivatives Transaction satisfies all the other product eligibility requirements prescribed in article 5.1 of the SHCH Clearing Guidelines and would be eligible for clearing by the Special Clearing House Participant.





# Clearing Structure



Entity	Role	Legal Requirements / Description
Standard Chartered Bank / Or other Execution Broker	Execution Broker(s)	Execution Agreement - In order to facilitate the entry into certain transactions the Execution Broker and the Client agree to be bound by these Execution Standard Terms
Standard Chartered Bank	Clearing Broker	Clearing Agreement between the client and their Clearing Broker
Standard Chartered Bank	Counterparty Exposure	Counterparty Exposure to SCB
Standard Chartered Bank	Reporting	SCB will provide reporting on a T+1 basis
Clearing House (OTC Clear)	Segregation	The Clearing House (OTC Clear) offers two broad types of account: <b>Omnibus Segregated Accounts (OSAs)</b> and <b>Individual Segregated Accounts (ISAs)</b>



# OTC Clear Account Structures

OTC Clear provides clients with different types of segregated accounts for the registration of Contracts and Collateral. An individual segregated account would typically be expected to offer greater protection to the underlying client as their collateral will be ring-fenced and separated from that of other clients.

	Individual Segregated (Category 1) account	Omnibus Net (Category 2) Account
<b>Contracts &amp; Collateral</b>	<b><i>Segregated</i></b> from other clients and from SCB House Account	<b><i>Co-mingled</i></b> with other Clients sharing the same Client Position Account, but segregated from the Clearing Member's House Account and other Client Accounts
<b>Margin calculation</b>	Calculated on a net basis across all Contracts registered to the account	In respect of each Client account, calculate on a <b><i>net</i></b> basis across all Contracts registered to that Client Account.
<b>Collateral Posting</b>	Collateral must be posted separately to satisfy Margin obligations on the account	Collateral must be posted separately to satisfy Margin obligations on each Client Account.
<b>Mutualised loss across Clients if the Clearing Member defaults?</b>	No	Yes, amongst Clients sharing the same Client Account.
<b>Porting</b>	Yes, subject to Porting Instructions being put in place before the occurrence of a Default Management Process Event and subsequent consent of the relevant Replacement Clearing Member	Less Likely. Contracts and Collateral will only be ported if all Clients in the same Client Account have valid Porting Instructions in place before the occurrence of a Default Management Process Event, appointing the same Replacement Clearing Member and subsequently, that Replacement Clearing Member consents to the porting of all Contracts and Collateral registered to the Client Account.

More information on OTC Clear Account structures is available on the HKEx website [here](#)

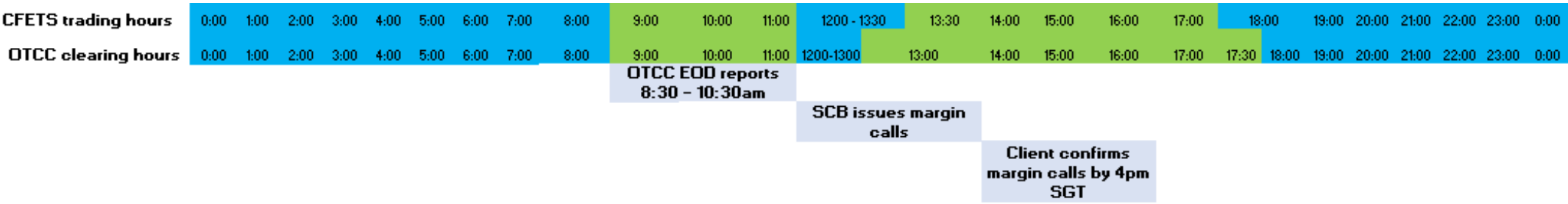


# Margining & Reporting



# Client Margin Timelines

SCB will send margin related reporting out on a T+1 basis



## Reporting Timeline

- 1. CCP sends SCB overnight reporting for previous business day
- 2. SCB are auto debited by the CCP
- 3. SCB will provide one call, per currency, per day to client (with no threshold)
- 4. SCB will send reporting daily for client to review and provide their confirmation of margin call

\*Green cells indicate service is open.  
\*Blue cells indicate service is closed.



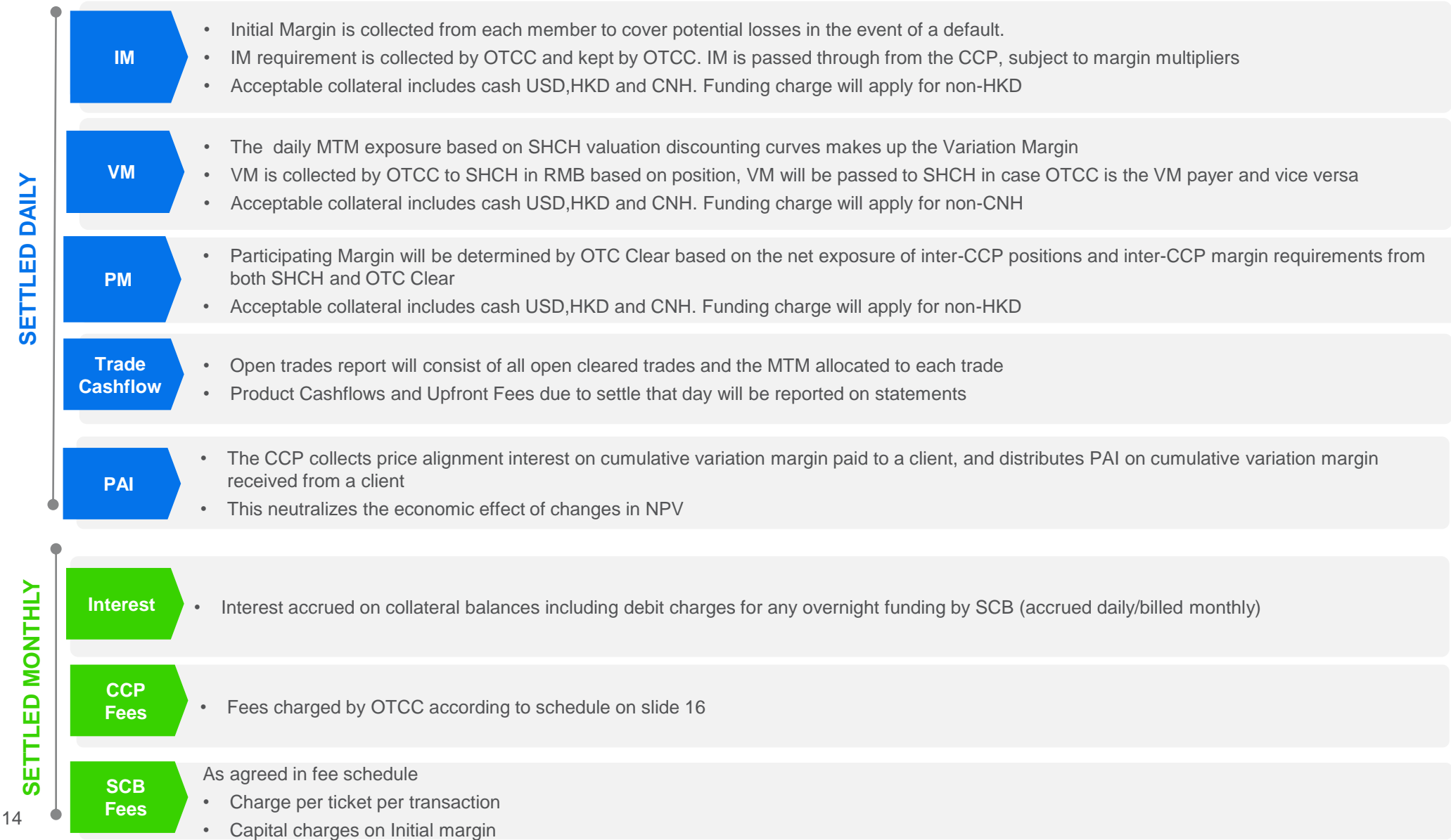
# Swapconnect Trading and Clearing Holidays

Hong Kong	China	Execution/Clearing	Initial Margin Call	Participating Margin Call	Variation Margin Call
Working Day	Working Day	✓	HKD	HKD	CNH
Working Day	Holiday	X	HKD	X	X
Holiday	Working Day (Weekdays)	✓	USD	USD	CNH
Holiday	Special Working Day (Weekend)	✓	X	CNH	CNH
Holiday	Holiday	X	USD	X	X

\*\*Intraday initial and variation margin calls will be in HKD. There will not be any intra-day PM call



# Margin Components Breakdown



# SCB Prime Reporting Stack

## Daily Open Trade Details

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The open trade details report provides a COB snapshot of all open trades on the CCP, including key economic information such as trade date, currency and direction, fixed rate, benchmark and the CCP MTM amounts

## Daily Cashflow

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The cashflow report captures upcoming coupons and trade cashflows

## Daily Margin Statement

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The margin statement contains information related to IM/VM for all cleared activity. The IM/VM values are passed through from the CCP. This statement would also capture cash balances and movements related to your account

## Monthly Interest and Fee Statement

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The interest and fee statements are generated monthly and capture all interest accruals related to collateral balances and any trading/clearing related fees charged by the CCP and SCB



# OTCC Transaction Fees





# OTC Clear Fees

Type of Client Position Account	Registration Fee	Maintenance Fee
0 – 1 year	0.0001% of the notional amount of the Contract	0.000025% of the notional amount per month of the Contract, on a monthly basis in respect of each Contract until its maturity  Registration Fees and Maintenance Fees will be billed in aggregate (in HKD) monthly in arrears
> 1 – 3 years	0.0003% of the notional amount of the Contract	
> 3 – 5 years	0.0004% of the notional amount of the Contract	
> 5 – 6 years	0.0006% of the notional amount of the Contract	
> 6 – 7 years	0.0006% of the notional amount of the Contract	
> 7 – 9 years	0.0008% of the notional amount of the Contract	
> 9 – 10 years	0.0008% of the notional amount of the Contract	



# Value Added Services



# Lifecycle Events, Compression and Porting

Life Cycle Events	Description
Cancellation/Termination	<ul style="list-style-type: none"> <li>OTCC does not accept any deregistration of trades</li> </ul>
Novations and Unwinds	<ul style="list-style-type: none"> <li>Novations and Unwinds do not apply in the cleared world with Clients facing the Clearing Broker. Clients will need to enter into an offsetting transaction and upon clearing with OTCC, submit a request to the clearing broker for compression.</li> <li>Trades can only be submitted to OTCC for compression the next business day after clearing</li> </ul>
Reporting	<ul style="list-style-type: none"> <li>Reports will be sent on a T+1 basis reflecting the results of any lifecycle events</li> </ul>
Compression and Porting	<b>Trades with certain criteria could be eligible for netting and compression to reduce gross notional for capital efficiency</b> <b>Trades can be ported in and out of clearing accounts</b>
Eligibility for Compression	<ul style="list-style-type: none"> <li>Offsetting trades with the same currency, fixed rate and aligned future cash flow periods are eligible for compression. If trades are equal and opposite, both trades will be terminated after the netting cycle</li> </ul>
Compression process	<ul style="list-style-type: none"> <li>Requests to compress trades to be sent to SCB by EOD NY in order to be submitted for the netting cycle on T+1.</li> </ul>
Porting	<ul style="list-style-type: none"> <li>Requests to port trades between clearing brokers</li> </ul>



# SCB Prime Contact Details



# Prime Services Client Solutions Team

Contact Information	Singapore	London	New York
Middle Office Hotline	+ 65 6634 2220	+ 44 (0) 20 7885 8815	+1 212 667 0472
Middle Office Group Email	ECLiPSe.clientservices@sc.com		
Global Head of Client Solutions	Miles Peckham-Cooper (Singapore) Direct Line: +65 6645 6347 Email: miles.peckhamcooper@sc.com		
Client Solutions Team	Elaine Lee (Regional Head) Direct Line: +65 9027 7657 Email: elainecl.lee@sc.com	John Burke (Regional Head) Direct Line: +1 212 667 0472 Email: john.burke@sc.com	
	Ho Wei Ying Direct Line: +65 9070 6175 Email: weiying.ho@sc.com	Andrew Wing Direct Line: +44 (0) 20 7885 5823 Email: andrew.wing@sc.com	David Capovilla Direct Line: +1 212 667 0738 Email: david.capovilla@sc.com
	Ashley Tan Direct Line: +65 9239 9022 Email: ashley.tan@sc.com	Simon Chua Direct Line: +44 (0) 20 7885 3355 Email: simon.chua@sc.com	John Birle Direct Line: +1 212 667 0476 Email: john.birle@sc.com
	Abhimanyu Bagri Direct Line: +65 8268 5424 Email: abhimanyu.bagri@sc.com	Prith Sarvaiya Direct Line: +44 207 885 1214 Email: prithvirajsinh.sarvaiya@sc.com	
	Kesara Goh Direct Line: +65 8268 5548 Email: kesara.goh@sc.com	Sophie Day Direct Line: +44 (0) 20 7885 3353 Email: sophie.day@sc.com	



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