財資市場公會
Treasury Markets Association

Treasury Markets Association

- Survey results -

CNH HIBOR futures

Background

- CNH HIBOR was launched in June 2013
- In August 2014, the TMA initiated a survey to understand the usage and relevant considerations in using CNH HIBOR
- Assistance from HKMA and relevant industry associations was sought to circulate the survey to relevant stakeholders
- Opportunity was also taken to seek market participants' inputs in developing CNH HIBOR-related instruments

Background

- In particular, respondents were asked to give views on –
  1. potential market demand for CNH HIBOR futures; and
  2. suggested parameters for CNH HIBOR futures
- Around 200 responses were received
- Assistance from the HKMA was obtained to aggregate the responses
- The aggregate data was then analysed by the TMA Secretariat

Survey results – Interest in CNH HIBOR futures

- Around 30% of the respondents, including most of the major banks in Hong Kong, were interested in trading in CNH HIBOR futures

- Amongst them, 40% of them additionally expressed an interest in serving as market-makers

Survey results – Suggested parameters (1)

- Respondents generally agree that the parameters should be broadly similar to those of HKD HIBOR futures, specifically –

- **Underlying interest rate**

  - Respondents see stronger demand for 3M, and then 1M, contracts at initial stage

  - Some suggest developing 6M contracts as market grows

Survey results – Suggested parameters (2)

- **Contract size**
  - RMB15 million for 1M contract and RMB5 million for 3M contract, i.e. same as HKD HIBOR apart from changing the currency denomination

- **Trading hours**
  - Focus on the Asian time zone initially, but keep the option of including it in AHFT
  - Some suggest taking out the lunch break

Survey results – Suggested parameters (3)

- **Market making arrangement**
  - Respondents consider market making arrangements (e.g. committed two-way executable quotes) to be important, especially at the initial stage
  - Suggested economic incentives: Discount or rebate on exchange fees

Survey results – Other product developments

- Respondents suggest developing the following types of products too –
  - Bond futures (both onshore and offshore)
  - Forward rate agreement (FRA)
  - Overnight indexed swap (OIS)
  - Interest rate option
  - Swaption
  - Interest cap and floor

Contact

TMA Secretariat

Postal address: 55/F, Two IFC, 8 Finance Street, Central, Hong Kong

Tel: +852 2815 9920

Email: enquiry@tma.org.hk