

**Government Bond Programme
Institutional Bond Issuance Programme**

Operating Procedures for Bond Swap Facility

Background

This is the Operating Procedures for Bond Swap Facility (“Operating Procedures”) referred to in the Information Memorandum of the Hong Kong dollar-denominated bonds under the institutional bond issuance programme (“Bonds”) of the Government Bond Programme (“GBP”) of the Hong Kong Special Administrative Region Government (“HKSAR Government”). The Monetary Authority (“MA”) is the representative of the HKSAR Government in implementing the GBP.

2. This Operating Procedures sets out the administrative and operating arrangements for the bond swap facility under the institutional bond issuance programme under the GBP (“Bond Swap Facility”), whereby any Primary Dealer may request a temporary swap of its holdings in an issue of Bonds acceptable to the HKSAR Government (“Acceptable Bonds”) for a different issue of Bonds (“Requested Bonds”) through entering into an Issuance and Redemption Agreement (“Agreement”) with the HKSAR Government. The Bond Swap Facility will be operated by the MA on behalf of the HKSAR Government.

3. The terms and conditions contained in this Operating Procedures (as amended by the MA from time to time) apply to the Bond Swap Facility and Primary Dealers should also observe any other rules and/or regulations in respect of the Bond Swap Facility as prescribed by the MA from time to time.

Eligible Counterparties

4. Any Primary Dealer which has entered into a Master Issuance and Redemption Agreement with the HKSAR Government acting through the MA (“Master IR Agreement”), may access the Bond Swap Facility only if: –

- (a) the Primary Dealer’s appointment as Primary Dealer has not been suspended or revoked by the HKSAR Government nor has the Primary Dealer’s right to access the Bond Swap Facility otherwise been suspended or terminated;

- (b) the relevant Primary Dealer holds, as sole legal and beneficial owner free from any security or other interest, sufficient holdings in an issue of any Acceptable Bonds which are specified in the Master IR Agreement (“Eligible Bonds”) for the intended bond swap. Holdings in client accounts maintained by the Primary Dealer will not be regarded as owned by that Primary Dealer for this purpose; and
- (c) the nominal value of the Requested Bonds to be obtained is within such swapping limit as may be imposed by the MA on the relevant Primary Dealer.

Swapping Limit

5. Each Primary Dealer will be assigned a swapping limit, i.e., the maximum nominal value of Requested Bonds that are subject to reversal transactions under the Master IR Agreement. Any Primary Dealer intends to access the Bond Swap Facility will have to ensure the aggregate nominal value of Requested Bonds issued to it subject to outstanding reversal transactions (“Aggregate Outstanding Position”) does not exceed that Primary Dealer’s swapping limit at all times.

6. All Primary Dealers will be assigned an individual swapping limit which may be revised from time to time by the MA with notice to the Primary Dealer concerned. The highest swapping limit assigned will be announced by the MA on the Reuters screen (HKGBINDEX) and Bloomberg (GBHK <GO>) or by any other means as specified by the MA.

Operation Window

7. On any day (other than a Saturday, Sunday and general holiday in Hong Kong) on which the Central Moneymarkets Unit operated by the MA (“CMU”) is open (“Business Day”), any Primary Dealer may submit a request for the swapping of certain nominal value of Eligible Bonds for certain nominal value of Requested Bonds (“Request”) under the Bond Swap Facility based on the terms and conditions set out in the Master IR Agreement and in this Operating Procedures. In this Operating Procedures, the date of submitting a Request will be referred to as the Requesting Date, the date of initiating the Request (“Initiation”) will be referred to as the

Initiation Date, and the date of reversing the Request (“Reversal”) will be referred to as the Reversal Date.

8. The operational timetable of the Bond Swap Facility, including the relevant contingency arrangements, is summarised at **Annex 1**.

Parameters of a Valid Request

9. A Primary Dealer (“Requesting Primary Dealer”) must submit a Request in a form substantively similar to the sample at **Annex 2**. The MA will determine whether a Request is valid based on the parameters set out in paragraphs 11 to 17 below, and confirm with the Requesting Primary Dealer by 4:00 p.m. on the Requesting Date using a form substantively similar to the sample at **Annex 3** (“Confirmation”). In particular, the MA will calculate the nominal value of the Eligible Bonds needed based on the formula at **Annex 4** using the Official Fixings as appropriate. Under exceptional circumstances (e.g., in abnormal market conditions), the MA may use other parameters to determine whether a Request is valid and any pricing other than the Official Fixings in the calculation of the required Eligible Bonds, and the MA’s such decision is not to be disputed.

10. The MA will endeavour to confirm with the Requesting Primary Dealer as soon as possible after receipt of the Request. A Request will be a valid request upon the issue of a Confirmation. The Requesting Primary Dealer is required to reconcile the Confirmation which will be deemed to be correct in the absence of manifest error unless the Requesting Primary Dealer requests any correction and such requested correction has been verified and confirmed by the MA by 5:00 p.m. on the Requesting Date.

Time of submission

11. Unless agreed by the MA in advance, all Requests must be submitted by 3:00 p.m. on a Business Day through authenticated facsimile transmission.

Bonds under the Bond Swap Facility

12. Eligible Bonds and Requested Bonds must be Hong Kong dollar-denominated bonds issued under the institutional bond issuance programme of the Government Bond Programme as specified in the Master IR Agreement or by the MA from time to time. Only bonds of the same type can be swapped. Specifically, Requested Bonds which are fixed rate bonds must only be swapped for another issue of fixed rate bonds, and

any Requested Bonds which are floating rate bonds must only be swapped for another issue of floating rate bonds of the same type.

Initiation Date and Reversal Date

13. Unless agreed by the MA in advance, the Initiation Date will be the immediately succeeding Business Day of the Requesting Date. Bond swap can be of a tenor (calculated from and including the Initiation Date up to but excluding the scheduled Reversal Date) of overnight up to 30 calendar days. The Reversal Date should fall on a Business Day which is at least three Business Days prior to the immediate upcoming interest payment date or the maturity date of the Requested Bonds or the Eligible Bonds, whichever comes first.

14. The Initiation Date should not coincide with the issue date of a tender where Bonds on offer at the tender having the same Issue Number as the Requested Bonds will be allotted.

Minimum transaction size

15. The Requested Bonds under any Request must have a nominal value of at least HK\$10 million and in integral multiples of HK\$50,000 thereafter.

Maximum transaction size

16. The nominal value of the Requested Bonds, if issued to the Requesting Primary Dealer, must not cause the Requesting Primary Dealer's Aggregate Outstanding Position to exceed its assigned swapping limit.

Rollover

17. A Requesting Primary Dealer may submit a new request to rollover ("Rollover Request") an existing Request whose scheduled Reversal Date has yet to pass. Both the issue and the nominal value of the Requested Bonds under a Rollover Request must match those of the Requested Bonds under the existing Request, and the issue of the Eligible Bonds under a Rollover Request must also match that of the Eligible Bonds under the existing Request. The MA will calculate the nominal value of the Eligible Bonds needed under the Rollover Request. A Rollover Request will be dealt with in the same manner as that with a Request.

Settlement

Initiation

18. On the Initiation Date of a Request, the Requesting Primary Dealer is required, as sole legal and beneficial owner, to deliver free from any security or other interest the full nominal value of the Eligible Bonds (as stated in the relevant Confirmation) from the Requesting Primary Dealer's main securities account (000) maintained with the MA to the MA (CMU Account No. AAAA006) at or before 10:00 a.m., such that the HKSAR Government (acting through the MA) may early redeem such Eligible Bonds.

19. Subject to the satisfactory receipt of the relevant Eligible Bonds by 10:00 a.m. on the Initiation Date, the MA will arrange issuance of the Requested Bonds on behalf of the HKSAR Government for delivery (from CMU Account No. AAAA007) to the Requesting Primary Dealer's securities account at or before the CMU settlement run commencing at 4:00 p.m. on the same day.

20. The transactions stated in paragraphs 18 and 19 will be cash-neutral, and settlement may be effected by way of free-of-payment ("FoP") transfer. Unless due to unforeseen situations (in which case the Requesting Primary Dealer should inform the MA as soon as possible), to ensure timely delivery of the Eligible Bonds on the Initiation Date, the Requesting Primary Dealer is expected to input the relevant transfer instructions by 6:30 p.m. on the Requesting Date and to ensure sufficient nominal value of the Eligible Bonds is held in the Requesting Primary Dealer's securities account by close of business of the Requesting Date.

Reversal

21. On the Reversal Date of a Request, the Requesting Primary Dealer is required, as sole legal and beneficial owner, to deliver free from any security or other interest Bonds of equivalent nominal value to and of the same issue as those of the Requested Bonds ("Equivalent Requested Bonds") from the Requesting Primary Dealer's securities account to the MA (CMU Account No. AAAA007) at or before 10:00 a.m., such that the HKSAR Government (acting through the MA) may early redeem such Equivalent Requested Bonds.

22. Subject to the satisfactory receipt of the Equivalent Requested Bonds by 10:00 a.m. on the Reversal Date, the MA will arrange issuance of Bonds of equivalent nominal value to and of the same issue as those of the Eligible Bonds ("Equivalent Eligible Bonds") on behalf of the HKSAR Government for delivery (from CMU Account No. AAAA006) to the Requesting Primary Dealer's securities account at or before the CMU settlement run commencing at 4:00 p.m. on the same day.

23. The transactions stated in paragraphs 21 and 22 will be cash-neutral, and settlement may be effected by way of FoP transfer. Unless due to unforeseen situations (in which case the Requesting Primary Dealer should inform the MA as soon as possible), to ensure timely delivery of the Equivalent Requested Bonds on the Reversal Date, the Requesting Primary Dealer should input forward-dated transfer instructions as early as possible, and is expected to input the relevant transfer instructions by 6:30 p.m. on the Business Day immediately preceding the Reversal Date, and to ensure sufficient nominal value of the Equivalent Requested Bonds is held in the Requesting Primary Dealer's securities account by close of business of the Business Day immediately preceding the Reversal Date.

Rollover

24. While the Requesting Primary Dealer would be considered to have entered into a new request in respect of a Rollover Request, as the same issues of Bonds will be involved under a Rollover Request, for settlement efficiency purposes, it is acceptable to deliver the difference (if any) in the nominal values of the relevant Eligible Bonds delivered for the existing Request and to be delivered for the Rollover Request on the Initiation Date for the Rollover Request. More specifically: –

- (a) if the calculated nominal value of the Eligible Bonds required for the Rollover Request is greater than the nominal value of the Eligible Bonds delivered for the existing Request, then the Requesting Primary Dealer is required to deliver further nominal value of Eligible Bonds equivalent to the difference between the two values to the MA (CMU Account No. AAAA006) in a manner similar to that described in paragraph 18 above;
- (b) if the calculated nominal value of the Eligible Bonds required for the Rollover Request is less than the nominal value of the Eligible Bonds delivered for the existing Request, then the Requesting Primary Dealer will receive from the MA (CMU Account No. AAAA006) nominal value of Eligible Bonds equivalent to the difference between the two values in a manner similar to that described in paragraph 22 above;
- (c) if the calculated nominal value of the Eligible Bonds required for the Rollover Request is the same as the nominal value of the Eligible Bonds delivered for the existing Request, then

there will be no transfer of any Eligible Bonds required between the Requesting Primary Dealer and the MA; and

- (d) in all cases of (a) to (c), as the issue and the nominal value of the Requested Bonds under the Rollover Request will be the same as those of the Equivalent Requested Bonds under the existing Request, there will be no transfer of any Requested Bonds or Equivalent Requested Bonds required between the Requesting Primary Dealer and the MA.

Transfer instructions

25. A sample of transfer instruction form is at **Annex 5** for reference. It is the responsibility of Requesting Primary Dealers to ensure timely settlement of all transactions under any issuance and redemption agreements. Settlement of all Requests under the Bond Swap Facility will be effected in a manner consistent with this Operating Procedures and the prevailing procedures set out in the Exchange Fund Bills and Notes Clearing and Settlement System Reference Manual (and in particular Chapter 11). Partial settlement of any Request (including Rollover Request) is not allowed.

Failure to Effect Transactions and Penalties

26. Unless agreed by the MA in advance, if a Requesting Primary Dealer fails to effect the required delivery (whether in full or in part) on the Initiation Date as described in this Operating Procedures, the Request will not be processed.

27. Unless agreed by the MA in advance, if a Requesting Primary Dealer fails to effect the required delivery (whether in full or in part) on the Reversal Date as described in this Operating Procedures, the MA will treat it as a failed transaction and will conduct an outright purchase of the entire required amount of the Equivalent Requested Bonds from one or more other Primary Dealers (“Outright Purchase”) as appropriate. If the MA can successfully purchase such amount of the Equivalent Requested Bonds, the MA will then deliver the relevant Equivalent Eligible Bonds to the defaulting Primary Dealer, and the defaulting Primary Dealer will no longer be required to deliver the relevant Equivalent Requested Bonds required for the Reversal but will be required to pay the full cost of the Outright Purchase (“Outright Purchase Cost”). The Outright Purchase Cost will be based on the actual purchase costs of the relevant Bonds

incurred by the MA, which may be different from the prices quoted by other market participants, and is not to be disputed.

28. If the MA is unable to purchase the entire required nominal value of the Equivalent Requested Bonds from any other Primary Dealers, Reversal will not be effected and the MA will not be required to deliver the relevant Equivalent Eligible Bonds to the defaulting Primary Dealer. The defaulting Primary Dealer will be required to pay the failed reversal penalty as calculated by the relevant formula at **Annex 6**.

29. The MA will, at or before 12:00 noon (where practicable) on the relevant Reversal Date, inform the defaulting Primary Dealer of the amount of the Outright Purchase Cost or failed reversal penalty required to be paid in a form substantively similar to the sample at **Annex 7**. The MA will debit such specified amount from the defaulting Primary Dealer's settlement account maintained with the MA at or about 3:00 p.m. on the same day.

Contingency Arrangements

30. Primary Dealers should make reference to the contingency arrangements at **Annex 1**. If the scheduled Initiation Date of a Request is so postponed, the scheduled Reversal Date will not be postponed. If the postponed Initiation Date then falls on or after the scheduled Reversal Date, or fails to meet some of the parameters set out in paragraphs 11 to 17 above, the Request will not be processed. The MA will inform the Requesting Primary Dealer accordingly.

31. If the scheduled Reversal Date is postponed under the contingency arrangements and falls on a date that is also the maturity date or an interest payment date of either the Requested Bonds or the Eligible Bonds, in addition to the settlement arrangements as described in paragraphs 18 to 25 above, the following will apply: –

- (a) if the postponed Reversal Date is also an interest payment date of Bonds of the same issue as that of the Eligible Bonds, the MA will credit the Requesting Primary Dealer's settlement account on the same day with an amount equal to the amount of interest payable on such Bonds on that interest payment date in respect of the Equivalent Eligible Bonds;

- (b) if the postponed Reversal Date is also the maturity date of Bonds of the same issue as that of the Eligible Bonds, the MA will not deliver the Equivalent Eligible Bonds to the Requesting Primary Dealer, but will credit the Requesting Primary Dealer's settlement account on the same day with an amount equal to the nominal value of the Equivalent Eligible Bonds *plus* an amount equal to the amount of interest payable on such Bonds on that maturity date in respect of the Equivalent Eligible Bonds. The Requesting Primary Dealer will remain required to deliver the Equivalent Requested Bonds as scheduled;
- (c) if the postponed Reversal Date is also an interest payment date of Bonds of the same issue as that of the Requested Bonds, the MA will debit from the Requesting Primary Dealer's settlement account on the same day an amount equal to the amount of interest payable on such Bonds on that interest payment date in respect of the Equivalent Requested Bonds;
- (d) if the postponed Reversal Date is also the maturity date of Bonds of the same issue as that of the Requested Bonds, the Requesting Primary Dealer will not be required to deliver the Equivalent Requested Bonds to the MA, and the MA will debit from the Requesting Primary Dealer's settlement account on the same day an amount equal to the nominal value of the Equivalent Requested Bonds *plus* an amount equal to the amount of interest payable on such Bonds on that maturity date in respect of the Equivalent Requested Bonds. The MA will remain required to deliver the Equivalent Eligible Bonds as scheduled; and
- (e) where there has been any interest or principal payment made on Bonds of the same issue as that of the Eligible Bonds or the Requested Bonds (as the case may be) between the Initiation Date and the postponed Reversal Date, and the Counterparty would have been entitled to receive such interest payment in respect of the Equivalent Eligible Bonds or the Equivalent Requested Bonds (as the case may be) had the Reversal Date not been postponed, the MA will: -
 - (i) in the case of the Equivalent Eligible Bonds, credit the Requesting Primary Dealer's settlement account on the

postponed Reversal Date with an amount equal to such interest or principal amount (as the case may be) paid on such Bonds in respect of the Equivalent Eligible Bonds; and

- (ii) in the case of the Equivalent Requested Bonds, debit from the Requesting Primary Dealer's settlement account on the postponed Reversal Date an amount equal to the amount of interest or principal amount (as the case may be) paid on such Bonds in respect of the Equivalent Requested Bonds.

Fee

32. The MA does not intend to, but reserves the right to, charge a fee in operating the Bond Swap Facility. Other fees in respect of processing transactions under the Bond Swap Facility, such as but not limited to transaction fees and custodian fees, will be subject to the CMU's prevailing fee schedule.

Other Issues

33. The Bond Swap Facility serves to support, but not substitute, normal market activities. The MA may refuse access to the Bond Swap Facility by any Primary Dealer at the sole discretion of the MA. Where the MA decides to exercise this right, the MA will notify the Primary Dealer(s) concerned. Any suspension or termination of a Primary Dealer's right to access the Bond Swap Facility will not affect any obligation or liability of any party in respect of any scheduled Initiation and/or Reversal under any issuance and redemption agreements already entered into, or in respect of any Bonds under the GBP.

34. In submitting a Request (including a Rollover Request), the Requesting Primary Dealer will have agreed to be bound by the terms and conditions set out in this Operating Procedures subject to the terms and conditions of the Master IR Agreement and have authorised the MA to debit in respect of the Request (including a Rollover Request) all relevant sums from their settlement accounts, with or without notice, and transfer such debited sums to any account as specified by the MA.

**Monetary Authority
November 2021**

**Government Bond Programme
Institutional Bond Issuance Programme
Bond Swap Facility**

Operational timetable on a Business Day

Time	Task
10:00 a.m.	<ul style="list-style-type: none"> Cut-off time for receipt of relevant Eligible Bonds and/or Equivalent Requested Bonds (as applicable) by the MA.
12:00 noon	<ul style="list-style-type: none"> MA to inform defaulting Primary Dealer the amount to be charged in relation to a failed Reversal at or before this time.
3:00 p.m.	<ul style="list-style-type: none"> Cut-off time for submission of Request on the next following Business Day. MA to debit the amount to be charged for a failed Reversal from the defaulting Primary Dealer's settlement account as applicable.
4:00 p.m.	<ul style="list-style-type: none"> MA to confirm with Requesting Primary Dealers whether their submitted Requests are valid at or before this time. Commencement of CMU settlement run.
5:00 p.m.	<ul style="list-style-type: none"> Cut-off time for correction in Confirmations.
6:30 p.m.	<ul style="list-style-type: none"> Cut-off time for Requesting Primary Dealers to input the relevant transfer instructions for delivery of relevant Bonds for Initiation or Reversal (as applicable) on the next following Business Day.

Contingency typhoon and rainstorm arrangements

Event	Processing of Requests	Settlement
Typhoon No. 8 ¹ is hoisted at or before 9:00 a.m. and lowered at or before 12:00 noon or Black rainstorm warning is issued at or before 9:00 a.m. and lowered at or before 12:00 noon	<ul style="list-style-type: none"> Process Requests only if Official Fixings are published on that day, subject to any further confirmation by the MA. Primary Dealers should make reference to the prevailing typhoon and rainstorm procedures set out in the prevailing "Reference Manual for Government Bond Fixings". 	<ul style="list-style-type: none"> Settlement deadline postponed from 10:00 a.m. to 2:30 p.m., subject to any further confirmation by the MA.
Typhoon No. 8 ¹ is hoisted at or before 9:00 a.m. and lowered after 12:00 noon or Black rainstorm warning is issued at or before 9:00 a.m. and lowered after 12:00 noon		<ul style="list-style-type: none"> Postponed to the next Business Day not affected by cessation, subject to any further confirmation by the MA.
Typhoon No. 8 ¹ is hoisted at any time after 9:00 a.m. or Black rainstorm warning is issued after 9:00 a.m.		<ul style="list-style-type: none"> Settlement to be effected as usual, subject to any further confirmation by the MA.

Note 1: Or a higher number signal.

- MA reserves the right to amend the above arrangements as appropriate.

**Government Bond Programme
Institutional Bond Issuance Programme
Bond Swap Facility**

Request Form (New/Rollover/Cancellation*)

To : Monetary Authority
Facsimile: (852) 2878 1676-9
Date : _____
Participant Ref. No. : _____
HKMA Ref. No. : _____
From : _____ () _____
Name of Participant Code

Type of request	New/Rollover/Cancellation*	
For rollover/cancellation*, state the Participant Ref. No. and HKMA Ref. No. of the existing* Request	Participant Ref. No.	
	HKMA Ref. No.	
Initiation Date		
Reversal Date		
Instrument Number of Requested Bonds		
Requested nominal value <i>(minimum HK\$10 million, and in multiples of HK\$50,000 thereafter)</i>		
Instrument Number of Eligible Bonds		

We irrevocably and unconditionally accept the relevant terms & conditions set out in the Master Issuance and Redemption Agreement; the Operating Procedures for Bond Swap Facility; the Exchange Fund Bills and Notes Clearing and Settlement System Reference Manual; and/or any rules and regulations as prescribed by the Monetary Authority from time to time, including but not limited to the Monetary Authority debiting from our settlement account any relevant sums for purposes as described in the Operating Procedures for Bond Swap Facility.

Contact in case of query:-

Name: _____ Tel: _____

E-mail: _____ Fax: _____

HKMA use only Signature(s)/Test No. Verified by:
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Authorized Signature(s) or Test Number on nominal value of Requested Bonds

- IMPORTANT:
1. For all requests, please send this form to CMU no later than 3:00 p.m.
 2. Please quote original HKMA's Ref. No. and Participant Ref. No. as appropriate.
 3. Instrument number can be Issue No., Common Code or ISIN.

* Delete as appropriate.

**Government Bond Programme
Institutional Bond Issuance Programme
Bond Swap Facility**

Confirmation

From : Monetary Authority Date : _____
Facsimile: (852) 2878 1676-9 Participant Ref. No. : _____
HKMA Ref. No. : _____
To : _____ () _____
Name of Participant Code

This is to inform you of the status of the Bond Swap Request (Your Reference: [Ref. No.]) ("Request") submitted by you today.

Type of Request	New/Rollover/Cancellation*			
Valid Request (Only for New/Rollover Request)	Yes/No*			
Initiation Date				
Reversal Date				
Instrument Number of Requested Bonds				
Price of Requested Bonds	(Same as Official Fixings)			(Yes/No*)
Requested nominal value				
Instrument Number of Eligible Bonds				
Price of Eligible Bonds	(Same as Official Fixings)			(Yes/No*)
Calculated nominal value				
<u>Rejection reason (if applicable)</u>				
<u>Other information</u>				
Settlement information on Initiation Date				
Requested Bond No.	Nominal Amount (Mn)	Seller a/c no.	Buyer a/c no.	Initiation Date
		AAAA007		
Eligible Bond No.	Nominal Amount (Mn)	Seller a/c no.	Buyer a/c no.	Initiation Date
			AAAA006	
Settlement information on Reversal Date				
Equivalent Requested Bond No.	Nominal Amount (Mn)	Seller a/c no.	Buyer a/c no.	Reversal Date
			AAAA007	
Equivalent Eligible Bond No.	Nominal Amount (Mn)	Seller a/c no.	Buyer a/c no.	Reversal Date
		AAAA006		

Contact in case of query:-

Name: _____ Tel: _____

E-mail: _____ Fax: _____

Authorized Signature(s) or Test Number on nominal value of Requested Bonds for Initiation,
Eligible Bonds for rollover

* Delete as appropriate.

- IMPORTANT: 1. Transfer of Bonds to be effected free of payment.
2. Instrument number can be Issue No., Common Code or ISIN.

**Government Bond Programme
Institutional Bond Issuance Programme
Bond Swap Facility**

Eligible Bonds required at Initiation

Nominal value of the Eligible Bonds required at Initiation is calculated as follows –

$$\text{Nominal value of Requested Bonds} \times \frac{MV_{RB}}{DMV_{EB}}$$

(rounded up to the nearest HK\$50,000)

where MV_{RB} = Market Value of Requested Bonds on the Requesting Date
 DMV_{EB} = Discounted Market Value of Eligible Bonds on the Requesting Date

“Market Value” will be calculated as follows –

$$\text{Market Value} = \frac{\text{Price}}{100} + \text{accrued interest up to but excluding the scheduled Initiation Date}$$

“Discounted Market Value” is calculated as follows –

$$\text{Discounted Market Value} = \text{Market Value} \times (1 - \text{HC})$$

where HC = Based on the remaining maturity of Eligible Bonds on the Initiation Date

Remaining maturity	HC
Not more than 1 year	0.5%
1 year to not more than 5 years	2.0%
5 years or above	4.0%

B.1 Securities Transfer Form (New/Cancel*)

To : Monetary Authority
 Facsimile: (852) 2878 1676-9

Date: _____

From : _____ ()
 Name of Participant Code

Please transfer securities in accordance with the following instructions for **REAL TIME / END OF DAY SETTLEMENT#**:

For CMU Account : _____ for value on _____

DELIVER TO						
Participant's TRN (for new instruction) (max 16 char)	Participant's TRN (for cancellation)/ pool ref* (max 16 char)	Counterparty (Code)	Instrument Number	Quantity (Mn)	Settlement currency	Settlement Amount
TOTAL (A)						

RECEIVE FROM						
Participant's TRN (for new instruction) (max 16 char)	Participant's TRN (for cancellation)/ pool ref* (max 16 char)	Counterparty (Code)	Instrument Number	Quantity (Mn)	Settlement currency	Settlement Amount
TOTAL (B)						

We undertake to arrange sufficient funds in our settlement account before 4:00 p.m. for CMU settlement run.

Person to contact in case of query : _____ (Tel: _____)

HKMA use only Signature (s)/Test No. Verified by:

 Authorized Signature(s) or Test Number on total quantity
 Company Chop

- IMPORTANT:** 1. For fax or telex transmission, provide Test Number for SUM of (A) plus (B).
 2. Please send this form to CMU no later than 3:30 p.m. if to settle at CMU settlement run, 6:00 p.m. for real time.
 3. Please quote original Participant TRN/Deal Code* and a new Participant TRN for cancellation or pool ref.
 4. Instrument number can be Issue No., Common Code or ISIN.

* Please delete as appropriate. # It must be real time for transfer of Exchange Fund Bills and Notes and Government Bonds.

**Government Bond Programme
Institutional Bond Issuance Programme
Bond Swap Facility**

Failed Reversal Penalty

To be calculated and debited on the scheduled Reversal Date –

$$\text{Higher of } (V_1, V_2) \times R \times \frac{D}{365}$$

where V_1 = Value of the Requested Bonds based on Official Fixings Price on the Initiation Date

V_2 = Value of the Requested Bonds based on Official Fixings Price on the scheduled Reversal Date

R = Base Rate + 2.00%

D = Number of calendar days from and including the Initiation Date up to but excluding the scheduled Reversal Date

365 = Number of calendar days in a year (disregarding any leap year)

“Value” will be calculated as follows –

$$\text{Value} = \text{Nominal Value} \times \left(\frac{\text{Price}}{100} + \text{accrued interest up to but excluding the scheduled Reversal Date} \right)$$

**Government Bond Programme
Institutional Bond Issuance Programme
Bond Swap Facility**

Failed Transaction Notification Form

From : Monetary Authority Date : _____
 Facsimile: (852) 2878 1676-9 Participant Ref. No. : _____
 HKMA Ref. No. : _____
 To : _____ () _____
 Name of Participant Code

This is to inform you that in relation to the Bond Swap Request (Our Reference: [Ref. No.]/Your Reference: [Ref No.]) (the “Request”), your institution has not delivered the relevant required Bonds and therefore the relevant Reversal will not be processed.

In accordance with the terms and conditions set out in the Operating Procedures for Bond Swap Facility, the Monetary Authority hereby gives notice that [HK\$x] will be debited from your settlement account maintained with the Monetary Authority around 3:00 p.m. today, as calculated based on the information set out below. Terms contained herein have the same meaning as those in the Operating Procedures for Bond Swap Facility.

Outright Purchase Cost*	
Calculated amount of failed reversal penalty*	
V_1^*	
V_2^*	
R^*	
D^*	

Person to contact in case of query: _____ (Tel: _____)

HKMA use only Signature(s)/Test No. Verified by:
--

 Authorized Signature(s) or Test Number on [HK\$x]

* Delete as appropriate.