



FREQUENTLY ASKED QUESTIONS

ROLLOVER OF OTC FX FUTURES CONTRACTS

1. WHAT IS A ROLLOVER OF AN OTC FX FUTURES CONTRACT UNDER THE PROVISIONS OF [MB-33](#)?

A “rollover” is the purchase of an OTC FX Futures contract of the **same amount and tenor** as the initial OTC FX Futures contract used to hedge the foreign exchange risk of an eligible underlying Foreign Portfolio Investment (“FPI”) and which is specifically booked as a “rollover”.

*To clarify; a 6M OTC FX Futures contract purchased for an FPI transaction with a valid Certificate of Capital Importation (“CCI”), may be rolled over upon maturity of the 6M OTC FX Futures contract as long as the CCI remains valid, without paying the associated **Clearing Fees** that would be payable if the contract is treated as a new (non-rollover) contract.*

2. WHAT ARE THE CONDITION(S) FOR THE ROLLOVER OF AN OTC FX FUTURES CONTRACT?

As stipulated in [MB-33](#), the following conditions must be met for a transaction in an OTC FX Futures contract to be treated as a rollover:

- i. Validity of the initial contract per the extant OTC FX Futures Market Operational Standards for FPIs
- ii. The size and tenor of the OTC FX Futures contract to be booked and designated as a “rollover” must be the same as the initial OTC FX Futures contract purchased for the FPI

- iii. The cumulative tenor of the original and rolled over OTC FX Futures contract(s) must not exceed twelve (12M) months

Due to condition (iii) above, the maximum number of times for which OTC FX Futures may be rolled over are set out in the illustration table provided in [MB-33](#).

3. DOES THE ROLLOVER AFFECT ANY OF THE TERMS AND CONDITIONS FOR BUYING OTC FX FUTURES CONTRACTS AS STIPULATED UNDER THE OTC FX MARKET OPERATIONAL STANDARDS?

No, the rollover mechanism is not an amendment to any of the terms and conditions for buying OTC FX Futures contracts. Rather, it is an addition that sets out the terms and conditions for the rollover of an OTC FX Futures contract.

4. WHEN DOES THE ROLLOVER MECHANISM BECOME EFFECTIVE AND WHICH OTC FX FUTURES CONTRACTS ARE ELIGIBLE?

The new rollover mechanism became effective on **June 26, 2019** and is applicable to only OTC FX Futures contracts entered into on or after this date.

To clarify, 1M - 6M OTC FX Futures contracts entered into from June 26, 2019 shall be eligible for rollover upon maturity.

5. WHAT IS THE MINIMUM SIZE OF A ROLLOVER OTC FX FUTURES CONTRACT?

There is no minimum size requirement for an OTC FX Futures contract booked and designated as a rollover contract.

6. WHAT TENOR(S) OF OTC FX FUTURES CONTRACTS CAN BE ROLLED OVER?

Based on the conditions set out in [MB-33](#), only OTC FX Futures contracts with tenors from 1M - 6M can be rolled over.

7. DOES THE ROLLOVER RULE PROHIBIT THE PURCHASE OF OTC FX FUTURES CONTRACTS WITH TENORS LONGER THAN 6M FOR FPIs?

No, the rollover mechanism does not prohibit the purchase of OTC FX Futures contracts longer than six (6M) months. Foreign Portfolio Investors may still purchase OTC FX Futures contracts of any tenor subject to the existence of a valid CCI and compliance with the provisions of the extant OTC FX Futures Market Operational Standards may still be made.

However, only OTC FX Futures contracts with tenor from 1M - 6M can be rolled over. Consequently, while the purchase of OTC FX Futures contracts with tenors from 7M - 12M remains permissible for FPIs, subsequent purchase of 7M - 12M OTC FX Futures contracts cannot be booked as a rollover under the provisions of [MB-33](#).

To clarify; an FPI with a valid CCI who purchases a 9M OTC FX Futures contract and decides to buy another 9M OTC FX Futures contract may do so in line with the provisions of the OTC FX Futures Market Operational Standards. However, the purchase of the new 9M OTC FX Futures contract cannot be booked and treated as a “rollover” under [MB-33](#) because the combined tenor of the original hedge (9M) and the subsequent hedge (9M) is eighteen (18M) months, thus violating the provision of clause 3(iii) of [MB-33](#).

8. WHAT ARE THE RELEVANT FEES APPLICABLE TO OTC FX FUTURES CONTRACTS ROLLED OVER?

Clearing Fees are currently not payable on rollovers. All other fees related to OTC FX Futures contracts remain payable.

Note that all fees are subject to change at the discretion of FMDQ Holdings PLC.