

香港中央結算有限公司  
(香港交易及結算所有限公司全資附屬公司)

**HONG KONG SECURITIES CLEARING COMPANY LIMITED**  
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

## 通告 CIRCULAR

**Subject: Accepting USD or HKD as Collateral for the Early Release of China Connect Securities that are Securities-on-hold in Q2 2018**

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HKSCC plans to allow China Connect Clearing Participants (CCCPs) to use USD or HKD as collateral on T day for the early release of China Connect Securities that are Securities-on-hold in Q2 2018, subject to the Securities and Futures Commission's approval. This circular provides background information and an overview of the new arrangement for CCCPs' reference.

### Background

Currently, a CCCP can make cash prepayment in RMB to HKSCC within the stipulated period on T day to reduce its monetary obligation for the early release of China Connect Securities that are Securities-on-hold. To provide more flexibility for CCCPs' funding arrangement on T day, HKSCC will introduce a new arrangement that will allow CCCPs to provide USD or HKD as collateral to HKSCC on T day for the early release of China Connect Securities that are Securities-on-hold, in addition to the existing RMB cash prepayment service.

### Overview of the new arrangement

A CCCP can select to use either USD or HKD (but not both) as collateral. On each trading T day, the CCCP can deposit the related currency as collateral to HKSCC for the early release of China Connect Securities that are Securities-on-hold. Upon accepting the relevant early release application and receiving good fund of the collateral from the CCCP, HKSCC will determine the RMB equivalent value of the collateral, at the exchange rate and subject to such haircut rate as determined by HKSCC from time to time. HKSCC will base on such RMB equivalent value to allow the equivalent discounted market value of China Connect Securities that are Securities-on-hold to be released. Please note that unlike the existing RMB cash prepayment, the collateral will not relieve the CCCP from its original Continuous Net Settlement (CNS) payment obligation in RMB to

be settled by 12:00 noon on T+1 day. Subject to the CCCP having satisfied the CNS payment obligation in RMB by T+1 12:00 noon, HKSCC will redeliver the full amount of the collateral in the originally deposited currency to the CCCP via an Electronic Payment Instruction (EPI) on the same day. HKSCC would also allow the CCCP to request HKSCC not to effect the redelivery of the collateral for future usage so as to relieve its operational burden. A handling fee based on the amount of the collateral accepted by HKSCC for the early release of China Connect Securities that are Securities-on-hold would be charged on CCCPs. The usage of USD or HKD as collateral would be optional and subject to a per CCCP cap as determined by HKSCC from time to time.

More details of the new arrangement will be provided by HKSCC in due course. For CCCPs who may use this new arrangement, they should review their internal operating procedures and / or internal systems to prepare for the new arrangement.

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