

香港聯合交易所有限公司  
(香港交易及結算所有限公司全資附屬公司)  
**The Stock Exchange of Hong Kong Limited**  
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

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**通告 CIRCULAR**

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事項

Subject: **TRADING AND CLEARING ARRANGEMENTS AND OTHER MATTERS  
RELATING TO THE DUAL TRANCHE DUAL COUNTER MODEL**

查詢

Enquiry: **Participant General Enquiry Hotline (Tel : 2840 3626 E-mail : trd@hkex.com.hk)**

### 1. Introduction

Reference is made to the news releases issued by HKEx on 5 September 2011 ([www.hkex.com.hk/eng/newsconsul/hkexnews/2011/Documents/110905news.pdf](http://www.hkex.com.hk/eng/newsconsul/hkexnews/2011/Documents/110905news.pdf) and [www.hkex.com.hk/eng/newsconsul/hkexnews/2011/Documents/1109052news.pdf](http://www.hkex.com.hk/eng/newsconsul/hkexnews/2011/Documents/1109052news.pdf)) in relation to the RMB product development initiative covering the simultaneous offering and initial listing of two tranches of shares in different trading currencies (i.e. RMB and HKD) by the same issuer in the “Dual Tranche, Dual Counter” (DTDC) model.

Under the DTDC model, all shares in the RMB tranche and the HKD tranche must be of the same class with the same shareholders’ rights and entitlements. Shareholders under the two tranches are expected to be treated equally. Upon listing, shares of the two tranches will be traded on the Stock Exchange of Hong Kong Limited (“Exchange”) under two separate counters and in two different currencies (i.e. one counter in RMB and the other in HKD). Trades of the two counters will be cleared and settled separately under CCASS. A shareholder may transfer his/her shares from one counter to the other through the share registrar of the issuer or CCASS.

A listed issuer whose shares are already traded in HKD on the Exchange may choose to raise funds through the issue of new shares of the same class and apply for those shares to be traded in RMB in a new counter, in parallel with its existing shares traded in the HKD counter.

We have discussed the DTDC model with market participants and issuers and have received favourable feedback. In preparation for the adoption of the model by issuers, we would like to draw your attention to the trading and clearing arrangements and other related matters set out below.

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## 2. Different Stock Codes for the HKD and RMB Counters

The RMB-traded shares and HKD-traded shares of the same listed company will be traded under two separate counters with different stock codes on the Exchange's trading system. The HKD counter will be a 5-digit number starting with "0" whereas the stock code of the RMB counter will be a 5-digit number starting with "8" and the last four digits of the two stock codes will be identical. The updated stock code allocation plan and naming conventions of stock short name for RMB-traded stocks can be found on the HKEX website ([www.hkex.com.hk/eng/prod/secprod/CMProducts.htm](http://www.hkex.com.hk/eng/prod/secprod/CMProducts.htm)).

The RMB-traded shares and the HKD-traded shares of the same issuer will also be treated as two separate Eligible Securities for the purposes of the CCASS Rules (referred to as "Multi-counter Eligible Securities") and will be available for deposit, clearing and settlement within CCASS.

Depending on the different circumstances relating to the two counters, it is our understanding that a single International Securities Identification Number (ISIN) or two different ISINs may be issued for the two counters. In the event that only one ISIN is issued (i.e. the two counters share the same ISIN), Exchange Participants (EPs) and CCASS Participants (CPs) may consider using an additional identifier, such as the stock code, together with the ISIN to identify the two counters.

At the initial launch of the DTDC model, HKEX will calculate the market capitalization of a listed company which has both RMB-traded shares and HKD-traded shares by multiplying the **total number of issued shares** (including both HKD-traded shares and RMB-traded shares) with the share price of the HKD counter. HKEX will continuously review this calculation method, taking into account the development of market practice for the DTDC model, relative liquidity of the dual counters and market feedback.

## 3. Trading related Matters

### Designated Securities Eligible for Short Selling

On the basis that the HKD-traded shares and the RMB-traded shares are of the same class and are transferable between counters, if one counter is a Designated Security eligible for short selling, the other counter will also be accepted as a Designated Security eligible for short selling under the Rules of the Exchange after consultation with the Securities and Futures Commission (SFC).

In the event of follow-on fund-raising, where an existing listed company issues new shares in a different trading currency (e.g. RMB), if its existing shares (e.g. HKD-traded shares) are already eligible for short selling, the newly introduced shares in the new counter (e.g. RMB counter) may also be eligible for short selling upon listing after consultation with the SFC.

### Inter-counter Trading

On the basis that the shares of the RMB and HKD counters of an issuer are of the same class and are transferable from one counter to another, it is our understanding that the buying or holding of HKD-traded shares, followed by the selling of RMB-traded shares and vice versa, would be regarded as a long sale. EPs should alert their clients of the time and fees required to transfer stocks from one counter to the other counter. EPs should also require and facilitate their clients to do the transfer for timely settlement on T+2. Further details on inter-counter transfers are set out below.

If both the RMB-traded shares and the HKD-traded shares are Designated Securities eligible for short selling, it is our understanding that the borrowing of HKD-traded shares, followed by the selling of RMB-traded shares of the same listed issuer and vice versa, would be regarded as a covered short sale. The covered short sale will, as normal, be subject to the relevant short selling regulations stipulated in the Eleventh Schedule of the Rules of the Exchange and the relevant provisions in the Securities and Futures Ordinance.<sup>1</sup>

#### 4. Clearing Related Matters

##### Transfers between the RMB counter and the HKD counter within CCASS

CPs which hold dual-counter shares in CCASS can transfer shares from one counter to the other counter in accordance with the following procedures:

- i) CPs wishing to effect an inter-counter transfer of shares (referred to as “Multi-counter Transfer Instructions” in the CCASS Rules) should submit a duly completed and signed “Multi-counter Transfer Instruction Form” (See Attachment 1), by hand, to CCASS Depository at 2/F Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or by fax to the fax numbers specified on the Form before 3:00pm on any Business Day, with a copy of the original form to be submitted to CCASS Depository by hand on the next Business Day.
- ii) If there is sufficient number of shares in the CP’s specified stock account available for transfer, the instruction will be effected by Hong Kong Securities Clearing Company Limited (“HKSCC”) before 3:45pm on the day the Multi-counter Transfer Instruction Form is received by HKSCC.
- iii) HKSCC will notify CPs after completion of the Multi-counter Transfer Instructions either by phone or by fax. CPs can confirm the completion of their instructions through the CCASS on-line enquiry functions, namely the “Enquire Stock Account Balance” and the “Enquire Stock Account Movement” functions.
- iv) Where a Multi-counter Transfer Instruction Form is received by HKSCC before 3:00pm but the transfer cannot be successfully effected by 3:45pm (due to, for instance, insufficient number of shares in the delivering stock account), the transfer instruction will be cancelled and treated as invalid. Where a Multi-counter Transfer Instruction is cancelled, HKSCC will notify the CP concerned either by phone or by fax. CPs who wish to effect the transfer will be required to submit a new Multi-counter Transfer Instruction Form on the next Business Day.
- v) Any Multi-counter Transfer Instruction Form that reaches HKSCC after 3:00pm on a Business Day will be treated as an instruction for and be processed on the next Business Day.
- vi) HKSCC will charge CPs a fee of HK\$5 for effecting each Multi-counter Transfer Instruction.

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<sup>1</sup> Under the tick rule, a short sale should not be made on the Stock Exchange below the best current ask price. The tick rule will apply to the HKD-traded shares and the RMB-traded shares under the two counters separately.

- vii) CCASS will be enhanced to allow CPs to submit Multi-counter Transfer Instructions electronically through CCASS Terminals. Upon enhancement of the system, Multi-counter Transfer Instructions can be effected immediately upon submission subject to the availability of the relevant number of shares to be transferred in the CP's delivering stock account in CCASS. HKSCC will notify CPs of the implementation of the new CCASS function in due course.

**Buy-in exemption under the DTDC model**

RMB-traded shares and HKD-traded shares will be accepted by CCASS for clearance and settlement under the relevant stock codes or counters only. A CP which holds shares in one counter but has a short position in the other counter should effect a Multi-counter Transfer Instruction to ensure that its short position can be settled on time.

Under certain circumstances where a CP has an overdue short position under one counter, provided that the CP has long positions and/or sufficient shares in the other counter, it can submit an "Application Form for Exemption of Buy-in" (as set out in the CCASS Operational Procedures) together with the relevant supporting documents to HKSCC by no later than 8:00pm on T+2 to take advantage of the relevant exemption from buy-in. The following supporting documents should be submitted to HKSCC:

- i) For exemption on the ground that a CP has long positions or Securities-on-hold in the other counter, such CP is required to provide (a) a copy of the duly completed and signed "Multi-counter Transfer Instruction Form" which has been submitted to HKSCC at or before 3:00pm on T+2; (b) a copy of the relevant CCASS reports showing that the long positions or Securities-on-hold positions are available to cover the relevant short position on T+2; and (c) evidence to prove that it has made the necessary cash pre-payment for the release of on-hold allocated shares to effect the inter-counter transfer.
- ii) For exemption on the ground that a CP has sufficient Eligible Securities in their Stock Accounts in the other counter, such CP is required to provide (a) a copy of the duly completed and signed Multi-counter Transfer Instruction Form which has been submitted to HKSCC at or before 3:00pm on T+2; and (b) a copy of the relevant CCASS reports showing that the relevant Eligible Securities are available to cover the relevant short position on T+2.

CPs are reminded to settle overdue short positions in respect of which an exemption is granted by day end of T+3.

**Corporate actions of shares under the dual-counters**

Nominee services for HKD-traded shares and RMB-traded shares under the two counters will be provided by HKSCC in the normal way.

**5. Amendments to the relevant Rules and Operational Procedures**

The Rules of the Exchange, General Rules of CCASS, and CCASS Operational Procedures have been amended to provide for the introduction of the DTDC model. The amendments are set out in separate circulars to EPs and CPs.

**6. Readiness of EPs and CPs to trade and/or clear RMB securities**

EPs and CPs should review and ensure that their front and back office systems as well as operations can support the trading and/or clearing of RMB-denominated securities before they start trading and/or clearing any RMB-traded shares. EPs should exercise caution especially when conducting inter-counter trading and should advise clients the respective trading arrangements.

CPs should set up a designated RMB bank account if they wish to process RMB-denominated transactions in CCASS electronically. Otherwise, HKSCC can only arrange for money settlement of RMB-denominated transactions via payment by cheque or such other means as HKSCC may consider appropriate.

**7. Reminders**

**EPs and CPs are reminded that they may have to consider setting up manual procedures to handle and support trades under the DTDC model (in particular, the handling of client instructions to effect conversion/transfer of HKD-traded shares and RMB-traded shares between counters with the share registrar of issuers or on CCASS) before their systems are enhanced to receive instructions from clients and process instructions electronically.**

**EPs and CPs are further reminded that existing listed issuers may apply for RMB-traded shares to be traded under the DTDC model in parallel with shares currently traded in HKD. They would not be able to deal in RMB-traded shares if they are not yet “RMB-ready”. Therefore, EPs and CPs who are interested in dealing in RMB-traded shares (for themselves or for clients) should take the appropriate steps to be “RMB-ready”.**

**8. Hotline Arrangement and Further Information**

Should EPs and CPs have any questions, please contact the following hotlines:

- Trading-related issues: 2840 3626 (hotline for EPs)
- Clearing-related issues: 2979 7111 (hotline for CPs)

EPs and CPs can also refer to the Frequently Asked Questions and other information regarding the DTDC model on the HKEx website ([www.hkex.com.hk/eng/market/sec\\_tradinfra/rmbequity/rmbequity.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/rmbequity/rmbequity.htm)) for further details.

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