



Preparation for Trading and Clearing of Renminbi (RMB) Products

Hong Kong Exchanges and Clearing Limited
28 February, 1 March & 4 March 2011



CCASS Readiness in Clearing of RMB Products

- CCASS is able to support multiple currencies including HKD, USD and RMB. There is no layout change to the current upload files, report text and report data. CCASS Participants can distinguish RMB transactions based on the currency code (i.e. CNY) shown in reports.
- CCASS Participants should check with their IT departments or Back Office System (BOS) vendors on the readiness of their BOS systems in order to support the settlement of RMB transactions.
- Various report sample files have been revised to add in RMB transactions (i.e. with currency code “CNY”), which are now available for download for your reference and testing purpose at the HKEx website:
<http://www.hkex.com.hk/eng/market/clr/secclr/ccass3/updownlist/updownlist.htm>

RMB Designated Bank Account for CCASS Money Settlement



- CCASS Participants are required to set up a designated bank account for RMB if they are going to process CCASS transactions in RMB electronically (e.g. receiving dividend payments in RMB if offered by issuers).
- HKSCC authorise 27 designated banks to process CCASS transactions in RMB for non-Investor Participants. These banks have:
 1. submitted “Undertaking(s) for Renminbi” to HKSCC; and
 2. conducted an interface test with HKICL (such as receiving the RMB reports from HKICL in electronic file/tape form).
- These 27 designated banks will allow various types of RMB bank account to process CCASS transactions in RMB, while only some of these banks will provide RMB CHATS payment for non-Investor Participants to process the CCASS RMB transactions by RDvP.
- The designated bank list will be updated from time to time, Participants can refer to HKEX website for the latest list:
http://www.hkex.com.hk/eng/market/clr/secclr/clrarng_hksccl/ClrArrangeHKSCCPart.htm

RMB Designated Bank Account for CCASS Money Settlement (cont'd)



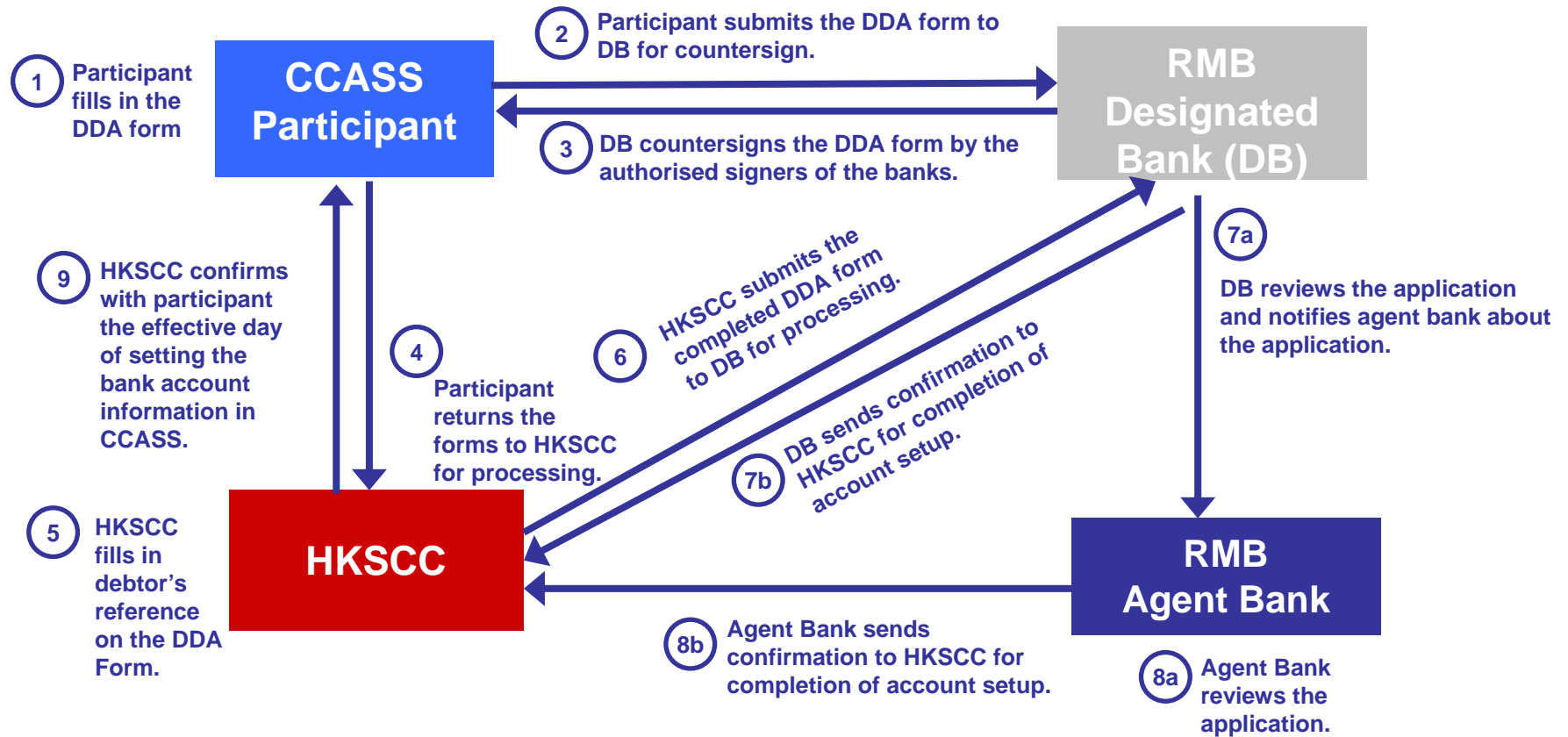
- After setting up a RMB bank account, CCASS Participants are required to submit two forms for RMB money settlement service in CCASS:
 1. “Non-Investor Participant Setting Up of Renminbi Designated Bank Account Form”; and
 2. “Non-Investor Participant Renminbi Debit Authorisations and Authorisation to Disclose Information Form (DDA)”.

These forms are available at:

http://www.hkex.com.hk/eng/market/clar/secclr/forms_hksccl/Formshkscclpart.htm.

- HKSCC does not charge any fees for setting up CCASS money settlement service in RMB. However, CCASS Participants have to contact their Designated Banks to find out the costs, time and procedures required to set up a RMB bank account.
- It normally takes about 3 weeks for HKSCC to complete the set-up process depending on when HKSCC receives confirmation from the Participant’s Designated Bank for RMB transactions and HKSCC’s RMB Agent Bank i.e. Bank of China (Hong Kong) Limited.

RMB Designated Bank Account for CCASS Money Settlement (cont'd)



Tariff for RMB Transactions in CCASS

- Similar to the money settlement arrangement for HKD and USD transactions, there will also be a money settlement fee for RMB transactions. Other than that, the existing tariffs stated in Section 21 and 22 of the CCASS Operational Procedures still apply.
- The money settlement fee for RMB items will be HK\$0.5 for each Direct Debit Instruction (DDI)/ Direct Credit Instruction (DCI)/ Electronic Payment Instruction (EPI) issued or each CHATS Payment Instruction (CPI) settled by HKSCC.
- The money settlement fee for RMB items will be HK\$12.80 for each Intra-day Payment Instruction issued by HKSCC.
- Except dividend collection fees, which will be deducted from the entitlements, CCASS fees for RMB items will be settled in HKD. Same as trading related fees, HKSCC will also adopt the exchange rate published on HKEx website for calculation of CCASS fees for RMB items: http://www.hkex.com.hk/eng/market/sec_tradinfo/stampfx.htm.

RMB Readiness Test on 17 March and 20 March 2011



RMB Payment Pilot Run on 17 March 2011 (Thursday)

- Purpose: To ensure a smooth flow of CCASS money settlement in RMB
- HKSCC will generate 2 money settlement instructions:
 1. a Direct Credit Instruction (DCI) to credit “¥1.00” to the Participants’ RMB Designated Bank Accounts maintained in CCASS; and
 2. an Electronic Payment Instruction (EPI) to debit “¥1.00” from the Participant’s RMB Designated Bank Accounts maintained in CCASS.
- Those DCIs and EPIs will be settled by the RMB Designated Banks in the respective morning/afternoon Interbank Bulk Settlement Runs effected by the Hong Kong Interbank Clearing Limited on the next business day (i.e. Friday 18 March 2011).
- Participants should review their RMB Designated Banks’ statement/advice/electronic system to confirm such money settlement instructions are successful effected via their RMB Designated Bank Accounts.

RMB Readiness Test on 17 March and 20 March 2011 (cont'd)

Clearing Simulation Test (CST) on 20 March 2011 (Sunday)

- Purpose : to examine the operation readiness of CCASS Participants for dealing in RMB securities including IPO subscription, trading, clearing and settlement of listed RMB products
- CCASS Participants can simulate conducting EIPO subscription and clearing activities of listed RMB securities in CCASS. Trades executed on 19 March 2011 (Saturday) would be automatically sent to CCASS for testing clearing and settlement in the CST on 20 March 2011 (Sunday).
- Simulated Settlement Date : 21 March 2011 (Monday)

Schedule	CCASS Processing
8:30 am – 1:00 pm	Online Maintenance Activities, Batch File Transfer, Report and Date File Download (Available functions: ATI, STI, SI, ISI, EIPO and Dividend Election)
1:00 pm – 3:00 pm	Lunch Break
3:00 pm – 5:00 pm	Report Retrieval and Verification

Please read the Information Package enclosed in the circulars (#[CD/CCO/CCASS/040/2011](#) & #[CD/CCO/CCASS/041/2011](#)) issued on 22 February 2011 in details and make necessary planning and preparation before conducting the CST.

RMB Readiness Test on 17 March and 20 March 2011 (cont'd)

- **Submit Confirmation Form after completion of RMB Readiness Test:**
- **Exchange Participants :**
 - Complete and return “Confirmation of Completion of RMB Readiness Test and Dealing/ or Clearing Transactions in RMB Securities” to Trading Division of HKEx.
 - Please refer to the circular (**CMD/TMO/008/11**) issued on 17 February 2011 for details.
- **Custodians, General Clearing Participants (who are not Exchange Participants) and Stock Pledgee Participants:**
 - Complete and return “Confirmation of Completion of RMB Readiness Test and Dealing/ or Clearing Transactions in RMB Securities” to Clearing Division of HKEx.
 - Please refer to the circular (**CD/CCO/CCASS/040/2011**) issued on 22 February 2011 for details.
- **Submission Date : 21 March 2011 (Monday) before 6:00 pm**
- **A list of participants who have successfully completed the RMB Readiness Tests and confirmed their readiness for dealing in RMB securities will be posted on the HKEx website for the information of the general investing public.**

RMB Readiness Test on 17 March and 20 March 2011 (cont'd)

Important Notes:

- Participants should open RMB bank accounts with their RMB Designated Banks as soon as possible and submit duly completed forms to HKSCC by 7 March 2011 for the setup of RMB Designated Bank Accounts in CCASS, if they have not already done so.
- Participants should ensure their RMB Designated Bank Accounts are operable and their RMB Designated Banks are ready to participate in the upcoming RMB Payment Pilot Run
- Participants must review and enhance (if required) their systems and operation procedures including but not limited to:
 1. Back office systems supporting clearing, settlement, risk and collateral management, fees calculation, billing and accounting, etc;
 2. Establishment of adequate RMB availability to meeting all RMB based financial obligations for daily operations;
 3. Procedures for issuing statements and reports to customers; and
 4. Other front-end and back-end systems and operations as appropriate.
- Participants are reminded to remove ALL testing files and reports upon completion of CST on Sunday to avoid mis-using of these testing files/ reports in their normal business day on the following Monday. However, Participants should also maintain proper audit trail in respect of all activities conducted during the CST.
- Participants are requested to observe the relevant information (including various circulars, FAQ and checklists) posted on the HKEx website in relation to **Preparation for Trading and Clearing of Renminbi (RMB) Products** thoroughly before participating in the RMB Readiness Tests.

Checklist for CCASS Participants

- Have you changed your back-office systems (e.g. clearing, settlement, accounting and fee computation) to facilitate the RMB transactions?
- Have you provided the CCASS data file with CNY currency designation (<http://www.hkex.com.hk/eng/market/clar/secclr/ccass3/updownlist/updownlist.htm>) to your system service provider or your IT department for testing the readiness of your back office system in using the data file that involves RMB transactions?
- Have you informed your clients about the relevant policies, operational procedures and risk management facilities of RMB trades and settlements?
- Have you reviewed your clients agreement with respect to the procedures and policies of RMB trades and settlements?
- Have you checked the readiness of your other dedicated back-office systems and internal procedures for RMB transactions?