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# RMB Equity Trading Support Facility (TSF)

Briefing to Participants  
April & May 2011



# Agenda

- 1 Overview
- 2 Operation Flow
- 3 How to Participate
- 4 Implementation
- 5 Q&A

**1 Overview**

2 Operation Flow

3 How to Participate

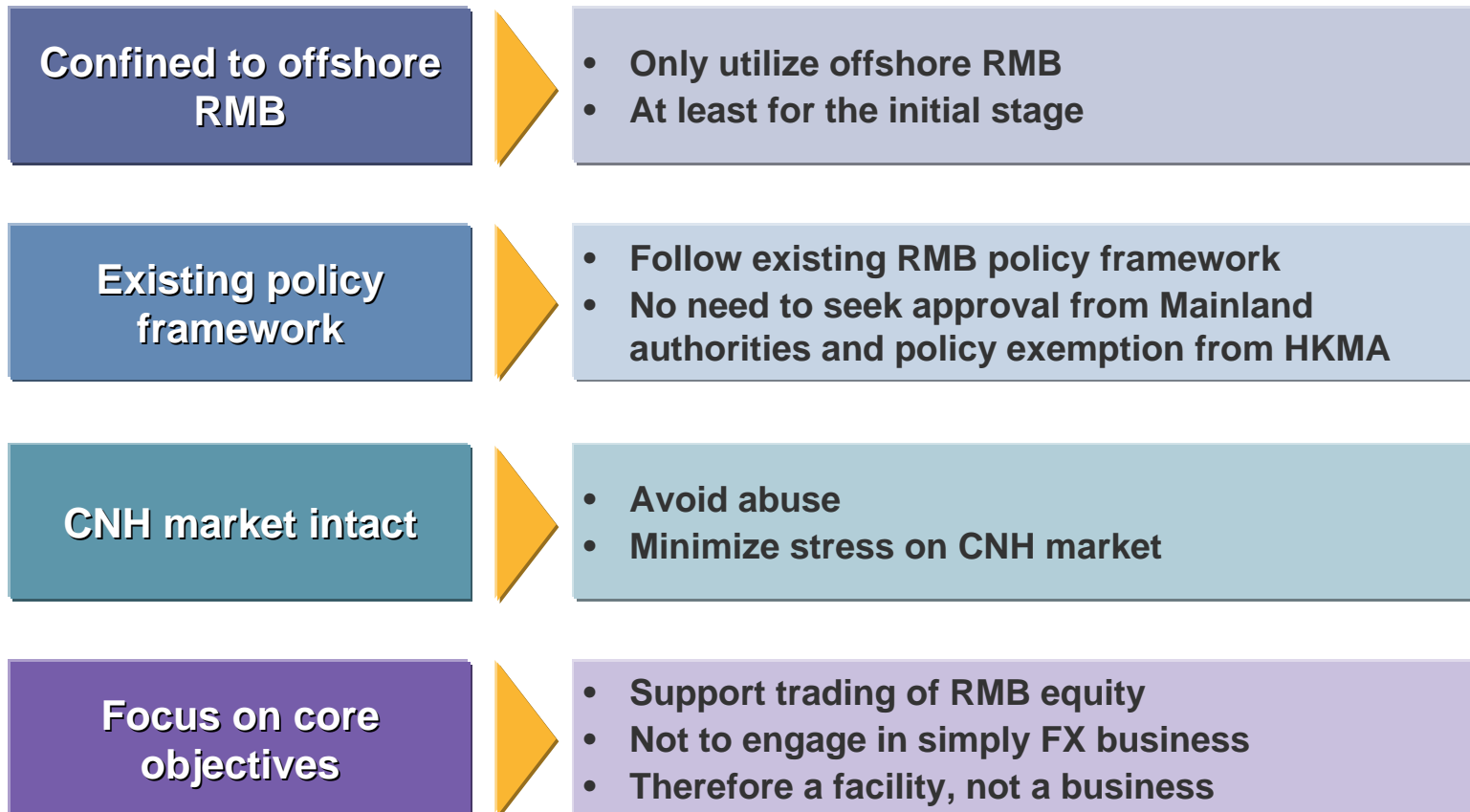
4 Implementation

5 Q & A

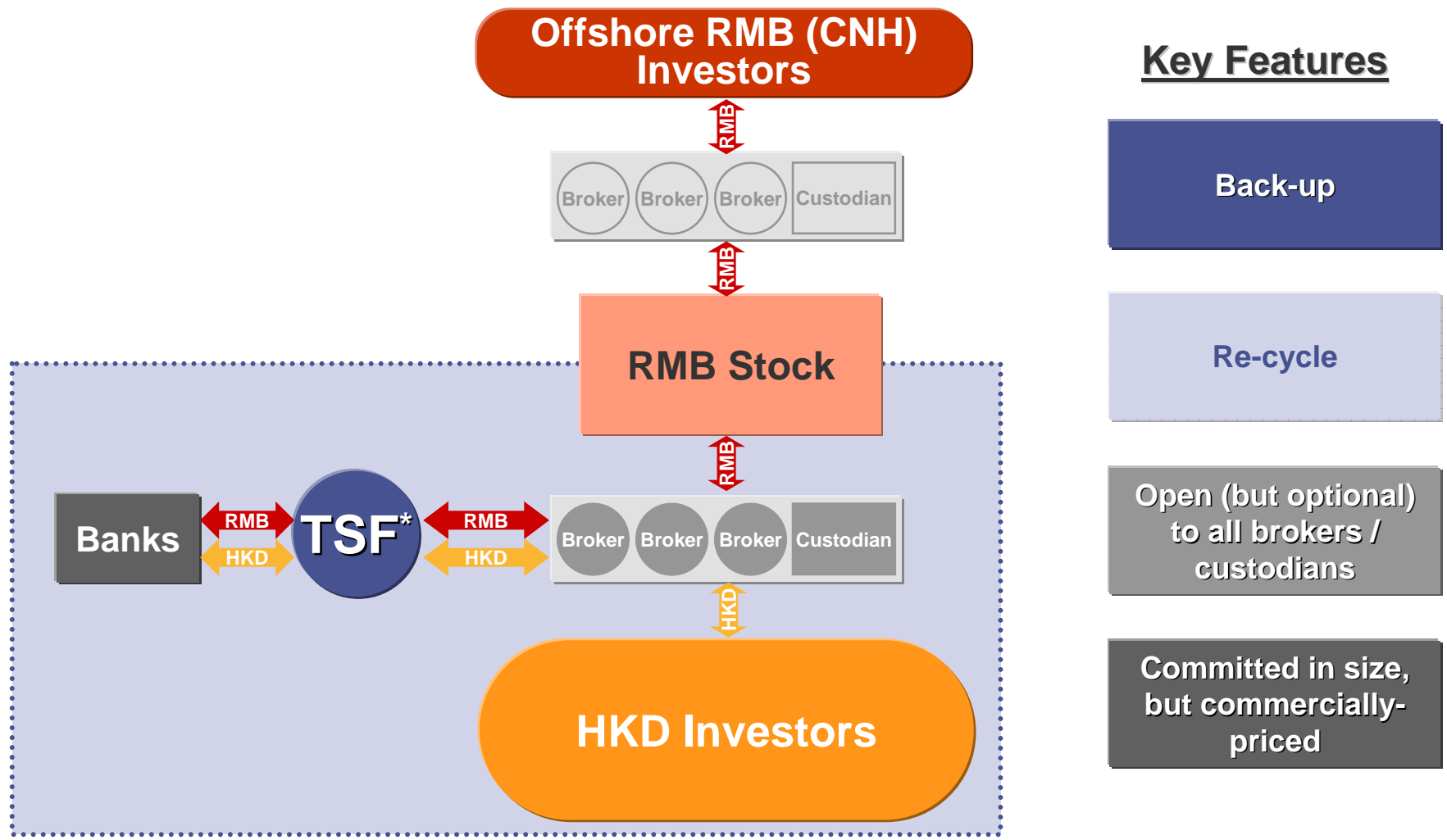
## Why TSF?

**Develop a sustainable trading model  
for RMB Equity  
not completely dependent upon  
availability of RMB liquidity**

# The major design principles of TSF



# How does the TSF work?



## Key Features

- Back-up
- Re-cycle
- Open (but optional) to all brokers / custodians
- Committed in size, but commercially-priced

\* Subject to regulatory approval

1 Overview

**2 Operation Flow**

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# General Notes about the Operation Flow

## Eligible Securities and Participants

- For TSF Eligible Securities only
- For TSF Eligible Participants only
- Lists of TSF Eligible Participants and TSF Eligible Securities will be published on the HKEx website

## Indicate in trade order whether it should go through TSF

- Only for Trades automatically struck through the AMS/3 (i.e. auto-matched trades)
- TSF Eligible Participants who want to buy or sell through the TSF should input “TSF” in the existing Reference field of the respective trade orders
- Irrevocable once the TSF trades are matched in AMS/3

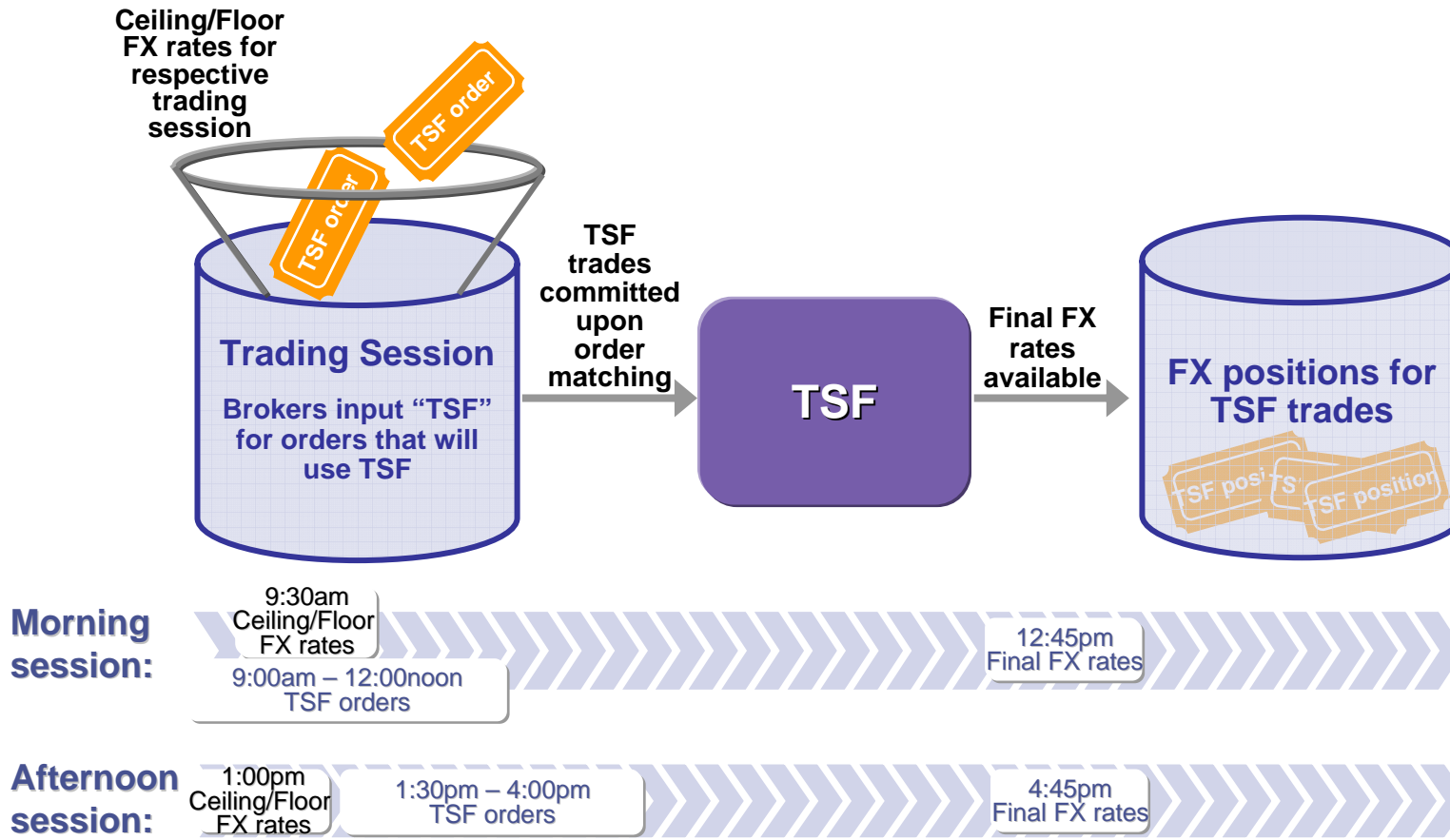
## Different FX rates for morning and afternoon trading sessions

- TSF exchange rates will be published on the HKEx website
  - Indicative** For morning session: around 9:30 a.m.  
For afternoon session: before 1:00 p.m.
  - Final** For TSF trades concluded in the morning session: around 12:45 p.m.  
For TSF trades concluded in the afternoon session: around 4:45 p.m.
- HKD equivalent will be calculated based on the respective Final TSF exchange rates provided by the TSF partner bank(s)



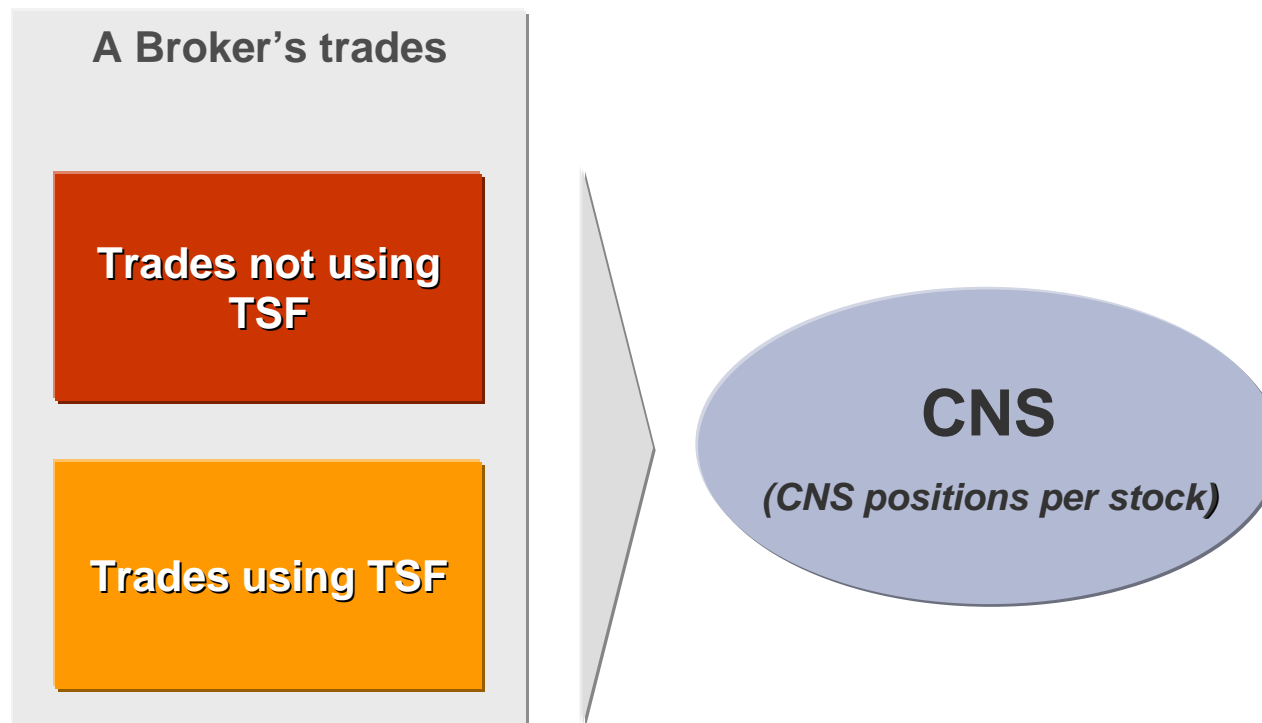
# How to request for TSF

## Indicate in AMS orders on T-day



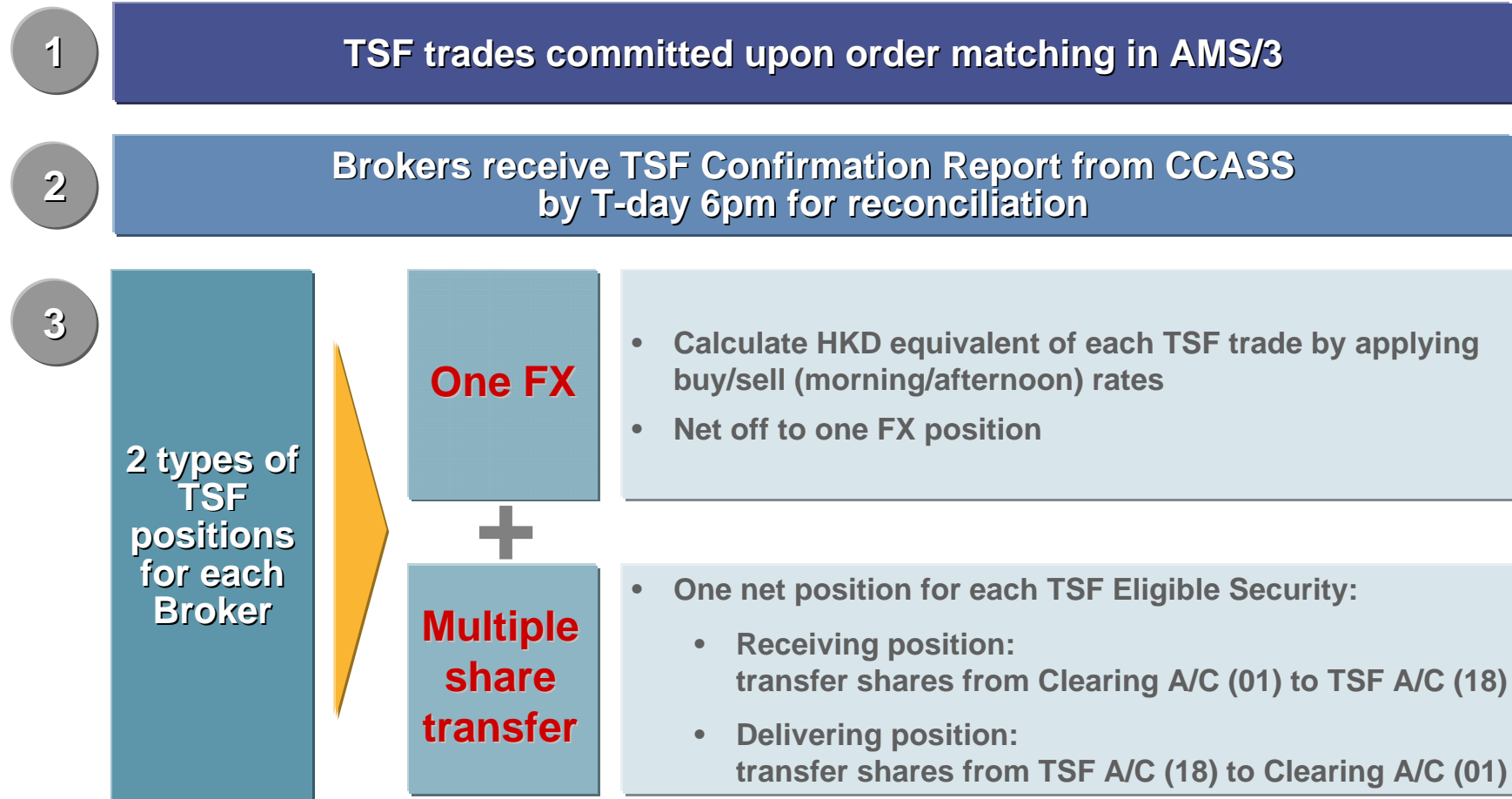
# CNS process remains unchanged

– CNS positions include all trades

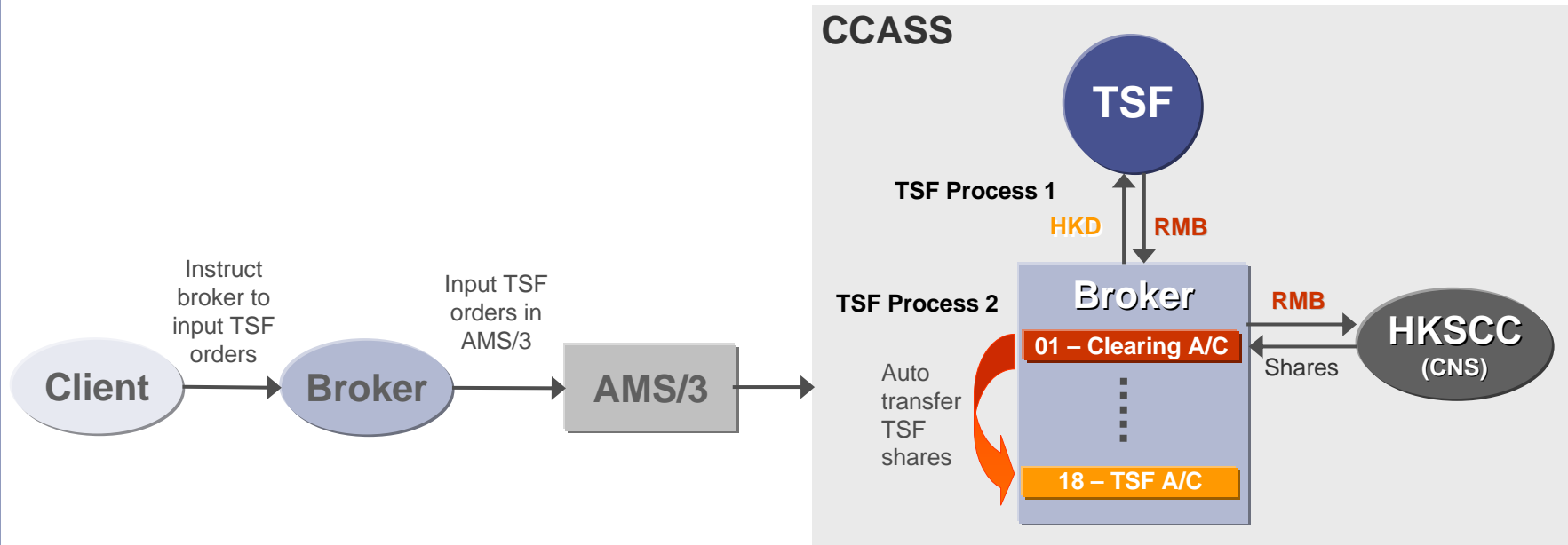


# FX to settle on a net basis

## Share earmarking on a per stock basis



# FX settlement and share earmarking in CCASS

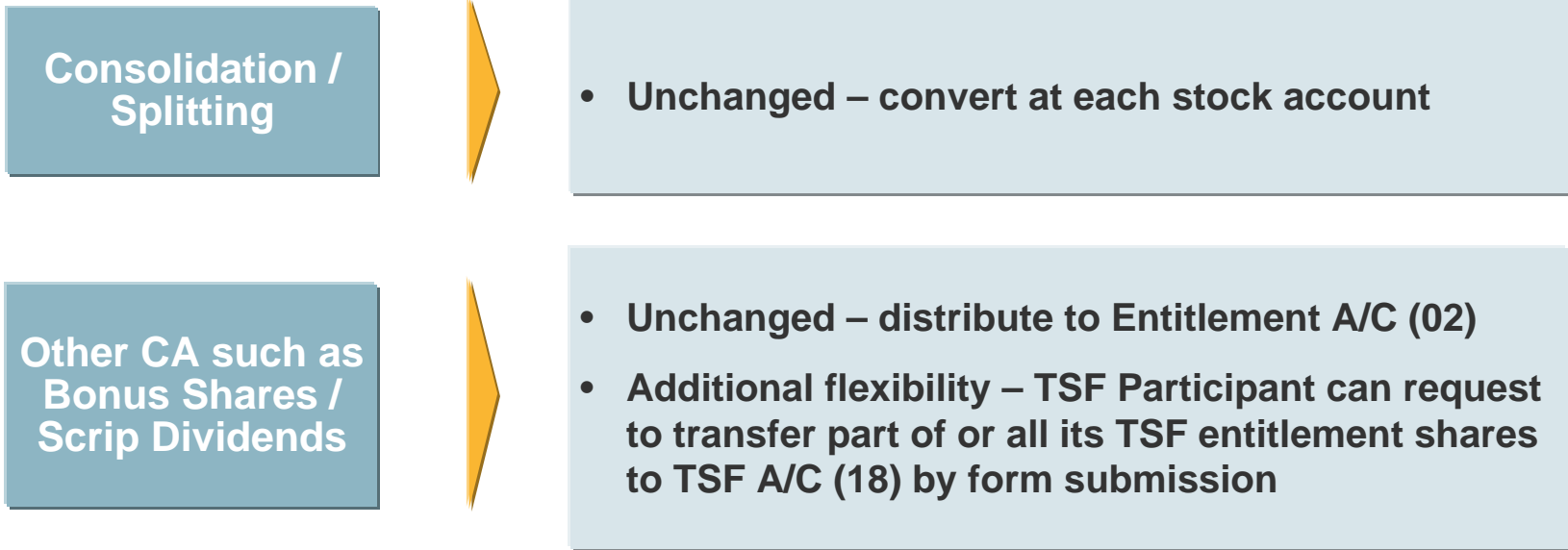


## New TSF Processes :

- |   |  |
|---|--|
| <ol style="list-style-type: none"> <li>1. FX settlement</li> <li>2. Share earmarking / de-earmarking</li> </ol> | <ul style="list-style-type: none"> <li>• Via RTGS / bank transfer</li> <li>• Designate stock segregated account "TSF Account" (18) to hold earmarked shares</li> <li>• Automatically transferred between TSF Account (18) and Clearing Account (01)</li> </ul> |
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# Handling of Corporate Actions (CA)

– Largely the same, with flexibility



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# Participating in TSF requires back-office capabilities

*Brokers should ensure their trading system and back office system are able to.....*

Handle TSF orders / trades

Segregate TSF shares

Handle TSF Money Settlement

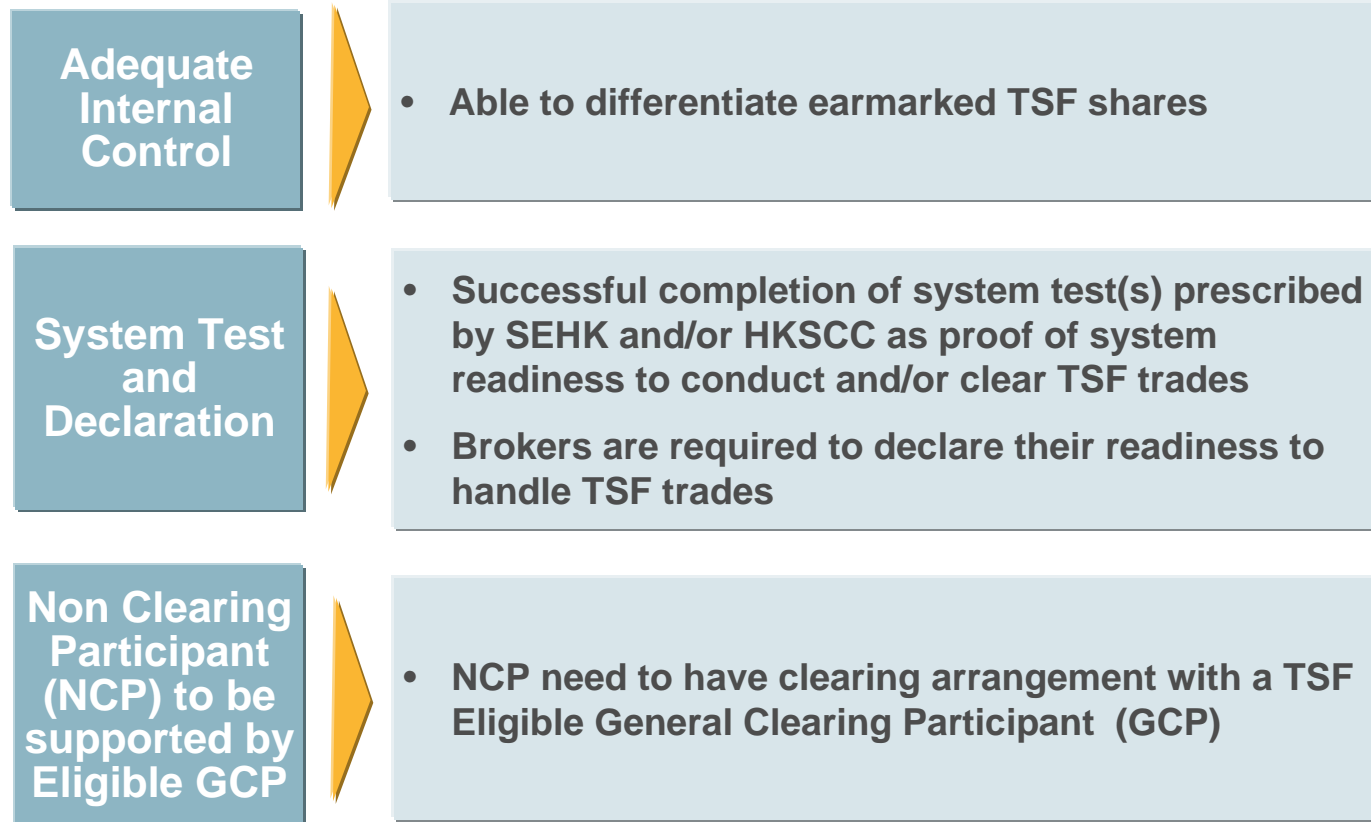
e.g. calculate TSF payment for each client

Reflect TSF information in client statements

e.g. TSF trades, including the respective exchange rates

\* Subject to further SFC requirements

# How to become TSF Eligible Participants



\* Subject to approval & further requirements from SFC



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# Implementation Schedule (High-level)

Time	Event
May 2011	2 <sup>nd</sup> round briefing
June 2011	Admission Start
3Q / 4Q 2011	System Test
3Q / 4Q 2011	Launch of TSF

\* Subject to approval from SFC

## More TSF information on the website



Visit TSF Web Corner (to be available in May 2011) at

[www.hkex.com.hk](http://www.hkex.com.hk)

Home

- Market Operations
  - Securities Trading Infrastructure
    - Preparation for applying RMB Equity Trading Support Facility (TSF)

### Content:

- Model and mechanism of TSF
- FAQ
- Checklist for SEHK & HKSCC participants
- Circulars (regarding admission, readiness, seminars, etc...)
- Other reference: e.g. briefing materials, sample reports
- *List of TSF Eligible Securities / Participants (later stage)*



# Questions and Answers