

**GENERAL RULES OF CCASS**

**PART A: RULES OF GENERAL APPLICATION**

**CHAPTER 1**

**INTERPRETATION**

<u>“Afternoon Session”</u>	<u>means the period in the afternoon during which trading can be conducted on the Exchange pursuant to the Exchange Rules;</u>
<u>“AMS”</u>	<u>means the Automatic Order Matching and Execution System as installed and operated by the Exchange for securities trading;</u>
<u>“automatic order matching”</u>	<u>has the same meaning as defined in the Exchange Rules;</u>
<u>“Collateral”</u>	<u>means collateral, in such form as HKSCC may from time to time require, to be provided by a Participant pursuant to Rule 602, 806, 3501 or 3602 and additionally, to be provided by a TSF CCASS Participant pursuant to Rule 12A14;</u>
<u>“de-earmark”</u>	<u>means the designation of earmarked TSF Stocks as not subject to earmarking, and “de-earmarking” shall be construed accordingly;</u>
<u>“earmark”</u>	<u>means the designation of TSF Stocks as stocks purchased with the support of the FX Services, and “earmarking” shall be construed accordingly;</u>
<u>“earmarked TSF Stocks”</u>	<u>means TSF Stocks purchased with the support of the FX Services and which shall be held in a TSF Account unless otherwise provided in the Rules or determined by HKSCC;</u>
<u>“FX”</u>	<u>means foreign exchange;</u>
<u>“FX Services”</u>	<u>means, the foreign exchange services which may be provided by HKSCC as set out in Chapter 12A of the Rules;</u>
<u>“Hong Kong dollar”, “HKD” or “\$”</u>	<u>means Hong Kong dollar, the lawful currency of Hong Kong;</u>

<u>“Morning Session”</u>	<u>means the period in the morning during which trading can be conducted on the Exchange pursuant to the Exchange Rules;</u>
<u>“Pre-opening Session”</u>	<u>has the same meaning as defined in the Exchange Rules;</u>
<u>“RMB”</u>	<u>means Renminbi, the lawful currency of the People’s Republic of China, for settlement in Hong Kong;</u>
<u>“RMB Buy Final FX Rate”</u>	<u>has the meaning as set out in Rule 12A10(iii);</u>
<u>“RMB Buy Indicative FX Rate”</u>	<u>has the meaning as set out in Rule 12A10(i);</u>
<u>“RMB Sell Final FX Rate”</u>	<u>has the meaning as set out in Rule 12A10(iv);</u>
<u>“RMB Sell Indicative FX Rate”</u>	<u>has the meaning as set out in Rule 12A10(ii);</u>
"STI Transfer"	means a transfer to be effected in CCASS between a SSA with Statement Service and any other Stock Account (including other SSA with Statement Service but excluding Stock Collateral Control Account <u>and TSF Accounts</u> ) of a Clearing Participant or Custodian Participant as a result of (i) the input (and authorisation, if required) of a Stock Segregated Account Transfer Instruction (without affirmation) or (ii) the input (and authorisation, if required) of a Stock Segregated Account Transfer Instruction (with affirmation) affirmed by the relevant SSA Statement Recipient;
"Stock Account"	means, <u>(i)</u> in relation to each Clearing Participant, each Stock Clearing Account, Stock Segregated Account, Stock Lending Account and Stock Collateral Control Account; <u>(ii)</u> in relation to each Investor Participant, each Stock Clearing Account; and, <u>(iii)</u> in relation to each Participant other than a Clearing Participant and an Investor Participant, each Stock Clearing Account, Stock Segregated Account and Stock Lending Account, allocated to and operated by it in which Eligible Securities of such Participant are credited or debited, as referred to in Rule 601, <u>and in relation to a TSF CCASS Participant, means, additionally, each TSF Account allocated to it by HKSCC under Rule 12A08;</u>
<u>“Stock Release FX Transaction”</u>	<u>means a FX transaction relating to the sale of RMB by a TSF CCASS Participant to HKSCC as TSF operator arising from or generated by the submission of a Stock Release Request by such Participant, as referred to in Rule 12A12;</u>

<u>“Stock Release Request”</u>	<u>means a request submitted by a TSF CCASS Participant to HKSCC for the purpose of de-earmarking earmarked TSF Stocks, as referred to in Rule 12A12;</u>
“Stock Segregated Accounts” or “SSA”	means, <u>(i)</u> in relation to each Clearing Participant, the Stock Accounts in CCASS of such Participant other than its Stock Clearing Account, Stock Lending Account and Stock Collateral Control Account; and <u>(ii)</u> in relation to each Participant other than a Clearing Participant and an Investor Participant, the Stock Accounts in CCASS of such Participant other than its Stock Clearing Account and Stock Lending Account, as referred to in Rule 601, including but not limited to SSA with Statement Service of the Participant, <u>and in relation to a TSF CCASS Participant, TSF Accounts shall not be regarded as Stock Segregated Accounts;</u>
"Stock Segregated Account Transfer Instruction" or "STI"	means an instruction of a Clearing Participant or Custodian Participant, in such form as HKSCC may from time to time prescribe as being valid, to effect book-entry movements of Eligible Securities between the Participant’s SSA with Statement Service and its other Stock Accounts (including other SSA with Statement Service but excluding Stock Collateral Control Account <u>and where a Clearing Participant or a Custodian Participant is a TSF CCASS Participant, excluding also TSF Accounts</u> ) in CCASS, as referred to in Rule 601;
<u>“Trading day”</u>	<u>means a day on which trading is conducted on the Exchange;</u>
<u>“TSF”</u>	<u>means the trading support facility in the form of FX Services which HKSCC may provide for the purposes of facilitating the purchase and sale of TSF Stocks. Where the FX Services are provided, HKSCC shall do so as TSF operator and not in its capacity as, or for the purposes of acting as, the central counterparty for the clearing of Exchange Trades; and unless the context otherwise requires, references in Chapter 12A to HKSCC shall be construed accordingly;</u>
<u>“TSF Account”</u>	<u>means the TSF Principal Account or the TSF Segregated Account, as the context may require;</u>
<u>“TSF Buy Exchange Trade”</u>	<u>means an Exchange Trade with respect to the purchase of TSF Stocks by a TSF Exchange Participant through the AMS which is (i) supported by a TSF Buy FX Order prior to the effect of the Exchange Trade on the</u>

AMS; and (ii) supported by a TSF Buy FX Transaction upon the effect of the Exchange Trade on the AMS;

“TSF Buy FX Order”

means an order for the conversion of HKD to RMB by a TSF Exchange Participant to HKSCC as TSF operator through an input into the AMS for the purpose of supporting an order to purchase TSF Stocks, which order shall, upon matching on the AMS, constitute a TSF Buy Exchange Trade;

“TSF Buy FX Transaction”

means the FX transaction between HKSCC as TSF operator and a TSF Exchange Participant relating to a TSF Buy FX Order for the purpose of settlement of a TSF Buy Exchange Trade;

“TSF CCASS Participant”

means a TSF Clearing Participant or a TSF Custodian Participant, as the context may require;

“TSF Clearing Participant”

means a Direct Clearing Participant or a General Clearing Participant which has been accepted for registration and to remain registered as a TSF CCASS Participant by HKSCC;

“TSF Custodian Participant”

means a Custodian Participant which has been accepted for registration and to remain registered as a TSF CCASS Participant by HKSCC;

“TSF Exchange Participant”

means, in the context of trading of TSF Stocks, an Exchange Participant which has been accepted for registration and to remain registered as a TSF Exchange Participant by the Exchange;

“TSF Exchange Trade”

means a TSF Buy Exchange Trade or a TSF Sell Exchange Trade, as the context may require;

“TSF FX Order”

means a TSF Buy FX Order or a TSF Sell FX Order, as the context may require;

“TSF FX Transaction”

means a TSF Buy FX Transaction or a TSF Sell FX Transaction, as the context may require;

“TSF Participant”

means, a TSF Exchange Participant and/or a TSF CCASS Participant, as the context may require;

“TSF Participant Registration Criteria”

means the eligibility criteria which HKSCC may prescribe from time to time for Participants to be accepted for registration and to remain registered as

TSF CCASS Participants for the purposes of providing clearing and settlement services in respect of TSF Exchange Trades and/or providing custodian services in respect of earmarked TSF Stocks;

“TSF Partner Bank”

means a financial institution which has entered into an agreement or arrangement with HKSCC for the purposes of providing RMB to HKD or HKD to RMB conversion services and/or liquidity to HKSCC as TSF operator;

“TSF Principal Account”

means a Stock Account established by HKSCC in the name of a TSF CCASS Participant principally for the purposes of facilitating the credit and debit of TSF Stocks for such Participant to earmark or de-earmark TSF Stocks;

“TSF Segregated Account”

means a Stock Account established by HKSCC in the name of a TSF CCASS Participant for the sole purpose of holding earmarked TSF Stocks of such Participant, whether as principal or as agent for its clients;

“TSF Sell Exchange Trade”

means an Exchange Trade with respect to the sale of TSF Stocks by a TSF Exchange Participant through the AMS which is (i) supported by a TSF Sell FX Order prior to the effect of the Exchange Trade on the AMS; and (ii) supported by a TSF Sell FX Transaction upon the effect of the Exchange Trade on the AMS;

“TSF Sell FX Order”

means an order for the conversion of RMB to HKD by a TSF Exchange Participant to HKSCC as TSF operator through an input into the AMS for the purpose of supporting an order to sell TSF Stocks, which order shall, upon matching on the AMS, constitute a TSF Sell Exchange Trade;

“TSF Sell FX Transaction”

means the FX transaction between HKSCC as TSF operator and a TSF Exchange Participant relating to a TSF Sell FX Order for the purpose of settlement of a TSF Sell Exchange Trade;

“TSF Stocks”

means Eligible Securities which are included in the list of TSF Stocks by HKSCC from time to time under Rule 12A04;

## CHAPTER 6

### STOCK ACCOUNTS AND CCMS COLLATERAL ACCOUNTS

#### 601. Stock Clearing Account / Stock Segregated Accounts / Stock Lending Account / Stock Collateral Control Account / TSF Accounts / Stock Account of an Investor Participant

Subject to the Rules, HKSCC shall allocate to each Participant other than an Investor Participant (i) one Stock Clearing Account; (ii) subject to its approval, such number of Stock Segregated Accounts as HKSCC may in its absolute discretion determine from time to time; and (iii) subject to HKSCC's approval, one Stock Lending Account. In the case of a Clearing Participant, HKSCC shall allocate to such Participant in addition to the abovementioned accounts one Stock Collateral Control Account. In the case of a TSF CCASS Participant, HKSCC shall allocate to such Participant in addition to the above mentioned accounts one TSF Principal Account and one TSF Segregated Account. An Investor Participant shall be allocated one Stock Account only.

The operation of the Stock Clearing Account, the Stock Segregated Accounts, the Stock Lending Account, the Stock Collateral Control Account, the TSF Accounts and the Stock Account of an Investor Participant, including but not limited to the credit or debit entries made thereto, shall be in accordance with the Rules.

A Participant other than an Investor Participant may move Eligible Securities between its Stock Accounts, other than Stock Collateral Control Account and, in the case of a Clearing Participant or a Custodian Participant, SSA with Statement Service, by the input of an Account Transfer Instruction in accordance with the Operational Procedures and the "CCASS Terminal User Guide for Participants" of HKSCC, as from time to time in force. A Clearing Participant or Custodian Participant may also move Eligible Securities between its SSA with Statement Service and any other Stock Accounts (including other SSA with Statement Service but excluding Stock Collateral Control Account and TSF Accounts) by the input of a Stock Segregated Account Transfer Instruction in accordance with the Operational Procedures and the "CCASS Terminal User Guide for Participants" of HKSCC, as from time to time in force.

## CHAPTER 8

### DEPOSITORY AND CUSTODIAN SERVICES

#### 801. Deposit of Eligible Securities

Subject to the Rules, HKSCC may accept Eligible Securities from Participants or direct from the issuers of Eligible Securities (or their agents or representatives) for deposit into the Stock Accounts, other than the Stock Collateral Control Accounts of Participants, and where the Participants are TSF CCASS Participants, other than the TSF Accounts; of such Participants. Participants are not allowed to deposit Eligible Securities directly into their CCMS Collateral Accounts, ~~or~~ Stock Collateral Control Accounts, and where such Participants are TSF CCASS

Participants, directly into their TSF Accounts. Eligible Securities held in a CCMS Collateral Account are either transferred from Stock Accounts in CCASS, other than the Stock Collateral Control Accounts and where the Eligible Securities are earmarked TSF Stocks, other than the TSF Accounts, or from other CCMS Collateral Accounts as permitted by HKSCC from time to time.

#### **805. Representation and warranty of authority**

In respect of Eligible Securities transferred to any CCMS Collateral Account of a Clearing Participant ~~(other than an Investor Participant)~~, the Participant transferring such Eligible Securities represents and warrants in favour of HKSCC that (i) the Participant is entitled or has full authority and all necessary consents to deposit such Eligible Securities with CCASS as Collateral Securities and to create a security interest over the same in favour of HKSCC, (ii) no security interest exists on, over or with respect to the Collateral Securities and the Derived Assets, and (iii) the Collateral Securities are fully paid and the first fixed charge over the Collateral Securities and the Derived Assets created by virtue of Rule 3608 in favour of HKSCC shall have priority over any beneficial or equitable interest or rights in or over the said Eligible Securities.

#### **809. Fungibility**

Each Participant agrees that Eligible Securities in CCASS may be treated by HKSCC as fungible with Eligible Securities of the same issue.

No Participant will be entitled to any specific Eligible Securities in CCASS and subject as otherwise provided, HKSCC's obligation to a Participant will be to allow withdrawal of, subject to the Rules, up to the number of Eligible Securities in the Stock Accounts of such Participant at any time.

HKSCC need not ~~earmark~~ mark or label specific Eligible Securities either to a particular Participant or to a particular transaction settled or to be settled in CCASS.

#### **810. Withdrawal of Eligible Securities**

Subject to the Rules, each Participant shall be entitled to withdraw from CCASS or an Appointed Depository via HKSCC Eligible Securities which are issued in registered form (except global registered form) in the Participant's Stock Accounts other than TSF Accounts (if the Participant is a TSF CCASS Participant, in respect of which the provisions of Chapter 12A shall apply). Unless otherwise determined by HKSCC or provided in the Rules, Participants are not entitled to withdraw from CCASS or an Appointed Depository via HKSCC Eligible Securities which are uncertificated or issued in global form.

The Charged Property of a Participant held in any CCMS Collateral Account in the form of Eligible Securities will have to be transferred to the Stock Accounts in CCASS, other than the Stock Collateral Control Account and the TSF Accounts (if the Participant is a TSF CCASS Participant), prior to any withdrawal being made. Charged Property will not be allowed to be

used or transferred by the Participant without the express permission of HKSCC. In the event that Eligible Securities are transferred from a Participant's Stock Accounts in CCASS to a collateral account in CCMS maintained by another Recognized Clearing House for the Participant in its capacity as a participant of such Recognized Clearing House, such Eligible Securities will have to be re-transferred to the Participant's Stock Accounts in CCASS, other than the Stock Collateral Control Account and the TSF Accounts (if the Participant is a TSF CCASS Participant), prior to any withdrawal being made. The Recognized Clearing House may withdraw such Eligible Securities from CCASS or otherwise deal with such Eligible Securities in relation to the enforcement of its rights under any charge or security interest granted in its favour by the Participant in respect of such Eligible Securities.

## CHAPTER 9

### CLEARING SERVICES

#### 901. Clearance of Exchange Trades

##### (ia) Substitution Process

Where at least one of the parties to an Exchange Trade is an NCP, the GCP of that NCP designated for clearing Exchange Trades of such NCP shall become a party to the Exchange Trade as principal in substitution for, and with exactly the same rights and obligations under the Exchange Trade as, that NCP.

In relation to TSF Exchange Trades of a TSF Exchange Participant, the TSF Clearing Participant of that TSF Exchange Participant designated for clearing TSF Exchange Trades of such TSF Exchange Participant shall become a party to the relevant TSF Exchange Trade and the corresponding TSF FX Transaction as principal in substitution for, and with exactly the same rights and obligations under the relevant TSF Exchange Trade and the corresponding TSF FX Transaction as, that TSF Exchange Participant at the same time as the relevant TSF Exchange Trade is effected on the AMS.

## CHAPTER 10

### SETTLEMENT SERVICES

#### 1002. Transactions accepted for settlement

Transactions accepted for settlement and/or clearance by HKSCC may include:

- (i) Exchange Trades (including TSF Exchange Trades) under the CNS System;
- (ii) Exchange Trades under the Isolated Trades System;
- (iii) Clearing Agency Transactions under the CNS System;
- (iv) Clearing Agency Transactions under the Isolated Trades System;
- (v) transactions arising out of matched Settlement Instructions by two counterparty Participants;

- (vi) transactions arising out of input (and authorised, if required) of Investor Settlement Instructions (without affirmation) by Participants or affirmed Investor Settlement Instructions (with affirmation) by Investor Participants concerned;
- (vii) Compulsory Stock Borrowing Transactions in CCASS;
- (viii) transactions arising out of cleared Transfer Instructions and Cross-Border Transfer Instructions by Participants concerned; and
- (ix) such other transactions as HKSCC may from time to time accept for settlement in CCASS (including TSF FX Transactions and Stock Release FX Transactions).

## CHAPTER 11

### NOMINEE SERVICES

#### 1105. Time limit for instructions etc.

The giving of instructions (other than Electronic Application Instructions for New Issue Shares and Tender Instructions) by a Participant will constitute an undertaking by that Participant to HKSCC that it will maintain not less than the number of the relevant Eligible Securities (in respect of which instructions have been given) in its Stock Accounts, (other than the Stock Collateral Control Account and if the Participant is a TSF CCASS Participant, the TSF Accounts) if the instructions require submission of Eligible Securities, on the record or similar date or the date on which the Participant gives the instruction to HKSCC, as the case may be. If any cash or other consideration is required to be paid or submitted under the action, transaction or matter in respect of which the Participant has given instructions (including Electronic Application Instructions for New Issue Shares and Tender Instructions), to give effect to the instructions, a Participant shall maintain sufficient funds in its Designated Bank Account or make available the other consideration, as the case may be, to enable HKSCC to effect such instructions relating to such actions, transactions or other matters affecting Eligible Securities or New Issue Shares.

## CHAPTER 12

### MONEY SETTLEMENT SERVICES

#### 1202. Participants to authorise HKSCC

Each Participant shall authorise its Designated Bank or Designated Banks in writing in such form as is from time to time deemed acceptable by HKSCC to (i) give effect to instructions from HKSCC to debit and/or credit its Designated Bank Account(s) and cause payments to be made to its SSA Statement Recipients, HKSCC, other Participants or Issuers (or their receiving bankers), as directed by HKSCC, and (ii) give effect to CHATS Payment Instructions from HKSCC to the Designated Bank(s); and shall take such steps as shall be necessary to ensure this to be the case.

Each Participant undertakes not to stop, countermand, or restrain the authority granted to HKSCC and further agrees to ratify and confirm all actions taken by HKSCC in relation to the matters contemplated in Rules 1202 to 1207, and where the Participant is a TSF CCASS Participant, additionally, in relation to the matters contemplated in Rules 12A13 and 12A15.

Each Clearing Participant which is an Exchange Participant is deemed to have authorised HKSCC to disclose information relating to its General Purpose Designated Bank Account to any Issuer and/or its agent subject to the Rules to enable such Issuer or its agent to pay the New Issue Brokerage, if any, into such General Purpose Designated Bank Account.

#### **1206A. Payments relating to TSF FX Transactions and Stock Release FX Transactions**

For payments relating to TSF FX Transactions and Stock Release FX Transactions, Rules 12A11 and 12A12 shall apply respectively.

### **CHAPTER 12A**

#### **FOREIGN EXCHANGE SERVICES**

##### **12A01. The TSF**

HKSCC may, as TSF operator, provide FX Services to TSF Participants for the purpose of facilitating the purchase and sale of TSF Stocks traded on the Exchange based on the following principles:

- (i) HKSCC may provide FX Services to TSF Exchange Participants for the conversion of HKD to RMB (to support TSF Buy FX Orders and TSF Buy FX Transactions) and to TSF Participants for the conversion of RMB to HKD (to support TSF Sell FX Orders, TSF Sell FX Transactions and Stock Release FX Transactions);
- (ii) TSF Exchange Participants which place a TSF Buy FX Order accept that the funds in RMB which HKSCC may provide under the FX Services shall be applied towards the purchase of the relevant TSF Stocks only and accordingly shall only be used for the purposes of settling the corresponding TSF Buy Exchange Trade, when effected on the AMS;
- (iii) For the clearing and settlement of TSF Exchange Trades and for the settlement of the corresponding TSF FX Transactions, in accordance with Rule 901(ia) of the Rules, the rights and obligations of a TSF Exchange Participant under or in relation to a TSF Exchange Trade and the corresponding TSF FX Transaction shall be assumed and taken up, as principal, in substitution for, and with exactly the same rights and obligations under the TSF Exchange Trade and the corresponding TSF FX Transaction, by the TSF Clearing Participant which has been designated by the TSF Exchange Participant for clearing TSF Exchange Trades; and where a TSF Exchange Participant is itself a TSF Clearing Participant, such rights and obligations shall be assumed by it as Direct Clearing Participant under the Rules;

- (iv) For the purposes of providing the FX Services and fulfilling its obligations arising from the provision of such services, HKSCC may acquire RMB from, and sell RMB to, one or several TSF Partner Banks on a principal-to-principal basis. Subject to obtaining such RMB funding from TSF Partner Banks, HKSCC may provide the FX Services to TSF Participants also on a principal-to-principal basis. Accordingly, the provision of FX Services for a TSF FX Order and for the settlement of a TSF FX Transaction or a Stock Release FX Transaction is conditional and dependent on the relevant TSF Partner Bank providing FX rates to HKSCC and delivering to HKSCC the relevant funds in RMB or HKD, as the case may be;
- (v) TSF Stocks purchased with the support of the TSF shall be earmarked as such; held in TSF Accounts as prescribed by these Rules; and be subject to restrictions on transfer to other Stock Accounts and withdrawal of share certificates from CCASS;
- (vi) TSF Participants wishing to sell earmarked TSF Stocks shall, except where a Stock Release Request is accepted by HKSCC or otherwise permitted under the Rules, be obliged to sell such TSF Stocks through the use of the TSF and to accept the sale proceeds of such TSF Stocks in HKD;
- (vii) The sale of earmarked TSF Stocks through the use of the TSF will result in the de-earmarking of the TSF Stocks. De-earmarking can also be effected through the submission of a Stock Release Request to HKSCC in accordance with the Rules and the Operational Procedures;
- (viii) In the event that HKSCC is unable to obtain RMB or HKD from TSF Partner Banks, HKSCC shall have the option to exercise its powers as set out in Rule 12A20 without obtaining the prior consent of any person; and
- (ix) The terms and conditions for the provision of the FX Services as set out in these Rules and the Operational Procedures may be amended by HKSCC from time to time. Without prejudice to Rules 102 and 103, HKSCC may impose additional requirements or special conditions on the provision of the FX Services whenever it considers appropriate. Further, HKSCC may vary, modify, waive or disapply these Rules to suit the circumstances of a particular situation as a variety of circumstances may exist which require it to make ad hoc decisions in relation to the operation of the TSF. Specifically, HKSCC has the power to suspend or cease to provide the FX Services temporarily or permanently in its sole and absolute discretion.

## **12A02. TSF Participants**

Only TSF Participants will be permitted to use the TSF.

There are two categories of TSF Participants: TSF Exchange Participants and TSF CCASS Participants. The Exchange has the power to accept Exchange Participants as TSF Exchange Participants and HKSCC has the power to accept Participants as TSF CCASS Participants. An entity may be accepted as a TSF Exchange Participant and a TSF CCASS Participant.

There are two categories of TSF CCASS Participants: TSF Clearing Participants and TSF Custodian Participants. HKSCC may by notice from time to time prescribe the eligibility criteria for Participants to be accepted for registration and to remain registered as TSF CCASS Participants.

**12A03. Criteria for registration as TSF CCASS Participants**

- (i) Only the following categories of Participants shall be eligible to apply for registration and to remain registered as TSF CCASS Participants:
  - (a) Direct Clearing Participants;
  - (b) General Clearing Participants; and
  - (c) Custodian Participants.
  
- (ii) For the avoidance of doubt, the following categories of Participants shall not be eligible to apply for registration as TSF CCASS Participants:
  - (a) Investor Participants;
  - (b) Stock Lender Participants;
  - (c) Stock Pledgee Participants; and
  - (d) Clearing Agency Participants.
  
- (iii) In the case of a Clearing Participant, to be accepted for registration and to remain registered as a TSF Clearing Participant, it must:
  - (a) meet the TSF Participant Registration Criteria; and
  - (b) be approved as a TSF Clearing Participant and such approval must not have been withdrawn by HKSCC.
  
- (iv) In the case of a Custodian Participant, to be accepted for registration and to remain registered as a TSF Custodian Participant, it must:
  - (a) meet the TSF Participant Registration Criteria; and
  - (b) be approved as a TSF Custodian Participant and such approval must not have been withdrawn by HKSCC.
  
- (v) A Participant wishing to apply for registration as a TSF CCASS Participant must apply to HKSCC in writing in such form as HKSCC may from time to time prescribe. HKSCC's decision in respect of an application shall be final and conclusive. Where an application is rejected, HKSCC is not obliged to give any reasons for its decision.

#### **12A04. TSF Stocks**

HKSCC may establish and maintain a list of TSF Stocks designated as eligible to be traded on the Exchange with the support of the TSF. The list of TSF Stocks may be amended by HKSCC from time to time in its absolute discretion. HKSCC may publish the list of TSF Stocks on the HKEx website or by such other means as it considers appropriate.

Unless HKSCC otherwise determines, the TSF shall only be available for supporting the trading of Eligible Securities in the form of shares (the par value of which may be denominated in any currency) which are accepted for trading on the Exchange in RMB and which are included in the list of TSF Stocks.

#### **12A05. FX Services**

HKSCC may provide FX Services to TSF Participants in respect of TSF FX Orders, TSF FX Transactions and Stock Release FX Transactions. HKSCC reserves the right to impose a fee on the provision of the FX Services.

In the case of TSF Buy FX Orders and TSF Buy FX Transactions, provision of the FX Services involves HKSCC selling RMB to a TSF Participant on a principal-to-principal basis through the conversion of HKD to RMB.

In the case of TSF Sell FX Orders, TSF Sell FX Transactions and Stock Release FX Transactions, provision of the FX Services involves HKSCC buying RMB from a TSF Participant on a principal-to-principal basis through the conversion of RMB to HKD.

The FX Services will not be provided to support the trading of Eligible Securities which are not TSF Stocks.

#### **12A06. Trades supported by TSF**

TSF is only available for trades:

- (i) which are designated by a TSF Exchange Participant as trades which require the FX Services and are effected on the AMS in accordance with the Exchange Rules; and
- (ii) which are Exchange Trades accepted by HKSCC for settlement under the CNS System in accordance with the Rules.

#### **12A07. Trades and transactions not supported by TSF**

TSF is not available to:

- (i) any trades that are not accepted by HKSCC for settlement under the CNS System or are settled under an Isolated Trade System;
- (ii) any SI, ISI, STI or Clearing Agency Transactions; and

(iii) any trades which have not been designated by a TSF Exchange Participant as requiring the FX Services.

#### **12A08. TSF Accounts**

Upon registration of a Participant as a TSF CCASS Participant, HKSCC may allocate a TSF Principal Account and a TSF Segregated Account for the use of such Participant. The TSF Accounts are in addition to the Stock Accounts allocated to such Participant under Rule 601.

The TSF Accounts are Stock Accounts established within CCASS in the name of a TSF CCASS Participant for the sole purpose of holding earmarked TSF Stocks.

A TSF Principal Account is the main Stock Account where earmarking or de-earmarking of TSF Stocks is effected through the transfer of TSF Stocks into or out of this TSF Principal Account. The TSF Principal Account is the account which HKSCC may credit TSF Stocks to where a TSF Buy Exchange Trade has been cleared and settled and the account which HKSCC may debit earmarked TSF Stocks from for the settlement of a TSF Sell Exchange Trade.

A TSF Segregated Account is for the sole purpose of holding earmarked TSF Stocks. This account may be used by a TSF CCASS Participant to hold earmarked TSF Stocks for its clients as a segregated client account or for its own proprietary use.

Details regarding the TSF Accounts are set out in the Operational Procedures.

#### **12A09. Earmarking and De-earmarking of TSF Stocks**

All TSF Stocks purchased through the TSF shall be earmarked as such and shall be held in CCASS in either a TSF Principal Account or a TSF Segregated Account. Earmarking of TSF Stocks restricts the physical withdrawal of share certificates of the TSF Stocks by TSF Participants from CCASS.

TSF Participants wishing to sell earmarked TSF Stocks must do so by way of a TSF Sell Exchange Trade through the TSF and must accept the sale proceeds in HKD. The sale of earmarked TSF Stocks through the TSF shall result in de-earmarking of the TSF Stocks. De-earmarking of earmarked TSF Stocks can also be effected by the submission of a Stock Release Request as referred to in Rule 12A12.

TSF Stocks shall only be transferred into a TSF Principal Account or a TSF Segregated Account, as the case may be, in the following circumstances:

- (i) following the settlement of a TSF Buy Exchange Trade by a TSF Clearing Participant;
- (ii) where a TSF CCASS Participant receives earmarked TSF Stocks from another TSF CCASS Participant's TSF Account;
- (iii) by transfer between a TSF Principal Account and a TSF Segregated Account of the same TSF CCASS Participant and vice versa; or

(iv) by transfer of share entitlements from an Entitlement Account to a TSF Principal Account of the same TSF CCASS Participant.

All earmarked TSF Stocks shall only be transferred out of a TSF Principal Account or a TSF Segregated Account, as the case may be, in the following circumstances:

(i) by transfer to the Stock Clearing Account of a TSF CCASS Participant for settlement of a TSF Sell Exchange Trade;

(ii) upon a release following HKSCC's acceptance of a Stock Release Request;

(iii) by transfer to another TSF CCASS Participant's TSF Account;

(iv) by transfer between a TSF Principal Account and a TSF Segregated Account of the same TSF CCASS Participant and vice versa; or

(v) upon a release (with or without conditions being imposed) as HKSCC may determine in its absolute discretion, upon the TSF ceasing to operate or upon a temporary suspension of the FX Services or in other circumstances in which HKSCC considers such release appropriate.

For the avoidance of doubt, the requirement under this Rule shall also apply to TSF Stocks which have been purchased with the support of the TSF but become the subject of a share split where an Issuer increases its issued share capital by dividing existing shares into multiple shares, or a share consolidation where an Issuer decreases its issued share capital by replacing existing shares with a smaller number of shares.

#### **12A10. RMB FX Rates**

On any Trading day when the FX Services are available and when the TSF has not been temporarily suspended or ceased to operate, the following rates will be published on the HKEx website or by such other means as HKSCC considers appropriate:

(i) The RMB Buy Indicative FX Rate: In relation to HKSCC offering the FX Service of buying RMB, this is the indicative RMB buy rate, expressed as the amount of HKD per one RMB, for TSF Sell FX Orders input by TSF Exchange Participants during the Pre-Opening Session, the Morning Session or the Afternoon Session, as the case may be, of the relevant Trading day, to be published by HKSCC at approximately 9:30 a.m. for the Pre-opening Session and the Morning Session (if any), and at approximately 1:00 p.m. for the Afternoon Session (if any).

(ii) The RMB Sell Indicative FX Rate: In relation to HKSCC offering the FX Service of selling RMB, this is the indicative RMB sell rate, expressed as the amount of HKD per one RMB, for TSF Buy FX Orders input by TSF Exchange Participants during the Pre-Opening Session, the Morning Session or the Afternoon Session, as the case may be, of the relevant Trading day, to be published by HKSCC at approximately 9:30 a.m. for the Pre-opening Session and the Morning Session (if any), and at approximately 1:00 p.m. for the Afternoon Session (if any).

(iii) The RMB Buy Final FX Rate: In relation to HKSCC offering the FX Service of buying RMB, this is the RMB buy rate specified by HKSCC, expressed as the amount of HKD per one RMB, that shall apply to the settlement of TSF Sell FX Transactions generated during the Pre-Opening Session, the Morning Session or the Afternoon Session, as the case may be, of the relevant Trading day, provided that such RMB buy rate shall not be lower than the RMB Buy Indicative FX Rate published by HKSCC for the relevant trading session on the relevant Trading day. The RMB Buy Final FX Rate for TSF Sell FX Transactions generated during the Pre-opening Session and the Morning Session (if any) will be published at approximately 12:45 p.m., and the RMB Buy Final FX Rate for TSF Sell FX Transactions generated during the Afternoon Session (if any) will be published at approximately 4:45 p.m., of a Trading day.

(iv) The RMB Sell Final FX Rate: In relation to HKSCC offering the FX Service of selling RMB, this is the RMB sell rate specified by HKSCC, expressed as the amount of HKD per one RMB, that shall apply to the settlement of TSF Buy FX Transactions generated during the Pre-Opening Session, the Morning Session or the Afternoon Session, as the case may be, of the relevant Trading day, provided that such RMB sell rate shall not be higher than the RMB Sell Indicative FX Rate published by HKSCC for the relevant trading session on the relevant Trading day. The RMB Sell Final FX Rate for TSF Buy FX Transactions generated during the Pre-opening Session and the Morning Session (if any) will be published at approximately 12:45 p.m., and the RMB Sell Final FX Rate for TSF Buy FX Transactions generated during the Afternoon Session (if any), will be published at approximately 4:45 p.m., of a Trading day.

HKSCC may in its discretion determine to publish the FX rates set out in this Rule at such other times as it considers appropriate, whether due to a change in the trading hours of the Exchange or otherwise.

For the avoidance of doubt, where any order for the sale or purchase of TSF Stocks input into the AMS by a TSF Exchange Participant during the Morning Session is not effected during that Session but is transferred to the Afternoon Session of a Trading day for execution:

(a) the RMB Buy Indicative FX Rate or the RMB Sell Indicative FX Rate published by HKSCC for the Afternoon Session shall apply to the corresponding TSF FX Order; and

(b) where the order is effected on the AMS during the Afternoon Session, the RMB Buy Final FX Rate or the RMB Sell Final FX Rate published by HKSCC for the Afternoon Session shall apply to the corresponding TSF FX Transaction.

#### **12A11. TSF Exchange Trades and TSF FX Transactions**

Subject to Trade Amendments as allowed by the Exchange Rules and the publication of the FX rates referred to in Rule 12A10 on the relevant Trading day, upon effecting a TSF Exchange Trade on the AMS, a TSF FX Transaction relating to the corresponding TSF FX Order shall automatically be generated for the purpose of settlement of the TSF Exchange Trade.

A TSF Participant's obligation under a TSF FX Transaction represents an unconditional and irrevocable commitment to buy RMB from or sell RMB to HKSCC at the applicable RMB Sell Final FX Rate or RMB Buy Final FX Rate. Subject to the Rules and the Operational Procedures, TSF FX Transactions shall be settled by TSF Clearing Participants on the same Settlement Day on which the corresponding TSF Exchange Trades are settled by the delivery to HKSCC of the relevant funds in RMB at the applicable RMB Buy Final FX Rate (in respect of a TSF Sell FX Transaction), or in HKD at the applicable RMB Sell Final FX Rate (in respect of a TSF Buy FX Transaction). Procedures on the settlement of TSF FX Transactions and related provisions are set out in the Operational Procedures.

#### **12A12. Stock Release Requests and Stock Release FX Transactions**

If a TSF CCASS Participant wishes to de-earmark earmarked TSF Stocks or to release earmarked TSF Stocks from the restrictions referred to in Rule 12A09 without selling them, it may effect a book-entry movement of the relevant number of earmarked TSF Stocks from its relevant TSF Account to any other Stock Account (except a Stock Collateral Control Account and an SSA with Statement Service) by inputting and authorising a Stock Release Request for submission to HKSCC.

Unless HKSCC otherwise determines, HKSCC shall notify its acceptance of a Stock Release Request through CCASS after validation of such Request.

Upon the submission of a Stock Release Request by a TSF CCASS Participant, the Participant shall be deemed to have placed an irrevocable order to sell RMB to HKSCC for HKD in respect of the amount representing the total market value of the earmarked TSF Stocks based on the closing price of the TSF Stocks on the Trading day immediately preceding the day on which the Stock Release Request was submitted, as recorded on the Exchange, at the FX rate set out in this Rule.

Upon HKSCC's acceptance of a Stock Release Request, a Stock Release FX Transaction shall automatically be generated and unless HKSCC otherwise determines, the transfer or debit of the specified number of earmarked TSF Stocks from the TSF CCASS Participant's relevant TSF Account to its other designated Stock Account will be effected. Such transfer, if permitted, shall have the effect of de-earmarking the relevant earmarked TSF Stocks and releasing the TSF Stocks from the restrictions set out in Rule 12A09.

Under a Stock Release FX Transaction, the relevant TSF CCASS Participant shall be deemed to have agreed, on an irrevocable and unconditional basis, to pay an amount in RMB representing the total market value of the earmarked TSF Stocks referred to above to HKSCC on the second Settlement Day after the day on which HKSCC accepts the Stock Release Request, and subject to the relevant TSF Partner Bank delivering the relevant funds in HKD to HKSCC, settlement of the Stock Release FX Transaction will be effected by HKSCC causing a credit to the relevant Designated Bank Account of the TSF CCASS Participant with an amount in HKD representing the equivalent of the RMB amount paid by the TSF CCASS Participant on the same Settlement Day, by reference to the following FX rates:

- (i) where a Stock Release Request is accepted by HKSCC at or before 12:00 noon on a Trading day, the applicable FX rate shall be the RMB Buy Final FX Rate published at approximately 12:45 p.m. on that Trading day; and
- (ii) where a Stock Release Request is accepted by HKSCC after 12:00 noon on a Trading day, the applicable FX rate shall be the RMB Buy Final FX Rate published at approximately 4:45 p.m. on that Trading day.

Detailed procedures on the submission and acceptance of Stock Release Requests and related provisions are set out in the Operational Procedures.

### **12A13. Extent of HKSCC's authority**

In addition to Rule 1203, HKSCC shall be authorised to cause credits and debits to be made to the HKD and/or RMB Designated Bank Account(s) in relation to the following:

- (i) with respect to TSF Clearing Participants, the money obligations due to or from such Participants by or to HKSCC in relation to TSF Exchange Trades under the CNS System and all other money payments in relation thereto;
- (ii) with respect to TSF CCASS Participants, the money obligations due to or from such Participants by or to HKSCC in relation to TSF FX Transactions and/or Stock Release FX Transactions;
- (iii) with respect to TSF CCASS Participants, the payment or settlement of all other sums owing and obligations between HKSCC and the TSF CCASS Participants (including, without limitation, the fees and expenses payable hereunder) as contemplated in the Rules and all other sums which HKSCC may be authorised by such Participants to collect from time to time.

HKSCC reserves the right to debit or credit the HKD and/or RMB Designated Bank Account(s) of each TSF CCASS Participant to rectify erroneous payments made to or received from TSF CCASS Participants and shall notify affected TSF CCASS Participants if it exercises this right.

In relation to money obligations in respect of TSF FX Transactions and Stock Release FX Transactions to be settled via CPIs, HKSCC shall be authorised to generate CPIs in relation to such transactions to the HKD and/or RMB Designated Banks of paying TSF CCASS Participants in accordance with the Operational Procedures.

### **12A14. Collateral**

Without prejudice to any other provisions of the Rules, HKSCC shall be entitled from time to time to require a TSF CCASS Participant which is (pursuant to Rule 901(ia)) a party to a TSF FX Transaction or (pursuant to Rule 12A12) a party to a Stock Release FX Transaction to pay to it forthwith on demand a cash sum of such amount as HKSCC shall consider appropriate as Collateral to be held by HKSCC as security for the performance of the TSF CCASS Participant's obligations and liabilities under a TSF FX Transaction or a Stock Release FX

Transaction or to be applied in or towards the satisfaction of such obligations and liabilities, the payment of any sums or expenses incurred by HKSCC in respect of such TSF FX Transaction or Stock Release FX Transaction (including fees arising from a reversal of any transactions) or the payment of any fees or penalties due to or imposed by HKSCC from time to time.

Where Collateral is paid to HKSCC under this Rule, HKSCC shall have the right to apply all or part of the Collateral at any time without prior notice being given to a TSF CCASS Participant in or towards satisfaction or payment of the obligations and liabilities (actual or contingent) of such Participant as referred to above, and the only obligation of HKSCC in respect of such Collateral received shall be to pay the TSF CCASS Participant an amount equal to the balance remaining after satisfaction of all such obligations and liabilities.

A TSF CCASS Participant providing Collateral to HKSCC under this Rule represents and warrants to HKSCC that it has title and authority to provide such Collateral to HKSCC free from all encumbrances and third party rights of any nature whatsoever; and shall not create or permit to subsist any encumbrance over all or any part of the Collateral.

#### **12A15. Set-off**

HKSCC shall be entitled to apply any sums denominated in any currency standing to the credit of any account with HKSCC of a TSF CCASS Participant in satisfaction of any sum denominated in any currency due or payable by such TSF CCASS Participant to HKSCC, whether actual or contingent, and whether solely or jointly with any other person.

Any agreement between a TSF CCASS Participant and HKSCC to the contrary notwithstanding, if a TSF CCASS Participant has multiple Designated Bank Accounts (which shall include RMB Designated Bank Accounts), HKSCC may treat them as one account for the purposes of these Rules.

For the purpose of this Rule, HKSCC is authorised to purchase with sums denominated in any currency standing to the credit of any such account such other currencies as may be necessary to effect such application and any agreement relating to such credit balance shall be deemed to incorporate a provision entitling HKSCC so to apply such credit balance whether or not the same is held on any special terms (including where it shall only be repayable at some future date).

HKSCC shall not be obliged to exercise its rights under this Rule.

#### **12A16. HKSCC's obligations**

The provision of the FX Services by HKSCC and HKSCC's obligations to settle a TSF FX Transaction or a Stock Release FX Transaction are at all times conditional and dependent on the relevant TSF Partner Bank providing FX rates to HKSCC and delivering RMB or HKD to HKSCC on the relevant settlement day. Accordingly, should a TSF Partner Bank fail to deliver funds or sufficient funds in the relevant currency on the relevant settlement day, HKSCC is entitled not to:

- (i) settle a TSF FX Transaction notwithstanding that such TSF FX Transaction and the related TSF Exchange Trade shall be deemed to be binding on a TSF Participant upon the effect of a TSF Exchange Trade on the AMS pursuant to the Exchange Rules; or
- (ii) settle a Stock Release FX Transaction notwithstanding that such Stock Release FX Transaction shall be deemed to be binding on a TSF CCASS Participant upon the submission of a Stock Release Request pursuant to Rule 12A12.

HKSCC shall not be responsible for any failure to provide the FX Services for any TSF FX Orders, TSF FX Transactions and/or Stock Release FX Transactions if its performance is prevented, hindered or delayed by the failure of one or more TSF Partner Banks to provide the FX rates to HKSCC or to sell or purchase RMB which leads to a suspension or cessation of operation of the TSF in accordance with these Rules.

#### **12A17. Default**

Without prejudice to Rules 3701, 3702, 3703 and 3704, in the event that a TSF CCASS Participant fails to pay when due any sum due and payable in accordance with these Rules, or is otherwise in breach of these Rules, HKSCC, in its sole and absolute discretion, shall be entitled then or at any time thereunder whilst such event is, in the opinion of HKSCC, continuing unremedied, to take any one or more of the actions referred to in Rules 3702 and 3703. In addition, HKSCC may take such other actions as it deems necessary or desirable for the protection of HKSCC with respect to TSF FX Transactions and/or Stock Release FX Transactions to which a defaulting TSF CCASS Participant is a party, at such TSF CCASS Participant's expense and if appropriate, in its name. In the event that HKSCC takes one or more steps or actions referred to in this Rule, Rule 3702 or 3703 against a TSF CCASS Participant, HKSCC may declare the Participant to be a "Defaulter".

The defaulting TSF CCASS Participant shall indemnify HKSCC and hold HKSCC harmless against all losses, costs, damages or expenses incurred by HKSCC in connection with the TSF CCASS Participant's breach of these Rules and HKSCC shall be entitled to require payment of a default handling fee in respect of any outstanding amount as shall from time to time be decided by HKSCC.

#### **12A18. Temporary suspension of TSF**

Without prejudice to Rules 2601 and 2602, HKSCC may temporarily suspend all or any part of the FX Services in its sole and absolute discretion, including, without limiting the foregoing, when:

- (i) in the judgment of HKSCC, the FX Services or any part thereof may not be maintained or provided in a manner that would ensure the existence of a fair and orderly market;
- (ii) in the judgment of HKSCC, it has reasonable grounds for concern that the RMB and/or HKD funding available to HKSCC may not be sufficient to support the fulfilment of its obligations under, or to support the settlement of, any or all TSF FX Orders, TSF FX Transactions and Stock Release FX Transactions; or

(iii) in the judgment of HKSCC, there are operational or technical issues which must be resolved prior to the continuation of the TSF or any part of the FX Services.

In exercising its judgment under this Rule, HKSCC is entitled to have regard to all relevant factors and circumstances including, without limitation, the availability of RMB and/or HKD in the market and the relevant FX rates, the demand for FX Services, the TSF Partner Banks' individual or aggregate commitment to provide FX rates or funding to HKSCC for the purposes of operating the TSF, the level of utilisation of such committed funding by HKSCC, whether a TSF Partner Bank has failed to provide committed funding and a TSF Partner Bank's willingness to be bound by, or its ability to perform, its obligation to provide FX rates or funding to HKSCC as agreed.

If HKSCC decides to suspend all or part of the FX Services, it shall publish an announcement, on the HKEx website and/or by such other means as HKSCC considers appropriate, stating which part of the FX Services will be suspended, whether any TSF Exchange Trade, TSF FX Transaction or Stock Release FX Transaction will be affected, the effective date and time of suspension and any other information as HKSCC shall consider appropriate.

Unless HKSCC otherwise determines or specifies:

- (a) a suspension of part of the FX Services does not affect the availability of other FX Services. Specifically, a suspension of the FX Services for TSF Buy FX Orders does not affect FX Services for TSF Sell FX Orders, and a suspension of the FX Services for TSF Buy FX Transactions does not affect the FX Services for TSF Sell FX Transactions or Stock Release FX Transactions and vice versa;
- (b) where the FX Services for TSF Buy FX Orders are suspended, all TSF Buy FX Orders input on the AMS and all TSF Buy FX Transactions generated after the effective date or time of the suspension shall not be dealt with or settled by HKSCC; and
- (c) where the FX Services for TSF Sell FX Orders are suspended, all TSF Sell FX Orders input on the AMS and all TSF Sell FX Transactions and Stock Release FX Transactions generated after the effective date or time of the suspension shall not be dealt with or settled by HKSCC.

In the event where paragraph (b) occurs, unless HKSCC otherwise determines, TSF CCASS Participants shall be responsible for obtaining the relevant funds in RMB to settle any TSF Buy Exchange Trades which are supported by TSF Buy FX Transactions generated after the effective date or time of suspension of the relevant FX Services. In the event where paragraph (c) occurs, unless HKSCC otherwise determines, TSF CCASS Participants shall be deemed to accept the relevant sale proceeds in RMB in respect of any TSF Sell Exchange Trades which are supported by TSF Sell FX Transactions generated after the effective date or time of suspension of the relevant FX Services. Further, all Stock Release Requests submitted to and Stock Release FX Transactions accepted by HKSCC after the effective date or time of suspension of the relevant FX Services shall be of no effect.

#### **12A19. Cessation of operation of TSF**

HKSCC may, in its sole and absolute discretion, decide to cease the operation of the TSF permanently, with immediate effect or otherwise by publishing an announcement on the HKEx website or by such other means as HKSCC considers appropriate.

If HKSCC decides to cease operating the TSF under this Rule, HKSCC shall notify the TSF Participants, the Exchange and the Commission in advance and shall specify the necessary arrangements and the conditions (including the treatment of earmarked TSF Stocks, any outstanding TSF FX Transactions and Stock Release FX Transactions) upon which the cessation of operation of the TSF shall take effect, having regard to such considerations and circumstances as HKSCC may consider fair and reasonable.

#### **12A20. Powers of HKSCC**

Without prejudice to HKSCC's sole and absolute discretion, where HKSCC is not able to obtain the necessary FX funding as committed by one or more TSF Partner Banks (whether due to a TSF Partner Bank's failure to provide FX rates or otherwise) or where one or more TSF Partner Banks fail to provide the committed FX funding to HKSCC in the relevant currency to settle any TSF FX Transaction and/or Stock Release FX Transaction and where, in either of the situations mentioned above, a TSF CCASS Participant has delivered, in full, the required funds in RMB or HKD for the settlement of its obligation under a TSF FX Transaction and/or a Stock Release FX Transaction, then, HKSCC shall, without the need to obtain the prior consent of any TSF CCASS Participant or any other Participant, have the power or option but not the obligation to take any one or more of the following actions:

- (i) as TSF operator, settle the TSF FX Transaction and/or the Stock Release Transaction notwithstanding a TSF Partner Bank's failure by obtaining the required funds in RMB or HKD through other means;
- (ii) in respect of TSF Sell FX Transactions and Stock Release FX Transactions, as TSF operator, de-earmark all or any earmarked TSF Stocks and disapply the restrictions or obligations imposed on all or any earmarked TSF Stocks under Rule 12A09 and/or Rule 12A12, including the obligation of TSF Participants to accept the relevant sale proceeds or FX conversion amount in HKD; and
- (iii) as central counterparty for the clearing of Exchange Trades, accept the relevant funds in HKD delivered by the TSF CCASS Participant and apply the funds towards settlement of TSF Exchange Trade(s) regardless of the Eligible Currency for the settlement of TSF Exchange Trade(s) and exercise the power granted to HKSCC under Rule 3606(ii) in accordance with the provisions of that Rule.

#### **12A21. Clearing of TSF Exchange Trades by General Clearing Participants**

Only General Clearing Participants which have been accepted for registration by and to remain registered as TSF Clearing Participants by HKSCC shall be eligible to clear and settle TSF Exchange Trades for Non-Clearing Participants and to settle TSF FX Transactions.

A General Clearing Participant which is a TSF Clearing Participant and which intends to clear and settle TSF Exchange Trades for Non-Clearing Participants shall:

- (i) ensure that the Clearing Agreement it enters into with each Non-Clearing Participant includes an obligation on its part to settle TSF Exchange Trades and all corresponding TSF FX Transactions. Such General Clearing Participant should consider bringing a Non-Clearing Participant's attention to the special features and restrictions of the TSF as highlighted in Rule 12A01, HKSCC's powers and other matters as set out in this Chapter 12A;
- (ii) capture all liabilities for all the TSF Exchange Trades concluded by each Non-Clearing Participant with which it has entered into a Clearing Agreement and all corresponding TSF FX Transactions, as if it was a party to these trades and transactions and shall not be entitled to decline to settle and clear any TSF Exchange Trades of the Non-Clearing Participant or settle any corresponding TSF FX Transaction to which the Non-Clearing Participant is a party;
- (iii) have arrangements in place with each Non-Clearing Participant for the Non-Clearing Participant to notify it of all TSF Exchange Trades concluded by the Non-Clearing Participant and all corresponding TSF FX Transactions of which the Non-Clearing Participant is a party;
- (iv) have arrangements in place to monitor the ability of each Non-Clearing Participant with whom it has entered into a Clearing Agreement to satisfy promptly all obligations arising from the TSF Exchange Trades concluded by such Non-Clearing Participant and the TSF FX Transactions to which such Non-Clearing Participant is a party; and
- (v) forthwith notify HKSCC of any failure of its Non-Clearing Participant to meet its obligations under the Clearing Agreement.

#### **12A22. Typhoons and rainstorms**

If a Typhoon Signal No. 8 or above is hoisted or lowered and/or a Black Rainstorm Warning is issued or cancelled on any Business Day, the provisions set out in the Operational Procedures with respect to the TSF shall apply.

## **CHAPTER 15**

### **LISTS TO BE MAINTAINED**

#### **1501. List of Eligible Securities and List of TSF Stocks**

HKSCC shall maintain for public inspection a list of Eligible Securities and shall from time to time add to such list or remove therefrom issues of Eligible Securities in accordance with the Rules.

HKSCC, as TSF operator, shall maintain for public inspection a list of TSF Stocks; and shall from time to time add to or remove from such list TSF Stocks in accordance with Rule 12A04.

## CHAPTER 19

### INDEMNITY

#### 1901. Scope of indemnity

Each Participant shall indemnify HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC and their respective agents, nominees, representatives, officers and employees and hold each of them harmless against all costs, fees, expenses, liabilities, taxes, assessments, losses, fines, penalties, and damages of any nature whatsoever (including the interest accrued to any such amount) suffered or incurred by any of them directly or indirectly as a result of or in connection with the following matters (except where HKSCC is guilty of anything not done or not omitted to be done in good faith on its part and is directly responsible for the losses etc.):

- (i) the participation in CCASS by the Participant and/or its activities in CCASS, ~~and~~ the provision of services by HKSCC to the Participant in respect of Eligible Securities held in CCASS or by an Appointed Depository (as the case may be) and the provision of the FX Services by HKSCC as TSF operator to TSF CCASS Participants and all matters relating thereto as contemplated in the Rules;
- (iv) the acceptance by HKSCC of Eligible Securities deposited by the Participant (including Eligible Securities deposited by the Participant for credit into the CCMS Collateral Account and TSF Accounts, and Eligible Securities held by an Appointed Depository) and the giving of effect to transactions relating thereto by HKSCC in accordance with the Rules; and the withdrawal of Eligible Securities by the Participant;
- (x) any action by HKSCC or its agents, nominees, representatives, officers and employees in respect of Eligible Securities held in CCASS or by an Appointed Depository, taken in good faith to comply with any law, decree, regulation or order of any government, competent authority or any court or tribunal; ~~and~~
- (xi) any actions or omissions by HKSCC or its agents, nominees, representatives, officers and employees in relation to SSA Statement Recipients (including but not limited to any acts or omissions in reliance on or pursuant to the authorization of the Participant under Section 3.4A of the Operational Procedures) and all matters relating thereto as contemplated in the Rules; ~~and~~
- (xii) any actions taken or any transactions entered into by HKSCC, as TSF operator, to adjust, amend, or reverse any TSF FX Transactions or Stock Release FX Transactions in respect

of or for a Participant which is a TSF CCASS Participant, whether such adjustment, amendment or reversal arises from a Trade Amendment or otherwise.

## CHAPTER 20

### DISCIPLINARY ACTIONS

#### 2001. Circumstances subject to disciplinary actions

Subject to Rule 2013, HKSCC may institute disciplinary proceedings against a Participant in respect of an act of misconduct committed or reasonably believed to have been committed by it. An act of misconduct includes:-

- (xi) failure to provide information requested by an exchange, clearing house, regulatory authority or an organization with which HKEx, HKSCC or the Exchange has entered into an information sharing arrangement or agreement (this act of misconduct does not apply to an Investor Participant); ~~and~~
- (xii) if the Participant is a Common Participant, a default in payment of any sum payable to any other Recognized Clearing House or an event of default committed by the Participant under the rules of such Recognized Clearing House; ~~and~~
- (xiii) if the Participant is a TSF CCASS Participant, a failure to comply with any TSF Participant Registration Criteria or any other conditions or requirements for its continued registration as a TSF CCASS Participant, or a failure to comply with any provisions of, or any of its obligations under, Chapter 12A of the Rules, Section 12 of the Operational Procedures and other related provisions in the Operational Procedures.

## CHAPTER 21

### DUTIES AND LIABILITIES OF HKSCC

#### 2103. Force majeure

HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC shall not be liable for any action taken or for any failure, hindrance or delay in the provision of services or for any failure to give effect to or delay in giving effect to any instructions from Participants with respect to any nominee, depository or other CCASS services (or in the case of Foreign Securities held by an Appointed Depository with respect to any nominee, depository or other service provided by that Appointed Depository) or for the suspension or cessation of the TSF or the failure to provide any FX Services or FX rates for the operation of the TSF or the performance in whole or in part of its obligations under the terms of the Rules or under any Market Contract if such action, failure, hindrance or delay arises out of causes beyond its control.

Such causes may include, but shall not be limited to, acts of God or the public enemy, acts of a civil or military authority, embargoes, fires, floods, explosions, accidents, labour disputes, mechanical breakdowns, computer or system failures or other failures of equipment, failures of or defects in computer or system software, unavailability of or restrictions on any communication media for whatever reason (whether or not such media is used by Participants), interruptions (whether in whole or in part) of power supplies or other utility or service, any law, decree, regulation or order of any government, competent authority or any court or tribunal, and any other causes beyond HKSCC's control including, without limitation to the foregoing, any similar causes affecting the Exchange, Hong Kong Interbank Clearing Limited (whether or not specified in the Exchange Rules or the rules and regulations of Hong Kong Interbank Clearing Limited), or the manager or trustee of any Unit Trust or an Appointed Depository.

#### **2104. HKSCC not to be liable**

In the absence of anything not done or not omitted to be done in good faith on the part of HKSCC, HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC shall have no liability for any losses, costs (including legal costs), charges, assessments and damages of any nature whatsoever suffered or incurred directly or indirectly as a result of or in connection with the following matters:-

(xvii) any acts, omissions or delays of any service provider or any other person through which SMS and/or E-mail is provided or its employees or agents; ~~and/or~~

(xviii) any acts, omissions or delays of any Depository or its employees or agents;

(xix) in relation to the provision of FX Services, any acts, omissions, defaults, failure to perform obligations or delays of any TSF Partner Bank or any other person providing RMB to HKD and/or HKD to RMB conversion services and/or liquidity to HKSCC, as TSF operator, or the insolvency of any of the foregoing;

(xx) the inability of HKSCC to settle any TSF FX Transactions or Stock Release FX Transactions due to any acts, omissions, defaults, failure to perform obligations or delays of any TSF Partner Bank or any other person providing RMB to HKD and/or HKD to RMB conversion services and/or liquidity to HKSCC, as TSF operator, or the insolvency of any of the foregoing;

(xxi) any failure, omissions, errors, delays, malfunction, suspension or cessation of operation of any system used by HKSCC or any third party system upon which HKSCC is reliant in the operation of the TSF, publication of FX rates or the provision of FX Services (including any system used by a TSF Partner Bank); and/or

(xxii) any suspension of the FX Services, any failure to provide or publish any FX rates or the cessation of operation of the TSF.

**PART B: EXCHANGE TRADES AND TRANSACTIONS  
BETWEEN PARTICIPANTS**

**CHAPTER 36**

**RISK MANAGEMENT MEASURES - CNS SYSTEM**

**3606. Money compensation and payment obligations**

In addition to any other rights HKSCC may have under the Rules:

- (i) where HKSCC has an obligation to deliver securities under a Market Contract, HKSCC may in lieu of delivering securities make money compensation to the Participant concerned notwithstanding that such securities may be available in the market. HKSCC shall only exercise its powers under this Rule in circumstances when HKSCC considers in its reasonable opinion that the securities are not freely available in the market. The money compensation shall be in such amount and in such currency or currencies (whether in the Eligible Currency in which the securities are denominated or otherwise) as HKSCC considers to be fair and reasonable having regard to all the circumstances of the case; ~~and~~
- (ii) where HKSCC has an obligation to make payment under a Market Contract in an Eligible Currency in which the relevant securities are denominated or in a specified Eligible Currency, notwithstanding that the relevant Eligible Currency may be available, HKSCC may in lieu of making payment in that Eligible Currency make payment to the Participant concerned, in full or in part, in such other currency or currencies and at such conversion rate(s) as HKSCC may in its absolute discretion determine to be fair and reasonable having regard to all the circumstances of the case. HKSCC shall only exercise its powers under this Rule in circumstances when HKSCC considers in its reasonable opinion that the relevant Eligible Currency is not freely available or convertible in the market; ~~and~~
- (iii) where the situation contemplated in Rule 12A20 occurs, HKSCC shall have the right to take the actions set out in Rule 12A20(iii) in relation to the settlement of TSF Exchange Trades.

## CHAPTER 37

### DEFAULT RULES - CNS SYSTEM

#### 3701. Events of Default

In the event that:-

- (xii) in respect of a Clearing Agency Participant that is a “recognized clearing house” under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) as the term is defined therein, if it ceases to be so recognized; or
- (xiii) HKSCC considers it necessary or desirable to take action under this Rule for its own protection or the protection of other Participants;

then on the occurrence of any one or more of such events (each an "Event of Default"), in its absolute discretion, HKSCC shall be entitled then or at any time thereafter whilst such event is, in the opinion of HKSCC, continuing unremedied, to take any one or more of the actions referred to in Rule 3702.

The default provisions applicable to a TSF CCASS Participants as set out in Rule 12A17 are in addition to the above provisions. The event of default included in that Rule shall be incorporated in this Rule as an Event of Default.

#### 3702. Actions on default

Without prejudice to any other provision of the Rules, the actions which HKSCC may take as referred to in Rule 3701 are:-

- (iii) to exercise its rights of set-off pursuant to Rules [1207](#) and [12A15](#);

In the event that HKSCC takes one or more steps referred to in this Rule against a Clearing Participant or Clearing Agency Participant, HKSCC may declare the Clearing Participant or Clearing Agency Participant to be a "Defaulter".

In the event that HKSCC takes any action under sub-paragraphs (i) and (ii) of this Rule 3702 against a Clearing Participant or Clearing Agency Participant, HKSCC shall declare the Clearing Participant or Clearing Agency Participant to be a "Defaulter".

On the occurrence of an event set out in sub-paragraph (ix) of Rule 3701, HKSCC shall declare the Clearing Participant or Clearing Agency Participant to be a "Defaulter".

Except as otherwise provided in the Rules, HKSCC shall not be obliged to take any step referred to in this Rule and shall not be liable to any person for not taking any such step or for any delay in taking any such step.

In the event that HKSCC sells or otherwise disposes of or realizes the Charged Property (whether by public offer or private contract) to any person, it may do so for such consideration and on such terms as HKSCC in its absolute discretion may think fit.

HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC shall not in any circumstances be liable to the Participant or any other person for any losses, damages or expenses arising from any realization of the Charged Property or from any exercise or non-exercise by HKSCC of any rights in relation to the Charged Property except where HKSCC is guilty of anything not done or not omitted to be done in good faith on its part and is directly responsible for the losses.

The actions that HKSCC may take upon the default of a TSF CCASS Participant as set out in Rule 12A17 are in addition to the above.

## CHAPTER 40

### CLEARING BY GENERAL CLEARING PARTICIPANTS

#### 4001. Execution of Clearing Agreement

Every GCP which intends to clear and settle Exchange Trades and Clearing Agency Transactions for NCPs shall enter into a Clearing Agreement in such form or containing such provisions as may from time to time be required by HKSCC with each NCP the Exchange Trades and Clearing Agency Transactions of which it clears and settles. Except as otherwise approved by HKSCC and subject to such terms and conditions as HKSCC may from time to time specify, a GCP shall not accept for clearing and settlement of any Exchange Trades and Clearing Agency Transactions of a NCP unless and until there is in place a valid, binding and effective Clearing Agreement between it and the NCP. Every GCP which is a TSF CCASS Participant which intends to clear and settle TSF Exchange Trades for NCPs shall, in addition to the above, comply with Rule 12A21.

#### 4003. Obligations of GCP

A GCP shall capture all liabilities for all the Exchange Trades and Clearing Agency Transactions concluded by each NCP with which it has entered into a Clearing Agreement, as if it was a party to these trades and transactions and shall not be entitled to decline to settle and clear any Exchange Trades and Clearing Agency Transactions of the NCP. A GCP shall have arrangement in place with each NCP for the NCP to notify it of all Exchange Trades concluded by the NCP, and all Clearing Agency Transactions of which the NCP is a party.

A GCP shall have arrangement in place to monitor the ability of each NCP with whom it has entered into a Clearing Agreement to satisfy promptly all obligations arising from the Exchange Trades and Clearing Agency Transactions concluded by such NCP. A GCP must forthwith notify HKSCC of any failure of its NCP to meet its obligations under the Clearing Agreement.

A GCP shall, within a period as HKSCC may specify, provide information in its possession about its NCPs to HKSCC, including but not limited to, financial position, a NCP's underlying client information or any other information or documents as HKSCC may demand.

A GCP shall ensure that the Clearing Agreement to which it is a party, and all subsequent agreements to amend the Clearing Agreement do not contain any provision which is inconsistent with the Rules and has terms and conditions to facilitate the performance of, and be consistent with, the GCP's obligations under the Rules. The Clearing Agreement shall incorporate any additional conditions prescribed by HKSCC from time to time. A GCP shall be bound by and comply strictly with the terms of each Clearing Agreement to which it is a party, to the extent that those Clearing Agreements are consistent with the Rules.

A GCP shall notify HKSCC of any changes to any of the Clearing Agreements it entered into forthwith upon such changes being made. Such notification shall be in a form as HKSCC may from time to time specify and be accompanied by a certified copy of a document evidencing such changes. For the avoidance of doubt, a GCP must ensure that any changes to the Clearing Agreement and any amendment agreement are in compliance with these Rules.

Every GCP which is a TSF CCASS Participant which intends to clear and settle TSF Exchange Trades for NCPs shall, in addition to the above, comply with Rule 12A21.