

## **CCASS OPERATIONAL PROCEDURES**

### **Definitions**

- (a) For the convenience of readers, the definitions contained in the Rules are repeated below.

**“CCMS Collateral Account”**

means any account established in CCMS for a Participant other than an Investor Participant for debiting and crediting collateral, as referred to in Rule 601A. For the purposes of the Rules and the Operational Procedures, unless otherwise specified, the term “CCMS Collateral Account” does not include an account established in CCMS for a Participant by another Recognized Clearing House under its rules;

**“CCMS House Collateral Account”**

means House Collateral Account 0001 established in CCMS for a Participant (other than an Investor Participant) or, in the case of a Clearing Agency Participant which is a China Connect Clearing House, for such Participant in respect of each Special Participant, as referred to in Rule 601A;

**“China Connect Securities Trade”**

means a trade in China Connect Securities (including Special China Connect Securities) executed on a China Connect Market through an SEHK Subsidiary under a Trading Link;

**“Clearing Links Agreement”**

means an agreement that is or may be entered into by HKSCC with a China Connect Clearing House relating to one or more Clearing Links (as may be amended, restated and/or supplemented from time to time);

**“Collateral Security”**

means an Eligible Security which is from time to time held by or deposited with HKSCC by a Participant for credit into the relevant CCMS Collateral Account of such Participant, in accordance with Rule 3601, 3601A, 3603 or 3608;

**“Forced-Sale Notice”**

means a notice which may from time to time be issued by HKSCC, the Exchange or an SEHK Subsidiary to a Participant or an NCP of the Participant, requiring the Participant or the NCP to reduce its or its clients’ relevant holdings in a China Connect Security in compliance with any foreign shareholding limit imposed under the applicable laws of Mainland China;

**“Mainland Business Day”**

means, in relation to a China Connect Market, a day on which the China Connect Clearing Services relating to the clearing and settlement of China Connect Securities Trades on the China Connect Market are available and CCASS is open for business to China Connect Clearing Participants (except a Saturday, Sunday or a public holiday in either Hong Kong or Mainland China);

**“Securities-on-hold”**

means the Eligible Securities allocated to a Stock Clearing Account of a Clearing Participant (including a Clearing Participant which is a China Connect Clearing Participant) or a Clearing Agency Participant which is a party to a Market Contract by HKSCC under the CNS System, as referred to in Rule 3604 or Rule 4107(viii);

**“T-day”**

means, in relation to a transaction in Eligible Securities other than China Connect Securities, the day of the transaction as reported by the Exchange, and in relation to a transaction in China Connect Securities, the day of the transaction as reported by the relevant SEHK Subsidiary, its designated person or the relevant China Connect Clearing House;

**“Trading day”**

means, in relation to securities and other products which are traded on the Exchange, a day on which trading is conducted on the Exchange and in relation to China Connect Securities which are traded on a China Connect Market, a day on which trading is conducted on the China Connect Market via the relevant Trading Link and the China Connect Clearing Services of CCASS in respect of the clearing and settlement of such China Connect Securities are open for use by China Connect Clearing Participants;

- (b) When used in the Operational Procedures, the following expressions shall have the following meanings unless the context otherwise requires:

**"Mainland Security Deposit Payable Report"**

means, in relation to a China Connect Clearing Participant, a report provided by HKSCC to such Participant, containing details of the computation of Mainland Security Deposit payable by such Participant in respect of each China Connect Market with reference to the net settlement amount in China Connect Securities Trades of such Participant and its NCPs on that China Connect Market, as referred to in Section 10A.9.3 and the CCASS Terminal User Guide for Participants;

**"Mainland Settlement Deposit Payable Report"**

means, in relation to a China Connect Clearing Participant, a report provided by HKSCC to such Participant, containing details of the computation of Mainland Settlement Deposit payable by such Participant in respect of each China Connect Market with reference to the buy turnover in China Connect Securities and overdue short CNS positions in China Connect Securities of such Participant and its NCPs on that China Connect Market and the sell turnover in China Connect Securities that are executed on that China Connect Market by such Participant and its NCPs for Special Segregated Accounts, as referred to in Section 10A.8.5 and the CCASS Terminal User Guide for Participants;

**“SSE Market”**

has the same meaning as defined in Chapter 14A of the Exchange Rules;

**“SZSE Market”**

has the same meaning as defined in Chapter 14B of the Exchange Rules;

## **Section 1** **Introduction**

### **1.3 MAIN CCASS SERVICES**

The main services of CCASS are:

- (iii) China Connect Clearing Services, including clearing and settlement services in relation to all China Connect Securities Trades under the CNS System based on trade details received from the relevant SEHK Subsidiary and the relevant China Connect Clearing House, whereby HKSCC becomes the settlement counterparty to the relevant China Connect Clearing Participants, and nominee and depository services in relation to China Connect Securities held by Participants;

## **Section 2** **Participants**

### **2.3.2 Number of Stock Accounts**

Each Participant other than an Investor Participant will have one Stock Clearing Account and may have, subject to HKSCC's approval, one Stock Lending Account and such number of Stock Segregated Accounts as HKSCC may in its absolute discretion determine from time to time.

A Clearing Participant will, in addition to the abovementioned accounts, be allocated one Stock Collateral Control Account. Where the Participant is a TSF CCASS Participant, the Participant will, in addition to the abovementioned accounts, be allocated one TSF Principal Account and one TSF Segregated Account. Where the Participant is a Clearing Agency Participant, HKSCC may also allocate to such Participant for participating in CCASS as a China Connect Clearing House one set of the abovementioned accounts and one Stock Collateral Control Account in respect of each Special Participant and references in these Operational Procedures to the Stock Clearing Account, Stock Segregated Accounts, Stock Collateral Control Account or any other Stock Account of, established for, or allocated to a Participant shall, in the case of a Clearing Agency Participant participating in CCASS in its capacity as a China Connect Clearing House, be construed to mean the Stock Clearing Account, Stock Segregated Accounts, Stock Collateral Control Account or any other Stock Account allocated to it in respect of each Special Participant or the relevant Special Participant, unless the context requires otherwise. An Investor Participant will be allocated one Stock Clearing Account.

### **2.3.4 Book-entry record of Eligible Securities**

Delivery of Eligible Securities under an STI Transfer involving a Special Segregated Account will be placed in the "Pending for Transfer" status if (i) input and authorisation of an STI are made between 8:15 a.m. and the final CNS Batch-settlement-run, or (ii) input and authorisation are made before 8:15 a.m. with the Special Segregated Account being the delivery account. Such STI will be effected by HKSCC if there are sufficient Eligible Securities in the delivering Stock Account at the time of an STI Batch-run in accordance with Section 6.2.2.

**2.3.12 CCMS Collateral Accounts**

HKSCC shall have the absolute discretion to allocate to a Participant other than an Investor Participant (or, in the case of a Clearing Agency Participant which is a China Connect Clearing House, to such Participant in respect of each Special Participant) one CCMS House Collateral Account and/or any other CCMS Collateral Accounts with or without receiving an application from the Participant.

**2.4.1 Use of Money Ledger**

Each Participant will have a Money Ledger for each Eligible Currency in CCASS, or, in the case of a Clearing Agency Participant which is a China Connect Clearing House, will have a Money Ledger for each Eligible Currency for each set of Stock Accounts allocated to it in CCASS, and references in the Rules to the Money Ledger of a Participant shall, in the case of a Clearing Agency Participant participating in CCASS in its capacity as a China Connect Clearing House, be construed to mean the Money Ledger in respect of an Eligible Currency allocated to it in respect of each Special Participant or the relevant Special Participant, unless the context requires otherwise. The Money Ledger of a Participant will be used to record its money positions owed to or due from HKSCC in that Eligible Currency (and in respect of the relevant Special Participant in the case of a Clearing Agency Participant participating in CCASS in its capacity as a China Connect Clearing House).

**2.4.2 Sub-accounts of a Money Ledger**

Only Clearing Participants and any Clearing Agency Participant which is a China Connect Clearing House will have the first three sub-accounts, namely the Settlement Account, the Margin and Pending Marks Account and the Overdue Position Marks Account. All these sub-accounts are relevant to the operation of the CNS System.

**Section 5**  
**Eligible Securities**

**5.4 RESTRICTIONS AFFECTING ELIGIBLE SECURITIES**

Restrictions or limitations as to ownership or control or other matters may also be imposed by applicable law. For example, under the applicable laws of Mainland China, unless otherwise permitted by the relevant strategic investor regulators, no foreign investors are allowed to individually hold more than 10% of the issued shares of an A-share listed company, or in aggregate with other foreign investors hold more than 30% of the issued shares of an A-share listed company (note that these limits are provided for reference only and are subject to change by the Mainland regulators). If these limits are reached or exceeded, (whether through China Connect Clearing Services or through other means) at the end of a Trading day, the relevant China Connect Market Operator, China Connect Clearing House or governmental, regulatory or competent authority may issue a forced-sale notice to HKSCC, the Exchange or the relevant SEHK Subsidiary generally on a “last-in, first-out” basis (i.e. the forced sales will apply to the most recently completed buy orders in reverse chronological order).

**Section 6**  
**Operational and Service Schedule**

**6.2.2 Daily Processing and Service Schedule in relation to China Connect Securities**

<b>Time</b>	<b>CCASS events</b>
7:15 a.m.	Commencement of the following services and functions through CCASS Terminal and Participant Gateway:  (i) clearing services (ATI/STI maintenance and SI maintenance and upload functions); and
7:30 a.m. (around)	First batch of scrip entitlement distribution
8:00 a.m.	Commencement of the following services and functions through CCASS Terminal and Participant Gateway:  (i) ATI/STI upload function and Mass ATI/STI maintenance function;
11:45 a.m.	First SI matching
1:45 p.m.	Second SI matching
3:00 p.m.	Third SI matching
5:00 p.m.	Fourth SI matching
5:30 p.m.	Fifth SI matching  First SI Batch-settlement-run (for settlement of SI stock positions from Special Segregated Accounts of Custodian Participants and GCPs which are not Exchange Participants to China Connect Clearing Participants only)
6:00 p.m. (around)	Second batch of scrip entitlement distribution (applicable to SSE Market only)
7:00 p.m.	Third batch of scrip entitlement distribution (applicable to SSE Market only)
7:00 p.m. (around)	Sixth SI matching  Second SI Batch-settlement-run (for settlement of SI stock positions from Special Segregated Accounts of Custodian Participants and GCPs which are not Exchange Participants to China Connect Clearing Participants only)

<b>Time</b>	<b>CCASS events</b>
8:00 p.m. (after)	Second batch of scrip entitlement distribution (applicable to SZSE Market only)
8:30 p.m.	Final batch of scrip entitlement distribution (applicable to SSE Market only)
	Third batch of scrip entitlement distribution (applicable to SZSE Market only)
9:00 p.m.	Final batch of scrip entitlement distribution (applicable to SZSE Market only)

### **6.3 DAILY SERVICE SCHEDULE FOR DESIGNATED BANKS**

<b>Time</b>	<b>CCASS events</b>
5:45 p.m. (around)	CCASS Funding Projection Report (Night Settlement) for Designated Bank (for funding projection as of the completion of the first SI Batch-settlement-run for China Connect Securities) available
7:15 p.m. (around)	CCASS Funding Projection Report (Night Settlement) for Designated Bank (for funding projection as of the completion of the second SI Batch-settlement-run for China Connect Securities) available

## **Section 8 Nominee Services**

### **8.3.5 Receipt of entitlements**

If entitlements in relation to China Connect Securities in the form of scripless entitlements are unconditionally credited to HKSCC's stock account maintained with the China Connect Clearing House at or before 7:00 p.m. on a Mainland Business Day in the case of the SSE Market or at or before 8:00 p.m. in the case of the SZSE Market, HKSCC will usually cause such entitlements to be credited to the Stock Accounts of the relevant Participants on the same day in multiple batches in accordance with Section 6.2.2. Otherwise, HKSCC will credit the entitlements on the following Mainland Business Day.

### **8.10A.3 Procedures**

The following procedures will usually apply to a rights issue in respect of China Connect Securities:

- (ii) if the rights entitlements are unconditionally credited to HKSCC's stock account maintained with the relevant China Connect Clearing House at or before 7:00 p.m. on a Mainland Business Day in the case of the SSE Market

or at or before 8:00 p.m. in the case of the SZSE Market, HKSCC will usually cause such entitlements to be credited to the Stock Accounts of the relevant Participants on the same day in multiple batches in accordance with Section 6.2.2. Otherwise, HKSCC will credit the entitlements on the following Mainland Business Day;

- (vi) if confirmation from the China Connect Clearing House that the rights shares have been unconditionally credited to HKSCC's stock account maintained with that China Connect Clearing House is received by HKSCC at or before 7:00 p.m. on a Mainland Business Day in the case of the SSE Market or at or before 8:00 p.m. in the case of the SZSE Market, HKSCC will usually cause such rights shares to be credited to the Stock Accounts of the relevant Participants on the same day in multiple batches in accordance with Section 6.2.2. Otherwise, HKSCC will credit the entitlements on the following Mainland Business Day; and

### **8.11A.3 Procedures**

Participants other than Investor Participants that wish to subscribe for new shares under an open offer shall input their subscription instructions via their CCASS Terminals or Participant Gateways to HKSCC no later than the time limit prescribed by HKSCC, which normally is before 11:00 a.m. on the day of the deadline for subscription of new shares imposed by the relevant issuer. To facilitate Participants other than Investor Participants to subscribe for new shares under the open offer within the extremely tight time limit, HKSCC will also accept manual subscription instructions from Participants. The following procedures will usually apply:

- (v) if confirmation from the China Connect Clearing House that the offer shares have been unconditionally credited to HKSCC's stock account maintained with that China Connect Clearing House is received by HKSCC at or before 7:00 p.m. on a Mainland Business Day in the case of the SSE Market or at or before 8:00 p.m. in the case of the SZSE Market, HKSCC will usually cause such offer shares to be credited to the Stock Accounts of the relevant Participant on the same day in multiple batches in accordance with Section 6.2.2. Otherwise, HKSCC will credit the entitlements on the following Mainland Business Day; and

## **Section 9**

### **Overview of Clearing and Settlement in CCASS**

#### **9.8 MONEY SETTLEMENT**

For China Connect Securities Trades to be settled under the CNS System, settlement between China Connect Clearing Participants and HKSCC shall be on a DVP basis only. On the Mainland Business Day following execution of China Connect Securities Trades by a China Connect Clearing Participant or its NCPs, the China Connect Clearing Participant's money positions which correspond to its CNS stock positions in such China Connect Securities will be calculated separately for each China Connect Market and its money positions for all China Connect Markets will be set-off against each other to arrive at a total net money position in the

Money Ledger of the China Connect Clearing Participant. HKSCC will issue CPIs to the Designated Bank of the paying China Connect Clearing Participant or HKSCC's banker to effect payment for value on the same day in respect of such net money position.

## **Section 10**

### **Exchange Trades - CNS System**

#### **10.3.1 Determination of daily stock settlement positions**

The daily stock settlement positions of a Clearing Participant or Clearing Agency Participant with HKSCC, arising out of Exchange Trades or Clearing Agency Transactions, as the case may be, accepted for settlement under the CNS System, will be determined based on the following steps:

- (ii) daily netting: the stock positions of a Clearing Participant or Clearing Agency Participant under the Market Contracts (which may include novated Clearing Agency Transactions), on the same day, in the same Eligible Security (and arising from Exchange Trades executed by the same Special Participant in the case of a Clearing Agency Participant which is a China Connect Clearing House), being offset against each other to result in one net long or net short stock position with HKSCC, in each Eligible Security, on each Business Day (and in respect of each Special Participant in the case of a Clearing Agency Participant which is a China Connect Clearing House). Each such net long or net short stock position of a Clearing Participant or Clearing Agency Participant will be assigned a unique Settlement Position Number for reference purposes; and
  
- (iii) cross-day netting: the netting process operates on a continuous basis in the sense that any outstanding unsettled stock position of a Clearing Participant or Clearing Agency Participant in an Eligible Security (and in respect of the same Special Participant in the case of a Clearing Agency Participant which is a China Connect Clearing House) on a Settlement Day is carried forward to the following Settlement Day and is offset against any opposite stock position in the same Eligible Security (and in respect of the same Special Participant in the case of a Clearing Agency Participant which is a China Connect Clearing House) due on the following Settlement Day. If the outstanding stock position so carried forward to the following Settlement Day and the stock position in the same Eligible Security (and in respect of the same Special Participant in the case of a Clearing Agency Participant which is a China Connect Clearing House) due for settlement on the following Settlement Day are both long or both short, the two stock positions will remain separate and distinct for settlement purposes in CCASS (although they will be added together for the purpose of determining the aggregate stock position of the Clearing Participant or Clearing Agency Participant in that Eligible Security, and in the case of a Clearing Agency Participant which is a China Connect Clearing House, in respect of the same Special Participant, at the time).

## **10.5 MONEY SETTLEMENT UNDER THE CNS SYSTEM**

### **10.5.2 Money position of daily net CNS stock positions**

For Exchange Trades in the same Eligible Security effected on the same day and accepted for settlement under the CNS System (and effected by the same Special Participant in the case of a Clearing Agency Participant which is a China Connect Clearing House), there will be one daily net stock position, as described in Section 10.3.1(ii).

This daily net CNS stock position of a Participant will have a corresponding net money position, derived from offsetting the money positions of the underlying Exchange Trades. This is illustrated in the example set out in Section 10.3.3.

The net money positions derived from offsetting the money positions of the underlying Exchange Trades of a Participant in each Eligible Security in the same Eligible Currency (and in respect of each of its designated Special Participants in the case of a Clearing Agency Participant which is a China Connect Clearing House) on the same day will be offset against each other to result in a total net money position with HKSCC on each Settlement Day.

### **10.5.3 Money position of CNS stock positions after cross-day netting**

If two opposite CNS stock positions of a Participant in the same Eligible Security are offset against each other as a result of cross-day netting as described in Section 10.3.1(iii), the money positions of the two CNS stock positions (or, in the case of a Clearing Agency Participant which is a China Connect Clearing House, the money positions of the two CNS stock positions in respect of each of its designated Special Participants) will also be offset against each other to result in a sum to be settled between HKSCC and the Participant concerned. Any unsettled CNS stock position will also have a corresponding money position. The position is illustrated in the example set out in Section 10.3.4.

The money positions of two CNS stock positions of a Participant (or, in the case of a Clearing Agency Participant which is a China Connect Clearing House, the money positions of two CNS stock positions in respect of each of its designated Special Participants) in the same Eligible Security (such CNS stock positions being both long or both short), will continue to be treated as separate and distinct.

### **10.8.3 Exemption from Buy-in**

HKSCC may grant an exemption from a Buy-in on behalf of a short Participant on T+3 if such Participant is able to provide HKSCC with satisfactory evidence in accordance with Section 10.8.4 that a ground for exemption as set out below applies:

- (iv) the relevant Eligible Securities are not credited to the Stock Clearing Account of the Participant applying for exemption due to the hoisting of Typhoon Signal No. 8 or above, the issuance of a Black Rainstorm Warning, acts of God or due to the occurrence of other events beyond the relevant Participant's reasonable control such as labour disputes, strike, mechanical breakdowns, computer or electronic system failures, unavailability of or restrictions on any communication media;

## **10.10 RISK MANAGEMENT: MARKS**

### **10.10.1 General**

Where the Participant is a Clearing Agency Participant which is a China Connect Clearing House, Marks will be computed and collected from or redelivered to such Participant separately in respect of each of its designated Special Participants with reference to the CNS stock positions arising from Exchange Trades executed by such Special Participant, and references to the CNS stock positions of a Participant in this Section 10.10 shall be construed accordingly for such Clearing Agency Participant. HKSCC will convert the Marks to Renminbi at such exchange rate and subject to such haircut rate as determined by HKSCC from time to time and collect the Marks from the Clearing Agency Participant in Renminbi. Unless HKSCC otherwise agrees, the Clearing Agency Participant shall pay Marks to HKSCC in Renminbi. Notwithstanding the foregoing, HKSCC reserves the right to collect the required amount of Marks in any Eligible Currency.

#### **10.10.10 Interest on Marks collected**

HKSCC may allow or charge, at its absolute discretion, to Participants interest on the Marks collected in cash calculated at a rate determined by HKSCC from time to time for each CCMS House Collateral Account allocated to the Participants. HKSCC reserves the right to deduct any administrative costs from any interests to be allowed or to charge such administrative cost to the Marks collected in cash.

Unless otherwise specified by HKSCC, interest to be allowed or charged on Marks provided in cash, if any, will be accrued daily and paid (after deduction of the administrative costs, if applicable) or charged (together with the administrative costs, if applicable) monthly by HKSCC to Participants in the same currency as the cash on which the interest accrued, by crediting or debiting, as the case may be, the CCMS House Collateral Accounts allocated to the Participants, or in the case of a Clearing Agency Participant which is a China Connect Clearing House, to such Clearing Agency Participant in respect of the relevant Special Participant on the first Business Day of the following month.

#### **10.10.11 Collection of Marks and Concentration Collateral**

##### **(ii) Clearing Agency Participants**

In respect of CNS stock positions arising from Exchange Trades executed by each designated Special Participant of a Clearing Agency Participant, HKSCC will convert the Marks and Concentration Collateral to Renminbi at such exchange rate and subject to such haircut rate as determined by HKSCC from time to time. Unless HKSCC otherwise agrees, the Clearing Agency Participant shall pay Marks and Concentration Collateral to HKSCC in Renminbi. Notwithstanding the foregoing, HKSCC reserves the right to collect the required amount of Marks and Concentration Collateral in any Eligible Currency.

Unless otherwise agreed by HKSCC, any shortfall in day-end Marks and Concentration Collateral required from a Clearing Agency Participant in respect of a designated Special Participant, as determined by HKSCC, will be debited to the Miscellaneous Account allocated to the Clearing Agency Participant in respect of the designated Special Participant and will be collected from such Clearing Agency Participant on the Business Day following T-day by issuing DDIs for same day settlement to the Designated Bank of the Clearing Agency Participant as part of the CCASS money settlement process, or in any other manner determined by HKSCC from time to time. In general, any surplus cash collateral over Marks and Concentration Collateral in the CCMS House Collateral Account allocated to a Clearing Agency Participant in respect of a designated Special Participant will be automatically redelivered to the Clearing Agency Participant in respect of such designated Special Participant on the Business Day following T-day by HKSCC issuing DCIs for same day settlement to the Designated Bank of the Clearing Agency Participant as part of the CCASS money settlement process, or in any other manner determined by HKSCC from time to time. Notwithstanding the foregoing, HKSCC reserves the right not to redeliver surplus cash collateral at any time it considers appropriate.

## **10.10A RISK MANAGEMENT: MARGIN**

### **10.10A.1 General**

#### **(ii) Clearing Agency Participants**

Where the Participant is a Clearing Agency Participant which is a China Connect Clearing House, Margin will be computed and collected from or redelivered to such Participant separately in respect of each of its designated Special Participants with reference to the CNS stock positions arising from Exchange Trades executed by such Special Participant, and references to the CNS stock positions of a Participant in this Section 10.10A shall be construed accordingly for such Clearing Agency Participant. HKSCC will convert the Margin to Renminbi at such exchange rate and subject to such haircut rate as determined by HKSCC from time to time and collect the Margin from the Clearing Agency Participant in Renminbi. Unless HKSCC otherwise agrees, the Clearing Agency Participant shall pay Margin to HKSCC in Renminbi. Notwithstanding the foregoing, HKSCC reserves the right to collect the required amount of Margin in any Eligible Currency.

### **10.10A.7 Interest on Margin collected**

HKSCC may allow or charge, at its absolute discretion, to Participants interest on the Margin collected in cash, calculated at a rate determined by HKSCC from time to time for each CCMS House Collateral Account allocated to Participants. HKSCC reserves the right to deduct any administrative costs from any interests to be allowed or to charge such administrative costs to the Margin collected in cash.

Unless otherwise specified by HKSCC, interest to be allowed or charged on Margin provided in cash, if any, will be accrued daily and paid (after deduction of the administrative costs, if applicable) or charged (together with the administrative costs, if applicable) monthly by HKSCC to each Participant in the same currency as the cash on which the interest accrued, by crediting or debiting, as the case may be, the CCMS House Collateral Account allocated to the Participant, or in the case of a Clearing Agency Participant which is a China Connect Clearing House, to such Clearing Agency Participant in respect of the relevant Special Participant on the first Business Day of the following month.

#### **10.10A.8 Collection of Margin**

##### **(ii) Clearing Agency Participants**

In respect of CNS stock positions arising from Exchange Trades executed by each designated Special Participant of a Clearing Agency Participant, HKSCC will convert the Margin to Renminbi at such exchange rate and subject to such haircut rate as determined by HKSCC from time to time. Unless HKSCC otherwise agrees, the Clearing Agency Participant shall pay Margin to HKSCC in Renminbi. Notwithstanding the foregoing, HKSCC reserves the right to collect the required amount of Margin in any Eligible Currency. Unless otherwise agreed by HKSCC, any shortfall in day-end Margin required, as determined by HKSCC, from a Clearing Agency Participant in respect of a designated Special Participant will be debited to the Miscellaneous Account allocated to the Clearing Agency Participant in respect of the designated Special Participant and will be collected from the Clearing Agency Participant on the Business Day following T-day by issuing DDIs for same day settlement to the Designated Bank of the Clearing Agency Participant as part of the CCASS money settlement process, or in any other manner determined by HKSCC from time to time. In general, any surplus cash collateral over Margin in the CCMS House Collateral Account allocated to a Clearing Agency Participant in respect of a designated Special Participant will be automatically redelivered to the Clearing Agency Participant in respect of such designated Special Participant on the Business Day following T-day by HKSCC issuing DCIs for same day settlement to the Designated Bank of the Clearing Agency Participant as part of the CCASS money settlement process, or in any other manner determined by HKSCC from time to time. Notwithstanding the foregoing, HKSCC reserves the right not to redeliver surplus cash collateral at any time it considers appropriate.

### **10.11 RISK MANAGEMENT: COLLATERAL**

#### **10.11.3 Amount of Collateral**

Unless otherwise agreed by HKSCC, a Clearing Agency Participant which is a China Connect Clearing House is required to provide such amount of Eligible Securities as shall represent the short CNS stock positions in Exchange Trades executed by each of its designated Special Participants in such Eligible Securities to HKSCC as Collateral Security in such manner as may be considered appropriate by HKSCC pursuant to Rule 3602.

HKSCC shall be entitled from time to time to require a Clearing Agency Participant which is a China Connect Clearing House to provide on demand Collateral in such form, to such extent and in such manner as is determined by HKSCC to cover any shortfall in respect of the CNS positions arising from Exchange Trades executed by each of its designated Special Participants in the event that its Marks, Concentration Collateral, Margin and Collateral Securities held in HKSCC are insufficient to cover its stressed default loss determined by HKSCC at a pre-defined stress market movement level fixed by HKSCC from time to time in light of market conditions and such other factors as HKSCC may consider appropriate. The Clearing Agency Participant shall pay the required Collateral to HKSCC on the same day HKSCC notifies it of the collection of the required Collateral.

**10.11.3A Concentration Collateral on net long CNS stock position in high risk security**

The total amount of Marks and Collateral (including Concentration Collateral) collected on a Participant's net long CNS stock position of a security will not be greater than the CNS money position corresponding to the net long CNS stock position of that security except that in the case of a Clearing Agency Participant which is a China Connect Clearing House, the total amount of Marks and Collateral (including Concentration Collateral) will be computed and collected from or redelivered to such Participant separately in respect of each of its designated Special Participants with reference to the CNS stock position and corresponding CNS money position arising from Exchange Trades in that security executed by such Special Participant.

**10.11.6 Interest on Collateral**

HKSCC may allow or charge, at its absolute discretion, to Participants interest on Collateral provided by Participants in cash calculated at a rate determined by HKSCC from time to time for each CCMS House Collateral Account allocated to Participants. HKSCC reserves the right to deduct any administrative costs from any interest to be allowed or to charge such administrative cost to the Collateral provided in cash.

Unless otherwise specified by HKSCC, interest to be allowed or charged on Collateral provided in cash, if any, will be accrued daily and paid (after deduction of the administrative costs, if applicable, and net of any Withholding Tax (whether withheld by HKSCC or any other parties) or charged (together with the administrative costs, if applicable) monthly, by HKSCC to each Participant in the same currency as the cash on which the interest accrued, by crediting or debiting, as the case may be, the CCMS House Collateral Account allocated to the Participant, or in the case of a Clearing Agency Participant which is a China Connect Clearing House, to such Clearing Agency Participant in respect of the relevant Special Participant on the first Business Day of the following month.

**10.12 RISK MANAGEMENT: SECURITIES-ON-HOLD**

**10.12.1 Purpose of Securities-on-hold**

To guard against this risk exposure, the Rules provide that until such time as HKSCC is satisfied that (i) it has received payment in full in respect of Eligible

Securities delivered by HKSCC to a Participant under the CNS System on a Settlement Day; and (ii) such payment is good and irrevocable, or unless otherwise agreed by HKSCC, title and property in such Eligible Securities shall not pass to the Participant. Until then, Participants will not be allowed to use or withdraw some or all of such Eligible Securities, except as permitted by HKSCC.

The provisions of this Section 10.12 shall, in the case of a Clearing Agency Participant which is a China Connect Clearing House, apply separately to the Stock Clearing Account and Money Ledger allocated to such Participant in respect of each designated Special Participant, and references to the Stock Clearing Account or Money Ledger of a Participant in this Section 10.12 shall be construed accordingly for such Clearing Agency Participant.

## **Section 10A**

### **China Connect Securities Trades - CNS System**

#### **10A.1.1 Details of China Connect Securities Trades**

Arrangements have been made by HKSCC for details of China Connect Securities Trades effected on a China Connect Market via the relevant SEHK Subsidiary under a Trading Link to be reported to HKSCC by the SEHK Subsidiary, its designated person or the relevant China Connect Clearing House on a daily basis. China Connect Clearing Participants will not, therefore, generally have to input into CCASS details of China Connect Trades. However, HKSCC reserves the right to require China Connect Clearing Participants to provide details of China Connect Securities Trades executed by them or, in the case of GCPs, including those of their NCPs to it.

#### **10A.1.4 Availability of FCSs and information contained in FCSs**

An FCS for each China Connect Market will be made available by HKSCC to each China Connect Clearing Participant via its CCASS Terminals or Participant Gateways. An FCS issued in respect of each China Connect Market will contain the following information in relation to China Connect Securities Trades of a China Connect Clearing Participant and, in the case of a GCP, including those of its NCPs, which are effected on that China Connect Market and which are to be cleared and settled on the current Trading day (i.e. T-day):

#### **10A.2.1 Determination of daily stock settlement positions**

The daily stock settlement positions of a China Connect Clearing Participant with HKSCC arising out of China Connect Securities Trades executed on a China Connect Market and accepted for settlement under the CNS System will be determined based on the following steps:

#### **10A.3.1 Settlement between HKSCC and China Connect Clearing Participants**

In respect of each China Connect Securities Trade entered into by the relevant SEHK Subsidiary for a China Connect Clearing Participant or any of its NCPs under a Trading Link, a Market Contract will be created by way of Novation whereby HKSCC becomes the settlement counterparty to the China Connect Clearing Participant. Settlement of such Market Contracts will be effected under the CNS System in CCASS between China Connect Clearing Participants and HKSCC.

#### **10A.4.2 Money position of daily net CNS stock positions**

For China Connect Securities Trades in the same China Connect Security effected on a China Connect Market on the same day (and accepted for settlement under the CNS System), there will be one daily net stock position. This daily net CNS stock position of a China Connect Clearing Participant in a China Connect Security will have a corresponding net money position, derived from offsetting the money positions of the underlying China Connect Securities Trades.

The net money positions derived from offsetting the money positions of the underlying China Connect Securities Trades of a China Connect Clearing Participant in each China Connect Security on the same day will be offset against each other to result in a total net money position for each China Connect Market in respect of the China Connect Clearing Participant. The total net money positions for all the China Connect Markets of the China Connect Clearing Participant will be offset against each other to result in one net money position across all relevant China Connect Markets for settlement with HKSCC on each Settlement Day.

#### **10A.4.5 Settlement of money obligations under the CNS System**

There will be one net money position under the CNS System for each China Connect Clearing Participant on each Settlement Day for its China Connect Securities Trades on all of the China Connect Markets (see Section 10A.4.2). Money settlement in respect of such net money position will be effected on the next Settlement Day (i.e. T+1) (see Section 10.5.7 for an example of daily net money position under the CNS System).

#### **10A.6.2 Timing of Buy-in**

Unless (i) HKSCC grants an exemption under Section 10A.6.2A or (ii) there is a risk management reason affecting HKSCC which is considered valid by the Risk Management Committee, short stock positions in China Connect Securities of a China Connect Clearing Participant under the CNS System which are outstanding for settlement on the due date (i.e., unsettled after the final Batch-settlement-run for China Connect Securities Trades on T-day) will be subject to a Buy-in by HKSCC or an authorized broker on behalf of the short China Connect Clearing Participant on T+1 (or if it is not practicable to do so on T+1, at any time thereafter) up to the outstanding quantity, rounded up to the nearest Board Lot if the quantity is not in full Board Lots.

##### **10A.6.2A Exemption from Buy-in**

HKSCC may grant an exemption from a Buy-in on behalf of a short China Connect Clearing Participant on T+1 if such China Connect Clearing Participant is able to provide HKSCC with satisfactory evidence in accordance with Section 10A.6.2B that a ground for exemption as set out below applies:

- (i) the China Connect Clearing Participant applying for exemption can provide evidence satisfactory to HKSCC that either it has sufficient China Connect Securities in its Stock Account on T-day or the delivering Participant has sufficient China Connect Securities in its Special Segregated Account to cover the relevant short stock position and the China Connect Clearing

Participant applying for exemption or the delivering Participant has received valid instruction from the selling client to make delivery of the relevant China Connect Securities for settlement on T-day but is unable to do so due to clerical error; or

- (ii) the relevant China Connect Securities are not credited to the Stock Clearing Account of the China Connect Clearing Participant applying for exemption due to acts of God or due to the occurrence of other events beyond the relevant Participant's reasonable control such as labour disputes, strike, mechanical breakdowns, computer or electronic system failures, unavailability of or restrictions on any communication media.

The short China Connect Clearing Participant to whom an exemption from a Buy-in is granted shall be obliged to settle all overdue short stock positions for which exemption is granted by day-end of T+1. In the event that such China Connect Clearing Participant fails to do so for whatever reason, HKSCC may consider executing on behalf of such China Connect Clearing Participant a Buy-in on T+2 (or, if it is not practicable to do so on T+2, at any time thereafter) in its absolute discretion as it may think fit up to the outstanding quantity, rounded up to the nearest Board Lot if the quantity is not in full Board Lots.

#### **10A.6.2B Application for exemption from Buy-in on T+1**

A short China Connect Clearing Participant wishing to claim exemption under Section 10A.6.2A must apply to HKSCC not later than 8:00 p.m. on the due date of settlement (i.e., T-day) by completing and submitting an Application Form for Exemption of Buy-in (see CCASS Terminal User Guide for Participants for the form). The Application Form shall be sent by facsimile or such other means as HKSCC may consider appropriate and shall be deemed received when received by HKSCC. In addition, the short China Connect Clearing Participant applying for exemption must provide HKSCC with satisfactory supporting documents as set out below on or before T+1, unless otherwise notified by HKSCC.

In respect of an exemption claimed under Section 10A.6.2A(i), the China Connect Clearing Participant applying for exemption is required to provide HKSCC with a copy of the relevant CCASS reports or other supporting documents satisfactory to HKSCC evidencing that the relevant China Connect Securities are available to cover the relevant short stock positions on T-day.

In respect of an exemption claimed under Section 10A.6.2A(ii), the China Connect Clearing Participant applying for exemption shall, if so requested by HKSCC, provide HKSCC with evidence supporting its application at such time as specified by HKSCC.

#### **10A.6.3 Buy-in process by HKSCC on behalf of a China Connect Clearing Participant**

The following explains the process of any Buy-in that may be executed by HKSCC on behalf of a short China Connect Clearing Participant in greater detail:

- (i) in respect of the short stock positions in China Connect Securities of a short China Connect Clearing Participant which remain outstanding under the CNS System after the final Batch-settlement-run for China Connect Securities Trades on the Settlement Day, a Buy-in Notification Report containing such outstanding short stock positions will be generated by HKSCC. Unless (i) HKSCC grants an exemption under Section 10A.6.2A or (ii) there is a risk management reason affecting HKSCC which is considered valid by the Risk Management Committee, HKSCC will effect Buy-in on T+1 (or if it is not practicable to do so on T+1, at any time thereafter), of all outstanding short stock positions stated in the Buy-in Notification Report, rounded up to the nearest Board Lot if the quantity is not in full Board Lots;
- (ii) the short China Connect Clearing Participant may apply for exemption from Buy-in to HKSCC in accordance with the provisions of Section 10A.6.2B;
- (iv) HKSCC shall effect a Buy-in at what it determines to be the best prevailing market price and terms available (but taking into account HKSCC may need to act promptly and provided that HKSCC, the Exchange, the relevant SEHK Subsidiary and a recognized exchange controller which is the controller of HKSCC shall have no liability if HKSCC acts in good faith). The short China Connect Clearing Participant shall be liable to and shall indemnify HKSCC, the Exchange, the relevant SEHK Subsidiary and a recognized exchange controller which is the controller of HKSCC against all costs and expenses incurred by HKSCC in connection with the Buy-in, including the Buy-in of any China Connect Securities in excess of the outstanding quantity due to the rounding up of such quantity to the nearest Board Lot;

## **10A.8 RISK MANAGEMENT: MAINLAND SETTLEMENT DEPOSIT**

### **10A.8.1 General**

To monitor and control such risk exposure, HKSCC will collect Mainland Settlement Deposit in respect of each China Connect Market from China Connect Clearing Participants. HKSCC will compute and collect Mainland Settlement Deposit in accordance with the provisions of this Section 10A.8 in the form of cash in Renminbi, rounded to the nearest RMB0.01. Notwithstanding the foregoing, HKSCC reserves the right to collect the required amount of Mainland Settlement Deposit in any Eligible Currency. HKSCC shall have the right to satisfy its obligations as clearing participant to the China Connect Clearing House under the relevant Clearing Link with, or otherwise use, the Mainland Settlement Deposit collected from China Connect Clearing Participants.

### 10A.8.2 Computation of Mainland Settlement Deposit

In respect of each China Connect Market, the Mainland Settlement Deposit requirement of a China Connect Clearing Participant will be the higher of:

Daily Mainland Settlement Deposit requirement

and

Monthly Mainland Settlement Deposit requirement.

(i) Daily Mainland Settlement Deposit requirement

Daily Mainland Settlement Deposit requirement in respect of a China Connect Market will be computed on a daily basis using the following formula:

$$\left( \begin{array}{l} \text{Buy turnover in} \\ \text{China Connect} \\ \text{Securities} \end{array} + \begin{array}{l} \text{Contract value of} \\ \text{overdue short} \\ \text{positions in} \\ \text{China Connect} \\ \text{Securities} \end{array} + \begin{array}{l} \text{Sell turnover in China} \\ \text{Connect Securities} \\ \text{for Special} \\ \text{Segregated Accounts} \end{array} \right) \times \begin{array}{l} \text{Settlement Deposit} \\ \text{Rate} \end{array}$$

where

Buy turnover is the buy turnover of the China Connect Clearing Participant (including those of its NCPs) on a Trading day in China Connect Securities on the relevant China Connect Market;

Sell turnover is the sell turnover in China Connect Securities that are executed by the China Connect Clearing Participant and its NCPs for Special Segregated Accounts on a Trading day on the relevant China Connect Market;

Contract value of overdue short positions is the contract value of all overdue short stock positions in China Connect Securities on the relevant China Connect Market of the China Connect Clearing Participant on a Trading day; and

Settlement Deposit Rate is the rate determined by HKSCC in its absolute discretion from time to time by reference to the rate payable by HKSCC to the Mainland's Settlement Reserve Fund applicable to the relevant China Connect Market as required by the relevant China Connect Clearing House under its rules.

(ii) Monthly Mainland Settlement Deposit requirement

Monthly Mainland Settlement Deposit requirement in respect of a China Connect Market for a particular month will be computed using the following formula:

$$\left( \frac{\text{Sum of buy turnover and contract value of overdue short positions in China Connect Securities on each Trading day on the relevant China Connect Market in the previous month}}{\text{Number of Trading days having buy turnover on the relevant China Connect Market in the previous month}} + \frac{\text{Sum of sell turnover for Special Segregated Accounts on each Trading day on the relevant China Connect Market in the previous month}}{\text{Number of Trading days having sell turnover for Special Segregated Accounts on the relevant China Connect Market in the previous month}} \right) \times \text{Settlement Deposit Rate of the relevant China Connect Market}$$

Except that where the China Connect Clearing Participant does not have any buy turnover in China Connect Securities on the relevant China Connect Market on a Trading day, the contract value of any overdue short positions on that day is excluded from the “Sum of buy turnover and contract value of overdue short positions in China Connect Securities on each Trading day on the relevant China Connect Market in the previous month”.

**10A.8.3 Example (Computation of Mainland Settlement Deposit Requirement for a China Connect Market)**

	<i>(RMB)</i>
(a) Buy turnover in China Connect Securities on the China Connect Market	3,000,000
(b) Contract value of overdue short positions in China Connect Securities on the China Connect Market	50,000
(c) Sell turnover in China Connect Securities for Special Segregated Accounts on the China Connect Market	100,000
(d) Settlement Deposit Rate of the China Connect Market = 20%	
(e) Daily Mainland Settlement Deposit requirement [(a) + (b) + (c)] × (d)	630,000

(f)	Monthly Mainland Settlement Deposit requirement	<i>(RMB)</i> 550,000
(g)	Mainland Settlement Deposit requirement: Higher of (e) & (f)	630,000

**10A.8.4 Example (Computation of Monthly Mainland Settlement Deposit Requirement for a China Connect Market)**

Suppose there are 5 Trading days in the month. The following table shows a China Connect Clearing Participant's buy turnover in China Connect Securities, contract value of overdue short positions in China Connect Securities and sell turnover in China Connect Securities for Special Segregated Accounts on each Trading day of the month on a China Connect Market:

	<u>Day 1</u> <i>(RMB)</i>	<u>Day 2</u> <i>(RMB)</i>	<u>Day 3</u> <i>(RMB)</i>	<u>Day 4</u> <i>(RMB)</i>	<u>Day 5</u> <i>(RMB)</i>	<u>Total</u> <i>(RMB)</i>
(a) Buy turnover in China Connect Securities on the China Connect Market	1,000,000	10,000	0	200,000	0	1,210,000
(b) Contract value of overdue short positions in China Connect Securities on the China Connect Market	200,000	800,000	4,000	0	0	1,004,000
(c) (a) + (b) excluding days without buy turnover	1,200,000	810,000	0	200,000	0	2,210,000
(d) Sell turnover in China Connect Securities for Special Segregated Accounts on the China Connect Market	500,000	0	600,000	300,000	900,000	2,300,000
(e) Number of days having buy turnover on the China Connect Market in the month = 3						

(f) Number of days having sell turnover for Special Segregated Accounts on the China Connect Market in the month = 4

(g) Settlement Deposit Rate of the China Connect Market = 20%

Monthly Mainland Settlement Deposit requirement

= [(c) / (e) + (d) / (f)] × (g)

= RMB (2,210,000 / 3 + 2,300,000 / 4) × 20%

= RMB 262,333.33 (rounded to nearest RMB0.01)

= RMB 262,333.33

#### **10A.8.5 Relevant CCASS reports**

The FCS which gives information on the total buy trade amount in China Connect Securities of a China Connect Clearing Participant on a China Connect Market on a Trading day will assist the China Connect Clearing Participant to estimate its Mainland Settlement Deposit requirement for that China Connect Market at any time.

A Mainland Settlement Deposit Payable Report for a China Connect Market will be made available via CCASS Terminals and Participant Gateways each time after any Mainland Settlement Deposit requirement for that China Connect Market is calculated for collection by HKSCC to provide details of the computation of such Mainland Settlement Deposit requirement of the China Connect Clearing Participant on that Trading day.

#### **10A.8.6 Interest on Mainland Settlement Deposit collected**

HKSCC may allow or charge, at its absolute discretion, to China Connect Clearing Participants interest on the Mainland Settlement Deposit collected in cash calculated at a rate determined by HKSCC from time to time for each China Connect Market. HKSCC reserves the right to deduct any administrative costs from any interests to be allowed or to charge such administrative cost to the Mainland Settlement Deposit collected in cash.

Unless otherwise specified by HKSCC, interest to be allowed or charged on Mainland Settlement Deposit provided in cash, if any, will be accrued and paid (after deduction of the administrative costs, if applicable) or charged (together with the administrative costs, if applicable) quarterly by HKSCC to China Connect Clearing Participants for each China Connect Market in the same currency as the cash on which the interest accrued, by crediting or debiting, as the case may be, the Miscellaneous Account of the China Connect Clearing Participant's Money Ledger, on the first Business Day of the following quarter.

#### **10A.8.7 Collection of Mainland Settlement Deposit**

Mainland Settlement Deposit requirement to be demanded from a China Connect Clearing Participant for each China Connect Market on each Trading Day will be compared to the collected amount in the CCMS House Collateral Account of the China Connect Clearing Participant. If there is any shortfall in the Mainland Settlement Deposit required for a China Connect Market, HKSCC will collect the shortfall in the currency in which the Mainland Settlement Deposit requirement is

calculated. Notwithstanding the foregoing, HKSCC reserves the right to collect the shortfall in Mainland Settlement Deposit required in any Eligible Currency.

Unless otherwise agreed by HKSCC, in respect of each China Connect Market, any shortfall in Mainland Settlement Deposit required, as determined by HKSCC, will be debited to the Miscellaneous Account of a China Connect Clearing Participant's Money Ledger and will be collected from the China Connect Clearing Participant. Mainland Settlement Deposit for each China Connect Market will be collected from the China Connect Clearing Participant on a daily basis by HKSCC by issuing DDIs to the Designated Bank of the China Connect Clearing Participant as part of the CCASS money settlement process on each Trading day, or in any other manner determined by HKSCC from time to time. If DDIs cannot be issued on any Trading day, HKSCC will collect Mainland Settlement Deposit by issuing DDIs to the Designated Bank of the China Connect Clearing Participant on the next Business Day. Subject to the determination of HKSCC, no surplus cash collateral over Mainland Settlement Deposit in the CCMS House Collateral Account of a China Connect Clearing Participant on a Trading day will be redelivered to it at the end of the day except any surplus cash collateral that may be credited to its CCMS House Collateral Account on such Trading day(s) of each month as may be specified by HKSCC. The redelivery will be made in such manner as prescribed by HKSCC from time to time. Notwithstanding the above, HKSCC reserves the right not to redeliver surplus cash collateral at any time it considers appropriate.

In the event of default of the relevant China Connect Clearing House and the China Connect Clearing House fails to repay to HKSCC all payments made by HKSCC as cover for liabilities to the China Connect Clearing House which correspond to a China Connect Clearing Participant, HKSCC shall not be liable to redeliver to the China Connect Clearing Participant any Mainland Settlement Deposit provided to HKSCC by the China Connect Clearing Participant beyond any corresponding amount received from the China Connect Clearing House plus any amount of Mainland Settlement Deposit collected from the China Connect Clearing Participant which had not been used by HKSCC to satisfy its obligations as clearing participant to the China Connect Clearing House under the relevant Clearing Link. Should there be a shortfall, the amount of Mainland Settlement Deposit available for redelivery to China Connect Clearing Participants in respect of each China Connect Market will be made by HKSCC on a pro-rata basis.

#### **10A.8.8 Intra-day Mainland Settlement Deposit**

In addition to day-end Mainland Settlement Deposit, a China Connect Clearing Participant shall on demand pay to HKSCC within the time period specified by HKSCC such intra-day Mainland Settlement Deposit in respect of such China Connect Market as HKSCC may from time to time determine by reference to the buy turnover and contract value of overdue short positions in China Connect Securities of the China Connect Clearing Participant and its sell turnover in China Connect Securities for Special Segregated Accounts on such China Connect Market. Any shortfall in Intra-day Mainland Settlement Deposit determined by HKSCC will be collected by HKSCC via CPIs to the Designated Bank of the Clearing Participant as part of the CCASS money settlement process or in any other manner determined by HKSCC from time to time.

## **10A.9 RISK MANAGEMENT: MAINLAND SECURITY DEPOSIT**

### **10A.9.1 General**

To monitor and control such risk exposure, HKSCC will collect Mainland Security Deposit for each China Connect Market from China Connect Clearing Participants in respect of their net settlement amount in China Connect Securities on such China Connect Market under the CNS System. HKSCC will compute and collect Mainland Security Deposit in accordance with the provisions of this Section 10A.9 in the form of cash in Renminbi, rounded to the nearest RMB0.01. Notwithstanding the foregoing, HKSCC reserves the right to collect the required amount of Mainland Security Deposit in any Eligible Currency.

### **10A.9.2 Computation of Mainland Security Deposit**

In respect of each China Connect Market, the Mainland Security Deposit requirement of a China Connect Clearing Participant will be computed at the end of each month using the following formula:

$$\frac{\text{Sum of daily net settlement amount in China Connect Securities on the relevant China Connect Market in the last 6 months}}{\text{Number of days traded in China Connect Securities on the relevant China Connect Market by the China Connect Clearing Participant in the last 6 months}} \times \text{Mainland Security Deposit Rate of the relevant China Connect Market}$$

subject to such minimum amount as may be determined by HKSCC from time to time in its absolute discretion. Such minimum amount of Mainland Security Deposit is required to be paid to HKSCC by a Clearing Participant upon its registration as a China Connect Clearing Participant as one of the China Connect Clearing Participant Registration Criteria as referred to in Rule 4103.

Mainland Security Deposit Rate is the rate determined by HKSCC in its absolute discretion from time to time by reference to the rate payable by HKSCC to the Mainland's Settlement Guarantee Fund in respect of the relevant China Connect Market as required by the relevant China Connect Clearing House under its rules.

### **10A.9.3 Relevant CCASS reports**

The FCS which gives information on the net settlement amount in China Connect Securities on a China Connect Market which is to be settled under the CNS System of a China Connect Clearing Participant on each Trading day will assist the China Connect Clearing Participant to estimate its Mainland Security Deposit requirement for that China Connect Market at any time.

A Mainland Security Deposit Payable Report for a China Connect Market will be made available via CCASS Terminals and Participant Gateways each time after any Mainland Security Deposit for that China Connect Market is calculated for collection by HKSCC to provide information and details of the computation of such Mainland Security Deposit requirement of the China Connect Clearing Participant for that month.

**10A.9.4 Interest on Mainland Security Deposit collected**

HKSCC may allow or charge, at its absolute discretion, to China Connect Clearing Participants interest on the Mainland Security Deposit collected in cash calculated at a rate determined by HKSCC from time to time for each China Connect Market. HKSCC reserves the right to deduct any administrative costs from any interests to be allowed or to charge such administrative cost to the Mainland Security Deposit collected in cash.

Unless otherwise specified by HKSCC, interest to be allowed or charged on Mainland Security Deposit provided in cash, if any, will be accrued and paid (after deduction of the administrative costs, if applicable) or charged (together with the administrative costs, if applicable) quarterly by HKSCC to China Connect Clearing Participants for each China Connect Market in the same currency as the cash on which the interest accrued, by crediting or debiting, as the case may be, Miscellaneous Account of the China Connect Clearing Participant's Money Ledger, on the first Business Day of the following quarter.

**10A.9.5 Collection of Mainland Security Deposit**

The Mainland Security Deposit requirement of a China Connect Clearing Participant for each China Connect Market on the first Business Day of each month will be compared to the collected amount in the CCMS House Collateral Account of the China Connect Clearing Participant. If there is any shortfall in its Mainland Security Deposit requirement for a China Connect Market, HKSCC will collect the shortfall in the currency in which the Mainland Security Deposit is calculated. Notwithstanding the foregoing, HKSCC reserves the right to collect the shortfall in Mainland Security Deposit required in any Eligible Currency.

Unless otherwise agreed by HKSCC, in respect of each China Connect Market, any shortfall in Mainland Security Deposit required, as determined by HKSCC, will be debited to the Miscellaneous Account of a China Connect Clearing Participant's Money Ledger and will be collected from the China Connect Clearing Participant. Mainland Security Deposit for each China Connect Market will be collected from the China Connect Clearing Participant on a monthly basis by HKSCC by issuing DDIs to the Designated Bank of the China Connect Clearing Participant on the first Business Day of each month as part of the CCASS money settlement process, or in any other manner determined by HKSCC from time to time. If DDIs cannot be issued on the first Business Day of the month, HKSCC will collect Mainland Security Deposit by issuing DDIs to the Designated Bank of the China Connect Clearing Participant on the next Business Day.

In the event of default of the relevant China Connect Clearing House and the China Connect Clearing House fails to repay to HKSCC all payments made by HKSCC as cover for liabilities to the China Connect Clearing House which correspond to a China Connect Clearing Participant, HKSCC shall not be liable to redeliver to the China Connect Clearing Participant any Mainland Security Deposit provided to HKSCC by the China Connect Clearing Participant beyond any corresponding amount received from the China Connect Clearing House plus any amount of Mainland Security Deposit collected from the China Connect Clearing Participant which had not been used by HKSCC to satisfy its obligations

as clearing participant to the China Connect Clearing House under the relevant Clearing Link. Should there be a shortfall, the amount of Mainland Security Deposit available for redelivery to China Connect Clearing Participants in respect of each China Connect Market will be made by HKSCC on a pro-rata basis.

## **Section 12**

### **Non-Exchange Trades – SI Transactions, Clearing Agency Transactions, ISI Transactions, Transfer Instructions and Non-Trade Transfers in China Connect Securities**

#### **12.1.6 Settlement of SI Transactions**

##### **(vi) China Connect Securities**

Input and matching of SIs relating to China Connect Securities will be conducted at stated times in CCASS on each Business Day in accordance with Section 6.2.2. SI Transactions in China Connect Securities inputted into CCASS on a Business Day will be settled in the SI Batch-settlement-runs or by the use of DI.

Notwithstanding any other provision in the Rules, the following shall apply to SIs relating to China Connect Securities:

- (a) SIs relating to China Connect Securities may only be settled on an FOP or DVP basis;
- (b) Repealed
- (c) only SIs in which a Special Segregated Account of a Custodian Participant or a GCP which is not an Exchange Participant is the delivering account will be processed in the first and second SI Batch-settlement-run;

#### **12.1.7 Money Settlement for SI Transactions**

For SI Transactions relating to China Connect Securities to be settled on a DVP basis, upon settlement in CCASS, HKSCC will issue EPIs in the normal way to the Designated Banks of the Participants concerned to effect payment between them for value on the same day. In respect of EPIs generated in RMB, Designated Banks which provide Night Settlement services are required to issue payment confirmation by no later than 9:20 p.m. on the same day in respect of each EPIs where the paying or receiving Designated Bank provides Night Settlement services. In respect of other EPIs generated in other Eligible Currencies or in RMB but not included in same day Night Settlement, Designated Banks are required to issue payment confirmation by no later than 9:30 a.m. on the following Business Day. HKSCC's role is merely as a facilitator. The Settlement Reports of the Participants will show the relevant entries and details of the relevant EPIs.

### **12.1.8 Relevant CCASS Reports**

#### **(iv) Intra-day ISI/SI Full List**

In relation to China Connect Securities, the report shows details of due/overdue SIs in China Connect Securities of the Participant on the current Mainland Business Day with status as of the completion of each of the Batch-settlement-runs (for settlement of SI stock positions only) and of the completion of each of the SI matching runs for China Connect Securities. Details of SIs that are due on a future day are also included in the reports generated after the final Batch-settlement-run for settlement of SI stock positions only.

#### **(v) Unmatched SI Report**

This report shows the details and reasons of the unmatched SIs on the current Business Day or Mainland Business Day in the case of SIs in China Connect Securities as of the completion of each SI matching run. Where a Participant has specifically elected not to disclose its input data regarding an unmatched SI to the counterparty Participant via the “Hide Unmatched SI Content Counterparty List” function, only the SI Input Number and Participant ID/name of the Participant together with the unmatched reasons would be shown in the Unmatched SI Report of the counterparty Participant and the other details of the unmatched SIs will not be shown.

## **Section 13**

### **Securities Settlement**

#### **13.3.3 Frequency of Batch-settlement-runs**

For China Connect Securities, five Batch-settlement-runs are carried out every Settlement Day: two at 5:30 p.m. and 7:00 p.m. designated for the settlement of CNS stock positions; and three at 5:30 p.m., 7:00 p.m. and 7:45 p.m. designated for the settlement of SI stock positions.

## **Section 14**

### **Money Settlement**

#### **14.3.3 Amounts arising out of transactions settled in CCASS**

In brief, in relation to settlement of transactions in securities or transfer of securities on a DVP basis :

- (ia) for CNS stock positions of a China Connect Clearing Participant arising from China Connect Securities Trades, settled on each Settlement Day, the related money positions for all the China Connect Markets will be set-off against each other and the net sum will be settled by HKSCC issuing a CPI to the Designated Bank of the China Connect Clearing Participant or a bank designated by HKSCC (see Section 10A.4 and Section 14.7) on T+1 day;

**Section 15**  
**Enquiry Services**

**15.2 USE OF VARIOUS ENQUIRY FUNCTIONS AVAILABLE**

**(i) Available to Participants other than Investor Participants:**

- (f) “Enquire Money Position/Instruction” function: to enquire about the money positions due to or from HKSCC (in respect of CNS positions), due to or from other Participants (in respect of SI Transactions) or money positions in Eligible Securities other than China Connect Securities due to or from other Participants (in respect of ISI Transactions and Isolated Trades); or to enquire about the money settlement instructions issued by HKSCC on the current Settlement Day or money settlement instructions due from SSA Statement Recipients to the Participants (in respect of STI Transfers) on the current Business Day. The money positions for China Connect Securities show the aggregate amounts of all the China Connect Markets. This function is designed to help Participants to plan their funding arrangements;

**Section 16**  
**Statements and Reports**

**16.6 REPORTS AND STATEMENTS FOR PARTICIPANTS**

**16.6.1 Reports and Statements for Participants other than Investor Participants**

<b>Report ID</b>	<b>Report name</b>	<b>Frequency</b>	<b>Time available</b>
CCLTN05	Final Clearing Statement	Daily	shortly after 2:00 p.m. (for previous day's Exchange Trades and Clearing Agency Transactions)
		Daily	shortly after 4:00 p.m. (for current day's China Connect Securities Trades) upon completion of the clearing process for the China Connect Markets
CCLUS01	Unmatched SI Report	Nine times a day	a around 9:45 a.m., 10:30 a.m., 12:00 noon, 2:00 p.m., 3:00 p.m., 3:30 p.m., 4:15 p.m., 5:30 p.m. and 6:30 p.m. (for unmatched SI results as of the completion of each SI matching run for Eligible Securities other than China Connect Securities)

		Seven times a day	around 12:00 noon, 2:00 p.m., 3:15 p.m., 5:15 p.m., 5:45 p.m., 7:15 p.m. and 8:00 p.m. (for unmatched SI results as of the completion of each SI matching run for China Connect Securities)
CSESP04	Intra-day Settled Position Report	Three times a day	around 11:30 a.m., 12:30 p.m. and 2:30 p.m. (for settlement results as of the completion of first, second and third Batch-settlement-runs for Eligible Securities other than China Connect Securities)
		Two times a day	around 6:00 p.m. and 7:30 p.m. (for settlement results as of the completion of the first and final Batch-settlement-runs for settlement of CNS stock positions in China Connect Securities)
CSESI02	Intra-day ISI/SI Full List	Eight times a day	around 11:30 a.m., 12:30 p.m., 2:30 p.m. and 4:15 p.m. (for settlement results as of the completion of each Batch-settlement-run for Eligible Securities other than China Connect Securities) and around 3:00 p.m., 3:30 p.m., 5:30 p.m. and 6:30 p.m. (for matched SI results as of the completion of the fifth, sixth, eighth and final SI matching runs for Eligible Securities other than China Connect Securities)
		Seven times a day	around 5:45 p.m., 7:15 p.m. and 8:00 p.m. (for settlement results as of the completion of each Batch-settlement-run for settlement of SI stock positions in China Connect Securities) and around 12:00 noon, 2:00 p.m., 3:15 p.m. and 5:15 p.m. (for matched SI results as of the completion of the first, second, third and fourth SI matching runs for China Connect Securities)

CSEMP04	CCASS Funding Projection Report (Night Settlement) for Participant	Three times a day	around 5:45 p.m., 7:15 p.m. and 8:00 p.m. (for funding projection as of the completion of each SI Batch-settlement-run for China Connect Securities)
CFIBI01	Buy-in Notification Report	Daily	after 5:00 p.m. (for Buy-in of Eligible Securities other than China Connect Securities to be executed by HKSCC on the following Trading day and those executed on previous Trading day)  after 7:15 p.m. (for Buy-in of China Connect Securities to be executed by HKSCC on the following Trading day and those executed on current Trading day for each China Connect Market)
CCMIA14	Quarterly Interest Report for Mainland Settlement Deposit and Mainland Security Deposit (Shenzhen)	Quarterly	from the time when the report retrieval function is available on the first Business Day of each quarter (for previous quarter's interest)
CRMGF03	Mainland Security Deposit Payable Report (Shenzhen)	Monthly	from the time when the report retrieval function is available on the first Business Day of each month
CRMSD04	Mainland Settlement Deposit Payable Report (Shenzhen)	Daily	after calculation for current day's Mainland Settlement Deposit requirement
CRMSD09	Intra-day Mainland Settlement Deposit Payable Report (Shenzhen)	Daily	after calculation of intra-day Mainland Settlement Deposit requirement

## 16.7 REPORTS AND STATEMENTS FOR DESIGNATED BANKS

Report ID	Report name	Frequency	Time available
CSEMP03	CCASS Funding Projection Report (Night Settlement) for Designated Bank	Three times a day	a around 5:45 p.m., 7:15 p.m. and 8:00 p.m. (for funding projection as of the completion of each Batch-settlement-run for China Connect Securities)

### Section 17 Suspension of Services

#### 17.2.6b Clearing and settlement of China Connect Securities Trades

Notwithstanding the above, the adoption of risk management measures by HKSCC will not normally be affected by a typhoon except where it will not be possible to implement such measures in the usual way. For instance, Marks, Mainland Settlement Deposit, Mainland Security Deposit and Collateral on stock positions in China Connect Securities of a China Connect Clearing Participant for each China Connect Market under the CNS System will be determined in the normal way and will be collected unless CCASS money settlement is affected by a typhoon.

#### 17.2.8 Clearing of ISIs/SIs

If a Typhoon Signal No. 8 or above is hoisted between 7:15 a.m. and 9:00 a.m. and is not lowered at 12:00 noon on any Business Day, Participants are responsible at the time of the resumption of CCASS services to review and make appropriate amendments in respect of any ISIs/SIs already input by Participants on the day.

#### 17.2.8A Stock Transfer of ATIs/STIs

If a Typhoon Signal No. 8 or above is hoisted between 7:15 a.m. and 9:00 a.m. and remains in effect at 12:00 noon on any Business Day, Clearing Participants and Custodian Participants are responsible at the time of the resumption of CCASS services to review and make appropriate amendments in respect of any ATIs/STIs already input by them on the day.

#### 17.2.14 Buy-in of China Connect Securities on T+1

HKSCC will not grant exemption from Buy-in to a China Connect Clearing Participant in respect of its short stock positions in China Connect Securities under the CNS System which are outstanding for settlement on the due date (i.e. unsettled after settlement processing on T-day) if a Typhoon Signal No.8 or above is hoisted on the same day which is a Settlement Day for China Connect Securities Trades.

For the avoidance of doubt, if Typhoon Signal No. 8 or above is hoisted on a Settlement Day for China Connect Securities Trades, each China Connect Clearing Participant is required to settle its short stock positions in China Connect Securities on the same day. Unless (i) HKSCC grants an exemption under Section 10A.6.2A or (ii) there is a risk management reason affecting HKSCC which is considered valid by the Risk Management Committee, any short stock positions in China

Connect Securities of a China Connect Clearing Participant under the CNS System which are outstanding for settlement on the due date will be subject to a Buy-in by HKSCC on behalf of the short China Connect Clearing Participant on T+1 (or if it is not practicable to do so on T+1, at any time thereafter) up to the outstanding quantity, rounded up to the nearest Board Lot if the quantity is not in full Board Lots.

**17.3.8 Clearing of ISIs/SIs**

If a Black Rainstorm Warning is issued between 7:15 a.m. and 9:00 a.m. and remains in effect at 12:00 noon on any Business Day, Participants that have input ISIs/SIs on that day shall be responsible at the time of the resumption of CCASS services to review and make appropriate amendments to the ISIs/SIs already input.

**17.3.8A Stock Transfer of ATIs/STIs**

If a Black Rainstorm Warning is issued between 7:15 a.m. and 9:00 a.m. and remains in effect at 12:00 noon on any Business Day, Clearing Participants and Custodian Participants that have input ATIs/STIs that day are responsible at the time of the resumption of CCASS services to review and make appropriate amendments to the ATIs/STIs already input.

**17.3.13 Buy-in of China Connect Securities on T+1**

HKSCC will not grant exemption from Buy-in to a China Connect Clearing Participant in respect of its short stock positions in China Connect Securities under the CNS System which are outstanding for settlement on the due date (i.e. unsettled after settlement processing on T-day) if a Black Rainstorm Warning is issued on the same day which is a Settlement Day for China Connect Securities Trades.

For the avoidance of doubt, if a Black Rainstorm Warning is issued on a Settlement Day for China Connect Securities Trades, each China Connect Clearing Participant is required to settle its short stock positions in China Connect Securities on the same day. Unless (i) HKSCC grants an exemption under Section 10A.6.2A or (ii) there is a risk management reason affecting HKSCC which is considered valid by the Risk Management Committee, any short stock positions in China Connect Securities of a China Connect Clearing Participant under the CNS System which are outstanding for settlement on the due date will be subject to a Buy-in by HKSCC on behalf of the short China Connect Clearing Participant on T+1 (or if it is not practicable to do so on T+1, at any time thereafter) up to the outstanding quantity, rounded up to the nearest Board Lot if the quantity is not in full Board Lots.

**Section 21**  
**Costs and Expenses**

**21.1A CLEARING AND SETTLEMENT OF CHINA CONNECT SECURITIES TRADES**

- |   |   |
|---|---|
| - Transfer fee payable by each China Connect Clearing Participant for each China Connect Securities | 0.002% of gross value of such China Connect Securities Trade. |
|---|---|

Trade cleared and settled through HKSCC pursuant to Chapter 41 of these Rules.

*Notes:*

Fee debited and collected through DDI in CNY on T.

This fee is in addition to any transfer fee payable by a China Connect Clearing Participant under Rule 14A11 and Rule 14B11 of the Rules of the Exchange.

## **21.5 DEPOSITORY AND NOMINEE SERVICES**

- Portfolio fee for the safe-keeping of Eligible Securities in CCASS of a China Connect Clearing House in respect of each Special Participant.

*Notes:*

Fee calculated on aggregate daily stock portfolio value in Stock Accounts in respect of each Special Participant and collected on a monthly basis.

Fee debited at end of each calendar month.

Accrued daily at fixed cumulative percentage per annum on the total daily stock portfolio value of Eligible Securities of the China Connect Clearing House in respect of each Special Participant.

- The first HK\$50 billion is charged at 0.008%.
- The next HK\$200 billion is charged at 0.007%, the rate applicable to portfolio values above HK\$50 billion and up to HK\$250 billion.
- The next HK\$250 billion is charged at 0.006%, the rate applicable to portfolio values above HK\$250 billion and up to HK\$500 billion.
- The next HK\$250 billion is charged at 0.005%, the rate applicable to portfolio values above HK\$500 billion and up to HK\$750 billion.
- The next HK\$250 billion is charged at 0.004%, the rate applicable to portfolio values above HK\$750 billion and up to HK\$1,000 billion.
- Remainder is charged at 0.003%, the rate applicable to portfolio values above HK\$1,000 billion.

**21.16 DEFAULT FEE FOR LATE DELIVERY UNDER THE CNS SYSTEM**

- Fee for failure to settle CNS short stock position arising from Exchange Trades on the due date (i.e., T+2)

*Notes:*

Fee will be debited by DDI on T+2.

0.50% multiplied by the market value (based upon the closing price quoted on the Exchange on the due date) of the corresponding short stock position arising from Exchange Trades, subject to a maximum fee of HK\$100,000 for each corresponding short stock position.

In respect of short stock position for which HKSCC has granted an exemption from a Buy-in, fee will be refunded by DCI on T+3 except that where an exemption is granted under Section 10.8.3(v), (x) and (xii) in respect of failed delivery being due to a Participant's clerical error or calculation error, fee may not be refunded at the discretion of HKSCC. However, fee may be debited again if an exemption is granted but delivery of sufficient Eligible Securities is not made on T+3.

Fee may be revised by HKSCC from time to time.

- Fee for failure to settle CNS short stock position in China Connect Securities on the due date (i.e., T)

*Notes:*

Fee will be debited by DDI on T.

In respect of short stock position for which HKSCC has granted an exemption from a Buy-in under Section 10A.6.2A(ii), fee will be refunded by DCI on T+1. However, fee may be debited again if an exemption is granted but delivery of sufficient China Connect Securities is not made on T+1.

Fee may be revised by HKSCC from time to time.

1.00% multiplied by the market value (based upon the closing price quoted on the relevant China Connect Market on the due date) of the corresponding short stock position in China Connect Securities, subject to a maximum fee of HKD200,000 for each corresponding short stock position in China Connect Securities.