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## CHAPTER 9

### CLEARING SERVICES

#### 901. Clearance of Exchange Trades

(i) Provision of Exchange Trades Details

In relation to Exchange Trades on each Business Day, details thereof are to be reported to HKSCC by the Exchange.

HKSCC shall be entitled to rely on the accuracy of the details of the Exchange Trades so reported (and may, in its absolute discretion, accept from the Exchange amendments to such details, including, without limitation, amendments relating to Trade Amendments, “late” Exchange Trades and trades subsequently reported as not recognized by the Exchange) and act on them in accordance with the Rules.

For the avoidance of doubt, HKSCC shall not be responsible for any delays or inaccuracies in relation to the reporting of details of Exchange Trades by the Exchange to HKSCC.

HKSCC may require Clearing Participants and Clearing Agency Participants to provide, or to procure their NCPs or Special Participants to provide, details of Exchange Trades to it, such details to be in such form as may be specified by HKSCC from time to time.

(ia) Substitution Process

Where a party 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.

Where a party to an Exchange Trade is a Special Participant, the relevant Clearing Agency Participant which clears Exchange Trades for the Special Participant 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 Special Participant.

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 Exchange Trading System.

(ii) CNS System/Isolated Trades System for Exchange Trades

Subject to the Rules, Exchange Trades are to be cleared and settled in CCASS either:-

- (a) under the Continuous Net Settlement System; or
- (b) under the Isolated Trades System.

An Exchange Trade will be cleared and settled in CCASS under the CNS System unless, (a) in accordance with the Exchange Rules, the two counterparty Exchange Participants to an Exchange Trade elect to settle such trade under the Isolated Trades System or (b) the Exchange Trade is not accepted for clearance and settlement under the CNS System by HKSCC in accordance with the Rules.

Notwithstanding the foregoing, HKSCC shall have the right at any time prior to acceptance for settlement under the CNS System to exclude Exchange Trades for settlement thereunder in which case such trades will be settled under the Isolated Trades System.

For the avoidance of doubt, if HKSCC exercises its right pursuant to Rule 901 to rely on the accuracy of the details of the Exchange Trades reported to it by the Exchange and elects not to accept any Trade Amendment affecting an Exchange Trade which has been accepted for settlement under the CNS System, the acceptance of such Exchange Trade for settlement under the CNS System will be binding on the Clearing Participants and Clearing Agency Participants concerned; and if HKSCC accepts that certain trades shall not be recognized, such trades shall be excluded from clearing and settlement in CCASS and shall be deemed not to have been accepted by HKSCC.

(iii) Settlement period for Exchange Trades

Subject to the Rules, settlement of Exchange Trades effected on each day shall take place on the second Settlement Day thereafter.

#### **901A. Clearance of China Connect Securities Trades**

(i) Provision of China Connect Securities Trades Details

In relation to China Connect Securities Trades on each Mainland Business Day, details thereof may be reported to HKSCC by the relevant SEHK Subsidiary, its designated person or the relevant China Connect Clearing House.

HKSCC shall be entitled to rely on the accuracy of the details of the China Connect Securities Trades so reported and act on them in accordance with the

Rules.

For the avoidance of doubt, HKSCC and the Exchange shall not be responsible for any delays or inaccuracies in relation to the reporting of details of China Connect Securities Trades by the relevant SEHK Subsidiary, its designated person or the relevant China Connect Clearing House to HKSCC.

HKSCC may require China Connect Clearing Participants to provide details of China Connect Securities Trades to it, such details to be in such form as may be specified by HKSCC from time to time.

(ii) Substitution Process for China Connect Securities Trades

Where a China Connect Exchange Participant for whom a China Connect Securities Trade is executed is an NCCCP, the GCP of that NCCCP designated for clearing China Connect Securities Trades of such NCCCP shall become a party to the China Connect Securities Trade as principal in substitution for, and with exactly the same rights and obligations under the China Connect Securities Trade as, that NCCCP.

(iii) CNS System for China Connect Securities Trades

Subject to the Rules, China Connect Securities Trades are to be cleared and settled in CCASS under the CNS System and any China Connect Securities Trade which has been accepted by HKSCC for settlement under the CNS System will be binding on the China Connect Clearing Participants concerned.

(iv) Settlement period for China Connect Securities Trades

Subject to the Rules, for China Connect Securities Trades effected on each Trading day, securities settlement shall take place on the same day, while money settlement shall take place on the same day or T+1 in accordance with Section 10A.4.5 of the Operational Procedures.

## **902. Clearance of Clearing Agency Transactions**

(i) Provision of Clearing Agency Transactions details

In relation to Clearing Agency Transactions, details thereof are to be reported to HKSCC by the Clearing Agency Participant in accordance with such procedures, terms and conditions as are agreed upon with HKSCC from time to time.

HKSCC may require relevant Participants to provide details of Clearing Agency Transactions to be settled in CCASS in such forms and at such times as may be specified by HKSCC from time to time.

HKSCC shall be entitled to rely on the accuracy of the details of the transactions so reported (and, in its absolute discretion, may but shall not be required to

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accept from the Clearing Agency Participant amendments to transaction details previously reported) and act on them accordingly.

For the avoidance of doubt, HKSCC shall not be responsible for any delay and/or loss that may result to any Participant from any delayed or failed settlement or otherwise as a result of any delay and/or inaccuracies in the reporting of details of transactions by the Clearing Agency Participant to HKSCC.

(ia) Substitution Process

Where the party to a Clearing Agency Transaction is a NCP, the GCP of that NCP designated for clearing Clearing Agency Transactions of that NCP shall become a party to the Clearing Agency Transaction as principal in substitution for, and with exactly the same rights and obligations under the Clearing Agency Transaction as, that NCP.

(ii) CNS System/Isolated Trades System for Clearing Agency Transactions

Subject to the Rules, the Clearing Agency Transactions are to be cleared and settled in CCASS either:

- (a) under the CNS System; or
- (b) under the Isolated Trades System.

A Clearing Agency Transaction will be cleared and settled in CCASS under CNS System unless (a) the Clearing Agency Participant has isolated the Clearing Agency Transaction for settlement under the Isolated Trades System and reported the transaction as such to HKSCC, or (b) the Clearing Agency Transaction is not accepted for clearance and settlement under the CNS System by HKSCC in accordance with the Rules.

Notwithstanding the foregoing, HKSCC shall have the right at any time prior to acceptance for settlement under the CNS System to exclude Clearing Agency Transactions for settlement thereunder in which case such transactions will be settled under the Isolated Trades System.

For the avoidance of doubt, if HKSCC exercises its right pursuant to Rule 902 to rely on the accuracy of the details of the Clearing Agency Transactions reported to it by the Clearing Agency Participant for settlement under the CNS System, the acceptance of such Clearing Agency Transactions for settlement under the CNS System will be binding on the Participants concerned.

(iii) Settlement period for Clearing Agency Transactions

Subject to the Rules, settlement of Clearing Agency Transactions effected on each day shall take place on the second Settlement Day thereafter or such other

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day as determined by HKSCC from time to time.

**903. HKSCC's discretion not to operate CNS System**

For the avoidance of doubt, HKSCC shall have the right not to operate the CNS System or to restrict its operation to some only of the Eligible Securities and Participants.

**904. Clearance of other transactions : SIs**

Except in relation to Exchange Trades, China Connect Securities Trades, Clearing Agency Transactions, Investor Settlement Instructions, Transfer Instructions and Cross-border Transfer Instructions, the clearance of any other transaction to be settled in CCASS will require the input by each Participant other than an Investor Participant to such transaction (whether using a CCASS Terminal or, if the Participant is a Synapse User, via Synapse) of a Settlement Instruction, containing such details as are specified in and otherwise in accordance with the Operational Procedures. Where the details input by the Participant contain information of or relating to any person other than a Participant, the Participant undertakes and confirms to HKSCC that it has obtained the written consent of the relevant person to input the information for the purpose of the Rules and to facilitate the provision of CCASS services by HKSCC to Participants in accordance with the Rules. Notwithstanding the input of any such details in a Settlement Instruction by a Participant, HKSCC shall be under no obligation to recognize any right or interest which any person may have or claim to have in relation to the relevant transaction or any matters concerning CCASS, and the Participant shall at all times be liable as principal to HKSCC.

Settlement Instructions input by Participants will be subject to matching in accordance with the Operational Procedures and when matched, the relevant transactions will, unless rejected by HKSCC, be accepted for settlement in CCASS in accordance with the Rules.

For the avoidance of doubt, HKSCC will not be responsible in any way for the failure of a Participant to settle an SI Transaction in CCASS in accordance with the terms as agreed between the two counterparty Participants.

**905. Clearance of other transactions : ISIs**

An Investor Settlement Instruction will require a Participant to input details of the Investor Settlement Instruction, including such details as are specified in the Operational Procedures via a CCASS Terminal, a Participant Gateway, the CCASS Phone System or the CCASS Internet System (as the case may be). An Investor Participant may provide such details to HKSCC at the Customer Service Centre.

An Investor Settlement Instruction may either be an Investor Settlement Instruction (without affirmation) or an Investor Settlement Instruction (with affirmation) as provided in section 12.3 of the Operational Procedures. As soon as an Investor Settlement Instruction (without affirmation) is input (and authorised, if required), the relevant transaction will, unless rejected by HKSCC, be accepted for settlement in

CCASS in accordance with the provisions of the Rules. Where an Investor Settlement Instruction (with affirmation) is input (and authorised, if required), the counterparty Investor Participant will be required to affirm the details of such Investor Settlement Instruction via the CCASS Phone System using a touch-tone phone or via the CCASS Internet System or at the Customer Service Centre. As soon as the Investor Settlement Instruction (with affirmation) is affirmed by the counterparty Investor Participant, the relevant transaction will, unless rejected by HKSCC, be accepted for settlement in CCASS in accordance with the provisions of the Rules.

For the avoidance of doubt, HKSCC will not be responsible in any way for the failure of a Participant to settle an ISI Transaction in CCASS in accordance with the terms as agreed between the two counterparty Participants.

**906. Clearance of other transactions : TIs**

Each Participant that wishes to effect electronic transfers of Exchange Fund Notes, Government Bonds or Specified Instruments between its Stock Account and the CMU Account of a Recognized Dealer or electronic transfers of CMU Instruments between its Stock Account and the CMU Account of a CMU Member must complete and sign (and stamped with the company chop, if applicable) the appropriate instruction form in the form prescribed by HKSCC from time to time. Such completed and signed form must be submitted to HKSCC at the CCASS Depository or the Customer Service Centre for processing by HKSCC.

Transfer Instructions submitted by Participants will be subject to clearing and settlement in accordance with the Operational Procedures.

For the avoidance of doubt, HKSCC will not be responsible in any way for the failure or delay of a Participant, a Recognized Dealer or a CMU Member to settle a transfer of Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments in accordance with Transfer Instructions. If one of the parties is in default, the other will have to pursue the party in default.

**907. Clearance of other transactions: Cross-Border Transfer Instructions**

Each Participant that wishes (i) Foreign Securities to be transferred from an account of a person (other than HKSCC or the Nominee) with an Appointed Depository to HKSCC's account or the Nominee's account with that Appointed Depository (or vice versa); or (ii) Uncertificated Eligible Securities to be transferred from an Overseas Account to its Stock Account with CCASS (or vice versa), must complete and submit to HKSCC an instruction form in the form prescribed by HKSCC from time to time (stamped with the company chop, if applicable). The completed and signed form must be submitted to HKSCC at the CCASS Depository for processing by HKSCC.

Cross-Border Transfer Instructions submitted by Participants shall be processed in accordance with the Operational Procedures.

For the avoidance of doubt, HKSCC shall not be responsible in any way to a Participant or any other person for any failure or delay of the clearance or settlement of a transaction to which a Cross-Border Transfer Instruction relates.