

**CCASS OPERATIONAL PROCEDURES**

**Definitions**

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

**“Clearing House of HKAB” or “Clearing House”**

means the clearing house of The Hong Kong Association of Banks managed by Hong Kong Interbank Clearing Limited for the clearance of payment transactions between its members (which include the Designated Banks and HKSCC);

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

**“HKSCC HKD RTGS Account”**

means the Hong Kong dollar settlement account (including a CHATS ledger account) maintained by HKSCC with the HKMA;

**“Intra-day Payment Instruction” or “IPI”**

means, for a Participant other than an Investor Participant, a payment instruction issued by HKSCC pursuant to an Intra-day Payment Standing Instruction and forwarded for processing (i) to the Designated Bank of a Participant; or (ii) for certain Hong Kong dollar money obligations, to the Clearing House of HKAB, to effect payment of the Intra-day Payment by HKSCC to that Participant during a Business Day or a Settlement Day, as the case may be;

**Section 1**  
**Introduction**

**1.3 MAIN CCASS SERVICES**

The main services of CCASS are:

- (i) depository and custodian services, whereby Participants can maintain

Eligible Securities in CCASS (for safe-keeping or settlement purposes) and can make deposits into or withdrawals out of CCASS, as reflected in Stock Accounts allocated to them by HKSCC;

- (ii) nominee and similar services in relation to Eligible Securities in CCASS, such as the distribution of dividends, interest and redemption proceeds, forwarding shareholders' circulars, appointment of proxies for voting, etc.;
- (iii) clearing and settlement services in relation to all Exchange Trades based on trade details received from the Exchange, either under the CNS System, whereby HKSCC becomes the settlement counterparty, or under the Isolated Trades System;
- (iiia) clearing and settlement services in relation to all Clearing Agency Transactions based on trade details received from the relevant Clearing Agency Participant, either under the CNS System, whereby HKSCC becomes the settlement counterparty, or under the Isolated Trades System;
- (iiib) 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;
- (iv) nominee, clearing and settlement services in relation to issues of securities (including New Issues and issues of Units), such as receipt of and compliance with application instructions from Participants and the payment and receipt of refunds in respect of application moneys;
- (v) additional services in relation to the issue and redemption of Units, such as receipt of and compliance with instructions to pay or receive cash or to transfer securities on such issue and redemption and to repay cash and re-transfer securities on cancellation or rejection of such instructions;
- (vi) nominee, clearing and settlement services in relation to issues of Exchange

Fund Notes, Government Bonds, Specified Instruments and CMU Instruments, such as receipt of and compliance with instructions from Participants to tender for Exchange Fund Notes or Specified Instruments or to apply for Government Bonds or CMU Instruments, and to pay moneys and receive refunds in respect of the tender or application (as the case may be);

- (vii) clearing and settlement services in relation to instructions to transfer Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments between Participants and (in the case of Exchange Fund Notes, Government Bonds and Specified Instruments) Recognized Dealers or (in the case of CMU Instruments) CMU Members;
- (viii) clearing and settlement services in relation to non-Exchange Trades between Participants (the details of such transactions being recorded in CCASS by the input of (a) in the case of Participants other than Investor Participants, Settlement Instructions by the two Participants involved in each such non-Exchange Trade or (b) an Investor Settlement Instruction by a Participant and, if required, affirmation by the relevant Investor Participant or being reported to HKSCC in such other manner as agreed between HKSCC and Participants);
- (ix) money settlement services, in relation to nominee services involving payments (e.g. distribution of dividend payments), or settlement services to be made against payment, whereby HKSCC will, based on details already recorded in CCASS, generate electronic payment instructions to the Designated Banks of Participants or for certain Hong Kong dollar money obligations, the Clearing House of HKAB, as the case may be, for processing; and
- (x) the provision of comprehensive statement and/or reporting services to assist and enhance the use of CCASS by Participants in order to enable Participants to obtain the maximum benefit from CCASS.

The operation of the CNS System by HKSCC in effect involves HKSCC providing a "guarantee of settlement" for the Exchange Trades, China Connect Securities Trades and Clearing Agency Transactions settled under the CNS System, in favour of Participants which are parties to the Market Contracts.

## **Section 2**

### **Participants**

#### **2.4.3 Money not held by HKSCC**

Unlike Eligible Securities, a Participant's money is in most cases not actually deposited with or held by HKSCC. Such money is in fact usually held in the Designated Bank(s) of the Participant.

The Money Ledger of a Participant is merely a statement of the outstanding money positions in an Eligible Currency between that Participant and HKSCC, to be settled between them.

Money obligations between a Participant and HKSCC in an Eligible Currency which are recorded in the sub-accounts of its Money Ledger will be settled on a daily basis at day end by HKSCC issuing "Direct Debit Instructions" or "DDIs" or "Direct Credit Instructions" or "DCIs" to the Designated Bank of the Participant, except that (i) money obligations of CNS stock positions in China Connect Securities will be settled on a daily basis by HKSCC issuing "CHATS Payment Instructions" or "CPIs" to the Designated Bank of the Participant or a bank designated by HKSCC on the following Business Day; (ii) Intra-day Payments during a Business Day or a Settlement Day will be effected on the same day by way of "Intra-day Payment Instructions" or "IPIs" issued to the Designated Bank of the Participant and the Clearing House of HKAB, where applicable, for certain money obligations in Hong Kong dollars at around 2:30 p.m. or such other time as may be specified by HKSCC; (iii) the Billing Account for Participants other than Investor Participants will be settled in Hong Kong dollars by EPIs on a weekly basis and the Billing Accounts for Investor Participants will be settled in Hong Kong dollars by DDIs on a monthly basis; and (iv) dividend collection fees and interest collection fees will be collected by HKSCC in the Eligible Currencies in which the relevant securities are denominated and deducted by HKSCC at source before payment. Please refer further to Section 14.

Money obligations as between Participants arising out of the settlement of transactions in CCASS on a trade for trade basis or as a result of Electronic Application Instructions for New Issue Shares are not recorded in the Money Ledgers of Participants. Details of such money obligations are set out in the

statements, the Settlement Reports or the EIPO Application Reports (as the case may be) of Participants, which are available on a daily or activity driven basis. HKSCC will also facilitate settlement of such money obligations. Please refer further Sections 11.5, 12.1.7 and 12.3.7.

**Section 12**  
**Non-Exchange Trades – SI Transactions,**  
**Clearing Agency Transactions,**  
**ISI Transactions, Transfer Instructions and**  
**Non-Trade Transfers in China Connect Securities**

**12.4 TRANSFER INSTRUCTIONS**

**12.4.2 Settlement of Transfer Instructions in respect of which a Participant is to receive Exchange Fund Notes, Government Bonds or Specified Instruments from a Recognized Dealer or CMU Instruments from a CMU Member**

- (i) Upon the receipt of a duly completed Transfer Instruction Form as set out in the CCASS Terminal User Guide from a Participant in respect of a transfer between CCASS and CMU to be effected on a free of payment basis in CMU, HKSCC will transmit the Transfer Instruction to CMU. If sufficient Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments (as the case may be) are available in the relevant CMU Account of the counterparty to give effect to the Transfer Instruction, settlement of the Transfer Instruction will be executed in CMU immediately.
  
- (ii) Upon the receipt of a duly completed Transfer Instruction Form as set out in the CCASS Terminal User Guide from a Participant in respect of a transfer between CCASS and CMU to be effected on a delivery versus payment basis in CMU, HKSCC will transmit the Transfer Instruction to CMU only if HKSCC is satisfied that it has received from the Participant the required amount of payment, being the aggregate of the settlement amount specified in the Transfer Instruction Form and an amount equivalent to the value determined by CMU from time to time as the tolerance limit of settlement amount, in full before the specified deadline (normally 12:00 noon on a Business Day) in accordance with the

arrangements as set out in the Transfer Instruction Form or as HKSCC may from time to time prescribe. Otherwise, the Transfer Instruction will be rejected by HKSCC and will not be submitted to CMU.

Following the transmission of the Transfer Instruction to CMU, if sufficient Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments (as the case may be) are available in the relevant CMU Account of the counterparty to give effect to the Transfer Instruction, HKSCC will be notified of the actual settlement amount payable in order to effect the transfer. Such actual settlement amount may be deviated from the settlement amount specified in the Transfer Instruction Form but the discrepancy will not be greater than the value determined by CMU from time to time as the tolerance limit of settlement amount. HKSCC is authorized by the Participant to use the required amount of payment or any part thereof to pay the actual settlement amount in settlement of the transfer, and to return the remaining balance of the required amount of payment (if any) to the Participant.

- (iii) The effecting of a transfer between CCASS and CMU in accordance with a Transfer Instruction will be dependent upon the appropriate actions being taken by the CMU, the CMU counterparty and, in the case of settlement on a delivery versus payment basis in CMU, HKSCC's banker or the Clearing House of HKAB (for certain money obligations paid to or received from the HKSCC HKD RTGS Account), as applicable.
- (iv) Upon receipt of a settlement confirmation from CMU by HKSCC, HKSCC will cause the Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments (as the case may be) to be credited to the designated Stock Accounts of the relevant Participant on the same day. Where applicable, HKSCC will also credit the remaining balance of the required amount of payment (if any) to the Participant's Money Ledger to be settled against its Designated Bank Account on the same day.
- (v) In case the transfer is not settled in CMU on the day specified in the Transfer Instruction Form, the Transfer Instruction may be carried forward to the next Business Day in CMU, subject to and in accordance

with the procedures specified by the CMU. In respect of a Transfer Instruction that can be carried forward to the next Business Day in CMU, the Participant may cancel the Transfer Instruction by submitting to HKSCC a duly completed Transfer Instruction Cancellation Form as set out in the CCASS Terminal User Guide before the deadline specified by HKSCC. An unsettled Transfer Instruction that cannot be carried forward to the next Business Day or has been cancelled by the Participant as aforesaid will be purged by CMU at day end. A Participant will have to re-submit Transfer Instruction Form to HKSCC in respect of such unsettled Transfer Instruction. Where a Participant has made the required amount of payment to HKSCC in respect of such unsettled Transfer Instruction, HKSCC is authorized to and it will credit the relevant amount of payment to the Participant's Money Ledgers to be settled against its Designated Bank Account by HKSCC on the same day.

**12.4.3 Settlement of Transfer Instructions in respect of which a Participant is to deliver Exchange Fund Notes, Government Bonds or Specified Instruments to a Recognized Dealer or CMU Instruments to a CMU Member**

Upon receipt of a duly completed Transfer Instruction Form as set out in the CCASS Terminal User Guide from a Participant, HKSCC will check whether there are sufficient Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments (as the case may be) for delivery in the Participant's specified Stock Account before submitting the Transfer Instructions to CMU.

If there are insufficient Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments (as the case may be), HKSCC will notify the Participant by phone. If there are sufficient Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments (as the case may be), HKSCC will debit the Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments in respect of the Transfer Instruction from the specified Stock Account of the Participant. HKSCC will then submit the Transfer Instructions to CMU for processing.

The effecting of a transfer between CCASS and CMU in accordance with a Transfer Instruction will be dependent upon the appropriate actions being taken by the CMU, the CMU counterparty and, in the case of settlement on a delivery

versus payment basis, the designated banks of the counterparty and HKSCC's banker or the Clearing House of HKAB (for certain money obligations paid to or received from the HKSCC HKD RTGS Account), as applicable.

Upon receipt of a settlement confirmation from CMU, HKSCC will advise the Participant. In the case of a Transfer Instruction specified to be effected on a delivery versus payment basis in CMU, HKSCC will credit the Participant's Money Ledger in accordance with Section 12.4.4.

In case the transfer is not effected in CMU on the day specified in the Transfer Instruction Form, the Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments (as the case may be) debited from the Stock Account of the Participant will be re-credited into their Stock Account by HKSCC on the same day and the Participant will be advised accordingly. If the Participant wishes to proceed with the transfer, it will need to submit a new Transfer Instruction Form to HKSCC.

## **Section 14**

### **Money Settlement**

#### **14.3 INSTRUCTIONS BY HKSCC TO DESIGNATED BANKS**

##### **14.3.1 The Clearing House of HKAB for each Eligible Currency**

CCASS money settlement involves HKSCC issuing instructions to the Designated Banks of Participants to cause credits and debits to be made to the Designated Bank Accounts of Participants.

HKSCC's payment instructions to Designated Banks in relation to DDIs, DCIs and EPIs are sent directly by HKSCC through the Clearing House of HKAB for the relevant Eligible Currency. CPIs are sent by HKSCC to Designated Banks via CCASS Terminals or, in the case of mechanical breakdown, computer or system failures or failures of communication media or any other force majeure reasons, by such other means as are agreed between the Designated Banks and HKSCC. HKSCC's Intra-day Payment Instructions are sent to Designated Banks by HKSCC's banker on HKSCC's behalf, or by HKSCC through the Clearing House of HKAB, in respect of certain Hong Kong dollar money obligation, as applicable.



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

The amounts to be debited or credited to Designated Bank Accounts of Participants for different transactions in CCASS have been explained elsewhere.

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

- (i) for CNS stock positions of a Clearing Participant or Clearing Agency Participant arising from Exchange Trades, settled on each Settlement Day, the related money positions will be set-off against each other and the net sum, subject to (iv) below, due from or to the Clearing Participant or Clearing Agency Participant will be settled by HKSCC issuing a DDI or a DCI to the Designated Bank of the Clearing Participant or Clearing Agency Participant (see Section 10.5.6 and Section 14.4);
- (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;
- (ib) for fees, expenses, levies and taxes relating to China Connect Securities Trades to be settled by a China Connect Clearing Participant on each Mainland Business Day, including those collected by HKSCC on behalf of the relevant China Connect Clearing House, China Connect Market, regulatory or tax authority or relevant third parties, HKSCC will issue debit entries to the respective sub-accounts of the Money Ledger of the China Connect Clearing Participant;
- (ii) for Exchange Trades of a Clearing Participant settled under the Isolated Trades System on a DVP basis, on each Settlement Day, in respect of each such Exchange Trade settled under the Isolated Trades System, HKSCC will issue an EPI for the amount (as notified by the Exchange as the price for such Exchange Trade) to each of the Designated Banks of the two Clearing Participants concerned in each case, so as to effect payment by the Clearing Participant receiving Eligible Securities to the delivering Clearing

Participant (see Section 14.5). The EPIs issued for each Exchange Trade in interest bearing Debt Securities will include the accrued interest;

- (iii) for ISI or SI Transactions of a Participant settled on a DVP basis on each Settlement Day, in respect of each such ISI or SI Transaction, HKSCC will issue an EPI for the amount (as detailed in the ISIs or SI relating to the ISI or SI Transaction respectively) to each of the Designated Banks of the two Participants concerned in each case, so as to effect payment by the Participant receiving Eligible Securities to the delivering Participant (see Section 14.5);
- (iv) for Clearing Agency Transactions between Clearing Agency Participants and Participants settled under the CNS System on each Settlement Day, the related money positions will be set-off against each other and further set-off against any money positions of the CNS stock positions arising from Exchange Trades of such Participants. The net sum due from or to the Participants will be settled by HKSCC issuing a DDI or DCI to the Designated Bank of the Participant (see section 12.2.6 and section 14.4). For Clearing Agency Transactions between Clearing Agency Participants and Participants settled under the Isolated Trades System on a DVP basis, on each Settlement Day, in respect of each such Clearing Agency Transaction, HKSCC will issue an EPI for the amount (as notified by the Clearing Agency Participants as the price for such Clearing Agency Transactions) to each of the Designated Banks of the two Participants concerned in each case, so as to effect payment by the Participant receiving Eligible Securities to the delivering Participant (see Section 14.5) ; and
- (v) for STI Transfers of a Clearing Participant or a Custodian Participant effected on a DVP basis on each Business Day, in respect of each such STI Transfer, HKSCC will issue an EPI for the amount (as detailed in the STI) to the Designated Bank of the Clearing Participant or Custodian Participant and the receiving bank of the SSA Statement Recipient concerned, so as to effect payment by the Clearing Participant or Custodian Participant to its SSA Statement Recipient in respect of the transfer of Eligible Securities from the SSA with Statement Service to another Stock Account of the Clearing Participant or Custodian Participant.

For ISI or SI transactions of a Participant to be settled on a RDP basis on each Settlement Day, subject to availability of Eligible Securities in respect of such ISI or SI transactions, HKSCC will issue a CPI for the amount (as detailed in the ISIs or SIs relating to the ISI or SI transactions respectively) to the Designated Banks of the receiving Participant concerned in each case, so as to effect CHATS payment to the delivering Participant. Upon receipt of confirmation of payment from the Clearing House of HKAB for the relevant Eligible Currency, delivery of Eligible Securities takes place immediately on-line in CCASS.

For any cash prepayment request or intra-day marks of a Clearing Participant to be settled via CPIs on each Business Day, HKSCC will issue a CPI for the amount (as stated in the cash prepayment instructions or the Participant's Intra-day Marks and Collateral Collection Report) to the Designated Bank of the paying Participant, so as to effect CHATS payment to the respective bank account of HKSCC or the HKSCC HKD RTGS Account, as applicable.

For any accepted Intra-day Payment Standing Instruction covering intra-day refund to a Clearing Participant of surplus cash arising from overpaid cash prepayment and/or intra-day settlement of money obligations due to Clearing Participants from HKSCC under the CNS System on a Settlement Day, HKSCC will issue an Intra-day Payment Instruction covering the amount (as stated in the "Enquire Intra-Day Payment Summary" in CCASS Terminal) of the surplus cash refund and/or intra-day settlement of money obligations due to the Clearing Participant from HKSCC under the CNS System included in the Intra-day Payment to the Designated Bank of the Clearing Participant to effect intra-day payment on each Settlement Day (See Section 14.8).