

A nighttime photograph of a city street, likely in Hong Kong, featuring light trails from moving vehicles and illuminated skyscrapers. The scene is captured from a low angle, looking down the street towards a bridge or overpass in the distance. The lighting is a mix of cool blues and warm yellows from streetlights and building windows.

HKD-RMB Dual Counter Model ("Dual Counter Model")

January 2023

Note

Dual Counter Model supports the listing and trading of RMB-denominated securities in the Hong Kong market and paves the way to support Mainland investors to trade RMB-denominated securities through southbound Stock Connect at a later stage.

The design and implementation of the Dual Counter Model are still under discussion between the relevant parties and the final Dual Counter Model will be subject to regulatory approvals and market readiness. This document reflects the latest development as of January 2023 and market participants are reminded to refer to the latest development provided in the [web corner](#) for further details.



Agenda

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03 | Clearing and Settlement Arrangements

04 | Timeline



Background



Background

Through the enhancement of HKEX's market ecosystem and leveraging on our suite of China-related products:

- ✓ Facilitate and attract dual counter listings
- ✓ Provide greater vibrancy to secondary market trading

Multiple-counter trading *(Existing)*

- Same class of shares traded and settled in HKD, RMB and USD
- Same shareholders' rights and entitlements
- Fully transferrable between counters

New enhanced
model

Dual Counter Model *(Onboarding to start in 1H 2023)*

Equity securities with both HKD and RMB counters and designated by the Exchange



Issuer

Tap into the RMB liquidity pool and investors



Dual Counter Market Making ("DCMM")

Provide liquidity, minimize price discrepancies



CCASS Enhancement

Interchange securities across counters for seamless settlement



Southbound Inclusion

Pave way for Mainland investors to trade RMB-denominated securities via Stock Connect



Trading Arrangements



Stock Code, Stock Short Name and International Securities Identification Number (ISIN) Arrangements

Stock Codes & Stock Short Names

- Two separate stock codes (counters)
 - HKD counter – stock code assignment follows current arrangement (i.e. 0xxxx)
 - RMB counter – stock code assignment starts with 8 (i.e. 8XXXX) except 6 counters[#]
- RMB counters' stock short names end with “- R”

ISIN

- Two different ISINs may be issued for the two counters
- If only one ISIN is issued, Clearing Participants (CPs) & Exchange Participants (EPs) should consider using a unique identifier (i.e. the stock code)

A list of Dual Counter Securities designated by HKEX with mappings of the HKD and RMB counters will be published on HKEX website before the launch and be updated from time to time



#The six stock counters to be excluded from this allocation plan are 86610, 86611, 86639, 86660, 86661 and 86663, as they are currently allocated for bonds of Ministry of the Finance of the People's Republic of China.

Highlights of Trading Arrangements

Volatility Control Mechanism (VCM)

- Same applicability: Both or neither would be VCM applicable
- Same VCM triggering threshold for both counters
- VCM can be triggered independently at counter level

Short Selling

- Same eligibility: Both or neither would be short sellable

Fees and Levies

- Payable in HKD for all securities denominated in different currencies including RMB
- *e.g. HKEX's Trading fee, SFC Transaction Levy, FRC Transaction Levy, etc.*

Other trading arrangements of RMB counters under the Dual Counter Model will mostly follow the existing arrangements for equity securities denominated in RMB (e.g. price validations, order types, trading sessions, etc.)



Inter-counter Trading

Long Sale Example

- The holding (buying) of HKD counters, followed by the selling of RMB counters, or vice versa
- **Own** (Buy) shares in one counter and **sell** at the other counter
- CPs are required to transfer or interchange the positions in respective counters to ensure settlement



Inter-counter Trading

Covered Short Sale Example

- The borrowing of HKD counters, followed by the selling of RMB counters of the same issuer and vice versa
- **Borrow** designated securities at one counter and **sell** at the other counter
- CPs are expected to transfer or interchange the positions in respective counter to settle the transactions



If one counter is a Designated Security (DS) eligible for short selling, the other counter will also be accepted as DS

Checklist for EP Readiness

Order Placing

ascertain which counter (RMB or HKD) that a client places orders

Pre-trade checking

evaluate if system modification is required (e.g. whether EPs need to automate inter-counter selling for their clients)

Settlement

Transfer or interchange for clients to ensure enough shares in either account for T+2 settlement

Communication plan

inform clients the inter-counter trading arrangements

EPs are advised to review their systems and operations to ensure smooth trading in facilitating inter-counter transactions and prevent failed settlement

Dual Counter Market Making Programme

Purpose



- Provide liquidity in HKD-RMB Dual Counter trading
- Minimize price discrepancies between counters

Eligibility



Dual Counter Market Makers will be required to:

- satisfy the registration criteria
- comply with the applicable requirements and obligations

Stamp Duty



Eligible transactions may be qualified for stamp duty exemption, subject to relevant legislative amendments being passed by Hong Kong's Legislative Council

Short Selling



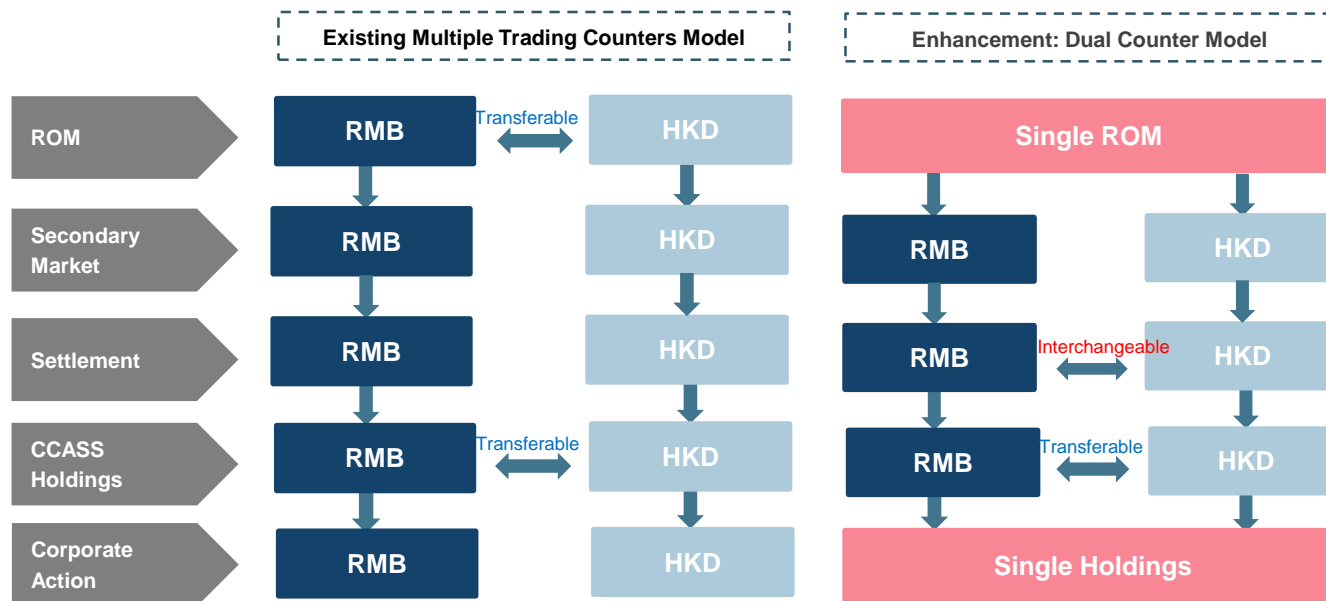
Largely follow the existing Securities Market Makers programme for ETPs

Clearing and Settlement Arrangements



Design Principles

- ✓ Dual Counter Model offered for trading and settlement purposes without normal physical deposit/withdrawal
- ✓ One Register of Member (ROM), One Certificate with no change in issued share capital and ROM of Listed Companies
- ✓ Intra-day interchange for trade settlement to maximize settlement efficiency and minimize potential buy-in



Clearing and Settlement Arrangement

Trades of the respective counters will be cleared and settled in CCASS under TWO individual securities

a) Each counter is treated as if it is one individual security

- Separate stock codes for each currency counter
- Same or different ISIN depending on the circumstances relating to the counters

b) Exchange trades of the counters will be cleared and settled separately

- One CNS position will be netted for each currency counter
- CPs should settle their CNS stock position on the basis of T+2 per counter basis

c) Same CCASS fees

- Same CCASS fees similar to other CCASS securities
- All HKSCC fees, except dividend collection fees and interest collection fees*, are calculated and collected in HKD

d) Buy-in Arrangement

- Unsettled short position in one counter and sufficient securities/long positions in another counter, CPs can submit "Application Form for Exemption of Buy-in" no later than 8:00 p.m. on T+2 with supporting CCASS reports
- All overdue short positions shall be settled by day-end of T+3 if the exemption is granted



Remarks: Dividend collection fee and interest collection fees will be collected by HKSCC in currency in which the relevant securities are denominated.

New Intra-day Counter Interchange for Settlement (ICI) Services

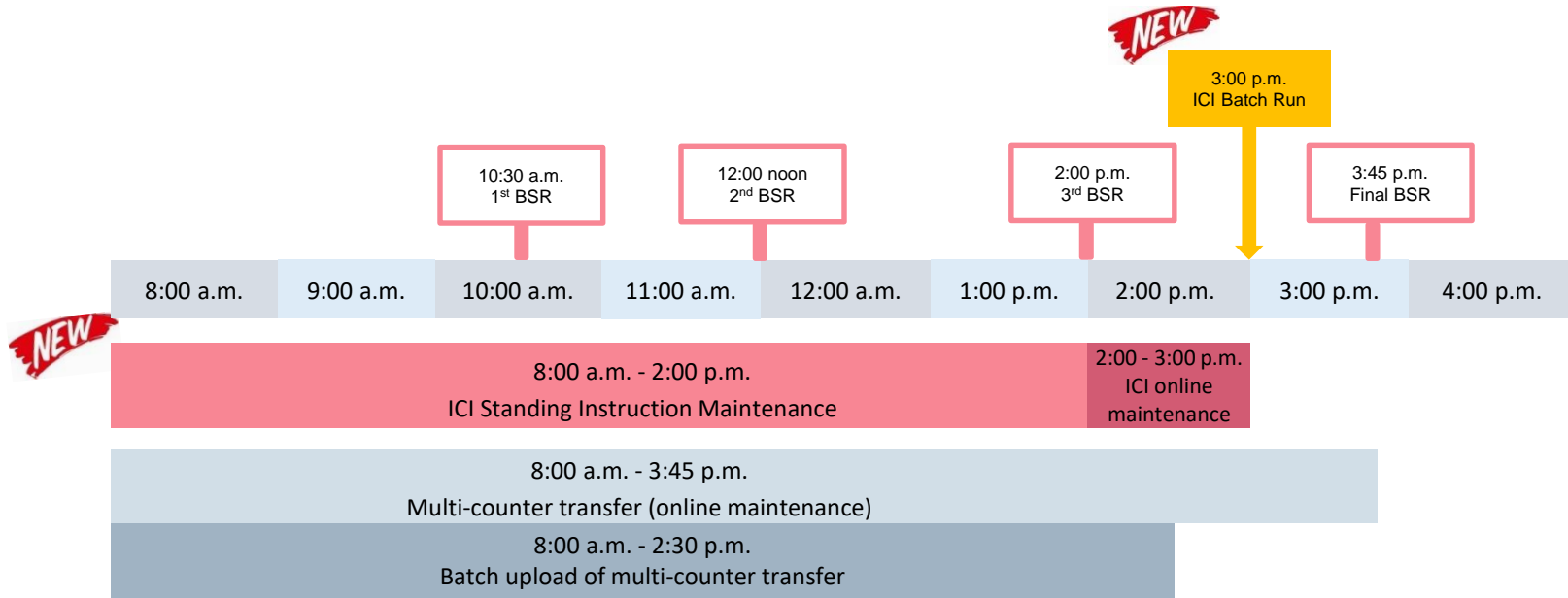
- New optional service to facilitate interchange for Stock Clearing Account (A/C 01) holdings between HKD/RMB counters for settlement
- Below please find the comparison between existing Multi-counter Transfer Instructions (MCTI) services and new ICI services:

Transfer type	New ICI Services	Existing MCTI
Scope of Eligible Securities	All Multi-counter Eligible Securities, applicable for HKD-denominated and RMB-denominated only	All Multi-counter Eligible Securities, applicable for all currencies including HKD/RMB/USD
Users	DCP, GCP and Clearing Agency Participants	All CCASS Participants
User access group	Maker and Checker	Only maker
Required field	Interchange type / Stock Code	Stock Code, Involved Accounts, Transfer Quantity
Functions	Standing Instruction: Add / Change / Delete / Authorize / Revoke / Enquire Online input: Add / Delete / Authorize / Revoke / Enquire	Batch upload: Authorize / Upload Online input: Input, Cancel, Enquire
Maintenance window (Service Time)	Standing Instruction: 8:00 am – 2:00 pm Online input: 2:00 pm – 3:00 pm	Batch upload: 8:00 am – 2:30 pm Online input: 8:00 am – 3:45 pm
Type of services	Optional, initiated by Participants	
Features	<ul style="list-style-type: none"> • HKSCC will determine the transfer quantity within Stock Clearing Account (i.e. A/C 01) during ICI Batch Run at around 3:00 pm on each Settlement Day • Only holdings in A/C 01 can be interchanged • Only 1 ICI is required to instruct the system to perform counter interchange per each pair of counters of the same issuer 	<ul style="list-style-type: none"> • Participants need to specify the transfer quantity in their transfer instructions • Holdings in all Participant's Stock Accounts (except Stock Collateral Control Account and SSA with Statement Service) • Multiple MCTI inputs allowed for each pair of counters of the same issuer
Timing	Can only be triggered on Settlement day	Can be triggered on any CCASS day
Fees	Free of charge	\$5 per instruction



There will be new reports for monitoring activities of intra-day counter interchange standing instruction maintenance on the day and activities of intra-day counter interchange request maintenance on the day respectively

Daily Timeline for Settlement



To trigger the inter-counter transfer, Participants can make use of either:

1. MCTI via its batch upload mode or online input mode; or
2. ICI via its Standing Instruction mode or online input mode (within A/C 01 only)



Interchange for Settlement

New optional service to facilitate interchange for A/C 01 holdings between HKD/RMB counters for settlement. The interchange can be from RMB counter to HKD counter, vice versa.

CPs are reminded **to review their internal controls for compliance with applicable client assets rules**. In order to avoid misappropriation of client assets, CPs shall ensure that a client's holdings in one counter **will not** be used to settle transactions conducted by another client as a result of this intra-day interchange service.

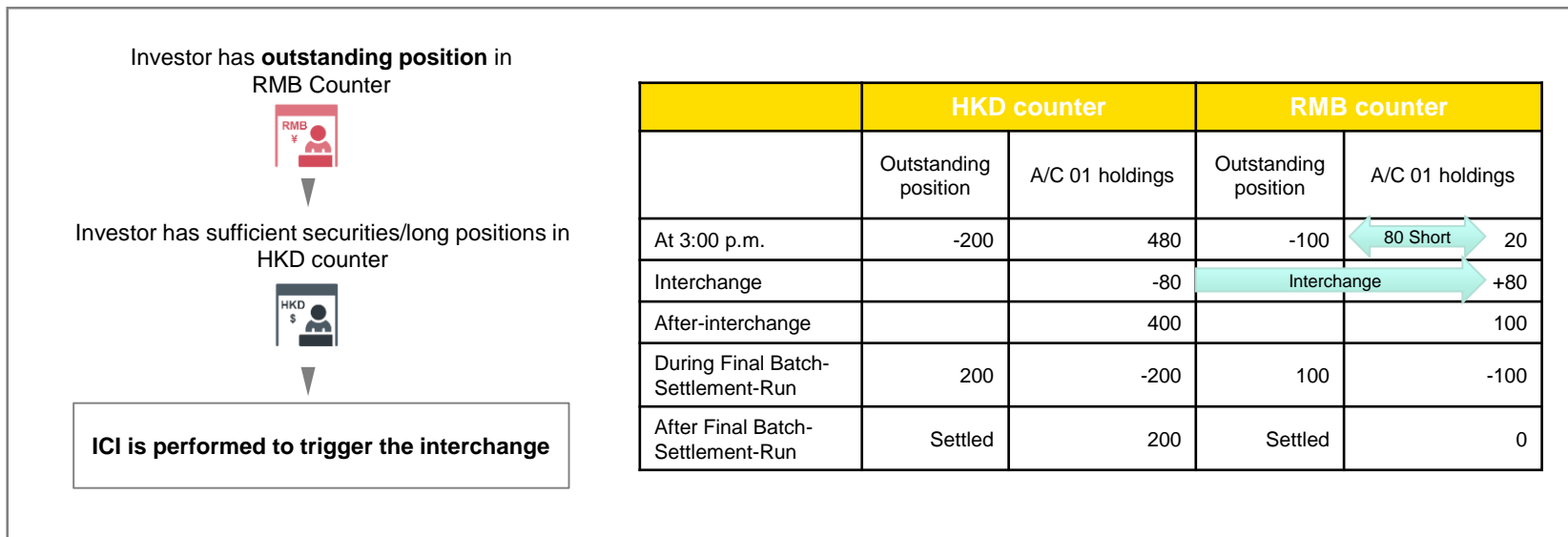


How does ICI work in general?

At 3:00 p.m., CCASS will compare the outstanding position against A/C 01 holdings. If A/C 01 holdings for a particular counter is insufficient to settle the outstanding position, system will interchange the available quantities in A/C 01 from another counter.

Interchange with another counter holdings – with excess holdings in another counter

- Pre-requisite: Participants opt for ICI services (either online input or standing instruction)
- HKSCC will generate ICI on behalf of Participants to trigger the interchange
- The interchange quantity will be capped at (outstanding position – A/C 01 holdings) of the original counter



During Final Batch Settlement Run, outstanding positions for both counters can be settled and no buy-in will be triggered

Depository and Nominee Services

Services	Related Arrangement
Rights for entitlements and options	Same rights for entitlements and options (if applicable)
Announcement	<ul style="list-style-type: none">• Separate submission of nominee instructions, such as election, subscription or voting• Separate announcement
Entitlements	Separate calculation and distribution
Deposit and withdrawal service	Deposit and withdrawal services will be available for HKD counter only



Risk Management Arrangement

Arrangement	Details
Marks & margin calculation	<ul style="list-style-type: none">• Marks & margin will be calculated together with other applicable positions on a portfolio basis according to HKSCC's margin model (i.e. marks & margin offset is allowed between the Dual Counters)• All marks and margin obligations will be calculated in HKD
Marks & margin collection	<ul style="list-style-type: none">• HKD, RMB or USD on CP's preference
Collateral management	<ul style="list-style-type: none">• Specific stock collateral should be posted from the same counter as the original CNS position<ul style="list-style-type: none">➤ E.g. For CNS position in RMB counter, the specific stock collateral should be in the form of the RMB counter as well



Timeline



Timeline

		Tentative Time
FAQ	Frequently asked questions of the Dual Counter Model and related arrangements	2 nd week of Jan 2023
DCMM Programme Details Announcement	<ul style="list-style-type: none"> Registration criteria and other details Eligible transactions for stamp duty waivers 	Q1-2 2023
Interchange Function Details Announcement	Service registration and other details	Q1-2 2023
Participant Readiness	EP practice session details	Q1-2 2023
Onboarding	<ul style="list-style-type: none"> Batch 1 issuers commence listing RMB counters Batch 1 Dual Counter Market Makers commence onboarding 	Q2 2023
Model Launch	/	Q2 2023
Southbound Inclusion	Allow Mainland investors' participation via southbound Stock Connect	To be announced

Latest development will be provided in the web corner in due course (www.hkex.com.hk/dualcounter).

For enquiry, please contact participant general enquiry hotline at 2840 3626 or email trd@hkex.com.hk.



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