

# Master SPSA Service

## FAQ

**(Version Date: 18 May 2022)**

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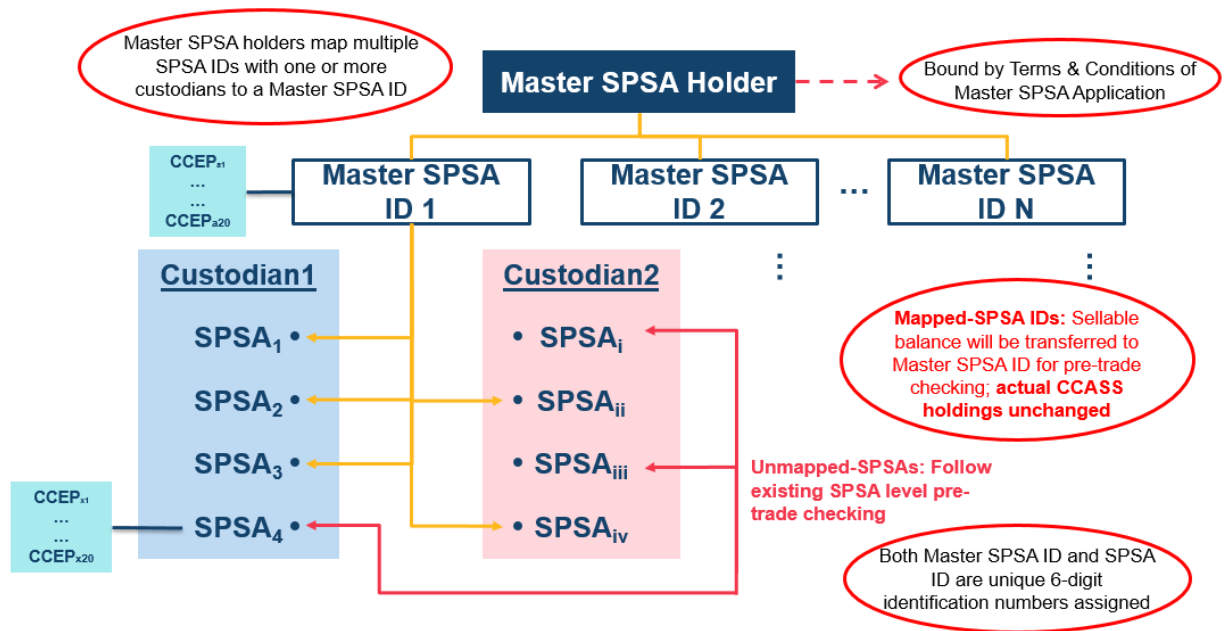
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## Part 1: GENERAL

### 1.1 What is Master SPSA (“Master Special Segregated Account”) Service?

Master SPSA Service is an optional service introduced to facilitate the trading efficiency of the Shanghai and Shenzhen Connect. An entity (e.g. fund manager, asset manager, investment manager, etc.) which owns and/or maintains more than one [SPSA](#) with one or multiple Custodian Participants or General Clearing Participants which are non-Exchange Participants (“non-EP GCPs”) are eligible to apply for the Master SPSA Service. Upon successful application, a Master SPSA Holder ID (FXXXXX) will be assigned to such entity as a “Master SPSA Holder” and a unique 6-digit Master SPSA ID. The Master SPSA Holder can then map the existing unique 6-digit SPSA investor identification numbers assigned by CCASS (“SPSA ID”) to the assigned Master SPSA ID, and designate at most 20 China Connect Exchange Participants (“CCEPs”) as its executing brokers for such Master SPSA ID. Once all required mappings are completed, the Master SPSA ID can be used for pre-trade checking for Northbound sell orders at the aggregate level. The following diagram shows how the Master SPSA Service works:



### 1.2 What is a Master SPSA ID?

A Master SPSA ID is a unique 6-digit investor identification number assigned by HKSCC to a Master SPSA Holder for the purpose of mapping its SPSAs maintained with one or multiple Custodian Participants and/or non-EP GCPs, allowing the selling of China Connect Securities (including Special China Connect Securities)<sup>1</sup> at the aggregate level. Master SPSA ID and the SPSA ID are in the same format (i.e. 6 digits) and are used for the same purpose of pre-trade

<sup>1</sup> For the list of eligible China Connect Securities (including Special China Connect Securities), please refer to:

[https://www.hkex.com.hk/Mutual-Market/Stock-Connect/Eligible-Stocks/View-All-Eligible-Securities?sc\\_lang=en](https://www.hkex.com.hk/Mutual-Market/Stock-Connect/Eligible-Stocks/View-All-Eligible-Securities?sc_lang=en)

checking of the selling of China Connect Securities. Whichever the case is, a CCEP who is authorised by its clients, i.e. fund managers, to use a Master SPSA ID or SPSA ID to execute orders of China Connect Securities should input the corresponding Master SPSA ID or SPSA ID in the sell orders for pre-trade checking purpose.

### **1.3 What is the difference between a Master SPSA ID and a Broker-to-Client Assigned Number (“BCAN”)?**

Same as an SPSA ID, a Master SPSA ID is used for pre-trade checking purpose. BCAN, on the other hand, is used for market monitoring and surveillance purpose. A CCEP designated by a Master SPSA Holder as an executing broker should note that all NB sell orders placed on behalf of the Master SPSA Holder should be tagged with (a) Master SPSA ID for pre-trade checking; and (b) the applicable BCAN, which will be used for market monitoring and surveillance purpose.

It should be noted that the adoption of Master SPSA Service should not affect the existing BCANs that have been in use. Once a BCAN is set up for an investor at a CCEP, the CCEP is required to comply with China Connect rules and tag orders from that investor using the BCAN in a consistent manner.

### **1.4 How may the BCAN set up at a CCEP affect the use of Master SPSA Service by a fund manager?**

A Master SPSA Holder may assign any CCEP as its designated executing broker and map such CCEP to a Master SPSA ID, whether the CCEP sets up the Master SPSA Holder’s BCAN at the fund manager level or at the fund level.

If, however, any CCEP to be mapped to a Master SPSA ID has assigned BCAN at the fund level, the Master SPSA ID can only be used exclusively for a particular fund designated by the Master SPSA Holder. For example, if Fund Manager X intends to map CCEP Y for using the Master SPSA Service and CCEP Y has assigned BCAN at the fund level for Fund A, Fund B and Fund C managed by Fund Manager X, Fund Manager X will need to apply for three separate Master SPSA IDs and each Master SPSA ID shall be used exclusively for Fund A, Fund B and Fund C respectively (i.e. Master SPSA ID 1 for Fund A, Master SPSA ID 2 for Fund B and Master SPSA ID 3 for Fund C). Only those SPSAs which exclusively maintain holdings of China Connect Securities of the designated fund can be mapped to the relevant Master SPSA ID. In the above example, if a SPSA maintains holdings of China connect Securities of both Fund A and Fund B, such SPSA cannot be mapped to either Master SPSA ID 1 or Master SPSA ID 2. Fund Manager X will also need to indicate the name of the fund for which a Master SPSA ID will be used exclusively in the application form.

If all the CCEPs to be mapped to a Master SPSA ID have assigned BCAN at the fund manager level, there will be no restriction on the SPSAs to be mapped to the Master SPSA ID, i.e. in the above example, instead of assigning BCAN at the fund level, CCEP Y has assigned BCAN at Fund Manager X. In that case, Fund Manager X may apply for one Master SPSA ID and even though a SPSA maintains holdings of China Connect Securities of both Fund A and Fund B, such SPSA can be mapped to that Master SPSA ID.

## Part 2: APPLICATION

### 2.1 Who is eligible to apply for the Master SPSA Service?

Master SPSA Service is an optional service provided to the market. In order to be a Master SPSA Holder, an entity (e.g. fund manager, asset manager, investment manager, etc.) must:

- maintain two or more SPSAs with one or multiple Custodian Participants and/or non-EP GCPs;
- agree on the [Terms and Conditions](#) of the Services for Master SPSA Holder;
- be of good financial standing and integrity; whether or not a company is of good financial standing and integrity would be determined on a case-by-case basis taking into account all relevant factors at the relevant time. Factors that would be taken into account include: whether a company is validly existing and of good standing, without any event of bankruptcy, liquidation, winding up or be a subject of adverse finding by any competent authority.

For any CCEPs or China Connect Clearing Participants (“CCCP”) who would like to apply for the Master SPSA service, they will be in the capacity as a Master SPSA Holder and subject to the Terms and Conditions of the Services for Master SPSA Holder.

### 2.2 How to apply for the Master SPSA Service? (Updated as of 18 May 2022)

An applicant shall take the following steps to prepare for the application:

- Read the [Terms and Conditions](#) of the Services for Master SPSA Holder
- Work with Custodian Participants and/or non-EP GCPs (or global custodians if needed) to prepare for a full list of SPSAs to be mapped under each Master SPSA ID
- Determine a list of designated CCEPs to be assigned as its executing brokers for the Master SPSA ID (at most 20 CCEPs can be assigned) and complete the account opening process with these CCEPs
- Prepare for the technical set-up for the Internet Report Access Platform (iRAP) user account(s) (see instruction/description [here](#))

To apply for the Master SPSA Service, an applicant is required to submit the following:

- A duly signed [“Master SPSA Holder Application or Change of Details Form”](#)
- Applicant’s business registration (or its equivalent);
- Board Resolution [[Sample](#)] for authorisation of authorised person to execute and sign on behalf of the applicant all relevant documents, including the Master SPSA Holder Application/Change of Details Form, Registration Form for Internet Report Access Platform (iRAP), [Client Connect Delegated Administrator Right Application / Maintenance Form](#), in relation for using the Master SPSA service of HKSCC;
- [Signature specimen](#); and
- The use of direct bank in or other electronic payment methods covering the one-off application fee of HK\$50,000 per Master SPSA ID applied.

Bank : The HK and Shanghai Banking Corporation Limited  
Name : Hong Kong Securities Clearing Company Limited  
Account no. : 600-398168-004  
For Faster Payment System (FPS): input FPS email address [scdn@hkex.com.hk](mailto:scdn@hkex.com.hk)

Upon set-up of Client Connect Delegated Administrator Rights, Master SPSA Holder can submit the Master SPSA ID to SPSA Mapping Maintenance Request (eService AC7) and Master SPSA ID and Executing Broker Maintenance Request (eService AC8) via Client Connect.

The Terms and Conditions of the Services for Master SPSA Holder are bilaterally binding between the Master SPSA Holder and HKSCC. CCEPs and Custodian Participants or the Non-EP GCPs should engage the Master SPSA Holder in other contractual arrangement if they see appropriate, relevant to the use of the Master SPSA service.

**2.2a What is HKEX Client Connect eService? Which eServices are now available for Master SPSA service? (Updated as of 17 August 2020)**

The Client Connect provides access to HKEX services through a secured web-based user interface. It enhances the HKEX service offering by digitizing the majority of paper-based services and has become the mandatory channel to submit digitalized requests when related eService is available. Two eServices for Master SPSA Service are now available on Client Connect.

eService ID & Name		Available under business rights
AC7	Master SPSA ID to SPSA Mapping Maintenance Request	EU_MSPSA
AC8	Master SPSA ID & Designated Executing Broker Mapping Maintenance Request	EU_MSPSA

Please refer to [Section 4 of the Client Connect User Manual](#) for the details of eService AC7 and AC8 for Master SPSA ID mapping.

Master SPSA Holders (e.g. fund managers, asset managers or investment managers) are reminded to sign-up for Client Connect by submitting the completed [Client Connect Delegated Administrator Rights Application / Maintenance Form](#). Once on-boarded, Client Connect Delegated Administrators (CCDAs) should set up their corresponding business users as soon as possible as the Client Connect processing has to be performed by business users. CCDAs can make use of the [Client Connect webpage](#) to know about the general operations of Client Connect.

**2.3 What is the application fee for Master SPSA Service?**

A one-off application fee of HK\$50,000 per Master SPSA ID applied will be imposed. Such fee is payable when an applicant submits the “Master SPSA Holder Application/Change of Details Form”. If the application is unsuccessful, application fee will be refunded to the applicant.

**2.4 How many Master SPSA IDs can each Master SPSA Holder apply for?**

There is no limit imposed but it is strongly recommended that a Master SPSA Holder should only apply for Master SPSA IDs on a need basis to ensure an efficient structure in using the Master SPSA Service.

On the Master SPSA Holder Application/Change of Details Form, applicant can indicate the number of Master SPSA ID for the application.

## **2.5 How long does it take to process the Master SPSA Service application?**

After receiving all the required supporting documents, HKSCC will process the application and notify the applicant by email if the application for the Master SPSA ID is successful or not. HKSCC will take approximately 5 business days to complete the process for an application, should all required supporting documents received and checked in order.

Upon successful application, HKSCC will assign Master SPSA Holder ID(s) (FXXXXX) and Master SPSA ID(s) (6-digit number which is in the same format of investor identification number for SPSA) to the applicant.

## **2.6 When should a Master SPSA Holder specify if a Master SPSA ID is for fund manager BCAN use or fund level BCAN use?**

Upon submitting the application form to HKSCC, the applicant needs to specify the number of Master SPSA ID requested, and the BCAN level the Master SPSA ID is used for. If the Master SPSA ID requested is for fund level BCAN, the applicant needs to provide the name of the fund on the application form. It should be noted that once a Master SPSA ID is set up, any change of the designation of the BCAN level for a Master SPSA ID is not allowed. If a different designation of BCAN level for a Master SPSA ID is required, a new Master SPSA ID should be applied.

## **Part 3: MAINTENANCE OF THE MASTER SPSA ID**

### **3.1 How to set up the Master SPSA ID for use?**

Upon receiving the 6-digit Master SPSA ID, Master SPSA Holder should submit the following in order to activate the Master SPSA Service for use:

- Master SPSA ID to SPSA mapping (i.e. the existing SPSAs to be mapped to the Master SPSA ID for pre-trade checking purpose);
- Master SPSA ID to CCEP mapping (i.e. the list of CCEPs that the Master SPSA Holder designates as its executing brokers for using its Master SPSA ID for placing sell orders).

Assignment of CCEPs as the designated executing brokers on Master SPSA ID must be in place before/on the same effective date as the Master SPSA ID to SPSA mapping to ensure sell orders can be placed by the assigned CCEPs.

### **Master SPSA ID to SPSA Mapping**

#### **3.2 How should a Master SPSA Holder submit the Master SPSA ID to SPSA mapping? (Updated as of 24 May 2021)**

Master SPSA Holder should submit the [“Master SPSA ID to SPSA Mapping Maintenance Request”](#) (eService AC7) via Client Connect to HKSCC. Master SPSA Holder should submit one single form to cover all the mappings of all its underlying SPSAs opened with multiple Custodian Participants or the Non-EP GCPs to the Master SPSA ID. Master SPSA Holders should communicate with the relevant CCEPs and custodians (including global and local custodians) prior to adding/deleting any underlying SPSAs to/from the Master SPSA ID to SPSA Mapping, as well as the effective date of such addition and deletion.

#### **3.3 What information is needed for setting up the Master SPSA ID to SPSA mapping? (Updated as of 17 August 2020)**

Master SPSA Holder should coordinate with the relevant Custodian Participants or the non-EP GCPs in getting the details of the SPSAs to be mapped to the Master SPSA ID. Information such as the SPSA IDs, SPSA No (an 8-digit number starting with 800NNNNN), the email address of the corresponding Custodian Participants or the Non-EP GCPs of SPSAs involved to receive the notification on the SPSA mapping upon HKSCC’s approval etc. Please refer to [AC7](#) under Section 4.2 of Client Connect User Manual for all the information required.

#### **3.4 How many SPSAs can be mapped to a Master SPSA ID?**

There is no restriction on the maximum number of SPSAs that can be mapped to a Master SPSA ID. It should be noted that a Master SPSA Holder can map SPSAs set up by different Custodian Participants to a Master SPSA ID and each SPSA can only be mapped to one Master SPSA ID. When the Master SPSA Holder starts using the Service, it is strongly recommended that it maps only one to two SPSAs per Custodian Participants or the Non-EP GCPs to its Master SPSA ID to ensure a smooth operational flow internally and with its CCEPs

and Custodian Participants or the Non-EP GCP for a short period of time before mapping all its SPSAs to the Master SPSA ID.

**3.5 Since a Master SPSA Holder must at all times have at least two SPSAs maintained with any custodians and a Master SPSA ID should have at least two SPSAs, what happens if only one SPSA remains after the termination of others? If so, can the Master SPSA ID continue to be used or must the individual SPSA be used instead?**

A Master SPSA ID is set up to facilitate bulk order placing across sellable balances of at least two SPSAs. If only one SPSA remains being mapped to a Master SPSA, the Master SPSA has lost its purpose. HKSCC has the discretion to terminate such Master SPSA ID. Nonetheless, unless notified by HKSCC on the termination of the Master SPSA ID, the Master SPSA ID should continue to be used instead of its underlying SPSA.

**3.6 Can a Master SPSA Holder map those SPSAs that are not owned and maintained by it directly but instead by its subsidiaries and/or affiliates of the same parent company?**

Subject to the requirements set out in Q1.4, it is up to the Master SPSA Holder to map SPSAs that are owned or maintained by its subsidiaries or affiliates so long as it has an agreement in place among themselves, such that the Master SPSA Holder is authorised by such subsidiaries and/or affiliates to map and manage such SPSAs. In any event, the Master SPSA Holder shall be liable and take full legal responsibilities in respect of the use of the Master SPSA Service under its Master SPSA ID.

**3.7 Can an SPSA which can be maintained or operated by multiple investment managers and the like be mapped to a Master SPSA ID? (Updated as of 24 May 2021)**

A Master SPSA ID can only be owned by one Master SPSA Holder. In the case where an SPSA is operated by multiple investment managers, the relevant SPSA may not be mapped to a Master SPSA ID unless it will no longer be operated by the other investment managers. Otherwise Investment managers are advised to continue using the existing SPSA framework to maintain or operate such SPSA. In order to ensure that the SPSAs to be mapped to a Master SPSA are not operated by multiple investment managers, prior to mapping the SPSAs to a Master SPSA ID, a Master SPSA Holder must communicate the relevant global custodians and/or asset owner(s) regarding their intention of using the Master SPSA Service and confirm with them that each SPSA to be mapped is exclusively managed by the Master SPSA Holder and not assigned to multiple investment managers.

Since HKSCC does not have any information on the ownership of SPSA, the Master SPSA Holder should ensure the accuracy and correctness of all SPSA mappings and be responsible for all errors, omissions or inaccuracies.

**3.8 What are the roles of the Custodian Participant or the Non-EP GCP of the underlying SPSAs which are mapped to the Master SPSA ID?**

A Custodian Participant or non-EP GCP may offer support to the Master SPSA Holder or global custodian (if applicable) by providing the relevant SPSA ID and SPSA No. (8-digit number



starting with 800NNNNN) in case the Master SPSA Holder submits a request to map/unmap one or multiple SPSAs of the relevant Custodian Participant or non-EP GCP to/from a Master SPSA ID. Upon approval by HKSCC on the submitted mapping request, the relevant Custodian Participant or non-EP GCP will be notified by email by HKSCC, with the list of SPSAs (including SPSA IDs and SPSA No) being mapped in the request. Whenever they deem necessary, they should seek clarification from its client.

Where the individual SPSAs are opened through a network of multiple market participants including Custodian Participant, or non-EP GCPs, the Master SPSA Holder could obtain the required SPSA information through their relevant contracting party, as required.

## **Master SPSA ID to CCEP Mapping**

### **3.9 How to submit the Master SPSA ID to CCEP mapping? (Updated as of 17 August 2020)**

Master SPSA Holder should submit the “Master SPSA ID & Designated Executing Broker Mapping Maintenance Request” via Client Connect [eService \(AC8\)](#) for CCEPs it intends to assign to place orders of the Master SPSA ID.

### **3.10 How many CCEPs can be mapped to a Master SPSA ID?**

A minimum of one and a maximum of 20 CCEPs can be assigned as the designated executing brokers for the Master SPSA ID.

As one Master SPSA Holder can apply for more than one Master SPSA ID, the same CCEP(s) can be designated for all or some of its Master SPSA IDs.

### **3.11 What is the relationship between the CCEP mapping of the Master SPSA ID and that of its underlying SPSAs?**

Master SPSA Holder should note that CCEPs previously assigned as “designated executing brokers” to the underlying SPSAs will not have their status automatically assigned to the Master SPSA ID. It is up to the Master SPSA Holder to assign the same or different CCEPs as its designated executing brokers to its Master SPSA ID based on its business needs.

Once the Master SPSA Holder’s application to delete its Master SPSA ID is approved and effective, the original CCEP mappings assigned to the underlying SPSAs will resume.

### **3.12 What information is needed for setting up the Master SPSA ID to CCEP mapping? (Updated as of 17 August 2020)**

Master SPSA Holder should coordinate with the CCEP in the designated executing broker assignment for the Master SPSA ID and provide the information needed on the mapping, including the Exchange Participant ID of the CCEP, endorsement from the CCEP and the contact details of the CCEP as specified in the Client Connect eService. Please refer to section 4.2 of the Client Connect User Manual for “[Master SPSA ID & Designated Executing Broker Mapping Maintenance Request](#)” for details.

### **3.13 What are the responsibilities of the CCEPs which are mapped to the Master SPSA ID? (Updated as of 17 August 2020)**

The relevant CCEPs will need to endorse the “Master SPSA ID & Designated Executing Broker Mapping Maintenance Request” through the Client Connect eService to confirm the information in the mapping to be accurate and correct. Once the mapping requests are approved, each relevant CCEP will receive a notification email, and the confirmed effective date is recorded in the eService on Client Connect.

### **3.14 Can the mapping of SPSAs/assignment of CCEPs to the Master SPSA ID be changed after set-up? (Updated as of 17 August 2020)**

Master SPSA Holder may change or remove mapping or assignment of CCEPs and/or SPSAs by submitting changes request using the Client Connect eService “[Master SPSA ID & Designated Executing Broker Mapping Maintenance Request](#)” and/or “[Master SPSA ID to SPSA Mapping Maintenance Request](#)” respectively.

### **3.15 How long does it take to set up/change a mapping of the Master SPSA ID with a CCEP/SPSA?**

A request for setting up/removing mapping of a Master SPSA ID with an SPSA/CCEP will only be processed after all required information and endorsement are obtained.

On the SPSA mapping, Master SPSA Holder can indicate a future effective date (5 business days or more) for assignment or change in assignment of the SPSAs to the Master SPSA ID.

On the CCEP mapping (the assignment of CCEPs to a Master SPSA ID), Master SPSA Holder must indicate a future effective date (5 CSC trading days<sup>2</sup> or more) of the designation or change in designation

Save in exceptional cases, the process will be completed within 5 CSC trading days or 5 business days as the case may be, and the Master SPSA Holder shall be notified of the result afterwards. The notification will also specify the effective date of the Master SPSA ID to SPSA mapping or Master SPSA ID to CCEP mapping, as the case may be.

### **3.16 How to delete the Master SPSA ID or terminate the Master SPSA Service?**

To delete a Master SPSA ID, the Master SPSA Holder should submit the “Master SPSA Holder Application/Change of Details Form” which will take 5 business days to process. All the corresponding mappings with the SPSAs and CCEPs of the Master SPSA ID will be removed.

Master SPSA Holder shall give one-month prior notice to HKSCC to terminate the Master SPSA Service using the “[Notice of Termination as a Master SPSA Holder](#)”. All the corresponding

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<sup>2</sup> Refer to Rules of the Exchange, Chapter 1, Interpretation  
[https://www.hkex.com.hk/-/media/HKEX-Market/Services/Rules-and-Forms-and-Fees/Rules/SEHK/Securities/Rules/Chap\\_1\\_eng.pdf?la=en](https://www.hkex.com.hk/-/media/HKEX-Market/Services/Rules-and-Forms-and-Fees/Rules/SEHK/Securities/Rules/Chap_1_eng.pdf?la=en)

mappings with the SPSAs and CCEPs of all the Master SPSA IDs maintained by the Master SPSA Holder will be removed immediately after termination.

**3.17 As HKSCC would remove a CCEP /SPSA Mapping if the CCEP is being ceased as a CCEP in terms of trading status or an SPSA account is being deleted, would there be any notices given to the Master SPSA Holder or the relevant CCEPs?**

As stated in the Terms and Conditions, HKSCC would remove the relevant mappings under these situations without prior notice. However, subsequent notice to the Master SPSA Holder and/or CCEPs will be provided.

**3.18 How can Master SPSA Holder check the effective mapping of the Master SPSA ID with the underlying SPSAs and CCEPs?**

Master SPSA Holder will receive notification for the effective date of the mapping of the Master SPSA ID with the underlying SPSAs and CCEPs. For the effective SPSA mapping with a Master SPSA ID, Master SPSA Holder may refer to the Day-begin Sellable Balance Report provided by HKSCC. However, there is no report available to show the effective CCEP mapping. In any case, Master SPSA Holder should maintain their own record for tracking purpose.

## **Part 4: TRADING**

### **4.1 Is pre-allocation to CCEP required under the Master SPSA Service?**

Pre-allocation from the Master SPSA Holder (i.e. fund managers) to CCEPs is a requirement for the use of Master SPSA Service. CCEPs should ensure that they have received pre-allocation instructions from the Master SPSA Holder in respect of the relevant China Connect Securities before inputting a Master SPSA order into the CSC. It refers to a breakdown of the sell quantity per SPSA provided to CCEPs by Master SPSA Holder prior to trade. In the case where a sell trade of a Master SPSA Holder fails to be settled and where the short CCCP does not possess other source of information to identify the relevant SPSAs, pre-allocation information can serve as a reference to determine which SPSA(s) should be used for the sellable balance adjustment. Same as today, the actual shareholdings in the corresponding SPSAs will remain unchanged after the sellable balance adjustment has been conducted by the short CCCPs. It should be noted that the pre-allocation information provided in this manner is for CCEP/CCCP's reference only and must not be used or viewed as the post-trade allocation provided by Master SPSA Holder for settlement purpose.

### **4.2 How will the pre-trade checking process be carried out at Master SPSA ID level?**

Before market opens, CCASS will take a snapshot of the China Connect Securities holdings under each underlying SPSAs linked to a Master SPSA ID and aggregate such holdings to CSC, i.e. the sellable balance of the Master SPSA ID to perform pre-trade checking.

When the CCEP inputs such sell order from Master SPSA Holder, it should input the Master SPSA ID with the sell order. Prior to sending the sell order to the relevant China Connect Market<sup>3</sup> for execution, CSC will verify whether the CCEP is a designated broker for the Master SPSA ID and whether that Master SPSA ID of the Master SPSA Holder has sufficient holdings.

Similar to SPSA, if the sell order passes the checking, it will be routed to the respective China Connect Market; otherwise it will be rejected. The post trade operational flow would be exactly the same as the current SPSA model. A Master SPSA Holder will only need to instruct its Custodian Participants or non-EP GCP to transfer the relevant China Connect Securities from its SPSA to its designated broker's account after execution and not before placing the sell order.

### **4.3 What are the responsibilities of the CCEPs who receive the instructions from a Master SPSA Holder to sell China Connect Securities held in SPSAs mapped by a Master SPSA ID?**

Before inputting a Master SPSA ID order into the CSC, a CCEP should ensure that:

- the Master SPSA ID belongs to the Master SPSA Holder;
- it has been authorised to execute the sale of China Connect Securities in the specified Master SPSA ID on behalf of the Master SPSA Holder;
- the Master SPSA Holder has sent it pre-allocation of the respective SPSAs for the sell orders; and

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<sup>3</sup> Refer to Rules of the Exchange, Chapter 1, Interpretation

[https://www.hkex.com.hk/-/media/HKEX-Market/Services/Rules-and-Forms-and-Fees/Rules/SEHK/Securities/Rules/Chap\\_1\\_eng.pdf?la=en](https://www.hkex.com.hk/-/media/HKEX-Market/Services/Rules-and-Forms-and-Fees/Rules/SEHK/Securities/Rules/Chap_1_eng.pdf?la=en)

- it has received confirmation from the Master SPSA Holder or has advised the Master SPSA Holder to ensure that there are sufficient China Connect Securities held in SPSAs mapped in the Master SPSA ID to settle the delivery obligations on the settlement day and, if the Master SPSA ID order is executed, the relevant China Connect Securities will be delivered to it or its GCP, as the case may be, for settlement.

For short selling, before inputting the Master SPSA ID order into the CSC, a CCEP, where acting for the account of a Master SPSA Holder, should have required the Master SPSA Holder to confirm that the borrowed short selling securities are held in the relevant SPSAs mapped by a Master SPSA ID.

#### **4.4 What will happen when the Master SPSA ID is not assigned with any CCEP but the mappings with underlying SPSAs are effective?**

Master SPSA ID must be assigned with at least one CCEP as the designated broker so that sell orders can be placed with the Master SPSA ID. In the case that there is no effective CCEP to Master SPSA ID mapping, the sellable balances of the underlying SPSAs will not be aggregated to the Master SPSA ID. In such case, Master SPSA Holder should inform the CCEPs designated to the SPSAs to use SPSA IDs for placing buy and sell orders instead.

#### **4.5 Can SPSA ID be used for placing sell orders after the Master SPSA ID is effective?**

During the day-begin process, the sellable balances of the underlying SPSAs will be aggregated to the Master SPSA ID. Sellable balances of the underlying SPSAs mapped to the Master SPSA ID will be set as zero in the pre-trade checking snapshot. Therefore, Master SPSA ID must be used to place sell orders for pre-trade checking purpose. Master SPSA Holder should notify the designated CCEPs to use the Master SPSA ID for placing sell order, or else the order will be rejected if SPSA ID is used.

#### **4.6 Will day-end trade file be provided for Master SPSA ID?**

Currently, there is a day-end SPSA trade file ("Trade File of SPSA" in CCASS) which can be downloaded by Custodians and non-EP GCPs. This report will still be available. However, trade details related to Master SPSA ID will not be shown in this CCASS report.

## **Part 5: CLEARING AND SETTLEMENT**

### **5.1 What is the difference in settlement between SPSA trades and Master SPSA ID trades?**

Master SPSA Service is introduced to facilitate the pre-trade checking of sell orders at an aggregate level and the calculation of average price in Northbound trading. Since it is used purely for pre-trade checking, the existing settlement arrangement in place for SPSAs will not be affected. Trades executed via Master SPSA will be settled per current individual SPSA post-trade settlement procedure as stock holdings will still be maintained at respective SPSAs. Per existing practice, Custodian Participants or non-EP GCPs will still need to arrange settlement instructions with the corresponding CCCPs to transfer the China Connect Securities from the relevant SPSAs to the relevant CCCPs for CCASS Continuous Net Settlement (“CNS”).

### **5.2 What actions need to be taken in the case of SPSA Delivery Failure related to a Master SPSA ID?**

If a SPSA Delivery Failure occurs after a sell order is executed under a Master SPSA ID in respect of any China Connect Securities, the CCCP responsible for the settlement of the resulting trade shall follow the current arrangement for SPSA Delivery Failure<sup>4</sup> to make a request to HKSCC to adjust, for the purpose of pre-trade checking:

- where applicable, its sellable balance,
- the sellable balance of the relevant Master SPSA Holder’s SPSA, and
- where applicable, the sellable balance of the SPSA of any other client for whom the CCCP is responsible for clearing and settling a buy trade in the same China Connect Securities on the same CSC trading day and the delivery of the relevant quantity of the China Connect Securities to the SPSA of such client is affected by the SPSA Delivery Failure.

CCCP will need to have the underlying SPSA ID, stock code and quantity for adjustment to adjust the sellable balance in the event of SPSA Delivery Failure under a Master SPSA ID. Please note that there will be no separate mechanism to adjust sellable balance at the Master SPSA ID level as stock holdings will still be maintained at respective SPSAs.

### **5.3 What action will be taken if the Master SPSA Holder fails to identify or correctly instruct the responsible SPSAs for settling the short stock positions?**

In an unlikely event that the Master SPSA Holder executing sell trades in China Connect Securities through a Master SPSA ID fails to identify or correctly instruct the responsible SPSAs for settling the short stock positions, HKSCC has the sole discretion to reduce the sellable balances of the relevant China Connect Securities with respect to the SPSA Delivery Failure or all relevant China Connect Securities of that Master SPSA ID to zero on the next CSC trading day or such other period as HKSCC may from time to time determine. Master SPSA Holder should rectify the failure and settle the outstanding position as soon as possible with the Custodian Participants and/or the CCCPs in order to resume the trading of the relevant China Connect Securities under the Master SPSA ID.

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<sup>4</sup> Refer to CCASS Operational Procedures, Section 10A.7A

<https://www.hkex.com.hk/-/media/HKEX-Market/Services/Rules-and-Forms-and-Fees/Rules/HKSCC/Operational-Procedures/SEC10A.pdf?la=en>

## Part 6: REPORTS

### 6.1 Will Master SPSA Holder know the sellable balance of the Master SPSA ID?

A Day-begin Sellable Balance Report will be provided to Master SPSA Holders via an online access platform, iRAP. The Report will be available daily before market open. The Report will show the sellable balance of each Master SPSA ID assigned to such Master SPSA Holder together with the pre-aggregated balances for each SPSA mapped to that Master SPSA ID. Since the Report is for the Master SPSA Holders' reference only, Master SPSA Holders should ensure they have appropriate systems, arrangements and procedures in place with their CCEPs and Custodian Participants to conduct allocations and settlement.

### 6.2 How can Master SPSA Holder receive the Day-begin Sellable Balance Report?

The Day-begin Sellable Balance Report can be downloaded via iRAP. Master SPSA Holder should submit the "[Registration Form for Internet Report Access Platform \(iRAP\)](#)" for account set-up. Along with the completed application form, Master SPSA Holder should also provide the Secure Shell (SSH) public key with SSH key fingerprint for account logon (force-renewal every 2 years), Pretty Good Privacy (PGP) public key with PGP key fingerprint for report file encryption (no force-renewal) and the public IP addresses.

After receiving all required information and files for the application, it will take 5 business days for creating the account. Notification will be sent upon successful account creation.

Technical guide for setting up the iRAP user account and information of Day-begin Sellable Balance Report can be found [here](#).

### 6.3 Does the Day-begin Sellable Balance Report intend to supersede the individual custodian holdings reports? Under what circumstances will the aggregated sellable balance of the underlying SPSA of a Master SPSA ID differ from the stock holdings of the underlying SPSAs mapped?

The Day-begin Sellable Balance Report is a new report and does not intend to supersede the individual custodian holdings reports or other reports as maintained or received by the Master SPSA Holder. The Day-begin Sellable Balance Report shows the sellable balance of the underlying SPSAs which are mapped to the Master SPSA ID as per day-begin records maintained in CCASS at that CSC trading day. Sellable balances of SPSAs are the same as the stock holdings of the SPSAs except when sellable balances are adjusted as a result of circumstances described in 5.2 and 5.3 above, in which cases adjusted sellable balances will be shown for those affected SPSAs and thereby the aggregate sellable balance of Master SPSA ID will be reflected accordingly.

**6.4 If a Master SPSA Holder finds discrepancies between their calculated holdings and those reflected in the sellable balance report and believes that the Sellable Balance Report is inaccurate, what is the process for having this verified with HKEX?**

If a Master SPSA Holder finds discrepancies between their calculated holdings and those reflected in the sellable balance report, there are a few possibilities, e.g. there is sellable balance adjustment due to failed settlement; custodians may not have updated the shareholding record for the fund manager yet, or in unlikely event that the Master SPSA Holder executing sell trades in China Connect Securities through a Master SPSA ID fails to identify or correctly instruct the responsible SPSAs for settling the short stock position, in such case HKSCC has the discretion to reduce the sellable balances of the relevant securities of the Master SPSA ID to zero, etc. For any enquiries regarding sellable balance reports or other issues on Master SPSA Service after the launch of the service, please contact our HKSCC hotline.

**6.5 When will be the sellable balance report available on every CSC trading day?**

The Day-begin Sellable Balance Report for Master SPSA Holder will be available around 9:00am on every CSC trading day.