

HKEX Synapse

FAQ

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There is no guarantee that the [Synapse Platform] will be launched and nothing in this document may be regarded as creating any obligation on the part of any of the Entities.

General

1. What is HKEX Synapse?

HKEX Synapse (Synapse) is a new integrated settlement platform for its landmark Stock Connect programme. By leveraging DAML smart contract technology, HKEX Synapse will standardise and streamline the post-trade workflows of Northbound Stock Connect by maximising efficiencies for market participants in a transparent, secure and reliable manner. Asset Managers, Global Custodians, Local Custodians, Exchange Participants and Clearing Participants will all benefit from the improved connectivity. For details, please refer to [Synapse](#) webpage.

2. What is the rationale behind introducing Synapse?

Synapse aims to address some of the common challenges that have arisen amongst market participants by improving the efficiency and transparency of Northbound Stock Connect settlement for institutional investors. This new integrated settlement platform will streamline post-trade processes and facilitate more global institutional investors accessing the Mainland China market via Stock Connect.

3. What is the role of DAML Smart Contracts within Synapse?

DAML Smart contracts are digital agreements used to define access permission and business logic amongst a group of participants.

4. Who operates Synapse?

Synapse will be owned and operated by a newly established company that is a wholly owned subsidiary of HKEX.

5. Is Synapse mandatory for all CCASS participants?

No. Synapse is an optional service for Northbound Stock Connect settlement.

6. Will Synapse replace CCASS for securities settlement?

No. Synapse will not replace CCASS but rather interface with CCASS. There is no change to the matching, clearing and settlement flows within CCASS of Hong Kong Securities Clearing Company (HKSCC).

7. Who are eligible participants of Synapse?

Institutional investors interested in participating in Synapse will need to have an existing SPSA with its custodian when trading Northbound Stock Connect. Their respective Global and Local Custodians are also eligible to participate.

Institutional investors and their interested brokers are required to use DTCC's CTM™ and ALERT for post trade allocation, enrichment of standing settlement instructions and generation of settlement notifications. At Launch Synapse will only consume matched agreed allocation from CTM™.

8. If one of the participants on the settlement chain, specifically Asset Manager (AM), Global Custodian (GC), Local Custodian (LC), Exchange Participant (EP), Clearing Participant (CP), does not utilise Synapse, will the Synapse process still work?

The buy side chain consists of the AM, GC and LC, while the sell side chain consists of the EP and CP.

In order to participate in Synapse, either the entire buy side chain or the entire sell side chain must be onboarded. Maximum benefits will be attained if both the buy side and the sell side chains are on the platform, but the Synapse workflow will still operate, albeit with fewer benefits, if only one of the chains is onboarded.

Note that once the fund has been onboarded to Synapse, all Stock Connect settlement instructions of that fund should be processed through Synapse.

9. Can Non Clearing Participant (NCP) participate in Synapse?

Yes, with the condition that the sell side chain consisting of the NCP and its corresponding GCP are both on the platform and the NCP performs its trade allocation via CTM™.

10. As an institutional investor, if my brokers are not participants of HKEX Synapse, can I still join Synapse?

As long as your AM and broker are using CTM™ for trade allocation and ALERT for trade enrichment, even if the broker is not a participant of Synapse, the institutional investor can still join HKEX Synapse, along with its GC and LC, to complete the buy side chain.

11. Can an institutional investor utilise Synapse while also trading with multiple brokers on Stock Connect?

Yes. Synapse can accommodate multiple brokers as long as your AM and brokers conduct the trade allocation via CTM™ and your GC and LCs are on the platform.

12. Do I need to open a new SPSA in order to participate in Synapse?

No. You are not required to open a new SPSA in order to participate if you already have an existing SPSA. Upon completion of the onboarding process, your existing SPSA will be used for securities settlement.

13. Will Synapse support SPSA account opening?

No. The SPSA opening process will remain unchanged and will continue to be managed via [Client Connect](#).

14. Will Synapse manage On-Exchange (CNS) transactions?

On-Exchange (CNS) transactions are out of the scope of Synapse, and will continue to be processed by the Clearing Participants. Note that Synapse will not change the existing settlement arrangement with ChinaClear for Northbound Stock Connect.

15. When is Synapse expected to roll out?

The tentative roll out of Synapse will be towards Q1 2022.

16. Where can I find more information about Synapse?

Please refer to our [Synapse](#) webpage for more information

Onboarding

17. Will we be required to sign a new contract?

Yes. In order to participate in Synapse, participants will be required to sign an additional set of documentation.

18. What is the onboarding process?

The onboarding process will differ for each participant. Please refer to the Service Description document for more details. DTCC will publish a Synapse best practice guide for both Investment Managers and Brokers to support onboarding.

19. How are user access rights maintained in Synapse?

User access right will be granted to the relevant participant depending on their role within the ecosystem. Synapse participants will be able to assign different user profiles for its own team with corresponding roles and access rights.

Connectivity

20. What are the connectivity options for Synapse?

Synapse deploys APIs to enable participants to directly access the data stored on Synapse, while also adopting SWIFT ISO20022 standards to enable message based connectivity. Further, a graphical user interface (UI) will be available.

EP/AM can access via UI

GC/LC/CP can access via API/ ISO 20022 Message/UI.

For more information please refer to the Service Description document ([link](#)).

Operation

21. What are the operating hours of Synapse?

The Synapse platform will operate 24 hours a day from Monday to Saturday, subject to varying operating levels in the event of banking holidays in Hong Kong and/or China.

22. Does Synapse support the Account Operator model and Middle office outsourcing?

Yes. Synapse will support both Account Operator model and Middle office outsourcing.

23. Do I have to use CTM™ for my trade allocation in order to be participant of Synapse?

Yes. HKEX is initially partnering with DTCC for Synapse and the use of CTM™ with SN and ALERT are a prerequisite in order to participate in HKEX Synapse.

24. What instructions from CTM™ will be consumed by Synapse?

Synapse will only consume match agreed allocations and match agreed cancellations from CTM™.

25. What CCASS settlement modes do you support?

Synapse supports Delivery versus payment (DVP)/Real time Delivery versus payment (RDVP)/Free of payment (FOP) instructions

26. When will Synapse send settlement instructions to CCASS?

For the buy side chain, an instruction will be sent to CCASS once both the GC and LC have approved the instruction. For the sell side chain, an instruction will be sent to CCASS once the CP has approved the instruction.

27. Will there be any changes to the current CCASS matching and settlement process?

No. There is no change to the following processes:

- a. Trading flows between EPs and the Stock Exchange of Hong Kong (SEHK)
- b. Matching, clearing and settlement flows within CCASS of HKSCC.

28. When will Synapse provide the matching and settlement status update?

Synapse will consume the instruction status from CCASS upon completion of matching and settlement runs. This information will be immediately disseminated to Synapse participants via their preferred channels (API/ ISO 20022 Message/ User interface).

29. Will Synapse support sanction checks?

No. Sanction checks, compliance and risk monitoring will remain the responsibility of the participants.

30. Will Synapse provide any position checking?

No. The pre-trade checking mechanism will remain unchanged, and Synapse will not perform any position checks. However, Synapse will be able to provide buy side participants an EOD statement of holdings on T+0 as an additional service.

Instruction Processing

31. As an AM, do I need to send my instruction to my GC if my settlement chain participates in Synapse?

No. Synapse will send the instruction to your GC.

32. As a GC, do I need to send my instruction to my LC if my settlement chain participates in Synapse?

No. Synapse will send the instruction to your LC.

33. As an LC, do I need to send my instruction to CCASS if my settlement chain participates in Synapse?

No. Synapse will send the instruction to CCASS.

34. As an EP, do I need to send my instruction to my CP if my settlement chain participates in Synapse?

No. Synapse will send the instruction to your CP.

35. As a CP, do I need to send my instruction to CCASS if my settlement chain participates in Synapse?

No. Synapse will send the instruction to CCASS.

36. If my role is an LC and a CP/GCP, do I need to send the instruction to CCASS?

No. Synapse will send the instructions to CCASS if the LC and CP/GCP are on the HKEX Synapse platform. This instruction will be a Settlement Instruction (SI) if the receiving party and the delivering party are different CCASS participants, and will be a Stock Segregated Account Transfer Instruction (STI) if the receiving party and the delivery party are the same CCASS participant

Note that in order to generate an STI, both the LC and CP/GCP will have to be participants on the Synapse platform.