

Part A General Information of the Respondent

All fields are mandatory, except the fields with an asterisk (*) if you are an individual respondent.

Name/ Company Name*	:	Hong Kong Interbank Clearing Limited
Contact Person*	:	
Title*	:	
Phone Number	:	
E-mail Address	:	

If you **do not wish** to disclose the above information to the public, please check the box here:

I do not wish to disclose the information above.

Part B Consultation Questions

Please indicate your preference by providing comments as appropriate. Where there is insufficient space, please attach additional pages as necessary.

Question 1: Do you support the implementation of the proposed T+2 Finality arrangement?
If not, what are the reasons?

Answer 1: Yes, we support the implementation of the proposed T+2 Finality arrangement.

Question 2: Do you envisage any problems or concerns for you or your company to operate under the proposed T+2 Finality arrangement? If yes, what are the problems and how can the arrangement be refined to help address your problems?

Answer 2: We do not envisage any major problem for the proposed T+2 Finality arrangement. However, we would like to offer the following recommendations for your consideration.

Standardizing the CCASS Returned Items Procedures for T+2 and T+3

Reference: Appendix II - Key Changes Introduced by the Proposed T+2 Finality Arrangement

In the new T+2 model, Designated Bank shall report the returned items to HKSCC via CCASS terminal only, and HKSCC will then generate a returned item file and arrange to send such file to HKICL electronically for net settlement.

The CCASS money transactions e.g. Marks and Nominees monies (for intermediaries) will continue to be settled in the existing interbank bulk settlement run in the morning of T+3 at 09:30 hours, whereby Designated Banks shall report returned items to: (i) HKICL by completing the ECG Debit/Credit Return Form and transmitting such form to HKICL via authenticated fax, and HKICL shall manually input the returned item into its own system for net settlement, and (ii) HKSCC as well.

The CCASS money transactions e.g. ISI, eIPO and Nominees monies (for IPs) will be settled in the existing interbank bulk settlement run in the afternoon of T+3 at 14:15 hours. Designated Banks shall report returned items to HKICL only, and complete the same ECG Debit/Credit Return Form and deliver the form to HKICL's counter. HKICL shall manually input the returned item into its own system and generate the returned item file for net settlement.

The above different ways to handle the returned items would require all relevant parties to maintain two different operating procedures. For consistency and better operational efficiency, we propose applying the T+2 returned item procedures to the T+3 model as follow upon the launch of the T+2 model:

(a) For the morning settlement, Designated Banks shall report CCASS returned items to HKSCC via CCASS terminal before 09:20 hours, and HKSCC will transmit the returned items (a dummy file is still required in case there is no CCASS returned item) which should arrive at HKICL before 09:25 hours. HKICL commences the CCASS settlement run at 09:30 hours.

(b) For the afternoon settlement, Designated Banks shall report CCASS returned items to HKSCC via CCASS terminal before 12:30 hours, and HKSCC will arrange to transmit the returned item file (same requirement of dummy file) which should arrive at HKICL before 12:45 hours. HKICL starts the settlement run at 14:15 hours.

Contingency Arrangement for the T+3 Returned Items

In case of FTS failure, HKSCC fails to send the returned items to HKICL via FTS for the morning or afternoon settlement before 09:25 hours or 12:45 hours respectively, we propose making use of the CCASS Terminal as contingency channel for transmitting the returned items.

HKSCC shall provide HKICL with the CCASS Terminal software for installation at each of HKICL production data centre and backup data centre to facilitate HKICL to download the returned items. In case of FTS failure in the morning or afternoon settlement, the authorized person of the HKSCC shall notify HKICL before 09:25 hours or 12:45 hours respectively for the activation of contingency procedure.

HKICL will withhold the CCASS settlement if necessary prior to its commencement and announce such arrangement to all member banks. For the morning settlement run, it will be rescheduled to 10:00 hours. The afternoon settlement run shall remain unchanged at 14:15 hours since there is sufficient time to perform the file download before the commencement of settlement. HKICL will login the CCASS Terminal to download the returned items file and then continue the settlement.

Question 3: What is the estimated lead time required by you or your company to prepare for the implementation of the proposed T+2 Finality arrangement? What are the major preparations required?

Answer 3: HKICL needs to enhance its system and revise the Clearing House Rules and Operating Procedures etc. for implementation of the T+2 Finality arrangement. HKICL will provide the estimated lead time after the confirmation of requirements.

Question 4: Do you have any other comments in relation to the introduction of a T+2 Finality arrangement for CCASS money settlement?

Answer 4: Nil.

- End -