

HKEX

香港交易所

香港中央結算有限公司

(香港交易及結算所有限公司全資附屬公司)

HONG KONG SECURITIES CLEARING COMPANY LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

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通告 CIRCULAR

Subject: Reminder on Payment Obligations of Clearing Participants

Enquiry: Hotline 2979 7111

Hong Kong Securities Clearing Company Limited (HKSCC) considers it appropriate to remind all participants of the importance of having proper risk management and robust funding arrangements in place to adequately monitor their exposures and fulfil their payment obligations to HKSCC on time to ensure the smooth operations of Hong Kong and China Connect markets.

Participants must adhere to the settlement timelines stipulated by HKSCC. Failure to do so constitutes an **event of default** under Rule 3701 of the General Rules of CCASS, the consequence of which includes default actions and/or disciplinary actions against the participant concerned pursuant to Rules 3702 and/or 2003 of the General Rules of CCASS which may lead to trading suspension, imposition of penalties and/or additional risk management measures. Participants are strongly advised to review their existing operational and monitoring procedures and introduce enhancement measures where appropriate. Below are examples of areas that should be covered in the review:

1. Funding estimation and position management procedures for collateral requirements (e.g. marks and margins) and CNS settlement obligations, particularly in the following areas:
 - (i) handling exceptionally large positions which includes process to reduce the position for computation of collateral requirements (e.g. to provide Specific Cash Collateral / Specific Stock Collateral to HKSCC for large long / short stock positions under CNS); and
 - (ii) pre-allocating buffer funding to prepare for the potential increase between the collateral requirements estimates and its final amount;
2. Funding arrangement procedures, taken into account the following areas:

- (i) timeliness of interbank or intra-bank fund transfer and FX conversion, appropriate limit and authorization assigned to facilitate the transfer and conversion (if applicable);
- (ii) cut-off time of your Designated Banks;
- (iii) process to ensure relevant bank accounts are in active status; and
- (iv) the service level agreements with the banks.

Participants are strongly advised to arrange standing instruction to authorize HKSCC to collect collateral, including Intra-day Marks, Intra-day Margin and/or Intra-day Mainland Settlement Deposit, by CHATS Payment Instruction (CPI)¹;

- 3. Adequacy of funding and banking facilities, particularly for non-Hong Kong dollars (i.e. CNH and USD);
- 4. Money and stock settlement procedures;
- 5. Contingency and business continuity plan (e.g. back up sites, system connection resilience and remote working arrangement);
- 6. Effectiveness of exposure monitoring; and
- 7. Back-up staff arrangement (e.g. sick leave, holiday cover and split team arrangement during pandemic).
- 8. Ensure their contact records at Clearing House are up-to-dated and proactively update when there is any changes.

As a best practice, participants should have established procedures to project the amount of payment obligations to HKSCC and arrange sufficient funding to meet such requirements in a timely manner. A summary of payment obligations to HKSCC and information of cash prepayment arrangement are set out in the Appendix for reference.

¹ The form is available in HKEX Client Connect at <https://connect.hkex.com.hk/>.

Should you have any enquiries regarding the above, please contact our hotline at 2979 7111.

Simon Chan
Vice President
Clearing & Depository

Appendix

Section A: Payment Obligations, Means of Settlement, Settlement Time and Information for Funding Arrangement

All payment obligations relating to settlement and collateral requirements of Exchange Trades and China Connect Securities Trades must be settled using the prescribed channels by the stipulated settlement time as set out below. Please note that it is the participant's responsibility to ensure that its Designated Bank has completed the payment to HKSCC's specified bank account by the stipulated deadlines. For the avoidance of doubt, participants should ensure the amount of payment obligations to HKSCC will be credited to HKSCC bank account by the stipulated settlement time. Participants are advised to refer to relevant reports in CCASS and VaR Platform for funding arrangement.

1. Payment obligations relating to settlement of Exchange Trades and China Connect Securities Trades

	Payment Obligations	Means of Settlement	Settlement Time	Information for Funding Arrangement	
				Via	Approximate Time
1	Money settlement of China Connect Securities Trades <i>(for China Connect Clearing Participant only)</i>	CHATS Payment Instruction (CPI)	By 12:00 noon on each settlement day unless if the trading day is an "H-1 day", then by 6:00 p.m. on the trading day	Final Clearing Statement (Market – Shanghai Market) (CCLTN05) Final Clearing Statement (Market – Shenzhen Market) (CCLTN05)	4:00 p.m. on the trading day
2	Money settlement of Exchange Trades	DDI	By 5:45 p.m. on each settlement day	Final Clearing Statement (Market – Hong Kong Market) (CCLTN05)	2:00 p.m. on the next trading day
<i>"H-1 day" means, in relation to China Connect Securities, the Settlement Day immediately preceding a day which is a public holiday in Hong Kong but not in Mainland China.</i>					

2. Payment obligations relating to collateral requirements of Exchange Trades and China Connect Securities Trades

	Payment Obligations	Means of Settlement	Settlement Time	Information for Funding Arrangement	
				Via	Approximate Time
1	Intra-day marks payment	CPI/ Bank transfer	By 2:00 p.m. on each trading day	Posting / Collateralisation Result Report (CCMPY01)	11:45 a.m. on each trading day
2	Intra-day Mainland Settlement Deposit (for China Connect Clearing Participant only)	CPI/ Bank transfer	By 2:00 p.m. on each trading day	Intra-day Mainland Settlement Deposit Payable Report (Shanghai) (CRMSD07) Intra-day Mainland Settlement Deposit Payable Report (Shenzhen) (CRMSD09)	11:50 a.m. on each trading day
3	Intra-day margin payment (for non-Settlement Day) [^]	CPI/ Bank transfer	By 2:00 p.m. on the trading day that intra-day margin is required	Posting / Collateralisation Result Report (CCMPY01)	11:45 a.m. on the trading day that intra-day margin is required
4	Intra-day margin payment (for Settlement Day) [^]	Direct Debit Instruction (DDI)	By 5:45 p.m. on the trading day that intra-day margin is required	Posting / Collateralisation Result Report (CCMPY01)	2:45 p.m. on the trading day that intra-day margin is required
5	End of day marks and margin payment	DDI	By 9:30 a.m. on the next trading day	Posting / Collateralisation Result Report (CCMPY02) Notes: Participants may refer to the following estimation reports for reference purpose: (i) MTM and Margin Requirement Report (RMAMR01) ⁺ (ii) MTM and Margin Requirement Report	8:30 p.m. on each trading day 2 rounds of estimations at 3:30 p.m. and 5:15 p.m. on each trading day (for reference purpose)

	Payment Obligations	Means of Settlement	Settlement Time	Information for Funding Arrangement	
				Via	Approximate Time
				(Summary Version) (RMAMR03) ⁺	
6	End of day Mainland Settlement Deposit <i>(for China Connect Clearing Participant only)</i>	DDI	By 9:30 a.m. on the next business day	Mainland Settlement Deposit Payable Report (Shanghai) (CRMSD01) Mainland Settlement Deposit Payable Report (Shenzhen) (CRMSD04) Notes: Participants may refer to the following estimation report for reference purpose: (i) Risk - Northbound MSTD Requirement Report (RMCNM01) ⁺	8:30 p.m. on each trading day Estimation at 4:00 p.m. on each trading day (for reference purpose)
7	Mainland Security Deposit <i>(for China Connect Clearing Participant only)</i>	DDI	By 9:30 a.m. on the second business day of each month	Mainland Security Deposit Payable Report (Shanghai) (CRMGF01) Mainland Security Deposit Payable Report (Shenzhen) (CRMGF03)	9:30 a.m. on the first business day of each month
8	Guarantee Fund Contribution	DDI	By 5:45 p.m. on the next business day after review day	Statement of Default Fund Contributions (CCMDF02)	12:00 noon on review day
9	Guarantee Fund Risk Collateral	Bank transfer	By 11:00 a.m. on the next business day	MTM and Margin Requirement Report (RMAMR01) ⁺	9:00 p.m. on each trading day when Guarantee Fund

	Payment Obligations	Means of Settlement	Settlement Time	Information for Funding Arrangement	
				Via	Approximate Time
	(a.k.a. Default Fund Add-on) #*			MTM and Margin Requirement Report (Summary Version) (RMAMR03) +	Risk Collateral is triggered
<p>[^] To mitigate the risk arising from significant movements in other major markets during holiday of the Hong Kong market, intra-day margin will be called from participants when such holiday is more than one day, excluding Saturday and Sunday.</p> <p>[#] Guarantee Fund Risk Collateral in the amount of Expected Uncollateralised Loss of the participant in excess of 50% of the Guarantee Fund Threshold will be collected from the concerned participants should the Guarantee Fund Threshold be reached. Information can be obtained via HKSCC circular after each Guarantee Fund review.</p> <p>[*] The concerned participants will be notified by email for the amount required to pay.</p> <p>⁺ These are reports from VaR Platform. Participants may retrieve the reports from Report Access Platform (RAP)².</p> <p>In addition to the above payment obligations, HKSCC may demand additional collateral requirement from participants from time to time. Participants are required to meet and settle such demand using the channel within the timeline as advised by HKSCC at the time. Moreover, HKSCC may isolate certain Exchange Trades from the CNS System for risk management purpose.</p>					

Section B: Cash Prepayment for Early Release of On-hold Securities

On each settlement day, for participants with net long stock positions under Continuous Net Settlement (CNS), HKSCC will allocate shares to their stock clearing accounts and put the allocated shares on-hold. That is, participants are not allowed to use or withdraw the on-hold securities if the corresponding money settlement with HKSCC is not yet confirmed.

Participants may plan to use the on-hold securities for further delivery to their client's custodian, and in return receive funds from the client's custodian to offset their money settlement with HKSCC on the same day.

To enable an early release of the on-hold securities, a participant may make a cash prepayment to HKSCC on the settlement day (normally on T+2 day) for Exchange Trades and on T day for China

² Link to RAP Registration and Maintenance Form ([Client Connect eService: TechS 8](#)).

Connect Securities Trades such that the participant will be able to have immediate use of the on-hold securities for further delivery to its client's custodian and in return receive funds from the client's custodian to offset its funds used for cash prepayment to HKSCC. Please note that it is the participant's responsibility to ensure that its Designated Bank has completed the payment to HKSCC's specified bank account by the stipulated deadlines.

A participant that plans to make a cash prepayment is reminded to take note of the points below:

1. The participant is required to input a Cash Prepayment instruction in CCASS Terminal on each settlement day or maintain a Cash Prepayment Standing Instruction with HKSCC.
2. The participant is also required to arrange sufficient good funds at its CCASS Designated Bank.
3. For Exchange Trades, the participant that makes cash prepayment with "CHATS" must ensure that the CHATS payment is completed by its Designated Bank no later than 3:30 p.m. while for cash prepayment made with "Others", the participant should ensure same day available funds are transferred to HKSCC's specified bank account no later than 2:45 p.m.
4. For China Connect Securities Trades, the participant that makes cash prepayment with "CHATS" must ensure that the CHATS payment is completed by its Designated Bank no later than 6:00 p.m. while for cash prepayment made with "Others", the participant should ensure same day available funds are transferred to HKSCC's specified bank account no later than 6:00 p.m.