

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)

通告 CIRCULAR

Subject: **ENHANCEMENT OF SETTLEMENT ARRANGEMENT FOR MULTI-COUNTER ELIGIBLE SECURITIES**

Enquiry: **CCASS Hotline¹ (Tel : 2979 7111 E-mail : clearingps@hkex.com.hk)**

Hong Kong Securities Clearing Company Limited (“HKSCC”) is going to enhance the settlement arrangement for Multi-counter Eligible Securities in Central Clearing and Settlement System (“CCASS”) by adopting a single tranche multiple counter arrangement (the “Enhancement”). The Enhancement will improve the scalability of trading of Multi-counter Eligible Securities such as Dual Counter Securities (“DCS”) and Exchange Traded Products (“ETP”).

Currently, Hong Kong Exchanges and Clearing Limited (“HKEX”) supports the listing, trading, and settlement of securities traded in multiple counters in different currencies (e.g. HKD, RMB and USD). Although Multi-counter Eligible Securities are traded in counters in different currencies, they are securities of the same class, with the same rights and entitlements, and they are fully interchangeable between respective counters. Trades in a Multi-counter Eligible Security executed under the respective counters are cleared and settled in CCASS under different stock codes and hence Clearing Participants (“CPs”) are required to perform manual inter-counter transfers in CCASS to enable settlement despite the fact that the respective counters are fully fungible.

In order to enhance the existing settlement arrangement, HKSCC is going to introduce the Enhancement with the benefits of eliminating the need for the manual inter-counter transfer of Multi-counter Eligible Securities in CCASS.

The scope of the Enhancement will cover all Multi-counter Eligible Securities in CCASS. All Multi-counter Eligible Securities, e.g. DCS and multi-counter ETP, will be cleared and settled under this Enhancement and is mandatory for CPs to follow. The Enhancement will come into effect in the first half of 2025 tentatively, subject to regulatory approval and market readiness. CPs are requested to take note of the key features of the Enhancement as follows:

¹ All calls to and from the Participant General Enquiry Hotline may be recorded. HKEX Privacy Policy Statement is available [here](#).

Proposed Enhancement

1. There will be no change in the existing trading arrangement. Separate trading counters with different stock codes will still be made available to Multi-counter Eligible Securities for trading. After execution, all trades of a Multi-counter Eligible Security on The Stock Exchange of Hong Kong Limited (“SEHK”) will then be reflected under the domain settlement counter² designated by HKSCC for clearing and settlement purposes. There will only be one stock code/ISIN³ for post trade activities in CCASS, however, separate Continuous Net Settlement (“CNS”) positions will be recorded for each currency counter under such stock code/ISIN.
2. For securities settlement, a new settlement process called “same stock netting” will be introduced to offset any opposite directions of a CP’s outstanding stock positions in a Multi-counter Eligible Security of HKD/RMB/USD that are overdue or due on the same settlement day. The same stock netting will take place at the beginning of the daily settlement process on T+2. Any outstanding stock positions after the same stock netting will continue to be settled in the existing four scheduled batch-settlement-runs T+2. It is noted that after the Enhancement, CPs would no longer be required to submit Multi-counter Transfer Instruction to HKSCC to perform an inter-counter transfer. The Intra-day Counter Transfer Instruction function (i.e. the instruction to facilitate cross transfers between HKD counter and RMB counter of the same stocks in the stock account of A/C 01) will be removed.
3. For money settlement, however, there will be no offset among money positions of different currency counters. Cash prepayment arrangement will remain unchanged.
4. To ensure HKSCC will remain resilient after the introduction of the Enhancement, a new money settlement arrangement, “receipt after payment”, will be introduced, which will only be applicable to CPs with same stock netting. In practice, in the event that a designated bank rejected a CP’s Direct Debit Instruction before the confirmation deadline for designated banks at 17:45, HKSCC will automatically reject such CP’s Direct Credit Instruction in other currencies accordingly. CPs are expected to fulfill their money obligations in accordance with the existing timeline which will remain unchanged under the Enhancement.
5. In order to assist CPs to perform post-trade reconciliation, a file containing the mapping of domain settlement counter and other currency counter(s) will be made available.

Please also refer to Appendix 1 for a summary of the clearing and depository arrangement under the Enhancement.

² Domain settlement counter means the HKD counter and reflects the stock code of the HKD counter, or another currency counter of a Multi-counter Eligible Security which is from time to time designated by HKSCC to reflect the aggregated holdings of such Multi-counter Eligible Security.

³ ISIN refers to International Securities Identification Number which is a 12-digit alphanumeric code that uniquely identifies a specific security. ISINs are assigned to securities to facilitate unambiguous clearing and settlement procedures.

Participant Webinars

To facilitate CPs to prepare any required changes for their systems and operations under the Enhancement, SEHK and HKSCC will jointly arrange three briefing sessions to provide an overview of the settlement arrangements under the Enhancement for CPs. Details of the webinars are as follows:

Date	Mode of Briefing	Time	Language	Registration Deadline
14 June 2024 (Friday)	Webinar video conferencing	17:00-18:00	Cantonese	12 June 2024 (Wednesday)
17 June 2024 (Monday)			English	
19 June 2024 (Wednesday)			Cantonese	

Participation is optional and interested CPs should nominate no more than 2 representatives to attend across the three briefing sessions and register via the Event section in [Client Connect](#) on or before 12 June 2024 (Wednesday). Confirmation email together with the webinar login information will be sent to the successful registrants at least 1 day prior to the webinar.

For those who do not attend any of the webinars, they can still access to the full details of the webinars via the designated web corner after the webinars have been completed.

Web Corner, Terminal User Guides (“TUG”) and Frequently Asked Questions (“FAQ”)

Please note that a [web corner](#) has been established as a centralized point of information on the details of the Enhancement for CPs’ reference. There will be changes to a few CCASS reports and functions. Proposed changes on TUG is posted onto the web corner for CPs’ reference. CPs are highly recommended to consult their internal IT support units or system vendors for necessary preparation.

Besides, HKSCC has also prepared a set of FAQ pertaining to the Enhancement and related arrangements. The FAQ document is now available on the web corner and will be further updated from time to time as required.

Important Note to CPs

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 will not be used to settle transactions conducted by another client as a result of the Enhancement. Besides,

CPs are also reminded to review their client statement for compliance with applicable rules relating to contract notes, statements of accounts and receipts.

General rules of HKSCC and HKSCC operational procedures will be updated to reflect the abovementioned arrangement. **CPs are advised to review their systems, operations and liquidity support to ensure smooth trading and prevent settlement failure.**

Should you have any questions regarding the above information, please contact the CCASS Hotline at 2979-7111 or email to clearingps@hkex.com.hk.

Maria Leung
Managing Director
Clearing & Depository
Operations Division

Appendix 1 Summary of Clearing and Depository Arrangements under the Enhancement

	Existing Arrangements	Proposed Arrangements
Securities Settlement	<ul style="list-style-type: none"> Settlement for different currency counters are done separately as independent stocks with different stock codes assigned to them. CPs need to perform manual inter-counter transfer CNS positions will be offset for same stock code 	<ul style="list-style-type: none"> Settlement will be done through domain settlement counter with one stock code only. No inter-counter transfer is required CNS positions under the domain settlement counter will be offset Introduce 'same stock netting' on T+2 for Multi-counter Eligible Securities
Money Settlement	<ul style="list-style-type: none"> Money settlement obligation will not be offset for different currency counters 	<ul style="list-style-type: none"> Money settlement obligation will not be offset for different currency counters Introduce 'receipt after payment' mechanism which will only be applicable to CPs with same stock netting
Buy-in Arrangement	<ul style="list-style-type: none"> Buy-in trade will normally be executed through the stock code of overdue short stock positions 	<ul style="list-style-type: none"> Buy-in trade will normally be executed through domain settlement counter of overdue short stock positions
HKSCC Report/Online Display	<ul style="list-style-type: none"> Show original trading counter 	<ul style="list-style-type: none"> Show domain settlement counter
Instruction Input	<ul style="list-style-type: none"> Input with trading counter stock code 	<ul style="list-style-type: none"> Input with domain settlement counter
Settlement Fee	<ul style="list-style-type: none"> Settlement fee will be calculated and collected in HKD equivalent for all CNS trades 	<ul style="list-style-type: none"> Settlement fee will be calculated and collected in its settlement currency for all CNS trades
Rights for entitlements and options	<ul style="list-style-type: none"> Same rights for entitlements and options (if applicable) 	
Corporate Action Instruction	<ul style="list-style-type: none"> Submit instructions by counters 	<ul style="list-style-type: none"> Submit instructions through domain settlement counter on aggregate holdings
Corporate Action Entitlements	<ul style="list-style-type: none"> Separate calculation and distribution 	<ul style="list-style-type: none"> Calculation and distribution on aggregate holdings
Depository and withdrawal service	<ul style="list-style-type: none"> Deposit and withdrawal services will be available for the primary counter of DCS (i.e. domain settlement counter) only 	
Positions for risk calculations	<ul style="list-style-type: none"> Positions of different counters are netted separately 	<ul style="list-style-type: none"> Positions of different counters are netted on a combined basis (with FX and haircut where applicable)
Risk parameters	<ul style="list-style-type: none"> Risk parameters of respective counters will apply 	<ul style="list-style-type: none"> Risk parameters of HKD Counter will apply until further notice
Marks & margin calculation	<ul style="list-style-type: none"> In HKD on portfolio basis (based on HKSCC's margin model, together with other applicable positions) 	
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"> Post from the same counter as the original CNS position 	<ul style="list-style-type: none"> Post from domain settlement counter for CNS positions for Multi-counter Eligible Securities