

## **Explanatory Notes for Completion of the Form of "Authorization to HKSCC on Causing Endorsements to be Made on Instruments of Transfer as Selling Broker's Agent"**

In order to expedite the re-registration process and alleviate the inconvenience to CCASS participants, Hong Kong Securities Clearing Company Limited ("HKSCC") has adopted a set of arrangements which have been accepted by the Inland Revenue Department ("IRD"). These arrangements are designed to address the concern of re-registering shares withdrawn from the CCASS Depository and will apply both to share certificates newly registered in the name of the Common Nominee and to "street name" certificates.

1. HKSCC to act as the agent of all CCASS clearing participants in causing endorsements to be made on transfer deeds
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IRD has granted an authorization to HKSCC, in its capacity as agent to all clearing participants, to effect a selling broker's chop on the unendorsed or bears paired endorsements on transfer deeds for share certificates withdrawn from the CCASS Depository.

If securities are withdrawn from the CCASS Depository for trade settlement purposes, i.e. if a withdrawal is made as a result of settlement of an Exchange trade, and if the transfer deed is unendorsed or bears paired endorsements, HKSCC will cause the endorsement to be made on the transfer deed of the share certificate being withdrawn. The buying clearing participant should cause another endorsement to be made on the transfer deed. Custodian participants can arrange with their brokers to cause buying broker's endorsement to be made on the transfer deeds.

As a condition to the arrangements, IRD requires that HKSCC to obtain authorization from ALL CCASS clearing participants for HKSCC to cause endorsements to be made on transfer deeds as the agent of selling brokers. Please therefore arrange for your authorized signatories to sign the relevant authorization form. For your easy reference, a copy of the agent's chop is attached hereto as Appendix I.

Non-clearing participants are not required to sign the authorization form for this purpose.

If securities are withdrawn from a previous deposit into the CCASS Depository for custody purposes or for any other purposes unrelated to trade settlement purposes, HKSCC will not cause the endorsement to be made on the transfer deed of the share certificate being withdrawn. CCASS participants are required to submit a declaration to the IRD that no change in beneficial ownership is involved in the transfer of the securities withdrawn from the CCASS Depository and re-registering the securities into other names.

2. Selection of the input field in the Add Login Withdrawal Order for indicating whether the withdrawal is made as a result of settlement or custody
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At the time of withdrawal, a CCASS participant is required to input on Add Login Withdrawal Order via the CCASS terminal and indicate whether the withdrawal is made as a result of trade settlement or whether it is a withdrawal of a previous deposit for custody. To facilitate the indication of the purpose of withdrawal, there are two types of indication in the Settlement/Custody field of the Add Login Withdrawal Order. The sample of "Add Login Withdrawal Order prompt screen" is attached herewith as Appendix II.

If a withdrawal is made as a result of trade settlement purposes, the CCASS participant will need to select "Settlement" in the Settlement/Custody field. HKSCC will then cause an endorsement to be made on the transfer deed of the share certificate so withdrawn, if the transfer deed is unendorsed or bears paired endorsements.

If a withdrawal is made as a result of custody, the CCASS participant will need to select "Custody" in the Settlement/Custody field. In this case, HKSCC will not cause any endorsement to be made on the transfer deeds attached to the share certificates so withdrawn.

Example A, Example B and Example C are attached hereto as Appendix III to illustrate the section of the correct type of Settlement/Custody field of Add Login Withdrawal Order by withdrawing participant(s) and the appropriate action to be taken by the CCASS Depository in causing endorsements to be made on the transfer deed(s) of the share certificate(s) being withdrawn.

3. For enquiry, please call Depository- Cash Clearing Operations of HKSCC at 2211-6212 or 2211-6201.