

## CCASS System Overview

---

### CCASS SYSTEM OVERVIEW

#### 2.1 INTRODUCTION:

CCASS is a system to cater for the **book-entry settlement** of transactions in listed securities between CCASS Participants, which includes (i) Direct Clearing Participants, (ii) General Clearing Participants, (iii) Clearing Agency Participants, (iv) Custodian Participants, (v) Stock Lender Participants, (vi) Stock Pledgee Participants and (vii) Investor Participants. Direct Clearing Participants (DCPs) and General Clearing Participants (GCPs) are collectively referred as Clearing Participants (CPs).

Securities deposited by a Participant into the system are reflected in its stock accounts with CCASS. Book-entry settlement is done by debit and credit entries to Participants' stock accounts.

The settlement of trades concluded on the Stock Exchange of Hong Kong Limited ("SEHK") forms a major part of the settlement activities in CCASS. To promote the efficiency and integrity of the market place, HKSCC has assumed the role of a central risk taker by substituting itself as settlement counterparty for the vast majority of trades concluded on the SEHK. This is referred to as the "**Continuous Net Settlement System**" or "**CNS System**". Certain risk management measures are applied to monitor and control HKSCC's risk exposure to Clearing Participants under this CNS System.

Securities held in CCASS are treated as fungible and are not earmarked for particular Participants or transactions although HKSCC keeps a record of the Participants responsible for depositing particular securities into the system. This enables HKSCC to hold a Participant responsible should defects discovered with the securities deposited.

Generally, all securities deposited by Participants into CCASS are immediately submitted upon receipt to the registrars of listed companies for registration in the name of HKSCC Nominees Limited, the nominee company of HKSCC, which provides the usual nominee services to the Participants.

The key features of CCASS are outlined below. Please refer to Exhibits 2-A and 2-B at the end of this section for an overview of CCASS.

#### **Eligible securities**

Most SEHK listed securities (e.g. ordinary shares, preference shares, debt securities, registered warrants, units and nil paid rights, China Connect Securities, etc.) are accepted for settlement in CCASS.

## **Participants**

There are seven types of CCASS Participants: (i) Direct Clearing Participants, (ii) General Clearing Participants, (iii) Clearing Agency Participants, (iv) Custodian Participants, (v) Stock Lender Participants, (vi) Stock Pledgee Participants, and (vii) Investor Participants.

### *(i) Direct Clearing Participants:*

All Exchange Participants of SEHK can be **Direct Clearing Participants (DCPs)** of CCASS to clear and settle all their trades concluded on SEHK in **eligible securities** in CCASS. Before admission, Direct Clearing Participants are, amongst other conditions, required to subscribe for a non-interest bearing admission fee for HK\$50,000 per trading right in SEHK and have to make the requisite contributions to the Guarantee Fund (see later).

### *(ii) General Clearing Participants:*

**General Clearing Participants (GCPs)** must be either a licensed corporation licensed to carry on Type 1 regulated activity or a registered institution registered to carry on Type 1 regulated activity under the Securities and Futures Ordinance. A GCP must demonstrate its financial and operational capacity to establish and operate clearing business for other corporations. Before admission, GCPs are, amongst other conditions, required to (i) subscribe for a non-interest bearing admission fee of the higher of HK\$50,000 and HK\$50,000 in respect of each trading right held by itself (if it is also an Exchange Participant of SEHK) and each of its underlying NCP, and (ii) make the requisite contributions to the Guarantee Fund (see later).

### *(iii) Clearing Agency Participants:*

**Clearing Agency Participants (CAPs)** are recognised bodies in the business of operating the central securities clearing and settlement system and/or central securities depository system. Clearing Agency Participants are regulated in Hong Kong by the Commission or in an overseas jurisdiction by a governmental body or securities regulatory agency. A Clearing Agency Participant must demonstrate its financial and operational capacity to establish and operate such a system, and the securities dealt with in the system include **eligible securities**. Clearing Agency Participants are required to subscribe for a non-interest bearing admission fee of HK\$1,000,000.

### *(iv) Custodian Participants:*

Only persons with an established custodian business in SEHK listed securities are to be admitted as **Custodian Participants** of CCASS. Amongst other conditions, each Custodian Participant is required to subscribe for a non-interest bearing admission fee of HK\$1,000,000 prior to admission.

### *(v) Stock Lender Participants:*

Stock lenders are persons who lend SEHK listed securities to Clearing Participants who may need to borrow shares to meet delivery obligations. At the initial stage of CCASS, stock lending within CCASS is restricted only to Clearing and Custodian Participants. A person other than a Clearing Participant or a Custodian Participant who wishes to join as a **Stock Lender Participant** will have to subscribe for a non-interest bearing admission fee of HK\$200,000.

### *(vi) Stock Pledgee Participants:*

Only persons with an established business of lending money to Clearing Participants against the security of SEHK listed securities are admitted as **Stock Pledgee Participants**. Stock Pledgee Participants must have all requisite authorizations or licences and are only allowed to effect stock pledging transactions in CCASS (in particular, deposits of securities into CCASS by Stock Pledgee Participants will not be entertained). Stock Pledgee Participants are required to subscribe for a non-interest bearing admission fee of HK\$200,000 prior to admission.

*(vii) Investor Participants:*

There are 3 types of CCASS **Investor Participants**: individual investor participants, joint individual investor participants and corporate investor participants.

### **Admission criteria**

In general, all Participants must be of good financial standing and must be fit and proper persons to be admitted as CCASS Participants. Each Participant must demonstrate it has adequate resources to support its obligations under CCASS, e.g. the responsibility to make good “defective” securities deposited into the system, and may be asked to provide financial support such as bank or parent guarantees or fidelity bonds etc.. A Participant must also comply with the operational requirements of CCASS.

All Participants must have the requisite status or authorizations under the relevant statutes. DCPs must be deemed to be a licensed corporation which is licensed to carry on Type 1 regulated activity under the Securities and Futures Ordinance (as well as being an Exchange Participant of SEHK). GCPs must be either a licensed corporation licensed to carry on Type 1 regulated activity or a registered institution registered to carry on Type 1 regulated activity under the Securities and Futures Ordinance. Clearing Agency Participants must be bodies recognised and regulated in Hong Kong or in an overseas jurisdiction by a governmental body or securities regulatory agency or its equivalent. Custodian Participants must be authorized institutions under the Banking Ordinance or registered trustee companies under the Trustee Ordinance; or be deemed to be a licensed corporation which is licensed to carry on Type 1 regulated activity under the Securities and Futures Ordinance and which is not an Exchange Participant; or be the Monetary Authority under the Exchange Fund Ordinance (Chapter 66 of the laws of Hong Kong). In most cases, Stock Lender Participants demonstrate to the satisfaction of HKSCC that it either has an established stock lending business in Hong Kong in securities listed on the Exchange or that it has the financial and operational capacity to establish and operate a stock lending business in Hong Kong and has available and sufficient quantity of securities listed on the Exchange for lending and demonstrate to the satisfaction of HKSCC that it has an established business in Hong Kong of lending money against the security of securities listed on the Exchange or otherwise demonstrate that it has the financial and operational capacity to establish and operate a business in Hong Kong of lending money against the security of securities listed on the Exchange. Stock Pledgee Participants must be authorized institutions under the Banking Ordinance or licensed money lenders under the Money Lenders Ordinance and demonstrate to the satisfaction of HKSCC that it has an established business in Hong Kong of lending money against the security of securities listed on the Exchange or otherwise demonstrate that it has the financial and operational capacity to establish and operate a business in Hong Kong of lending money against the security of securities listed on the Exchange. Investor Participants are required to sign the Terms and Conditions.

In addition, each Participant must enter into an agreement with HKSCC undertaking to comply with the rules and regulations of CCASS from time to time in force, which includes accounting and reporting requirements.

### **Electronic linkage**

All Participants must be electronically linked with CCASS. Details of the technical interface requirements are set out in Section 7.1.

### **Immobilization/book-entry settlement**

CCASS operates on a system of **immobilization** - certificates with signed transfer forms attached are deposited by Participants with HKSCC and are reflected in their CCASS stock accounts to facilitate book-entry settlement (by debit and credit entries to the relevant stock accounts).

HKSCC treats Participants as having full control over the securities recorded in their CCASS stock accounts. For the purposes of CCASS, Participants are regarded as dealing as principals with each other for transactions settled in CCASS, and not as agents for their clients.

### **Stock accounts**

There are five types of stock accounts in CCASS: (i) **Stock Clearing Accounts**, (ii) **Stock Segregated Accounts**, (iii) **Stock Lending Accounts**, (iv) **Stock Collateral Control Accounts** and (v) **TSF Accounts**. Each Participant has one *Stock Clearing Account* (Account Number 1), and up to 15 *Stock Segregated Accounts* without statements (Account Number 2 to 16). *Stock Segregated Accounts* with Statement Service are also available to Clearing Participants and Custodian Participants starting from Account Number 21 onwards, account numbers starting from the range 80100000 to 89999999 are reserved for internal use (except for Custodian Participants and GCPs who are not Exchange Participants can open Special Segregated Accounts with Account Number 80000000 to 80099999, for holding China Connect Securities to facilitate Pre-trade Checking). Clearing Participants have an additional *Stock Collateral Control Account* (Account Number 20). TSF CCASS Participants will be assigned with two designated TSF Accounts (Account Number 17 and 18).

*Stock Clearing Accounts* (A/C 1) are used primarily to settle transactions in CCASS. Securities, if available and subject to the money settlement method elected, are debited from the *Stock Clearing Account* of the delivering Participant for transactions settled under the **multiple batch settlement runs** (see later). If the delivering Participant chooses to effect delivery by a **Delivery Instruction (DI)**, he may decide to debit from any of his stock accounts (except Stock Segregated Accounts with Statement Service which require affirmation), subject to availability of securities. In either of the above cases, a corresponding quantity of securities will be credited to the *Stock Clearing Account* of the receiving Participant.

*TSF Accounts* (A/C 17 and 18) are used by Participants who registered as TSF CCASS Participants to clear, settle and hold TSF Stocks. TSF Principal Account (A/C 18) is the main stock account where to facilitate the credit and debit of TSF Stocks for the purposes of earmarking and/or de-earmarking of TSF Stocks; whereas TSF Segregated Account (A/C 17) is an additional stock account for Participant to hold its earmarked TSF Stocks.

*Stock Lending Accounts (A/C 19)* are used by Participants who apply as lenders for stock lending purpose. All securities credited to the Stock Lending Accounts will be used by HKSCC for lending purpose in accordance with CCASS rules.

*Stock Collateral Control Accounts (A/C 20)* are used by Clearing Participants to hold their CCASS stocks as collateral securities and the balance of these collateral securities are reflected in the collateral account under the Common Collateral Management System (CCMS).

*Stock Segregated Accounts* are provided to facilitate Participants' internal record keeping and can be used in whatever manner they consider appropriate. Except for the first *Segregated Account (A/C 2)*, HKSCC does not have access to participants' *Stock Segregated Accounts* except for the recovery of defective securities in accordance with CCASS rules. Securities in *Stock Segregated Accounts* are only used at the specific instructions of the Participants. GCPs who perform clearing and settlement of China Connect Securities for China Connect Exchange Participants are required to transfer the settled China Connect Securities to each NCP's designated Stock Segregated Accounts before day end. Custodian Participants and GCPs who are not Exchange Participants can open Special Segregated Accounts for holding China Connect Securities of their investors.

Stock Account 2 is named the *Entitlement Account* which is used by HKSCC for distributing benefit entitlements to Participants and for effecting adjustments in benefit entitlements. Participants can choose to assign names for the remaining segregated accounts (i.e. Stock Segregated Accounts without statements (A/C 03 to 16) and Stock Segregated Accounts with statements (A/C 21 onwards)) at their will.

Participants who wish to open Stock Segregated Accounts **without** statement should submit written request to HKSCC. Stock Segregated Accounts **with** Statement Service ("SSA with Statement Service") are maintained by Clearing and Custodian Participants. Person(s) named and/or maintained by a Clearing / Custodian Participant in respect of a SSA with Statement Service ("SSA Statement Recipient") will receive statements from CCASS. Besides, SSA Statement Recipients are able to enquire stock movements and account balances, enquire, give and change voting instructions, enquire and affirm Stock Segregated Account Transfer Instructions (STIs) via the CCASS Internet System and CCASS Phone System. Statements in electronic form will also be available on the CCASS Internet System. SSA Statement Recipients are also able to subscribe to receive alert messages relating stock movement, STIs and voting information of the accounts via Short Message Service (SMS) and/or email. When an SSA with Statement Service is added or deleted from CCASS and there is any change in the personal details and/or designated bank account information of the accounts, a notification letter will be sent to the corresponding SSA Statement Recipients, and alert message will be issued via SMS and/or email, if applicable.

Special Segregated Accounts (SPSAs) are maintained by Custodian Participants and GCPs who are not Exchange Participants. Upon the successful creation of a SPSA in CCASS, an Investor ID will be generated and the Custodian Participants or GCPs should submit the Investor ID together with other relevant detail in written format to HKSCC, before the China Connect Securities held at the SPSA are eligible to be sold via the China Stock Connect System. Statement Service, SMS / email alert messages, corporate communications services, voting instructions input by investors, CCASS Phone System and CCASS Internet System are not available to SPSA.

A Participant is able to move shares between stock accounts 1 to 16 and 19 by inputting an **Account Transfer Instruction ("ATI")**, which is effected immediately upon input. Mass ATI is also available for participants to move securities from their Stock Clearing Account (A/C 1)

## Section 2

### CCASS System Overview

---

to a designated account (A/C 2 to 16, 19), which is effected at day end processing. Earmarked TSF shares only can be transferred between the two TSF Accounts (i.e. A/C 17 and 18) via ATI. Transferring shares into TSF Accounts via ATI will only be allowed if there is outstanding TSF earmarking obligation. Stock Collateral Control Accounts (A/C 20) is the stock account where the collateral securities are held and the shareholdings are reflected under the Common Collateral Management System (CCMS). The ATI function will not be applicable to A/C 20 and Participants should use CCMS functions to effect stock movements for this account.

A Participant is able to move securities from and/or to an SSA with Statement Service (A/C 21 onwards) or a SPSA (A/C 800XXXXX) by inputting a **Stock Segregated Account Transfer Instruction ("STI")**. There are two types of STI:

- (i) Without Affirmation: STI input (and authorised, if required) by a Participant where the STI affirmation requirement of the delivering SSA with Statement Service is not being selected. It will be effected immediately upon input.
- (ii) With Affirmation: STI input (and authorised, if required) by a Participant where the STI affirmation requirement of the delivering SSA with Statement Service is being selected. Such STI requires the SSA Statement Recipient to affirm before the transfer is being effected by CCASS. Not applicable to STI involving SPSA.

Mass STI is also available for Participants to transfer securities from their Stock Clearing Account (A/C 1) to an SSA with Statement Service or a SPSA and it is effected at day end processing.

STI can be settled on a "Free of Payment" (FOP) or "Delivery versus Payment" (DVP) basis. STI between two SSAs with Statement Service or involving SPSA should be settled on a "Free of Payment" (FOP). DVP STI is only available to the transferring of Eligible Securities out from an SSA with Statement Service (i.e. with payment to be credited to the SSA Statement Recipient). Upon the completion of transfer of a DVP STI, HKSCC will issue EPI as normal to instruct the Designated Bank of the Participant to effect payment by crediting the payment amount to the Designated Bank Account of the SSA Statement Recipient.

## 2.2 CLEARING AND SETTLEMENT OPERATIONS:

### A. Trades on SEHK

An Exchange Participant of SEHK can either clear and settle trades itself as a Direct Clearing Participant, or appoint a General Clearing Participant to clear and settle trades on its behalf.

Details of trades are forwarded by SEHK to HKSCC on a real-time basis. There is no need for Clearing Participants to input such trade details into CCASS.

#### *Substitution:*

In case a broker of a trade is not a Direct Clearing Participant, the GCP of the broker will be substituted as the settlement counterparty of the trade for clearing and settlement in CCASS.

All trades on SEHK in eligible securities are settled in CCASS under one of the following two different systems:

- (i) the “**CNS System**”: where the original transaction is discharged by novation and replaced by contracts where HKSCC becomes the settlement counterparty and settlement is effected between HKSCC and Clearing Participants; and
- (ii) the “**Isolated Trades System**”: where settlement is effected directly between the Clearing Participants.

The settlement period for SEHK Trades (except China Connect Securities Trades) is T+2 (i.e. the second settlement day following trade day). China Connect Securities Trades will be settled in CCASS via CNS System only, securities and money settlement for China Connect Securities Trades are on T and T+1 day respectively.

#### *CNS System:*

In general, unless the two trading counterparty brokers elect to have a trade settled in CCASS under the Isolated Trades System or unless they are isolated from the CNS System by HKSCC, all trades in eligible securities concluded on SEHK are settled in CCASS under the CNS System.

Under the CNS System, each trade executed on SEHK is replaced by two contracts, one between the delivering Clearing Participant and HKSCC as the receiving counterparty, and the other between the receiving Clearing Participant and HKSCC as the delivering counterparty.

The obligations arising under these new contracts (“market contracts”) are **netted**, i.e. offset against each other so that a Clearing Participant has one net receiving (long) or delivering (short) stock position with HKSCC as settlement counterparty for trades in a particular security on a trade day.

This netting process operates on a **continuous** basis, in that a net overdue stock position of a Clearing Participant on one day is brought forward and netted against any opposite position due for settlement in that stock the following day.

### Hong Kong Market

HKSCC issues two sets of *Provisional Clearing Statement* to Clearing Participants shortly after 5:00 p.m. and 8:00 p.m. respectively on T day to record the details of the market contracts. These netted market contracts enjoy HKSCC's "guarantee" under the CNS System, subject to **trade amendments**, any "late" Exchange Trades and trades not recognized by the Exchange. In addition, to facilitate GCPs to handle and monitor the trades of their underlying NCPs, ten sets of *Intra-day Trade File* containing details of trades cleared by respective GCP at individual NCP level will be generated shortly after 9:45 a.m., 10:15 a.m., 10:45 a.m., 11:30 a.m., 12:00 noon, 1:15 p.m., 2:00 p.m., 2:45 p.m., 3:30 p.m. and 4:15 p.m. on each trading day.

Trade amendments to Exchange Trades agreed by the original trading Exchange Participants are accepted on T+1 up to 15 minutes after the commencement of the morning trading session, subject to the approval of HKSCC and SEHK. On T+1, not long after the close of morning trading session, HKSCC will issue *Final Clearing Statement* to Clearing Participants confirming the final settlement positions, including the amended trades which are novated, netted and guaranteed for settlement under the CNS System.

### China Connect Market

For settlement of China Connect Securities Trades, HKSCC issues a Final Clearing Statement for Shanghai and Shenzhen markets separately to the China Connect Clearing Participants shortly after 4:00 p.m. on T day to record the details of the China Connect Securities market contracts. These netted market contracts enjoy HKSCC's "guarantee" under the CNS System. In addition, to facilitate GCPs to handle and monitor the China Connect Securities Trades of their underlying NCPs, eight sets of Intra-day Trade File containing details of China Connect Securities Trades cleared by respective GCP at individual NCP level will be generated shortly after 9:45 a.m., 10:15 a.m., 10:45 a.m., 11:45 a.m., 1:15 p.m., 2:00 p.m. and 2:30 p.m. and 3:30 p.m. on each trading day for Shanghai and Shenzhen markets separately. Trade amendment is not applicable to China Connect Securities Trades.

As settlement counterparty, HKSCC allocates securities received by it from Clearing Participants with net delivering (short) positions to Clearing Participants with net receiving (long) positions in accordance with the following **allocation algorithm**:

- age (oldest)
- position price (highest)
- position size (smallest)
- random

#### *Isolated Trades System:*

Two trading counterparty Exchange Participants may opt to have a trade settled under the Isolated Trades System and not the CNS System by election at the time of trade. Trade isolation may also be initiated by HKSCC for risk management purposes.

Settlement in CCASS is then effected directly between the two relevant Clearing Participants on a **trade-for-trade** basis. HKSCC does not become the settlement counterparty.

Like the CNS system, trade information for isolated trades is also summarized in the *Provisional Clearing Statements* (on T day), *Final Clearing Statement* (on T+1 day after trade amendments) and *Intra-day Trade File* (on T day and for GCPs only).

## B. Other transactions

*TSF FX Transactions and Stock Release Requests (Hong Kong Market only):*

Clearing Participants can clear and settle TSF FX Transactions and perform Stock Release Requests in CCASS only if they are registered as the TSF CCASS Participants. Custodian Participants, upon registration as TSF CCASS Participants, can also hold TSF shares and perform Stock Release Requests in CCASS.

On each trade day, CCASS issues a *TSF Confirmation Report* to TSF CCASS Participants after 6:00 p.m. on T and T+1 days, recording those TSF FX Transactions and Stock Release Requests executed on current Business Day and to be settled on the following Business Day.

Same as Exchange Trades, to facilitate the CNS settlement, TSF CCASS Participants should settle their TSF FX Transactions and earmarking/de-earmarking TSF shares on the settlement day, i.e. T+2.

If a TSF CCASS Participant wish to release its earmarked TSF shares without selling the TSF shares, it should maintain a Stock Release Request in CCASS. Upon submission and authorisation, the TSF shares will be released and transferred from its TSF Accounts (17 of 18) to its designated receiving account. In return the TSF CCASS Participant should replenish RMB to TSF in exchange of the equivalent amount of HKD on the payment day, i.e. two settlement days after the Request date.

8:00 a.m. on the settlement/payment day, i.e. T+2, based on the TSF FX Transactions and/or Stock Release Requests executed by TSF CCASS Participants, CCASS will generate TSF Payment Instructions for TSF CCASS Participants to settle by 3:00 p.m. on that day. After receipt of the TSF payments, CCASS will credit the exchanged amount (either in RMB or HKD) to the Participants' money ledger account(s) for money settlement via DDI / DCI.

Table 2.0 lists the CCASS functions and reports related to TSF FX Transactions / Stock Release Requests.

**TABLE 2.0: Functions and reports related to TSF FX Transactions / Stock Release Requests**

	<b>CCASS Functions / Reports</b>	<b>Sections in this User Guide</b>
Terminal operation function	<ul style="list-style-type: none"> <li>• Stock Release Request Maintenance</li> </ul>	Section 8.1.13
Special enquiry function	<ul style="list-style-type: none"> <li>• Enquire TSF Payment Instruction</li> </ul>	Section 9.1.9
Reports	<ul style="list-style-type: none"> <li>• TSF FX Transaction/Stk Rlse Activity / Status Report</li> <li>• TSF Confirmation Report</li> </ul>	Section 4.3

*Settlement Instructions:*

For transactions other than SEHK Trades, each of the two Participants concerned on each occasion has to input a **Settlement Instruction ("SI")** into CCASS containing the

transaction details etc. SI transactions can include broker-custodian transactions, new stock borrowing/lending, return/recall of borrowed stock, stock pledging transactions and portfolio movements.

The **INPUT SI** function is used to input SI details into CCASS. Each pair of SIs input into the system are matched by CCASS on a batch basis. After successful matching, a settlement position is created for the transaction and it is ready for settlement. A Participant may opt to apply an on-hold mechanism for holding settlement of a SI after matching. Settlement of such SI will not be effected until the matched on-hold SI has been released by the initiating party(ies). This type of SI would have a “Matched On-hold” status after successful matching.

If the input value or market value of the stock of an SI exceeds the input transaction limit of the authorised user, the SI created will have a “Pending” status. Pending SIs are required to be authorised through **AUTHORISE PENDING SI** function before it can be changed to “Unmatched” status.

Before matching, an SI can be changed or deleted through the terminal. The **CHANGE MATCHED/SETTLED SI** function is provided to:

- (1) change the following non-matching fields of a “Matched” SI or “Matched On-hold” SI:
  - Stock Settlement Account
  - Client Name
  - Internal Transaction Reference
  - SI Linkage Reference
  - Remarks
- (2) release the “SI link on-hold shares” by deleting the “SI Linkage Reference” of a “Settled” receiving SI.

The **REVOKE MATCHED SI** function is provided to cancel matched but unsettled SIs and matched on-hold SIs.

Any SIs unmatched for fourteen calendar days after input, and any SI transactions (matched or matched on-hold SIs) unsettled for fourteen calendar days after the stipulated settlement date will be purged i.e. excluded from the system. Also, pending SIs that remain unauthorised for fourteen calendar days, revoked SIs and settled SIs will also be purged from the system.

To assist Participants to reduce the follow-up work on unmatched SI, the **ENQUIRE UNMATCHED SETTLEMENT INSTRUCTION REASON** function (“LSUE”) and the Unmatched SI Report will provide Participant’s SI details to those counterparties of whom the Participant has agreed to disclose such information. In this regard, Participants are provided with a set of new online functions relating to “Hide Unmatched SI Content Counterparty List” maintenance for selecting whether to hide the unmatched SI details to their counterparty at counterparty level. CCASS will display the unmatched SI details in LSUE function and the Unmatched SI Report according to the decision of the Participant:

- If Participants choose to hide unmatched field contents of their SI to their counterparties, only the SI input number of the Participants’ SI will be shown to the counterparties in LSUE function. For Unmatched SI Report, the SI input number of Participants’ SI and Participant ID will be shown.
- If Participants choose not to hide the unmatched SI field contents to their counterparties, all the details of the Participants’ SI will be shown to the counterparties

---

*SI Tolerance Limit*

To improve the settlement efficiency of SIs, Participants are able to opt for allowing their SIs to be matched with minor deviations in money values. A global limit for each eligible currency is set by CCASS. Participants may select to apply the tolerance limit on their SIs via the maintain SI Tolerance Limit functions.

For a Participant who chooses to apply the tolerance limit, their SIs may be matched with money values above or below the input money value within the tolerance limit.

The following table summarizes the new matching criteria of the money value after the introduction of SI Tolerance Limit under different scenarios:

Case	Accept Tolerance Limit ?		Matching Criteria of Money Value
	Delivering Participant	Receiving Participant	
1	Yes	Yes	The money value of one SI should be within the tolerance limit of the other SI.
2	Yes	No	The money value of the receiving SI should be within the tolerance limit of the delivering SI.
3	No	Yes	The money value of the delivering SI should be within the tolerance limit of the receiving SI.
4	No	No	The money values of the delivering and receiving SIs must be the same.

*Example:*

SI No	Input Participant	Deliver / Receive	Money Value (HKD)	Range of Possible Money Values of a Matching SI if the Input Participant has set Tolerance Limit for HKD (Tolerance Limit = HKD10)
1	Participant A	Deliver	1,000	990 - 1,010
2	Participant B	Receive	985	975 - 995
3	Participant B	Receive	990	980 - 1,000
4	Participant B	Receive	1,000	990 - 1,010
5	Participant B	Receive	1,010	1,000 - 1,020
6	Participant B	Receive	1,015	1,005 - 1,025

Case 1: Participants A and B have both set tolerance limits for HKD.  
Possible match for SI 1: SIs 3, 4 and 5  
Reason: The money value of SI 1 falls within the ranges of money values of SIs 3, 4 and 5 and the money values of SIs 3, 4 and 5 also fall within the range of money values of SI 1.

Case 2: Only Participant A has set tolerance limit for HKD.  
Possible match for SI 1: SIs 3, 4 and 5  
Reason: The money values of SIs 3, 4 and 5 fall within the range of money values of SI 1.

Case 3: Only Participant B has set tolerance limit for HKD.  
Possible match for SI 1: SIs 3, 4 and 5

Reason: The money value of SI 1 falls within the ranges of money values of SIs 3, 4 and 5.

Case 4: Both Participants A and B have not set tolerance limit for HKD.

Possible match for SI 1: SI 4

Reason: The money values of the delivering and receiving SI must be exactly the same.

### *Select the Most Possible Matching SI*

The system will select the SIs that fulfilled the most possible matching criteria in a matching run. The highest priority will always be given to a perfect matching SI. If a perfect match is not found, the selection criteria will be based on the following priority:

1. The smallest difference in money value – the difference in input money values between the delivering SI and each possible matching SI will be calculated by the system. The receiving SI with the smallest difference in money values as compared to that of the delivering SI will be selected.
2. The same Client A/C Number - if there are more than one SIs with the smallest difference in money value, the system will select the receiving SI with the same client account number (including blank account number).
3. The lowest money value - if the most possible matching SI cannot be determined from the difference in money value and the client account number, the system will select the SI with the lowest money value.
4. The earliest SI last update timestamp - if the most possible matching SI cannot be determined from the difference in money value, the client account number and the money value, the system will select the SI with the earliest SI last update timestamp.

### *Determine the Actual Settlement Amount*

For every pair of matched SIs, the actual settlement amount is determined as follow:

- If both parties have not set tolerance limit or the money values of the two SIs are exactly the same, the actual settlement amount will be blank and the input money values of the SIs will be used as the settlement amount of the position.
- If only one party has set tolerance limit and the SI is matched with amount variance, the input money value of the other side (i.e. the side that has not set the limit) will be used as the actual settlement amount for the position
- If both parties have set tolerance limits and the SI is matched with amount variance, the input money value of the receiving SI will be used as the actual settlement amount for the position. In the above example, if SI 1 is matched with SI 3, the actual settlement amount will be HKD990.

If a pair of SIs are matched with amount deviated from the money value of either SI, the actual settlement amount will be printed on the “SI Activity Report”, the “SI Status Report” and the “Intra-day SI/ISI Full List” of both parties for their reference.

Participants with a large volume of SI transactions can upload SI batch files from the CCASS Terminals to the HKSCC host computer.

Table 2.1 lists the CCASS functions and reports related to SI transactions.

**TABLE 2.1: Functions and reports related to SI transactions**

	<b>CCASS Functions / Reports</b>	<b>Sections in this User Guide</b>
Terminal operation functions	<ul style="list-style-type: none"> <li>• SI Maintenance</li> <li>• Change Hold Matched SI</li> <li>• Change Matched/Settled SI</li> <li>• SI Tolerance Limit Maintenance</li> <li>• Hide Unmatched SI Content Counterparty List Maintenance</li> </ul>	Section 8.1.1 Section 8.1.1a Section 8.1.1b Section 8.1.2 Section 8.1.2a
Special enquiry function	<ul style="list-style-type: none"> <li>• Enquire Unmatched SI Reason</li> </ul>	Section 9.1.6
File transfer function	<ul style="list-style-type: none"> <li>• SI File Transfer</li> </ul>	Sections 5.1 & 5.2
Reports	<ul style="list-style-type: none"> <li>• SI Activity Report</li> <li>• SI Status Report</li> <li>• SI Batch Input Control Report</li> <li>• Next Settlement Day Due/Overdue Position Report</li> <li>• Intra-Day ISI/SI Full List</li> <li>• Unmatched SI Report</li> </ul>	Section 4.3

Exhibit 2-C summarizes the operational flow related to SI transactions at the end of this section.

*Investor Settlement Instructions (Hong Kong Market only):*

For a stock transfer between CCASS Participants and Investor Participants within CCASS, Participants (both CCASS Participants and IPs) have to input an **Investor Settlement Instruction (“ISI”)** into CCASS with transaction details. There are two types of ISI:

- (i) “ISI (without affirmation)”: ISI input (and authorised, if required) by Participants which meets the following criteria:
  - it is a delivery instruction;
  - it is set as settled on a Free of Payment (FOP) basis; and
  - the receiving counterparty Participant ID is contained in the inputting Participant’s ISI (without affirmation) counterparty list; and
- (ii) “ISI (with affirmation)”: ISI input (and authorised, if required) by CCASS Participants which does not meet the criteria for ISI (without affirmation) and requires affirmation by the relevant IPs before the ISI is accepted by CCASS for settlement.

The **INPUT ISI** function is provided to the Participants to input the ISI details into CCASS. CCASS Participants have to input the ISI with one of the four ISI purposes: i) investor-

## Section 2

### CCASS System Overview

---

intermediary transactions, ii) stock borrowing/lending transactions, iii) stock pledging transactions, and iv) portfolio movements.

After successful input of an ISI (without affirmation), a settlement position number will be assigned and ready for settlement. Each ISI (with affirmation) created has to be affirmed by the relevant Investor Participant. After successful affirmation, a settlement position is created for the transaction and it is ready for settlement.

If the input value or market value of the stock of an ISI exceeds the input transaction limit of the authorised user, the ISI created will be under "Pending" status. Pending ISIs are required to be authorised through **AUTHORIZE PENDING ISI** function before it can be changed to "Settled", "Pending for Settlement" or "Unaffirmed" status.

Before affirmation, an ISI (with affirmation) can be changed or deleted through CCASS Terminal.

CCASS Participants may also opt to apply an on-hold mechanism to an outstanding ISI (either receiving or delivering) from settlement by setting the "Hold Before Settlement" indicator of the ISI to "Yes". The indicator should be updated to "No" before the ISI can be settled via a DI or batch settlement run.

Moreover, subject to the participation of designated banks of IPs to provide payment confirmation service to CCASS for respective EPI, if both the CCASS Participant and IP agree, Participant may elect to put shares for DVP ISI on-hold in the IP's stock account upon settlement until the corresponding payment is confirmed good by the designated bank on the following business day. In case the payment is confirmed to be rejected, the on-hold shares will be released back to CCASS participant's account specified in the ISI immediately. With such arrangement, CCASS Participants will be able to ensure payments are received before shares are released to IPs.

Any ISIs (with affirmation) remain unaffirmed for fourteen calendar days after input, and any ISI transactions (in "Pending for Settlement" status) unsettled for fourteen calendar days after the stipulated settlement date will be purged, i.e. excluded from the system. Also, pending ISIs that remain unauthorised for ten calendar days and settled ISIs will also be purged from the system.

To effect an ISI (without affirmation), Participants (CCASS Participants or IPs) have to maintain an ISI (without affirmation) counterparty list in CCASS. CCASS will accept the input of an ISI (without affirmation) only if the receiving counterparty specified in the ISI is contained in the list. Pending ISI (without affirmation) counterparty can be added, deleted and authorised while authorised ISI (without affirmation) counterparty can be cancelled. For CCASS Participants, shares received due from ISI (without affirmation) settlement will be credited into the designated accounts maintained in the ISI (without affirmation) Counterparty List. If such designated account has not been maintained by CCASS Participants, CCASS will credit received shares, if any, into the receiving Participant's entitlement account (A/C2).

To strengthen the internal control of CCASS Participants when transacting ISI (with affirmation), Clearing Participant, Custodian Participant, Stock Pledgee Participant and corporate Investor Participant can choose to maintain an ISI (with affirmation) counterparty list in CCASS. If Participant elects to use the function, CCASS will accept an ISI (with affirmation) only if the counterparty specified in the ISI is contained in the list. Pending ISI (with affirmation) counterparty can be added, deleted and authorised while authorised ISI (with affirmation) counterparty can be cancelled.

A “Monthly ISI Counterparty List” will be generated to Participants at each month end listing out account numbers and short names of all the pending and authorized ISI counterparties, both for effecting ISI (without affirmation) and ISI (with affirmation), for internal checking purposes.

Participants can also upload ISI batch file from the CCASS Terminals to the HKSCC host computer.

Table 2.1a lists the CCASS functions and reports related to ISI transactions.

**TABLE 2.1a: Functions and reports related to ISI transactions**

	<b>CCASS Functions / Reports</b>	<b>Sections in this User Guide</b>
Terminal operation functions	<ul style="list-style-type: none"> <li>• ISI Maintenance</li> <li>• Hold/Release ISI</li> <li>• ISI (With Affirmation) Counterparty List Maintenance</li> <li>• ISI (Without Affirmation) Counterparty List Maintenance</li> </ul>	Section 8.1.3 Section 8.1.3a Section 8.1.4 Section 8.1.4a
File transfer function	<ul style="list-style-type: none"> <li>• ISI File Transfer</li> </ul>	Sections 5.3 & 5.4
Reports	<ul style="list-style-type: none"> <li>• ISI Activity Report</li> <li>• ISI Status Report</li> <li>• ISI Batch Input Control Report</li> <li>• Next Settlement Day Due/Overdue Position Report</li> <li>• Intra-Day ISI/SI Full List</li> <li>• Monthly ISI Counterparty List</li> </ul>	Section 4.3

Exhibit 2-D summarises the operational flow related to ISI transactions at the end of this section.

### **C. Mechanics of settlement process**

CCASS is designed to give its Participants the maximum flexibility over its delivery priorities. Delivering Participants may settle a short position in CCASS by one of two methods:

- (i) inputting a **Delivery Instruction (“DI”)** through the terminal on or after the due settlement date, which must identify the transaction recorded in CCASS to be settled, and is given effect immediately upon input. Participants should note that 1) SI position in Matched on-hold status and 2) ISI with the Hold Before Settlement indicator set to ‘Yes’ cannot be settled by inputting a DI unless the Hold Matched SI indicator or the Hold Before Settlement indicator for ISI has/have changed the indicator from Yes to No; or
- (ii) relying on CCASS’s **multiple batch settlement runs** (Hong Kong Market) carried out four times every day (at 10:30 a.m., 12:00 noon, 2:00 p.m. and 3:45 p.m.) where available securities, subject to the payment method of the transactions, are automatically debited from the *Stock Clearing Account* (CNS / IT) or *Stipulated Settlement Stock Account* (for SI / ISI) of the delivering Participant and credited to the *Stock Clearing Account* (CNS / IT) or *Stipulated Settlement Stock Account* (for SI / ISI) of the receiving Participant for transactions to be settled that day. Participants do not have to enter any instructions into CCASS when using this method. The delivering priority of the batch settlement run will be at the following sequence:
  1. Buy-in Trade (the priority among buy-in trades is same as Isolated Trade)
  2. CNS
  3. Isolated Trade
    - a. Age (Oldest)
    - b. Price (Highest)
    - c. Size (Smallest)
    - d. Random
  4. SI/ISI
    - a. Due/overdue status
    - b. Payment method (RDP/DVP/FOP)
    - c. Value (Highest)
    - d. Size (Biggest)
    - e. Time (Matching/Affirmation)

All IT, SI, ISI, and CNS positions (except for Shanghai market and Shenzhen market) can be settled by either (i) or (ii).

China Connect Securities CNS positions and SI positions can be settled by multiple batch settlement runs of Shanghai market and Shenzhen market carried out every day when China Connect trading is available in Hong Kong at 4:45 p.m., 5:30 p.m., 6:15 p.m. and 7:00 p.m.. CNS settlement can also be effected by inputting DI between 4:00 p.m. to 7:00 p.m. The runs at 4:45 p.m., 5:30 p.m., 6:15 p.m., and 7:00 p.m. will settle SIs with SPSA as delivering account and SIs with non-SPSA as delivering account with no outstanding CNS short positions in the relevant China Connect Securities or the circumstances stated in Section 12.1.6 (vi) (e) of CCASS Operational Procedures are met. Participants can use DI to settle China Connect Securities FOP and DVP SI from 4:00 p.m. to 7:45 p.m. and RDP SI from 4:00 p.m. to 7:00 p.m. provided that the delivering participants have no outstanding CNS short positions in the relevant China Connect Securities. Final batch settlement run at 7:45 p.m. will settle SI positions from any delivering account provided that the delivering participants have no outstanding CNS short positions in the relevant China Connect Securities.

For Hong Kong market, partial settlement is only allowed for CNS positions and IT with FOP (free of payment) positions settled by a DI. Also, unless the delivering Clearing Participant makes use of the “**CHANGE DI REQUIREMENT**” function to specify that a DI must be input by it to effect settlement, for partially settled IT position, the remaining balance will be settled in batch on FOP basis. See Table 2.2 as a summary.

**TABLE 2.2 : Securities Settlement**

Settlement Position	Settlement processing		Partial Settlement	
	DI - on-line	Multiple batches	DVP	FOP (Through DI)
CNS	✓	✓		✓
IT	✓	✓	DVP	FOP (Through DI)
			X	✓
SI	✓	✓	X	
ISI	✓	✓	X	

'✓' represents the settlement method is allowed;  
 'X' represents the settlement method is not allowed.

Table 2.3 summarizes the CCASS functions and reports related to securities settlement:

**TABLE 2.3: Functions and reports related to securities settlement**

	CCASS Functions / Reports	Sections in this User Guide
Terminal operation functions	<ul style="list-style-type: none"> <li>• Change DI Requirement</li> <li>• Input DI</li> <li>• Input ATI</li> <li>• Input STI</li> <li>• Mass ATI/STI</li> </ul>	Section 8.1.5 Section 8.1.6 Section 8.1.7 Section 8.1.7a Section 8.1.8
Special enquiry functions	<ul style="list-style-type: none"> <li>• Enquire Stock Account Balance</li> <li>• Enquire Stock Account Movement</li> <li>• Enquire Due/Overdue Positions</li> <li>• Enquire Settlement Activity</li> </ul>	Section 9.1.1 Section 9.1.2 Section 9.1.3 Section 9.1.4
File transfer functions	<ul style="list-style-type: none"> <li>• ATI File Transfer</li> <li>• STI File Transfer</li> </ul>	Sections 5.5 & 5.6 Sections 5.6a&5.6b
Reports	<ul style="list-style-type: none"> <li>• Intra-day Settled Position Report</li> <li>• Settled Positions Report</li> <li>• Settlement Report</li> <li>• Statement of Stock Movement (By Account) Report</li> <li>• Statement of Stock Movement (By Stock) Report</li> <li>• Daily Stock Balance Report</li> <li>• Next Settlement Day Due/Overdue Position Report</li> <li>• Intra-Day ISI/SI Full List</li> <li>• STI Activity Report</li> <li>• STI Status Report</li> <li>• STI Batch Input Control Report</li> <li>• ATI Batch Input Control Report</li> </ul>	Section 4.3

#### **D. Money Settlement:**

Each Participant has a **Money Ledger** recording money obligations owed to or due from HKSCC by or to the Participant for transactions with HKSCC, fees to be paid etc. Money obligations between Participants arising out of transaction settlement between them in CCASS are recorded in the *Settlement Report* available from CCASS on a daily basis. In order to facilitate Participants to perform funding arrangement before the evening interbank bulk settlement run, “*CCASS Funding Projection Report for Participant*” is available 4 times a day to provide the estimated money obligations of the Participant at the time of report generation.

However, unlike securities, monies are not actually deposited by Participants with HKSCC. Actual money settlement takes place through the clearing system of the Hong Kong Association of Banks (“HKAB”).

Each Participant must designate one HKD bank account for CCASS money settlement purposes and must authorize the designated bank to accept instructions from HKSCC and, in the case of money settlement under the CNS System or other cases where HKSCC acts as settlement counterparty, to “**confirm**” payment status of DDIs to HKSCC.

CCASS transactions can be settled using either one of the payment methods: Delivery Versus Payment or “DVP”, Realtime Delivery Versus Payment or “RDP”, and Free of Payment or “FOP”.

Money positions for transactions to be settled on a DVP basis are generated when stock positions are settled in CCASS (and, in the case of CNS stock positions, posted to the *Money Ledger* of Participants). For Hong Kong market, after the final batch settlement run, payment instructions are forwarded by HKSCC to Participants’ designated banks for settlement in the evening of the same business day or in the morning of the next business day. For SIs of China Connect Market to be settled on a DVP basis, payment instructions will be forwarded by HKSCC to Participants’ designated banks for settlement at night of the same business day (for RMB DVP SIs matched and settled of the same settlement day when both designated banks of both counterparties to the SI can support the night interbank bulk settlement run) or in the morning of the next business day (for SI matched and settled of the same settlement day and not settled in the night interbank bulk settlement run).

Participants can elect to settle SIs/ISIs of Hong Kong market and SIs of China Connect market on an RDP basis. Money positions for SIs/ISIs to be settled on an RDP basis are generated when securities are being put on-hold in the delivering Participant’s stock account. Upon putting shares on-hold, CCASS will issue a CHATS Payment Instruction or “CPI” for each of such money positions to the designated bank of the relevant paying Participant. When CCASS receives confirmation of payment from the Clearing House of HKAB, delivery of securities takes place immediately on-line in CCASS. Relevant paying Participants can also monitor the payment status of the CPIs via an on-line enquiry function.

No money position will be generated for transactions to be settled on an FOP basis. Settlement of such transactions involves only transfer of securities between two counterparties.

*CNS System:*

There is always a corresponding money position for each Eligible Currency (if net cash position is not zero) between a Clearing Participant and HKSCC to be settled in CCASS under the CNS System, i.e. money settlement is to be made between Clearing Participants and HKSCC. Normally, **direct debit/credit instructions** are forwarded by HKSCC, via HKICL, to the designated banks of Clearing Participants for payment in the evening of the same business day for Hong Kong market. Moreover, Clearing Participants can elect to receive their CNS money obligations via intra-day payment processing by maintaining an Intra-day Payment Standing Instruction in CCASS.

*ITs, SIs and ISIs:*

It is up to Participants to decide whether or not to make use of CCASS money settlement facilities for IT, SI, and ISI transactions.

For Hong Kong market, when a DI is input to effect settlement of an isolated trade, the delivering Participant may elect to have the delivery made against payment (DVP) or free of payment (FOP). In the latter case, payment can be arranged by the two Participants outside CCASS.

When SIs/ISIs of Hong Kong market and SIs of China Connect market are input to confirm details of a transaction to be settled in CCASS, the two Participants concerned may elect to settle the transaction on a DVP, RDP or FOP basis.

For Hong Kong market, during the first three batch settlement runs or when delivering Participants input DIs for status of Matched SI or Pending for Settlement ISI, subject to availability of securities, shares will be put on-hold in the delivering Participants' stock accounts for RDP SIs/ISIs. Status of the relevant SIs/ISIs will be updated to "Shares-on-hold". After the status of SI is updated to "Shares on-hold", CCASS will issue CPIs to relevant paying Participants' designated banks for effect payment. For DIs being input before the third batch settlement run, CPIs will be generated to relevant designated banks. Designated bank will base on the report to effect CHATS payments on behalf of the paying Participants. The CHATS payments created by designated banks will be transmitted to CCASS via the Clearing House of HKAB for validation. If accepted, CCASS will update the relevant SIs/ISIs status to "Payment Validated". SI/ISI status will be further updated to "Settled" after confirmation of money settlement is received from the Clearing House of HKAB, during which securities will be transferred from the delivering Participant's account to the receiving Participant's account. SI/ISI shares being put on-hold will be released to delivering Participants' stock accounts before the final batch settlement run if confirmation of CHATS payments are not received before then. For DIs being input after the third batch settlement run, CPIs will not be generated to relevant designated banks. In this case, a reminder will be prompted to remind delivering Participant to inform their counterparty to arrange CHATS payment.

For China Connect market, during the first four batch settlement runs or when delivering Participants input DIs for status of Matched SI, subject to availability of securities, shares will be put on-hold in the delivering Participants' stock accounts for RDP SIs. Status of the relevant SIs will be updated to "Shares-on-hold". After the status of SI is updated to "Shares on-hold", CPIs will be generated to relevant paying Participants' designated banks. For DIs being input before the fourth batch settlement run at around 7:00 p.m., CPIs will be generated to relevant designated banks. Designated bank will base on the report to effect CHATS payments on behalf of the paying Participants. The

CHATS payments created by designated banks will be transmitted to CCASS via the Clearing House of HKAB for validation. If accepted, CCASS will update the relevant SIs status to "Payment Validated". SI status will be further updated to "Settled" after confirmation of money settlement is received from the Clearing House of HKAB, during which securities will be transferred from the delivering Participant's account to the receiving Participant's account. SI shares being put on-hold will be released to delivering Participants' stock accounts at around 6:05 p.m. for SI in HKD and USD and 7:50 p.m. for SI in RMB if confirmation of CHATS payments are not received before then. For DIs being input after the fourth batch settlement run, CPIs will not be generated to relevant designated banks. In this case, a reminder will be prompted to alert delivering Participant that there is insufficient time for arranging CHATS payment.

Debit and credit entries for isolated trades and SI/ISI transactions, if any, are recorded in the daily *Settlement Report* upon settlement in CCASS.

For transactions settled on a DVP basis, at the end of each settlement day, HKSCC forwards appropriate **Electronic Payment Instructions (EPIs)** generated per transaction basis to the Participants' designated banks for processing in the evening of the same business day, in the night of the same business day or in the morning of the next business day.

For SIs/ISIs to be settled on an RDP basis, CPIs are issued to relevant designated banks during the day and no EPIs will be generated in the evening of settlement day.

*Direct Debit/Credit Instructions (DDIs/DCIs):*

Depends on the types of CCASS payments, CCASS generates DDIs/DCIs after the final batch settlement run or at the end of each settlement day or business day to settle daily monetary positions due from or to CCASS Participants. These money positions mainly arise from the settlement of Hong Kong market's CNS positions (i.e. substituted and novated Exchange Trades), marks, concentration collateral and margin on pending or due/overdue CNS positions, specific cash collateral, additional cash collateral, Guarantee Fund Contributions, entitlement distribution or conversion and subscription instructions under nominee services, fees and expenses for IPs, Mainland Settlement Deposit (MSTD) and Mainland Security Deposit (MSCD) on CNS positions in China Connect Securities and Marks, Concentration Collateral and Margin (MCM) for the Clearing Agency Participant who is also a China Connect Clearing House etc. Thus, there may be more than one DDI/DCI for each CCASS Participant each business day. The DDIs/DCIs are then presented to HKSCC's banker which will in turn submit the instructions to the Clearing House of HKAB for Electronic Clearing ("ECG") processing in the respective interbank bulk settlement runs. Types of CCASS payments to be settled in the respective interbank bulk settlement runs are detailed in Table 2.4a.

Until payment is confirmed good and irrevocable, the use of shares allocated to Clearing Participants by HKSCC for settling their long CNS positions may not be allowed. HKSCC operates the "on-hold" mechanism over securities it has allocated to the Clearing Participants or Clearing Agency Participant who is a China Connect Clearing House before funds relating to the DDIs are confirmed good and irrevocable by the receiving bank of HKSCC.

In order for the Hong Kong market's allocated shares to be released in time for Clearing Participants to fulfil their forthcoming settlement obligations, all Participants' designated banks are required to confirm payment to HKSCC whether the payments for the DDIs are

## Section 2

### CCASS System Overview

---

“good” or not by 8:00 p.m.. Also, for the DDI arising from MCM of the Clearing Agency Participant who is a China Connect Clearing House, its designated bank is required to confirm payment to HKSCC by 8:00 p.m. Subsequently, HKSCC’s banker also notifies HKSCC whether the DDI funds are good and irrevocable. This occurs on the same business day of the issue of DDIs by HKSCC. HKSCC terminates the “**on-hold**” status over securities it has allocated to the Clearing Participants or Clearing Agency Participant who is a China Connect Clearing House if funds are confirmed good and irrevocable by HKSCC’s banker.

Participants can opt to receive corporate action related payments as specified by HKSCC from time to time via DCI in the evening of each Business Day by setting up an Nominee payment (evening) standing instruction. Participants who wish to receive payments on the same day should maintain an authorised standing instruction at or before 3:30 p.m. Confirmed payments received by HKSCC at or before 3:30 p.m. and has not been paid to the Participants during the day via intra-day payment will be distributed to Participants via DCI in the evening of each Business Day. For corporate action related payments had not been distributed via intra-day payment and evening interbank bulk settlement run will be distributed them at day-end.

For the money positions arising from marks, concentration collateral and margin on pending or due/overdue CNS positions for Hong Kong market, specific cash collateral, additional cash collateral, corporate action related payments or conversion and subscription instructions under nominee services, MSTD and MSCD on CNS positions in China Connect Securities etc, the designated banks of Clearing Participants who have an obligation to pay HKSCC are expected to inform HKSCC of the payments (i.e. direct debit instructions) which have definitely been rejected by 9:30 a.m. the following business day.

#### *Electronic Payment Instructions (EPIs):*

HKSCC facilitates the money settlement between CCASS Participants for isolated trades, STIs, SIs and ISIs, which are settled on a “DVP” basis, by issuing EPIs. HKSCC also collects fees and expenses from non-IP Participants and redelivers collateral to CCCPs for the early release of China Connect Securities that are Securities-on-hold via EPI. Unlike DDIs/DCIs, HKSCC will not act as the payment counterparty and therefore will not guarantee the money settlement of these EPI transactions.

Subject to the participation of designated banks of IPs to provide payment confirmation service to CCASS for respective EPI, if both the non-IP Participant and IP agree, Participant may elect to put shares for DVP ISI on-hold in the IP’s stock account upon settlement until the corresponding payment is confirmed good by the designated bank on the following business day. In case the payment is confirmed to be rejected, the on-hold shares will be released back to non-IP Participant’s account specified in the ISI immediately. With such arrangement, non-IP Participants will be able to ensure payments are received before shares are released to IPs.

Similar to DDIs/DCIs, HKSCC also presents the EPIs to its banker who submits the EPIs to the Clearing House of HKAB for ECG processing in the respective interbank bulk settlement runs day depending on the types of CCASS payments. Money moves directly from the bank account of one Participant to the bank account of the counterparty Participant for a delivery made in CCASS on a DVP basis. HKSCC is not directly involved. Participants have to monitor confirmation of good payment themselves.

#### *CHATS Payment Instructions (CPIs):*

#### *CNS Monies of Shanghai market and Shenzhen market*

Clearing Participants with China Connect Securities settlement obligation will pay or receive CNS money obligation via RTGS on T+1 day. Clearing Participants can refer to the existing Statement of Money Ledger which is available on the morning of T+1 for their CNS money obligations in Shanghai and Shenzhen markets to be settled on the business day. On T+1 morning, CCASS will generate one single Clearing House Automated Transfer System (CHATS) Payment Instruction (CPI) in the net CNS money obligation of Shanghai and Shenzhen markets to CPs' designated banks. (Paying) Participants need to ensure they have sufficient funds in their bank accounts for China Connect Securities CNS payment and may remind their designated banks to act according to the CPIs and complete the payments by the deadline.

*Subscription Monies (Hong Kong Market)*

For subscription instructions input by Participants on CCASS subscription end date (except for subscription instructions input by non-IPs for preferential offers and covered warrants where there is sufficient time for CCASS to collect and confirm the payment for subscription monies via DDIs), CCASS will generate a CPI for each of such subscription instruction with subscription monies (of any) pending for collection. Each CPI contains payment information for a particular subscription instruction. Upon receiving confirmation advice from the Clearing House of HKAB, CCASS will effect the subscription instructions.

*Cash Prepayment/ TSF Payment (Hong Kong Market)*

Clearing Participants can choose to make cash prepayment / TSF payment by (i) arrange payment with their banks to remit fund into HKSCC's bank account, then inform HKSCC of such payment; or (ii) instruct HKSCC to generate CPIs on their behalves for the specified cash prepayment amount. Based on the confirmation advice from the Clearing House of HKAB for a particular cash prepayment / TSF payment instruction, CCASS will effect the cash prepayment / TSF payment instructions and update the money ledger of the paying Participant.

*Intra-day Marks/ Intra-day Margin/ Intra-day Mainland Settlement Deposit*

Similarly, instead of arranging Intra-day Marks and/or Intra-day Margin and/or Intra-day Mainland Settlement Deposit payments with their banks each time when such obligations arise, Clearing Participants shall fulfil their Intra-day Marks, Intra-day Margin and Intra-day Mainland Settlement Deposit obligations via CHATS payments by authorising HKSCC to generate CPIs on their behalves to their designated banks via CCASS. Participants need to ensure having sufficient funds in their bank accounts for Intra-day Marks, Intra-day margin and Intra-day Mainland Settlement Deposit payments and may remind their designated banks to act according to the CPIs and complete the payments by the deadline.

HKSCC reserves the right to collect Intra-day Marks, Intra-day Margin and Intra-day Mainland Settlement Deposit in any other manner as determined by HKSCC from time to time.

*SI / ISI Transactions*

As mentioned above, for SI / ISI transactions to be settled on an "RDP" basis, securities will not be transferred to the receiving Participants' stock accounts until

after the receipt of confirmation advice from Clearing House of HKAB that relevant money is credited into the delivering Participants' designated bank account via CHATS. This is different to "DVP", where securities settlement is performed during business hours while Participants are only required to make funds available in their designated bank accounts for (i) SI for the evening interbank bulk settlement run, the night interbank bulk settlement run or at the end of settlement day for overnight ECG processing and (ii) ISI at the end of settlement day for overnight ECG processing.

*Specific Cash Collateral (SCC)*

Clearing Participants can choose to make SCC payments via CHATS by authorising HKSCC to generate CPIs on their behalves to their designated banks via CCASS if they input and authorize the SCC instruction before 11:45 a.m. on each business day.

Participants need to ensure having sufficient funds in their bank accounts for SCC payments and may remind their designated banks to act according to the CPIs.

Each CPI will be made known to the relevant receiving (paying) Participant's designated bank via (1) an "Enquire Payment Instruction" function ,(2) an "Electronic CHATS Payment Instruction Report" for a RDP SI/ISI to be settled at and before the third batch settlement run in Hong Kong market and the fourth batch settlement run in China Connect market. "Enquire Payment Instruction" function is available from 9:30 a.m. to 8:00 p.m. on each business day. CCASS also produces the "Electronic CHATS Payment Instruction Report" nine times a day (shortly after 9:30 a.m., 10:30 a.m., 11:00 a.m., 12:00 noon, 2:00 p.m., 4:45 p.m., 5:30 p.m., 6:15 p.m. and 7:00 p.m.). CPI for CNS positions of Shanghai and Shenzhen markets will only be covered in the 1<sup>st</sup> run of report i.e. 9:30 a.m. Each designated bank can retrieve the reports (which contain CPIs of all Participants designating the bank) via CCASS Terminal and based on which effect CHATS payment accordingly.

To facilitate money settlement via CPI, HKSCC has established an electronic link between CCASS and CHATS. Whenever a CCASS related CHATS payment is created, the transaction will be transmitted to CCASS for validation. CHATS payment with incorrect input will be rejected by CCASS and subsequently cancelled in the Clearing House of HKAB with cancellation advice generated to the issuing bank. For CHATS payment accepted by CCASS, the transaction will be settled in the Clearing House of HKAB which will generate a confirmation advice. Upon receiving confirmation advice from the Clearing House of HKAB, CCASS will update the status of relevant CCASS transactions, if applicable, including CNS monies of Shanghai and Shenzhen markets, subscription instructions, cash prepayment instructions, TSF FX transactions, stock release requests, intra-day marks and SI/ISI transactions.

*Intra-day Payment Instructions (IPIs):*

Other than generating DCIs to settle monetary positions due to CCASS Participants during a business day, CCASS Participants (other than Investor Participants) can opt to receive corporate action related payments as specified by HKSCC from time to time (e.g. cash dividend) intra-day with same day cleared fund instead of via the evening interbank bulk settlement run using DCIs for those Participants (including Clearing Participants) who have maintained a nominee payment (evening) standing instructions, or at day end via the overnight bulk clearing process by maintaining an Intra-day Payment Standing Instruction via CCASS Terminal. Similarly, for Clearing Participants which use cash prepayment and wish to receive refund of any excess cash prepayment intra-day and/or receive their CNS money obligations due from HKSCC intra-day can also maintain an Intra-day Payment Standing Instruction with respective selections via CCASS Terminal.

Based on the Intra-day Payment Standing Instruction maintained by a non-IP Participant, CCASS will generate one consolidated IPI per currency to HKSCC’s Agent Bank to effect intra-day payment. Each IPI will be made known to the relevant receiving Participant’s designated bank via the “Intra-day Payment Instruction Listing”, which is normally available after 3:00 p.m. on each business day.

In summary, HKSCC is only directly involved in the settlement of money obligations between itself and CCASS Participants for payment arising out of settlement under the CNS System and other matters (including marks and margin collection, SCC, additional cash collateral, Guarantee Fund Contributions, entitlement, etc.). In other cases (i.e. isolated trades and SI/ISI transactions of DVP or RDP type), HKSCC’s role is merely that of a **facilitator**.

Table 2.4 shows a summary of money settlement:

**TABLE 2.4: Money Settlement**

Transaction	Settlement Position	Settlement Method			
		DVP (Delivery Vs Payment)		FOP (Free Of Payment)	RDP (Realtime Delivery Vs Payment)
Exchange Trades + Clearing Agency Transactions	CNS (Continuous Net Settlement)	✓		X	X
	IT (Isolated Trade)	Full Settlement	Partial Settlement	✓	X
		✓	X		
Non-Exchange Trades	SI (Settlement Instruction) (Hong Kong market)	✓		✓	✓
	SI (Settlement Instruction) (China Connect Market)	✓		✓	✓
	ISI (Investor Settlement Instruction) (Hong Kong Market)	✓		✓	✓

‘✓’ represents the settlement method is allowed; ‘X’ represents the settlement method is not allowed.

Table 2.4a shows the types of CCASS payments to be settled via the respective interbank bulk settlement runs operated by the Clearing House of the HKAB.

**TABLE 2.4A: CCASS Payments and the respective Interbank bulk settlement Run**

<b>Interbank Bulk Settlement Run</b>	<b>CCASS Payments</b>
Morning Interbank Bulk Settlement Run at 9:30 a.m.	<ul style="list-style-type: none"> <li>- Marks, concentration collateral, margin and additional collateral payments for CNS positions in Hong Kong stocks</li> <li>- Nominee-related payments of brokers and custodians</li> <li>- Cash collateral payments</li> <li>- TSF FX payment (T+3)</li> <li>- Specific cash collateral payments</li> <li>- Mainland Settlement Deposit (MSTD) and Mainland Security Deposit (MSCD) payments for CNS positions in China Connect Securities</li> <li>- China Connect Securities related payments, including handling fee, securities management fee, transfer fee, stamp duty and new DNS fees</li> <li>- SI payments (China Connect Market only)</li> <li>- CCASS services fees and expenses from non-IP Participants</li> <li>- Refund of collateral for the early release of China Connect Securities that are Securities-on-hold</li> </ul>
Afternoon Interbank Bulk Settlement Run at 2:15 p.m.	<ul style="list-style-type: none"> <li>- ISI payments</li> <li>- EIPO application and refund monies</li> <li>- Nominees-related payments of IP</li> <li>- SSA Transfer Instruction (STI) payments</li> <li>- Stamp duty</li> </ul>
Evening Interbank Bulk Settlement Run at 5:50 p.m.	<ul style="list-style-type: none"> <li>- CNS payments for Hong Kong market</li> <li>- IT payments</li> <li>- SI payments</li> <li>- Refund of cash prepayments</li> <li>- Refund of collateral for the early release of China Connect Securities that are Securities-on-hold</li> <li>- Cash collateral payments</li> <li>- Payments of nominee-related monies to brokers and custodians (optional)</li> <li>- TSF FX payment</li> <li>- Intra-day margin payments</li> <li>- Guarantee Fund Contributions</li> <li>- Marks, Concentration Collateral and Margin (MCM) payments for a Clearing Agency Participant who is also a China Connect Clearing House</li> </ul>
Night Interbank Bulk Settlement Run at 9:25 p.m.	<ul style="list-style-type: none"> <li>- RMB SI payments (China Connect Market only)</li> </ul>

Table 2.5 summarizes the CCASS functions and reports related to money settlements:

**TABLE 2.5: Functions and reports related to money settlement**

	<b>CCASS Functions / Reports</b>	<b>Sections in this User Guide</b>
Terminal operation functions	<ul style="list-style-type: none"> <li>• Cash Prepayment Instruction Maintenance</li> <li>• Cash Prepayment / TSF Payment Standing Instruction Maintenance</li> <li>• Cash Prepayment Instruction Maintenance for China Connect Markets</li> <li>• Cash Prepayment Standing Instruction Maintenance for China Connect Markets</li> <li>• Intra-day Payment Standing Instruction Maintenance</li> <li>• Nominee Payment (Evening) Standing Instruction Maintenance</li> </ul>	Section 8.1.9 Section 8.1.9a Section 8.1.9b Section 8.1.9c Section 8.5.3 Section 8.5.4
Special enquiry functions	<ul style="list-style-type: none"> <li>• Enquire Money Position / Instruction</li> <li>• Enquire Payment Instruction</li> <li>• Enquire Intra-day Payment Summary</li> </ul>	Section 9.1.5 Section 9.1.7 Section 9.3.9
Reports	<ul style="list-style-type: none"> <li>• CCASS Funding Projection Report for Participant</li> <li>• Settlement Report</li> <li>• Statement of Money Ledger</li> <li>• DDI/DCI/EPI Summary for Participant</li> <li>• Settlement Related EPI Listing</li> <li>• Cash Prepayment / TSF Payment / Intra-day Payment Instruction Maintenance A/T Report</li> <li>• Payment Instruction Input Activity Report</li> </ul>	Section 4.3

**E. Calculation of accrued interest for trades in debt securities**

There are two cases in the calculation of accrued interest of a trade in an interest-bearing debt security. If a trade is due for settlement between the Begin date of a period and the corresponding Last Registration date, the buyer pays accrued interest to the seller. If a trade is due for settlement between the date following the Last Registration date and the End date of the period, the seller pays accrued interest to the buyer.

In the former case, accrued interest is calculated according to:

$$= \frac{\text{Trade Quantity} \times \text{Nominal Value Per Unit} \times \text{Rate} \times \text{Actual Days Passed}}{\text{Actual no. of days in the year}}$$

Actual Days Passed = no. of calendar days between Period Begin Date (included) and settlement date (included) if positive accrued interest applies, or  
 no. of calendar days between settlement date (excluded) and Period End Date (included) if negative accrued interest applies.

The following four different bases as reference of Actual no. of days in the year.

- A. 365 or 366 days in a year;
- B. 360 days with 30 interest days in each month;
- C. 360 days with actual number of days passed; and
- D. 365 days in a year;

Example 1 - If a trade in Bond ABC is concluded on 29 March 1996 and due on 2 April

Begin date of period	=	1 January 1996
Last Registration Date	=	24 December 1996
End date of period	=	31 December 1996
Interest rate for the period	=	8% per annum
Trade quantity	=	5,000 units
Nominal value per unit	=	\$100
Trade date	=	29 March 1996
Settlement Date	=	2 April 1996

A. If 365 or 366 days in a year is used

$$\begin{aligned} \text{Actual days passed} &= 31 \text{ (January)} + 29 \text{ (February)} + 31 \text{ (March)} + 2 \text{ (April)} = 93 \\ &5,000 \times \$100 \times 8\% \times 93 \\ \text{Accrued interest} &= \frac{\text{-----}}{366} = \$10,163.93 \end{aligned}$$

B. If 360 days with 30 interest days in each month is used

$$\begin{aligned} \text{Actual days passed} &= 30 \text{ (January)} + 30 \text{ (February)} + 30 \text{ (March)} + 2 \text{ (April)} = 92 \\ &5,000 \times \$100 \times 8\% \times 92 \\ \text{Accrued interest} &= \frac{\text{-----}}{360} = \$10,222.22 \end{aligned}$$

C. If 360 days with actual number of days passed is used

$$\begin{aligned} \text{Actual days passed} &= 31 \text{ (January)} + 29 \text{ (February)} + 31 \text{ (March)} + 2 \text{ (April)} = 93 \\ & 5,000 \times \$100 \times 8\% \times 93 \\ \text{Accrued interest} &= \frac{\text{-----}}{360} = \$10,333.33 \end{aligned}$$

D. If 365 days in a year is used

$$\begin{aligned} \text{Actual days passed} &= 31 \text{ (January)} + 29 \text{ (February)} + 31 \text{ (March)} + 2 \text{ (April)} = 93 \\ & 5,000 \times \$100 \times 8\% \times 93 \\ \text{Accrued interest} &= \frac{\text{-----}}{365} = \$10,191.78 \end{aligned}$$

In the latter case, the actual number of days passed is counted back from the End date of the interest period.

Example 2 - if a trade in Bond ABC is concluded on 23 December and due on 25 December 1996

The seller pays accrued interest to the buyer which is equal to :

$$\begin{aligned} & \text{Trade Quantity} \times \text{Nominal Value Per Unit} \times \text{Rate} \times \text{Actual Days from End date} \\ & = \frac{\text{-----}}{\text{Actual number of days in the year}} \end{aligned}$$

A. If 365 or 366 days per year is used

$$\begin{aligned} \text{Actual days from end date} &= 6 \text{ (excluding interest for 25 December 1996 which belongs} \\ & \text{to the seller)} \\ & 5,000 \times \$100 \times 8\% \times 6 \\ & = \frac{\text{-----}}{366} = \$655.74 \end{aligned}$$

B. If 360 days with 30 interest days in each month is used

$$\begin{aligned} \text{Actual days from end date} &= 5 \text{ (excluding interest for 25 December 1996 and no interest} \\ & \text{for 31 December 1996)} \\ & 5,000 \times \$100 \times 8\% \times 5 \\ & = \frac{\text{-----}}{360} = \$555.56 \end{aligned}$$

C. If 360 days with actual number of days passed is used

$$\begin{aligned} \text{Actual days from end date} &= 6 \text{ (excluding interest for 25 December 1996)} \\ & 5,000 \times \$100 \times 8\% \times 6 \\ & = \frac{\text{-----}}{360} = \$666.67 \end{aligned}$$

D. If 365 days per year is used

Actual days from end date = 6 (excluding interest for 25 December 1996 which belongs to the seller)

$$= \frac{5,000 \times \$100 \times 8\% \times 6}{365} = \$657.53$$

**F. Accrued Interest Adjustment - change in floating interest rate of debt securities**

For trades in floating rate debt securities effected in one interest period and is due for settlement on or after the first day of the next following interest period, it is possible that interest rate of the new interest period may not be fixed when the trade is concluded.

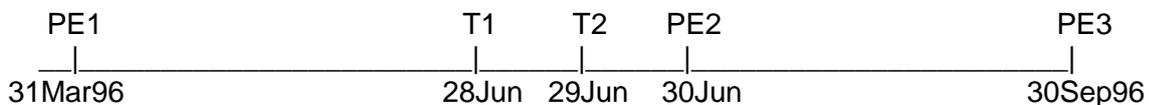
Upon notification of the interest rate of the next following interest period by the issuer or issuer's agent, HKSCC may adjust the accrued interest amount of the affected positions. Where other circumstances warrant, HKSCC may also adjust the accrued interest in line with market practice.

Details of the accrued interest adjustments are provided in FCS, Next Settlement Day Due/Overdue Position Report, Settled Position Report and Settlement Report, where applicable.

In addition, adjustment in accrued interest can be enquired via the following on-line functions.

- Enquire Settlement Activity
- Enquire Due/Overdue Position
- Enquire Money Obligations

Example (Accrued Interest Adjustment)



- PE1 = End day of interest period 1
- PE2 = End day of interest period 2
- PE3 = End day of interest period 3

Details of Bond XYZ are provided below:

Begin date of current period = 1 April 1996  
 End date of current period = 30 June 1996  
 Interest rate for the period = 8% per annum

Begin date of new period = 1 July 1996  
 End date of new period = 30 September 1996  
 Interest rate for the period = 10% per annum

A Trade (T1) in Bond XYZ concluded on 28 June 1996 which is due for settlement on 30 June 1996, interest rate for the current period (8%) should be used.

A Trade (T2) in Bond XYZ concluded on 29 June 1996 which is due for settlement on 1 July 1996, interest rate for the new period (10%) should be used.

On 29 June 1996: FCS for T1 should use interest period of current period (8%).  
 PCS for T2 should use interest period of new period (10%) if available.

However, if the interest rate for the period is not available on 29 June 1996, then the interest rate for the current period (8%) would be used for calculating interest for T2 in the PCS. In such case, a message ACCR INT IS PENDING ISSUER'S CONFIRMATION OF INT RATE would appear in the PCS to remind the Participant.

In the PCS on 31 March 1996, the accrued interest of the trade is equal to:

$$= \frac{\text{Trade Quantity} \times \text{Nominal Value Per Unit} \times \text{Rate} \times \text{Actual Days Passed}}{\text{Actual no. of days in the year (365/366 days)}}$$

$$= \frac{5,000 \times \$100 \times 8\% \times 1}{366} = \$109.29$$

When the rate of 10% for the new period is announced on 1 April, the accrued interest of the trade should be :

$$= \frac{5,000 \times \$100 \times 10\% \times 1}{366} = \$136.61$$

The difference in accrued interest which is equal to \$27.32 (\$136.61 - \$109.29) will be adjusted to the positions of the two Clearing Participants. These adjustments will be displayed in relevant reports.

The actual time of posting the adjustment will depend on notification of the interest rate by issuer or issuer's agent. If the interest rate is announced in the morning, adjustment will normally be made and reflected on the FCSs. In case the announcement of new rate is made after the generation of FCSs, adjustment will be made and reflected on the Next Settlement Day Due/Overdue Position Report. If announcement of new rate is amended on due settlement day, adjustment will be made and reflected on Settled Position Report and Settlement Report.

**G. Accrued Interest Adjustment - change due to typhoon and rainstorm situations**

During typhoon and rainstorm situations, securities and money settlement may be affected. If debt securities settlement and money settlement are delayed, accrued interest of debts securities would be recalculated based on the revised settlement day or one bank working day interest would be added in case securities settlement has been effected but money settlement is delayed. In addition, if the issuer or issuer’s agent notifies any changes on the last registration date and/or period end date, accrued interest would be recalculated to take into account of the changes.

Details of the accrued interest adjustments are provided in FCS, Next Settlement Day Due/Overdue Position Report, Settled Position Report, and Settlement Report, where applicable.

In addition, adjustment in accrued interest can be enquired via the following on-line functions.

- Enquire Settlement Activity
- Enquire Due/Overdue Position
- Enquire Money Position / Instruction

The actual time of posting the adjustment will depend on notification of the interest rate by issuer or issuer’s agent.

**H. Adjustment of sellable balance due to failure of stock delivery from Special Segregated Accounts (SPSAs)**

To facilitate institutional investors whose China Connect Securities are maintained with custodians to sell their China Connect Securities without having to pre-deliver the China Connect Securities from heir custodian to their executing brokers, an Enhanced Pre-trade Checking Model (SPSA Model) was introduced on 30 March 2015. Under the SPSA Model, investors who have opened SPSAs with Custodian Participants and Non-EP GCPs may place sell orders on China Connect Securities without first delivering the China Connect Securities to their brokers. If, after a sell order is executed, the correct number of shares sold is not transferred from the SPSA to the relevant CCCP for any reason, the CCCP is required to submit sellable balance adjustment request via CCASS function - SPSA Delivery Failure Maintenance. Please refer to Section 8.1.14 SPSA DELIVERY FAILURE MAINTENANCE for detailed description.

Table 2.6 summarizes the CCASS functions and reports related to SPSA Delivery Failure Maintenance:

**TABLE 2.5a: Functions and reports related to SPSA Delivery Failure Maintenance**

	<b>CCASS Functions / Reports</b>	<b>Sections in this User Guide</b>
Terminal operation functions	<ul style="list-style-type: none"> <li>• SPSA Delivery Failure Maintenance</li> </ul>	Section 8.1.14
Reports	<ul style="list-style-type: none"> <li>• A-share Sellable Balance Adjustment Report</li> <li>• A-share Sellable Balance Adjustment Audit Trail Report</li> </ul>	Section 4.3

## 2.3 DEPOSITORY AND NOMINEE SERVICES

HKSCC operates a fully computerised system (Depository and Nominee System - DNS) for serving the operations of depository and nominee services.

Moreover, all depository and nominee operations related to debt securities are handled by the CCASS Depository Services. Debt securities include issues of bearer bonds denominated in both definitive and global forms, and registered bonds.

### **DEPOSITORY:**

The CCASS Depository Services has one physical location to cater for the deposits and withdrawals of securities by Participants. In the case of withdrawal of securities, the CCASS Depository Services allows the Participants to directly input withdrawal orders online providing an interactive update to the status of the withdrawal order. Currently, securities deposited into the CCASS Depository are given **immediate credit** in the Participant's designated stock account and are available for use in settlement activities straight away.

In the case of debt securities, deposits into the CCASS Depository are permitted for initial public offering issues, and subsequent re-deposits of registered debt securities. Debt securities in bearer form are not allowed for re-deposit once withdrawn.

Securities held in CCASS are treated as fungible and are not earmarked to any particular Participant or any particular transaction. However, a record is kept of the Participant responsible for depositing particular securities. Participants are held responsible for any "defects" in the securities they deposit into CCASS, and HKSCC is liable to the withdrawing Participants for "defects" in the securities they withdraw from CCASS.

#### *Registration:*

In general, all securities held in CCASS are submitted to registrars of listed companies for registration in the name of the "HKSCC Nominees Limited" from time to time. HKSCC Nominees Limited acts as the nominee for CCASS Participants.

### **A. Withdrawal of Securities**

CCASS Depository Services provides the Participants with the capability of entering details for the withdrawal of securities through an online withdrawal function. Different statuses are used to denote each processing stage of the odd lot or board lot withdrawal orders, providing an interactive communication between the Participant and HKSCC. The use of statuses is an integral part of determining the processing stage of the withdrawal orders, starting from the point the withdrawal details are entered into CCASS, right up to the point where the share certificates are collected from the Depository Counter. For a description of the different statuses, refer to Section 8.2.1 LOGIN WITHDRAWAL ORDER MAINTENANCE.

Table 2.6 lists the CCASS functions and reports related to withdrawal transactions.

Following are the operational flows for board lot withdrawal order statuses and odd lot withdrawal order statuses.

Operational Flow of Statuses - Flow A

Types of securities following this operational flow of statuses are :

- a) board lot withdrawals of equities
- b) board lot withdrawals of bearer bonds
- c) board lot withdrawals of bearer bonds denominated in definitive form

ADD LOGIN WTDL ORDER BY PARTICIPANT



WTDL ORDER STATUS: "Pending"

AUTHORISE LOGIN WTDL ORDER BY PARTICIPANT



WTDL ORDER STATUS: "Accepted"

HKSCC PREPARES SHARE CERTIFICATES FOR PICK-UP



WTDL ORDER STATUS: "Ready for Collection"

SHARE CERTIFICATES COLLECTED BY PARTICIPANT



WTDL ORDER STATUS: "Shares Collected"

Operational Flow of Statuses - Flow B

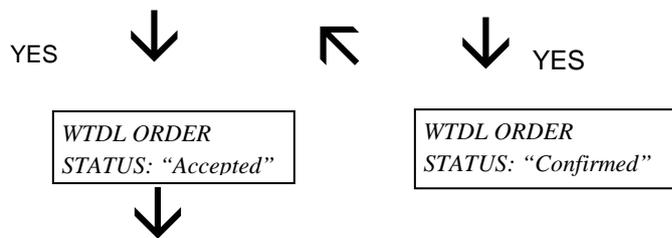
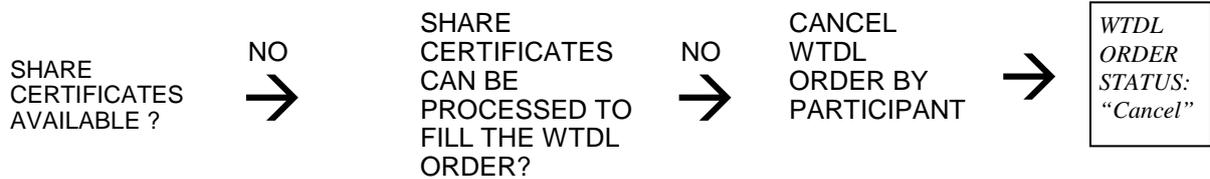
Types of securities following this operational flow of statuses are :

- a) odd lot withdrawals of equities
- b) odd lot withdrawals of registered bonds
- c) odd lot withdrawals of bearer bonds denominated in definitive form
- d) board lot or odd lot withdrawals of bearer bonds denominated in global form

ADD LOGIN WTDL ORDER BY PARTICIPANT



AUTHORISE LOGIN WTDL ORDER BY PARTICIPANT



HKSCC PREPARES SHARE CERTIFICATES FOR PICK-UP



SHARE CERTIFICATES COLLECTED BY PARTICIPANTS



**Table 2.6 Functions and Reports related to withdrawal of shares**

	<b>CCASS Functions / Reports</b>	<b>Sections in this User Guide</b>
Terminal operation function	<ul style="list-style-type: none"> <li>• Login Withdrawal Order Maintenance</li> </ul>	Section 8.2.1
Reports	<ul style="list-style-type: none"> <li>• Withdrawal Orders Status Report</li> <li>• Withdrawal Orders Audit Trail Report</li> </ul>	Section 4.3

**B. Inter-counter transfer/conversion of shares**

HKSCC provides Participants with the capability of i) transferring securities in their Stock Accounts which are of the same class issued by the same issuer and each under a separate stock code (referred to as “Multi-counter Eligible Securities” in the CCASS Rules) from one relevant stock code to another relevant stock code (referred to as “**Multi-counter Transfer Instruction**” in the CCASS Rules); ii) converting their holdings in their Stock Accounts of Eligible Securities subject to parallel trading arrangement from one relevant stock code to another relevant stock code on a one to one basis (referred to as “**Parallel Trading Conversion Instruction**” in the CCASS Rules) through the common online “Inter-counter Transfer/Conversion Instruction Maintenance” functions between 8:00 a.m. and 3:45 p.m. on any Business Day.

The processing of Multi-counter Transfer Instructions and Parallel Trading Conversion Instructions are the same in CCASS. An instruction will be effected immediately if the relevant number of shares to be transferred or converted is available in the Participant’s delivering stock account in CCASS at the time of input and the status of the instruction will then be updated as “Transferred”. Otherwise, the status of the instruction will be updated as “Pending for Transfer” and the instruction will be processed in Inter-counter Transfer/Conversion Instruction Batch Transfer Run (“Batch Transfer Run”). There are five Batch Transfer Runs available daily at 9:15 a.m., 10:15 a.m., 12:30 p.m., 2:30 p.m. and 3:30 p.m. If the relevant number of shares to be transferred or converted is subsequently available at or before the commencement of a Batch Transfer Run, the instruction will be effected during that Batch Transfer Run and the status of the instruction will then be changed from “Pending for Transfer” to “Transferred(System)”.

Any outstanding “Pending for Transfer” instruction will be automatically cancelled by the system after the last Batch Transfer Run at 3:30 p.m. or can be cancelled by Participants via the “cancel” function.

A Participant’s input of instruction after the last Batch Transfer Run will be rejected if there is insufficient number of shares for transfer in its delivering stock account at the time of input.

While Participants can input or cancel Multi-counter Transfer Instructions up to 3:45 p.m. on any Business Day, in case that a book closure date has been announced for a Multi-counter Eligible Security, the instruction input deadline in relation to that Multiple-counter Eligible Security on the Business Day immediately preceding the book closure date is 2:00 p.m. instead of 3:45 p.m. Any outstanding “Pending for Transfer” instruction in relation to that Multi-counter Eligible Security will be automatically cancelled by the system after the third Batch Transfer Run at 12:30 p.m. Likewise, a Participant’s input of instruction after the third Batch Transfer Run will be rejected if there is insufficient number of shares for transfer in its delivering stock account at the time of input.

All activities related to Multi-counter Transfer Instructions and Parallel Trading Conversion Instructions, either maintained by Participants (via the “Inter-counter Transfer/Conversion Instruction Maintenance” functions) or by the system (automatic cancellation of instruction, instruction batch file upload or transfer / conversion of shares in Batch Transfer Run) will be recorded in a CCASS report, the “Inter-counter Transfer/Conversion Instruction Activities Report (CCVTF01)”. The report data download file is also made available to Participants.

Participant with a large volume of Multi-counter Transfer Instructions or Parallel Trading Conversion Instructions can upload Multi-counter Transfer Instruction batch files or Parallel Trading Conversion Instruction batch files via the CCASS Terminals to the HKSCC host computer.

Table 2.7a lists the CCASS functions and reports related to effecting Multi-counter Transfer Instructions and Parallel Trading Conversion Instructions.

**Table 2.6a Functions and Reports related to Multi-counter Transfer Instructions and Parallel Trading Conversion Instructions**

	<b>CCASS Functions / Reports</b>	<b>Sections in this User Guide</b>
Terminal operation function	<ul style="list-style-type: none"> <li>• Inter-counter Transfer/Conversion Instruction Maintenance</li> <li>• Multi-counter Transfer Instructions File Transfer</li> <li>• Parallel Trading Conversion Instruction File Transfer</li> </ul>	Section 8.2.13 Section 5.17 Section 5.21
Reports	<ul style="list-style-type: none"> <li>• Inter-counter Transfer/Conversion Instruction Activities Report</li> <li>• Multi-counter Transfer Instruction Batch Input Control Report</li> <li>• Parallel Trading Conversion Instruction Batch Input Control Report</li> </ul>	Section 4.3

**NOMINEE SERVICES:**

The nominee services are provided by HKSCC in conjunction with the depository services through HKSCC Nominees Limited.

To facilitate the exercising of the securities holders’ rights, Participants are offered the following services in the Hong Kong Market:

- (i) Distribution and enquiry of corporate communications
- (ii) Corporate voting
- (iii) Distribution of cash dividends
- (iv) Distribution of bonus/scrip entitlement
- (v) Election and distribution of dividends with options
- (vi) Subscription for rights shares
- (vii) Taking up of open offers and cash offers (with or without options)
- (viii) Distribution of fractional entitlements
- (ix) Warrants conversion
- (x) Benefit claims

- (xi) Subscription to takeover offers
- (xii) Bond conversion
- (xiii) Interest payment on bonds
- (xiv) Bond redemption
- (xv) Scrip and/or cash payment relating to structured products

Please refer to the relevant sections in the General Rules and Operational Procedures of CCASS for provision of nominee services in respect of China Connect Securities in Shanghai and Shenzhen markets.

**A. Election of dividends with options**

When benefit entitlement for a particular stock is announced with various options available, Participants can input instructions to elect the benefit entitlement options. Examples of benefit entitlement options are HKD cash dividend with scrip option or HKD cash dividend with foreign currency option.

There are two types of election instructions: elect before book-close and elect after book-close. For election of options input before book-close, election instructions are generated for all Participants. Participants can allocate shareholdings of any quantity to the options, and adjustments are subsequently made to the election quantity, based usually on the shareholding balance as of the Last Registration Day.

For election of options input after book-close, instructions are generated for four types of Participants: those with shareholdings of the originating stock as of the day before book-close, those with long positions of the originating stock as of the day before book-close, those with lending positions of the originating stock as of the day before book-close and those with outstanding receivable of the originating stock as of the day before book-close, which receivable was due from warrant/bond conversion. The electable quantity is the share quantity of the originating stock held by the participant as of the relevant Last Registration Day.

Table 2.7 lists the CCASS functions and reports related to election of benefit entitlement options.

**Table 2.7: Functions and reports related to election of benefit entitlement with options**

	<b>CCASS Functions / Reports</b>	<b>Sections in this User Guide</b>
Terminal operation function	<ul style="list-style-type: none"> <li>• Election Instruction Maintenance</li> </ul>	Section 8.2.2
Reports	<ul style="list-style-type: none"> <li>• Nominee Functions Input Activities Report</li> <li>• Entitlement Statement</li> </ul>	Section 4.3

**B. Subscription to Corporate Announcements**

Subscription activities include subscription to such corporate announcements as rights subscription, open offer subscription, warrant subscription, takeover offer, bond conversion, and bond redemption. During the subscription period, Participants can online input subscription instructions to the corporate announcements by entering the subscription quantity and the stock account from which the shares are debited using the ADD SUBSCRIPTION INSTRUCTION function. In the case of warrant subscription

where payment of subscription money can be covered through surrendering of a specified bond, the bond quantity and the account from which the bond is to be debited, are additional information to be input to the subscription instruction. Once a subscription instruction is successfully added, it acquires a “Pending” status. Details of a “Pending” subscription instruction can be changed during the subscription period by using the CHANGE SUBSCRIPTION INSTRUCTION function. If a subscription instruction previously input is not required and has not yet been authorised, it can be deleted by using the DELETE SUBSCRIPTION INSTRUCTION function.

The related subscription monies and charges will be displayed upon successful input of a subscription instruction, and debited from the Money Ledger Entitlements Account upon authorisation of the subscription instruction using the AUTHORISE SUBSCRIPTION INSTRUCTION function. An authorised subscription instruction acquires the status of “Authorised”. After an “Authorised” subscription instruction is processed at the end of the day, the status will be updated to “System Processed”. Subscription instructions with “Authorised” or “System Processed” status can still be revoked before the subscription deadline imposed by HKSCC by using the CANCEL SUBSCRIPTION INSTRUCTION function. CCASS Participants need to input another new instruction if they wish to make a new subscription.

However, for the following corporate announcements which subject to sub batch processing, cancellation of subscription instructions will NOT be allowed once the instructions are being processed and updated to “System Processed” status; (i.e. only allow cancellation on the authorisation date) :-

- Warrant Subscription (RW / CW)
- Unconditional Takeover with multiple batches (TC)
- Bond Conversion (BV)
- Registered Warrant Subscription with Bond Conversion (BW)
- Partial Bond Redemption (PI).

Enquiry of “Pending” subscription instructions is available up to ten days after the last update to the subscription instruction or until the subscription deadline, whichever is sooner. “Authorised”, “System Processed” and “Cancelled” subscription instructions are available for enquiry up to thirty-one days after payment of the subscription instructions.

Table 2.8 lists the CCASS functions and reports related to subscription activities.

**Table 2.8: Functions and reports related to subscription activities**

	<b>CCASS Functions / Reports</b>	<b>Sections in this User Guide</b>
Terminal operation function	<ul style="list-style-type: none"> <li>• Subscription Instruction Maintenance</li> </ul>	Section 8.2.3
Reports	<ul style="list-style-type: none"> <li>• Nominee Functions Input Activities Report</li> <li>• Entitlement Statement</li> </ul>	Section 4.3

### **C. Corporate Voting**

During the voting period specified in the corporate announcement, Participants can use the CHANGE CORPORATE VOTING INSTRUCTION function for inputting instructions for the voting of resolutions in meetings. Each corporate voting instruction is generated by CCASS with a unique Voting Instruction Number.

If a listed issuer announces to amend the details of its general meeting after the commencement of the relevant voting period maintained in CCASS, HKSCC may advance the voting period end date of the former ('Old') voting announcement maintained in CCASS and replace it with an updated ('New') voting announcement. CCASS will transfer the voting details maintained in the 'Old' voting announcement to the 'New' voting announcement. Broadcast message will be issued to notify Participants of such voting details transfer arrangement and remind them to update their voting details, if required. Participants can enquire, change and authorise the voting instructions with reference to the new voting announcement by using the ENQUIRE CORPORATE VOTING INSTRUCTION or CHANGE/AUTHORISE CORPORATE VOTING INSTRUCTION functions before the specified voting end time. The voting instructions maintained under the former voting announcement will still be available for enquiry.

SSA Statement Recipients can choose to delegate their Clearing/Custodian Participants to input voting instructions on their behalves or to input the instructions by themselves. HKSCC will accept instructions from the Clearing/Custodian Participant or SSA Statement Recipient according to the voting delegation indicator being set in the SSA with Statement Service master record at the time of inputting voting instruction (for input date on or before the shareholding date of the corporate voting announcement) or at the shareholding date of the corporate voting announcement (for input date after the shareholding date of the corporate voting announcement).

The detailed voting procedures may deviate slightly between different types of voting announcements, which include:

- (i) voting announcements which are subject to a book-close period or there is a record date for determining the voting quantity (i.e., shareholding date). This type of voting announcement can be further broken down into 3 categories:
  - a) those with a shareholding date taking place before the voting period;
  - b) those with a shareholding date taking place during the voting period except the voting end date; and
  - c) those with a shareholding date equals the voting end date
- (ii) voting announcements which are not subject to a book-close period. In this case, CCASS will impose a shareholding date, which is normally the voting end date, for the purpose of determining the voting right of Participants.

For type (i)a, CCASS will generate voting instructions only to the Participants and/or SSAs with Statement Service whose voting delegation indicators are set as "No" with holdings of the stock as at the shareholding date. The voting instructions contain the number of shares eligible to vote for any one resolution. When Participants input the voting instructions, the total voting quantity for each resolution cannot exceed the shareholding available for voting. For SSA Statement Recipients, they are not required to input the shareholdings, all of the shareholdings in the SSA with Statement Service will be counted for the input of voting instruction

For type (i)b, Participants and SSA Statement Recipients having voting delegation indicators set as “No” are able to submit voting instructions before the shareholding date. Participants are required to project their shareholdings as at the shareholding date, and input such quantities into the instructions. Such voting instructions are subject to validation and adjustment at subsequent shareholding date. During the period from the “shareholding date” to the “one day before the voting deadline” (both dates inclusive), if the total voted quantity of any resolution of an instruction exceeds the shareholding of the Participant, CCASS will cancel the voting instruction, and re-generate another voting instruction, with the number of shares eligible to vote for any one resolution. The re-generated instruction will require the input of Participants (and authorisation). For SSA Statement Recipients, they are not required to project their shareholding of the SSA with Statement Service as at shareholding date for the input of voting instruction, all of the shareholdings in the SSA with Statement Service will be counted for the input of voting instruction. In the event that a Participant or SSA Statement Recipient submitted a voting instruction but subsequently the Participant or SSA Statement Recipient has no shareholding for the relevant stock, for Participant the submitted instruction will be cancelled and no new instruction will be re-generated by CCASS, whereas for SSA Statement Recipient, the status of the submitted voting instruction will become in cancelled status. Participants can refer to the “Participant Voted Quantity Exception Report – Before Voting Deadline” for the adjustment details of the voting instruction input by themselves and their respective SSA Statement Recipients having voting delegation indicators set as “No”. SSA Statement Recipients can refer to the “Stock Segregated Account Activity Statement” for the voting activity done by them.

If the total voted quantity of any resolution of an instruction exceeds the shareholding of the Participant on the voting deadline, a new voting instructions with scaled down voting quantities by reference to the shareholding as at shareholding date will be generated. The new instruction will be at “System Processed” status and not require the authorization of the Participant. Participants can refer to the “Participant Voted Quantity Exception Report - On Voting Deadline” for the adjustment details of the voting instruction input by themselves and their respective SSA Statement Recipients having voting delegation indicators set as “No”. SSA Statement Recipients can refer to the “Stock Segregated Account Activity Statement” for the voting activity done by them.

For type (i)c, Participants and SSA Statement Recipients having voting delegation indicators set as “No” are able to submit voting instructions before the shareholding date. If the total voted quantity of any resolution of an instruction exceeds the shareholding of the Participant at the relevant shareholding date (which falls on the voting end date), a new voting instructions with scaled down voting quantities by reference to the shareholding quantity will be generated. The new instruction will be at “System Processed” status and not require the authorization of the Participant. In the event that a Participant or SSA Statement Recipient submitted a voting instruction but subsequently the Participant or SSA Statement Recipient has no shareholding for the relevant stock at the shareholding date, the submitted instruction will be cancelled and no new instruction will be re-generated by CCASS. Participants can refer to the “Participant Voted Quantity Exception Report - On Voting Deadline” for the adjustment details of the voting instruction input by themselves and their respective SSA Statement Recipients having voting delegation indicators set as “No”. SSA Statement Recipients can refer to the “Stock Segregated Account Activity Statement” for the voting activity done by them. To provide buffer time for Participants and SSA Statement Recipients to correct any potential discrepancies, a “Participant Voted Quantity Exception Report – Before Voting Deadline” will be generated at the end of day before the voting deadline to Participant. The report will list out the relevant authorized voting instructions which voted quantities exceed the shareholding of the Participant and their SSA with Statement

Service as of the report generation date. Participants can amend their instructions and advise their SSA Statement Recipients to amend on the voting end date, if necessary.

The voting procedures for type (ii) voting announcements are the same as that for type (i)c.

For each resolution, the Participants have to input the number of votes in respect of the stated matters or resolutions, whereas SSA Statement Recipients are not required to input the number of votes for each resolution. The total shareholding less the number of shares input 'FOR', 'AGAINST' and ABSTAIN/WITHHOLD the resolution is automatically calculated by CCASS as the number of shares 'NON VOTED' from voting. Further, any voting instruction not authorised before the voting deadline ("Pending" status instruction) will also be treated as "NON VOTED" for voting.

In submitting voting instruction for China Connect Securities, there are disclosure requirements from the issuer or its authorized agents or representatives. CCASS Participants are required to perform Shareholding Category Disclosure on the voting instruction given for China Connect Securities. Participants should consolidate their underlying clients' instruction and make a disclosure via the Shareholding Category Disclosure Maintenance function in CCASS Terminal. HKSCC will consolidate the required information received from participants and submit to the issuer or its authorized agents or representatives according to their specified requirement.

Participants can refer to the "Participant Shareholding Category Disclosure Exception Report – On Voting Deadline" shortly after voting deadline for the invalid disclosure instruction input by themselves. To provide buffer time for Participants to correct any potential discrepancies, a "Participant Shareholding Category Disclosure Exception Report – Before Voting Deadline" will be generated at the end of day before the voting deadline to Participants. The report will list out the potential invalid disclosure instruction. Participants can amend the relevant disclosure instructions on voting end date, if necessary.

Table 2.9 lists the CCASS functions and reports related to corporate voting activities.

**Table 2.9: Functions and reports related to corporate voting activities**

	<b>CCASS Functions / Reports</b>	<b>Sections in this User Guide</b>
Terminal operation function	<ul style="list-style-type: none"> <li>• Voting Instruction Maintenance</li> <li>• Shareholding Category Disclosure Maintenance</li> </ul>	<p>Section 8.2.4                      Section 8.2.14</p>
Special enquiry functions	<ul style="list-style-type: none"> <li>• Enquire Resolution Description</li> <li>• Enquire SSA Corporate Voting Instruction</li> </ul>	<p>Section 9.2.3                      Section 9.2.10</p>
Reports	<ul style="list-style-type: none"> <li>• Nominee Functions Input Activities Report</li> <li>• Entitlement Statement</li> <li>• Participant Voted Quantity Exception Report – Before Voting Deadline</li> <li>• Participant Voted Quantity Exception Report – On Voting Deadline</li> <li>• Participant Shareholding Category Disclosure Activity Report</li> <li>• Participant Shareholding Category Disclosure Exception Report – Before</li> </ul>	<p>Section 4.3</p>

	Voting Deadline <ul style="list-style-type: none"> <li>• Participant Shareholding Category Disclosure Exception Report – On Voting Deadline</li> </ul>	
--	--	--

**D. Appointment of Corporate Representative/Proxy**

During the voting period specified in the corporate announcement, Participants may nominate persons to attend general meetings of listed companies directly using the ADD CORPORATE REPRESENTATIVE/PROXY function. Corporate Representative/Proxy instructions numbers are the same as Voting Instruction Number generated by CCASS.

Where the applicable laws and the constitutional documents so permit, HKSCC as the nominee holder of the China Connect Securities will make arrangement to pass on communications of Participants to the relevant issuer of the China Connect Securities to facilitate Participants and their clients to attend general meetings in person when instructed.

Participants who wish to give manual proxy appointment instructions for the general meetings of the China Connect Securities should submit written requests to HKSCC. In doing so, Participants should allow sufficient time to enable HKSCC to pass on their requests to the relevant issuer of the China Connect Securities and receive confirmations from them, if any. It is the sole discretion of the issuer of the China Connect Securities to accept such proxy appointment instructions. HKSCC will inform the Participants once the confirmation of acceptance, if any, is received from the relevant issuer of the China Connect Securities.

Participants should pay attention that they may bear the risk of the rejection of proxy appointment instructions from the relevant issuer of the China Connect Securities and such rejection may render them not having enough time to input voting instructions via CCASS terminal. In any case, CCASS Participants should ensure that they have sufficient holdings in their stock accounts for such proxy appointment instructions. In the event that relevant Participant has submitted the manual proxy appointment instruction and “Authorized” voting instruction at the same time, the “Authorized” voting instruction may be subject to adjustment, if any.”

Depending on the jurisdiction of incorporation and the constitutive documents of the company, corporate representative or proxy may be appointed. For each nomination, Participants and/or SSA Statement Recipients having voting delegation indicators set as “No” can input the name and address of the person who wish to attend the meeting and his corresponding share representing. As for “Corporate Representative” type, there is no need to indicate the voting preference. However, as for “Proxy” type, Participant can also input the number of votes in respect of the stated matters or resolutions in addition to the name and address, if they think necessary. System will generate authorization letters / proxy forms and the documents will be submitted to listed companies concerned. For SSA Statement Recipients having voting delegation indicators set as “No”, they are not allowed to vote in respect of the stated matters or resolutions in addition to attending proxy meeting, in addition, they are not able to indicate the number of shares represented by each representative and only up to 4 persons can be appointed but only one of them can attend the meeting.

If a listed issuer announces to amend the details of its general meeting after the commencement of the relevant voting period maintained in CCASS, HKSCC may advance the voting period end date of the former (‘Old’) voting announcement maintained in CCASS

and replace it with an updated ('New') voting announcement. CCASS will transfer the voting details maintained in the 'Old' voting announcement to the 'New' voting announcement. Broadcast message will be issued to notify Participants of such voting details transfer arrangement and remind them to update their voting details, if required. Participants can enquire, change and authorise the corporate representative/proxy instructions with reference to the new voting announcement by using the ENQUIRE CORPORATE REPRESENTATIVE/PROXY (CRP) or CHANGE/AUTHORISE CORPORATE REPRESENTATIVE/PROXY or CRP file transfer functions before the specified voting end time. The corporate representative/proxy instructions maintained under the former voting announcement will still be available for enquiry.

Instead of inputting the corporate representative/proxy information one at a time by online Terminal operation, a Corporate Representative/Proxy (CRP) batch file containing a number of corporate representative/proxy information, except that of SSA Statement Recipients having voting delegation indicators set as "No", can be uploaded to the HKSCC host computer by Participants to save effort. Please note this upload function does not support the Meeting with Cumulative Vote.

Once a nomination is successfully added, it acquires a "Pending" status. Details of a "Pending" nomination can be changed during the voting period by using the "CHANGE CORPORATE REPRESENTATIVE/PROXY" function. Any nomination in "Pending" status can be deleted by using the "DELETE CORPORATE REPRESENTATIVE/PROXY" function. Participants can authorize the nomination through "AUTHORIZE CORPORATE REPRESENTATIVE/PROXY" function. An authorized instruction acquires the status of "Authorized".

For the meetings with the shareholding date falls before the voting end date, if the voting instruction and CRP instruction exceed the shareholding of Participant as of shareholding date during the period from the "shareholding date" to the "one day before the voting deadline" (both dates inclusive), the CRP instruction may be subject to adjustment. Participants should refer to the "Participant Voted Quantity Exception Report – Before Voting Deadline" for the adjustment details.

CCASS Participants should ensure the total of the voting instruction and CRP instruction (via on-line or upload batch input) do not exceed their shareholdings as of voting end date. Otherwise, the whole instruction will be scaled down by the system after the system validation to be carried out on the voting end date. Participants should refer to the "Participant Voted Quantity Exception Report - On Voting Deadline" for the adjustment details.

Enquiry of "Pending" instruction is available during the voting period. For "Pending" instruction not authorized within the voting period, system will purge the instruction upon voting end date during CCASS dayend processing. System processed instructions are available for enquiry up to thirty-one days after the voting consolidation date.

Table 2.9a lists the CCASS functions and reports related to appointment of corporate representative/proxy activities.

**Table 2.9a: Functions and reports related to appointment of corporate representative/proxy activities**

	<b>CCASS Functions / Reports</b>	<b>Sections in this User Guide</b>
Terminal operation	• Corporate Representative/Proxy Maintenance	Section 8.2.5

	<b>CCASS Functions / Reports</b>	<b>Sections in this User Guide</b>
function		
File transfer function	<ul style="list-style-type: none"> <li>• CRP File Transfer</li> </ul>	Sections 5.9 & 5.10
Special enquiry functions	<ul style="list-style-type: none"> <li>• Enquire Resolution Description</li> <li>• Enquire SSA Corporate Voting Instruction</li> </ul>	Section 9.2.3 Section 9.2.10
Reports	<ul style="list-style-type: none"> <li>• Nominee Functions Input Activities Report</li> <li>• CRP Batch Input Control Report</li> <li>• Participant Voted Quantity Exception Report – Before Voting Deadline</li> <li>• Participant Voted Quantity Exception Report – On Voting Deadline</li> </ul>	Section 4.3

### **E. Election of payment relating to Structured Products with an option feature**

Structured products are financial products with investment returns linked to the performance of the underlying assets which include, but not limited to, derivative warrants, Equity Linked Instruments, Callable Bull/Bear Contracts and other equity linked investments. Structured products can be listed on the SEHK or any other exchanges, or offered as unlisted products.

With reference to the offering documents of structured products, there may be proceed, interest and other entitlement or payment in the form of scrip (i.e. securities) and/or cash accruing to a structured product during the term or upon expiry of the structured product. Hence, a Participant's scrip and/ or cash payment will be determined by reference to the relevant structured product(s) in Participant's stock account as at the 'shareholding as of date' specified in the corporate announcement.

If holders of a structured product are given the option to elect the payment form (i.e., scrip and/or cash), Participants who wish to opt for the form of payment should submit instructions to HKSCC within the election period. Participants should ensure that their elected quantity does not exceed their holdings maintained in CCASS as of the election end date. In case any exceptional election instruction in which their total elected quantity is greater than their holdings is being identified in "Elected Quantity Exception Report for Structured Products (Before Election End)" as of the report generation date, Participants should follow up and amend their election instructions, if needed, on or before the election end date; otherwise HKSCC will scale-down their elected quantity according to their holdings immediately after the election period ends. In the absence of specific instructions as to their election, Participants will be treated as having chosen the 'default' option specified by the issuer of the structured product or if no 'default' option is specified by the issuer, the option selected by HKSCC.

Table 2.9a(i) lists the CCASS functions and reports related to election of payment of structured products with option.

**Table 2.9a(i): Functions and reports related to election of payment of structured products with option**

**Section 2**  
CCASS System Overview

---

	<b>CCASS Functions / Reports</b>	<b>Sections in this User Guide</b>
Terminal operation function	<ul style="list-style-type: none"><li>• Election Instruction Maintenance</li></ul>	Section 8.2.2
Reports	<ul style="list-style-type: none"><li>• Entitlement Statement</li><li>• Nominee Functions Input Activities Report</li><li>• Elected Quantity Exception Report For Structured Products (Before Election End)</li></ul>	Section 4.3

## 2.4 FAILS AND RISK MANAGEMENT:

HKSCC may adopt one or more of the following measures to deal with Clearing Participants which fail to settle their obligations to deliver securities in Hong Kong market or China Connect Markets to HKSCC on due date under the CNS System: (i) **fines**; (ii) **compulsory stock borrowing** and (iii) **buy-ins**.

Under the CNS system, Clearing Participants which have overdue short stock positions at the close of settlement day in Hong Kong market or at the close of T day in China Connect Markets will be subject to a penalty fee on such overdue short positions on the same day, and HKSCC will, on behalf of the short Clearing Participants, execute buy-in trades in the morning of next trading day to close out the unsettled positions. A Buy-in Notification Report is produced daily (collected at the terminal) to notify Clearing Participants and Clearing Agency Participant those positions subject to buy-in and confirmation of Buy-in that has been executed on previous Trading Day. Such short Clearing Participants or Clearing Agency Participant with overdue short stock positions in Hong Kong market or China Connect Markets can apply buy-in exemption via fax before 8:00 p.m. on settlement day. If buy-in exemption is granted under certain exemption grounds defined by HKSCC, penalty charged on the corresponding positions will be refunded on the next business day.

Under Isolated Trade System, as in the current practice, buy-in request is generated on a complaint basis.

HKSCC will adopt one or more of the following risk management measures to monitor and control its risk exposure as central risk taker under the CNS System:-

### For Hong Kong Market

- (i) HKSCC will **mark-to-market** all unsettled stock positions under the CNS System twice on each trade day. HKSCC collects from Clearing Participants' net unfavourable marks after taking into account factors like credit limit, marks already paid in cash, long CNS position covered by specific cash collateral and short CNS position covered by specific stock collateral. An Intra-Day Marks and Collaterals Collection Report and a Marks and Collaterals Collection Report are produced for Clearing Participants daily to summarize the details of marks computation on pending positions and overdue positions. An NCP Marks Projection Report projecting amount of marks on pending positions of each underlying NCP will also be provided to respective GCPs after the marking-to-market process at around 11:45am and 8:15pm..

Also, the provisional net unfavourable marks amount (for CNS positions) as at the specified update time will be displayed for information via Broadcast Message. The amount will be updated three times on each CCASS day, (i) around 2:45 p.m.; (ii) around 3:45 p.m., after the completion of the final batch settlement run; and (iii) around 4:45 p.m.

- (ii) HKSCC will collect margin from all unsettled stock positions under the CNS System daily on each trade day. Margin requirement will be arrived after taking into account of favourable marks offset, margin credit, margin multiplier, long CNS position covered by specific cash collateral and short CNS position covered by specific stock collateral. Margin Payable Report will be generated around 8:15pm daily to summarize the details of margin computation on pending and overdue positions. An NCP Margin Projection Report will be provided to

respective GCPs after the margin process as well. Intra-day margin will also be collected when HKSCC determines necessary. When HKSCC calls for intra-day margin, Intra-day Margin Payable Report will be provided to Clearing Participants for the details of computation. An NCP Margin Projection Report projecting amount of margin requirement of each underlying NCP will be provided to respective GCPs after intra-day and day-end margin process at around 11:45am and 8:15pm.

Similar to marks, an estimated amount of margin requirement (for CNS positions) as at the specified update time will be displayed for information via Broadcast Message. The amount will be updated three times on each CCASS day, (i) around 2:45 p.m.; (ii) around 3:45 p.m., after the completion of the final batch settlement run; and (iii) around 4:45 p.m.

- (iii) HKSCC will collect additional cash collateral from Clearing Participants with risky CNS stock positions as compared to its apportioned liquid capital. Additional Cash Collateral Payable Report will be generated at around 8:30 pm daily to summarize the details of additional cash collateral computation on pending and overdue positions.

Similar to marks and margin, an estimated amount of additional cash collateral for CNS positions as at the specified update time will be displayed for information via Broadcast Message. The amount will be updated three times on each CCASS day, (i) around 2:50 p.m.; (ii) around 4:05 p.m.; and (iii) around 5:00 p.m.

Report and broadcast messages related to additional cash collateral will be generated to Clearing Participants who are subject to additional cash collateral requirement only.

- (iv) For the Clearing Agency Participant who is a China Connect Clearing House, HKSCC will collect marks, concentration collateral and margin (MCM) as a whole from all unsettled stock positions under the CNS System daily on each trade day. Details of computation will be provided in Marks and Collateral Collection Report and Margin Payable Report. Same as other Clearing Participants, an estimated amount of marks, concentration collateral and margin requirements will be displayed separately via Broadcast Message three times on each CCASS day.

### **For China Connect Markets**

- (i) HKSCC collects Mainland Settlement Deposit (MSTD) twice on each China Connect Markets trade day. MSTD requirement is calculated for each China Connect Market based on the purchase turnover, sell turnover for SPSAs and the amount of overdue short positions of each Clearing Participant. Intra-day MSTD shortfall exceeds the tolerance limit will be collected in full amount from the Clearing Participants. Clearing Participants can elect to pay intra-day MSTD shortfall via CPI or by making payments to the designated banks of HKSCC. Day-end shortfall for each China Connect Market will be collected from the Clearing Participant at day-end via Direct Debit Instruction when its MSTD posted with HKSCC is not sufficient to cover the MSTD requirement. Intra-day Mainland Settlement Deposit Payable Report (Shanghai) and Intra-day Mainland Settlement Deposit Payable Report (Shenzhen) will be generated daily at around 11:50 a.m. upon the completion of the calculation which is triggered after the morning close of China Connect Markets. Mainland Settlement Deposit Payable Report (Shanghai) and Mainland Settlement Deposit Payable Report (Shenzhen) will be generated daily upon the completion of the final batch

settlement run of Shanghai and Shenzhen markets respectively to show the details of computation. An estimated MSTD requirement for each China Connect Market of each Clearing Participant will be displayed at around 4:35 p.m. for information via Broadcast Message.

- (ii) HKSCC collects Mainland Security Deposit (MSCD) for each China Connect Market on a monthly basis. MSCD requirement for each China Connect Market is determined by reference to average daily settlement obligation of each Clearing Participant in respective China Connect Markets for the previous six months and is subject to a minimum of RMB200,000 to be paid by each Clearing Participant before commencement of trading for China Connect as a whole (i.e. Clearing Participant who is participating in Shanghai market will not be required to make additional minimum Mainland Security Deposit before commencing trading in Shenzhen-Hong Kong Stock Connect). Mainland Security Deposit Payable Report (Shanghai) and Mainland Security Deposit Payable Report (Shenzhen) will be generated on the last calendar day of each month and is available for download on the first business day of each month.

### **For Hong Kong and China Connect Markets**

- (i) For securities allocated by HKSCC to Clearing Participants under the CNS System which have not yet been paid for by the Clearing Participants or Clearing Agency Participant who is a China Connect Clearing House, HKSCC puts such securities “**on-hold**” unless the payment obligations of the Clearing Participants or Clearing Agency Participant have been adequately secured. Clearing Participants may pay same day available funds to HKSCC after taking into account of the release of on-hold specific cash collateral and refund of the amount of margin on CNS stock positions due for settlement on that settlement day to reduce their money obligations in Hong Kong market, and as a result release the equivalent discounted market value of securities-on-hold for settlement. Clearing Agency Participants may pay same day available funds to HKSCC to reduce their money obligations in Hong Kong market and as a result release the equivalent discounted market value of securities-on-hold for settlement. For securities allocated for China Connect Markets, the “on-hold” mechanism still holds. The allocated shares for China Connect Markets will be released upon the settlement of money obligations on next Mainland Business Day. Clearing Participants are not normally allowed to withdraw on-hold securities from the system or to make use of such securities in the system unless they paid same day available funds to HKSCC to reduce their settlement money obligations in China Connect Markets. Clearing Participants may also provide HKD/USD as collateral for the early release of China Connect Securities that are Securities-on-hold, but they are still subject to the money obligations in China Connect Markets on next Mainland Business Day.
- (ii) In addition, HKSCC closely monitors the risk exposure created by Clearing Participants and Clearing Agency Participant which is a China Connect Clearing House owing to their trades on SEHK and their general financial well being, and in appropriate cases may demand further “collateral”.
- (iii) A Guarantee Fund made up of Clearing Participants’ contributions and other resources arranged for the purpose. Each Clearing Participant has to contribute an amount based on its share of the average daily CNS position (as defined in Section 18.2.1 of the Operational Procedures) of all Clearing Participants, DCP will be subject to a minimum cash contribution which shall be

the higher of HK\$50,000 or HK\$50,000 per trading right on SEHK held by itself, and GCP will be subject to a minimum cash contribution which shall be the higher of HK\$150,000 or the aggregate of HK\$50,000 in respect of each trading right on SEHK held by itself and each NCP with whom such GCP has entered into a Clearing Agreement. Any further amount required in excess of the minimum cash contribution required should be provided in cash. It is intended that the Guarantee Fund will only be used as a last resort.

- (iv) HKSCC imposes a Guarantee Fund threshold with reference to the highest Guarantee Fund size in the past 10 years. HKSCC will collect Guarantee Fund risk collateral from the Clearing Participants in the amount of net projected loss of the Clearing Participant in excess of 50% of the Guarantee Fund threshold should the Guarantee Fund threshold be reached. Clearing Participants can download the Guarantee Fund Risk Collateral Requirement Report GFR(806) for HKSCC Guarantee Fund information and Participant’s risk collateral requirement.

In the case of default by a Clearing Participant, HKSCC will close-out all of the Clearing Participant’s unsettled CNS positions in Hong Kong stocks and China Connect Securities. If a net loss is incurred, HKSCC will realize any marks, concentration collateral, margin, MSTD, MSCD or other assets held as collateral to satisfy amounts owed to it and as a last resort will draw on the Guarantee Fund (thus enabling HKSCC to perform its obligations to other Clearing Participants participating under the CNS System). Any surplus assets held by HKSCC will then be returned to the defaulting Clearing Participant as appropriate. In addition, HKSCC will notify all Participants about the default and the affected Participants (i.e. those who have dealings with the defaulting Participant on a trade for trade basis) have to take remedial actions themselves.

In the case of default by a Clearing Agency Participant, HKSCC will close-out all of the Clearing Agency Participant’s unsettled CNS positions in Hong Kong stocks. If a net loss is incurred, HKSCC will realize the defaulting Participant’s marks, concentration collateral, margin and other collateral to satisfy amounts owed to it. Since a Clearing Agency Participant which is a China Connect Clearing House is exempted from contribution to the Guarantee Fund, HKSCC will not apply the Guarantee Fund to cover the close-out loss of the Clearing Agency Participant.

An overview of risk management measures is shown in Exhibit 2-E at the end of this section.

**Table 2.9b: Functions and reports related to fails and risk management activities**

	<b>CCASS Functions / Reports</b>	<b>Sections in this User Guide</b>
Terminal operation function	<ul style="list-style-type: none"> <li>• Enquire Buy-in Confirmation</li> </ul>	Section 9.1.8
Reports	<ul style="list-style-type: none"> <li>• Intra-Day Marks and Collateral Collection Report</li> <li>• Marks and Collateral Collection Report</li> <li>• Buy-in Notification Report</li> <li>• NCP Marks Projection Report</li> <li>• Intra-Day Margin Payable Report</li> <li>• Margin Payable Report</li> <li>• NCP Margin Projection Report</li> <li>• Mainland Security Deposit Payable Report (Shanghai)</li> </ul>	Section 4.3

	<ul style="list-style-type: none"><li>• Mainland Security Deposit Payable Report (Shenzhen)</li><li>• Mainland Settlement Deposit Payable Report (Shanghai)</li><li>• Mainland Settlement Deposit Payable Report (Shenzhen)</li><li>• Intra-day Mainland Settlement Deposit Payable Report (Shanghai)</li><li>• Intra-day Mainland Settlement Deposit Payable Report (Shenzhen)</li><li>• Additional Cash Collateral Payable Report (CRMAC01)</li><li>• Guarantee Fund Risk Collateral Requirement Report (GFR806)</li></ul>	
--	--	--

**2.5 COLLATERAL MANAGEMENT SERVICES**

A computerized system, Common Collateral Management System (CCMS), is in place to serve the operations of collateral management services. CCMS is developed with the capacity to cover not just CCASS Participants, but also participants of other clearing houses of HKEx. Collateral Accounts are set up in CCMS and used primarily for keeping records of collateral provided by participants. All collateral instruments kept in the Collateral Accounts will be used by HKSCC for collateral purposes in accordance with CCASS Rules and Operational Procedures.

HKSCC accepts cash or CCASS stocks to cover Marks, Concentration Collateral Margin or other obligations of Participants in Hong Kong market. Before CCASS stocks can be used as collateral, CCASS Participants have to transfer them to CCMS from the CCASS Stock Accounts via the maintenance functions provided under CCMS. The CCASS Stock A/C 20 is the control account to show the stock balances kept in CCMS. Clearing Participants or Clearing Agency Participants who wish to transfer CCASS stocks to CCMS to cover a substantial number of Short CNS stock positions for Hong Kong market can upload SSC batch files from the CCASS Terminals to the HKSCC host computer for batch processing. Clearing Participants may provide specific cash collateral to cover pending long CNS positions for Hong Kong market. Marks can be avoided and Margining position and hence margin requirement may be reduced by specific stock collateral and specific cash collateral. Clearing Participants can setup Preferred Single Settlement Currency in CCASS Terminal for paying Marks and Margin obligations. For China Connect Markets, HKSCC accepts cash in RMB to cover MSTD, MSCD or other collateral obligations of Participants and accepts cash in HKD or USD for the early release of China Connect Securities that are Securities-on-hold.

Table 2.10 summarises the CCASS functions and reports related to collateral management activities.

**Table 2.10: Functions and reports related to Collateral Management activities**

	<b>CCASS Functions / Reports</b>	<b>Sections in this User Guide</b>
Terminal operation functions	<ul style="list-style-type: none"> <li>• SSC File Transfer</li> <li>• SSC Batch File Layout</li> <li>• CCASS-To-CCMS Stock Transfer Maintenance</li> <li>• CCMS-To-CCASS Stock Transfer Maintenance</li> <li>• General to Specific Stock Collateral Maintenance</li> <li>• Specific to General Stock Collateral Maintenance</li> <li>• CCMS-To-CCASS Cash Transfer Maintenance</li> <li>• Specific Cash Collateral Maintenance</li> <li>• Maintain Preferred Single Settlement Currency for Marks &amp; Margin</li> </ul>	Section 5.23 Section 5.24 Section 8.3.1 Section 8.3.2 Section 8.3.3 Section 8.3.4 Section 8.3.5 Section 8.3.6 Section 8.3.7
Special enquiry functions	<ul style="list-style-type: none"> <li>• Enquire Collateral Account Balance</li> <li>• Enquire Collateral Account Movement</li> <li>• Enquire Collateral Inventory</li> <li>• Enquire Interest Calculation Result/Accommodation Fee</li> <li>• Enquire Collateral Effective Haircut &amp; Valuation Price</li> <li>• Enquire Exchange Rate and Haircut</li> <li>• Enquire Specific Cash Collateral Account</li> </ul>	Section 9.4.1 Section 9.4.2 Section 9.4.3 Section 9.4.4 Section 9.4.5 Section 9.4.6 Section 9.4.7

	Movement	
Reports	<ul style="list-style-type: none"> <li>• Posting / Collateralisation Result Report</li> <li>• Collateral Account Balance Report</li> <li>• Participant Collateral Account Movement Report</li> <li>• Special-Use Collateral Balance Report</li> <li>• Collateral Parameters Information List</li> <li>• Monthly Interest &amp; Accommodation Fee Report - Detail</li> <li>• Statement of Collateral Account</li> <li>• Maintain Preferred Single Settlement Currency Activity Report</li> <li>• Specific Cash Collateral Instruction Activity Report</li> <li>• Collateral Security Batch Input Control Report</li> <li>• Quarterly Interest Report for Mainland Settlement Deposit and Mainland Security Deposit (Shanghai)</li> <li>• Mainland Security Deposit Payable Report (Shanghai)</li> <li>• Mainland Settlement Deposit Payable Report (Shanghai)</li> <li>• Intra-day Mainland Settlement Deposit Payable Report (Shanghai)</li> <li>• Quarterly Interest Report for Mainland Settlement Deposit and Mainland Security Deposit (Shenzhen)</li> <li>• Mainland Security Deposit Payable Report (Shenzhen)</li> <li>• Mainland Settlement Deposit Payable Report (Shenzhen)</li> <li>• Intra-day Mainland Settlement Deposit Payable Report (Shenzhen)</li> </ul>	Section 4.3

**2.6 SECURITIES BORROWING AND LENDING SERVICES**

**A. Bulletin Board**

The Securities Borrowing and Lending Bulletin Board (SBL Bulletin Board) in CCASS is to provide information for CCASS Participants to input stock borrowing requests. Other CCASS Participants with stocks to lend may enquire the stock borrowing requests input within the current day and contact the corresponding borrower directly.

A lender list is maintained by HKSCC to provide information on securities lenders of Hong Kong stocks for CCASS Participants to enquire. These lenders may not necessarily be CCASS Participants.

Table 2.11 lists the CCASS functions related to SBL Bulletin Board activities.

**Table 2.11: Functions related to SBL Bulletin Board activities**

	<b>CCASS Functions</b>	<b>Sections in this User Guide</b>
Terminal operation function	<ul style="list-style-type: none"> <li>• Stock Borrowing Request Maintenance</li> </ul>	Section 8.1.10
Special enquiry functions	<ul style="list-style-type: none"> <li>• Enquire Stock Lender List</li> <li>• Enquire Stock Borrowing List</li> </ul>	Section 9.3.4 Section 9.3.5

**B. Compulsory Stock Borrowing for Hong Kong stocks**

HKSCC will directly borrow shares, in Stage I of the Stock Borrowing and Lending System, to further increase the settlement efficiency and fulfil the settlement obligations to receiving Clearing Participants under the CNS system. A borrowing request of an eligible CCASS stock will be automatically created with quantity equal to the due and overdue CNS long positions at day-end (after Final Settlement Run – Part I). CCASS will then search for lendable shares according to the lender priority list. If a lender with required shares (either in part or full) is found, shares are borrowed until the request is fully satisfied. A Lending Position is created for the lender and shares are debited from the lender’s Stock Lending Account. A Borrowing Position is created for HKSCC. The borrowed shares will be credited to HKSCC’s Stock Clearing Account for allocation to the receiving Clearing Participants in the Final Settlement Run – Part II.

Table 2.11a. lists the CCASS functions related to Compulsory Stock Borrowing activities.

**Table 2.11a: Functions related to Compulsory Stock Borrowing activities**

	<b>CCASS Functions</b>	<b>Sections in this User Guide</b>
Terminal operation functions	<ul style="list-style-type: none"> <li>• Recall Request Maintenance</li> <li>• Cash Compensation Indicator Maintenance</li> </ul>	Section 8.1.11 Section 8.1.12
Special enquiry functions	<ul style="list-style-type: none"> <li>• Enquire Lending Position</li> <li>• Enquire Stock Borrowing Information</li> </ul>	Section 9.3.6 Section 9.3.7
Reports	<ul style="list-style-type: none"> <li>• Stock Borrowing/Lending Position Status Report</li> <li>• Stock Borrowing/Lending Activity Report</li> </ul>	Section 4.3

**2.7 CORPORATE COMMUNICATIONS SERVICES**

From time to time, listed issuers of Hong Kong Market will send copies of the corporate communications to its shareholders for their information and/or actions. With these corporate communications services, CCASS Participants should provide the names and address of their clients being non-registered holders to HKSCC if their clients wish to receive corporate communications. Upon receipt of names and addresses of non-registered holders (“recipients”) provided by CCASS Participants, HKSCC will pass one consolidated list of recipients (including CCASS SSA Statement Recipients and Investor Participants) to the corresponding share registrar or agent of the listed issuer. Share registrar or agent of the listed issuers will then send a notification of the publication of corporate communications on the listed issuers’ website together with a request form to the recipients. If the recipients wish to receive hard copies of corporate communications in the future, they should complete and return the request form to indicate their option of printed version to the share registrar or agent of the issuer directly.

CCASS Participants must not pass details of non-registered holders to HKSCC unless they have written authorization from non-registered holders for the release of their names and addresses.

Table 2.12 lists the CCASS functions and reports related to Corporate Communications activities.

**Table 2.12: Functions and reports related to Corporate Communications activities**

	<b>CCASS Functions / Reports</b>	<b>Sections in this User Guide</b>
Terminal operation functions	<ul style="list-style-type: none"> <li>• Recipient Master Maintenance</li> <li>• Event Recipient List Maintenance</li> </ul>	Section 8.2.6 Section 8.2.7
Special enquiry function	<ul style="list-style-type: none"> <li>• Enquire Corporate Communications Event</li> </ul>	Section 9.2.2
File transfer function	<ul style="list-style-type: none"> <li>• Corporate Communications Recipient File Transfer</li> </ul>	Sections 5.7&5.8
Reports	<ul style="list-style-type: none"> <li>• Corporate Communications Event List</li> <li>• Recipient Master Maintenance Activity Report</li> <li>• Corp Comm Event Recipient List Activity Report</li> <li>• Corp Comm Recipient Batch Input Control Report</li> <li>• Monthly Recipient Master List</li> </ul>	Section 4.3

Participants with a large volume of recipient records can subscribe to a service to upload Corporate Communications Recipient batch files from the CCASS Terminals to the HKSCC host computer.

## **2.8 ELECTRONIC INITIAL PUBLIC OFFERING (EIPO) APPLICATION SERVICES**

Through the service, CCASS Participants are able to apply for New Issue Shares using the CCASS Terminals. The issuer of each initial public offering (IPO) may choose whether to use EIPO services and/or adopt the tradition application method via white and yellow forms. CCASS Participants should refer to the prospectus of the IPO or enquire by using the ENQUIRE AUTHORISED EIPO ANNOUNCEMENT regarding the availability of EIPO service for a particular IPO. During the EIPO application period, Participants can online input EIPO application instructions to the EIPO announcements by entering the application quantity and the broker seat number using the ADD EIPO APPLICATION function. Once an EIPO application instruction is successfully added, it acquires a "Pending" status. Details of a "Pending" EIPO application instruction can be changed during the EIPO application period by using the CHANGE PENDING EIPO APPLICATION function. If an EIPO application instruction previously input and has not yet been authorised, it can be deleted by using the DELETE PENDING EIPO APPLICATION function.

Under certain circumstances, applicants may be required to confirm their applications for subscribing new issue shares to the issuer in order to proceed with their applications in accordance with the supplemental prospectus issued by the issuer. In such case, CCASS Participants may confirm the applications for New Issue Shares, on applicants' behalf by using the CCASS Terminals. During the EIPO confirmation period, Participants can online confirm EIPO application instructions by inputting the original EIPO application instruction number, the Stock Code under EIPO confirmation, the Beneficial Owner or just press the list button to list out all the EIPO application instructions which have not been confirmed yet by using CONFIRM EIPO APPLICATION function. Once an EIPO application instruction is successfully confirmed, it acquires a "Pending" status. A "Pending" confirmed EIPO application instruction can be deleted during the EIPO confirmation period by using the DELETE CONFIRMED EIPO APPLICATION function. All the confirmed EIPO application instructions must be authorised by using the AUTHORISE CONFIRMED EIPO APPLICATION function before it is treated as a valid confirmation instruction. Any confirmed application instruction, which has not been authorised within the confirmation period, will not be consolidated by system for sending to share registrar for processing. An "Authorised" confirmed EIPO application instruction can be cancelled during the EIPO confirmation period by using the CANCEL CONFIRMED EIPO APPLICATION function.

The aforementioned EIPO confirmation instructions only support the "Confirmation Instruction model" where CCASS Participants are required to positively submit their EIPO confirmation instruction to proceed with the EIPO application. In other words, the "Withdrawal Instruction model" where the EIPO Application will be treated as confirmed and valid if CCASS Participants do not submit confirmation instruction, is not supported by CCASS.

The total application monies are displayed upon successful input of the EIPO application instruction. CCASS Participants should authorise the EIPO application instructions to be submitted to the issuer using the AUTHORISE EIPO APPLICATION function. An authorised EIPO application instruction acquires the status of "Authorised". All authorised EIPO application instructions will be processed on the application end day. HKSCC will generate EPIs for the authorised EIPO application instruction to debit application monies from the designated bank accounts of the CCASS Participants for credit to the issuer's bank account. One EPI will be generated for each EIPO application instruction. An issuer can designate more than one bank as its receiving banks (RBs) to handle the collection of EIPO application monies for an EIPO, and designate one of the

RBs as the Nominee Bank (NB). If the designated bank of a CCASS Participant is one of the RBs, the EIPO application monies in respect of all the EIPO applications submitted by that CCASS Participant will be credited to such RB. Otherwise, the EIPO application monies in respect of all the EIPO applications submitted by that CCASS participant will be credited to the NB. The NB will also handle the EIPO application monies refund on the refund day. After an “Authorised” EIPO application instruction is processed on the application end day, the status is updated to “System Processed”. HKSCC will forward all the authorised EIPO application instructions to the registrar for further processing. EIPO application instructions with “Authorised” status may be revoked within the application period imposed by HKSCC by using the CANCEL EIPO APPLICATION function. CCASS Participants can input another new application if they wish to make a new application. For applications with “System Processed” status, no revocation is allowed because it is generated after the EIPO application end date. The handling charges of a cancelled application will be credited to CCASS Participant’s money ledger.

In case the designated bank rejects the EPI in relation to an EIPO application instruction, the receiving bank will inform the registrar and the registrar will reject the related EIPO application instruction. CCASS Participant should contact their designated banks to enquire about any EPI rejection. The unsuccessful reason for all rejected applications will be printed on the “New Issues Entitlement Report” which is available at the beginning of the EIPO announcement day.

Regarding EIPO application, enquiry of “Pending”, “Authorised”, “System Processed” and “Cancelled” EIPO application instructions is available up to ten business days after the last refund day of the relevant EIPO announcement. Regarding EIPO confirmation, enquiry of “Pending”, “Authorised”, and “Cancelled” confirmed EIPO application instructions is available up to ten business days after the last refund day of the relevant EIPO announcement.

On the EIPO announcement day, CCASS participants may enquire the allotment and refund information via CCASS Terminals or download the information as contained in the “New Issues Entitlement Report” via CCASS Terminals.

On the share posting day, HKSCC will credit new shares arising from successful applications to the Entitlement Account (A/C 2) of CCASS Participant.

On the refund day, HKSCC will generate EPIs to facilitate refund from the issuer’s bank account for credit to the designated bank account of CCASS Participants. Refund to the same CCASS Participant will be consolidated to one EPI.

Table 2.12a lists the CCASS functions and reports related to subscription activities.

Exhibit 2-J at the end of this section summarizes the operational flow related to EIPO application transaction.

**Table 2.12a: Functions and reports related to EIPO application and confirmation activities**

	<b>CCASS Functions / Reports</b>	<b>Sections in this User Guide</b>
Terminal operation function	<ul style="list-style-type: none"> <li>• EIPO Application Maintenance</li> <li>• EIPO Confirmation Maintenance</li> </ul>	<p>Section 8.2.8                      Section 8.2.8a</p>
Special enquiry	<ul style="list-style-type: none"> <li>• Enquire Authorised EIPO</li> </ul>	<p>Section 9.2.5                      Section 9.2.6</p>

functions	Announcement <ul style="list-style-type: none"> <li>• Enquire Allotment Result</li> <li>• Enquire EIPO Total Application Quantity and Money Obligation</li> </ul>	Section 9.2.9
File transfer function	<ul style="list-style-type: none"> <li>• EIPO Application File Transfer</li> <li>• EIPO Confirmation File Transfer</li> </ul>	Sections 5.13 & 5.14 5.19 & 5.20
Reports	<ul style="list-style-type: none"> <li>• New Issues Application Input Activities Report</li> <li>• New Issues Entitlement Report</li> <li>• EIPO Batch Input Control Report</li> <li>• EIPO Confirmation Batch Input Control Report</li> </ul>	Section 4.3

## **2.9 TENDERING SERVICES**

Through the service, CCASS Participants are able to tender for New Issue of Exchange Fund Notes (which will be listed on the Stock Exchange), etc. using the CCASS Terminals. CCASS Participants should refer to the Tender Notices or enquire by using the ENQUIRE AUTHORISED TENDER ANNOUNCEMENT regarding the availability of tendering service for new issues of notes. During the application period, Participants can online input tender instructions to the tender announcements by entering the application quantity, price bid (if applicable) and the broker number (if applicable) using the ADD TENDER INSTRUCTION function. Once a tender instruction is successfully added, it acquires a "Pending" status. Details of a "Pending" tender instruction can be changed before the tender day using the CHANGE TENDER INSTRUCTION function. If a tender instruction previously input is not required and has not yet been authorised, it can be deleted by using the DELETE TENDER INSTRUCTION function.

The total tender monies are displayed upon successful input of the tender instruction. CCASS Participants should authorise the tender instructions to be submitted to the issuer or its agent using the AUTHORISE TENDER INSTRUCTION function. An authorised tender instruction acquires the status of "Authorised". All authorised tender instructions will be processed on the application end day. HKSCC will base on the authorised tender instructions to post the corresponding debit entries to the participants' Entitlements A/C for generation of DDIs at day end. Tender instructions with "Authorised" status may be revoked within the application period before the tender date by using the CANCEL TENDER INSTRUCTION function. For applications with "System Processed" status, no revocation is allowed because it is generated after the tendering end date. If a tender instruction is subsequently cancelled, the handling charges of the cancelled instruction will be credited to the CCASS Participant's money ledger. In case the designated bank rejects the DDI in relation to the tender instructions, the related tender instruction will be cancelled automatically by CCASS. CCASS Participant can still be able to maintain tender instructions after the application end day and before the tender date. However, the ultimate total tender monies required for its authorised tender instructions shall not be greater than the tender monies collected on the application end day.

Enquiry of "Pending", "Authorised", "Cancelled" and "System Processed" tender instructions is available up to ten business days after the allotment day of the relevant tender announcement.

On tender day, HKSCC will forward all the valid authorised tender instructions to the issuer/arranger. On the same day, CCASS Participants may enquire the tender result and refund/recollection information via CCASS Terminals or download the information as contained in the "New Issues Entitlement Report" via CCASS Terminals. HKSCC will post credit entries to refund the tender monies for unsuccessful tender instructions (either in whole or in part) via the generation of DCIs at day end. HKSCC will post debit entries to collect additional tender monies for successful tender instructions where the final allotment price is higher than the initial tender price (where applicable).

Upon receipt of the final allotment result from the issuer/arrange on the allotment day (usually one business day, excluding Saturday, after the tender day), HKSCC will credit new shares of notes arising from successful tender instructions to the Entitlement Account (A/C 2) of CCASS Participant at day end.

Table 2.13 lists the CCASS functions and reports related to tender activities.

**Table 2.13: Functions and reports related to tender activities**

	<b>CCASS Functions / Reports</b>	<b>Sections in this User Guide</b>
Terminal operation function	<ul style="list-style-type: none"> <li>• Tender Instruction Maintenance</li> </ul>	Section 8.2.9
Special enquiry functions	<ul style="list-style-type: none"> <li>• Enquire Authorised Tender Announcement</li> <li>• Enquire Tender Result</li> </ul>	Section 9.2.7 Section 9.2.8
File transfer function	<ul style="list-style-type: none"> <li>• Tender Instruction File Transfer</li> </ul>	Sections 5.11 & 5.12
Reports	<ul style="list-style-type: none"> <li>• New Issues Application Input Activities Report</li> <li>• New Issues Entitlement Report</li> <li>• Tender Instruction Batch Input Control Report</li> </ul>	Section 4.3

### **2.9a STOCK SEGREGATED ACCOUNT WITH STATEMENT SERVICE MAINTENANCE**

Clearing Participants and Custodian Participants are able to maintain Stock Segregated Account (“SSA”) with Statement Service i.e. account number from 21 onwards. Clearing Participants and Custodian Participants can create a new SSA with Statement Service via ADD SSA function. Once an account is successfully added, Participants can perform stock movement immediately. Each SSA with Statement Service will also provide with a CCASS Phone User ID for access to CCASS Phone System on the following day. Person(s) named and/or maintained in respect of an SSA with Statement Service (“SSA Statement Recipient”) can register as internet user on the following day as well. Particulars of the SSA with Statement Service, except CCASS Phone User ID and account number, can be changed via CHANGE SSA function. When the SSA with Statement Service is no longer needed, Participants can delete the account via DELETE SSA function. The account will be deleted from CCASS with immediate effect and access to CCASS Phone System and CCASS Internet System will be terminated as well.

In order to make use of CCASS to facilitate the money settlement between a Clearing / Custodian Participant and its SSA Statement Recipient, details of bank account opened with a Designated Bank by an SSA Statement Recipient have to be maintained in CCASS via CCASS Terminal. Clearing Participants and Custodian Participants can add a new bank account of an SSA with Statement Service via ADD SSA BANK ACCOUNT function. Once a bank account is successfully added, Participants can make payments to an SSA Statement Recipient from that day onwards. Participants can change the details of the bank account via CHANGE SSA BANK ACCOUNT function and delete the bank account via DELETE SSA BANK ACCOUNT function with immediate effect.

SSA Statement Recipients may need to reset their CCASS Phone or Internet User Passwords if they have forgotten them or their passwords are revoked resulting from 3 invalid inputs. As the account profile of SSA with Statement Service is maintained by Clearing / Custodian Participants, Clearing / Custodian Participants can reset the CCASS Phone User Password of SSA with Statement Service via RESET SSA PHONE PASSWORD function. Upon input, the new password will be effective on the following day.

For Internet User Password, as it is set up by SSA Statement Recipients, SSA Statement Recipients can reset the Internet User Password by themselves. In case the CCASS Phone Password of an SSA with Statement Service is also revoked, Clearing / Custodian Participants should reset the CCASS Phone Password of an SSA with Statement Service first before resetting the Internet User Password by SSA Statement Recipients.

Table 2.13A lists the CCASS functions and reports related to SSA with Statement Service maintenance.

**Table 2.13A: Functions and reports related to SSA with Statement Service maintenance**

	<b>CCASS Functions / Reports</b>	<b>Sections in this User Guide</b>
Terminal operation functions	<ul style="list-style-type: none"> <li>• Stock Segregated Account with Statement Service Maintenance</li> <li>• SSA Bank Account Maintenance</li> <li>• Reset SSA Phone Password</li> </ul>	<p>Section 8.5.1</p> <p>Section 8.5.1a</p> <p>Section 8.5.2</p>
File transfer function	<ul style="list-style-type: none"> <li>• SSA File Transfer</li> </ul>	<p>Sections 5.15 &amp; 5.16</p>
Reports	<ul style="list-style-type: none"> <li>• Stock Segregated Account with Statement Service Master Listing</li> <li>• Stock Segregated Account with Statement Service Maintenance Activity Report</li> <li>• SSA Batch Input Control Report</li> </ul>	<p>Section 4.3</p>

## **2.10 ENQUIRIES AND REPORTS:**

Besides the specific enquiry functions mentioned in previous sections, the following enquiry functions are also available:

ENQUIRE PARTICIPANT LIST	(Section 9.3.1)
ENQUIRE STOCK LIST	(Section 9.3.2)
ENQUIRE BROADCAST MESSAGE	(Section 9.3.3)
ENQUIRE NCP / GCP MAPPING	(Section 9.3.10)
ENQUIRE ISSUER ANNOUNCEMENT	(Section 9.3.11)
ENQUIRE ANNOUNCEMENT INFORMATION	(Section 9.2.1)
ENQUIRE REPORTED LOST CERTIFICATE	(Section 9.2.4)

The reports provided by CCASS and their availability schedule are contained in Section 4.

The REPORT DOWNLOAD function (Section 4.1) is used to print the reports. With the same function, a limited number of participants (after subscribing to the service) can download data files of some reports for internal processing.

## 2.11 UNIT TRUST ORDER SERVICES

Through the service, CCASS Participants are able to create additional units or redeem existing units by inputting creation/redemption orders using the CCASS Terminals. From time to time, Participants can online input creation/redemption orders by entering the stock code, stock account, and creation/redemption quantity using the ADD CASH CREATION ORDER / IN KIND CREATION ORDER / REDEMPTION ORDER functions. Once an order is successfully added, it acquires a "Pending" status. Details of a "Pending" order can be changed using the CHANGE CASH CREATION ORDER / IN KIND CREATION ORDER / REDEMPTION ORDER functions. If an order previously input is not required and has not yet been authorised, it can be deleted by using the DELETE CASH CREATION ORDER / IN KIND CREATION ORDER / REDEMPTION ORDER functions.

CCASS Participants should authorise the orders to be submitted to the trustee using the AUTHORISE CASH CREATION ORDER / IN KIND CREATION ORDER / REDEMPTION ORDER functions. An authorised order acquires the status of "Accepted". Enquiry of creation/redemption orders is also available.

CCASS Participants who would like to create or redeem order for unit trust must sign an agreement with the Manager, the Trustee, the Conversion Agent and HKSCC.

Table 2.14 lists the CCASS functions and reports related to Unit Order activities.

**Table 2.14: Functions related to unit order activities**

	<b>CCASS Functions</b>	<b>Sections in this User Guide</b>
Terminal operation functions	<ul style="list-style-type: none"> <li>• Cash Creation Order Maintenance</li> <li>• In Kind Creation Order Maintenance</li> <li>• Redemption Order Maintenance</li> </ul>	Section 8.2.10 Section 8.2.11 Section 8.2.12

EXHIBIT 2-A: OVERVIEW OF CCASS OPERATIONS

[SECT2A](#)

EXHIBIT 2-B: OPERATIONAL FLOW OF CCASS FUNCTIONS

[SECT2B](#)

EXHIBIT 2-C: SUMMARY OF OPERATIONAL FLOW FOR SI FUNCTIONS  
EXHIBIT 2-D: SUMMARY OF OPERATIONAL FLOW FOR ISI FUNCTIONS

[SECT2CD](#)

EXHIBIT 2-E: OVERVIEW OF RISK MANAGEMENT MEASURES

[SECT2E](#)

EXHIBIT 2-F: SUMMARY OF OPERATIONAL FLOW FOR WITHDRAWAL FUNCTIONS

[SECT2F](#)

EXHIBIT 2-G: SUMMARY OF OPERATIONAL FLOW FOR ELECTION FUNCTIONS

[SECT2G](#)

EXHIBIT 2-H: SUMMARY OF OPERATIONAL FLOW FOR SUBSCRIPTION FUNCTIONS

[SECT2H](#)

EXHIBIT 2-I(a): SUMMARY OF OPERATIONAL FLOW FOR VOTING FUNCTIONS  
EXHIBIT 2-I(b): SUMMARY OF OPERATIONAL FLOW FOR CORPORATE  
REPRESENTATIVE/PROXY FUNCTION

[SECT2I](#)

EXHIBIT 2-J(a): SUMMARY OF OPERATIONAL FLOW FOR EIPO APPLICATION  
WORKFLOW

EXHIBIT 2-J(b): SUMMARY OF OPERATIONAL FLOW FOR EIPO CONFIRMATION  
WORKFLOW

[SECT2J](#)