

CCASS SERVICE ENHANCEMENTS
IN Q1 2017

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ENHANCEMENT OF THE ON-HOLD MECHANISM OF DELIVERY SIs OF A CHINA CONNECT SECURITY IN WHICH A CCCP HAS AN OVERDUE CNS SHORT POSITION

- Putting SI delivery on-hold is one of the measures when a CCCP fails to meet Northbound Trade settlement. This on-hold process will be enhanced and CCASS will effect SI delivery for the CCCP if the procedures below are followed:

Case	Scenario	Actions to be taken by the CCCP during 19:00 to 19:45 for SI settlement via DI or final SI BSR on T-Day*
Having overdue CNS short position in a China Connect Security	Solely due to the CCCP's Own Failure**	- To ensure that the China Connect Security in the amount not less than the overdue CNS short position is available in the Stock Clearing Account 01***
	Solely due to an SPSA Delivery Failure	- To submit an SPSA Adjustment Request to HKSCC declaring that the overdue CNS short position is solely caused by an SPSA Delivery Failure
	Partly due to an SPSA Delivery Failure and partly due to CCCP's Own Failure	i) To submit an SPSA Adjustment Request to HKSCC declaring that part of the overdue CNS short position is caused by an SPSA Delivery Failure; plus ii) To ensure that the China Connect Security in the amount not less than the part of overdue CNS short position caused by the CCCP's Own Failure is available in the Stock Clearing Account 01

- As part of this enhancement, CCASS will also extend the "Change Hold Matched SI" function end time from 19:00 to 19:45



* Checking of available stock balance and/or sellable balance adjustment in 01 Stock Clearing Account will be introduced during the final SI Batch Settlement Run and the DI input time after the final CNS Batch Settlement Run

** Own Failure here refers to the situation in which a CCCP's overdue CNS short position is solely caused by its own failure to transfer sufficient shares of the relevant China Connect Security to its Stock Clearing Account 01

*** New procedures marked in red

ADDING MORE CCASS SETTLEMENT PROCESSES

- This enhancement will add new SI matching runs (at 16:30 and 18:15), SI BSR with SPSA as delivering account (at 18:15) and STI validation and STI transfer run (at 19:30) for China Connect Markets



* Only for those SIs with SPSA as delivering account

**STI Transfer (SPSA only) will be executed before STI Transfer (exclude SPSA), and the first two transfer (17:30 & 18:30) will only transfer shares from SPSA to non-SPSA account

ADDING MORE CCASS SETTLEMENT PROCESSES

- The corresponding report generation schedule will be revised as follows:

Report ID	Report Name	Market	Generation Time
CCLUS01	Unmatched SI Report	MAMK/ SZMK	~12:00, ~14:00, ~15:15, <u>~16:45</u> , ~17:15, ~17:45, <u>~18:30</u> , ~19:15, ~20:00
CSESP04	Intra-day Settled Position Report	MAMK/ SZMK	~18:00, <u>~18:45</u> , ~19:30
CSESI02	Intra-Day ISI / SI Full List	MAMK/ SZMK	~12:00, ~14:00, ~15:15, <u>~16:45</u> , ~17:15, ~17:45, <u>~18:30</u> , ~19:15, ~20:00
CSEMP03	CCASS Funding Projection Report (Night Settlement) for Designated Bank	GLOB	~17:45, <u>~18:30</u> , ~19:15, ~20:00
CSEMP04	CCASS Funding Projection Report (Night Settlement) for Participant	GLOB	~17:45, <u>~18:30</u> , ~19:15, ~20:00
CSEAT01	STI Batch Input Control Report	GLOB	~09:15, ~10:00, ~12:45, ~15:30, ~17:00, ~17:30, <u>~19:30</u> , ~20:00
CSEAT02	STI Activity Report	MAMK/ SZMK	~09:15, ~10:00, ~12:45, ~15:30, ~17:00, ~17:30, ~18:30, <u>~19:30</u> , ~20:00



NEW CCASS TERMINAL FUNCTION IN VOTING FOR DISCLOSURE OF SHAREHOLDING INFORMATION FOR CHINA CONNECT SECURITIES

Mainland listed companies are required to disclose the number of votes cast by small and medium investors who hold less than 5% of total issued share capital. Relevant investors can submit their disclosure instructions to HKSCC via CCASS Participants to indicate their holdings of China Connect Securities as at the relevant voting record date for the corresponding voting instructions in the following categories.

Categories	Shareholding Information
A	Hold less than 1% of total issued share capital
B	Hold at least 1% but no more than 5% of total issued share capital
C	Hold at least 5% of the total issued share capital
D	Category “A” but with market value less than RMB500,000
E	Category “A” but with market value not less than RMB500,000

- Currently, CCASS Participants can submit consolidated disclosure instructions in writing to HKSCC if their clients’ shareholding level as at record date of shareholders’ meetings fall in Category B, C and E. If HKSCC does not receive any disclosure instructions from CCASS Participants by the voting deadline, HKSCC will treat all voting instructions received from CCASS Participants as the votes cast by investors under Category A and D, and submit to the relevant issuer or its authorised agents or representatives for disclosure.
- After the enhancement, CCASS Participants can submit the disclosure instructions electronically via the new function “Shareholding Category Disclosure” in CCASS Terminal.



NEW CCASS TERMINAL FUNCTION IN VOTING FOR DISCLOSURE OF SHAREHOLDING INFORMATION FOR CHINA CONNECT SECURITIES

- Sample screen for “Shareholding Category Disclosure” function. Please refer to “New/Existing Functions Changes” in the web corner for details

Shareholding Category Disclosure

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B0440101
 NCDE 03
 14-Aug-05 14:55

Enquire Shareholding Category Disclosure Detail

Announcement Number:	A04002697 AGM ON 26 AUG 05 - 3 RESOLUTIONS	Status:	SYSTEM AMENDED
Shareholdings as of shareholdings date:	1,000		
Stock:	90001 STK NAME 90001		
ISIN:	HK-ISIN90001		
Market :	SHANGHAI SECURITIES MARKET		

Number in Proxy Form Enquire Resolution Description	Voting Preference	Category B	Category C	Category E
1234567890	For	1234567890123	1234567890123	1234567890123
	Against	1234567890123	1234567890123	1234567890123
	Abstain/Withhold	1234567890123	1234567890123**	1234567890123**

**THE CORRESPONDING SHAREHOLDING CATEGORY DISCLOSURE QUANTITY IS INVALID AND CANCELLED BY THE SYSTEM.

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NEW CCASS TERMINAL FUNCTION IN VOTING FOR DISCLOSURE OF SHAREHOLDING INFORMATION FOR CHINA CONNECT SECURITIES

	Before enhancement	After enhancement
Shareholding Level under Category B, C and E	Written instruction	Electronic instruction via CCASS Terminal*
Shareholding Level under Category A and D	No Action	No Action
Activity Report	Nil	“Participant Shareholding Category Disclosure Activity Report” (CCNPT07) generated daily at dayend for MAMK and SZMK
Exception Report	Nil	“Participant Shareholding Category Disclosure Exception Report” (CCNPT08) generated daily shortly after the 16:15 voting validation run** for MAMK and SZMK

* New arrangement marked in red

** To report any invalid shareholding category disclosure quantity cancelled by CCASS after the validation made on the respective voting end day



NETTING OF NORTHBOUND COLLATERAL

Objective	<ul style="list-style-type: none">■ To alleviate the financial burden of CCCPs in meeting Northbound collateral requirements by utilizing excess Northbound collateral held in HKSCC
Details	<ul style="list-style-type: none">■ Allow netting of Mainland Security Deposit surplus held in HKSCC with (i) the Mainland Security Deposit shortfall for the other China Connect Market (ii) the Mainland Settlement Deposit shortfall for the same China Connect Market and (iii) the Mainland Settlement Deposit shortfall for the other China Connect Market■ Northbound collateral transfer details will be recorded in Common Collateral Management System (CCMS)
Participant Report	<ul style="list-style-type: none">■ The following reports will be revised:<ul style="list-style-type: none">❖ Mainland Security Deposit Payable Report (Shanghai) (CRMGF01)❖ Mainland Security Deposit Payable Report (Shenzhen) (CRMGF03)❖ Mainland Settlement Deposit Payable Report (Shanghai) (CRMSD01)❖ Mainland Settlement Deposit Payable Report (Shenzhen) (CRMSD04)❖ Intra-day Mainland Settlement Deposit Payable Report (Shanghai) (CRMSD07)❖ Intra-day Mainland Settlement Deposit Payable Report (Shenzhen) (CRMSD09)
Collection and Refund mechanism	<ul style="list-style-type: none">■ No change



PREPARATION NOTES

HKEX's update

- Circulars
- Rules Amendments
- Web corner
- Technical Specification
- Others

- Tentative launch date: 16 Jan 2017
- Participants are advised to review their systems and operational procedures to ensure their readiness for the enhancements, such as the implementation of the new settlement processes and the new and revised reports
- Participants are suggested to check the relevant information posted on the HKEX website in relation to this batch of enhancements at:

<http://www.hkex.com.hk/eng/market/clar/secclr/ccass3/FurtherCCASSEnhancements.htm>
- Participants are also suggested to check the HKEX website for circulars, CCASS Rules and Operational Procedures amendment, as well as other relevant updates

