

# Enhancement of Settlement Arrangement for Multi-counter Eligible Securities

June 2024

**HKEX**  
香港交易所

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- 02 | Post Trade Arrangements
- 03 | Trading Arrangements
- 04 | Market Data Arrangements
- 05 | Timeline
- 06 | Appendix
- 07 | Q&A

# 01 | Background



# 01 | Background – Evolution of Multi-counter Trading from 2011 to 2025

## Exchange Product

### Launch of Dual Tranche Dual Counter

Introduced the Dual Tranche Dual Counter (DTDC) – RMB equity listing model in September 2011

2011

### Launch of First Dual Counter ETP

2012

### Launch of First Multi-Counter ETP

2016

### Launch of HKD-RMB Dual Counter Model

- Developed a HKD-RMB Dual Counter mechanism for existing HKD counters for listing, trading and settlement purposes
- Introduced Dual Counter Market Making (DCMM) Program in June 2023

2023

2025

### Introduce Multi-counter Transfer Instruction (MCTI)

- Introduced MCTI function for facilitating the settlement and portfolio transfer for DTDC product

### Introduce Inter-counter Transfer Instruction (ICI)

- Introduced ICI for facilitating the settlement for dual counter products

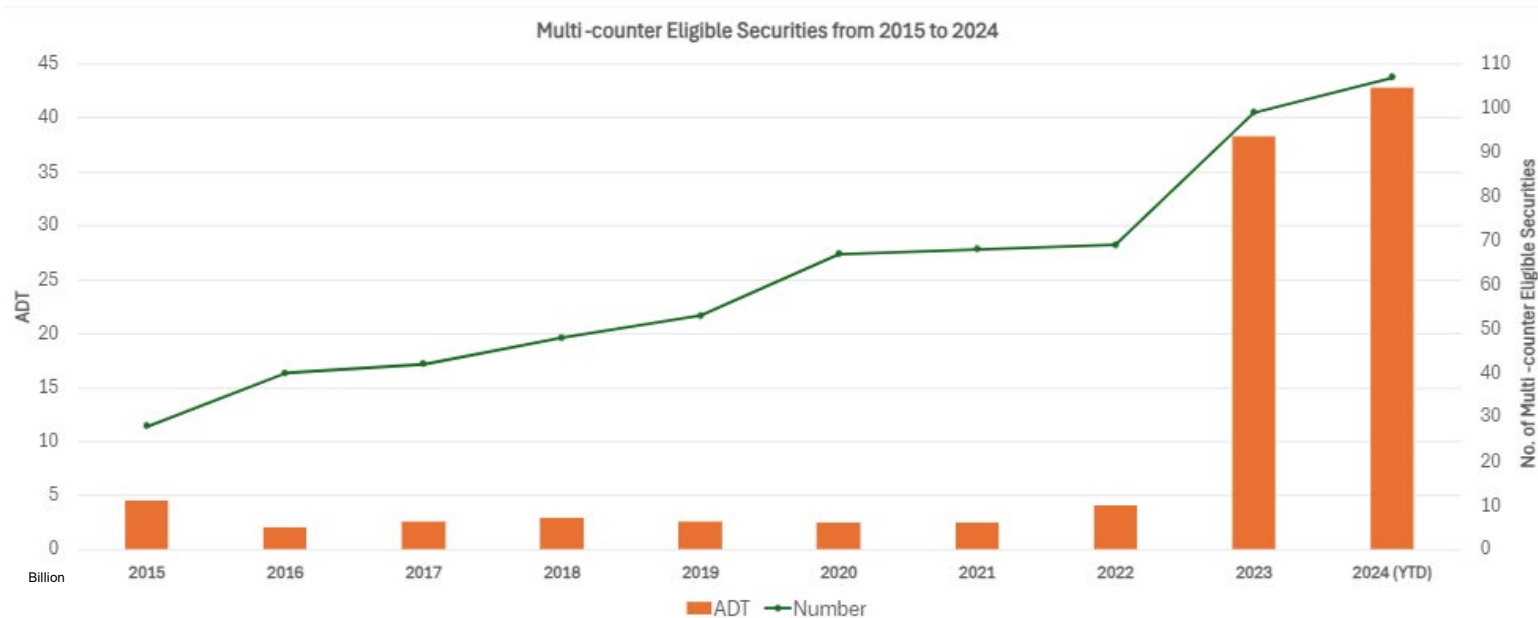
### Enhancement

- **Achieve genuine seamless trading and settlement by adopting single tranche multiple counter approach**

## Settlement Arrangement

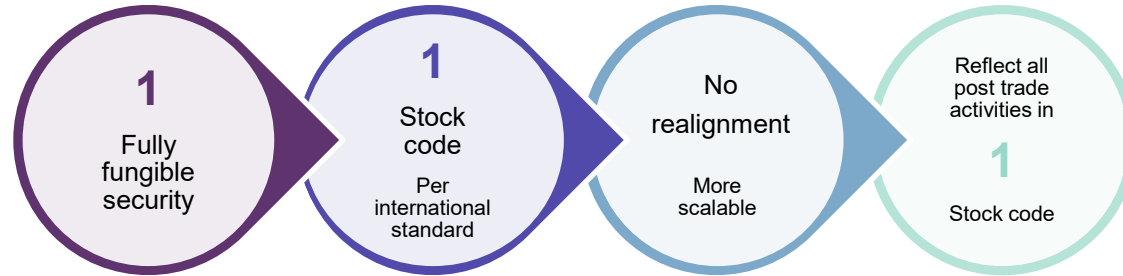


## 01 | Background – Growth of Multi-counter Eligible Securities



**There is an imminent need for HKEX to improve the scalability of Multi-counter Eligible Securities**

# 01 | Background – Key Scope of the Enhancement



Examples:

Multi-counter Eligible Securities	
Dual Counter Securities	Multi-counter ETPs
Trading counters: HKD/RMB	Trading counters: HKD/RMB/USD

**All Multi-counter Eligible Securities will be cleared and settled under the enhanced arrangement.**



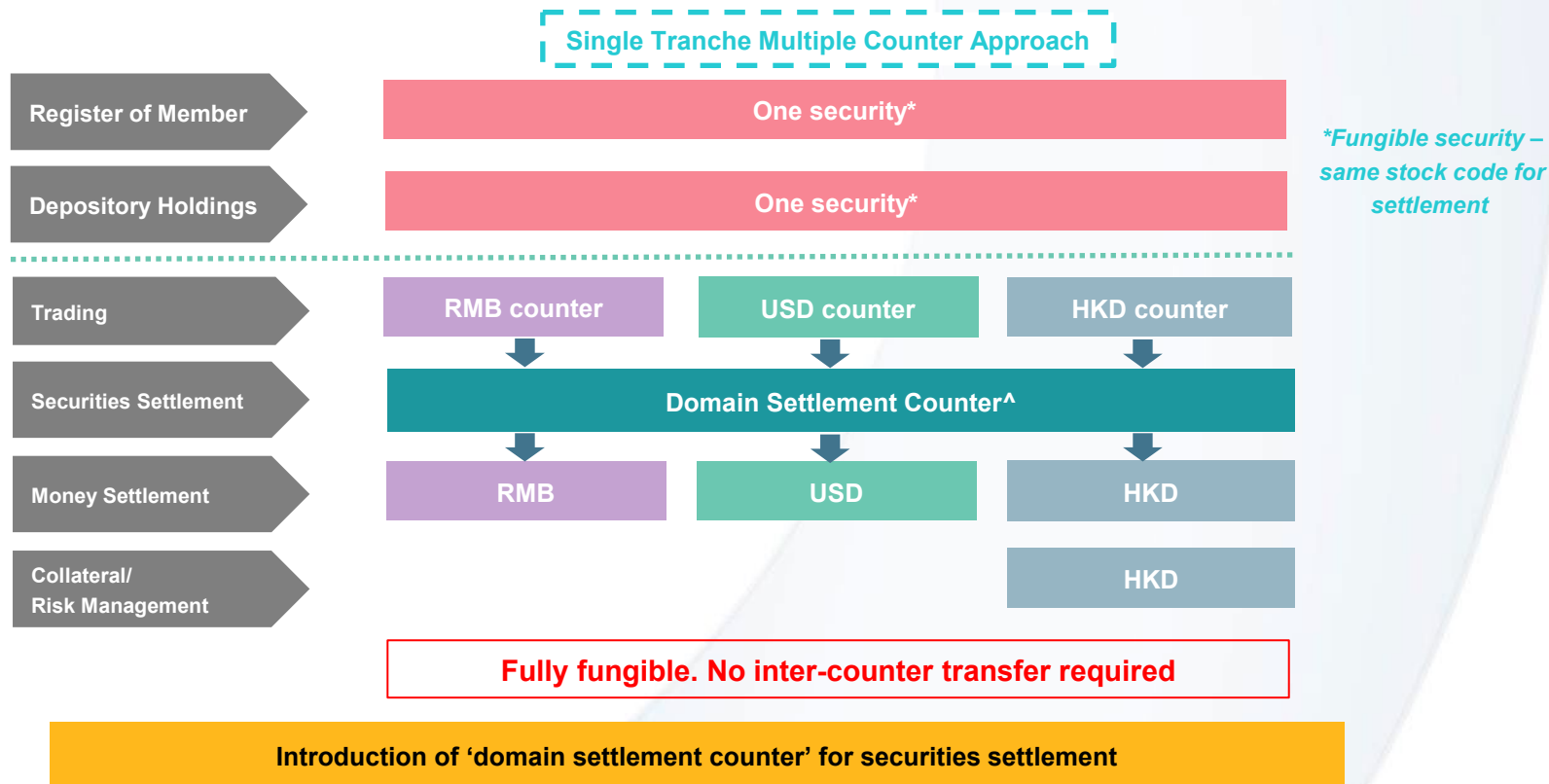


## 02 | Post Trade Arrangement



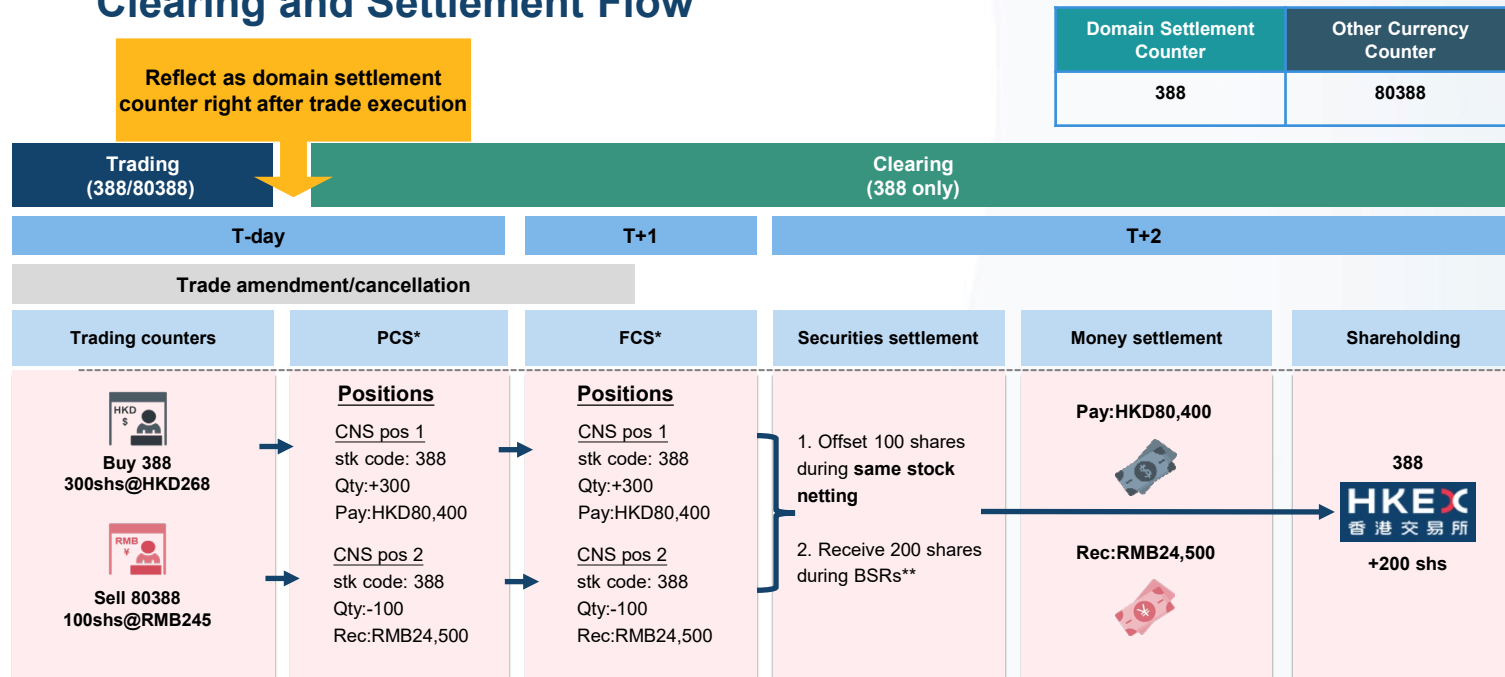


## 02 | Post Trade Arrangements – Overview of Enhanced Settlement Arrangement



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

## 02 | Post Trade Arrangements – Clearing and Settlement Flow



Though there is only one security for post trade activities, there are **separate CNS positions** will be kept for same ISIN as different currencies are attached to separate positions.

**Multiple local codes are used for trading queue purpose only**  
**In Post trade, there is only 1 stock code as there is only one security. No inter-counter transfer is required**

\* PCS = Provisional Clearing Statement FCS = Final Clearing Statement

\*\*BSR = Batch-settlement-run

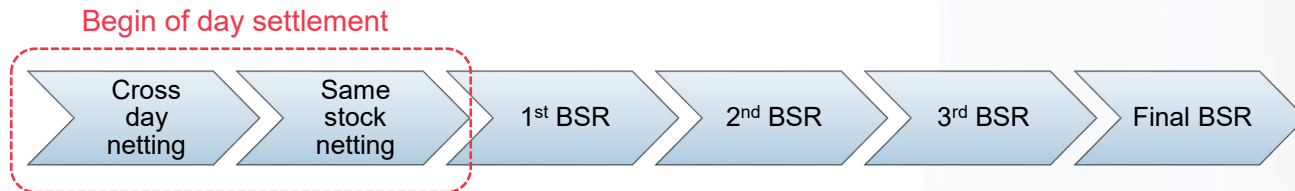
## 02 | Post Trade Arrangements – Clearing and Settlement Arrangement

	Existing Arrangement	Enhanced Arrangement
Securities Settlement	<ul style="list-style-type: none"> <li>Settlement for different currency counters are done separately as independent stocks with different stock codes assigned to them. CPs<sup>^</sup> need to perform manual inter-counter transfer</li> <li></li> <li>CNS positions will be offset for same stock code</li> </ul>	<ul style="list-style-type: none"> <li>Settlement will be done <b>through domain settlement counter with one stock code only. No inter-counter transfer is required</b></li> <li>CNS positions <b>under the domain settlement counter of same currency</b> will be offset</li> <li><b>Introduce 'same stock netting' on T+2</b></li> </ul>
Money Settlement	<ul style="list-style-type: none"> <li>Money settlement obligation will not be offset for different currency counters</li> </ul>	<ul style="list-style-type: none"> <li>Money settlement obligation will not be offset for different currency counters</li> <li><b>Introduce 'receipt after payment' mechanism</b> which will only be applicable to CPs with same stock netting</li> </ul>
Buy-in Arrangement	<ul style="list-style-type: none"> <li>Buy-in trade will normally be executed through the stock code of overdue short stock positions</li> </ul>	<ul style="list-style-type: none"> <li>Buy-in trade will normally be executed through <b>domain settlement counter</b> of overdue short stock positions</li> </ul>
Report/Online Display	<ul style="list-style-type: none"> <li>Show original trading counter</li> </ul>	<ul style="list-style-type: none"> <li>Show <b>domain settlement counter</b></li> </ul>
Instruction Input	<ul style="list-style-type: none"> <li>Input with trading counter stock code</li> </ul>	<ul style="list-style-type: none"> <li>Input with <b>domain settlement counter</b></li> </ul>
Settlement Fee	<ul style="list-style-type: none"> <li>Settlement fee will be calculated and collected in HKD equivalent for all CNS trades</li> </ul>	<ul style="list-style-type: none"> <li>Settlement fee will be calculated and collected in its <b>settlement currency</b> for all CNS trades</li> </ul>



<sup>^</sup>CPs = Clearing Participants

## 02 | Post Trade Arrangements – New Settlement Process – Same Stock Netting



### Purpose of 'same stock netting':

It helps to maximize the settlement efficiency of Multi-counter Eligible Securities.

### Netting algorithm:

1. **Oldest** - *ascending order of due date*
2. **Highest position price for long; lowest position price for short** - *descending/ ascending order of position price (in HKD equivalence) on long/short positions respectively*
3. **Smallest size** - *ascending order of position size*
4. **Random**

In case two currency stock netting of same direction can net against another currency stock position of opposite direction, which currency stock position get netted first will follow the netting priorities above.

**No change on the money settlement** that no offset will be done on the money positions of different counters.

## 02 | Post Trade Arrangements – New Settlement Process – Same Stock Netting

Illustrative example:

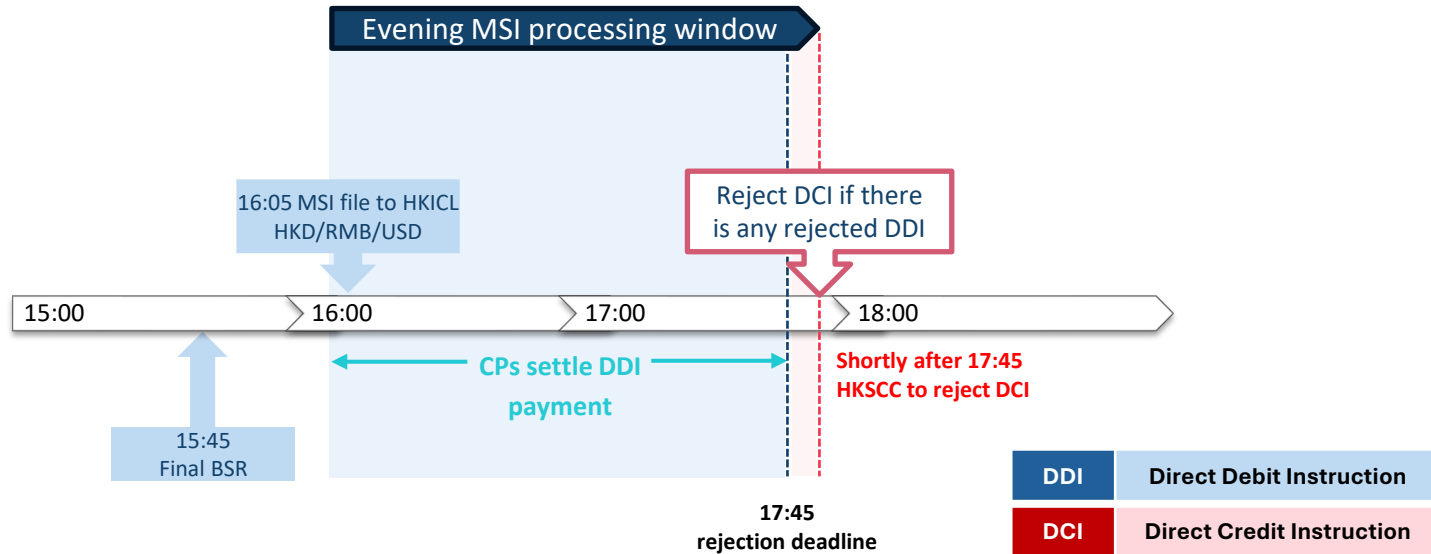
	Scenario 1 (Long Position > Short position)			Scenario 2 (Short Position > Long Position)			Scenario 3 (Short Position > Long Position) With overdue positions b/f		
Stock	388	388	388	388	388	388	388	388	388
Settlement day	28Dec23	28Dec23	28Dec23	28Dec23	28Dec23	28Dec23	27Dec23 Oldest	28Dec23	28Dec23
Position price	HKD300	RMB 240	USD 39	HKD 315	RMB 270	USD 39	HKD 315	RMB 270	USD 39
Position price HKD equiv	\$300 Higher price	\$261.6	\$304.2	\$315	\$294.3 Lower price	\$304.2	\$315	\$294.3	\$304.2
Stock position (+Long / -Short)	+1,000	+2,000	-500	+300	-500	-800	-800	-500	+300
Outstanding qty after same stock netting	+500	+2,000	0	0	-200	-800	-500	-500	0
Remarks	HKD price > HKD equiv of RMB price, so, HKD position offset			HKD equiv of RMB price < HKD equiv of USD price, so, RMB position offset			Earlier due day will be offset first. HKD position will be offset against USD position		

(RMB1=HKD1.09, USD1=HKD7.8)



## 02 | Post Trade Arrangements – New Money Settlement Arrangement – Receipt after Payment

This payment arrangement will apply to CP who has a **credit and a debit money obligation in different currencies** resulted from **same stock netting**.



CPs are advised to review the status of their liquidity and designated settlement account to ensure their infrastructure are in place to support settlement in RMB/USD.

**CPs can consider making Cash Prepayment to minimize the risk of delay receipt from HKSCC**



## 02 | Post Trade Arrangements – Depository and Nominee Services

Services	Existing Arrangement	Enhanced Arrangement
Rights for entitlements and options	Same rights for entitlements and options (if applicable)	
Corporate Action Instructions and Announcement	<ul style="list-style-type: none"> <li>• Separate submission of nominee instructions, such as election, subscription or voting</li> <li>• Separate announcement</li> </ul>	<ul style="list-style-type: none"> <li>• Submission of nominee instructions, such as election, subscription or voting through <b>domain settlement counter</b> on <b>aggregate holdings</b></li> <li>• Separate announcement</li> </ul>
Entitlements	Separate calculation and distribution	Calculation and distribution on <b>aggregate holdings</b>
Deposit and withdrawal service	Deposit and withdrawal services will be available for the primary counter of Dual Counter Securities (i.e. domain settlement counter) only	

## 02 | Post Trade Arrangements – Risk Management Arrangement

Arrangement		Existing Arrangement	Enhanced Arrangement
Marks & margin	Position	Separate	<b>Combined</b> (with FX and haircut where applicable)
	Risk Parameters	Respective Counter	<b>Risk Calculation Counter (HKD)</b>
	Calculation	In HKD on <b>portfolio basis</b> (based on HKSCC's margin model, together with other applicable positions)	
	Collection	<b>HKD, RMB or USD</b> (on CP's preference)	
<b>Collateral management</b> <ul style="list-style-type: none"> <li>Specific stock collateral (SSC)</li> </ul>		Posted from the same counter as the original CNS position  E.g. For CNS position in <b>RMB counter</b> , the specific stock collateral should be in the form of the <b>RMB counter</b> as well	Posted from <b>domain settlement counter</b> for CNS positions for Multi-counter Eligible Securities

## 03 | Trading Arrangements



### 03 | Trading Arrangements -

## Stock Code, Stock Short Name and International Securities Identification Number (ISIN) Arrangements

#### Stock Codes & Stock Short Names

**No Change**

- Two separate stock codes (counters) for trading queue purpose
  - HKD counter – stock code assignment follows current arrangement (i.e. 0xxxx)
  - RMB counter – stock code assignment starts with 8 (i.e. 8XXXX)
- RMB counters' stock short names end with "- R"

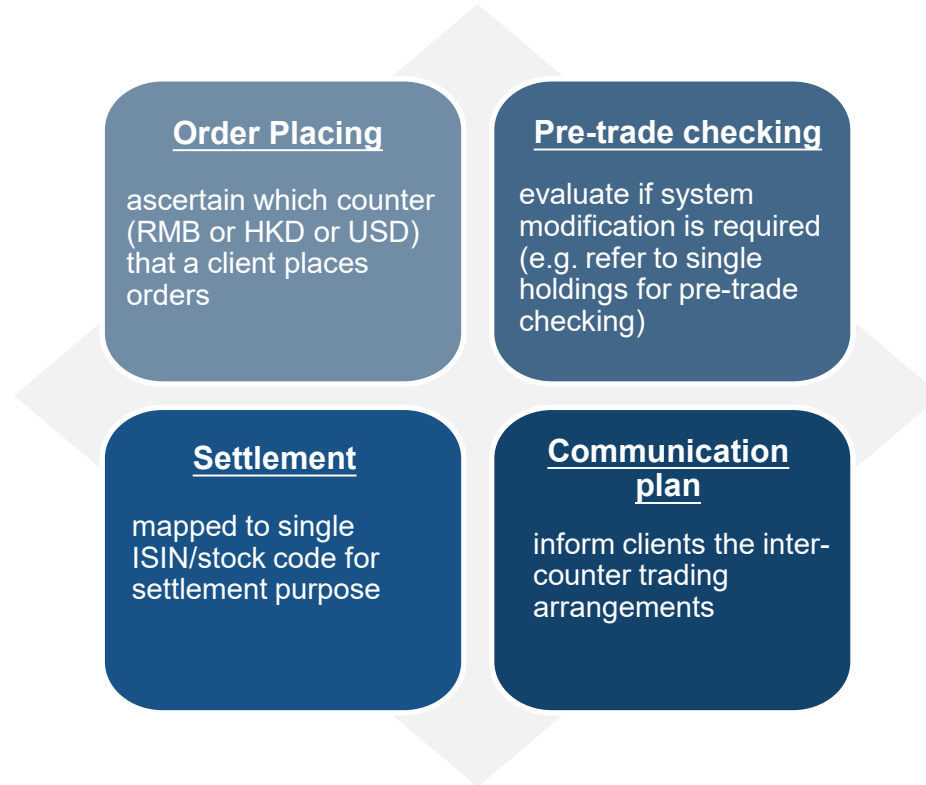
#### ISIN

- Only one ISIN will be recognized for post trade activities in CCASS.
- Clearing Participants (CPs) & Exchange Participants (EPs) should map both stock codes to same ISIN for CCASS operations.



**Two separate stock codes will still be kept for trading purpose**

### 03 | Trading Arrangements – Checklist for EP Readiness



*EPs are advised to review their systems and operations to ensure smooth trading in facilitating inter-counter transactions and prevent failed settlement*

## 04 | Market Data Arrangements





## 04 | Market Data Arrangements - Real Time Market Data Dissemination in OMD-C and MMDH

### Reference Data

- Security Definition (11) message in OMD-C and MMDH is currently published for each individual stock (counter).
- Introduce **a new field** in Security Definition (11) message to provide the information of the relationship between the domain settlement counter and other currency settlement counter.

### Order Book, Trade & Price and Statistics Data

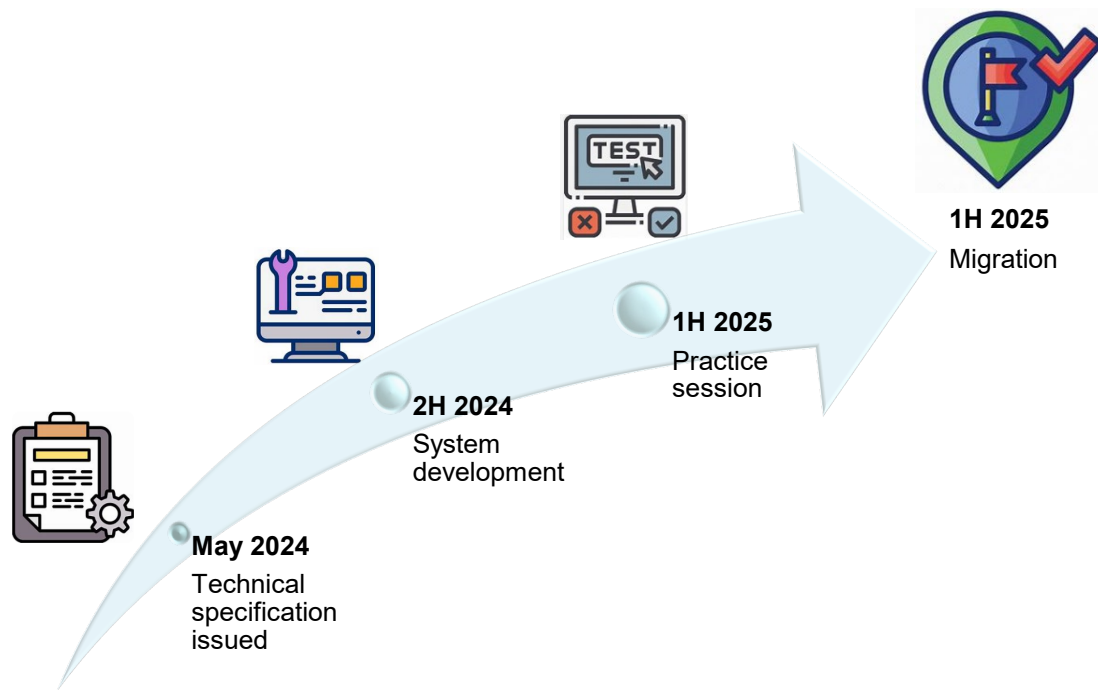
- Separate stock codes (counters) for market data dissemination
- **No change** in the existing OMD-C and MMDH messages for Order Book, Trade & Price and Statistics data.

Details of the changes and the relevant technical documents will be provided later

## 05 | Timeline



## 05 | Timeline



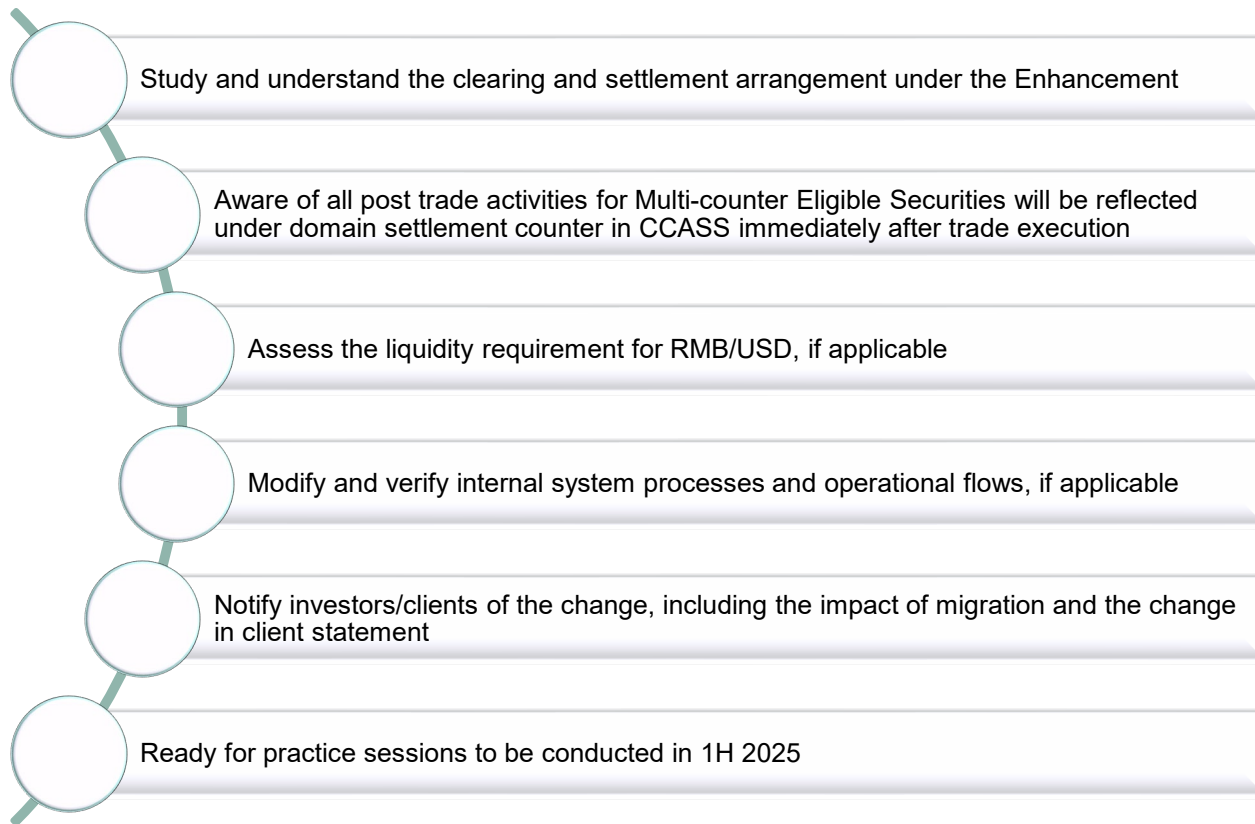
The business launch of the Enhancement is subject to regulatory approval and market readiness. HKEX will notify the market in due course.

## 06 | Appendix



## 06 | Appendix

### – Checklist for CPs readiness *(For reference only)*





## 06 | Appendix

### – Information

Latest updates and reference documents can be found on:



HKEX - Our Services / Clearing / Securities / What's New / Enhancement of Settlement Arrangement for Multi-counter Eligible Securities

# Enhancement of Settlement Arrangement for Multi-counter Eligible Securities


**Securities**

- Overview
- Infrastructure
- Risk Management
- CCP Disclosures
- What's New
  - Change of Authentication Arrangement of CCASS Terminal Access
  - Enhancement of Settlement Arrangement for Multi-counter Eligible Securities**
  - ISO 20022 Upgrade of SWIFT Messages for Money Settlement
- Special Topics
- Getting Started

## ENHANCEMENT OF SETTLEMENT ARRANGEMENT FOR MULTI-COUNTER ELIGIBLE SECURITIES

### Enhancement of Settlement Arrangement for Multi-counter Eligible Securities

Available in 2025



HKSCC is going to enhance the settlement arrangement for Multi-counter Eligible Securities in CCASS by adopting a single tranche multiple counter arrangement (the "Enhancement").

The Enhancement will improve the scalability of trading of Multi-counter Eligible Securities such as Dual Counter Securities and Exchange Traded Products and eliminate the need for inter-counter transfer of Multi-counter Eligible Securities in CCASS.

#### FAQ and Briefing Materials

- [Enhancement of Settlement Arrangement for Multi-counter Eligible Securities FAQ](#)

#### Guideline/Information Package

- Proposed changes on Terminal User Guide
  - [List of related Terminal User Guide](#)
  - [Terminal User Guide \(Zipped File\)](#)





## Q&A / Thank you

Please contact the CCASS Hotline at 2979-7111 or email to [clearingps@hkex.com.hk](mailto:clearingps@hkex.com.hk)

