Enhancement of Settlement Arrangement for Multi-counter Eligible Securities – Adoption of Single Tranche Multiple Counter Arrangement

Frequently Asked Questions ("FAQs")

(Version Date: April 2025)

Note: The design and implementation of the proposed enhancement of settlement arrangement for Multi-counter Eligible Securities (the "**Enhancement**") are still under discussion between the relevant parties. The final arrangement and the relevant rule amendments will be subject to regulatory approvals. This document will be updated from time to time to reflect the latest development and market participants are reminded to refer to the latest version for further details.

Contents

Part 1 GENERAL

1. What is the scope of the Enhancement? And why does HKSCC need to introduce the Enhancement?

The HKD-RMB Dual Counter Model ("**Dual Counter Model**") was successfully launched in Hong Kong securities market on 19 June 2023. The Dual Counter Model has been running smoothly since its initial launch and more Dual Counter Securities ("**DCS**") are expected in the pipeline.

Since the launch of the Dual Counter Model, HKEX has received feedback from Clearing Participants ("**CPs**") on inter-counter transfer for DCS, considering that the same security in different currencies is of the same class and fully fungible. The current settlement arrangement requires clearing and settlement separately for each trading counter under the Dual Tranche Dual Counter ("**DTDC**") model and hence, CPs may consider the two counters requiring manual conversion from a system perspective and requires separate ISINs for their operation. The current settlement arrangement is designed for DTDC securities and it cannot reflect the characteristics of DCS as a single security.

In order to enhance the existing settlement arrangement, HKSCC is going to introduce the Enhancement with the benefits of eliminating the need for the manual inter-counter transfer of Multi-counter Eligible Securities[1] in CCASS. Multi-counter Exchange Traded Products ("**ETP**") with RMB and/or USD counter(s) will also be migrated to this new settlement arrangement.

For the Enhancement, multiple trading currency counters will still be available on the trading front per stock as per existing trading arrangement. However, trades of different currency counters will only be reflected under one currency counter which will be designated as the domain settlement counter (please also see Q.3 below). In other words, market contracts for the multiple trading counters of the same Multi-counter Eligible Security will only be reflected under the domain settlement counter for subsequent post-trade processing.

2. What type of securities will be cleared and settled under the Enhancement?

All Multi-counter Eligible Securities, e.g. DCS and multi-counter ETP, will be cleared and settled under the Enhancement by default and this is mandatory for CPs to follow. Please find below examples of Multi-counter Eligible Securities for your reference:

Name of security	Domain settlement counter (See Q.3)	Other currency counter	
		RMB	USD
Hong Kong Exchanges and Clearing Ltd	388	80388	N/A
Debt ETF	28XX	828XX	N/A
Money Market ETF	34XX	N/A	94XX
Equity Index ETF	30XX	830XX	90XX

[1] Multi-counter Eligible Securities means Eligible Securities of the same class of an Issuer which have been approved or accepted for listing and trading on the Exchange in different Eligible Currencies under separate stock code numbers in accordance with Rule 501, and a "Multi-counter Eligible Security" shall be construed accordingly.

3. What is domain settlement counter? How will stock positions/holdings be shown under the Enhancement? (Updated as of 23 April 2025)

The stock code of the trading counter in HKD (or in the case where a Multi-counter Eligible Security has no such trading counter, the stock code of other trading counter as designated by HKSCC from time to time) will be used as the domain stock code for recording the activities and holdings in relation to such Multi-counter Eligible Security in CCASS after the implementation of the Enhancement and for ease of reference, such domain stock code is referred to in this FAQs as "**domain settlement counter**". CPs are reminded to refer to the new Multi-counter Settlement Mapping file (Please see Q. 27 for more details) from HKSCC from time to time for the designated domain settlement counter for each Multi-counter Eligible Security.

As an illustration, where the domain settlement counter for shares in Hong Kong Exchanges and Clearing Ltd. is stock code 388, then settlement for trades executed under HKD (Stock code: 388) and RMB counter (Stock code: 80388) will be settled under stock code 388 as below:

HKEX systems	Domain Settlement Counter	Other Currency Counter
OTP-C *Trade input / trade confirmation*	388	80388
CCASS*, CCMS and VaR *Settlement / portfolio transfer / margin calculation*	388	

*Except for intra-day trade file (Report ID: CCLID01) available for GCP only, which show trade details.

CPs are required to input the stock code of the domain settlement counter (e.g. 388 in the above example) in their instructions to CCASS.

4. Is it mandatory for CPs to adopt the Enhancement and make relevant system change?

Multi-counter Eligible Securities will be cleared and settled under the Enhancement and is mandatory for CPs to follow.

CPs should review their systems and operations to ensure smooth inter-counter trading[2] under the Enhancement and avoid settlement failure. CPs should be aware of the change of positions/holdings keeping in CCASS under the Enhancement. They should consider making necessary modifications to their system or operating procedures to handle the reconciliation of stock positions/holdings.

[2] Inter-counter trading means buying in one counter and selling in another counter as two independent transactions, even though both transactions involve the same security.

5. What is the implementation timeline for the Enhancement? (Updated as of 23 April 2025)

The Enhancement will come into effect in June 2025 tentatively, subject to regulatory approval and market readiness.

6. What will be the ISIN[3] arrangement for Multi-counter Eligible Securities under the Enhancement? (Updated as of 15 January 2025)

HKEX will adopt a single ISIN approach for Multi-counter Eligible Securities under the Enhancement. CPs will be required to input the CCASS stock code or ISIN of the domain settlement counter in their instructions to CCASS after the implementation of the Enhancement. Upon such implementation, if CPs input instructions into CCASS with CCASS stock code or ISIN of other currency counters, their instructions will be rejected by CCASS.

7. Will there be any DTDC securities after implementation of the Enhancement? (Updated as of 23 April 2025)

No, the DTDC model will be abolished after the implementation of the Enhancement. All Multi-counter Eligible Securities will be cleared and settled under the Enhancement in CCASS.

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

Part 2: TRADING AND MARKET DATA

8. How does the Enhancement impact trading?

There is no change on the existing trading arrangements for Multi-counter Eligible Securities. However, as only aggregated holdings will be recorded and reflected in CCASS and CCASS reports, and Exchange Participants ("**EPs**") should review their pre-trade checking control, if any, and assess the impact on short selling monitoring. EPs are advised to review their systems and operations to ensure smooth arrangement for inter-countertrading under the Enhancement.

9. Can a listed issuer remove one of the trading counters?

It will be up to the decision of the issuer. If an issuer is decided to remove any trading counter, the issuer is required to agree with HKEX on the proposed timetable and the resulting trading and settlement arrangement. It is also required to inform the market of the arrangement through an announcement.

10. Any change to the requirements on short selling order flagging for Multi-counter Eligible Securities after the introduction of the Enhancement?

There is no change to the requirements on short selling order flagging for Multi-counter Eligible Securities after the introduction of the Enhancement. Market participants could continue to adopt separate positions or aggregated positions on Multi-counter Eligible Securities for short selling order flagging. However, once an approach is adopted, it should be applied consistently. The details can be referred in the circular issued by The Stock Exchange of Hong Kong Limited ("SEHK") on 6 September 2017. Q.10 should be read in conjunction with the requirements set out in with the Securities and Futures Ordinance (and its subsidiary legislation), the Guidance Note on Short Selling Reporting and Stock Lending Record Keeping Requirements published by the Securities and Futures Commission, and the relevant Rules of the Exchange.

11. Will there be any impact on the dissemination of order book, trade and statistics market data for domain settlement counter and other currency counters in Orion Market Data Platform – Securities Market (OMD-C) [including Mainland Market Data Hub (MMDH)] under the Enhancement?

Order book, trade and statistics market data of each trading counter will be disseminated in OMD-C as business usual and therefore the Enhancement will not have any impact on the dissemination of these market data in OMD-C.

12. Will OMD-C provide the information of the relationship between domain settlement counter and other currency counter?

Information of the relationship between domain settlement counter and other currency counter will be available in the reference data in OMD-C.

13. Will there be any interface change to OMD-C for the abovementioned new information in Q.11? (Updated as of 23 April 2025)

OMD-C will have an interface change by introducing a new message field in the reference data for the new information. The details of the changes and the updated technical documents, as well as the testing arrangement, can be found in OMD-C web corner / MMDH web corner.

Part 3: CLEARING AND SETTLEMENT

14. What are the main differences between the settlement arrangement under the Enhancement and the existing one from a clearing and settlement perspective?

Under the existing settlement arrangement, trades executed in different counters (HKD/RMB/USD) of the same stock will be offset separately under their respective stock codes in CCASS. The stock position and money position of HKD/RMB/USD will be settled separately as if they are separate stocks. As shareholdings of HKD/RMB/USD counters are maintained separately, inter-counter transfers of shareholdings for settlement or housekeeping purpose have to be done via Multi-counter Transfer Instructions ("**MCTI**") or Intra-day Counter Interchange for Settlement ("**ICI**") Services.

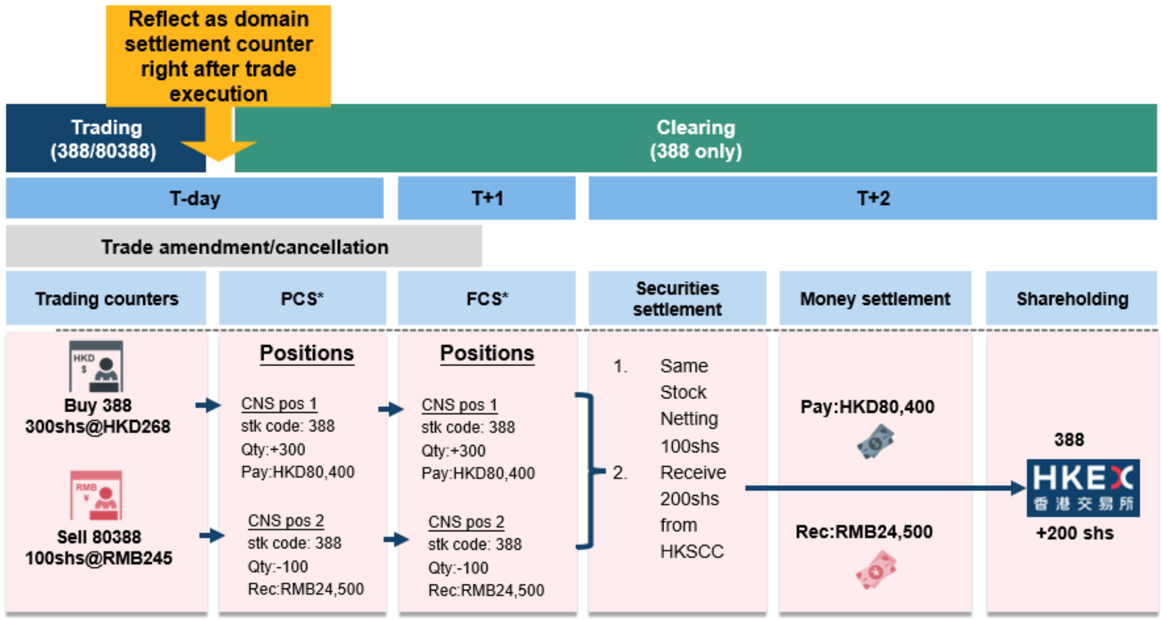
With the Enhancement, the settlement of Multi-counter Eligible Securities will be different from the existing arrangement as follows:

Firstly, all stock positions of different currencies will be reflected under the domain settlement counter only in CCASS. In other words, stock positions of different currencies of the same stock will be settled together under the same stock code in CCASS which can be differentiated by their currency codes and assigned position numbers.

Secondly, if there are opposite directions for stock positions in the same stock, e.g. long in HKD counter and short in both USD and RMB counters, there would be a new process called same stock netting (please also see Q. 15) on settlement day before the four scheduled batch-settlement-runs. During same stock netting, opposite directions of CP's outstanding stock positions in a Multi-counter Eligible Security of HKD/RMB/USD that are overdue or due on the same settlement day will be offset.

Thirdly, CPs are no longer required to input MCTI or ICI to effect inter-counter transfer for settlement or housekeeping purposes.

Please find below an illustrative example for clearing and settlement flow under the Enhancement for ease of reference:



* PCS = Provisional Clearing Statement   FCS = Final Clearing Statement

Trades executed in different trading counters will only be reflected and recorded in CCASS and CCASS reports under the domain settlement counter for clearing and settlement purpose after trade execution. As in the above example, trades executed under HKD counter (388) and RMB counter (80388) will be reflected under 388 for clearing and settlement.

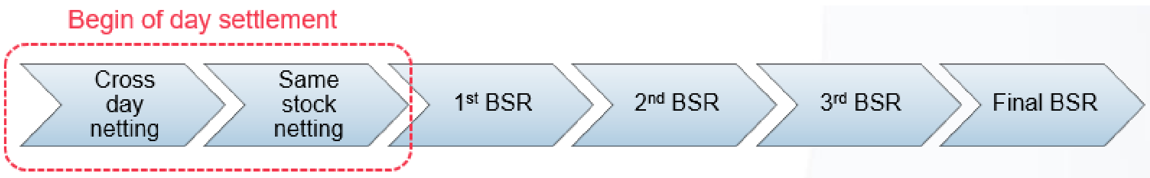
There will be no change in money settlement arrangement, i.e., Continuous Net Settlement (“CNS”) money positions of different currencies (pay HKD80,400 and receive RMB24,500 as in the example above) will not be offset against each other and will be maintained and settled separately. Therefore, CPs are required to prepare money settlement by currency.

For securities settlement, there will only be one stock code for post trade activities in CCASS, however, separate CNS positions will be recorded for each currency counter under such stock code. CP’s outstanding stock positions of different currencies with opposite directions in a Multi-counter Eligible Security that are due on the same settlement day will be offset before the four scheduled batch-settlement-runs on T+2 under the same stock netting process (please see Q.15 below for further details). After the same stock netting, the CNS pos 2 will be fully settled and CNS pos 1 will be partially settled. The remaining 200 shares of CNS pos 1 will be settled during the four scheduled batch-settlement-runs. A net increase of 200 shares in shareholdings will be recorded under domain settlement counter (388) at day-end.

15. What is same stock netting and its benefit?

A new process ‘same stock netting’ will be introduced on T+2 for increasing the settlement efficiency under the Enhancement. This new process allows offsetting the unsettled CNS long position of one currency against the unsettled CNS short position of another currency of the same

Multi-counter Eligible Security. Same stock netting will be triggered before the existing first batch-settlement-run.



All long or short CNS positions of a Multi-counter Eligible Security should be offset against the CP's opposite directional CNS positions in another currency of the same Multi-counter Eligible Security due on the current settlement day or any of previous settlement days (i.e. overdue positions).

Allowing CNS positions to offset against the opposite direction CNS positions in another currency eliminates a significant amount of operational and market risk. It helps to improve the settlement efficiency of a Multi-counter Eligible Security. It can also tackle the existing deadlock issue in the final batch-settlement-run, which relates to settlement failure due to receiving stock for a long CNS position in one currency in the final batch-settlement-run and therefore unable to transfer to the other currency counter of the same stock to settle its short CNS position.

16. How does same stock netting work?

To determine the number of shares needed to be offset for outstanding stock positions of different currencies of opposite directions under the same Multi-counter Eligible Security.

For a Multi-counter Eligible Security with two trading counters (HKD and RMB):

- If outstanding long position quantity of HKD >= outstanding short positions quantity of RMB, to-be-offset quantity will be the outstanding short positions quantity of the RMB

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

(Long Position > Short Position)		
Stock	388	388
Settlement day	28 Dec 23	28 Dec 23
Position price	HKD 300	RMB 285
Position price (HKD equiv.)	$300	$310.65
Stock Position (+Long/-Short)	+2,000	-1,500
After same stock netting	+500	0

Remarks: HKD CNS long position > RMB CNS short position. Therefore, RMB position is being fully offset.

- If outstanding long position quantity of HKD < outstanding short positions quantity of RMB, to-be-offset quantity will be the outstanding long positions quantity in HKD

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

(Long Position < Short Position)		
Stock	388	388
Settlement day	28 Dec 23	28 Dec 23
Position price	HKD 300	RMB 240
Position price (HKD equiv.)	$300	$261.6
Stock Position (+Long/-Short)	+1,000	-2,500
After same stock netting	0	-1,500
Remarks: RMB CNS short position > HKD CNS long position. Therefore, HKD position is being fully offset.		

In case there are trades, say, in HKD, RMB and USD counters of the same Multi-Counter Eligible Security, and two of the currency stock positions of the same direction can offset against another currency stock position of opposite direction, which currency stock position get offset first will follow the netting priorities below:

(i) Age of the positions – the longer it has been due, the higher the priority for netting, then
(ii) Position price (in HKD equivalence) – for long/short positions, the higher/lower the position price, the higher the priority for netting, then
(iii) Position size – the smaller the position size, the higher the priority for netting, then
(iv) random

The following examples illustrate the netting priorities and number of shares needed to be offset for a Multi-counter Eligible Security with 3 trading counters (HKD, RMB and USD):

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

Scenario 1: (Long Position > Short Position)			
Stock	388	388	388
Settlement day	28 Dec 23	28 Dec 23	28 Dec 23
Position price	HKD 300	RMB 240	USD 39
Position price (HKD equiv.)	**$300 Higher price**	$261.6	$304.2
Stock Position (+Long/-Short)	+1000	+2000	-500
After same stock netting	+500	+2000	0
Remarks: HKD price > HKD equiv. of RMB price. Therefore, HKD position is being offset.			

Scenario 2: (Short Position > Long Position)			
Stock	388	388	388
Settlement day	28 Dec 23	28 Dec 23	28 Dec 23
Position price	HKD 315	RMB 270	USD 39
Position price (HKD equiv.)	$315	**$294.3 Lower price**	$304.2
Stock Position (+Long/-Short)	+300	-500	-800
After same stock netting	0	-200	-800
Remarks: HKD equiv. of RMB price < HKD equiv. of USD price. Therefore, RMB position is being offset.			

Scenario 3: (Short Position > Long Position) With outstanding short position b/f				
Stock	388	388	388	388
Settle day	27 Dec 23	27 Dec 23	28 Dec 23	28 Dec 23
Position price	RMB 280	USD 40	HKD 300	USD 39
Position price (HKD equiv.)	**$305.2 Lower price**	$312	$300	$304.2
Stock Position (+Long/-Short)	-300	-500	+350 Cross day netting	+400
After cross day netting	-300 1	-100 Same stock netting 2	+350	0
After same stock netting	0	-50	0	0

Remarks:

1. Cross Day Netting, which applies to positions of same stock code and same currency as per existing procedure, will be performed first.
2. For the remaining positions after cross day netting (same stock same currency), they will be handled in the same stock netting (same stock but different currency).

In this case, the lower the short position price, the higher the priority for netting. As such, RMB positions (with lower positions price) is fully offset against HKD positions. And then the HKD positions is fully offset against USD positions.

Scenario 4: (Long Position > Short Position) With outstanding long position b/f				
Stock	388	388	388	388
Settlement day	27 Dec 23 Older	28 Dec 23	28 Dec 23	28 Dec 23
Position price	USD 39	HKD 300	RMB 280	USD 39
Position price (HKD equiv.)	**$304.2**	$300	$305.2 **Higher price**	$304.2
Stock Position (+Long/-Short)	+800	-500	+200	-400
	Cross day netting			
After cross day netting	+400	-500	+200	0
	Same stock netting 1 2			
After same stock netting	0	-0	+100	0
Remarks: Although 388 RMB is with a higher position price (HKD equiv.), 388 USD should be handled first in same stock netting as its settlement day is earlier.				

No quantity will be offset if HKD and other currencies counter positions are in same direction (either all long or all short).

(ALL Short Position – NO NETTING)			
Stock	388	388	388
Settlement day	28 Dec 23	28 Dec 23	28 Dec 23
Position price	HKD 315	RMB 270	USD 36
Position price (HKD equiv.)	$315	$294.3	$280.8
Stock Position (+Long/-Short)	-1,000	-1,500	-800
After same stock netting	-1,000	-1,500	-800
Remarks No quantity will be offset if HKD and other currencies counter positions are in same direction.			

(ALL Long Position – NO NETTING)			
Stock	388	388	388
Settlement day	28 Dec 23	28 Dec 23	28 Dec 23
Position price	HKD 300	RMB 285	USD 39
Position price (HKD equiv.)	$300	$310.65	$304.2
Stock Position (+Long/-Short)	+1,000	+1,500	+1,200
After same stock netting	+1,000	+1,500	+1,200
Remarks No quantity will be offset if HKD and other currencies counter positions are in same direction.			

17. What is the settlement priority of different currencies of a Multi-counter Eligible Security?

CNS positions in different currencies of the same stock code observe the same order of priority for settlement. Existing allocation algorithms under section 13.4.1 of HKSCC Operational Procedures still holds. The only difference is position price for various CNS positions will be converted into HKD equivalence[4] for Multi-counter Eligible Securities for the purpose of prioritizing as follows:

(i) age (oldest) - the long CNS stock position which has remained unsettled for the longest period of time; and if this is the same for two CNS stock positions, then

(ii) position price (highest) - the long CNS stock position which has the highest position price (i.e. position amount divided by position quantity, in HKD equivalent for Multi-counter Eligible Securities); and if this is the same for two CNS stock positions, then

(iii) position size (smallest) - the long CNS position which has the smallest position size (i.e. quantity); and if this is the same for two CNS stock positions, then

(iv) random.

18. What is receipt after payment? How will it impact CPs?

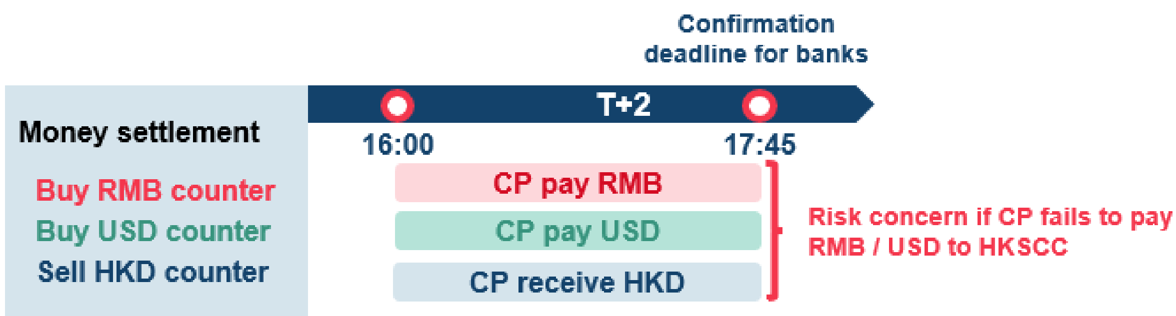
Under the Enhancement, a CP could have CNS long position in one currency counter and CNS short position in other currency counter of the same Multi-counter Eligible Security which would undergo netting in the same stock netting process. Since there will be no offset on the money positions of different currencies during money settlement and there is no dependency built between Direct Debit Instructions ("**DDIs**") and Direct Credit Instructions ("**DCIs**"), there is a possibility that the CP fails to settle the DDI denominated in one currency but at the same time, receives the money via the DCI denominated in another currency.

[4] In accordance with the exchange rates determined by the Hong Kong Monetary Authority for stamp duty calculation on T+1 day when Final Clearing Statement is generated and issued to the market.
https://www.hkex.com.hk/eng/market/sec_tradinfo/stampfx/stampfx.asp

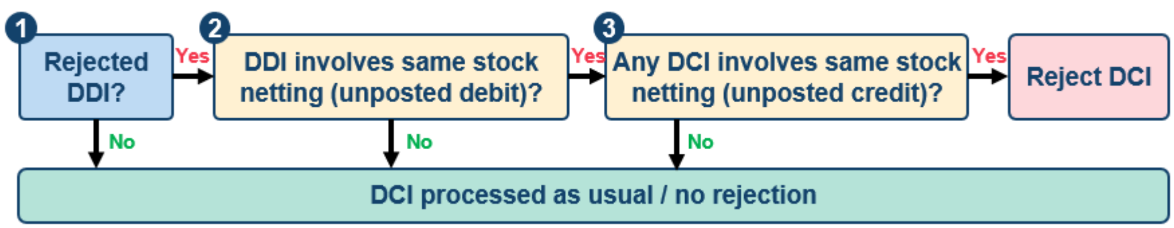
For example, a CP has the following settlement obligations against HKSCC:

	Money Settlement	Securities Settlement
CP buys stock in RMB & USD counters	Pay RMB & USD	Receive stock
CP sells stock in HKD counter	Receive HKD	Deliver stock

After securities settlement, the CP pays HKSCC RMB & USD and receives HKD which will be processed at the same time on T+2:



To ensure HKSCC will remain resilient after the introduction of the Enhancement, a new money settlement arrangement "receipt after payment" will be introduced, which will only be applicable to CPs with same stock netting. In practice, in the event that a designated bank rejected a CP's DDI before the confirmation deadline for designated banks at 17:45, HKSCC will automatically reject its corresponding DCI in other currencies accordingly. The proposed change should have minimal impact to the market as we are utilizing the existing infrastructure to perform the rejection of DCI. DCI will only be on-hold for a defaulting CP which HKSCC will follow up in accordance with the existing default management procedures.



CPs are therefore advised to review the status of their liquidity and designated settlement account to ensure their infrastructures are in place to support settlement in various currencies. For those CPs which effect sufficient cash prepayment and therefore result in no DDI payment obligations, the receipt after payment mechanism should have no impact on them.

19. Will there be any changes to the cash prepayment arrangement, say if a CP's money obligations are to pay HKD200 and to receive RMB100, how much prepayment does that CP have to pay? Will there be any offsetting?

There is no change in the current cash prepayment arrangement. There is no offsetting between money obligations in different currencies, so, the CP still needs to pay HKD200 cash prepayment in order to release shares in HKD counter following the stock positions netting during the same stock netting process on T+2. If the CP does not effect cash prepayment, HKSCC will debit HKD200 from and credit RMB100 to the CP via DDI/DCI during the evening money settlement run at 17:45 on T+2.

20. Will buy-in exemptions be granted for the settlement of "inter-counter" day trade under the Enhancement?

Under the Enhancement, inter-counter day trade of long in one currency counter and short in another currency counter will be offset before the four batch-settlement-runs of T+2, removing the possibility of receiving stock for the long position at final batch-settlement-run and therefore failing to transfer such stock to the other currency counter to settle its short. Therefore, short settlement failure under inter-counter day trade can only be due to reasons other than 10.8.3(xi) under HKSCC Operational Procedures 10.8.3. which sets out the exemption ground for the case when a CP has received securities on a CNS long position or holds securities in a currency counter of a Multi-counter Eligible Security but fails to transfer such securities to the other currency counter of the same stock to settle its relevant short CNS positions.

21. How will buy-in be arranged for Multi-counter Eligible Securities?

Buy-in will be enforced on failed short participants as per existing practice. After the launch of the Enhancement, buy-in will be conducted on the domain settlement counter. HKSCC would conduct the buy-in at other currency counter (e.g. RMB/USD counter) unless buy-in at the domain settlement counter is not feasible due to liquidity reason.

Using 388 and 80388 as an example, regardless of the original trading counter of the outstanding position, HKSCC shall effect a buy-in in its domain settlement counter i.e. HKD counter (388) under normal circumstances and buy-in may take place in RMB and USD counters if there is liquidity issue with the HKD counter.

22. What if CPs input instructions into CCASS with other currency stock code?

As for Multi-counter Eligible Securities under the Enhancement, CCASS will show all shareholdings under the domain settlement counter and allow input of instructions such as SI, ISI and ATI with stock code setting as domain settlement counter only. If CPs input instructions into CCASS with other currency stock codes, they will be rejected by CCASS.

23. Will there be any need to effect an inter-counter transfer in CCASS under the Enhancement?

There is no need to effect inter-counter transfer by using MCTI or ICI under the Enhancement as shareholdings in CCASS of a Multi-counter Eligible Securities would be shown under the domain settlement counter only.

24. How can CPs reconcile their trading records against CCASS reports?

Trading records from OTP-C will remain unchanged under the Enhancement as it will still reflect Exchange Trades (as defined in the rules of **SEHK**) executed in HKD/RMB/USD counters with different and unique stock codes. CCASS reports showing positions, e.g. Provisional Clearing Statement (CCLTN04) and Final Clearing Statement (CCLTN05), will show Exchange Trades in different counter of the same stock designated by the domain settlement counter and differentiated by their respective currency codes. CPs can therefore reconcile against their trading records accordingly.

Below is an example illustrating the complete flow from trading to settlement and transactions will be shown.

Trade date	Trading counter	Buy/Sell	Currency	Price	Quantity	Contract value
07-Dec-23	388	Buy	HKD	268.00	300	- 80,400.00
07-Dec-23	80388	Sell	CNY	245.00	100	24,500.00

Records in PCS on T-Day (Extracted)

```
CCLTN04     B0XXXX                              HKSCC - CCASS                                RUN DATE : 07DEC23
XXX SECURITIES LTD                      PROVISIONAL CLEARING STATEMENT                       RUN TIME : 19:04:46
                                          (MARKET - HONG KONG MK   )                             PAGE :        1


TRADE DATE : 07DEC23                  SETTLEMENT DATE : 11DEC23

CCASS TRADES
============
  STK/
  ISIN  BUY/  TRD         SEHK       BRKR                                                 TRADE AMT / ACC       TRD ISO ORGN/
  CCY   SELL TIME        TRD REF      NO          COUNTERPARTY            QUANTITY     PRICE   INT / STM TOTAL       TYP /SH HEDGE
  ----- ---- -----  ---------------- ----  --------------------------- --------------- --------- --------------------- --- --- -----
    388 HKEX              HK0388045442  (HKD)
         B   14:28  0000627000000016 1234  0AAA B0XXX6 XXXSECURITIES              300    268.000            80,400.00-  A    N
                                                                      ---------------            ---------------------
               NET POSITION                                                        300                       80,400.00-

    388 HKEX-R            HK0388045442  (CNY)
         S   14:29  0000627000000019 2222  0XXX B0XXX6 XXXSECURITIES              100-   245.000            24,500.00  A    N
                                                                      ---------------            ---------------------
               NET POSITION                                                        100-                      24,500.00
```

Records in FCS on T+1 Day (Extracted)

```
CCLTN05     B0XXXX                                   HKSCC - CCASS                                    RUN DATE : 08DEC23
XXX SECURITIES LTD                              FINAL CLEARING STATEMENT                              RUN TIME : 12:33:29
                                                (MARKET - HONG KONG MK    )                               PAGE :        1


TRADE DATE : 07DEC23                        SETTLEMENT DATE : 11DEC23

CCASS TRADES
============
STOCK/ISIN/CCY   SEHK         STM    BRKR                                             TRADE AMT / ACC INT  CHARGES  TRD IS/SH
B/S/TRD TM      TRD REF      POS NO   NO         COUNTERPARTY          QUANTITY    PRICE   / STM TOTAL                  /AMD OG/HE
---------- ---------------- --------- ---- --------------------------- ----------- --------- ------------------- --------- ---- ----
  388 HKEX             HK0388045442  (HKD)
   B 14:28 0000627000000016          1234 0AAA B0XXX6 XXXSECURITIES          300   268.000          80,400.00-      2.00 A
                                                                       -----------           -------------------
       NET POSITION          P12314508                                        300                    80,400.00-

  388 HKEX-R           HK0388045442  (CNY)
   S 14:29 0000627000000019          2222 0XXX B0XXX6 XXXSECURITIES          100-  245.000          24,500.00       1.900 A
                                                                       -----------           -------------------
       NET POSITION          P12314509                                        100-                   24,500.00


  '*' - TRADE EXECUTED BY NCP, '+' - COUNTERPARTY IS NCP
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25. Will there be new settlement related reports available to facilitate the settlement activities of the Enhancement?

No new settlement related CCASS report will be introduced.

26. What is the change on stock settlement fees calculation? (Updated as of 23 April 2025)

Currently stock settlement fee is calculated at 0.0020% of the gross value of an Exchange Trade in HKD equivalent, subject to a minimum fee of HKD2 and a maximum fee of HKD100 per trade. With reference to the 《Consultation Conclusions on the Proposed Reduction of Minimum Spreads in the Hong Kong Securities Market》 issued in December 2024, in the view of facilitating a smooth implementation of the reduction of minimum spreads without increasing the overall market trading cost, the stock settlement fee is proposed to be restructured as follows (please refer to the HKSCC circular issued on 21 February 2025 for more details):

Existing Stock Settlement Fee Structure	New Stock Settlement Fee Structure
0.0020% of gross value of an Exchange Trade, subject to a minimum fee of HK$2 and a maximum fee of HK$100 per side per trade	0.0042% of gross value of an Exchange Trade in the Eligible Currency of such Exchange Trade and removal of the minimum and maximum boundary per side An alternative rate 0.0020% of gross value of a market making Exchange Trade undertaken by ETP

	Market Makers[5] in the Eligible Currency of such Exchange Trade and removal of the minimum and maximum boundary per side
0.0010% of gross value of a crossed Exchange Trade[6], subject to a minimum fee of HK$1 and a maximum fee of HK$50 per side per trade	0.0021% of gross value of a crossed Exchange Trade in the Eligible Currency of such Exchange Trade and remove the minimum and maximum boundary per side An alternative rate 0.0010% of gross value of a market making crossed Exchange Trade undertaken by ETP Market Makers in the Eligible Currency of such Exchange Trade and remove the minimum and maximum boundary per side
0.0020% of gross value of a Settlement Instruction ("SI") transaction, subject to a minimum fee of HK$2 and a maximum fee of HK$100 per SI transaction	Remain unchanged

With the Enhancement in place, HKSCC will charge the stock settlement fee in the currency in which the relevant trades are executed and to minimize the impact to the market, the change in the stock settlement fee structure for Exchange Trade will come into effect in June 2025, together with the Enhancement.

[5] ETP market makers are defined as either 'Securities Market Makers' (SMMs) permit holder or registered 'Designated Specialists' (DSs).

[6] Under the definition of the HKSCC Operational Procedures, "Crossed Exchange Trade" means a trade where the buy and sell of an Exchange Trade is handled by the same Exchange Participant.

Part 4: DEPOSITORY AND NOMINEES SERVICES

27. Where can CPs download the Multi-counter Settlement Mapping? What is the layout and when will it be available?

CPs can download the Multi-counter Settlement Mapping data file via report download function in CCASS Terminal after the Enhancement. It is a day-end report and for details of the report layout, please refer to "CCASS Terminal User Guide – For Participants" which has been posted to web corner.

28. Will dividends be paid in HKD or RMB for Multi-counter Eligible Securities?

Neither SEHK nor HKSCC imposes any mandatory requirement on an issuer's dividend policy. An issuer may decide to pay dividends in any currency. The Enhancement will not impair the shareholders' rights or interests in any event.

29. What will be the arrangement for bonus issue and/or scrip shares under the Enhancement?

CPs will receive securities in the domain settlement counter, based on the shareholding of the domain settlement counter as of the relevant shareholding date in CCASS.

30. How can CPs submit corporate action instructions under the Enhancement?

CPs are required to submit corporate action instructions through the domain settlement counter, based on the shareholding of the domain settlement counter as of the relevant shareholding date in CCASS.

31. Any special deposit and/or withdrawal arrangement applicable to the Enhancement?

Only domain settlement counter will be maintained under the Enhancement. Under normal circumstances, HKD counter is the domain settlement counter, physical certificate deposit and withdrawal services will then be available for HKD counter to CPs, which is in line with the existing practice.

32. How should Participating Dealers ("PDs") submit ETF Creation and Redemption instructions under the Enhancement? (Updated as of 23 April 2025)

PDs shall submit their ETF Creation and Redemption instructions using the domain settlement counter.

33. How should PDs provide Debit and Credit Authorization for the ETF and the associated basket for ETF Creation and Redemption under the Enhancement? (Updated as of 23 April 2025)

PDs shall provide their Debit and Credit Authorization through the domain settlement counter for both the ETF units and the associated underlying basket.

Part 5: RISK MANAGEMENT

34. How will marks and margin be calculated under the Enhancement?

Positions of different currencies of the same Multi-counter Eligible Security will be combined into a single position for marks and margin calculations (with FX and haircut where applicable), following the current VaR model.

35. Can CPs conduct margin and/or stress test simulation for the Enhancement?

Yes, CPs should input the Risk Calculation Counter with the "combined" quantity of the Multi-counter Eligible Security positions for conducting margin and/or stress test simulation.

36. What is Risk Calculation Counter? How will it impact CPs?

Risk Calculation Counter refers to the more liquid counter of Multi-counter Eligible Securities. After the Enhancement, the HKD counter will be used as the Risk Calculation Counter until further notice. Calculations on marks, margin and stress test value for Multi-counter Eligible Securities will be based on the Risk Calculation Counter.

37. How do CPs arrange their stock holdings to cover the positions for the stock code in different currencies?

CPs are only required to pledge the total amount of specific stock collateral in one go by using the domain settlement counter to cover the Multi-counter Eligible Security short positions in different currencies of the same stock.

Part 6: MIGRATION

38. What is the migration approach? Will parallel run be available? (Updated as of 23 April 2025)

The migration will be a big bang approach that all existing DCS and multi-counter ETPs will be migrated at the same time with the Enhancement. No parallel run will be available, i.e. all Multi-counter Eligible Securities will be cleared and settled under the domain settlement counter upon the launch of the Enhancement. The latest list of Multi-counter Eligible Securities and the migration details will be provided to CPs in due course.

Connectivity test, practice session(s) and post release verification will be arranged to support the migration for Post Trade Systems. Besides, market rehearsal(s) will be arranged for data vendors to validate the change in OMD-C and MMDH.

Event	Schedule	Objectives
Connectivity test for CCASS	• 17 May 2025	• Verify the CCASS connectivity on Saturday by mimicking the actions to be performed during post release verification.
Practice sessions for CCASS and VaR Platform	• 24 May 2025 • 7 June 2025 (for retest)	• Simulate the migration • Perform the day-to-day post trade operations under the new arrangement.
Market rehearsal for OMD-C and MMDH	• 24 May 2025 • 7 June 2025 (for retest)	• Validate the readiness of the launch
Post release verification for CCASS	• 28 June 2025*	• Download CCASS ad-hoc reports for reconciliation and prepare for the first business day.
Post release verification for OMD-C and MMDH	• 28 June 2025*	• Validate the change and prepare for the first business day

*The actual launch date is subject to regulatory approval. HKSCC will issue a circular to confirm the actual date for post release verification in due course.

39. What will be migrated during the migration?

HKSCC will carry out conversion of shareholdings and unsettled CNS/IT positions in all Multi-counter Eligible Securities from other currency counters (e.g. 80388) to domain settlement counters (e.g. 388) for CPs automatically in CCASS. On the migration date, HKSCC will also convert all other outstanding transactions from other currency counters into the domain settlement counter. List of transactions/balances will be impacted are listed below:

(i) Unsettled CNS/Isolated Trade positions
(ii) All outstanding SBL/SI/ISI transactions
(iii) Shareholdings
(iv) Distributing Stock for Corporate Actions
(v) Voting instructions

(vi) General Stock Collaterals/Specific Stock Collateral/Specific Cash Collateral

40. Can CPs check their migrated positions and shareholdings? (Updated as of 23 April 2025)

Yes. CPs will be able to check their migrated positions and shareholdings through the following reports to be available during post release verification (Saturday):

#	Report ID	Report Name	Report File	Data File
1	CSEOP01	Next Settlement Day Due/Overdue Position Report	✓	✓
2	CSESB01	Daily Stock Balance Report	✓	✓
3	CSESM01	Statement of Stock movement (By Stock) Report	✓	✓
4	CSESM02	Statement of Stock movement (By Account) Report	✓	✓
5	CCLSI01	SI Status Report	✓	✓
6	CCLSI02	SI Activity Report	✓	✓
7	CIPSI01	ISI Status Report	✓	✓
8	CIPSI02	ISI Activity Report	✓	✓
9	CCMCA02	Collateral Account Balance Report	✓	X
10	CCMDS01	Statement of Collateral Account (Report)	✓	✓
11	CCMMV01	Collateral Account Movement Report	✓	X
12	CCNPT01	Nominee Functions Input Activities Report	✓	X
13	CCNPT02	Entitlement Statement	✓	✓

CPs are reminded to ensure their system is able to consume the above ad-hoc reports, which will be available during post release verification. Sample migration reports have been published to the web corner. CPs are strongly encouraged to study those reports to prepare for the implementation of the Enhancement.

41. When will the ISIN for Multi-counter Eligible Securities be updated on the HKEX website? (Updated as of 23 April 2025)

Currently, HKEX provides ISIN information on the HKEX website through the Full List of Securities: https://www.hkex.com.hk/eng/services/trading/securities/securitieslists/ListOfSecurities.xlsx
Take HKEX (stock code: 388) as an example, the ISIN of other currency counter will be updated as below:

Current

Stock Code	Name of Securities	Category	Sub-Category	Board Lot	ISIN
00388	HKEX	Equity	Equity Securities (Main Board)	100	HK0388045442
80388	HKEX-R	Equity	Equity Securities (Main Board)	100	HK0000931664

Launch

Stock Code	Name of Securities	Category	Sub-Category	Board Lot	ISIN
00388	HKEX	Equity	Equity Securities (Main Board)	100	HK0388045442
80388	HKEX-R	Equity	Equity Securities (Main Board)	100	HK0388045442

Besides, the ISIN code in "ISINs Assigned by HKEX / Other Numbering Agencies" will be updated after market close on the last Friday immediately before the launch date as below:

Current

Stocks	ISIN Code	HK Stock Code	Type
HONG KONG EXCHANGES AND CLEARING LTD	HK0388045442	00388	ORD SH
HONG KONG EXCHANGES AND CLEARING LTD-R	HK0000931664	80388	ORD SH

Launch

Stocks	ISIN Code	HK Stock Code	Type
HONG KONG EXCHANGES AND CLEARING LTD	HK0388045442	00388	ORD SH
HONG KONG EXCHANGES AND CLEARING LTD-R	HK0388045442	80388	ORD SH

42. Is the practice session mandatory for all CPs? (Updated as of 23 April 2025)

The practice session is **mandatory** for CPs which will clear and settle cross-counter trades of Multi-counter Eligible Securities. All CPs which participated in the practice session are required to declare their readiness for the Enhancement before 26 May 2025. HKSCC will upload the information pack of practice session to the web corner on 9 May 2025 and CPs are required to study the information pack before joining the practice session on 24 May 2025.

Activity	Schedule	Will clear and settle cross-counter trades of Multi-counter Eligible Securities?	
		Yes	No
Practice session 1 (PS1)	24 May 2025 (Saturday)	**Mandatory**	Optional, but highly recommended
Practice session 2 (PS2)	7 June 2025 (Saturday)	**Mandatory** only for those CPs which failed PS1	