

Enhancement of Settlement Arrangement for Multi-counter Eligible Securities – Briefing for Practice Sessions and Migration



April 2025

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Agenda

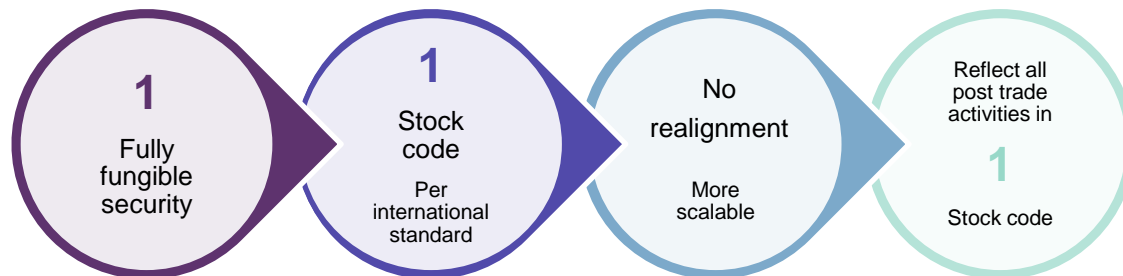
- 01 | Overview of the Enhancement
- 02 | Latest Timeline
- 03 | Launch Arrangements
- 04 | Connectivity Test
- 05 | Practice Session Arrangement
- 06 | Appendix

01 | Overview of the Enhancement



01 | Overview of the Enhancement

Objectives: Enable the scalability of multi-counter trading by removing the need for manual input for inter-counter transfer instructions



Please be reminded that multi-counter ETPs are also in scope.

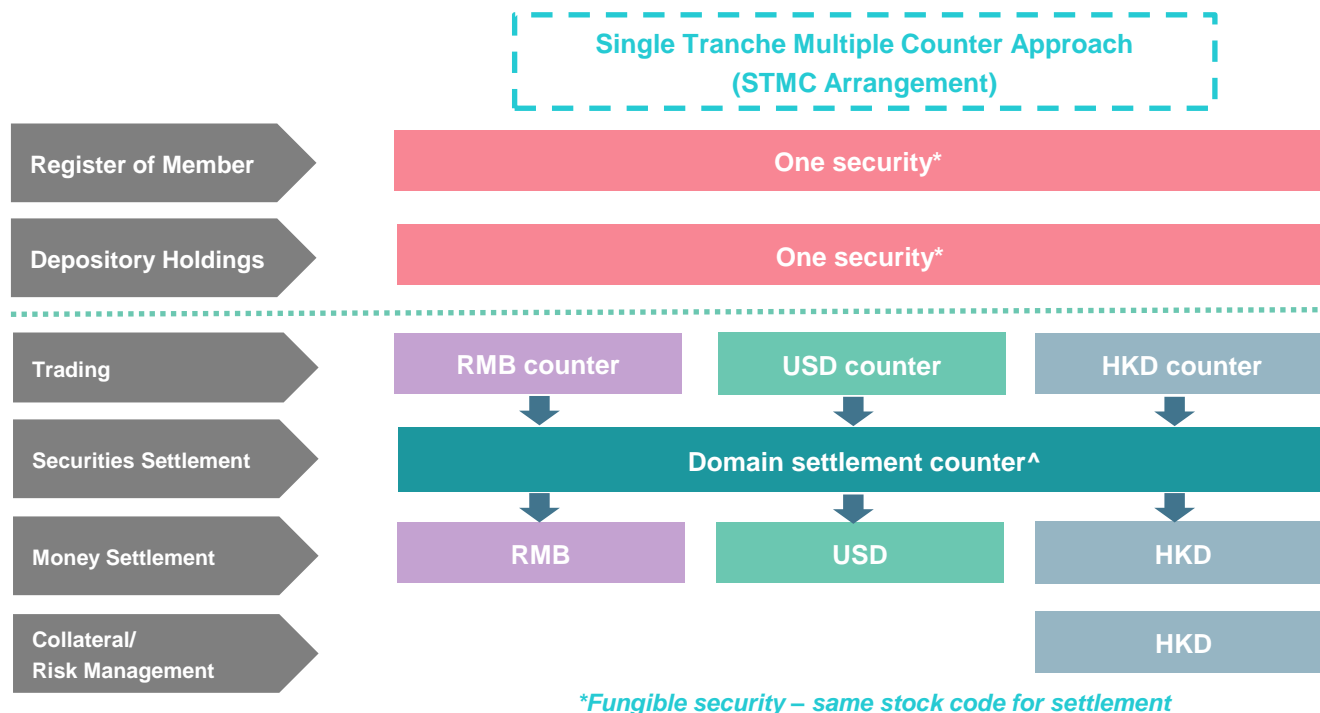
Multi-counter Eligible Securities		
Dual Counter Securities	Multi-counter ETPs	Others
Trading counters: HKD/RMB	Trading counters: HKD/RMB/USD	Trading counters: HKD/RMB
24 pairs	~90 ETPs	1 pair

'Dual Tranche Dual Counter' model will be abolished after the launch of the Enhancement.



All Multi-counter Eligible Securities will be cleared and settled under the Enhancement

01 | Overview of the Enhancement (Cont'd)



The adoption of the domain settlement counter/single ISIN approach will simplify tracking and reduce the complexity and operational risks associated with multiple identifiers.



[^]Domain settlement counter refers to 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 Securities in CCASS after the implementation of the Enhancement.

02 | Latest Timeline



02 | Latest Timeline

Events	Date
Release information pack for practice sessions via web corner	9 May 2025
Registration for practice sessions via Client Connect	Before 9 May 2025
Connectivity test	17 May 2025 (Sat)
Practice session 1 (Mandatory for CPs that will clear and settle cross-counter trades of Multi-counter Eligible Securities)	24 May 2025 (Sat)
Deadline for submitting confirmation reply for practice session	26 May 2025 (Mon)
Confirm launch date and the list of Multi-counter Eligible Securities as of announcement date through circular	Around 2 weeks before launch
Post release verification	The last Saturday before launch
Launch (Subject to regulatory approval)	30 June 2025

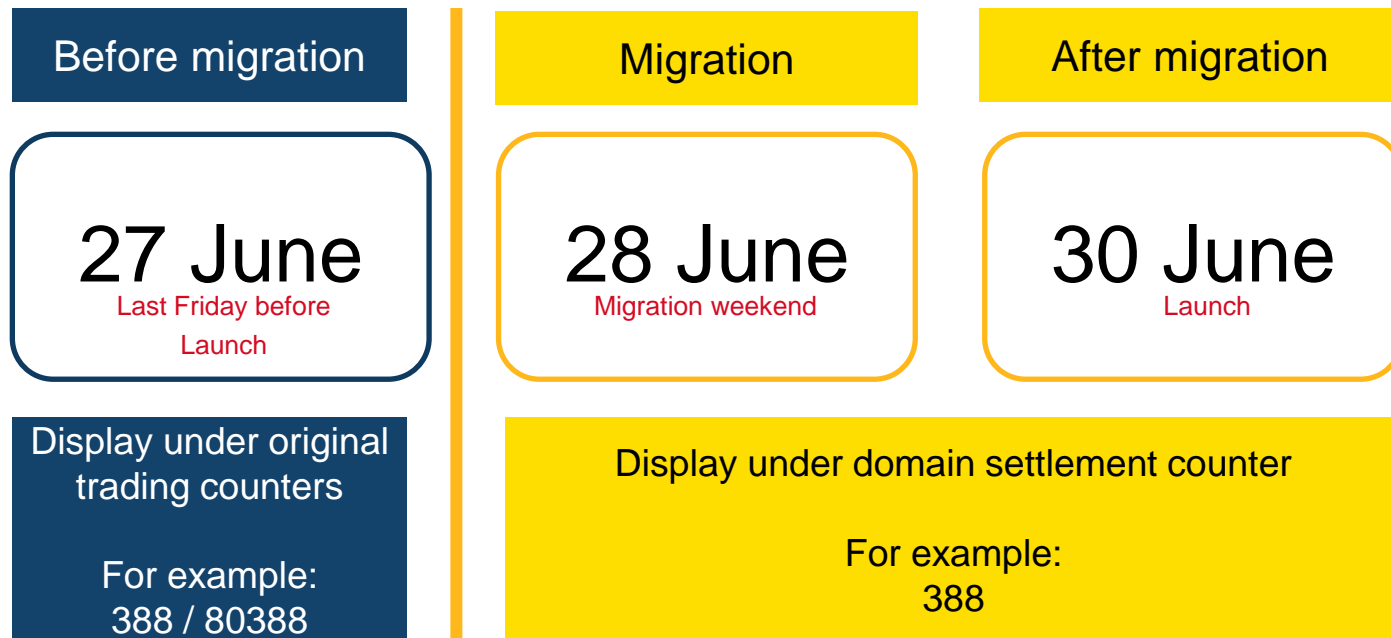


03 | Launch Arrangements



03 | Launch Arrangements - Illustration of Migration Arrangement

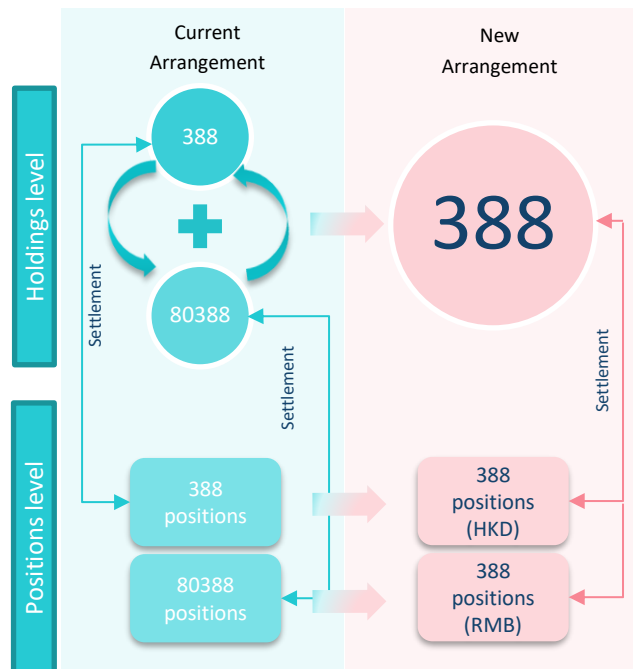
The dates provided are for illustrative purposes only; the actual dates are subject to regulatory approval.



CPs should backup reports generated before migration.

CPs should reconcile the image after migration with the image before migration to ensure there are no discrepancies before the market opens on the launch date.

03 | Launch Arrangements - Impact on Clearing Participants



Clearing and Settlement

- Unsettled CNS/IT/SI/ISI positions
- Buy-in arrangement
- Stock Settlement Fee

Domain Settlement Counter	Other Currency Counter
388	80388

Depository and Nominees Services

- Holdings
- Corporate action event
- ISIN update
- Multi-counter Settlement Mapping setup

Risk Management and Collateral Management

- Margin calculation
- General stock collateral/specific stock collateral/specific cash collateral

The migration impacts all post trade activities

03 | Transition Arrangement - CNS Positions

				Migration			
Reflect under original trading counter				Reflect under domain settlement counter			
	E-3	E-2	E-1	Effective date (E day)	E+1	E+2	Remarks
Trades conducted on E-3	T-day	T+1	T+2 (settled under original trading counter)				No impact on those settled trades
Trades conducted on E-2		T-day	T+1 (FCS reflects original trading counter)	T+2 (settled under domain settlement counter)			Reports will be provided for CPs to reconcile before and after image
Trades conducted on E-1			T-day	T+1 (FCS reflects domain settlement counter)	T+2 (settled under domain settlement counter)		
Trades conducted on E day				T-day	T+1 (FCS reflects domain settlement counter)	T+2 (settled under domain settlement counter)	



All CCASS records will be automatically recorded under domain settlement counter after migration.

03 | Example of Transition Arrangement (For reference)

CNS
positions

Assumed the Business Launch is on 30 June 2025

Participant A has below due/overdue CNS positions as of 27 June 2025 day-end



	Trade date	Settlement date	Stock code	Buy/Sell	Qty	Currency	Amount	
P1	25 Jun 2025	27 Jun 2025	80388	Sell	400	RMB	112,000	overdue
P2	26 Jun 2025	30 Jun 2025	388	Buy	800	HKD	248,000	
P3	26 Jun 2025	30 Jun 2025	80388	Sell	200	RMB	57,000	
P4	27 Jun 2025	2 Jul 2025	388	Sell	700	HKD	222,600	
P5	27 Jun 2025	2 Jul 2025	80388	Buy	400	RMB	116,800	

Migration will be performed on 28 June 2025 (Saturday) and the due/overdue CNS positions will be converted as below:

P1	25 Jun 2025	27 Jun 2025	388	Sell	400	RMB	112,000	overdue
P2	26 Jun 2025	30 Jun 2025	388	Buy	800	HKD	248,000	
P3	26 Jun 2025	30 Jun 2025	388	Sell	200	RMB	57,000	
P4	27 Jun 2025	2 Jul 2025	388	Sell	700	HKD	222,600	
P5	27 Jun 2025	2 Jul 2025	388	Buy	400	RMB	116,800	



All due/overdue CNS positions will be cleared and settled under domain settlement counter.

03 | Example of Transition Arrangement (For reference)



Holdings

Participant A has below holdings of Multi-counter Eligible Securities as of 27 June 2025 day-end.

Stock code	Holdings as of 27 June 2025 day-end	Holdings for 30 June 2025 before market open
388	0	1,000
80388	1,000	N/A
700	700	1,200
80700	500	N/A
2839	800	1,020
82839	150	N/A
9839	70	N/A

Holdings will be recorded under domain settlement counter

Holdings will be aggregated under domain settlement counter.



03 | Change on Stock Settlement Fee

Upon the launch of the Enhancement, HKSCC's Stock Settlement Fee will also be updated:

	From	To
1. Currency	HKD	Eligible currency of such Exchange Trade
2. Rate*	0.0020%	0.0042%
3. Boundaries*	Min HK\$2/ Max HK\$100	Removed

*Changes announced under 'Settlement Fee Restructure' on 21 February 2025.

More equitable and deterministic cost structure

The updated fee schedule will be applicable for all Exchange Trades, not just for Multi-counter Eligible Securities.



Note: No change on Stock Settlement Fee for SI transactions.

03 | Change on Stock Settlement Fee

Assume 30 June is the first business date of the launch, the new rate will be applicable for all Exchange Trades executed on or after 30 June.

Trade execution	FCS generated (on T+1)		
	30 June (Friday)	2 July (Monday)	3 July (Tuesday)
T = 27 June (Friday)	Old rate		
T = 30 June (Monday)		New rate	
T = 2 July (Tuesday)			New rate

The updated fee schedule will be applicable for all Exchange Trades concluded on or after the launch.

04 | Connectivity Test



04 | Connectivity Test

Test connectivity to CCASS testing environment

Connectivity Test – Weekend Activities (Saturday) 11:00 – 12:00

Objectives: Verify the connectivity on Saturday by mimicking the actions to be performed during post release verification.



- ✓ Login to CCASS testing environment
- ✓ Download ad-hoc reports (Report date = 29 March 2025, Saturday)
- ✓ Simulate reconciliation during Post Release Verification
- ✓ Optional, but highly recommended



*CPs can also download selective reports and/or data files with report dates of 27 March 2025 and 28 March 2025 to check the pre-migration images.



04 | Connectivity Test (Cont'd)

Ad-hoc reports (report date = 29 March 2025) to be available for download:

#	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 that the above reports are one-off. The format remains the same, with only the stock code display updated to the domain settlement counter.

CPs can simulate the actions to be taken during post release verification.



05 | Practice Session Arrangement



05 | Practice Session Arrangement

Test migration and day-to-day post trade operations under the STMC arrangement

Practice Session – Weekend Activities (Saturday)

Objectives: Simulate migration and perform the post trade activities in CCASS and/or VaR Platform under the new arrangement.

PS1



Mandatory for CPs that will clear and settle cross-counter trades of Multi-counter Eligible Securities

PS2



Mandatory for CPs that failed the PS1 only



HKSCC strongly encourages CPs to join PS1 to ensure readiness for launch.

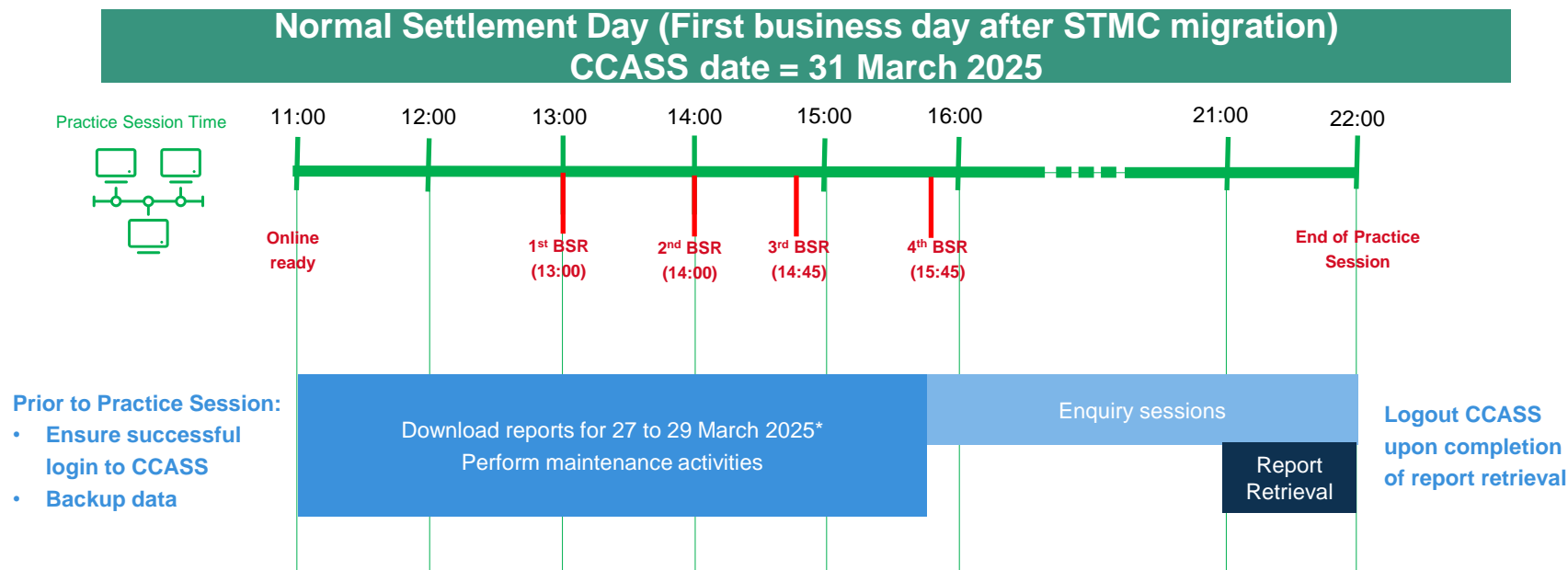
05 | Practice Session Arrangement (Cont'd)

Item	Description
Objectives	<ul style="list-style-type: none">To provide an opportunity for CPs to simulate migration and verify their operations, including their back-office system (if applicable) are ready for the launch of STMC
Schedule and time	<ul style="list-style-type: none">24 May 2025It is expected to be run from 11:00 till 22:00 on the weekend.
System involved	<ul style="list-style-type: none">CCASSVaR Platform (RAP and VaR Online)
Testing approach	<ul style="list-style-type: none">Pre-set CNS positions and stock balances will be prepared for each CPMapping between domain settlement counter and other currency counter will be availableMimic the normal business daily operation upon STMC launchA full-day CCASS cycle will be run in a compressed timetable
Test case design	<ul style="list-style-type: none">CP should design the test case based on the pre-set testing data which suits your business need. Suggested Executions for CPs will be provided in the Information Package.
Successful criteria	<ul style="list-style-type: none">Able to complete the test without exceptionsComplete the confirmation reply and send back to HKSCC before 26 May 2025

The information pack will be released by 9 May 2025 and
CPs are required to study the information pack before joining the practice session.



05 | Practice Session Arrangement (Cont'd)



In addition, CPs are recommended to **maintain a proper audit trail** in respect of all activities performed during the Practice Sessions. A responsible officer of each participating CPs is advised to be available during the Practice Session to supervise the testing process and to be responsible for relaying any issues arising during the Practice Sessions to HKSCC.

**CPs should refer to CCASS Broadcast Message for contingency arrangement.
Designated officer should complete and return the confirmation before 26 May 2025.**



*CPs can download selective reports and/or data files with report dates of 27 March 2025 and 28 March 2025 to check the pre-migration images. And ad-hoc reports of 29 March 2025 will also be available for download during the practice session.

06 | Appendix



06 | Preparation Checklist

Tasks

- ✓ Register for connectivity test and practice sessions via Client Connect
- ✓ Perform connectivity test (optional, but highly recommended)
- ✓ Join PS1, mandatory for CPs that will clear and settle cross-counter trades of Multi-counter Eligible Securities
- ✓ Return confirmation reply for PS1
- ✓ Perform post release verification (optional, but highly recommended)
- ✓ Conduct CCASS operations under new arrangement



Dates

Registration	<div> <div>April 23 2025</div> <div>▶</div> <div>May 9 2025</div> </div>	
▼		
Connectivity test	<div> <div>May 17 2025</div> </div>	
▼		
PS1	<div> <div>May 24 2025</div> </div>	
▼		
Confirmation	<div> <div>May 26 2025</div> </div>	
▼		
Post release verification	<div> <div>June ● 2025</div> </div>	Last Saturday before launch
▼		
Launch	<div> <div>June ● 2025</div> </div>	

06 | Participant Readiness (for reference)

Technical Readiness

- ✓ Understand the migration approach – big bang approach and all Multi-counter Eligible Securities will be included
- ✓ Complete internal system development, if any, before joining the practice session
- ✓ Start scheduling the resources to join the practice session and post release verification in May and June 2025
- ✓ Complete the confirmation for practice session and return to HKSCC before deadline.

Operational Readiness

- ✓ Modify and verify internal operational flows, including contingency handling, if applicable
- ✓ Assess the liquidity requirement for RMB/USD, if applicable
- ✓ Review the internal controls for compliance with applicable regulatory requirement, e.g. client asset rules

Client Education

- ✓ Continue assessing the impact on clients, for example:
 - Display in client statements – positions and holdings
 - Instruction input
- ✓ Notify the clients the change due to the migration, if any
- ✓ Remind the clients that there is no change on the trading arrangement and the shareholders' interest
- ✓ Handle clients' enquiries on the migration



The above checklist is for reference only. Please design the migration checklist based on your business need.

Questions?

For further information, please go to

