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## CHAPTER 3

### ADMISSION OF PARTICIPANTS

#### 301. Application for admission

A person may apply to be admitted as a Participant in accordance with the procedures of application as may be prescribed by HKSCC from time to time.

HKSCC may make available the services of CCASS to persons who meet and continue to meet the qualifications from time to time prescribed by HKSCC and who have been admitted as a Participant.

#### 302. Categories of Participants

There shall be the following categories of Participants:-

- (i) Clearing Agency Participants;
- (ii) Custodian Participants;
- (iii) Direct Clearing Participants;
- (iv) General Clearing Participants;
- (v) Investor Participants;
- (vi) Stock Lender Participants; and
- (vii) Stock Pledgee Participants.

Each category of Participants shall have such rights and obligations as are provided in the Rules.

HKSCC may by notice from time to time vary the rights and obligations attaching to each category of Participants and may establish from time to time further categories of Participants with such rights and obligations as it may prescribe.

If in the opinion of HKSCC a Participant's transactions in Eligible Securities in CCASS are inconsistent with its category of participation in CCASS, without prejudice to any other rights HKSCC may have, HKSCC may require such Participant to cease such transactions in CCASS and may also require such Participant to re-apply for admission under the appropriate category of Participants.

An Investor Participant must use its Stock Account at all times for its own account as an investor in securities and shall not use the Stock Account for operating any custodian or nominee or investment management business for purposes of commercial gain directly or

indirectly arising therefrom.

### **303. Criteria for admission**

An applicant for admission as a Participant must apply in the prescribed manner to HKSCC and must demonstrate to the satisfaction of HKSCC that it is of good financial standing, has the operational capability to satisfy at all times the requirements of CCASS, including but not limited to each of the requirements set out in Chapter 17, and is otherwise a fit and proper person to be admitted as a Participant.

Each applicant must provide HKSCC with such certifications, declarations, representations, undertakings, documents and further information as HKSCC may require for dealing with the application.

In the case of an application to become a Clearing Agency Participant, the applicant must:-

- (i) be a body recognised and regulated in Hong Kong by the Commission or other similar regulatory organisation or in an overseas jurisdiction by a governmental body or securities regulatory agency or an equivalent authority in respect of its business in operating the central securities clearing and settlement system and/or central securities depository system or similar systems;
- (ii) demonstrate to the satisfaction of HKSCC that it has an established business in operating a central securities clearing and settlement system and/or a central securities depository system or similar systems or otherwise demonstrate that it has the financial and operational capacity to establish and operate such a system, and the securities dealt with in the system shall include, inter alia, Eligible Securities; and
- (iii) undertake, if its application is successful, to sign a Participant Agreement; to pay to HKSCC in accordance with the Participant Agreement an admission fee of HK\$1,000,000 (or such other amount as may be specified by HKSCC from time to time); and to arrange, if required, indemnity insurance in a form acceptable to or as prescribed by HKSCC; and to provide, if required, assurances acceptable to HKSCC in respect of its obligations to HKSCC as a result of its participation in CCASS, including, but not limited to, liabilities for defective Eligible Securities deposited by it into CCASS, such assurances to be in the form of insurance or in such other form as shall be acceptable to HKSCC.

In the case of an application to become a Custodian Participant, the applicant must : -

- (i)
  - (a) be an authorized institution under the Banking Ordinance (Chapter 155 of the laws of Hong Kong); or
  - (b) be a trust company registered under the Trustee Ordinance (Chapter 29 of the laws of Hong Kong); or
  - (c) be a licensed corporation which is licensed to carry on Type 1 regulated activity

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under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and which is not an Exchange Participant; or

- (d) be the Monetary Authority under the Exchange Fund Ordinance (Chapter 66 of the laws of Hong Kong).
- (ii) demonstrate to the satisfaction of HKSCC that:-
  - (a) it has an established custodian business in securities listed on the Exchange or it has the financial and operational capacity to establish and operate a custodian business in securities listed on the Exchange; and
  - (b) it has the financial and operational capacity to meet the operational requirements stipulated by HKSCC for its transactions in CCASS;
- (iii) undertake, if its application is successful, to sign a Participant Agreement; to pay to HKSCC in accordance with the Participant Agreement an admission fee of HK\$1,000,000 (or such other amount as may be specified by HKSCC from time to time); and to provide, if required, assurances acceptable to HKSCC in respect of its obligations to HKSCC as a result of its participation in CCASS, including, but not limited to, liabilities for defective Eligible Securities deposited by it into CCASS, such assurances to be in the form of insurance or in such other form as shall be acceptable to HKSCC; and
- (iv) if Eligible Securities are accepted for deposit into its Stock Accounts by it, undertake if its application is successful, to provide a form of insurance or other form of assurances acceptable to HKSCC to secure an amount of not less than HK\$100,000,000 for the purpose of securing its liabilities for defective Eligible Securities deposited into CCASS.

An applicant which is an authorised institution under the Banking Ordinance (Chapter 155 of the laws of Hong Kong) and which has paid-up share capital of not less than HK\$100,000,000 (or its equivalent in a currency freely convertible into HK dollars) need not comply with (iv) above.

In the case of an application to become a Direct Clearing Participant, the applicant must:-

- (i) be an Exchange Participant;
- (ii) be a licensed corporation which is licensed to carry on Type 1 regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong); and
- (iii) undertake, if its application is successful, to sign a Participant Agreement; to pay to HKSCC as provided in the Participant Agreement an admission fee of HK\$50,000 in respect of each Stock Exchange Trading Right held by the applicant (or such other amount as may be specified by HKSCC from time to time); to pay to HKSCC its

Basic Contribution and Dynamic Contribution in accordance with the Rules; to arrange indemnity insurance in a form acceptable to or as prescribed by HKSCC; and to provide, if required, assurances acceptable to HKSCC in respect of its obligations to HKSCC as a result of its participation in CCASS, including, but not limited to, liabilities for defective Eligible Securities deposited by it into CCASS, such assurances to be in the form of insurance or in such other form as shall be acceptable to HKSCC; and to procure the agreement of its Designated Bank to comply with the requirements of HKSCC for CCASS money settlement purposes.

In the case of an application to become a General Clearing Participant, the applicant must: -

- (i) (a) be a licensed corporation which is licensed to carry on Type 1 regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong); or
- (b) be a registered institution which is registered to carry on Type 1 regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).
- (ii) (if the applicant is a licensed corporation)
  - (a) be a company limited by shares incorporated in Hong Kong; and
  - (b) have liquid capital of not less than HK\$300,000,000 or its required liquid capital under the Financial Resources Rules, whichever is the higher; or
  - (c) have paid-up share capital of not less than HK\$300,000,000 and have liquid capital of not less than HK\$100,000,000 or its required liquid capital under the Financial Resources Rules, whichever is the higher.
- (iii) (if the applicant is a registered institution)

have Tier 1 capital under the Banking (Capital) Rules of not less than HK\$390,000,000 or such other level as prescribed by HKSCC from time to time.
- (iv) demonstrate to the satisfaction of HKSCC that it has an established clearing business in securities listed and/or traded on the Exchange or it has the financial and operational capacity to establish and operate a clearing business in securities listed and/or traded on the Exchange.
- (v) undertake, if its application is successful, to sign a Participant Agreement; to pay to HKSCC as provided in the Participant Agreement an admission fee of HK\$50,000 or HK\$50,000 in respect of each Stock Exchange Trading Right held by the applicant (if applicable) whichever is the higher (or such other amount as may be specified by HKSCC from time to time); to pay to HKSCC its Basic Contribution and Dynamic Contribution in accordance with the Rules; to arrange indemnity insurance in a form acceptable to or as prescribed by HKSCC; and to provide, if required, assurances acceptable to HKSCC in respect of its obligations to HKSCC as a result of its participation in CCASS, including, but not limited to, liabilities for defective Eligible Securities deposited by it into CCASS, such assurances to be in the form of insurance or in such other form as shall be acceptable to HKSCC; and to procure the agreement of its Designated Bank to comply with the requirements of HKSCC for CCASS

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money settlement purposes.

In the case of an application to become a Stock Lender Participant, the applicant must : -

- (i) 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 a sufficient quantity of securities listed on the Exchange for lending; and
- (ii) undertake, if its application is successful, to sign a Participant Agreement; to pay to HKSCC in accordance with the Participant Agreement an admission fee of HK\$200,000 (or such other amount as may be specified by HKSCC from time to time); to restrict its transactions in Eligible Securities in CCASS to stock lending transactions and not other transactions; to arrange, if required, indemnity insurance in a form acceptable to or as prescribed by HKSCC; and to provide, if required, assurances acceptable to HKSCC in respect of its obligations to HKSCC as a result of its participation in CCASS, including, but not limited to, liabilities for defective Eligible Securities deposited by it into CCASS, such assurances to be in the form of insurance or such other form as shall be acceptable to HKSCC.

In the case of an application to become a Stock Pledgee Participant, the applicant must : -

- (i) be an authorised institution under the Banking Ordinance (Chapter 155 of the laws of Hong Kong) or a licensed money lender under the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong);
- (ii) 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; and
- (iii) undertake, if its application is successful, to sign a Participant Agreement; to pay to HKSCC in accordance with the Participant Agreement an admission fee of HK\$200,000 (or such other amount as may be specified by HKSCC from time to time); and to restrict its transactions in Eligible Securities in CCASS to stock pledging transactions and not other transactions.

In the case of an application to become an Individual Investor Participant, the applicant must:

- (i) be aged 18 or above;
- (ii) hold a Hong Kong identity card or a Macau resident identity card;
- (iii) not be an undischarged bankrupt or be subject to any legal incapacity under any

applicable law;

- (iv) undertake, if the application is successful, to comply with and be bound by the Terms and Conditions as well as these Rules; and
- (v) undertake, if the application is successful, to provide at the request of HKSCC assurances acceptable to HKSCC in respect of his obligations to HKSCC as a result of his participation in CCASS, including, but not limited to, liabilities for defective Eligible Securities deposited by him into CCASS, such assurances to be in the form of insurance or in such other form as shall be acceptable to HKSCC.

In the case of an application to become a Joint Individual Investor Participant, each individual must:-

- (i) be aged 18 or above, hold a Hong Kong identity card and not be an undischarged bankrupt or be subject to any legal incapacity;
- (ii) agree to be jointly and severally liable to HKSCC in respect of the obligations and liabilities of the Joint Individual Investor Participant in respect of their participation in CCASS if such application is successful;
- (iii) agree that the individual members operating the Stock Account shall have joint ownership of the securities in the Investor Stock Account with right of survivorship;
- (iv) agree to authorise HKSCC to act on the instructions of any one of the individual members unless otherwise notified to HKSCC in writing;
- (v) each applicant undertake, if the application is successful, to comply with and be bound by the Terms and Conditions as well as these Rules; and
- (vi) undertake, if the application is successful, to provide at the request of HKSCC assurances acceptable to HKSCC in respect of his obligations to HKSCC as a result of his participation in CCASS, including, but not limited to, liabilities for defective Eligible Securities deposited by him into CCASS, such assurances to be in the form of insurance or in such other form as shall be acceptable to HKSCC.

In the case of an application to become a Corporate Investor Participant:-

- (i) the corporation must either be
  - (a) an “existing company” (as defined under the Companies Ordinance), a company incorporated under the Companies Ordinance or a legal entity established under any other ordinance of Hong Kong, or
  - (b) incorporated or otherwise established under the laws of any other jurisdiction outside Hong Kong that is approved from time to time by HKSCC for investor

participation purposes;

- (ii) the corporation must be validly existing and of good standing;
- (iii) the corporation must have all necessary capacity and authority in its constitution for the corporation to participate and conduct transactions in CCASS;
- (iv) the corporation must authorise HKSCC to act on the instructions of any of its authorised signatory unless otherwise expressly notified to HKSCC in writing;
- (v) the corporation undertakes, if the application is successful, to comply with and be bound by the Terms and Conditions as well as these Rules; and
- (vi) undertake, if the application is successful, to provide at the request of HKSCC assurances acceptable to HKSCC in respect of its obligations to HKSCC as a result of its participation in CCASS, including, but not limited to, liabilities for defective Eligible Securities deposited by it into CCASS, such assurances to be in the form of insurance or in such other form as shall be acceptable to HKSCC.

Each applicant must complete an application in the prescribed form and must undertake to comply with all applicable requirements specified therein and such other conditions and requirements as may be specified in writing from time to time by HKSCC.

In the case of an application to become a Joint Individual Investor Participant, only one application form needs to be submitted. However, each individual member comprising such applicant must undertake jointly and severally to comply with all applicable requirements specified therein and such other conditions and requirements as may be specified in writing from time to time by HKSCC.

HKSCC may waive such conditions and requirements applicable to an applicant as it sees fit and may also from time to time require an applicant to comply with additional conditions and requirements.

#### **304. Approval of admission**

Approval of an application for admission as a Participant is entirely at the discretion of HKSCC.

The approval of an application may be subject to such conditions as HKSCC sees fit.

If HKSCC rejects an application to admit as a Participant, the applicant (other than applicant for Investor Participantship) may, within 14 Business Days after it is notified of HKSCC's decision, appeal in writing to the Participant Admission Appeals Committee whose decision will be final and conclusive.

**305. Transitional Provisions**

For the avoidance of doubt, these Rules and Operational Procedures and all rights, privileges, registrations, approvals, obligations and liabilities accrued to or incurred by any person (including without limitation any category of Participant) prior to the Scheme Effective Date shall continue to be valid and binding on that person whatever the capacity in which those rights, privileges, registrations, approvals, obligations and liabilities have been accrued or incurred.

A Broker Participant is deemed to be a DCP on 3 December 2007 and shall be so deemed until it becomes a NCP or is admitted as a Participant under a different category and shall continue to be bound by these Rules and Operational Procedures and any amendments thereto from time to time as well as the Participant Agreement which it has entered into when it was admitted as a Broker Participant. All SSA Statement Service of a Broker Participant on 3 December 2007 shall be deemed to be SSA Statement Service of that deemed DCP.

For the avoidance of doubt, these Rules and Operational Procedures and all rights, privileges, registrations, approvals, obligations and liabilities accrued to or incurred by the Broker Participant prior to 3 December 2007 shall continue to be valid and binding on it whatever the capacity in which those rights, privileges, registrations, approvals, obligations and liabilities have been accrued or incurred.