
CHAPTER 8

DEPOSITORY AND CUSTODIAN SERVICES

801. Deposit of Eligible Securities

Subject to the Rules, HKSCC may accept Eligible Securities from Participants or direct from the issuers of Eligible Securities (or their agents or representatives) for deposit into the Stock Accounts, other than the Stock Collateral Control Accounts of Participants, and where the Participants are TSF CCASS Participants, other than the TSF Accounts of such Participants. Participants are not allowed to deposit Eligible Securities directly into their CCMS Collateral Accounts, Stock Collateral Control Accounts, and where such Participants are TSF CCASS Participants, directly into their TSF Accounts. Eligible Securities held in a CCMS Collateral Account are either transferred from Stock Accounts in CCASS, other than the Stock Collateral Control Accounts and where the Eligible Securities are earmarked TSF Stocks, other than the TSF Accounts, or from other CCMS Collateral Accounts as permitted by HKSCC from time to time.

In the case of an Investor Participant, Eligible Securities in registered form for deposit into CCASS by an Investor Participant shall be registered in the Investor Participant's own name or in the name of HKSCC's nominee.

For the avoidance of doubt, Eligible Securities in registered form deposited for credit by a Joint Individual Investor Participant must be registered in the names of all the individuals comprising such Participant.

Notwithstanding the foregoing, Stock Pledgee Participants shall have no right to deposit Eligible Securities into CCASS.

In respect of Eligible Securities which are uncertificated or issued in global or bearer form, HKSCC shall be at liberty, and may develop rules or procedures, to restrict the deposit or re-deposit of such Eligible Securities into CCASS, to account for and provide services in respect of such Eligible Securities in such manner as it considers appropriate.

802. Safe custody

Eligible Securities deposited into CCASS by Participants will be held in safe-custody upon the terms and subject to the provisions of the Rules.

For the avoidance of doubt, HKSCC acknowledges and confirms that, save as otherwise provided in the Rules, HKSCC has no proprietary interest in the Eligible Securities deposited into CCASS, in particular, Eligible Securities in the Stock Segregated Accounts of Participants.

803. Eligible Securities deposited to be freely transferable

Unless otherwise approved by HKSCC in consultation with the Commission, Eligible Securities deposited into CCASS by a Participant shall be freely transferable or deliverable and shall be accompanied by such certificates or evidence of title (duly endorsed as appropriate), instruments of transfer (duly executed, endorsed and stamped as appropriate)

and such other documents, acts, or things as may be required by HKSCC.

In the case of Eligible Securities issued in registered form, such Eligible Securities shall be deemed not to be freely transferable or deliverable if registration of a transfer of such Eligible Securities (or the re-issue of such Eligible Securities in the name of HKSCC or its nominee, if applicable) is refused at any time for any reason by the registrar or transfer agent for such Eligible Securities.

In relation to Foreign Securities which are credited to a Participant's Stock Account, that Participant covenants, represents and warrants to HKSCC that :-

- (i) in the case of a certificated security, (a) the certificate is genuine and has not been materially altered; (b) the Participant does not know of any fact that might impair the validity of the security; (c) there is no adverse claim to the security; and (d) there is no restriction on the transfer of such certificated security;
- (ii) in the case of an uncertificated security, (a) there is no adverse claim to the security; and (b) there is no restriction on the transfer of such uncertificated security;
- (iii) in the case of the Foreign Securities held in HKSCC's account with The Depository Trust Company or its successor or assignee, such Foreign Securities are Eligible U.S. Securities; and
- (iv) it shall furnish HKSCC with any information as HKSCC may require in order to comply with any request made of it by any tax authority for information in connection with the preceding representations and warranties in this Rule 803 or any other matter required by applicable law.

In relation to Uncertificated Eligible Securities which are credited to a Participant's Stock Account, including but not limited to Uncertificated Eligible Securities credited to a Participant's Stock Account directly by or from the relevant Overseas Issuer, a principal or branch share registrar or such other authorized agents or representatives of the relevant Overseas Issuer or any other intermediaries having relevant authority to do so under applicable laws or arrangements (as the case may be), that Participant covenants, represents and warrants to HKSCC that:

- (i) the Participant does not know of any fact that might impair the validity of such Uncertificated Eligible Securities and has full authority to receive, deal with and give instructions, authorizations or declarations in respect of them;
- (ii) there is no adverse claim to such Uncertificated Eligible Securities and there is no restriction on the transfer of such Uncertificated Eligible Securities; and
- (iii) it shall furnish HKSCC with any information as HKSCC may require in order to:
 - (a) provide the services in respect of the Uncertificated Eligible Securities;
 - (b) comply with any request made of it by any tax authority for information in

connection with the preceding representations and warranties in this Rule 803 or any other matter required by applicable law;

- (c) comply with any request made of it by any competent regulator or authority for information in connection with the Uncertificated Eligible Securities or any other matter required by applicable law; and
- (d) comply with any request of the relevant Overseas Issuer, a principal or branch share registrar or such other authorized agents or representatives of the relevant Overseas Issuer or any other relevant intermediaries (as the case may be) as required by applicable law or the applicable arrangement in relation to the provision of services in respect of Uncertificated Eligible Securities.

In relation to China Connect Securities which are credited to a Participant's Stock Account, that Participant covenants, represents and warrants to HKSCC that :-

- (i) the Participant does not know of any fact that might impair the validity of such China Connect Securities and has full authority to receive, deal with and give instructions, authorizations or declarations in respect of them;
- (ii) there is no adverse claim to such China Connect Securities and there is no restriction on the transfer of such China Connect Securities other than any transfer restriction which is expressly provided for under the Exchange Rules or these Rules; and
- (iii) it shall furnish HKSCC with any information as HKSCC may require in order to:
 - (a) provide China Connect Clearing Services;
 - (b) comply with any request made of it by any tax authority for information in connection with the preceding representations and warranties in this Rule 803 or any other matter required by applicable law; and
 - (c) comply with any request made of it by any competent regulator or authority for information in connection with the China Connect Securities or any other matter required by applicable law.

804. Right not to accept Eligible Securities

HKSCC reserves the right to reject a deposit or refuse to accept a re-deposit of Eligible Securities.

805. Representation and warranty of authority

Each Participant depositing Eligible Securities into CCASS represents and warrants in favour of HKSCC that such Eligible Securities exist and are validly issued and that it is entitled or has full authority to deposit such Eligible Securities into CCASS and to deal with such Eligible Securities.

The representation and warranty herein shall extend to Eligible Securities deposited into the Stock Accounts of Participants directly from the issuer of the Eligible Security (or its agents or representatives).

Except as otherwise provided in the Rules, HKSCC may regard each Participant as having full authority and control in respect of the Eligible Securities in its Stock Accounts and HKSCC shall be under no obligation to recognize any right or interest which any person other than the Participant may have in such Eligible Securities.

In respect of Eligible Securities transferred to any CCMS Collateral Account of a Clearing Participant, the Participant transferring such Eligible Securities represents and warrants in favour of HKSCC that (i) the Participant is entitled or has full authority and all necessary consents to deposit such Eligible Securities with CCASS as Collateral Securities and to create a security interest over the same in favour of HKSCC, (ii) no security interest exists on, over or with respect to the Collateral Securities and the Derived Assets, and (iii) the Collateral Securities are fully paid and the first fixed charge over the Collateral Securities and the Derived Assets created by virtue of Rule 3608 in favour of HKSCC shall have priority over any beneficial or equitable interest or rights in or over the said Eligible Securities.

Each Participant that from time to time deposits Eligible Securities into its Stock Lending Account represents and warrants in favour of HKSCC that it is entitled or has full authority and all necessary consents to lend the Eligible Securities so deposited to HKSCC in accordance with the Compulsory Stock Borrowing and Lending Regulations.

In addition, the Investor Participant depositing Eligible Securities into CCASS represents and warrants that it is the full beneficial owner of the deposited securities.

806. Representation untrue

If the representation and warranty in Rule 805 by a Participant is untrue or the requirements of Rule 803 are not met, then, without prejudice to any other right HKSCC may have (including, without limitation, the right to debit the Stock Accounts of the Participants in respect of such Eligible Securities deposited), HKSCC may require the Participant to replace the Eligible Securities deposited (in that connection, HKSCC may require the Participant to pay to it forthwith a cash sum of such amount as HKSCC considers appropriate as Collateral and the only obligation of HKSCC in respect of any such sum so paid by the Participant shall be to pay such Participant an amount equal to the balance remaining after satisfaction of all obligations and liabilities (actual or contingent) of such Participant to HKSCC) and may itself at any time purchase replacement Eligible Securities and the costs and expenses of such purchase shall be borne by the Participant.

HKSCC shall notify the Participant concerned in respect of such a purchase and will effect any such purchase at what it determines to be the best prevailing market price and terms available (but taking into account that HKSCC may need to act promptly and provided that HKSCC shall have no liability if it acts in good faith).

Each Participant undertakes to indemnify HKSCC against all costs, fees, expenses, liabilities, losses and damages of any nature whatsoever suffered or incurred by HKSCC directly or indirectly as a result of or in connection with the representation and warranty contained in Rule 805 being untrue or the requirements of Rule 803 not being met (including, without

limitation, the purchase of replacement Eligible Securities by HKSCC) or if the Participant does not have full authority or control in respect of Eligible Securities in its Stock Accounts.

807. Registration or re-issue in name of HKSCC's nominee

Notwithstanding instructions to the contrary, HKSCC may, in respect of Eligible Securities in registered form deposited into CCASS by Participants, from time to time submit such Eligible Securities for registration or re-issue in its own name or in the name of its nominee.

The costs and expenses of effecting registration or re-issue incurred by HKSCC shall be charged to Participants in such manner and at such times as are specified in the Rules.

808. Immediate credit

Subject to the Rules, upon acceptance for deposit of Eligible Securities from a Participant other than an Investor Participant, such Eligible Securities will be credited to the Stock Accounts designated by the Participant.

In the case of deposit of Eligible Securities in registered form by an Investor Participant, such Eligible Securities will not, except where they are New Issue Shares allotted to the Nominee, be immediately credited to the Investor Participant's Stock Account. Subject to the Rules, HKSCC shall credit such Eligible Securities upon registration or re-issue of such Eligible Securities in the name of HKSCC or its Nominee or at such time as HKSCC determines it would be in the interest of HKSCC to effect such credit. Eligible Securities which are not yet credited to the Investor Participant's account are not available for withdrawal and settlement. However, such Eligible Securities are eligible for nominee services to such extent as HKSCC considers appropriate.

HKSCC reserves the right at any time not to credit the Stock Accounts designated by a Participant in respect of Eligible Securities deposited if :

- (i) in the case of Eligible Securities in registered form, the Eligible Securities deposited are part of an issue the transfer of which is or may be, in HKSCC's absolute determination, subject to unreasonable delay (in which case, the Eligible Securities will only be credited to the designated Stock Accounts at such time as the registration or re-issue of such Eligible Securities in the name of HKSCC or its nominee has been effected);
- (ii) the Eligible Securities deposited are part of an issue which, in HKSCC's absolute determination, is or has been the subject of theft, forgery or other fraudulent activity (in which case, the Eligible Securities will only be credited to the designated Stock Accounts at such time as HKSCC is, in its absolute determination, satisfied that the Eligible Securities are no longer the subject of any such activity); or
- (iii) HKSCC considers, in its absolute determination, that it would not be in the interests of HKSCC or the Participants to do so (in which case, the Eligible Securities will only be credited to the designated Stock Accounts at such time as HKSCC determines that

it would be appropriate to do so).

Pending credit to the Stock Accounts designated, a Participant may, subject to the Rules, withdraw the Eligible Securities actually deposited by it into CCASS unless such Eligible Securities are unavailable for whatever reason, including where HKSCC has submitted them for registration or re-issue in its name or in the name of its nominee, or in the name of the Appointed Depository or its nominee, as applicable.

If HKSCC exercises or proposes to exercise its right under this Rule with respect to a particular Eligible Security as aforesaid, HKSCC shall notify Participants accordingly.

809. Fungibility

Each Participant agrees that Eligible Securities in CCASS may be treated by HKSCC as fungible with Eligible Securities of the same issue.

No Participant will be entitled to any specific Eligible Securities in CCASS and subject as otherwise provided, HKSCC's obligation to a Participant will be to allow withdrawal of, subject to the Rules, up to the number of Eligible Securities in the Stock Accounts of such Participant at any time.

HKSCC need not mark or label specific Eligible Securities either to a particular Participant or to a particular transaction settled or to be settled in CCASS.

810. Withdrawal of Eligible Securities

Subject to the Rules (including but not limited to Chapter 42), each Participant shall be entitled to withdraw from CCASS or an Appointed Depository via HKSCC Eligible Securities which are issued in registered form (except global registered form) in the Participant's Stock Accounts other than TSF Accounts (if the Participant is a TSF CCASS Participant, in respect of which the provisions of Chapter 12A shall apply). Unless otherwise determined by HKSCC or provided in the Rules, Participants are not entitled to withdraw from CCASS or an Appointed Depository via HKSCC Eligible Securities which are uncertificated or issued in global form.

The Charged Property of a Participant held in any CCMS Collateral Account in the form of Eligible Securities will have to be transferred to the Stock Accounts in CCASS, other than the Stock Collateral Control Account and the TSF Accounts (if the Participant is a TSF CCASS Participant), prior to any withdrawal being made. Charged Property will not be allowed to be used or transferred by the Participant without the express permission of HKSCC. In the event that Eligible Securities are transferred from a Participant's Stock Accounts in CCASS to a collateral account in CCMS maintained by another Recognized Clearing House for the Participant in its capacity as a participant of such Recognized Clearing House, such Eligible Securities will have to be re-transferred to the Participant's Stock Accounts in CCASS, other than the Stock Collateral Control Account and the TSF Accounts (if the Participant is a TSF CCASS Participant), prior to any withdrawal being made. The Recognized Clearing House may withdraw such Eligible Securities from CCASS or

otherwise deal with such Eligible Securities in relation to the enforcement of its rights under any charge or security interest granted in its favour by the Participant in respect of such Eligible Securities.

811. Limited withdrawal right of Stock Pledgee Participants

A Stock Pledgee Participant may only withdraw Eligible Securities from CCASS in relation to the enforcement of its rights under stock pledging transactions in CCASS in the case of default by a pledgor Participant.

A Stock Pledgee Participant wishing to withdraw Eligible Securities must notify HKSCC in advance and each request for withdrawal shall be deemed to be a confirmation by the Stock Pledgee Participant that the withdrawal to be made is in relation to the enforcement of its rights under stock pledging transactions as aforesaid.

812. Withdrawal of Certificates

Subject to the Rules, all instructions from Participants other than Investor Participants to effect withdrawal from CCASS of Eligible Securities in their Stock Accounts shall be given to HKSCC electronically via their CCASS Terminals, unless otherwise advised by HKSCC from time to time.

An Investor Participant that wishes to withdraw Eligible Securities from its Stock Account shall submit to HKSCC a completed and duly signed instruction form in the form prescribed by HKSCC from time to time (stamped with the company chop, if applicable) at the Customer Service Centre or a duly completed withdrawal form electronically via the CCASS Internet System for processing by HKSCC.

Unless otherwise agreed by HKSCC, withdrawal of Eligible Securities in registered form by Participants from CCASS shall be in Board Lots or such other denominations as HKSCC may specify for an Eligible Security from time to time.

In respect of any defects affecting the Eligible Securities withdrawn by a Participant, except as provided for in Rule 813 and subject to Rule 815, HKSCC shall be liable to a withdrawing Participant, but not to any other person, immediately upon a claim being established by such Participant to the satisfaction of HKSCC (including, without limitation, the return of the defective certificates to HKSCC), either to replace the defective Eligible Securities or if that is not possible or reasonably practicable, as determined by HKSCC, to make money compensation to the Participant by reference to the value of such Eligible Securities, as determined by HKSCC, at the time of payment of compensation by HKSCC (or the value at such other time as HKSCC shall consider fair and appropriate).

813. Withdrawal of New Certificates and Old Certificates

In respect of any defects affecting the Eligible Securities represented by New Certificates withdrawn by a Participant from the CCASS Depository at any time prior to 1996, subject to Rule 815, HKSCC shall be liable to a withdrawing Participant, but not to any other person, immediately upon a claim being established by such Participant to the satisfaction of HKSCC (including, without limitation, the return of the defective certificates to HKSCC), either to

replace the defective Eligible Securities or if that is not possible or reasonably practicable, as determined by HKSCC, to make money compensation to the Participant by reference to the value of such Eligible Securities, as determined by HKSCC, at the time of payment of compensation by HKSCC (or the value at such other time as HKSCC shall consider fair and appropriate).

In respect of any defects affecting the Eligible Securities represented by Old Certificates withdrawn by a Participant at any time prior to 1996, subject to Rule 815, HKSCC shall be liable to a withdrawing Participant, but not to any other person, to the same extent as in the case of Eligible Securities represented by New Certificates, provided that HKSCC shall not be required to replace defective Eligible Securities or to make money compensation until such time as HKSCC shall have recovered from the Participants responsible for depositing such Eligible Securities into CCASS (or until such time as HKSCC shall have determined, on whatever ground, that recovery is not possible).

814. Withdrawal of other Eligible Securities

In the case of withdrawal of Eligible Securities other than in registered form, withdrawal shall be subject to such conditions and restrictions as HKSCC may from time to time impose and/or in such denominations as HKSCC may from time to time prescribe.

In respect of any defects affecting such Eligible Securities, subject to Rule 815, HKSCC shall be liable to a withdrawing Participant, but not to any other person, immediately upon a claim being established by such Participant to the satisfaction of HKSCC, either to replace the defective Eligible Securities or if that is not possible or reasonably practicable, as determined by HKSCC, to make money compensation to such Participant by reference to the value of such Eligible Securities, as determined by HKSCC, at the time of payment of compensation by HKSCC (or the value at such other time as HKSCC shall consider fair and appropriate).

815. HKSCC's liability for defects

In respect of Eligible Securities in CCASS (other than Eligible Securities which are withdrawn by Participants) which are lost or defective (including where HKSCC determines that such Eligible Securities are stolen, mutilated or destroyed; or are forged, fraudulent or invalid; or if for any reason cannot be registered or re-issued or cannot be delivered or are unavailable for delivery), subject as provided in this Rule, HKSCC shall replace such Eligible Securities as soon as reasonably practicable provided that if a declaration of a Securities Loss is to be made by HKSCC as a result, HKSCC shall be liable to make money compensation to those Participants allocated or to be allocated the Securities Loss, by reference to the value of such Eligible Securities at the time of payment of compensation by HKSCC (or the value at such other time as HKSCC shall consider fair and appropriate). For the avoidance of doubt, HKSCC shall not be liable to replace Eligible Securities or make money compensation to Participants in the event that Eligible Securities are nationalized, expropriated or seized.

To the extent that the aggregate of the funds or assets available to HKSCC are insufficient at any time to meet all of HKSCC's obligations to Participants subsisting at any time to replace Eligible Securities or to make money compensation to Participants pursuant to Rule 812, Rule 813, Rule 814 and this Rule, based on the amount of the funds or assets available to

HKSCC for the purpose at the time (taking into account HKSCC's other liabilities then subsisting), as certified by HKSCC, each Participant to whom HKSCC is liable pursuant to Rule 812, Rule 813, Rule 814 and this Rule shall only be entitled to receive payment pro-rata to the amount due to it as compared with the aggregate amount due to all Participants pursuant to such Rules; HKSCC shall remain liable to Participants but payment of the balance of such amounts due shall only be made as and when, and to the extent that, such funds or assets are subsequently available. In relation to the funds or assets available to HKSCC both to meet its liabilities to Participants pursuant to Rule 812, Rule 813, Rule 814 and this Rule, and to meet its liabilities to Clearing Participants under Market Contracts (as referred to in Rule 3307), HKSCC may apportion the funds or assets so available to it between its liabilities to Participants pursuant to Rule 812, Rule 813, Rule 814 and this Rule and its liabilities to Clearing Participants under Market Contracts, either on a pro-rata basis or in such other manner as HKSCC shall consider fair and appropriate in the circumstances.

816. HKSCC to pursue

If any person is or may be legally liable or if any other remedy may be available for making good a loss of or defects affecting Eligible Securities, HKSCC shall take such steps to recover such Eligible Securities or damages in respect thereof as it may consider appropriate in the circumstances (including, without limitation, the bringing and settling of legal proceedings).

816A. Transfer service for Multi-counter Eligible Securities

HKSCC may accept instructions from Participants for the transfer of Multi-counter Eligible Securities from one stock code of Multi-counter Eligible Securities of an Issuer to another stock code of Multi-counter Eligible Securities of the same Issuer provided that the securities concerned are of the same class.

Participant that wishes to effect such a transfer of Multi-counter Eligible Securities in their Stock Accounts should provide instructions to HKSCC in accordance with the Operational Procedures.

HKSCC may charge a fee for the provision of the transfer service and may specify such conditions, procedures and other requirements for the service in the Operational Procedures or through other means as it may consider appropriate from time to time. Further, HKSCC may decline to provide the service or suspend or cease to provide the service with respect to any Multi-counter Eligible Security at any time.

816B. Conversion service for Eligible Securities subject to parallel trading arrangements

In relation to an Eligible Security which is subject to parallel trading arrangements and which has been assigned with separate stock codes for this purpose, as referred to in Section 8.14 of the Operational Procedures, HKSCC may accept instructions from Participants other than Investor Participants to effect the conversion of their holdings in the Eligible Security in CCASS from one relevant stock code to another relevant stock code on a one to one basis.

A Participant other than an Investor Participant that wishes to effect such a conversion of its holdings in the relevant Eligible Security in its Stock Accounts (except its Stock Collateral Control Account, SSA with Statement Service and Special Segregated Accounts (in the case

of a Clearing Participant or a Custodian Participant) and TSF Accounts (in the case of a TSF CCASS Participant)) should provide Parallel Trading Conversion Instructions to HKSCC in accordance with the Operational Procedures.

HKSCC may specify such conditions, procedures and other requirements for the conversion service in the Operational Procedures or through other means as it may consider appropriate from time to time. Further, HKSCC may decline to provide the service or suspend or cease to provide the service with respect to any Eligible Security subject to parallel trading arrangements at any time.

817. Appointed Depositary

HKSCC may from time to time appoint one or more banks, custodians, trust companies or other entities as its Appointed Depositary to perform or to assist in the performance of the depository, nominee and custodian services contemplated herein in respect of all or part of the Eligible Securities.

HKSCC shall be entitled to determine the terms and conditions upon which an Appointed Depositary shall act, including, but not limited to, the scope of services to be rendered by it and the procedures to be adopted in relation thereto.

Notwithstanding the foregoing, HKSCC shall procure that each Appointed Depositary acknowledges and confirms to the effect that it shall have no proprietary interests in the Eligible Securities so held by it in its capacity as Appointed Depositary.

Participants shall comply with the procedures of the Appointed Depositary relating to the provision of depository, nominee and custodian services as shall from time to time be notified by HKSCC or otherwise specified in the Operational Procedures.

818. Custodian services in relation to Exchange Fund Notes and Government Bonds

Exchange Fund Notes and Government Bonds are scripless. They are held in computerized form by Recognized Dealers within the EFCS and are recorded in a Recognized Dealer's CMU Account in book-entry form. HKSCC is a Recognized Dealer and maintains a CMU Account for the purpose of holding and settling transactions in Exchange Fund Notes and Government Bonds belonging to Participants.

Physical deposit of Exchange Fund Notes and Government Bonds and physical withdrawal of Exchange Fund Notes and Government Bonds from the CCASS Depository are not available. Accordingly, Rules relating to the physical deposit and withdrawal of securities are not applicable to Exchange Fund Notes and Government Bonds.

Exchange Fund Notes may be credited to and debited from a Participant's Stock Account as a result of (a) allocation following a tender for Exchange Fund Notes accepted by the HKMA, (b) clearing and settlement of transactions in Exchange Fund Notes effected on the Exchange, (c) clearing and settlement of Transfer Instructions, and (d) the provision of any other CCASS services in relation to Exchange Fund Notes to the Participant.

Government Bonds may be credited to and debited from a Participant's Stock Account as a result of (a) allocation following an application for Government Bonds made through HKSCC and accepted by the HKMA, (b) clearing and settlement of transactions in Government Bonds effected on the Exchange, (c) clearing and settlement of Transfer Instructions, and (d) the

provision of any other CCASS services in relation to Government Bonds to the Participant.

819. Custodian services in relation to Specified Instruments

Specified Instruments are issued in global form and are held for the account of Recognized Dealers in computerized form within the EFCS. Recognized Dealers' interests in Specified Instruments are recorded in the Recognized Dealers' CMU Accounts in book entry form. No physical depository service will be provided by HKSCC in respect of Specified Instruments. In certain limited circumstances which are specified in the terms and conditions of the Specified Instruments, those with interests in the global instruments are entitled to delivery of definitive instruments. If HKSCC receives definitive instruments for the account of Participants, they must withdraw their definitive instruments from CCASS and may not redeposit them into CCASS. Specified Instruments may be credited to and debited from a Participant's Stock Account as a result of (a) allocation following a tender for Specified Instruments accepted by their issuer and/or the arranger of the issue, (b) clearing and settlement of transactions in Specified Instruments effected on the Exchange, (c) clearing and settlement of Transfer Instructions, and (d) the provision of any other CCASS services in relation to Specified Instruments to the Participant. HKSCC shall have no obligation to enforce any rights on behalf of Participants under the terms and conditions in respect of the Specified Instruments.

819A. Custodian services in relation to CMU Instruments

CMU Instruments are issued in global form and are held for the account of CMU Members in book entry form within the CMU Service. CMU Members' interests in CMU Instruments are recorded in CMU Members' CMU Accounts in book entry form. No physical depository service will be provided by HKSCC in respect of CMU Instruments.

In certain limited circumstances which are specified in the terms and conditions of the CMU Instruments, those with interests in the global instruments are entitled to delivery of definitive instruments. If HKSCC receives definitive instruments for the account of Participants, they must withdraw their definitive instruments from CCASS and may not redeposit them into CCASS.

CMU Instruments may be credited to and debited from a Participant's Stock Account as a result of (a) allocation following an application for CMU Instruments made through HKSCC in accordance with the Prospectus, (b) clearing and settlement of transactions in CMU Instruments effected on the Exchange, (c) clearing and settlement of Transfer Instructions, and (d) the provision of any other CCASS services in relation to CMU Instruments to the Participant. HKSCC shall have no obligation to enforce any rights on behalf of Participants under the terms and conditions in respect of the CMU Instruments.

820. Legal title to Exchange Fund Notes and Government Bonds and interests in Specified Instruments and CMU Instruments

HKSCC has the legal title to Exchange Fund Notes and Government Bonds and interest in Specified Instruments credited to its CMU Account. Save as otherwise provided in the Rules, HKSCC has no proprietary interests in those Exchange Fund Notes, Government Bonds and Specified Instruments to the extent that they are credited to the Stock Accounts of Participants.

As long as the CMU Instrument is in global form held within the CMU Service, HKSCC has and holds interests in the CMU Instrument through its CMU Account.

821. Custodian Services in relation to Foreign Securities

Most Foreign Securities are certificated and are physically held by an Appointed Depository. (Those Foreign Securities which are uncertificated or issued in global form are represented by book entries in the records of the Appointed Depository.) HKSCC has an account with that Appointed Depository in order to enable HKSCC to assist the Participant in the holding of Foreign Securities and the settling of transactions relating to Foreign Securities.

Physical deposit of Foreign Securities with the CCASS Depository is not available. Participants that wish to physically deposit Foreign Securities with HKSCC's Appointed Depository will be required to make their own arrangements with a person other than HKSCC who has an account with the Appointed Depository. Foreign Securities which are physically deposited in this manner may be transferred to HKSCC's account with the Appointed Depository if the Participant gives a Cross-Border Transfer Instruction for the securities to be so transferred in accordance with the Operational Procedures.

Foreign Securities may be credited to and debited from a Participant's Stock Account as a result of (a) clearing and settlement of Exchange Trades relating to Foreign Securities, (b) clearing and settlement of Cross-Border Transfer Instructions and (c) the provision of any other service by HKSCC in relation to Foreign Securities to Participant.

Save and otherwise provided in the Rules, HKSCC acknowledges and confirms that it has no proprietary interest in Foreign Securities to the extent they are credited to the Stock Account of a Participant.

HKSCC does not guarantee title to any Foreign Securities which is evidenced by any certificate which is physically withdrawn on the instructions of a Participant and is re-registered in the name of a beneficiary. Physical withdrawal of Foreign Securities which are uncertificated or issued in global form from an Appointed Depository via HKSCC is not available.

In the case of the Foreign Securities held in HKSCC's account with The Depository Trust Company or its successor or assignee (hereinafter referred to as "The Depository Trust Company") on behalf of a Participant, that Participant covenants, represents and warrants to HKSCC that the Participant shall not raise any claims (whether in contract, tort or otherwise) against either HKSCC or The Depository Trust Company based upon the fact that HKSCC will not collect United States tax documentation from the Participant nor forward such documentation to The Depository Trust Company if it is received from the Participant, and that The Depository Trust Company will withhold 30% United States tax from the gross amount of any distributions made in respect of securities held in the account regardless of whether the Participant or any underlying beneficial owners of the securities are either foreign persons eligible for a lower withholding tax by treaty or United States persons eligible for an exemption from the withholding tax.

If, contrary to the rules set forth in Rule 803, any securities other than Eligible U.S.

Securities permitted by Rule 803(iii) are actually held in HKSCC's account with The Depository Trust Company, The Depository Trust Company may, in compliance with the relevant United States tax laws and regulations, apply different withholding obligations applicable to these prohibited securities. In such event, the affected Participant covenants, represents and warrants to HKSCC that the Participant shall not raise any claims (whether in contract, tort or otherwise) against either HKSCC or The Depository Trust Company based upon the fact that The Depository Trust Company applied different withholding obligations applicable to these prohibited securities.

822. Custodian services in relation to Structured Products issued in global or scripless form

Structured Products issued in global or scripless form are held by HKSCC for the account of Participants recorded in computerized form by CCASS Depository or an Appointed Depository. No physical deposit and withdrawal services will be provided by HKSCC for Structured Products save for the physical deposit of global certificate(s) into CCASS in respect of Structured Products issued with certificate(s) in global form.

Save as otherwise provided in the Rules, Structured Products may be credited to and debited from a Participant's Stock Account as a result of (a) clearing and settlement of Exchange Trades relating to Structured Products; and (b) the provision of any other service by HKSCC in relation to Structured Products to the Participant. HKSCC shall have no obligation to enforce any rights on behalf of Participants under the terms and conditions in respect of the Structured Products. Save as otherwise provided in the Rules, HKSCC acknowledges and confirms that it has no proprietary interest in Structured Products to the extent they are credited to the Stock Account of a Participant.

823. Custodian Services in relation to Uncertificated Eligible Securities

Uncertificated Eligible Securities are held by HKSCC for the account of Participants recorded in computerized form by the CCASS Depository.

Physical deposit of Uncertificated Eligible Securities with and physical withdrawal of Uncertificated Eligible Securities from the CCASS Depository are not available. Accordingly, Rules relating to the physical deposit and withdrawal of securities are not applicable to Uncertificated Eligible Securities.

Participant that wishes to transfer Uncertificated Eligible Securities from an overseas account (the "Overseas Account") maintained with an entity which performs or assists in performing depository, custodian, sub-custodian or related services outside Hong Kong and which is acceptable to HKSCC to its Stock Account with CCASS (or vice versa) will be required to provide a Cross-Border Transfer Instruction in accordance with the Operational Procedures.

Uncertificated Eligible Securities may be credited to and debited from a Participant's Stock Account as a result of (a) allocation following a successful application for New Issue Shares in a New Issue in relation to the relevant Overseas Issuer; (b) clearing and settlement of Exchange Trades relating to Uncertificated Eligible Securities; (c) clearing and settlement of Cross-Border Transfer Instructions; and (d) the provision of any other services by HKSCC in relation to Uncertificated Eligible Securities to the Participant.

Save as otherwise provided in the Rules, HKSCC acknowledges and confirms that it has no proprietary interest in Uncertificated Eligible Securities to the extent they are credited to the Stock Account of a Participant.

HKSCC does not guarantee the title to any Uncertificated Eligible Securities held through it in any manner. Further, HKSCC shall have no obligation to enforce any rights on behalf of Participants in respect of Uncertificated Eligible Securities.

Participants confirm and agree that their title or interest in and entitlements to Uncertificated Eligible Securities (whether legal, equitable or otherwise) shall be subject to the applicable law of the relevant jurisdiction.

Where Uncertificated Eligible Securities of Participants are held through HKSCC in any manner, each Participant covenants, represents and warrants to HKSCC that:

- (a) it shall not raise any claims (whether in contract, tort or otherwise) against HKSCC arising from or relating to any form of tax, duty, fine or penalty imposed or levied on or in respect of the Uncertificated Eligible Securities under any applicable law or regulation, whether or not HKSCC is involved in any tax collection, withholding or related arrangement; and
- (b) unless HKSCC otherwise agrees, it shall only give voting or other instructions to HKSCC and not directly to the Overseas Issuer or its principal or branch share registrar (if any).

824. Custodian services in relation to China Connect Securities

China Connect Securities are uncertificated securities. Physical deposit of China Connect Securities with and physical withdrawal of China Connect Securities from CCASS or the relevant China Connect Clearing House is not available. Accordingly, Rules relating to the physical deposit and withdrawal of securities are not applicable to China Connect Securities.

China Connect Securities are held by HKSCC for the account of Participants in an omnibus account maintained by HKSCC with the relevant China Connect Clearing House under a Clearing Link (including a central securities depository link) and are recorded in computerized form in CCASS. China Connect Securities may be credited to and debited from a Participant's Stock Account as a result of (a) the clearing and settlement of China Connect Securities Trades, and (b) the provision of any other China Connect Services by HKSCC to the Participant. HKSCC shall not be obliged to open or maintain any sub-account with the relevant China Connect Clearing House for a Participant or any other person in respect of China Connect Securities. However, HKSCC has in place daily reconciliation procedures with the relevant China Connect Clearing House and within CCASS to ensure that the credits and debits of China Connect Securities to and from each Participant's Stock Accounts are accurate.

The China Connect Securities that are credited by the relevant China Connect Clearing House to the omnibus account maintained by HKSCC with such China Connect Clearing House, and the China Connect Securities that are credited by HKSCC to the Stock Account of each Participant within CCASS, shall be held by HKSCC as nominee holder only. HKSCC has no proprietary interest in and is not the beneficial owner of any China Connect Securities held or recorded in such accounts. All proprietary interests in respect of China Connect Securities belong to the Participants or their clients (as the case may be).

As permitted in the Rules, Participants may hold their China Connect Securities in one or

more Stock Segregated Accounts within CCASS. In addition, Custodian Participants and General Clearing Participants which are not Exchange Participants may hold their China Connect Securities in Special Segregated Accounts within CCASS.

HKSCC provides services to Participants as set out in Chapters 8, 11 and 41 of the Rules and the related CCASS Operational Procedures to enable them and their clients (as appropriate) to exercise their rights as owners of proprietary interests in China Connect Securities, including the right to receive dividends and other distributions and the power to exercise voting rights. Unless specifically provided for in the Rules, HKSCC will not exercise any right arising from or in relation to any China Connect Securities without the instruction of the Participants.

Where any Participant or any of its clients who is the beneficial owner of China Connect Securities decides to bring legal action in Mainland China to enforce its rights in relation to the China Connect Securities, HKSCC will:

- (a) upon the request of the Participant and after receiving the necessary information, documentation and indemnities as HKSCC may reasonably require from the Participant, provide certification to the relevant China Connect Clearing House for the purpose of providing evidential proof of the relevant Participant's or its client's holding in China Connect Securities at the relevant time; and
- (b) upon the request of the Participant, assist the Participant or its client in bringing the legal action in Mainland China in the manner as may be required under Mainland China law, after having regard to its statutory duties and subject to such conditions as HKSCC may reasonably require (including payment of fees and cost up-front and indemnities to the satisfaction of HKSCC).

Participants confirm and agree that their title or interest in and entitlements to the China Connect Securities (whether legal, equitable or otherwise) shall be subject to the applicable laws of Mainland China and Hong Kong, including laws relating to any disclosure of interest requirement or foreign shareholding restriction. Participants shall be responsible for ensuring that they comply with such applicable laws.

In the event that HKSCC, the Exchange or the SEHK Subsidiary is notified by the relevant China Connect Market, China Connect Clearing House or regulatory body that HKSCC's holding in a China Connect Security for Participants has caused any foreign shareholding limit to be exceeded in breach of any applicable law, HKSCC shall have the power to require Participants, as determined by HKSCC on a last-in-first-out basis, to reduce such amount of holdings in their respective Stock Accounts within such time period as may be required by HKSCC such that the applicable foreign shareholding limit will no longer be exceeded. Participants shall, upon receipt of any Forced-Sale Notice, reduce their or their clients' holdings in the relevant China Connect Security as referred to in Rule 4110(iv). Participants shall have arrangements and authorizations in place to enable them to effect the sale of the relevant China Connect Security on behalf of their clients should they fail to do so within the specified time period.

Where China Connect Securities of a Participant are held through HKSCC in any manner, the Participant covenants, represents and warrants to HKSCC that:-

- (a) it shall not raise any claims (whether in contract, tort or otherwise) against HKSCC arising from or relating to any form of tax, duty, fine or penalty imposed or levied on or in respect of the China Connect Securities under any applicable law or regulation, whether or not HKSCC is involved in any tax collection, withholding or related arrangement; and

- (b) unless HKSCC otherwise agrees, it shall only give voting or other instructions to HKSCC and not directly to any issuer or the issuer's authorized agent or representative.