CHAPTER 6

STOCK ACCOUNTS AND CCMS COLLATERAL ACCOUNTS


Subject to the Rules, HKSCC shall allocate to each Participant other than an Investor Participant (i) one Stock Clearing Account; (ii) subject to its approval, such number of Stock Segregated Accounts as HKSCC may in its absolute discretion determine from time to time; and (iii) subject to HKSCC’s approval, one Stock Lending Account.

In the case of a Clearing Participant, HKSCC shall allocate to such Participant in addition to the abovementioned accounts one Stock Collateral Control Account. In the case of a TSF CCASS Participant, HKSCC shall allocate to such Participant in addition to the abovementioned accounts one TSF Principal Account and one TSF Segregated Account. In the case of a Clearing Agency Participant, HKSCC may also allocate to such Participant for participating in CCASS as a China Connect Clearing House one set of the abovementioned accounts and one Stock Collateral Account in respect of each Special Participant for administrative and operational convenience only in connection with the establishment and operation of one or more Clearing Links, and references in the Rules to the Stock Clearing Account, Stock Segregated Accounts, Stock Collateral Control Account or any other Stock Account of, established for, or allocated to a Participant shall, in the case of a Clearing Agency Participant participating in CCASS in its capacity as a China Connect Clearing House, be construed to mean the Stock Clearing Account, Stock Segregated Accounts, Stock Collateral Control Account or any other Stock Account allocated to it in respect of each Special Participant or the relevant Special Participant, unless the context requires otherwise.

An Investor Participant shall be allocated one Stock Clearing Account only.

The operation of any Stock Account of a Participant, including but not limited to the credit or debit entries made thereto, shall be in accordance with the Rules.

A Participant other than an Investor Participant may move Eligible Securities between its Stock Accounts, other than its Stock Collateral Control Account and, in the case of a Clearing Participant or a Custodian Participant, its SSA with Statement Service and Special Segregated Accounts, by the input of an Account Transfer Instruction in accordance with the Operational Procedures and the “CCASS Terminal User Guide for Participants” of HKSCC, as from time to time in force. A Clearing Participant or Custodian Participant may also move Eligible Securities between any of its SSA with Statement Service or Special Segregated Accounts and any other Stock Accounts (including other SSA with Statement Service and Special Segregated Accounts but excluding its Stock Collateral Control Account and TSF Accounts) by the input of a Stock Segregated Account Transfer Instruction in accordance with the Operational Procedures and the “CCASS Terminal User Guide for Participants” of HKSCC, as from time to time in force.
601A. CCMS Collateral Accounts
HKSCC shall have the absolute discretion to allocate to a Participant (other than an Investor Participant) or, in the case of a Clearing Agency Participant which is a China Connect Clearing House, to such Participant in respect of each Special Participant one CCMS House Collateral Account and/or any other CCMS Collateral Accounts for administrative and operational convenience only in connection with the establishment and operation of one or more Clearing Links with or without receiving an application from the Participant.

The operation of the CCMS House Collateral Account and other CCMS Collateral Accounts, including but not limited to the credit or debit entries made thereto, shall be in accordance with the Rules.

602. Right to rectify errors
HKSCC reserves the right to rectify any erroneous credit or debit entries made to the Stock Accounts or CCMS Collateral Accounts of Participants and shall notify affected Participants if it exercises this right.

Without prejudice to any other right HKSCC may have, if as a result of rectification by HKSCC of any erroneous credit entries to the Stock Accounts or CCMS Collateral Accounts of a Participant pursuant to this Rule a negative balance exists, HKSCC may require the Participant to replace the relevant Eligible Securities (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 on behalf of the Participant 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, the Exchange, and a recognized exchange controller which is the controller of 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 purchase of replacement Eligible Securities by HKSCC on its behalf.

603. Right to act in compliance with a court order etc.
HKSCC reserves the right to act in accordance with the directions of any governmental or regulatory body, or an order made or directions given by a court in exercise of its proper jurisdiction, where it is required to do so by law.
604. **Right to invest**

Without prejudice to any other rights of HKSCC in respect of the amounts standing to the credit of any CCMS Collateral Account established for a Participant, HKSCC may invest such amounts or any part thereof in such manner and to such extent as HKSCC considers expedient and financially prudent. For the avoidance of doubt, any obligation of HKSCC to pay the Participant the remaining balance of such amounts after satisfaction of all obligations and liabilities of the Participant to HKSCC and any interest or cost HKSCC may allow and/or charge to the Participant on such amounts in accordance with the Rules and the Operational Procedures shall not be affected by any gain or loss arising from the investment activities. Any such gain or loss is for HKSCC.