
CHAPTER 12

MONEY SETTLEMENT SERVICES

1201. Participants to have Designated Bank Accounts

Each Participant shall maintain a General Purpose Designated Bank Account in its own name and denominated in Hong Kong dollars for the settlement of money obligations in CCASS. Each Participant which wishes to settle money obligations in CCASS in an Eligible Currency other than Hong Kong dollars must maintain a Designated Bank Account in its own name and denominated in that Eligible Currency for the settlement of money obligations in CCASS.

Each China Connect Clearing Participant shall maintain a Designated Bank Account in its own name and denominated in RMB for the settlement of money obligations in respect of China Connect Securities Trades to be settled via CPIs and DDIs.

Each Participant other than an Investor Participant may, at its own discretion and with the approval of HKSCC, maintain in its own name two additional Designated Bank Accounts in Hong Kong dollars:-

- (i) a Designated Bank Account for the settlement of money obligations in respect of ISI Transactions settled on a DVP or RDP basis; and/or
- (ii) a Designated Bank Account for the settlement of money obligations in respect of CCASS transactions (other than ISI Transactions) to be settled via CPIs.

In the case of a Joint Individual Investor Participant, each such Account must be maintained in the name of all of the individuals comprising such Participant.

Save with the written approval of HKSCC, a Participant shall not close or change any of its Designated Bank Accounts or modify HKSCC's authority in respect thereof or change any of its Designated Banks. Without prejudice to the aforesaid, a Clearing Participant which is an Exchange Participant may, subject to the Rules, receive into its General Purpose Designated Bank Account New Issue Brokerage passed on to it.

A Clearing Participant or a Custodian Participant which wishes to make payment in Hong Kong dollars or an Eligible Currency other than Hong Kong dollars under STI Transfers on a DVP basis in CCASS to its SSA Statement Recipient shall provide HKSCC with the information of the receiving bank account of SSA Statement Recipient denominated in Hong Kong dollars or that Eligible Currency, as the case may be. The Clearing Participant or Custodian Participant shall ensure that such receiving bank account is maintained by and in the name of SSA Statement Recipient with a bank that has been approved by HKSCC as a Designated Bank, and that such receiving bank account shall not be closed or changed by SSA Statement Recipient save with the written approval of HKSCC. In providing such information of SSA Statement Recipient to HKSCC, the Clearing Participant or Custodian Participant undertakes to HKSCC that it has obtained the written consent of SSA Statement Recipient to provide the information to HKSCC and for HKSCC to release such information to other persons for the purpose of effecting payment to SSA Statement Recipient.

1202. Participants to authorise HKSCC

Each Participant shall authorise its Designated Bank or Designated Banks in writing in such form as is from time to time deemed acceptable by HKSCC to (i) give effect to instructions from HKSCC to debit and/or credit its Designated Bank Account(s) and cause payments to be

made to its SSA Statement Recipients, HKSCC, other Participants or Issuers (or their receiving bankers), as directed by HKSCC, and (ii) give effect to CHATS Payment Instructions from HKSCC to the Designated Bank(s); and shall take such steps as shall be necessary to ensure this to be the case.

Each Participant undertakes not to stop, countermand, or restrain the authority granted to HKSCC and further agrees to ratify and confirm all actions taken by HKSCC in relation to the matters contemplated in Rules 1202 to 1207, and where the Participant is a TSF CCASS Participant, additionally, in relation to the matters contemplated in Rules 12A13 and 12A15.

Each Clearing Participant which is an Exchange Participant is deemed to have authorised HKSCC to disclose information relating to its General Purpose Designated Bank Account to any Issuer and/or its agent subject to the Rules to enable such Issuer or its agent to pay the New Issue Brokerage, if any, into such General Purpose Designated Bank Account.

1203. Extent of HKSCC's authority

HKSCC shall be authorised to cause credits and debits to be made to the Designated Bank Accounts in relation to the following:-

- (i) the money obligations due to or from Clearing Participants by or to HKSCC under the CNS System and all other money payments in relation thereto;
- (ii) the money obligations due to or from Clearing Agency Participants by or to HKSCC under the CNS System and all other money payments in relation thereto;
- (iii) the money obligations, if any, between Clearing Participants in respect of the settlement of Exchange Trades under the Isolated Trades System stipulated to be made against payment in CCASS in accordance with the Rules;
- (iv) the money obligations, if any, between Participants in respect of the settlement of transactions arising out of matched Settlement Instructions stipulated to be made against payment in CCASS in accordance with the Rules;
- (v) the money obligations, if any, between Participants in respect of the settlement of Clearing Agency Transactions under the Isolated Trades System stipulated to be made against payment in CCASS in accordance with the Rules;
- (vi) the money obligations, if any, between a Participant other than an Investor Participant and an Investor Participant in respect of the settlement of transactions arising out of affirmed Investor Settlement Instructions stipulated to be made against payment in CCASS in accordance with the Rules;
- (vii) the provision of nominee services by HKSCC with respect to Eligible Securities deposited into or otherwise held or recorded in CCASS, including, but not limited to, the distribution by HKSCC of all interest or dividends received by HKSCC or its nominee in respect of such Eligible Securities and the collection of funds from Participants in relation to the provision of nominee services;
- (viii) the payments and refunds of money referred to in paragraphs 1101 (vi) to (viii) (inclusive) of the Rules in respect of Electronic Application Instructions for New Issue Shares, Tender Instructions and the issue and redemption of Units;
- (ix) the payment of the money due in respect of Tender Instructions and the refund of

money resulting from unsuccessful or partially unsuccessful tenders;

- (ixa) the payment of the money received by HKSCC from CMU counterparty on settlement of Transfer Instructions on a delivery versus payment basis in CMU, the return of money paid by the Participant in excess of the actual settlement amount paid on settlement of Transfer Instructions and, the return of money paid by the Participant in respect of unsettled and cancelled Transfer Instruction;
- (x) the payment or settlement of all other sums owing and obligations between HKSCC and Participants (including, without limitation, the fees and expenses payable hereunder) as contemplated in the Rules and all other sums which HKSCC may be authorised by Participants to collect from time to time; and
- (xi) the payment of money by Clearing Participants and Custodian Participants to their SSA Statement Recipients in respect of STI Transfers effected as a result of Stock Segregated Account Transfer Instructions stipulated to be made against payment in CCASS in accordance with the Rules.

HKSCC reserves the right to debit or credit the Designated Bank Accounts to rectify erroneous payments made to or received from Participants and shall notify affected Participants if it exercises this right.

In relation to money obligations in respect of CCASS transactions to be settled via CPIs, HKSCC shall be authorised to generate CPIs in relation to such transactions to the Designated Banks of paying Participants in accordance with the Operational Procedures.

In relation to entitlement payments for which HKSCC has credited the relevant Participants' Money Ledgers before receipt of payment and if, for whatever reason, the relevant entitlement payments are not received by HKSCC, HKSCC shall have the right either to arrange for an amount equivalent to that credited by HKSCC to be debited from the relevant Participants' Money Ledger or require the relevant Participants to immediately refund the amount to HKSCC either by bank draft, cheque or telegraphic transfer or in such other manner as HKSCC deems appropriate.

In relation to the payment of the New Issue Brokerage into the General Purpose Designated Bank Accounts of Clearing Participants which are Exchange Participants, HKSCC is deemed to have been authorised by the Clearing Participants to disclose to the Issuer and/or its agent information relating to the Clearing Participants' General Purpose Designated Bank Accounts. For the avoidance of doubt, all New Issue Brokerage paid into the General Purpose Designated Bank Accounts of Clearing Participants shall be subject to the rights and authorities of HKSCC in relation to the General Purpose Designated Bank Accounts under the Rules, including but not limited to HKSCC's right of set off under Rule 1207.

1204. Payments relating to Isolated Trades which are Exchange Trades

In relation to the Isolated Trades System, a delivering Participant shall specify in the Delivery Instruction whether or not the delivery of Eligible Securities in CCASS is to be made against payment in CCASS in accordance with the Rules.

The amount to be paid by the Participant receiving Eligible Securities in respect of an Isolated Trade which is an Exchange Trade shall be in accordance with the terms thereof as reported to HKSCC by the Exchange (or as provided by Participants, as the case may be).

If delivery in respect of an Isolated Trade which is an Exchange Trade is to be made against payment in CCASS in accordance with the Rules, upon delivery of Eligible Securities in

CCASS, HKSCC shall facilitate the settlement of money obligations by giving instructions to the Designated Banks of the two Participants concerned to cause the relevant amount to be debited and credited as the case may be, to their Designated Bank Accounts for value on the same Settlement Day.

1205. Payments relating to SI and ISI transactions

In relation to the settlement in CCASS of SI Transactions in Eligible Securities, the two Participants to each transaction shall each specify in the Settlement Instructions whether or not the delivery of Eligible Securities in CCASS is to be made against payment in CCASS in accordance with the Rules on a Delivery Versus Payment or DVP basis or on a Real Time Delivery Versus Payment or RDP basis and if so, specify the amount of such payment. A delivering Participant under an ISI Transaction may also specify in the Investor Settlement Instruction whether or not the Eligible Securities to be delivered to the receiving Participant's Stock Account are to be put on hold until HKSCC obtains Negative Confirmation of Payment from the receiving Participant's Designated Bank in accordance with the Operational Procedures.

In relation to the settlement in CCASS of ISI Transactions in Eligible Securities, the Participant party to such transaction which is not an Investor Participant shall specify in the Investor Settlement Instruction whether or not the delivery of Eligible Securities in CCASS is to be made against payment in CCASS in accordance with the Rules on a Delivery Versus Payment or DVP basis or on a Real Time Delivery Versus Payment or RDP and if so, specify the amount of such payment.

If delivery in respect of a Settlement Instruction or an Investor Settlement Instruction is to be made on a DVP basis in CCASS in accordance with the Rules, upon delivery of Eligible Securities in CCASS, HKSCC shall facilitate the settlement of money obligations by giving instructions to the Designated Banks of the two Participants concerned to cause the relevant amount to be debited and credited to their Designated Bank Accounts for value on the same Settlement Day.

If delivery in respect of a Settlement Instruction or an Investor Settlement Instruction is to be made on a RDP basis in CCASS in accordance with the Rules, upon putting the Eligible Securities on-hold in the delivering Participant's Stock Account, HKSCC shall facilitate the settlement of money obligations by way of CHATS Payment Instructions to the Designated Bank of the paying Participant concerned in accordance with the Operational Procedures. The delivering Participant is deemed to have authorised HKSCC to disclose its bank account information to the paying Participant of a CHATS Payment Instruction.

1205A. Payments relating to STI Transfer

In relation to the transfer of Eligible Securities in CCASS under STI Transfer, the Clearing Participant or Custodian Participant shall specify in the Stock Segregated Account Transfer Instruction whether or not the transfer of Eligible Securities in CCASS is to be made against payment in CCASS in accordance with the Rules on a Delivery Versus Payment or DVP basis and if so, specify the amount of such payment.

1205B. Payments relating to Transfer Instructions

In relation to a transfer of Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instrument to be settled between CCASS and CMU, a Participant shall specify in its Transfer Instruction whether or not the transfer between CCASS and CMU is to be made against payment and if so, specify the amount and the currency of such payment, being the

settlement amount and the settlement currency.

Where the transfer is to be effected between CCASS and CMU on a delivery versus payment basis in CMU with payment to be received by HKSCC, HKSCC is authorized to and it will, upon receipt of the settlement confirmation from CMU and the relevant settlement amount, issue a credit entry of the relevant amount to the Participants' Money Ledger to be settled against its Designated Bank Account in accordance with the Operational Procedures.

Where the transfer is to be effected between CCASS and CMU on a delivery versus payment basis in CMU with payment to be made to a Recognized Dealer or CMU Member, the Participant must pay the required amount of payment, being the aggregate of the settlement amount and an amount equivalent to the value determined by the CMU from time to time as the tolerance limit of settlement amount, to HKSCC before the specified deadline in accordance with the Operational Procedures to facilitate the settlement of the transfer between CCASS and CMU in accordance with the Transfer Instruction. Otherwise, the Transfer Instruction will not be effected. HKSCC is authorized to pay the required amount of payment received from the Participant or any part thereof to the relevant Recognized Dealer or CMU Member in respect of the settlement of the transfer between CCASS and CMU in accordance with the Operational Procedures and to return the remaining balance of the required amount of payment (if any) to the Participant. If the Transfer Instruction is not settled and cancelled, the required amount of payment received by HKSCC will be returned to the Participant. HKSCC is authorized to credit the Participant's Money Ledger with the relevant amounts in accordance with the Operational Procedures.

1206. Payments relating to Isolated Trades which are Clearing Agency Transactions

In relation to an Isolated Trade which is a Clearing Agency Transactions, the Clearing Agency Participant shall upon reporting of the transaction details, indicate whether or not the delivery of Eligible Securities in CCASS is to be made against payment in CCASS in accordance with the Rules.

The amount to be paid by the Participant receiving Eligible Securities in respect of an Isolated Trade which is a Clearing Agency Transaction shall be in accordance with the terms thereof as reported to HKSCC by the Clearing Agency Participant.

If delivery in respect of an Isolated Trade which is a Clearing Agency Transaction is to be made against payment in CCASS in accordance with the Rules, upon delivery of Eligible Securities in CCASS, HKSCC shall facilitate the settlement of money obligations by giving instructions to the Designated Banks of the Participants concerned to cause the relevant amount to be debited and credited, as the case may be, to their Designated Bank Accounts for value on the same Settlement Day.

1206A. Payments relating to TSF FX Transactions and Stock Release FX Transactions

For payments relating to TSF FX Transactions and Stock Release FX Transactions, Rules 12A11 and 12A12 shall apply respectively.

1207. Set-off

HKSCC shall be entitled to apply any sums denominated in any currency standing to the credit of any account (including but not limited to any account in Money Ledger or CCMS) with HKSCC of a Participant in satisfaction of any sum denominated in any currency due or payable by such Participant to HKSCC, whether actual or contingent, and whether solely or jointly with any other person.

Subject to any applicable Clearing Links Agreement, where a Participant operates or is liable to HKSCC in one or more capacities (including but not limited to being a China Connect Clearing House) and under one or more arrangements (including but not limited to one or more Clearing Links) under these Rules, and HKSCC terminates the relevant arrangement(s) due to the declaration by HKSCC of an Event of Default in respect of such Participant, then upon such termination, all obligations between the Participant and HKSCC in any capacity or under any arrangement under the Rules to return any settlement guarantee fund, settlement reserve fund or other assets or amounts transferrable or transferred for risk management purposes in respect of the clearing and settlement of any Exchange Trades or China Connect Securities Trades (or the cash equivalent of such assets as determined by HKSCC) shall accelerate and become immediately due and payable, and HKSCC shall be entitled to apply any due and payable amounts owed between itself and such Participant in connection with the settlement or risk management of any Exchange Trades or China Connect Securities Trades and any sums denominated in any currency standing to the credit of any account (including but not limited to any account in Money Ledger or CCMS) with HKSCC of such Participant (in any capacity or under any arrangement) by way of set-off, such that only a net sum shall be payable by or to such Participant, provided that any paid shares held by such Participant on behalf of other persons shall not be included in such application.

Any agreement between a Participant and HKSCC to the contrary notwithstanding, if a Participant has multiple Designated Bank Accounts, HKSCC may treat them as one account for the purposes of this Rule.

For the purpose of this Rule, HKSCC is authorised to purchase with sums denominated in any currency standing to the credit of any such account such other currencies as may be necessary to effect such application and any agreement relating to such credit balance shall be deemed to incorporate a provision entitling HKSCC so to apply such credit balance whether or not the same is held on any special terms (including where it shall only be repayable at some future date).

HKSCC shall not be obliged to exercise its rights under this Rule.

1208. Sums payable on demand/default interest

Notwithstanding any other provision in the Rules, all sums due or payable by Participants to HKSCC pursuant to the Rules shall be payable on demand and HKSCC shall be entitled to require payment in such manner as it considers appropriate including, without limitation, payment by CHATS, telegraphic transfer, bank draft or cashier order.

If any sum due and payable by a Participant to HKSCC is not paid when due, HKSCC shall be entitled to require payment of default interest on the outstanding amount at such rate as shall from time to time be decided by HKSCC (but not exceeding 3% above the prime lending rate prevailing at the time as determined by HKSCC).

Unless otherwise provided in the Rules, no interest will be payable by HKSCC on any sum due or payable by HKSCC to Participants.

1209. Extent of obligations of HKSCC

The extent of HKSCC's obligation to provide money settlement services hereunder is limited to the giving of instructions (i) to the Designated Banks to cause debits and credits to be made to the Designated Bank Accounts of Participants as contemplated in the Rules and to endeavour to give such instructions to the Designated Banks in time to achieve payment for value the same day and (ii) the generating of CHATS Payment Instructions from HKSCC to the Designated Banks of paying Participants to facilitate money settlement in accordance with

the Operational Procedures.

The extent of involvement of HKSCC in relation to the payment of the New Issue Brokerage to the General Purpose Designated Bank Accounts of Clearing Participants which are Exchange Participants is limited to the provision of information relating to the General Purpose Designated Bank Accounts to the Issuer and/or its agent to facilitate them to make payment into such General Purpose Designated Bank Accounts.

Without prejudice to any liability that HKSCC may have in respect of anything not done or not omitted to be done in good faith on its part, HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC shall not be liable for any delay by any Designated Bank in giving effect to HKSCC's instructions or if HKSCC fails to give instructions to any Designated Bank in time on a Settlement Day to achieve payment for value the same day or for any error, discrepancy, delay, default or failure by any Issuer and/or its agent in paying the New Issue Brokerage into the General Purpose Designated Bank Account of any Clearing Participant which is an Exchange Participant or for any delay or failure by HKSCC in providing information in time to facilitate payment of the New Issue Brokerage into the General Purpose Designated Bank Account or for any delay, error or failure in the transmission, receipt or execution of information or instructions due to a breakdown or failure of any communication or telecommunications network facilities or for any delay, error, omission or default on the part of, or of any operator of, any clearing house for any Eligible Currency or of any institution or person providing clearing and settlement services in any Eligible Currency or, without prejudice to the generality of the foregoing, for any defective or incorrect or incomplete messages received from any such clearing house, operator, institution or person or from any action taken or omitted by HKSCC in reliance on such messages.

1210. Tax

HKSCC shall make any payments due to a Participant net of any Withholding Tax (whether withheld by HKSCC or any other parties), and HKSCC shall have no obligation to gross-up any such payment or to pay any additional amount as a result of such Withholding Tax. HKSCC shall be entitled to deduct Withholding Tax from payments to a Participant.

In the event that any payment made by a Participant to HKSCC is subject to deduction or withholding (either at the time of such payment or in the future) for or on account of any Withholding Tax, then the Participant shall pay to HKSCC an amount, in addition to the payment to which HKSCC is otherwise entitled, necessary to ensure that the net amount actually received by HKSCC (free and clear of any such deduction or withholding for or on account of any such Withholding Tax), will be equal to the full amount HKSCC would have received in the absence of any such deduction or withholding.