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## CHAPTER 5

### ELIGIBLE SECURITIES AND ELIGIBLE CURRENCIES

#### 501. HKSCC's discretion to determine eligibility

HKSCC shall have absolute discretion to determine whether or not (i) an issue of securities (including all shares, stocks, Debt Securities, China Connect Securities, Foreign Securities, Depositary Receipts, Structured Products, warrants, options, Units and other rights under collective investment schemes and all other instruments or arrangements commonly known as securities, whether or not evidenced in writing) shall be eligible for deposit, clearance and settlement in CCASS and be accepted as an Eligible Security and (ii) to accept a currency as being one in which an Eligible Security may be denominated. Without prejudice to the aforesaid, where an issue of securities is accepted by HKSCC as an Eligible Security, HKSCC shall have absolute discretion to determine the manner in which such issue of securities is to be deposited, cleared and settled in CCASS.

HKSCC may, pursuant to its power under this Rule, accept securities issued by an issuer under the same class as eligible for deposit, clearance and settlement in CCASS in more than one Eligible Currency under separate stock code numbers to be allocated by it. Where HKSCC exercises such power, the securities allocated under a stock code number in respect of each Eligible Currency will be treated as a separate Multi-counter Eligible Security. HKSCC may in its absolute discretion prescribe such conditions, restrictions, requirements or procedures as it considers appropriate in respect of the treatment or the transfer of Multi-counter Eligible Securities.

#### 502. Grounds for non-eligibility of Eligible Securities

Without prejudice to any other rights HKSCC may have, HKSCC may refuse to accept an issue of securities as an Eligible Security or may discontinue the eligibility of an Eligible Security, if :

- (i) a question exists, in the opinion of HKSCC, as to whether or not an issue of securities may, under applicable laws, be the subject of book-entry delivery as contemplated herein;
- (ii) a question exists, in the opinion of HKSCC, as to whether or not it has the operational capability to provide services referred to herein in respect of an issue of securities;
- (iii) in the case of an issue of securities issued in registered form (other than a Foreign Security), no register of holders of securities (or a branch thereof) is kept in Hong Kong or if there is no transfer agent for such issue in Hong Kong, or a question exists, in the opinion of HKSCC, as to the adequacy of the performance of the relevant registrar or transfer agent for such issue;
- (iv) a question exists, in the opinion of HKSCC, as to whether or not an issue of securities may be treated as fungible;
- (v) in the case of an issue of securities listed on the Exchange or other exchanges, such issue ceases or will cease to be so listed or if such listing is suspended;

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- (vi) the number of transactions in an issue of securities is, in the opinion of HKSCC, insufficient to justify its inclusion as an Eligible Security;
  - (vii) HKSCC determines in its discretion that an issue of securities is no longer suitable to be an Eligible Security;
  - (viii) in the case of Foreign Securities which are U.S. corporate stocks, such securities cease or will cease to be Eligible U.S. Securities; or
  - (ix) in the case of Depositary Receipts where the Depositary resigns or is removed by the Issuer as the Depositary (“Predecessor”) and there is no replacement to succeed all the rights, powers, duties and obligations of the Predecessor.

**503. Acceptance/discontinuance of Eligible Securities**

HKSCC shall give notice to all Participants and the issuer specifying the date on which an issue of securities shall become or cease to be an Eligible Security.

Upon the discontinuance of the eligibility of an Eligible Security, HKSCC may forthwith cease to render services in respect of such Eligible Security and may require Participants to withdraw or transfer Eligible Securities of such an issue from CCASS.

**504. Acceptance of Eligible Securities as Collateral Security**

HKSCC shall have absolute discretion to accept or refuse for credit to any CCMS Collateral Account an Eligible Security from a Participant as Collateral Security (i) for the discharge and satisfaction of any Marks, Margin and Collateral obligations of such Participant, (ii) for the discharge and satisfaction of all other obligations and liabilities (actual or contingent) of such Participant to HKSCC arising directly in connection with HKSCC ensuring the settlement of Market Contracts to which such Participant is a party, (iii) for the discharge and satisfaction of all liabilities (actual or contingent) of the Participant to HKSCC arising from a loss of or defects affecting Eligible Securities pursuant to Rule 812, Rule 813, Rule 814 and Rule 815 and (iv) for the discharge and satisfaction of all other obligations (actual or contingent) of such Participant to HKSCC. For the avoidance of doubt, in the case of a Clearing Agency Participant which is a China Connect Clearing House, notwithstanding that any Collateral Security may be credited to a CCMS Collateral Account in respect of the relevant Special Participant, such Collateral Security is provided for the discharge and satisfaction of all obligations and liabilities of such Clearing Agency Participant and not only those in respect of the relevant Special Participant.

HKSCC shall also have absolute discretion to accept or refuse for credit to any CCMS Collateral Account an Eligible Security from a Clearing Participant or Clearing Agency Participant as Collateral Security for HKSCC’s (i) waiver in computation of Marks required from the Participant; and (ii) reduction of Marginable Position of the Participant for computation of Margin required from the Participant.