

CHAPTER 12A

FOREIGN EXCHANGE SERVICES

12A01. The TSF

HKSCC may, as TSF operator, provide FX Services to TSF Participants for the purpose of facilitating the purchase and sale of TSF Stocks traded on the Exchange based on the following principles:

- (i) HKSCC may provide FX Services to TSF Exchange Participants for the conversion of HKD to RMB (to support TSF Buy FX Orders and TSF Buy FX Transactions) and to TSF Participants for the conversion of RMB to HKD (to support TSF Sell FX Orders, TSF Sell FX Transactions and Stock Release FX Transactions);
- (ii) TSF Exchange Participants which place a TSF Buy FX Order accept that the funds in RMB which HKSCC may provide under the FX Services shall be applied towards the purchase of the relevant TSF Stocks only and accordingly shall only be used for the purposes of settling the corresponding TSF Buy Exchange Trade, when effected on the Exchange Trading System;
- (iii) For the clearing and settlement of TSF Exchange Trades and for the settlement of the corresponding TSF FX Transactions, in accordance with Rule 901(ia) of the Rules, the rights and obligations of a TSF Exchange Participant under or in relation to a TSF Exchange Trade and the corresponding TSF FX Transaction shall be assumed and taken up, as principal, in substitution for, and with exactly the same rights and obligations under the TSF Exchange Trade and the corresponding TSF FX Transaction, by the TSF Clearing Participant which has been designated by the TSF Exchange Participant for clearing TSF Exchange Trades; and where a TSF Exchange Participant is itself a TSF Clearing Participant, such rights and obligations shall be assumed by it as Direct Clearing Participant under the Rules;
- (iv) For the purposes of providing the FX Services and fulfilling its obligations arising from the provision of such services, HKSCC may acquire RMB from, and sell RMB to, one or several TSF Partner Banks on a principal-to-principal basis. Subject to obtaining such RMB funding from TSF Partner Banks, HKSCC may provide the FX Services to TSF Participants also on a principal-to-principal basis. Accordingly, the provision of FX Services for a TSF FX Order and for the settlement of a TSF FX Transaction or a Stock Release FX Transaction is conditional and dependent on the relevant TSF Partner Bank providing FX rates to HKSCC and delivering to HKSCC the relevant funds in RMB or HKD, as the case may be;
- (v) TSF Stocks purchased with the support of the TSF shall be earmarked as such; held in TSF Accounts as prescribed by these Rules; and be subject to restrictions on transfer to other Stock Accounts and withdrawal of share certificates from CCASS;
- (vi) TSF Participants wishing to sell earmarked TSF Stocks shall, except where a Stock

Release Request is accepted by HKSCC or otherwise permitted under the Rules, be obliged to sell such TSF Stocks through the use of the TSF and to accept the sale proceeds of such TSF Stocks in HKD;

- (vii) The sale of earmarked TSF Stocks through the use of the TSF will result in the de-earmarking of the TSF Stocks. De-earmarking can also be effected through the submission of a Stock Release Request to HKSCC in accordance with the Rules and the Operational Procedures;
- (viii) In the event that HKSCC is unable to obtain RMB or HKD from TSF Partner Banks, HKSCC shall have the option to exercise its powers as set out in Rule 12A20 without obtaining the prior consent of any person; and
- (ix) The terms and conditions for the provision of the FX Services as set out in these Rules and the Operational Procedures may be amended by HKSCC from time to time. Without prejudice to Rules 102 and 103, HKSCC may impose additional requirements or special conditions on the provision of the FX Services whenever it considers appropriate. Further, HKSCC may vary, modify, waive or disapply these Rules to suit the circumstances of a particular situation as a variety of circumstances may exist which require it to make ad hoc decisions in relation to the operation of the TSF. Specifically, HKSCC has the power to suspend or cease to provide the FX Services temporarily or permanently in its sole and absolute discretion.

12A02. TSF Participants

Only TSF Participants will be permitted to use the TSF.

There are two categories of TSF Participants: TSF Exchange Participants and TSF CCASS Participants. The Exchange has the power to accept Exchange Participants as TSF Exchange Participants and HKSCC has the power to accept Participants as TSF CCASS Participants. An entity may be accepted as a TSF Exchange Participant and a TSF CCASS Participant.

There are two categories of TSF CCASS Participants: TSF Clearing Participants and TSF Custodian Participants. HKSCC may by notice from time to time prescribe the eligibility criteria for Participants to be accepted for registration and to remain registered as TSF CCASS Participants.

12A03. Criteria for registration as TSF CCASS Participants

- (i) Only the following categories of Participants shall be eligible to apply for registration and to remain registered as TSF CCASS Participants:
 - (a) Direct Clearing Participants;
 - (b) General Clearing Participants; and
 - (c) Custodian Participants.

- (ii) For the avoidance of doubt, the following categories of Participants shall not be eligible to apply for registration as TSF CCASS Participants:
 - (a) Investor Participants;
 - (b) Stock Lender Participants;
 - (c) Stock Pledgee Participants; and
 - (d) Clearing Agency Participants.
- (iii) In the case of a Clearing Participant, to be accepted for registration and to remain registered as a TSF Clearing Participant, it must:
 - (a) meet the TSF Participant Registration Criteria; and
 - (b) be approved as a TSF Clearing Participant and such approval must not have been withdrawn by HKSCC.
- (iv) In the case of a Custodian Participant, to be accepted for registration and to remain registered as a TSF Custodian Participant, it must:
 - (a) meet the TSF Participant Registration Criteria; and
 - (b) be approved as a TSF Custodian Participant and such approval must not have been withdrawn by HKSCC.
- (v) A Participant wishing to apply for registration as a TSF CCASS Participant must apply to HKSCC in writing in such form as HKSCC may from time to time prescribe. HKSCC's decision in respect of an application shall be final and conclusive. Where an application is rejected, HKSCC is not obliged to give any reasons for its decision.

12A04. TSF Stocks

HKSCC may establish and maintain a list of TSF Stocks designated as eligible to be traded on the Exchange with the support of the TSF. The list of TSF Stocks may be amended by HKSCC from time to time in its absolute discretion. HKSCC may publish the list of TSF Stocks on the HKEX website or by such other means as it considers appropriate.

Unless HKSCC otherwise determines, the TSF shall only be available for supporting the trading of Eligible Securities in the form of shares (which may be denominated in any currency) which are accepted for trading on the Exchange in RMB and which are included in the list of TSF Stocks.

12A05. FX Services

HKSCC may provide FX Services to TSF Participants in respect of TSF FX Orders, TSF FX Transactions and Stock Release FX Transactions. HKSCC reserves the right to impose a fee on the provision of the FX Services.

In the case of TSF Buy FX Orders and TSF Buy FX Transactions, provision of the FX Services involves HKSCC selling RMB to a TSF Participant on a principal-to-principal basis through the conversion of HKD to RMB.

In the case of TSF Sell FX Orders, TSF Sell FX Transactions and Stock Release FX Transactions, provision of the FX Services involves HKSCC buying RMB from a TSF Participant on a principal-to-principal basis through the conversion of RMB to HKD.

The FX Services will not be provided to support the trading of Eligible Securities which are not TSF Stocks.

12A06. Trades supported by TSF

TSF is only available for trades:

- (i) which are designated by a TSF Exchange Participant as trades which require the FX Services and are effected on the Exchange Trading System in accordance with the Exchange Rules; and
- (ii) which are Exchange Trades accepted by HKSCC for settlement under the CNS System in accordance with the Rules.

12A07. Trades and transactions not supported by TSF

TSF is not available to:

- (i) any trades that are not accepted by HKSCC for settlement under the CNS System or are settled under an Isolated Trade System;
- (ii) any SI, ISI, STI or Clearing Agency Transactions; and
- (iii) any trades which have not been designated by a TSF Exchange Participant as requiring the FX Services.

12A08. TSF Accounts

Upon registration of a Participant as a TSF CCASS Participant, HKSCC may allocate a TSF Principal Account and a TSF Segregated Account for the use of such Participant. The TSF Accounts are in addition to the Stock Accounts allocated to such Participant under Rule 601.

The TSF Accounts are Stock Accounts established within CCASS in the name of a TSF CCASS Participant for the sole purpose of holding earmarked TSF Stocks.

A TSF Principal Account is the main Stock Account where earmarking or de-earmarking of TSF Stocks is effected through the transfer of TSF Stocks into or out of this TSF Principal Account. The TSF Principal Account is the account which HKSCC may credit TSF Stocks to where a TSF Buy Exchange Trade has been cleared and settled and the account which HKSCC may debit earmarked TSF Stocks from for the settlement of a TSF Sell Exchange Trade.

A TSF Segregated Account is for the sole purpose of holding earmarked TSF Stocks. This account may be used by a TSF CCASS Participant to hold earmarked TSF Stocks for its clients as a segregated client account or for its own proprietary use.

Details regarding the TSF Accounts are set out in the Operational Procedures.

12A09. Earmarking and De-earmarking of TSF Stocks

All TSF Stocks purchased through the TSF shall be earmarked as such and shall be held in CCASS in either a TSF Principal Account or a TSF Segregated Account. Earmarking of TSF Stocks restricts the physical withdrawal of share certificates of the TSF Stocks by TSF Participants from CCASS.

TSF Participants wishing to sell earmarked TSF Stocks must do so by way of a TSF Sell Exchange Trade through the TSF and must accept the sale proceeds in HKD. The sale of earmarked TSF Stocks through the TSF shall result in de-earmarking of the TSF Stocks. De-earmarking of earmarked TSF Stocks can also be effected by the submission of a Stock Release Request as referred to in Rule 12A12.

TSF Stocks shall only be transferred into a TSF Principal Account or a TSF Segregated Account, as the case may be, in the following circumstances:

- (i) following the settlement of a TSF Buy Exchange Trade by a TSF Clearing Participant;
- (ii) where a TSF CCASS Participant receives earmarked TSF Stocks from another TSF CCASS Participant's TSF Account;
- (iii) by transfer between a TSF Principal Account and a TSF Segregated Account of the same TSF CCASS Participant and vice versa; or
- (iv) by transfer of share entitlements from an Entitlement Account to a TSF Principal Account of the same TSF CCASS Participant.

All earmarked TSF Stocks shall only be transferred out of a TSF Principal Account or a TSF Segregated Account, as the case may be, in the following circumstances:

- (i) by transfer to the Stock Clearing Account of a TSF CCASS Participant for settlement of a TSF Sell Exchange Trade;
- (ii) upon a release following HKSCC's acceptance of a Stock Release Request;
- (iii) by transfer to another TSF CCASS Participant's TSF Account;
- (iv) by transfer between a TSF Principal Account and a TSF Segregated Account of the same TSF CCASS Participant and vice versa; or
- (v) upon a release (with or without conditions being imposed) as HKSCC may determine in its absolute discretion, upon the TSF ceasing to operate or upon a temporary

suspension of the FX Services or in other circumstances in which HKSCC considers such release appropriate.

For the avoidance of doubt, the requirement under this Rule shall also apply to TSF Stocks which have been purchased with the support of the TSF but become the subject of a share split where an Issuer converts all or any of its shares in issue into a larger number of shares or subdivides all or any of its share capital into shares of smaller amount, or a share consolidation where an Issuer converts all or any of its shares in issue into a smaller number of shares or consolidates and divides all or any of its shares capital into shares of larger amount than its existing shares.

12A10. RMB FX Rates

On any Trading day when the FX Services are available and when the TSF has not been temporarily suspended or ceased to operate, the following rates will be published on the HKEX website or by such other means as HKSCC considers appropriate:

- (i) The RMB Buy Indicative FX Rate: In relation to HKSCC offering the FX Service of buying RMB, this is the indicative RMB buy rate, expressed as the amount of HKD per one RMB, for TSF Sell FX Orders input by TSF Exchange Participants during the Pre-Opening Session, the Morning Session or the Afternoon Session, as the case may be, of the relevant Trading day, to be published by HKSCC at approximately 9:30 a.m. for the Pre-opening Session and the Morning Session (if any), and at approximately 1:00 p.m. for the Afternoon Session (if any).
- (ii) The RMB Sell Indicative FX Rate: In relation to HKSCC offering the FX Service of selling RMB, this is the indicative RMB sell rate, expressed as the amount of HKD per one RMB, for TSF Buy FX Orders input by TSF Exchange Participants during the Pre-Opening Session, the Morning Session or the Afternoon Session, as the case may be, of the relevant Trading day, to be published by HKSCC at approximately 9:30 a.m. for the Pre-opening Session and the Morning Session (if any), and at approximately 1:00 p.m. for the Afternoon Session (if any).
- (iii) The RMB Buy Final FX Rate: In relation to HKSCC offering the FX Service of buying RMB, this is the RMB buy rate specified by HKSCC, expressed as the amount of HKD per one RMB, that shall apply to the settlement of TSF Sell FX Transactions generated during the Pre-Opening Session, the Morning Session or the Afternoon Session, as the case may be, of the relevant Trading day, provided that such RMB buy rate shall not be lower than the RMB Buy Indicative FX Rate published by HKSCC for the relevant trading session on the relevant Trading day. The RMB Buy Final FX Rate for TSF Sell FX Transactions generated during the Pre-opening Session and the Morning Session (if any) will be published at approximately 12:45 p.m., and the RMB Buy Final FX Rate for TSF Sell FX Transactions generated during the Afternoon Session (if any) will be published at approximately 4:45 p.m., of a Trading day.
- (iv) The RMB Sell Final FX Rate: In relation to HKSCC offering the FX Service of selling RMB, this is the RMB sell rate specified by HKSCC, expressed as the amount of HKD

per one RMB, that shall apply to the settlement of TSF Buy FX Transactions generated during the Pre-Opening Session, the Morning Session or the Afternoon Session, as the case may be, of the relevant Trading day, provided that such RMB sell rate shall not be higher than the RMB Sell Indicative FX Rate published by HKSCC for the relevant trading session on the relevant Trading day. The RMB Sell Final FX Rate for TSF Buy FX Transactions generated during the Pre-opening Session and the Morning Session (if any) will be published at approximately 12:45 p.m., and the RMB Sell Final FX Rate for TSF Buy FX Transactions generated during the Afternoon Session (if any), will be published at approximately 4:45 p.m., of a Trading day.

HKSCC may in its discretion determine to publish the FX rates set out in this Rule at such other times as it considers appropriate, whether due to a change in the trading hours of the Exchange or otherwise.

For the avoidance of doubt, where any order for the sale or purchase of TSF Stocks input into the Exchange Trading System by a TSF Exchange Participant during the Morning Session is not effected during that Session but is transferred to the Afternoon Session of a Trading day for execution:

- (a) the RMB Buy Indicative FX Rate or the RMB Sell Indicative FX Rate published by HKSCC for the Afternoon Session shall apply to the corresponding TSF FX Order; and
- (b) where the order is effected on the Exchange Trading System during the Afternoon Session, the RMB Buy Final FX Rate or the RMB Sell Final FX Rate published by HKSCC for the Afternoon Session shall apply to the corresponding TSF FX Transaction.

12A11. TSF Exchange Trades and TSF FX Transactions

Subject to Trade Amendments as allowed by the Exchange Rules and the publication of the FX rates referred to in Rule 12A10 on the relevant Trading day, upon effecting a TSF Exchange Trade on the Exchange Trading System, a TSF FX Transaction relating to the corresponding TSF FX Order shall automatically be generated for the purpose of settlement of the TSF Exchange Trade.

A TSF Participant's obligation under a TSF FX Transaction represents an unconditional and irrevocable commitment to buy RMB from or sell RMB to HKSCC at the applicable RMB Sell Final FX Rate or RMB Buy Final FX Rate. Subject to the Rules and the Operational Procedures, TSF FX Transactions shall be settled by TSF Clearing Participants on the same Settlement Day on which the corresponding TSF Exchange Trades are settled by the delivery to HKSCC of the relevant funds in RMB at the applicable RMB Buy Final FX Rate (in respect of a TSF Sell FX Transaction), or in HKD at the applicable RMB Sell Final FX Rate (in respect of a TSF Buy FX Transaction). Procedures on the settlement of TSF FX Transactions and related provisions are set out in the Operational Procedures.

12A12. Stock Release Requests and Stock Release FX Transactions

If a TSF CCASS Participant wishes to de-earmark earmarked TSF Stocks or to release earmarked TSF Stocks from the restrictions referred to in Rule 12A09 without selling them, it may effect a book-entry movement of the relevant number of earmarked TSF Stocks from its relevant TSF Account to any other Stock Account (except a Stock Collateral Control Account, an SSA with Statement Service and a Special Segregated Account) by inputting and authorising a Stock Release Request for submission to HKSCC.

Unless HKSCC otherwise determines, HKSCC shall notify its acceptance of a Stock Release Request through CCASS after validation of such Request.

Upon the submission of a Stock Release Request by a TSF CCASS Participant, the Participant shall be deemed to have placed an irrevocable order to sell RMB to HKSCC for HKD in respect of the amount representing the total market value of the earmarked TSF Stocks based on the closing price of the TSF Stocks on the Trading day immediately preceding the day on which the Stock Release Request was submitted, as recorded on the Exchange, at the FX rate set out in this Rule.

Upon HKSCC's acceptance of a Stock Release Request, a Stock Release FX Transaction shall automatically be generated and unless HKSCC otherwise determines, the transfer or debit of the specified number of earmarked TSF Stocks from the TSF CCASS Participant's relevant TSF Account to its other designated Stock Account will be effected. Such transfer, if permitted, shall have the effect of de-earmarking the relevant earmarked TSF Stocks and releasing the TSF Stocks from the restrictions set out in Rule 12A09.

Under a Stock Release FX Transaction, the relevant TSF CCASS Participant shall be deemed to have agreed, on an irrevocable and unconditional basis, to pay an amount in RMB representing the total market value of the earmarked TSF Stocks referred to above to HKSCC on the second Settlement Day after the day on which HKSCC accepts the Stock Release Request, and subject to the relevant TSF Partner Bank delivering the relevant funds in HKD to HKSCC, settlement of the Stock Release FX Transaction will be effected by HKSCC causing a credit to the relevant Designated Bank Account of the TSF CCASS Participant with an amount in HKD representing the equivalent of the RMB amount paid by the TSF CCASS Participant on the same Settlement Day, by reference to the following FX rates:

- (i) where a Stock Release Request is accepted by HKSCC at or before 12:00 noon on a Trading day, the applicable FX rate shall be the RMB Buy Final FX Rate published at approximately 12:45 p.m. on that Trading day; and
- (ii) where a Stock Release Request is accepted by HKSCC after 12:00 noon on a Trading day, the applicable FX rate shall be the RMB Buy Final FX Rate published at approximately 4:45 p.m. on that Trading day.

Detailed procedures on the submission and acceptance of Stock Release Requests and related provisions are set out in the Operational Procedures.

12A13. Extent of HKSCC's authority

In addition to Rule 1203, HKSCC shall be authorised to cause credits and debits to be made to the HKD and/or RMB Designated Bank Account(s) in relation to the following:

- (i) with respect to TSF Clearing Participants, the money obligations due to or from such Participants by or to HKSCC in relation to TSF Exchange Trades under the CNS System and all other money payments in relation thereto;
- (ii) with respect to TSF CCASS Participants, the money obligations due to or from such Participants by or to HKSCC in relation to TSF FX Transactions and/or Stock Release FX Transactions;
- (iii) with respect to TSF CCASS Participants, the payment or settlement of all other sums owing and obligations between HKSCC and the TSF CCASS 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 such Participants to collect from time to time.

HKSCC reserves the right to debit or credit the HKD and/or RMB Designated Bank Account(s) of each TSF CCASS Participant to rectify erroneous payments made to or received from TSF CCASS Participants and shall notify affected TSF CCASS Participants if it exercises this right.

In relation to money obligations in respect of TSF FX Transactions and Stock Release FX Transactions to be settled via CPIs, HKSCC shall be authorised to generate CPIs in relation to such transactions to the HKD and/or RMB Designated Banks of paying TSF CCASS Participants in accordance with the Operational Procedures.

12A14. Collateral

Without prejudice to any other provisions of the Rules, HKSCC shall be entitled from time to time to require a TSF CCASS Participant which is (pursuant to Rule 901(ia)) a party to a TSF FX Transaction or (pursuant to Rule 12A12) a party to a Stock Release FX Transaction to pay to it forthwith on demand a cash sum of such amount as HKSCC shall consider appropriate as Collateral to be used by HKSCC as collateral for the TSF CCASS Participant's obligations and liabilities under a TSF FX Transaction or a Stock Release FX Transaction or to be applied in or towards the satisfaction of such obligations and liabilities, the payment of any sums or expenses incurred by HKSCC in respect of such TSF FX Transaction or Stock Release FX Transaction (including fees arising from a reversal of any transactions) or the payment of any fees or penalties due to or imposed by HKSCC from time to time.

Where Collateral is paid to HKSCC under this Rule, HKSCC shall have the right to apply all or part of the Collateral at any time without prior notice being given to a TSF CCASS Participant in or towards satisfaction or payment of the obligations and liabilities (actual or contingent) of such Participant as referred to above, and the only obligation of HKSCC in respect of such Collateral received shall be to pay the TSF CCASS Participant an amount equal to the balance remaining after satisfaction of all such obligations and liabilities.

A TSF CCASS Participant providing Collateral to HKSCC under this Rule represents and warrants to HKSCC that it has title and authority to provide such Collateral to HKSCC free from all encumbrances and third party rights of any nature whatsoever; and shall not create or permit to subsist any encumbrance over all or any part of the Collateral.

12A15. Set-off

HKSCC shall be entitled to apply any sums denominated in any currency standing to the credit of any account with HKSCC of a TSF CCASS Participant in satisfaction of any sum denominated in any currency due or payable by such TSF CCASS Participant to HKSCC, whether actual or contingent, and whether solely or jointly with any other person.

Any agreement between a TSF CCASS Participant and HKSCC to the contrary notwithstanding, if a TSF CCASS Participant has multiple Designated Bank Accounts (which shall include RMB Designated Bank Accounts), HKSCC may treat them as one account for the purposes of these Rules.

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.

12A16. HKSCC's obligations

The provision of the FX Services by HKSCC and HKSCC's obligations to settle a TSF FX Transaction or a Stock Release FX Transaction are at all times conditional and dependent on the relevant TSF Partner Bank providing FX rates to HKSCC and delivering RMB or HKD to HKSCC on the relevant settlement day. Accordingly, should a TSF Partner Bank fail to deliver funds or sufficient funds in the relevant currency on the relevant settlement day, HKSCC is entitled not to:

- (i) settle a TSF FX Transaction notwithstanding that such TSF FX Transaction and the related TSF Exchange Trade shall be deemed to be binding on a TSF Participant upon the effect of a TSF Exchange Trade on the Exchange Trading System pursuant to the Exchange Rules; or
- (ii) settle a Stock Release FX Transaction notwithstanding that such Stock Release FX Transaction shall be deemed to be binding on a TSF CCASS Participant upon the submission of a Stock Release Request pursuant to Rule 12A12.

HKSCC shall not be responsible for any failure to provide the FX Services for any TSF FX Orders, TSF FX Transactions and/or Stock Release FX Transactions if its performance is prevented, hindered or delayed by the failure of one or more TSF Partner Banks to provide the FX rates to HKSCC or to sell or purchase RMB which leads to a suspension or cessation

of operation of the TSF in accordance with these Rules.

12A17. Default

Without prejudice to Rules 3701, 3702, 3703 and 3704, in the event that a TSF CCASS Participant fails to pay when due any sum due and payable in accordance with these Rules, or is otherwise in breach of these Rules, HKSCC, in its sole and absolute discretion, shall be entitled then or at any time thereunder whilst such event is, in the opinion of HKSCC, continuing unremedied, to take any one or more of the actions referred to in Rules 3702 and 3703. In addition, HKSCC may take such other actions as it deems necessary or desirable for the protection of HKSCC with respect to TSF FX Transactions and/or Stock Release FX Transactions to which a defaulting TSF CCASS Participant is a party, at such TSF CCASS Participant's expense and if appropriate, in its name. In the event that HKSCC takes one or more steps or actions referred to in this Rule, Rule 3702 or 3703 against a TSF CCASS Participant, HKSCC may declare the Participant to be a "Defaulter".

The defaulting TSF CCASS Participant shall indemnify HKSCC and hold HKSCC harmless against all losses, costs, damages or expenses incurred by HKSCC in connection with the TSF CCASS Participant's breach of these Rules and HKSCC shall be entitled to require payment of a default handling fee in respect of any outstanding amount as shall from time to time be decided by HKSCC.

12A18. Temporary suspension of TSF

Without prejudice to Rules 2601 and 2602, HKSCC may temporarily suspend all or any part of the FX Services in its sole and absolute discretion, including, without limiting the foregoing, when:

- (i) in the judgement of HKSCC, the FX Services or any part thereof may not be maintained or provided in a manner that would ensure the existence of a fair and orderly market;
- (ii) in the judgement of HKSCC, it has reasonable grounds for concern that the RMB and/or HKD funding available to HKSCC may not be sufficient to support the fulfilment of its obligations under, or to support the settlement of, any or all TSF FX Orders, TSF FX Transactions and Stock Release FX Transactions; or
- (iii) in the judgment of HKSCC, there are operational or technical issues which must be resolved prior to the continuation of the TSF or any part of the FX Services.

In exercising its judgement under this Rule, HKSCC is entitled to have regard to all relevant factors and circumstances including, without limitation, the availability of RMB and/or HKD in the market and the relevant FX rates, the demand for FX Services, the TSF Partner Banks' individual or aggregate commitment to provide FX rates or funding to HKSCC for the purposes of operating the TSF, the level of utilisation of such committed funding by HKSCC, whether a TSF Partner Bank has failed to provide committed funding and a TSF Partner Bank's willingness to be bound by, or its ability to perform, its obligation to provide FX rates or funding to HKSCC as agreed.

If HKSCC decides to suspend all or part of the FX Services, it shall publish an announcement, on the HKEX website and/or by such other means as HKSCC considers appropriate, stating which part of the FX Services will be suspended, whether any TSF Exchange Trade, TSF FX Transaction or Stock Release FX Transaction will be affected, the effective date and time of suspension and any other information as HKSCC shall consider appropriate.

Unless HKSCC otherwise determines or specifies:

- (a) a suspension of part of the FX Services does not affect the availability of other FX Services. Specifically, a suspension of the FX Services for TSF Buy FX Orders does not affect FX Services for TSF Sell FX Orders, and a suspension of the FX Services for TSF Buy FX Transactions does not affect the FX Services for TSF Sell FX Transactions or Stock Release FX Transactions and vice versa;
- (b) where the FX Services for TSF Buy FX Orders are suspended, all TSF Buy FX Orders input on the Exchange Trading System and all TSF Buy FX Transactions generated after the effective date or time of the suspension shall not be dealt with or settled by HKSCC; and
- (c) where the FX Services for TSF Sell FX Orders are suspended, all TSF Sell FX Orders input on the Exchange Trading System and all TSF Sell FX Transactions and Stock Release FX Transactions generated after the effective date or time of the suspension shall not be dealt with or settled by HKSCC.

In the event where paragraph (b) occurs, unless HKSCC otherwise determines, TSF CCASS Participants shall be responsible for obtaining the relevant funds in RMB to settle any TSF Buy Exchange Trades which are supported by TSF Buy FX Transactions generated after the effective date or time of suspension of the relevant FX Services. In the event where paragraph (c) occurs, unless HKSCC otherwise determines, TSF CCASS Participants shall be deemed to accept the relevant sale proceeds in RMB in respect of any TSF Sell Exchange Trades which are supported by TSF Sell FX Transactions generated after the effective date or time of suspension of the relevant FX Services. Further, all Stock Release Requests submitted to and Stock Release FX Transactions accepted by HKSCC after the effective date or time of suspension of the relevant FX Services shall be of no effect.

12A19. Cessation of operation of TSF

HKSCC may, in its sole and absolute discretion, decide to cease the operation of the TSF permanently, with immediate effect or otherwise by publishing an announcement on the HKEX website or by such other means as HKSCC considers appropriate.

If HKSCC decides to cease operating the TSF under this Rule, HKSCC shall notify the TSF Participants, the Exchange and the Commission in advance and shall specify the necessary arrangements and the conditions (including the treatment of earmarked TSF Stocks, any outstanding TSF FX Transactions and Stock Release FX Transactions) upon which the cessation of operation of the TSF shall take effect, having regard to such considerations and circumstances as HKSCC may consider fair and reasonable.

12A20. Powers of HKSCC

Without prejudice to HKSCC's sole and absolute discretion, where HKSCC is not able to obtain the necessary FX funding as committed by one or more TSF Partner Banks (whether due to a TSF Partner Bank's failure to provide FX rates or otherwise) or where one or more TSF Partner Banks fail to provide the committed FX funding to HKSCC in the relevant currency to settle any TSF FX Transaction and/or Stock Release FX Transaction and where, in either of the situations mentioned above, a TSF CCASS Participant has delivered, in full, the required funds in RMB or HKD for the settlement of its obligation under a TSF FX Transaction and/or a Stock Release FX Transaction, then, HKSCC shall, without the need to obtain the prior consent of any TSF CCASS Participant or any other Participant, have the power or option but not the obligation to take any one or more of the following actions:

- (i) as TSF operator, settle the TSF FX Transaction and/or the Stock Release Transaction notwithstanding a TSF Partner Bank's failure by obtaining the required funds in RMB or HKD through other means;
- (ii) in respect of TSF Sell FX Transactions and Stock Release FX Transactions, as TSF operator, de-earmark all or any earmarked TSF Stocks and disapply the restrictions or obligations imposed on all or any earmarked TSF Stocks under Rule 12A09 and/or Rule 12A12, including the obligation of TSF Participants to accept the relevant sale proceeds or FX conversion amount in HKD; and
- (iii) as central counterparty for the clearing of Exchange Trades, accept the relevant funds in HKD delivered by the TSF CCASS Participant and apply the funds towards settlement of TSF Exchange Trade(s) regardless of the Eligible Currency for the settlement of TSF Exchange Trade(s) and exercise the power granted to HKSCC under Rule 3606(ii) in accordance with the provisions of that Rule.

12A21. Clearing of TSF Exchange Trades by General Clearing Participants

Only General Clearing Participants which have been accepted for registration by and to remain registered as TSF Clearing Participants by HKSCC shall be eligible to clear and settle TSF Exchange Trades for Non-Clearing Participants and to settle TSF FX Transactions.

A General Clearing Participant which is a TSF Clearing Participant and which intends to clear and settle TSF Exchange Trades for Non-Clearing Participants shall:

- (i) ensure that the Clearing Agreement it enters into with each Non-Clearing Participant includes an obligation on its part to settle TSF Exchange Trades and all corresponding TSF FX Transactions. Such General Clearing Participant should consider bringing a Non-Clearing Participant's attention to the special features and restrictions of the TSF as highlighted in Rule 12A01, HKSCC's powers and other matters as set out in this Chapter 12A;
- (ii) capture all liabilities for all the TSF Exchange Trades concluded by each Non-Clearing Participant with which it has entered into a Clearing Agreement and all

corresponding TSF FX Transactions, as if it was a party to these trades and transactions and shall not be entitled to decline to settle and clear any TSF Exchange Trades of the Non-Clearing Participant or settle any corresponding TSF FX Transaction to which the Non-Clearing Participant is a party;

- (iii) have arrangements in place with each Non-Clearing Participant for the Non-Clearing Participant to notify it of all TSF Exchange Trades concluded by the Non-Clearing Participant and all corresponding TSF FX Transactions of which the Non-Clearing Participant is a party;
- (iv) have arrangements in place to monitor the ability of each Non-Clearing Participant with whom it has entered into a Clearing Agreement to satisfy promptly all obligations arising from the TSF Exchange Trades concluded by such Non-Clearing Participant and the TSF FX Transactions to which such Non-Clearing Participant is a party; and
- (v) forthwith notify HKSCC of any failure of its Non-Clearing Participant to meet its obligations under the Clearing Agreement.

12A22. [Repealed]