

Section 1

Introduction

1.1 HKSCC

Pursuant to the repealed Exchanges and Clearing Houses (Merger) Ordinance, HKSCC was converted from a company limited by guarantee to a company limited by shares and its constitution was amended accordingly. Following an allotment of shares prescribed by the repealed Ordinance, HKSCC became a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited.

1.2 WHAT IS CCASS ?

CCASS, established in June 1992, is a clearing and settlement system which provides book-entry settlement in securities among its Participants, either free of, or against, payment. It is the first of its kind in Hong Kong.

Only securities listed or to be listed on the Exchange will be accepted as Eligible Securities for settlement in CCASS and only brokers, clearing agencies, custodians, stock lenders and stock pledgees based in Hong Kong and such other persons as HKSCC may determine from time to time in accordance with the Rules will be accepted as Participants. HKSCC may from time to time accept other categories of securities, whether or not listed on the Exchange, as Eligible Securities and may admit other categories of participants.

1.3 MAIN CCASS SERVICES

The main services of CCASS are:

- (i) depository and custodian services, whereby Participants can maintain Eligible Securities in CCASS (for safe-keeping or settlement purposes) and can make deposits into or withdrawals out of CCASS, as reflected in Stock Accounts allocated to them by HKSCC;
- (ii) nominee and similar services in relation to Eligible Securities in CCASS, such as the distribution of dividends, interest and redemption proceeds, forwarding shareholders' circulars, appointment of proxies for voting, etc.;
- (iii) clearing and settlement services in relation to all Exchange Trades based on trade details received from the Exchange, either under the CNS System, whereby HKSCC becomes the settlement counterparty, or under the Isolated Trades System;
- (iiia) clearing and settlement services in relation to all Clearing Agency Transactions based on trade details received from the relevant Clearing Agency Participant, either under the CNS System, whereby HKSCC becomes the settlement counterparty, or under the

Isolated Trades System;

- (iiib) China Connect Clearing Services, including clearing and settlement services in relation to all China Connect Securities Trades under the CNS System based on trade details received from the relevant SEHK Subsidiary and the relevant China Connect Clearing House, whereby HKSCC becomes the settlement counterparty to the relevant China Connect Clearing Participants, and nominee and depository services in relation to China Connect Securities held by Participants;
- (iv) nominee, clearing and settlement services in relation to issues of securities (other than New Issues, the services in relation to which are provided by HKSCC through FINI), such as receipt of and compliance with application instructions from Participants and the payment and receipt of refunds in respect of application moneys;
- (v) additional services in relation to the issue and redemption of Units, such as receipt of and compliance with instructions to pay or receive cash or to transfer securities on such issue and redemption and to repay cash and re-transfer securities on cancellation or rejection of such instructions;
- (vi) nominee, clearing and settlement services in relation to issues of Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments, such as receipt of and compliance with instructions from Participants to tender for Exchange Fund Notes or Specified Instruments or to apply for Government Bonds or CMU Instruments, and to pay moneys and receive refunds in respect of the tender or application (as the case may be);
- (vii) clearing and settlement services in relation to instructions to transfer Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments between Participants and (in the case of Exchange Fund Notes, Government Bonds and Specified Instruments) Recognized Dealers or (in the case of CMU Instruments) CMU Members;
- (viii) clearing and settlement services in relation to non-Exchange Trades between Participants (the details of such transactions being recorded in CCASS by the input of (a) in the case of Participants other than Investor Participants, Settlement Instructions by the two Participants involved in each such non-Exchange Trade or (b) an Investor Settlement Instruction by a Participant and, if required, affirmation by the relevant Investor Participant or being reported to HKSCC in such other manner as agreed between HKSCC and Participants);
- (ix) money settlement services, in relation to nominee services involving payments (e.g. distribution of dividend payments), or settlement services to be made against payment, whereby HKSCC will, based on details already recorded in CCASS, generate electronic payment instructions to the Designated Banks of Participants or for certain Hong Kong dollar money obligations, the Clearing House of HKAB, as the case may be, for processing;

- (x) the provision of comprehensive statement and/or reporting services to assist and enhance the use of CCASS by Participants in order to enable Participants to obtain the maximum benefit from CCASS; and
- (xi) the provision of risk monitoring and risk management services in relation to CNS stock positions via RMS.

The operation of the CNS System by HKSCC in effect involves HKSCC providing a "guarantee of settlement" for the Exchange Trades, China Connect Securities Trades and Clearing Agency Transactions settled under the CNS System, in favour of Participants which are parties to the Market Contracts.

1.4 ADDITIONAL SERVICES

HKSCC provides nominee, clearing and settlement services in relation to Electronic Application Instructions for New Issue Shares through FINI.

HKSCC also provides settlement and clearing services in relation to Foreign Securities. Those settlement and clearing services may not be provided through CCASS.

HKSCC, as TSF operator, may also provide FX Services to TSF CCASS Participants for the purpose of facilitating the settlement of (i) TSF FX Transactions arising from TSF Exchange Trades; and (ii) Stock Release FX Transactions arising from Stock Release Requests.