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## **Section 2**

### **Participants**

#### **2.1 ADMISSION OF PARTICIPANTS**

##### **2.1.1 Categories of Participants**

There are seven categories of Participants, namely:

- (i) Clearing Agency Participants;
- (ii) Custodian Participants;
- (iii) Direct Clearing Participants;
- (iv) General Clearing Participants;
- (v) Investor Participants;
- (vi) Stock Lender Participants; and
- (vii) Stock Pledgee Participants.

##### **2.1.2 Admission criteria**

The admission criteria and conditions applicable to each category of Participants are set out in detail in the Rules and in the prescribed application documents. The prescribed application documents are available from HKSCC.

##### **2.1.3 Prescribed application documents**

An applicant should complete and submit the prescribed application documents, including the completed application form, a signed Participant Agreement in the prescribed form for the relevant category of Participant, together with all relevant supporting documents to HKSCC.

##### **2.1.4 Processing of applications**

An application will usually take HKSCC up to eight weeks to process and applicants will be notified in writing of HKSCC's decision.

Before being formally admitted as a Participant, an applicant has to fulfil the admission criteria and other requirements including the payment of an admission fee for Participants other than Investor Participants and signing of the Participant Agreement or Terms and Conditions, as applicable.

If HKSCC rejects an application to admit as a Participant, the applicant (other than applicant for Investor Participantship) may within 14 Business Days after it is notified of HKSCC's decisions, appeal in writing to the Participant Admission Appeals Committee in accordance with Section 2.8. The decision of the Participant Admission Appeals

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Committee will be final and conclusive.

## **2.2 ADMISSION FEE**

### **2.2.1 Amount of admission fee**

Before being formally admitted as a Participant other than an Investor Participant, an applicant must pay an admission fee to HKSCC as follows :

- (i) for a prospective Clearing Agency Participant, the sum of HK\$1,000,000;
- (ii) for a prospective Custodian Participant, the sum of HK\$1,000,000;
- (iii) for a prospective DCP, the sum of HK\$50,000 in respect of each Stock Exchange Trading Right held by the applicant;
- (iv) for a prospective GCP, HK\$50,000 or the sum of HK\$50,000 in respect of each Stock Exchange Trading Right held by the applicant whichever is the higher;
- (v) for a prospective Stock Lender Participant, the sum of HK\$200,000; and
- (vi) for a prospective Stock Pledgee Participant, the sum of HK\$200,000.

The admission fees payable are subject to change from time to time, as specified by HKSCC.

### **2.2.2 Additional admission fee payable upon acquisition of additional Stock Exchange Trading Rights**

Clearing Participants acquiring additional Stock Exchange Trading Rights will be required to pay to HKSCC separate admission fee of HK\$50,000 in respect of each additional Stock Exchange Trading Right acquired.

### **2.2.3 Use of admission fees**

The admission fees payable by Participants other than Investor Participants are intended to assist in financing the operations and enhancements of CCASS and the development of new and ancillary services to CCASS by HKSCC.

### **2.2.4 HKSCC may refund admission fee**

Although not strictly obliged to do so, HKSCC aims to refund the admission fee paid by a Participant without interest after a period of seven years from the date of its admission as a Participant or upon the termination of its participation in CCASS, whichever is the later. All sums owing to HKSCC may be deducted by HKSCC before any such refund is made.

HKSCC may refund the admission fee paid by a Clearing Participant calculated as HK\$50,000 in respect of each Stock Exchange Trading Right being relinquished by it.

HKSCC may in its discretion make an earlier refund of the admission fees received by it to Participants.

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## **2.3 STOCK ACCOUNTS AND CCMS COLLATERAL ACCOUNTS**

### **2.3.1 Types of Stock Accounts**

There are five types of Stock Account in CCASS, namely :

- (i) Stock Clearing Account;
- (ii) Stock Segregated Account;
- (iii) Stock Collateral Control Account;
- (iv) Stock Lending Account; and
- (v) TSF Account.

### **2.3.2 Number of Stock Accounts**

Each Participant other than an Investor Participant will have one Stock Clearing Account and may have, subject to HKSCC's approval, one Stock Lending Account and such number of Stock Segregated Accounts as HKSCC may in its absolute discretion determine from time to time.

A Clearing Participant will, in addition to the abovementioned accounts, be allocated one Stock Collateral Control Account. Where the Participant is a TSF CCASS Participant, the Participant will, in addition to the abovementioned accounts, be allocated one TSF Principal Account and one TSF Segregated Account. Where the Participant is 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 and references in these Operational Procedures 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 will be allocated one Stock Clearing Account.

### **2.3.3 Assigned account numbers**

For ease of identification, each Stock Account of a Participant will be assigned an account number.

The Stock Clearing Account will have an assigned or re-assigned account number 1.

The Stock Segregated Accounts of a Participant will be assigned or re-assigned account numbers from 2 onwards (other than 17 to 20). Unless otherwise specified by HKSCC, SSA with Statement Service will be assigned account numbers from 21 onwards. Special Segregated Accounts will be assigned account numbers from 80000000 to 80099999.

The Stock Collateral Control Account of a Clearing Participant or a Clearing Agency Participant which is a China Connect Clearing House will have the assigned account number 20.

The Stock Lending Account of a Participant will have the assigned account number 19.

The TSF Accounts of a TSF CCASS Participant will have the assigned account number 17 for its TSF Segregated Account and 18 for its TSF Principal Account.

#### **2.3.4 Book-entry record of Eligible Securities**

The Eligible Securities of a Participant in CCASS will be recorded in its Stock Account(s).

At the time of deposit of Eligible Securities, a Participant other than an Investor Participant may designate one or more Stock Accounts, other than the Stock Collateral Control Account and the TSF Accounts (if the Participant is a TSF CCASS Participant), to be credited with such Eligible Securities.

A Participant may move Eligible Securities between its Stock Accounts, other than its Stock Collateral Control Account, SSA with Statement Service and Special Segregated Accounts, by the input of an "Account Transfer Instruction" or by the upload of an "ATI Batch File" or from its Stock Clearing Account to a Stock Segregated Account other than an SSA with Statement Service or a Special Segregated Account by the input of a "Mass ATI".

A Clearing Participant or a Custodian Participant may move Eligible Securities from one of its Stock Accounts, other than the Stock Collateral Control Account and any one of its TSF Accounts (if the Clearing Participant or Custodian Participant is a TSF CCASS Participant), to any one of its SSA with Statement Service or Special Segregated Accounts, or vice versa by the input of a "Stock Segregated Account Transfer Instruction" or by the upload of an "STI Batch File" or from its Stock Clearing Account to an SSA with Statement Service or a Special Segregated Account by the input of a "Mass STI".

Subject to the Rules, a Clearing Participant or a Custodian Participant may, in respect of each SSA with Statement Service of the Participant, authorise the SSA Statement Recipients named and/or maintained by the Participant in relation to the SSA with Statement Service to give affirmation to STI input (and authorised, if required) by the Participant before the STI is accepted by HKSCC. Any STI input (and authorised, if required) by a Clearing Participant or a Custodian Participant in relation to a SSA with Statement Service which is to be affirmed by the relevant SSA Statement Recipient is a STI (with affirmation) and otherwise a STI (without affirmation).

A Clearing Participant or a Custodian Participant inputting a STI shall state in the STI whether the STI Transfer is to be effected on a DVP or FOP basis. STI Transfer to be effected on a DVP basis is only available to the STI Transfer with Eligible Securities debited from SSA with Statement Service. For STI Transfer to be effected in CCASS on a DVP basis, upon the completion of transfer of the Eligible Securities, HKSCC will issue

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EPIs in the normal way to the Designated Banks of the Clearing or Custodian Participants concerned to effect payment and cause credits to the bank accounts of SSA Statement Recipients.

Delivery of Eligible Securities under an STI Transfer (other than that involving a Special Segregated Account) will be effected by HKSCC by way of on-line delivery upon input (and authorisation and affirmation, if required) of an STI if there are sufficient Eligible Securities in the delivering Stock Account at the time of input or an STI Batch-run.

Delivery of Eligible Securities under an STI Transfer involving a Special Segregated Account will be effected by HKSCC as follows:

- (i) the STI Transfer will be placed in the “Pending for Transfer” status if input and authorisation of the STI are made between 8:15 a.m. and the time the FCS is available to the China Connect Clearing Participant, and will be effected by HKSCC if there are sufficient Eligible Securities in the delivering Stock Account at the time of an STI Batch-run in accordance with Section 6.2.2; and
- (ii) the STI Transfer will be placed in the “Transferred” status and effected by HKSCC immediately if input and authorisation of the STI are made at a time after the FCS is available to the China Connect Clearing Participant and before the final CNS Batch-settlement-run and there are sufficient Eligible Securities in the delivering Stock Account,

provided that if the STI Transfer in either of the above cases involves the delivery of an Eligible Security from a non-Special Segregated Account to a Special Segregated Account, the STI Transfer will be effected only if the China Connect Clearing Participant has no outstanding CNS short position in the same Eligible Security.

Delivery of Eligible Securities in CCASS from one Participant to another will be achieved by means of a debit entry to the Stock Account (other than the Stock Collateral Control Account) of the delivering Participant and a corresponding credit entry to the Stock Account (other than the Stock Collateral Control Account) of the receiving Participant.

### **2.3.5 Stock Clearing Account**

The Stock Clearing Account of each Participant will be the main Stock Account in CCASS used for settlement purposes (i.e. to make or take delivery of Eligible Securities).

With only one exception, the Stock Clearing Account of a Participant will always be used to make or take delivery of Eligible Securities to or from other Participants.

For example, under Batch-settlement-runs conducted by HKSCC on each Settlement Day, subject to availability, Eligible Securities will be debited from the Stock Clearing Accounts of the delivering Participants and credited to the Stock Clearing Accounts of the receiving Participants.

The only case where the Stock Clearing Account of a Participant will not be used is where a Participant other than an Investor Participant initiates delivery of Eligible Securities in

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CCASS to another Participant by the use of a “Delivery Instruction” or “DI”. In such a case, the delivering Participant may elect to make use of Eligible Securities in any stated Stock Accounts, other than the Stock Collateral Control Account or the TSF Accounts (if the delivering Participant is a TSF CCASS Participant), it has, including its Stock Segregated Accounts.

### **2.3.6 Stock Segregated Accounts**

In the case of Participants other than Investor Participants, Stock Segregated Accounts are provided to facilitate their internal record keeping. Each such Participant will have at least one Stock Segregated Account (with an assigned or reassigned account number of 2), which will be designated as its Entitlement Account. An Investor Participant will not be allocated Stock Segregated Accounts. Eligible Securities allocated to a Participant other than an Investor Participant as a result of Electronic Application Instructions for New Issue Shares or Tender Instructions will be credited to the Entitlement Account of the Participant.

Except in limited circumstances (eg. adjustment for errors made or adjustments to the Entitlement Account for outstanding benefit entitlements under the CNS System or in the event of default in payment of tender monies), HKSCC will not normally access the Eligible Securities in the Stock Segregated Accounts of a Participant, except in accordance with the instructions of that Participant.

Under the Rules, HKSCC may rectify erroneous credit entries made to the Stock Segregated Accounts of a Participant, including the right to debit the Stock Segregated Accounts of such Participant in respect of Eligible Securities deposited by it which are found to be defective. This may have an effect on third parties, such as the Participant's customers, who are not responsible for the defective Eligible Securities and who may be recorded on the Participant's books as having an interest in Eligible Securities in the Participant's Stock Segregated Account which were the subject of a debit by HKSCC under the Rules. Such third parties should pursue any claim to such securities against the Participant.

However, in the event of the insolvency, or similar proceeding, affecting the Participant, HKSCC will consider claims from the Participant, its liquidator or trustee in bankruptcy, concerning third parties who had an interest recorded on the Participant's book in relevant Eligible Securities in a Stock Segregated Account of the Participant at the time such account was the subject of a debit made by HKSCC under the Rules and who were not responsible for a deposit of defective Eligible Securities. If HKSCC is satisfied that such a claim has been established, HKSCC will normally undertake to return relevant Eligible Securities, or if that is not possible or reasonably practicable, as determined by HKSCC, to make money compensation by reference to the value of such Eligible Securities at the time the Stock Segregated Account was the subject of the debit made by HKSCC under the Rules (or the value at such other time as HKSCC shall consider to be fair and appropriate).

Depending on applicable law, HKSCC may make such a return of Eligible Securities or make money compensation to a liquidator or similar person appointed in relation to the relevant Participant. Notwithstanding the foregoing, HKSCC's obligations under this

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procedure shall in no event exceed the number of Eligible Securities debited from the relevant Stock Segregated Account by HKSCC under the Rules (or the value of such securities at the time of such debit) and HKSCC may in its discretion and if applicable, apportion return of Eligible Securities or money compensation in any manner it considers to be fair and appropriate.

### **2.3.7 Entitlement Account**

The Entitlement Account of a Participant will be used for the purpose of (a) receiving securities entitlements (whether or not Eligible Securities) accruing to Eligible Securities collected by HKSCC or its nominee on the Participant's behalf and (b) receiving Eligible Securities allocated to a Participant as a result of an electronic application instructions for New Issue Shares or a Tender Instruction which has been successful. The Entitlement Account will also be used for adjustments to be made for claims for benefit entitlements as a result of late deliveries under the CNS System (see Section 10.9). An Investor Participant will not be allocated an Entitlement Account, allocated securities will be credited to his Stock Clearing Account.

### **2.3.8 Opening and closing Stock Segregated Accounts**

If a Participant wishes to open additional Stock Segregated Accounts, close existing ones, or change account names, it must apply in the prescribed manner to HKSCC. HKSCC reserves the right not to entertain such requests. Participants are fully responsible for the opening, closing or changing the details of their Stock Segregated Accounts.

In respect of the maintenance of Stock Segregated Accounts other than SSA with Statement Service and Special Segregated Accounts, please see CCASS Terminal User Guide for Participants for the form.

In respect of the maintenance of SSA with Statement Service by Clearing Participants and Custodian Participants, the account maintenance functions are available for use by the Clearing Participants or Custodian Participants through their CCASS Terminals or Participant Gateways.

In respect of the maintenance of Special Segregated Accounts by Custodian Participants or GCPs which are not Exchange Participants, the account maintenance functions are available for use by the Custodian Participants or GCPs through their CCASS Terminals or Participant Gateways. Custodian Participants and GCPs are required to provide to HKSCC such information in respect of their Special Segregated Accounts and in such form as HKSCC may from time to time specify.

Upon the opening of a SSA with Statement Service, the Clearing Participant or Custodian Participant shall name a single SSA Statement Recipient in respect of that SSA with Statement Service and HKSCC is authorized under Section 3.4A to, among others, furnish advices, statements and reports relating to that SSA with Statement Service to the SSA Statement Recipient. Clearing Participants or Custodian Participants should furnish the necessary terms and conditions as specified by HKSCC from time to time to its SSA Statement Recipients.

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### **2.3.9 Names of Stock Segregated Accounts**

Other than the Entitlement Account, Participants may assign names to the other Stock Segregated Accounts in the manner from time to time prescribed by HKSCC.

### **2.3.10 Stock Collateral Control Account**

The Stock Collateral Control Account of a Clearing Participant or a Clearing Agency Participant which is a China Connect Clearing House will be used to record the Collateral Securities that have been transferred from the Stock Accounts of that Participant to its CCMS Collateral Account(s) to secure:

- (i) payment of Marks, Margin and/or Collateral payable by that Participant pursuant to the Rules;
- (ii) all 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) 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) the discharge and satisfaction of all other obligations (actual or contingent) of the Participant to HKSCC.

Such Collateral Securities will also secure HKSCC's waiver of computation of Marks and reduction of Marginable Position for computation of Margin required from the Participant.

### **2.3.11 Stock Lending Account**

The Stock Lending Account of a Participant will be used to take delivery of Eligible Securities which are made available by the Participant for stock lending to HKSCC on the terms of the Compulsory Stock Borrowing and Lending Regulations. A Participant other than an Investor Participant may apply to open a Stock Lending Account by completing, signing and submitting to HKSCC its prescribed form (see CCASS Terminal User Guide for Participants for the form).

### **2.3.12 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 with or without receiving an application from the Participant.

Cash in Hong Kong dollar and other currencies recorded as credit entries in any CCMS Collateral Account of the Participant are amounts paid by the Participant to HKSCC. The only obligation of HKSCC to the Participant shall be to pay such Participant an amount equal to the balance remaining after satisfaction of all obligations and liabilities (actual or



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contingent) of such Participant to HKSCC.

HKSCC shall have a first fixed charge over the Collateral Securities from time to time credited to any CCMS Collateral Account of the Participant and the Derived Assets.

Participants will not be allowed to use or withdraw the Collateral Securities credited to the CCMS Collateral Account of a Participant except as permitted by HKSCC (see Section 10.15).

Under the Rules, HKSCC may sell or apply the Charged Property of a Participant without further reference to the Participant and the only obligation of HKSCC to such Participant in respect of the Charged Property 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/or to return to such Participant the balance of the Charged Property remaining after satisfaction of the said obligations and liabilities (actual or contingent).

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.

### **2.3.13 TSF Accounts**

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 TSF CCASS Participant's main Stock Account where earmarking or de-earmarking of TSF Stocks is effected through the transfer of TSF Stocks into or out of this Account. The TSF Principal Account is the account which HKSCC may credit TSF Stocks to where a TSF Buy Exchange Trade has been settled and the account which HKSCC may debit earmarked TSF Stocks 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.

A TSF CCASS Participant may transfer its earmarked TSF Stocks between its TSF Principal Account and its TSF Segregated Account, by the input of an ATI or by the upload of an "ATI Batch File".

A TSF CCASS Participant may, transfer its earmarked TSF Stocks from its TSF Account to another TSF CCASS Participant's TSF Account, by the input of a SI or by the upload of a "SI Batch File".

A TSF CCASS Participant will not be allowed to withdraw the earmarked TSF Stocks directly from its TSF Accounts. Such Participant may release the TSF Stocks from its TSF Accounts to other Stock Accounts in CCASS, other than the Stock Collateral Control

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Account, an SSA with Statement Service or a Special Segregated Account, by inputting and authorising a “Stock Release Request” (see Section 12A.6.1) prior to any withdrawal being made.

#### **2.3.14 Stock Account mapping of GCPs registered as China Connect Clearing Participants**

To facilitate pre-trade checking by HKSCC for the purpose of determining the maximum amount of China Connect Securities that may be sold by a GCP or an NCCCP of a GCP in any one Trading day, a GCP applying for registration as a China Connect Clearing Participant to clear and settle China Connect Securities Trades for its own account or on behalf of an NCCCP shall notify HKSCC of the Stock Account mapping details for itself and for each of the NCCCPs it serves. Such notification shall be in such form as HKSCC may from time to time specify. A GCP shall give not less than 3 Business Days’ written notice to HKSCC of any changes to any of the Stock Account mapping details previously notified to HKSCC.

#### **2.3.15 Special Segregated Accounts**

To facilitate pre-trade checking by HKSCC for the purpose of determining the maximum amount of China Connect Securities that may be sold by a client of a Custodian Participant or a GCP which is not an Exchange Participant in any one Trading day, a Custodian Participant or a GCP which is not an Exchange Participant shall, upon the request of a client, designate a Special Segregated Account with an SPSA ID in CCASS to the client for the purpose of maintaining its holdings of China Connect Securities. The Custodian Participant or GCP shall give not less than five (5) Business Days’ written notice to HKSCC of (i) the designation of a Special Segregated Account to a client; (ii) the SPSA ID assigned by CCASS to the Special Segregated Account; (iii) details of the China Connect Exchange Participants that are authorised by the client to execute sell orders in China Connect Securities via the relevant Trading Link on its behalf; and (iv) changes in any of the information notified to HKSCC in respect of the Special Segregated Account. Each client may authorise up to twenty (20) China Connect Exchange Participants in respect of each Special Segregated Account to execute sell orders on its behalf and written notification of each such authorisation must be given by the Custodian Participant or GCP and the authorised China Connect Exchange Participant to HKSCC in such form as HKSCC may from time to time specify. Upon the request of a Master SPSA Holder, one or more Special Segregated Accounts may be mapped to a Master SPSA ID, in which case HKSCC will disregard information from a Custodian Participant or GCP with respect to any such Special Segregated Account and rely on information (including details of the authorised China Connect Exchange Participants) provided by the Master SPSA Holder.

If, after a sell order is executed for a client (whether or not it is a Master SPSA Holder) in respect of any China Connect Security in a Special Segregated Account, an SPSA Delivery Failure occurs, the China Connect Clearing Participant responsible for clearing and settling the resulting China Connect Securities Trade shall make a request to HKSCC to adjust, for the purpose of pre-trade checking, (i) where applicable, its sellable balance, (ii) the sellable balance of the relevant Special Segregated Account of the client, and (iii) where applicable, the sellable balance of the Special Segregated Account of any other client for whom the China Connect Clearing Participant is responsible for clearing and settling a buy trade in

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the same China Connect Security on the same Trading day and the delivery of the relevant quantity of the China Connect Security to the Special Segregated Account of such client is affected by the SPSA Delivery Failure.

The circumstances under which the request is made and the requirements and procedures for making the request shall be as prescribed by HKSCC and notified to CCASS Participants from time to time. If it is confirmed that the stated SPSA Delivery Failure has occurred and the quantity of the relevant China Connect Security in the Special Segregated Account involved in the SPSA Delivery Failure is sufficient for making the relevant adjustment, HKSCC will (i) deduct from the sellable balance of the Special Segregated Account involved in the SPSA Delivery Failure the failed delivery quantity, (ii) add to the sellable balance of the Special Segregated Account of any other affected client the relevant quantity to reflect the amount it bought in the same China Connect Security on the same Trading day; and (iii) add to the sellable balances of the relevant Stock Accounts of the China Connect Clearing Participant the difference, if any, after subtracting the quantity referred to in (ii) as aforesaid from the failed delivery quantity under the SPSA Delivery Failure. If all or part of the relevant China Connect Security has for any reason been transferred out of the Special Segregated Account involved in the SPSA Delivery Failure such that the quantity available is insufficient for making the relevant adjustment, HKSCC will make an adjustment as aforesaid up to the quantity available in the Special Segregated Account and may also adjust, for pre-trade checking purpose, the sellable balance of such other China Connect Clearing Participant or Special Segregated Account to which all or part of the failed delivery quantity of the China Connect Security has been transferred.

Any adjustment made by HKSCC shall only have the effect of adjusting the sellable balances for pre-trade checking purpose and will only apply to the following Trading day. The actual holdings of the Stock Accounts of a China Connect Clearing Participant or the holding in a Special Segregated Account will not be adjusted.

#### **2.3.16 Mapping of Special Segregated Accounts to a Master SPSA ID**

Where a Special Segregated Account is mapped by a Master SPSA Holder to a Master SPSA ID, HKSCC will notify the relevant Custodian Participant or the relevant GCP which is not an Exchange Participant of such mapping information and any changes thereto as provided by the Master SPSA Holder. The aggregate sellable balances of China Connect Securities in all the Special Segregated Accounts mapped to the same Master SPSA ID, and not those in the individual Special Segregated Accounts, shall be used to determine the maximum amount of China Connect Securities that may be sold through such Master SPSA ID on a particular Trading day. Each Special Segregated Account can be mapped to only one Master SPSA ID.

HKSCC will aggregate the sellable balance of the Special Segregated Accounts mapped to a Master SPSA ID on each Trading day to form the sellable balance of the Master SPSA ID for pre-trade checking purpose and the sellable balance of the relevant Special Segregated Accounts will be deemed to be zero on each such Trading day. Upon any Special Segregated Account ceasing to be mapped to a Master SPSA ID, the sellable balance of such Special Segregated Account will not be aggregated to the sellable balance of the

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Master SPSA ID and the sellable balance of such Special Segregated Account will be used for pre-trade checking in accordance with Section 2.3.15.

HKSCC shall be entitled to rely and act on the mapping information submitted by the Master SPSA Holder, and shall not be responsible for any inaccuracies, omissions or errors in relying or acting on such mapping information.

## **2.4 MONEY LEDGER**

### **2.4.1 Use of Money Ledger**

Each Participant will have a Money Ledger for each Eligible Currency in CCASS, or, in the case of a Clearing Agency Participant which is a China Connect Clearing House, will have a Money Ledger for each Eligible Currency for each set of Stock Accounts allocated to it in CCASS, and references in the Rules to the Money Ledger of 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 Money Ledger in respect of an Eligible Currency allocated to it in respect of each Special Participant or the relevant Special Participant, unless the context requires otherwise. The Money Ledger of a Participant will be used to record its money positions owed to or due from HKSCC in that Eligible Currency (and in respect of the relevant Special Participant in the case of a Clearing Agency Participant participating in CCASS in its capacity as a China Connect Clearing House).

### **2.4.2 Sub-accounts of a Money Ledger**

A Money Ledger of a Participant in respect of an Eligible Currency may consist of the following sub-accounts :

- (i) Settlement Account;
- (ii) Marks and Margin Account;
- (iii) [Repealed];
- (iv) Entitlements Account;
- (v) Billing Account; and
- (vi) Miscellaneous Account.

Only Clearing Participants and any Clearing Agency Participant which is a China Connect Clearing House will have the first two sub-accounts, namely the Settlement Account and the Marks and Margin Account. All these sub-accounts are relevant to the operation of the CNS System.

The sub-accounts of a Money Ledger are used to categorise the money positions of a Participant in an Eligible Currency in CCASS by their nature. For example, money positions arising from the delivery of Eligible Securities under the CNS System in an

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Eligible Currency will be booked to the Settlement Account in that Eligible Currency. The stock lending fee payable to a Lender under a Compulsory Stock Borrowing Transaction will be booked to the Lender's Miscellaneous Account.

### **2.4.3 Money not held by HKSCC**

Unlike Eligible Securities, a Participant's money is in most cases not actually deposited with or held by HKSCC. Such money is in fact usually held in the Designated Bank(s) of the Participant.

The Money Ledger of a Participant is merely a statement of the outstanding money positions in an Eligible Currency between that Participant and HKSCC, to be settled between them.

Money obligations between a Participant and HKSCC in an Eligible Currency which are recorded in the sub-accounts of its Money Ledger will be settled on a daily basis at day end by HKSCC issuing "Direct Debit Instructions" or "DDIs" or "Direct Credit Instructions" or "DCIs" to the Designated Bank of the Participant, except that (i) money obligations of CNS stock positions in China Connect Securities will be settled on a daily basis by HKSCC issuing "CHATS Payment Instructions" or "CPIs" to the Designated Bank of the Participant or a bank designated by HKSCC on the following Business Day; (ii) Intra-day Payments during a Business Day or a Settlement Day will be effected on the same day by way of "Intra-day Payment Instructions" or "IPIs" issued to the Designated Bank of the Participant and the Clearing House of HKAB, where applicable, for certain money obligations in Hong Kong dollars at around 2:30 p.m. or such other time as may be specified by HKSCC; (iii) the Billing Account for Participants other than Investor Participants will be settled in Hong Kong dollars by EPIs on a weekly basis and the Billing Accounts for Investor Participants will be settled in Hong Kong dollars by DDIs on a monthly basis; and (iv) dividend collection fees and interest collection fees will be collected by HKSCC in the Eligible Currencies in which the relevant securities are denominated and deducted by HKSCC at source before payment. Please refer further to Section 14.

Money obligations as between Participants arising out of the settlement of transactions in CCASS on a trade for trade basis or as a result of Electronic Application Instructions for New Issue Shares are not recorded in the Money Ledgers of Participants. Details of such money obligations are set out in the statements, the Settlement Reports or the EIPO Application Reports (as the case may be) of Participants, which are available on a daily or activity driven basis. HKSCC will also facilitate settlement of such money obligations. Please refer further Sections 11.5, 12.1.7 and 12.3.7.

## **2.5 AUTHORISED SIGNATORIES**

**2.5.1** Subject to 2.5.2, each Participant (other than an Investor Participant) must provide HKSCC with a list of authorised persons as its Authorised Signatories to give written instructions to HKSCC in connection with any matters relating to its participation and operations in CCASS and to perform, inter alia, any or all of the following functions on behalf of the Participant:-

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- (a) authorise deposits and withdrawals of securities into and from its Stock Accounts, other than Stock Collateral Control Account or TSF Accounts (if the Participant is a TSF CCASS Participant), in CCASS and sign and submit the relevant forms to HKSCC, and “sign”, in relation to Stock Deposit Forms, includes the affixing or making of a stamped impression of the signature;
  - (b) establish the list of its "Authorised Users" and RMS Authorised Users in CCASS and, where applicable, their "Access Level" and "Input Transaction Limit" as described in the respective Sections 3.4.1, 3.4.2, 3.5.3, 3.5.4 and 3.5A of the Operational Procedures and sign and submit the relevant forms to HKSCC;
  - (ba) authorise and/or amend the list of its "Delegated Administrators" and RMS Delegated Administrators in CCASS and, where applicable, their "Administration Rights" as described in the respective Sections 3.3.1, 3.3.2, 3.5.2 and 3.5A of the Operational Procedures, and sign and submit the relevant forms to HKSCC;
  - (c) authorise change of its Designated Bank or Designated Bank Account for CCASS money settlement and sign and submit the relevant forms to HKSCC;
  - (d) authorise the installation of additional CCASS Terminal(s) and additional Participant Gateway(s) and sign and submit the relevant forms to HKSCC;
  - (e) notify HKSCC of any changes in any of the information provided in relation to its application for admission as a CCASS participant, including company name, Designated Officer or Alternate Designated Officer and correspondence address by signing and submitting the relevant forms to HKSCC; and
  - (f) authorise Transfer Instructions.

**2.5.2** A Corporate Investor Participant may appoint up to six persons as its Authorised Signatories to give written instructions to HKSCC in connection with any matters relating to its participation and operations in CCASS including, inter alia, the deposit and withdrawal of securities from its Stock Account in CCASS, amending the list of its "Authorised Users" in CCASS, notifying HKSCC of changes to its Designated Bank Account and any changes in any information provided to HKSCC. For the avoidance of doubt, Individual and Joint Individual Investor Participants are not entitled to appoint Authorised Signatories.

**2.5.3** Participants must inform HKSCC at least five Business Days in advance of any change in their lists of Authorised Signatories by completing and submitting the prescribed documents to HKSCC.

**2.5.4** A Joint Individual Investor Participant is deemed to have authorised HKSCC to accept instructions (a) from any one individual member in relation to deposits, withdrawals, affirm ISIs, Electronic Application Instructions for New Issue Shares, Tender Instructions,

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Transfer Instructions, instructions relating to nominee activities and enquiries on the Stock Account and (b) from all individual members in relation to changes to its Designated Bank Account, changes to any details of the Joint Individuals Investor Participant previously provided and termination of its participation in CCASS.

## **2.6 DESIGNATED OFFICER AND ALTERNATE DESIGNATED OFFICER**

Each Participant other than an Investor Participant must designate a person as its Designated Officer, and in his absence, an Alternate Designated Officer as being the person to be contacted by HKSCC in case of need in respect of matters relating to such Participant's daily operations in CCASS.

Each Corporate Investor Participant must designate a person resident in Hong Kong as its Designated Officer as being the person to be contacted by HKSCC in case of need. A Corporate Investor Participant is not entitled to appoint an Alternate Designated Officer.

Participants other than Individual and Joint Individual Investor Participants are requested to channel all enquiries through the Designated Officer or the Alternate Designated Officer of such Participant to HKSCC in respect of all CCASS operational matters relating to the Participant.

Participants (other than Corporate Investor Participants) must inform HKSCC in writing of any change of their Designated Officer and/or Alternate Designated Officer and Corporate Investor Participants must inform HKSCC in writing of any change of their Designated Officer by completing and submitting the prescribed form at least three Business Days before the change takes effect.

## **2.7 LIST OF PARTICIPANTS**

HKSCC will maintain a list of Participants which does not include the names of Investor Participants on HKEX Website.

## **2.8 APPEAL TO THE PARTICIPANT ADMISSION APPEALS COMMITTEE**

### **2.8.1 Membership of the Participant Admission Appeals Committee**

The Participant Admission Appeals Committee shall have 3 members, and all 3 members must attend the hearing to form a quorum. The three members shall be:

- (a) the chairman of the Participant Admission Appeals Committee who shall be an independent non-executive director of HKEX to be appointed by the chairman of HKEX;
- (b) a director of the Board who is not involved in the day to day operations of HKSCC to be appointed by the chairman of the Participant Admission Appeals Committee; and
- (c) an independent non-executive director of HKEX to be appointed by the chairman of the Participant Admission Appeals Committee.

### **2.8.2 Secretary**

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The Participant Admission Appeals Committee shall have a secretary to carry out any administrative functions.

### **2.8.3 Time for appeal**

If HKSCC rejects an application to admit as a Participant, the applicant (other than applicant for Investor Participanship) may appeal to the Participant Admission Appeals Committee by service of a notice in writing to the secretary within 14 Business Days of being notified of HKSCC's decision.

### **2.8.4 Notice of appeal**

A notice of appeal shall set out the name of the appellant, the decision appealed against, the grounds of appeal, all material facts and attaching copies of all documents relevant to the appeal.

The appellant shall provide HKSCC with all information for the application to admit as a Participant before seeking to appeal against HKSCC's rejection.

The appellant shall not seek to present to the Participant Admission Appeals Committee new information or evidence that was not previously submitted with its application to admit as a Participant.

If the secretary upon receipt of the appeal application discovers that the appellant seeks to adduce any new information, the secretary shall request the appellant to withdraw its appeal application and re-submit an application to admit as a Participant.

### **2.8.5 Notice of hearing**

The Participant Admission Appeals Committee shall fix a date for the hearing within 30 Business Days after receipt of the appellant's written application together with the information required under first paragraph of Section 2.8.4 and the secretary shall notify the appellant of the date of hearing.

The secretary's notice to the appellant shall set out the time, date and place of the hearing and shall be delivered to the business address of the appellant by hand or by registered mail no later than 14 Business Days before the hearing.

### **2.8.6 Attendance**

The hearing will be held in private. The appellant can attend the hearing by the personal attendance of an appropriate and authorised representative.

The appellant shall have the right to be represented by a solicitor and/or counsel at the hearing before the Participant Admission Appeals Committee. If the appellant wishes to be represented by a solicitor and/or counsel at the hearing before the Participant Admission Appeals Committee, it shall notify the secretary of the name of the solicitor and/or counsel representing it at least 7 Business Days before the hearing takes place.

The Participant Admission Appeals Committee may seek external legal representation at the hearing.

At least 3 Business Days before the hearing, the appellant shall provide the secretary with a list of all persons attending the hearing and the respective capacity in which such persons will attend the hearing.



If the appellant fails to attend the hearing before the Participant Admission Appeals Committee, the Participant Admission Appeals Committee hearing may proceed in the absence of the appellant and dispose of the matter in whatever manner as it sees fit.

**2.8.7 The hearing**

The appellant and/or its legal representatives may make an oral presentation or submission before the Participant Admission Appeals Committee in the hearing. The Participant Admission Appeals Committee may ask any persons attending the hearing any questions relevant to the admission application.

At any hearing, the Participant Admission Appeals Committee may, at its full discretion, admit or reject any evidence adduced, whether oral or written, and attach such weight to the evidence as the Participant Admission Appeals Committee considers appropriate in its discretion.

**2.8.8 Decisions on appeal**

The Participant Admission Appeals Committee will consider the evidence, written and oral, presented to it in coming to its decision.

The secretary shall notify the appellant in writing of the decision of the Participant Admission Appeals Committee as soon as practicable and in any event no later than 30 Business Days after the hearing. The decision of the Participant Admission Appeals Committee shall be final and conclusive.