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## Section 12

### Non-Exchange Trades – SI Transactions, Clearing Agency Transactions, ISI Transactions, Transfer Instructions and Non-Trade Transfers in China Connect Securities

#### 12.1 SI TRANSACTIONS (BETWEEN PARTICIPANTS OTHER THAN INVESTOR PARTICIPANTS)

##### 12.1.1 Details of SI Transactions

For transactions between Participants to be settled in CCASS other than Exchange Trades, China Connect Securities Trades, Clearing Agency Transactions, Isolated Trades and ISI Transactions, each of the two Participants concerned must, on each occasion, input a Settlement Instruction or SI into CCASS, containing the relevant details required by HKSCC.

For convenience, such transactions are referred to as "SI Transactions".

SI Transactions can include broker-custodian transactions, stock borrowing/lending transactions, stock pledging transactions and portfolio movements of Eligible Securities in CCASS.

##### 12.1.2 Input SIs

###### (i) Details of SIs

The data input fields of an SI are:

- (a) Instruction type (D - deliver, or R - receive);
- (b) Counterparty code;
- (c) Settlement date (this must be a Settlement Day);
- (d) ISIN and/or Stock code;
- (e) Quantity of Eligible Securities;
- (f) Stock settlement account;
- (g) Payment instruction (DVP - Delivery versus payment, or FOP - free of payment, or RDP - Realtime Delivery versus Payment);
- (h) Money value (if DVP/RDP);
- (ha) Settlement currency
- (i) Client account number;

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- (j) Client name;
  - (k) Purpose of SI (C - broker-custodian transaction, L - new stock borrowing/lending, P - stock pledging, M - portfolio movement, R - return/recall of stock borrowing/lending transaction);
  - (l) DI required to initiate settlement (Y - yes or N - no);
  - (m) Internal transaction reference;
  - (n) SI linkage reference;
  - (o) Remarks;
  - (p) Hold Matched SI required to hold settlement of a matched SI (Y – yes or N – no); and
  - (q) Processing reference.

Items (a) to (e), item (g), item (h) and, insofar as portfolio movement transactions are concerned, item (i) are mandatory input and matching fields.

In relation to item (f), Participants may input the delivering or receiving Stock Account for settlement of a SI. If item (f) is not input by the delivering or receiving Participant, the Stock Clearing Account of the Participant will be used to make or take delivery of Eligible Securities for the purpose of settlement of the SI Transaction. If a TSF CCASS Participant inputs a TSF Account for item (f), notwithstanding the fact that the SI may be matched in accordance with Section 12.1.3, settlement of the SI Transaction will only take effect if the counterparty of the related SI has also input a TSF Account for item (f).

In relation to item (h), Participants may elect to accept a predefined tolerance limit determined by HKSCC whereupon two related SIs inputted with different money values but within the tolerance limit may still be matched by CCASS.

Item (ha) is a matching field. If a Participant does not elect an Eligible Currency as the settlement currency for item (ha), the settlement currency for matching will be the currency for trading of the relevant Eligible Security on the Exchange.

Insofar as broker-custodian transactions are concerned, item (i) is a matching field if both delivering and receiving Participants have inputted a client account number. Insofar as portfolio movement transactions are concerned, item (i) is a mandatory input and matching field.

For SIs to effect stock borrowing or lending transactions or return or redelivery of borrowed securities, Participants may input the relevant information into item (k) which is not a

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mandatory input and matching field.

In relation to item (l), unless the delivering Participant selects otherwise, the input of a DI by the delivering Participant will not be required (i.e. the SI Transaction will be included in the next Batch-settlement-run).

Item (n) is not a mandatory input and matching field. A Participant wishing to apply the on-hold mechanism to the Eligible Securities received upon the settlement of a SI Transaction for the specific purpose of settling the obligation to deliver under another SI Transaction (with identical details in respect of stock code, settlement date and stock settlement account) to which the Participant is the delivering party is required to assign an identical SI linkage reference to both SIs when the Participant inputs the instructions into CCASS.

In relation to item (p), unless the Participant selects otherwise, settlement of the SI Transaction will not be put on hold after successful matching (i.e. the SI Transaction will be included in the next Batch-settlement-run or settled by the input of a DI by the delivering Participant after successful matching).

Participants have to include details of the mandatory input and matching fields in an SI. Otherwise, an SI will not be accepted for input into CCASS by HKSCC. HKSCC reserves the right to impose other requirements for SIs from time to time.

For internal record-keeping purposes, a Participant may incorporate additional information into SIs by using the relevant input fields.

**(ii) SI Input Number**

Each SI input into CCASS by a Participant will be assigned a unique number by HKSCC for ease of identification. This number, referred to as the SI Input Number, should be used by the Participant in relation to further instructions or communication with HKSCC in relation to the SI in question.

**(iii) SI batch file transfer**

HKSCC also offers an SI batch file transfer service to Participants (see Section 12.1.9 for further details).

### **12.1.3 Matching of SIs**

SIs input into CCASS and, if required, authorised by Participants will be subject to matching.

Matching of SIs in CCASS is conducted at stated times in CCASS on each Settlement Day in accordance with Sections 6.2.1 and 6.2.2.

In addition, for Eligible Securities other than China Connect Securities, a further SI matching run is conducted immediately preceding the last Batch-settlement-run on each Settlement Day. This is intended to ensure that all SIs input into CCASS and, if required, authorised before 3:45 p.m. (the scheduled time for the last Batch-settlement-run) will have

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a chance to be matched for settlement the same day.

The exact time of matching of the two SIs of an SI Transaction will be recorded in the system. The settlement processing priority of SI Transactions under the Batch-settlement-run is set out in Section 13.3.4.

After successful matching, a unique reference number, the Settlement Position Number, is assigned to the relevant SI Transaction for ease of identification.

#### **12.1.4 Purging of SIs**

Matched SIs, matched on-hold SIs, unmatched SIs and pending SIs may from time to time be purged from CCASS by HKSCC. The purging of SIs is initiated by HKSCC and not by the Participants.

Matched SIs and matched on-hold SIs which remain unsettled will be purged from CCASS fourteen calendar days after the stipulated Settlement Day (or if the fourteenth calendar day falls on a day which is not a Business Day, the Business Day immediately preceding the fourteenth calendar day).

Unmatched SIs and pending SIs will be purged from CCASS fourteen calendar days after input (or if the fourteenth calendar day falls on a day which is not a Business Day, the Business Day immediately preceding the fourteenth calendar day).

#### **12.1.5 SI Functions Available for Use**

Various SI functions are available for use by Participants through their CCASS Terminals and Participant Gateways. To access the relevant SI, a Participant will need to key into its CCASS Terminal or Participant Gateway the SI Input Number of such SI.

At any time before matching, all data input fields of an SI may be changed by a Participant through the "Change SI" function. Once matched, the only input data of an SI which can be changed are the DI requirement field (see item (l) of Section 12.1.2(i)) through the "Change DI Requirement" function (see further Section 13.2.3), the Hold Matched SI requirement field (see item (p) of Section 12.1.2(i)) through the "Change Hold Matched SI" function and certain non-matching input fields, namely, the stock settlement account, client name, internal transaction reference, SI linkage reference, remarks and Processing reference fields (see items (f), (j), (m), (n), (o) and (q) of Section 12.1.2(i)) through the "Change Matched/Settled SI" function.

At any time before a matched SI is settled, either the delivering or the receiving Participant may revoke the SI with matched or matched on-hold status through the "Revoke Matched SI" function. In the case of a SI Transaction which is to be settled on a RDP basis, where Eligible Securities have been put on hold in the delivering Participant's Stock Account (i.e. the SI Transaction status is "Shares On-hold"), only the receiving Participant is allowed to revoke the SI, and where the SI Transaction status has been updated to "Payment Validated", neither the delivering nor the receiving Participant is allowed to revoke the SI.

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Participants should refer to the CCASS Terminal User Guide for further information on the SI functions available for use by Participants.

### 12.1.6 Settlement of SI Transactions

**(i) Trade-for-trade basis**

Settlement of SI Transactions in CCASS is effected on a trade-for-trade basis, directly between the Participants concerned.

**(ii) Batch-settlement-runs**

Unless specifically excluded from Batch-settlement-runs by the delivering Participant specifying that the input of a DI is necessary or by either or both of the delivering and receiving Participants specifying that settlement shall be put on hold (see Section 12.1.2(i)), SI Transactions will be included in the multiple Batch-settlement-runs effected on each Settlement Day. In the case of settlement on a DVP basis, relevant Eligible Securities in the relevant Stock Account of the delivering Participant (see item (f) of Section 12.1.2(i)) will be automatically debited and then credited to the relevant Stock Account of the receiving Participant (see item (f) of Section 12.1.2(i)). In the case of settlement on a RDP basis, relevant Eligible Securities in the relevant Stock Account of the delivering Participant will be put on-hold and, subject to receipt of confirmation of payment of such transactions from the Clearing House of HKAB, automatically debited from the delivering Participant's Stock Account and credited to the relevant Stock Account of the receiving Participant.

**(iii) Delivery Instructions**

A delivering Participant can also initiate settlement of an SI Transaction on or after its due date by the input of a DI.

If an SI Transaction is specified by the delivering Participant to be excluded from Batch-settlement-runs at the time of input of the relevant SI through the DI requirement field or subsequently through the use of the "Change DI Requirement" function, the delivering Participant will have to input a DI to effect settlement of such SI Transaction in CCASS. Where the settlement of such SI Transaction is also specified by either or both of the delivering and receiving Participants to be put on-hold through the Hold Matched SI requirement field, the delivering Participant will have to input a DI to effect settlement of the SI Transaction in CCASS after the matched on-hold status has been released by the initiating party or parties, as the case may be.

In the case of an SI Transaction to be settled in CCASS on a RDP basis by a DI, available shares in the relevant Stock Account of the delivering Participant will be put on-hold and settlement will be effected by CCASS upon receipt of confirmation of payment of such transaction from the Clearing House of HKAB.

**(iv) On-line delivery**

If an SI Transaction is to be settled in CCASS on RDP basis, on-line immediate

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delivery of Eligible Securities will be effected by CCASS upon receipt of confirmation of payment of such transaction from the Clearing House of HKAB.

**(v) No partial delivery**

Partial delivery in respect of an SI Transaction will not be allowed in CCASS.

**(vi) China Connect Securities**

Input and matching of SIs relating to China Connect Securities will be conducted at stated times in CCASS on each Business Day in accordance with Section 6.2.2. SI Transactions in China Connect Securities inputted into CCASS on a Business Day will be settled in the Batch-settlement-runs or by the use of DI.

Notwithstanding any other provision in the Rules, the following shall apply to SIs relating to China Connect Securities:

- (a) Repealed
- (b) Repealed
- (c) SIs which involve the delivery by a China Connect Clearing Participant of a China Connect Security from its Stock Accounts will only be effected in the first to fourth Batch-settlement-runs provided that such Stock Accounts are Special Segregated Accounts or that the China Connect Clearing Participant has no outstanding short stock position in such China Connect Security under the CNS System ; and
- (d) Repealed
- (e) in the event that a China Connect Clearing Participant has any short stock positions in a China Connect Security under the CNS System which are outstanding for settlement on the due date after the fourth Batch-settlement-run, SIs which involve the delivery by the China Connect Clearing Participant of such China Connect Security from its Stock Accounts will only be effected under the following circumstances:
  - (i) where the overdue short positions are solely due to the failure of the China Connect Clearing Participant to transfer such China Connect Securities to its Stock Clearing Account for CNS settlement, but the China Connect Clearing Participant has since transferred sufficient quantity of China Connect Securities to its Stock Clearing Account; or
  - (ii) where the overdue short positions are solely due to an SPSA Delivery Failure and a request for adjustment has been submitted to HKSCC in accordance with Section 2.3.15; or
  - (iii) where the overdue short positions are partly due to an SPSA Delivery Failure and partly due to the failure of the China Connect Clearing Participant to transfer such China Connect Securities to its Stock Clearing Account for CNS settlement, and (i) in respect of the SPSA Delivery

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Failure, a request for adjustment has been submitted to HKSCC in accordance with Section 2.3.15 and (ii) in respect of the overdue short position which are not due to SPSA Delivery Failure, the China Connect Clearing Participant has since transferred sufficient quantity of China Connect Securities to its Stock Clearing Account.

### **12.1.7 Money Settlement for SI Transactions**

The two Participants to an SI Transaction will have to state in their SIs whether settlement of the SI Transaction is to be on a RDP, DVP or FOP basis.

If settlement is to be on a RDP or DVP basis, the money value of the SI Transaction should also be included in their SIs. Both stock delivering and stock receiving Participants must maintain a Designated Bank Account in the relevant Eligible Currency for money settlement purposes.

Input data concerning (i) whether the SI Transaction is to be on a RDP, DVP or FOP basis, and (ii) the money value (if on a RDP or DVP basis) are mandatory and matching fields of SIs.

For SI Transactions relating to Eligible Securities other than China Connect Securities to be settled in CCASS on a DVP basis, upon settlement in CCASS, HKSCC will issue EPIs in the normal way to the Designated Banks of the Participants concerned to effect payment between them. HKSCC's role is merely as a facilitator. The Settlement Reports of the Participants will show the relevant entries and details of the relevant EPIs.

For SI Transactions relating to China Connect Securities to be settled on a DVP basis, upon settlement in CCASS, HKSCC will issue EPIs in the normal way to the Designated Banks of the Participants concerned to effect payment between them for value on the same day. In respect of EPIs generated in RMB, Designated Banks which provide Night Settlement services are required to issue payment confirmation by no later than 9:20 p.m. on the same day in respect of each EPIs where the paying or receiving Designated Bank provides Night Settlement services. In respect of other EPIs generated in other Eligible Currencies or in RMB but not included in same day Night Settlement, Designated Banks are required to issue payment confirmation by no later than 9:30 a.m. on the following Business Day. HKSCC's role is merely as a facilitator. The Settlement Reports of the Participants will show the relevant entries and details of the relevant EPIs.

For SI Transactions to be settled in CCASS on a RDP basis, upon the Eligible Securities being put on-hold in the delivering Participant's Stock Account, HKSCC will issue CPIs to the Designated Banks of the Paying Participants to effect payment. HKSCC's role is merely as a facilitator. The Settlement Reports of the Participants will show the relevant entries and details of the relevant payments.

### **12.1.8 Relevant CCASS Reports**

#### **(i) Reports available**

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Four sets of reports relating to SI transactions are available in CCASS, namely:

- (a) the SI Activity Report;
- (b) the SI Status Report;
- (c) the Intra-day ISI/SI Full List; and
- (d) the Unmatched SI Report.

The reports are available for retrieval via CCASS Terminals and Participant Gateways. Please refer to Section 16.6 and the CCASS Terminal User Guide for Participants for details.

**(ii) SI Activity Report**

This report shows details of SIs that are matched, matched on-hold, revoked, or purged by CCASS on each Business Day or Mainland Business Day in the case of SIs relating to China Connect Securities, and lists SI input activities (including input, change, change matched on-hold, authorise, delete and revoke instructions) and maintenance activities of the “Hide Unmatched SI Content Counterparty List” function on that day.

**(iii) SI Status Report**

This report lists all SIs of a Participant which remain pending or unmatched at the end of each Business Day or Mainland Business Day in the case of SIs relating to China Connect Securities, SIs that are matched but are not yet due for settlement on the following Settlement Day, as well as SIs that are matched but whose settlement has been put on-hold.

**(iv) Intra-day ISI/SI Full List**

In relation to Eligible Securities other than China Connect Securities, the report shows details of due/overdue ISIs/SIs in such Eligible Securities of a Participant on the current Business Day with status as of the completion of each Batch-settlement-run and of the completion of each of the fifth, sixth, eighth and final SI matching runs. Details of SIs that are due on a future day are also included in the reports generated after the final Batch-settlement-run.

In relation to China Connect Securities, the report shows details of due/overdue SIs in China Connect Securities of the Participant on the current Mainland Business Day with status as of the completion of each of the Batch-settlement-runs and of the completion of each of the SI matching runs for China Connect Securities. Details of SIs that are due on a future day are also included in the reports generated after the final Batch-settlement-run for settlement of SI stock positions only.

**(v) Unmatched SI Report**

This report shows the details and reasons of the unmatched SIs on the current Business Day or Mainland Business Day in the case of SIs in China Connect Securities as of the completion of each SI matching run. Where a Participant has specifically elected not to disclose its input data regarding an unmatched SI to the counterparty Participant via the “Hide Unmatched SI Content Counterparty List” function, only the SI Input Number and Participant ID/name of the Participant



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together with the unmatched reasons would be shown in the Unmatched SI Report of the counterparty Participant and the other details of the unmatched SIs will not be shown.

### **12.1.9 SI Batch File Transfer Service**

#### **(i) Details of service**

The use of the SI batch file transfer service by a Participant will avoid the need for it to manually key in SIs into CCASS on each occasion. Instead, a Participant using this service will be able to transfer to HKSCC a "file" containing details of SIs already recorded in its own computer system.

#### **(ii) Technical procedural requirements**

Participants using this service have to develop their own computer software to prepare a batch file containing SIs in their own computer systems, according to the file format and record layout stipulated by HKSCC from time to time.

For procedural requirements, please refer to the CCASS Terminal User Guide.

#### **(iii) Hours of service**

The SI batch file transfer service is available for use on each Business Day between the hours of 7:15 a.m. and 7:30 p.m.

### **12.1.10 HKSCC not Responsible for SI Transactions**

HKSCC are not responsible for any default by Participants in respect of SI Transactions. Participants themselves will have to pursue counterparty Participants in default.

### **12.1.11 Adjustments of Entitlements for Late Deliveries**

In case of late deliveries in respect of SI Transactions, where adjustments of benefits entitlements accruing to Eligible Securities have to be made, Participants will themselves have to pursue counterparty Participants in default. No adjustment facilities will be offered by HKSCC.

## **12.2 CLEARING AGENCY TRANSACTIONS**

### **12.2.1 Details of Clearing Agency Transactions**

Clearing Agency Transactions are transactions between Participants and in the case of GCPs, including their NCPs and a Clearing Agency Participant. Arrangements have been made by HKSCC for details of Clearing Agency Transactions to be reported to it by the Clearing Agency Participant on each Business Day. Participants do not need to separately input details of Clearing Agency Transactions into CCASS. However, HKSCC reserves the right to require Participants concerned to provide details of Clearing Agency Transactions to it.

The details of Clearing Agency Transactions shall be reported to HKSCC by the Clearing Agency Participant at such time on each Business Day as agreed between HKSCC and the Clearing Agency Participant.

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Clearing Agency Transactions will be settled in CCASS under the CNS System unless they are isolated from the CNS System by the Clearing Agency Participant or unless they are isolated from the CNS System by HKSCC. For risk management reasons or where other circumstances warrant, the Clearing Agency Transactions will sometimes be settled under the Isolated Trades System.

### **12.2.2 Confirmation of acceptance under the CNS System or the Isolated Trades System**

The second batch of PCSs issued by HKSCC to Clearing Agency Participants and any other Participant which is a party to a Clearing Agency Transaction at or about 8:00 p.m. will contain, inter alia, details of all Clearing Agency Transactions of that day. Acceptance by HKSCC of a Clearing Agency Transaction for settlement in CCASS under the CNS System will occur when HKSCC is satisfied that such Clearing Agency Transaction is valid and payments in respect of all daily money settlement instructions given by HKSCC and the Clearing Agency Participant have been effected on the Business Day following the day of the transaction. Final confirmation of acceptance of a Clearing Agency Transaction under the CNS System or the Isolated Trades System will occur when details of the Clearing Agency Transaction are contained in the FCSs issued by HKSCC to the Clearing Agency Participant and any other Participant which is a party to the Clearing Agency Transaction at or about 2:00 p.m. on the Business Day following the day of the transaction.

For settlement purpose, the Clearing Agency Transactions are subject to the process of netting if they are settled under the CNS System or denoted as Isolated Trades if they are settled under the Isolated Trades System. Such information is shown in the second batch of PCSs, the FCSs and other relevant CCASS reports (such as the Settled Position Reports, Settlement Reports, Next Settlement Day Due/Overdue Position Reports). Clearing Agency Transactions settled under the Isolated Trades System are easily identified as one of the counterparties will always be a Clearing Agency Participant.

For Clearing Agency Transactions settled under the CNS System, they will go through the processes of substitution (where applicable), novation, daily netting and cross-day netting (in the manner described in Section 10.3) together with those Exchange Trades settled under the CNS System so that one CNS short or long position will be arrived on each Settlement Day for each Eligible Security, i.e., a net long or net short stock position for each Eligible Security. Such net long or net short stock position in each Eligible Security will be assigned a unique Settlement Position Number. Each Clearing Agency Transaction to be settled under the Isolated Trades System will be assigned a unique Settlement Position Number for reference purpose. The Settlement Position Numbers of the Clearing Agency Transactions will be set out in the FCSs.

Hard copies of PCSs and FCSs can be obtained by Clearing Agency Participants and any other Participant which is a party to a Clearing Agency Transaction via their CCASS Terminals or Participant Gateways.

### **12.2.3 HKSCC's guarantee for Clearing Agency Transactions**

Since the acceptance for settlement under the CNS System involves the substitution of HKSCC as settlement counterparty, a form of "guarantee" is in effect provided by HKSCC

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to Participants in respect of Clearing Agency Transactions accepted for settlement under the CNS System.

In respect of Clearing Agency Transactions settled under the Isolated Trades System, HKSCC is not responsible for any default by the relevant Participants and the relevant Participant will have to pursue its counterparty Participant in default of the Clearing Agency Transactions settled under the Isolated Trades System.

#### **12.2.4 Settlement of Clearing Agency Transactions**

Where the Clearing Agency Transactions are settled under the CNS System, the settlement process for Exchange Trades (see Section 10.4) shall apply to both HKSCC and the Participants which are parties to the Clearing Agency Transactions.

Settlement of Clearing Agency Transactions in CCASS under the Isolated Trades System is effected on a trade-for-trade basis, directly between the Participant and the Clearing Agency Participant concerned.

In respect of Clearing Agency Transactions to be settled under the Isolated Trades System, settlement of such Clearing Agency Transactions can be effected either under the Batch-settlement-runs conducted on each Settlement Day by HKSCC or by the delivering Participants initiating settlement on or after the due dates of the Clearing Agency Transactions by the input of DIs.

Clearing Agency Transactions to be settled under the Isolated Trades System will be included in Batch-settlement-runs unless at any time before settlement, the delivering Participants make use of the "Change DI Requirement" function available through their CCASS Terminals or Participant Gateways to specify that DIs must be input by them to effect settlement.

No partial delivery is allowed for such Clearing Agency Transactions except where delivery is on an FOP basis.

#### **12.2.5 Example (settlement of Clearing Agency Transactions)**

- (i) Settlement of Clearing Agency Transactions under the CNS System  
Where the Clearing Agency Transactions are accepted for settlement under the CNS System, they will go through the same processes as Exchange Trades settled under the CNS System. Please refer to section 10.3 for details relating to the process of netting for novation, daily netting and cross-day netting of Clearing Agency Transactions.
- (ii) Settlement of Clearing Agency Transactions under the Isolated Trades System  
On due settlement day Clearing Agency Participant would like to settle the first Clearing Agency Transaction (TRN: 00000001) using stock X available in its Stock Clearing Account.

For the second Clearing Agency Transaction (TRN: 00000002), the Clearing Agency Participant has only 6,000 stock Y available in its Stock Segregated Account 05. It

agrees with Participant B to deliver the 6,000 stock Y for partial settlement upon receipt of payment from Participant B. (Partial delivery is only allowed for Clearing Agency Transactions settled on a FOP basis.)

Clearing Agency Participant inputs the following DIs to effect settlement in CCASS :

<b>TRN</b>	<b>Payment Instruction</b>	<b>Delivering Stock Account</b>	<b>Stock</b>	<b>Delivering Quantity</b>
00000001	DVP	Clearing A/C 01	X	5,000
00000002	FOP	Segregated A/C 05	Y	6,000

### 12.2.6 Money Settlement for Clearing Agency Transactions

#### (i) Settlement under CNS System

Where the Clearing Agency Transactions are settled under the CNS System, they will be subject to the process of netting with those Exchange Trades settled under the CNS System. After daily netting and cross-day netting, one CNS long or short position for each Eligible Security will be created on each Settlement Day for settlement under the DVP basis.

Where the Clearing Agency Transactions are settled under the CNS system, the money settlement process applied to Exchange Trades (set out in Section 10.5) applies to the aggregate CNS long or short position (positions arrived by the process of netting of Exchange Trades and the Clearing Agency Transactions to be settled under the CNS System). Money settlement between HKSCC and the Participants concerned will be effected accordingly.

#### (ii) Settlement under Isolated Trades System

Settlement of Clearing Agency Transactions under a Batch-settlement-run can be effected either on a DVP basis or on an FOP basis. Where a Clearing Agency Transaction has been partially settled by a DI on an FOP basis, settlement of the remainder of the Clearing Agency Transaction will also be effected on a FOP basis if included in a Batch-settlement-run.

In relation to Clearing Agency Transactions settled by DIs, the delivering Participants may specify in their DIs whether delivery is to be made on a DVP basis or FOP basis.

Upon settlement of a Clearing Agency Transaction in CCASS on a DVP basis, HKSCC will issue EPIs for the relevant amount (based on details of the Clearing Agency Transaction reported to HKSCC) to the Designated Banks of the Participant and Clearing Agency Participant concerned to effect payment for value on the same day. The Settlement Reports of the Participant and Clearing Agency Participant will show the relevant entries and details of the relevant EPIs.

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Participants and the Clearing Agency Participants will have to monitor confirmation of good payment in relation to Clearing Agency Transactions to be settled on a DVP basis in CCASS.

### **12.2.7 Late Delivery**

Since the Clearing Agency Transactions accepted for settlement in CCASS under the CNS System will go through the same processes of substitution (where applicable), novation, netting and cross-day netting together with Exchange Trades to arrive at a CNS long or short position for each Eligible Security on each Settlement Day, the measures stated in Sections 10.6, 10.7 and 10.8 will apply to such outstanding CNS position.

For those Clearing Agency Transactions stipulated to be settled under Isolated Trades System, the following measures will apply:

**(i) Default Fee**

HKSCC may require Participants that fail to settle their Clearing Agency Transactions on the due dates to pay to it default fees. Default fees levied by HKSCC may be retained by HKSCC for use for CCASS purposes.

**(ii) Stock Borrowing**

In relation to Clearing Agency Transactions which are not settled by Participants on the due dates, HKSCC may direct the defaulting Participants to effect a stock borrowing of the relevant Eligible Securities or HKSCC may itself effect a stock borrowing on their behalf.

HKSCC does not intend to exercise this right at present but reserves the right to do so.

**(iii) Buy-in**

**(a) Purpose**

The purpose of a Buy-in is to ensure that outstanding stock positions of delivering Participants under the Isolated Trades System are settled without undue delay.

Under the Rules, HKSCC may (i) direct a defaulting Participant to effect a Buy-in or (ii) HKSCC may itself effect a Buy-in on behalf of the defaulting Participant and for such purpose, may on behalf of that Participant direct other Participants to assist.

For convenience, Participants due to receive securities under outstanding unsettled Clearing Agency Transactions are referred to in this Section as "Long Participants". Participants due to deliver securities under outstanding unsettled Clearing Agency Transactions are referred to in this Section as "Short Participants".

**(b) Timing of Buy-in**

All stock positions of a Short Participant of Clearing Agency Transactions

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which are outstanding for settlement after the due date may be subject to a Buy-in.

**(c) Complaint driven**

In general, HKSCC will only require a Buy-in in respect of late delivery under the Isolated Trades System if HKSCC receives a complaint from the Long Participant.

A Long Participant wishing to make a complaint to HKSCC must complete and return a "Buy-in Request Form (Isolated Trades)" (see CCASS Terminal User Guide for Participants for the form) to HKSCC. HKSCC may require the Long Participant to provide further information to substantiate its complaint.

**(d) Buy-in process by a Short Participant as directed by HKSCC**

The following explains the usual process of a Buy-in by a Short Participant in greater detail:

- (i) after HKSCC is satisfied that a complaint by a Long Participant is substantiated and that a Buy-in is appropriate, a Buy-in request will be issued by HKSCC to the Short Participant;
- (ii) unless otherwise waived by HKSCC, a Participant notified of a Buy-in request by HKSCC, will normally be required to complete the Buy-in trade on the Exchange by 11:00 am on the day of issue of such Buy-in request (or within such other time limit, if any, stipulated by HKSCC);
- (iii) the Short Participant effecting or arranging a Buy-in will have to inform HKSCC via the Exchange (in the prescribed manner) immediately upon the conclusion of the trade on the Exchange of the details of the Buy-in, including the identity of the counterparty (see CCASS Terminal User Guide for Participants for the form ); and
- (iv) with the assistance of the Exchange, HKSCC will monitor the execution of the Buy-in trades by or arranged by Short Participants and may telephone the relevant Participants to remind them to effect or arrange Buy-in trades.

**(e) Buy-in process by HKSCC on behalf of a Participant**

The following explains the process of a Buy-in by HKSCC on behalf of a Participant in greater detail:

- (i) HKSCC will usually inform the Short Participant of its decision to effect or to arrange a Buy-in but reserves the right not to do so;
- (ii) HKSCC may on behalf of that Short Participant instruct its authorized brokers to assist in effecting a Buy-in on the Exchange (noting that, unless otherwise agreed in writing by HKSCC, an authorized broker

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assisting HKSCC will only have recourse against the relevant Short Participants, and not HKSCC);

- (iii) HKSCC shall effect a Buy-in at what it determines to be the best prevailing market price and terms available (but taking into account that HKSCC may need to act promptly and provided that HKSCC, the Exchange, and recognized exchange controller which is the controller of HKSCC shall have no liability if HKSCC acts in good faith); and
- (iv) after effecting such a Buy-in HKSCC will inform the Short Participant of the details of the Buy-in.

**(f) Buy-in to be effected under the Isolated Trades System**

All Buy-ins in respect of outstanding Clearing Agency Transactions will be effected under the Isolated Trades System and the selling counterparty Exchange Participant to a Buy-in will have to be so informed by the Short Participant directed by HKSCC to effect a Buy-in or informed by HKSCC (via the Participant acting on HKSCC's behalf where HKSCC itself effects a Buy-in on behalf of a Participant).

The selling counterparty Exchange Participant to a Buy-in will then identify the Buy-in trade as one to be settled under the Isolated Trades System by keying in "B" in the "reference field" on the trading terminal of the Exchange.

Where relevant, the selling counterparty Exchange Participant to a Buy-in will also be informed by the Short Clearing Participant or HKSCC, as the case may be, that the Buy-in is to have a different settlement period than the normal settlement period of T+2.

If the selling counterparty Exchange Participant (or where applicable, its GCP) to a Buy-in fails to settle on the due date, it will normally be subject to a further Buy-in to be effected under the Isolated Trades System on the trading day following the due date.

**(g) Waiver**

A Participant may apply to HKSCC for a waiver by completing an Application for Exemption of Buy-in Form (see CCASS Terminal User Guide for Participants for the form), HKSCC will normally only grant a waiver if the Isolated Trade (including a Clearing Agency Transaction) in question has been settled.

HKSCC may also grant a waiver of a Buy-in if the relevant Long Participant wishes to withdraw a complaint (provided that such withdrawal is accepted by HKSCC). A Long Participant wishing to withdraw a complaint may apply to HKSCC by completing a "Withdrawal of Buy-in Request Form (Isolated Trades)" (see CCASS Terminal User Guide for Participants for the form).

## 12.2.8 Adjustments of Entitlements for Late Deliveries

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Since Clearing Agency Transactions accepted for settlement in CCASS under the CNS System will go through the same processes of novation, netting and cross-day netting together with Exchange Trades to arrive at a CNS long or short position for each Eligible Security on each Settlement Day, the measures stated in Section 10.9 in relation to adjustments for entitlements will apply to such outstanding CNS position.

In case of late deliveries of Eligible Securities by the delivering Participant under a Clearing Agency Transaction, adjustments of benefit entitlements accruing to such Eligible Securities may have to be made. The receiving Participant will have to pursue the counterparty delivering Participant for such benefit entitlements. No adjustment facilities will be offered by HKSCC, except in relation to sub-divisions, consolidations and stock conversions affecting Eligible Securities.

### 12.2.9 Risk Management

#### (i) Marks, Margin and Concentration Collateral

As settlement counterparty to Participants under Market Contracts due for settlement under the CNS System, HKSCC would be exposed to market risks as a result of unfavourable fluctuations or potential unfavourable fluctuations of prices in respect of the unsettled stock positions of Participants under the CNS System.

To monitor and control such risk exposure, HKSCC will Mark-to-market and compute Margin on the unsettled stock positions under the CNS System and collect Marks and Margin from Participants who are parties to Market Contracts. HKSCC will also Mark-to-market and compute Margin on the unsettled stock positions of Participants in respect of Clearing Agency Transactions to be settled under the CNS System, and collect Marks and Margin from Participants who are parties to the Clearing Agency Transactions.

From time to time, circumstances may warrant HKSCC taking additional risk management measures against a Participant. For unsettled stock positions of Participants in an Eligible Security which HKSCC considers a high risk security, HKSCC may require Participants to provide from time to time on demand Concentration Collateral. HKSCC may at any time require Participants who are parties to Clearing Agency Transactions to be settled under the CNS System to provide Concentration Collateral to HKSCC.

In respect of Clearing Agency Transactions reported to HKSCC by a Clearing Agency Participant on a Business Day, HKSCC will calculate Marks, Margin and Concentration Collateral in respect of the unsettled stock positions of the Clearing Agency Transactions to be settled under the CNS System, and collect the required Marks, Margin and Concentration Collateral from Participants which are parties to the Clearing Agency Transactions, notwithstanding that the Clearing Agency Transactions have not been accepted by HKSCC for settlement in CCASS under the CNS System. HKSCC will collect the required Marks, Margin and Concentration Collateral from the Participants by issuing DDIs to the Designated Banks of the Participants as part of the CCASS money settlement process, unless otherwise specified below.

HKSCC will not collect the required Marks, Margin and Concentration Collateral in respect of Clearing Agency Transactions to be settled under the CNS System and to which a Clearing Participant is a party from the Clearing Participant direct if the Clearing Participant, in its capacity as a SEOCH Participant, has effected and



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maintained with the Clearing Agency Participant an arrangement for the Clearing Agency Participant to collect from the Clearing Participant and pay to HKSCC the required Marks, Margin and Concentration Collateral. The Clearing Participant, in its capacity as a SEOCH Participant, shall pay the amount of such required Marks, Margin and Concentration Collateral in cash to the Clearing Agency Participant. The Clearing Agency Participant shall transfer such cash amount to HKSCC on the Business Day following the day on which the Clearing Agency Transactions are reported to HKSCC, at such time and in such manner as HKSCC and the Clearing Participant may agree. HKSCC will record the cash amount received by it from the Clearing Agency Participant as credit entries in the CCMS House Collateral Account of the Clearing Participant, and the cash amount will be treated as Contract Currency Collateral of the corresponding Clearing Participant.

(For further details, reference should also be made to Sections 10.10, 10.10A and 10.11 which shall also apply to Clearing Agency Transactions for settlement under the CNS System.)

(ii) Collateral

HKSCC monitors its risk exposure to Participants on a continuous basis. From time to time, circumstances peculiar to a particular Participant may warrant HKSCC taking additional risk management measures against it.

In appropriate cases, HKSCC will require a Participant to provide it with Collateral in the form of cash or Collateral Securities, subject to the Rules.

The amount of Collateral other than Concentration Collateral required to be provided by a Participant will be decided by HKSCC, taking into account HKSCC's exposure posed by that Participant.

(For further details, reference should also be made to Section 10.11 which shall also apply to Clearing Agency Transactions settled under the CNS System.)

(iii) Securities-on-hold

On each Settlement Day, HKSCC will, in respect of Eligible Securities made available to it by Participants with short stock positions under the CNS System, allocate such Eligible Securities to the stock accounts of Participants with long stock positions under the CNS System.

Since under the current design of the CCASS money settlement process, payment by Participants to HKSCC via their Designated Banks (as part of CCASS money settlement process) will only be confirmed good and irrevocable at day end after the Eligible Securities have been delivered to Clearing Participants under the CNS System in CCASS, HKSCC faces significant risk exposure during the period from the time of delivery of Eligible Securities under the CNS System in CCASS to the time when confirmation of good and irrevocable payment is issued by the Designated Banks of Participants and the receiving bank of HKSCC.

To guard against this risk exposure, the Rules provide that until such time as HKSCC is satisfied that (i) it has received payment in full in respect of Eligible Securities delivered by HKSCC to a Clearing Participant or a Clearing Agency Participant (in each case, as a party to a Clearing Agency Transaction under the CNS System) on a

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Settlement Day; and (ii) such payment is good and irrevocable, or unless otherwise agreed by HKSCC, title and property in such Eligible Securities shall not pass to such Clearing Participant or Clearing Agency Participant, as the case may be. Until then, Clearing Participants and Clearing Agency Participants who are parties to Clearing Agency Transactions will not be allowed to use or withdraw some or all of such Eligible Securities, except as permitted by HKSCC.

The quantity of Eligible Securities allocated to the Stock Clearing Account of a Clearing Participant or Clearing Agency Participant which is a party to a Clearing Agency Transaction under the CNS System on a Settlement Day, which will not be permitted to be used or withdrawn by the Participant will depend on the amount to be paid by the Participant to HKSCC under the CNS System on such Settlement Day.

If a Clearing Participant or Clearing Agency Participant which is a party to a Clearing Agency Transaction wishes to make use of any of such Eligible Securities allocated to its Stock Clearing Account before payment of the amount due to HKSCC is confirmed good and irrevocable, HKSCC may permit such use of any such Eligible Securities provided the value of such allocated Eligible Securities which will remain in the Stock Clearing Account of the Clearing Participant or Clearing Agency Participant which is a party to a Clearing Agency Transaction (determined by using the Mark-to-market values of the relevant Eligible Securities at the time), discounted by a percentage to be decided by HKSCC (normally, ten per cent), shall not be less than the total amount due to HKSCC from such Clearing Participant or Clearing Agency Participant which is a party to a Clearing Agency Transaction.

When payment of the amount owed to HKSCC is confirmed good and irrevocable, all Eligible Securities allocated under the CNS System to the Stock Clearing Account of a Clearing Participant or Clearing Agency Participant which is a party to a Clearing Agency Transaction will become freely available for use by the Participant.

For Clearing Participants and Clearing Agency Participants which are parties to Clearing Agency Transactions that have outstanding payment obligations to HKSCC, but wish to utilize any or all of the Securities-on-hold covering such outstanding payment obligations for any purpose, including to settle SI Transactions and Isolated Trades during the Settlement Day, they may make payment through same day available funds to HKSCC to reduce or satisfy their monetary payment obligations. As such, the equivalent discounted market value of Securities-on-hold will be released for settlement.

(For further details reference should also be made to Section 10.12, which shall also apply to Clearing Agency Transactions settled under the CNS System.)

(iv) Eligible Securities subject to expiry

In relation to Clearing Agency Transactions in Eligible Securities which are subject to expiry (e.g. warrants) and which are to be settled under the CNS System, the delivering Clearing Participant which is (being a party to the Clearing Agency Transaction) must ensure that when the details of Clearing Agency Transactions are reported to HKSCC by the Clearing Agency Participant for settlement under the CNS System, the relevant delivering Participant has readily available evidence showing that, on or before the due date for settlement of the transaction under the CNS System,

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it has or will have the required quantity of Eligible Securities in its Stock Accounts in CCASS for settlement. The delivering Participant, as the case may be, shall provide the evidence to HKSCC upon request.

If at any time HKSCC is not satisfied that such Participant has or will have the Eligible Securities, which are subject to expiry, on the due date for settlement of the transaction under the CNS System, HKSCC may direct that Participant to immediately execute or arrange the execution of a Buy-in on the Exchange to purchase the Eligible Securities required by such Participant to settle its obligations in respect of such transaction under the CNS System.

(v) Closing-out

On the occurrence of an Event of Default against a Participant, HKSCC may declare the Participant a Defaulter and if so, will effect Closing-out in respect of all of the unsettled obligations of the Participant under the CNS System.

If as a result of Closing-out the Participant owes money to HKSCC, HKSCC will apply the Marks, Margin and Collateral, if applicable, provided by the Participant (as well as all other assets and property of such a Participant which may be permitted by law to be applied by HKSCC for such purpose) towards such indebtedness. For the avoidance of doubt, Marks, Margin and Collateral provided by the Participant include the Marks, Margin and Concentration Collateral collected from such Participant (in its capacity as a SEOCH Participant) by a Clearing Agency Participant and transferred by the Clearing Agency Participant to HKSCC pursuant to Section 12.2.9(i).

If a Clearing Participant which is an Exchange Participant is declared a Defaulter, HKSCC will notify the Exchange forthwith and will request the Exchange to suspend the Clearing Participant from trading. HKSCC will also request the Exchange to suspend from trading any of the NCPs of the GCP which does not have in place immediately upon suspension of the GCP a binding, valid and effective Clearing Agreement with another GCP. If a Clearing Participant is not an Exchange Participant is declared a defaulter, HKSCC will request the Exchange to suspend from trading any of the NCPs of the GCP which does not have in place immediately upon suspension of the GCP a binding, valid and effective Clearing Agreement with another GCP.

A Clearing Participant or Clearing Agency Participant declared a Defaulter may also be suspended or restricted from further activities in CCASS.

(For further details reference should also be made to Section 10.14, which shall also apply to Clearing Agency Transactions settled under the CNS System.)

## **12.3 ISI TRANSACTIONS (INVOLVING INVESTOR PARTICIPANTS)**

ISI Transactions are not allowed to be effected by Clearing Agency Participants or in respect of China Connect Securities. Hence, this Section 12.3 shall not be applicable to Clearing Agency Participants or Eligible Securities which are China Connect Securities.

### **12.3.1 Details of ISI Transactions**

For ISI Transactions between Investor Participants and Participants other than Investor

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Participants to be settled in CCASS, an Investor Settlement Instruction, or ISI, containing the relevant details required by HKSCC must be input into CCASS on each occasion.

ISI Transactions can include investor-intermediary transactions, stock borrowing/lending transactions, stock pledging transactions and portfolio movements of Eligible Securities in CCASS.

Participants may maintain ISI counterparty lists in CCASS.

There are two types of ISI :

- (i) "ISI (without affirmation)" : ISI input (and authorised, if required) by Participants which meets the following criteria:
  - (a) it is a delivery instruction;
  - (b) it is set as settled on a Free of Payment (FOP) basis; and
  - (c) the receiving counterparty Participant ID is contained in the inputting Participant's ISI (without affirmation) counterparty list; and
- (ii) "ISI (with affirmation)" : ISI input (and authorised, if required) by Participants other than Investor Participants which does not meet the criteria for ISI (without affirmation) and requires affirmation by the relevant Investor Participants before the ISI is accepted by CCASS for settlement.

### **12.3.2 Input ISIs**

Input ISI by Participants other than Investor Participants may only be made via CCASS Terminals or Participant Gateways. Input ISI by Investor Participants may be made via the CCASS Phone System or the CCASS Internet System or through submitting relevant forms to HKSCC at the Customer Service Centre.

#### **(i) Details of ISIs**

The data input fields of an ISI are:

- (a) Instruction type (D - deliver, or R - receive);
- (b) Counterparty code;
- (c) Settlement date (this must be a Settlement Day);
- (d) ISIN and/or Stock code;
- (e) Quantity of Eligible Securities;
- (f) Stock settlement account;
- (g) Payment instruction (DVP - Delivery versus payment, or FOP - free of payment, or RDP - Realtime Delivery versus Payment);

- (h) Money value (if DVP/RDP);
- (i) Client account number;
- (j) Client name;
- (k) Purpose of ISI (I - Investor-Intermediary transaction, L - new stock borrowing/lending, P - stock pledging, M - portfolio movement, R - return/recall of stock borrowing/lending transaction);
- (l) DI required to initiate settlement (Y - yes or N - no);
- (m) DVP On hold (Y - yes or N- no);
- (n) Internal transaction reference;
- (o) Remarks; and
- (p) Hold Before Settlement (Y – yes or N – no).

Items (a) to (e), (g) and (h) are mandatory input fields.

In relation to item (f), Participants may input the delivering or receiving stock account for settlement of an ISI. If item (f) is not input the Stock Clearing Accounts of the Participants inputting the ISI will be used to make or take deliveries of Eligible Securities for the purpose of settlement of the ISI Transaction.

For ISIs to effect stock borrowing or lending transactions or return or redelivery of borrowed securities, Participants may input the relevant information into item (k) which is not a mandatory input field.

In relation to item (l), unless otherwise specified, it will be assumed that the ISI Transaction need not be settled by the input of a DI by the delivering Participant (i.e. the ISI Transaction as a result of the input of ISI (without affirmation) will be included in a Batch-settlement-run or on-line delivery upon its input (and authorisation, if required) by Participants and the ISI Transaction as a result of the input of ISI (with affirmation) will be included in a Batch-settlement-run or on-line delivery upon its affirmation by the relevant Investor Participants).

For item (m), a delivering Participant may choose to require the Eligible Securities to be delivered to the paying Participant's Stock Account to be put on hold pending Negative Confirmation of Payment by the paying Participant's Designated Bank.

In relation to item (p), unless the Participant other than an Investor Participant selects otherwise, settlement of the ISI Transaction will not be put on hold after successful

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affirmation or input (and authorized, if required).

Participants inputting the ISI have to include details of the mandatory input fields in an ISI. Otherwise, an ISI will not be accepted for input into CCASS by HKSCC. HKSCC reserves the right to impose other requirements for ISIs from time to time.

For internal record-keeping purposes, a Participant may incorporate additional information into ISIs by using the relevant input fields.

In the event of a Participant inputting an ISI, the ISI will not be accepted by CCASS for input if the counterparty Participant ID is not contained in the inputting Participant's ISI (without affirmation) counterparty list or ISI (with affirmation) counterparty list maintained with CCASS, as the case may be. No such validation will be performed by CCASS if the Participant is inputting an ISI (with affirmation) and it does not maintain an ISI (with affirmation) counterparty list with CCASS.

In the event of a Participant other than an Investor Participant inputting an ISI (with affirmation) and the counterparty is a Corporate Investor Participant, CCASS will also reject the ISI (with affirmation) if the inputting Participant's ID is not contained in the Corporate Investor Participant's ISI (with affirmation) counterparty list maintained with CCASS. No such validation will be performed by CCASS if the Counterparty Corporate Investor Participant does not maintain an ISI (with affirmation) counterparty list with CCASS.

**(ii) ISI Input Number**

Each ISI input into CCASS by a Participant will be assigned a unique number by HKSCC for ease of identification. This number, referred to as the ISI Input Number, should be used by the Participant in relation to further instructions or communication with HKSCC in relation to the ISI in question.

**(iii) ISI batch file transfer**

HKSCC also offers an ISI batch file transfer service to Participants other than Investor Participants (see Section 12.3.9 for further details).

**12.3.2A ISI (without affirmation)**

After successful input of an ISI (without affirmation), a unique reference number, the Settlement Position Number, is assigned to the relevant ISI Transaction for ease of reference. If the ISI is successfully input at or before 3:45 p.m. on a Settlement Day, settlement of such ISI will normally be immediately effected on-line. If the ISI is successfully input after 3:45 p.m. on a Settlement Day, settlement will be effected during the Batch-settlement-runs on the next Settlement Day.

**12.3.3 Affirmation of ISIs (with affirmation)**

ISIs (with affirmation) input into CCASS and, if required, authorised by Participants other than Investor Participants will be subject to affirmation by Investor Participants.

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Affirmation of ISIs (with affirmation) in CCASS may be made by Investor Participants via the CCASS Phone System or the CCASS Internet System or through submitting relevant forms to HKSCC at the Customer Service Centre.

After successful affirmation, a unique reference number, the Settlement Position Number, is assigned to the relevant ISI Transaction for ease of identification.

After successful affirmation of an ISI at or before 3:45 p.m. on a Settlement Day, settlement of affirmed ISIs will normally be immediately effected on-line, but in the case of an ISI transaction to be settled in CCASS on a RDP basis, available shares will be put on-hold and settlement will be effected upon receipt of confirmation of payment of such ISI transaction from the Clearing House of HKAB. For ISI affirmed after 3:45 p.m. on a Settlement Day, settlement will be effected during the Batch-settlement-runs on the next Settlement Day.

In the event of a Corporate Investor Participant affirming an ISI (with affirmation), the ISI (with affirmation) will not be accepted by CCASS for affirmation if the counterparty Participant ID is not contained in the ISI (with affirmation) counterparty list maintained by that Corporate Investor Participant. No such validation will be performed by CCASS if the Corporate Investor Participant does not maintain an ISI (with affirmation) counterparty list in CCASS.

#### **12.3.4 Purging of ISIs**

Pending for settlement ISIs, unaffirmed ISIs (with affirmation) and pending ISIs may from time to time be purged from CCASS by HKSCC. The purging of ISIs is initiated by HKSCC and not by Participants.

Unaffirmed ISI (with affirmation), pending ISIs will be purged from CCASS fourteen calendar days after input (or if the fourteenth calendar day falls on a day which is not a Business Day, the immediately preceding Business Day).

Pending for settlement ISIs which remain unsettled for fourteen calendar days after the stipulated Settlement Day (or if the fourteenth calendar day falls on a day which is not a Business Day, the immediately preceding Business Day) will also be purged from CCASS.

Pending ISIs will be purged from CCASS fourteen calendar days after input (or if such day falls on a day which is not a Business Day, the immediately preceding Business Day).

#### **12.3.5 ISI Functions Available for Use**

Various ISI functions are available for use by Participants other than Investor Participants through their CCASS Terminals and Participant Gateways. To access the relevant ISI, a Participant will need to key into its CCASS Terminal or Participant Gateway the ISI Input Number of such ISI.

All data input fields of an ISI can be changed by a Participant other than an Investor Participant through the "Change ISI" function if the status of the ISI has not yet been updated to "pending for settlement". After an ISI is updated to "pending for settlement"

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status, the only input data of an ISI which can be changed are the DI requirement field (see item (l) of Section 12.3.2 (i)) through the “Change DI Requirement” function (see further Section 13.2.3) and the Hold Before Settlement field (see item (p) of Section 12.3.2 (i)) through the “Hold/Release ISI” function.

Participants should refer to the CCASS Terminal User Guide for Participant for further information on the ISI functions available for use by Participants other than Investor Participants.

Some ISI functions are available for use by Investor Participants via the CCASS Phone System or the CCASS Internet System. Investor Participants should refer to the Operating Guide for Investor Participants for further information on the ISI functions available for use by Investor Participants.

### **12.3.6 Settlement of ISI Transactions**

#### **(i) Trade-for-trade basis**

Settlement of ISI Transactions in CCASS is effected on a trade-for-trade basis, directly between the Participants concerned.

#### **(ii) On-line settlement**

Settlement of ISI will, subject to the on hold mechanism described in (vi) and (vii) below, be immediately effected once input (and authorisation, if required) of ISI (without affirmation) or affirmation of an ISI (with affirmation) is made at or before 3:45 p.m. on a Settlement Day if the stipulated settlement date in respect of that ISI is not later than that Settlement Day and there are sufficient relevant stocks in the Stock Account of delivering Participant or in the case of an ISI Transaction to be settled in CCASS on an RDP basis, on-line immediate delivery will be effected by CCASS upon receipt of confirmation of payment in respect of such ISI Transaction from the Clearing House of HKAB.

For ISI (without affirmation) input or ISI (with affirmation) affirmed (a) on a Business Day which is not a Settlement Day or (b) between 3:45 p.m. and 7:00 p.m. on a Settlement Day, settlement will be effected during the Batch-settlement-runs or by the input of a DI on the next Settlement Day or the stipulated settlement date, if the stipulated settlement date is later than the next Settlement Day.

ISI (without affirmation) input or ISI (with affirmation) affirmed after 7:00 p.m. on a Business Day and before 7:00 a.m. on the next Business Day will be processed by CCASS after 7:00 a.m. on that next Business Day and settlement will be effected during the Batch-settlement-runs or by the input of a DI on (a) that next Business Day if it is a Settlement Day or (b) the next Settlement Day if that next Business Day is not a Settlement Day or (c) the stipulated settlement date if the stipulated settlement date is later than the date specified in (a) and (b) above.

ISI (without affirmation) input or ISI (with affirmation) affirmed on a day which is not a Business Day will only be processed by CCASS after 7:00 a.m. on the next



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Business Day and settlement will be effected during the Batch-settlement-runs on (a) that next Business Day if it is a Settlement Day or (b) the next Settlement Day if that next Business Day is not a Settlement Day or (c) the stipulated settlement date if the stipulated settlement date is later than the date specified in (a) and (b) above.

**(iii) Batch-settlement-runs**

Unless specifically excluded from Batch-settlement-runs by the Participant other than an Investor Participant specifying that the input of a DI is necessary or that ISI settlement shall be put on hold (see Section 12.3.2(i)), and/or in the case of insufficient stocks in the delivering Participant's Stock Account at the relevant time, the ISI Transaction will be included in the multiple Batch-settlement-runs effected on each Settlement Day, when relevant Eligible Securities in the relevant Stock Account of the delivering Participant (see item (f) of Section 12.3.2(i)) will be automatically debited and then credited to the relevant Stock Account of the receiving Participants (see item (f) of Section 12.3.2(i)).

In the case of an ISI Transaction to be settled in CCASS on an RDP basis, available shares in the relevant Stock Account of the delivering Participant will be put on hold and settlement will be effected by CCASS upon receipt of confirmation of payment of such transaction from the Clearing House of HKAB.

**(iv) Delivery Instructions**

A delivering Participant other than an Investor Participant can also initiate settlement of an ISI Transaction on or after its due date by the input of a DI.

If an ISI Transaction is specified by the delivering Participant other than Investor Participant to be excluded from Batch-settlement-runs at the time of input of the relevant ISI through the DI requirement field or subsequently through the use of the "Change DI Requirement" function, the delivering Participant will have to input a DI to effect settlement of such ISI Transaction in CCASS. Where the settlement of such ISI Transaction is also specified by the Participant other than an Investor Participant to be put on hold through the "Hold Before Settlement" field, the delivering Participant other than an Investor Participant should release the on hold mechanism prior to the input of a DI to effect settlement of the ISI Transaction in CCASS.

In the case of an ISI Transaction to be settled in CCASS on an RDP basis by a DI, available shares in the relevant Stock Account of the delivering Participant will be put on hold and settlement will be effected by CCASS upon receipt of confirmation of payment of such transaction from the Clearing House of HKAB.

**(v) No partial delivery**

Partial delivery in respect of an ISI Transaction will not be allowed in CCASS.

**(vi) DVP On hold mechanism**

A DVP on hold mechanism operates where (i) an ISI Transaction is to be settled in CCASS on a DVP basis and (ii) the delivering Participant requires it to be operated.

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If the on hold mechanism operates, the Eligible Securities to be credited to the paying Participant's Stock Account under the ISI Transaction will be put on hold. They will stay on hold until Negative Confirmation of Payment in response to the relevant debit EPI has been obtained from the paying Participant's Designated Bank. While the Eligible Securities are on hold they will remain the property of the delivering Participant and may not be withdrawn from CCASS or transferred or otherwise used by the delivering Participant or the paying Participant. Once the Negative Confirmation has been obtained, the Eligible Securities will become the property of the paying Participant. If Negative Confirmation has not been obtained and the paying Participant's Designated Bank does not make payment in response to the relevant debit EPI, HKSCC will recredit the Eligible Securities to the delivering Participant's Stock Account and the delivering Participant will be free to withdraw them from CCASS or transfer or otherwise use them.

**(vii) Hold Before Settlement Mechanism**

A Participant other than an Investor Participant may need to put on hold the settlement of an ISI from Batch-settlement-runs, online settlement initiated by the input of an ISI (without affirmation) or affirmation of an ISI (with affirmation) or from settlement initiated by the input of a DI. Under the on hold mechanism, an ISI which is to be settled on an FOP, DVP or RDP basis will be held and excluded from all the settlement processes described in Sections 12.3.6 (ii), (iii) and (iv) above. A Participant other than an Investor Participant can set the "Hold Before Settlement" indicator during ISI input or via the "Hold/Release ISI" function after the ISI has been updated to "pending for settlement" status. Once set, the ISI will be subject to the "Hold Before Settlement" mechanism. Settlement of such ISI will not be effected until the on hold mechanism has been released by the Participant other than an Investor Participant. If the status of ISI is already updated to 'Settled', 'DVP on hold', 'RDP on hold', 'Payment Validated' or 'Unwind', settlement of the ISI cannot be put on hold."

**12.3.7 Money Settlement for ISI Transactions**

A Participant other than an Investor Participant inputting the ISI will have to state in its ISI whether settlement of the ISI Transaction is to be on a RDP, DVP or FOP basis. Input data concerning (i) whether the ISI Transaction is to be on a RDP, DVP or FOP basis, and (ii) the money value (if on a RDP or DVP basis) are mandatory field in respect of ISIs input by Participants other than Investor Participants.

If settlement is to be on a RDP or DVP basis, the money value of the ISI Transaction should also be included in the ISIs. Both stock delivering and stock receiving Participants must maintain a Designated Bank Account in the relevant Eligible Currency for money settlement purposes.

Input data concerning (i) whether the ISI Transaction is to be on a RDP, DVP or FOP basis, and (ii) the money value (if on a RDP or DVP basis) are mandatory fields of ISIs.

For ISI Transactions to be settled in CCASS on a DVP basis, upon settlement in CCASS,

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HKSCC will issue EPIs in the normal way to the Designated Banks of the Participants concerned to effect payment between them. HKSCC's role is merely as a facilitator. The Settlement Reports or statements, as the case may be, of the Participants will show the relevant entries and details of the relevant EPIs.

For ISI Transactions to be settled in CCASS on a RDP basis, upon putting on-hold the Eligible Securities in the delivering Participant's Stock Account, HKSCC will issue CPIs to the Designated Banks of the Paying Participants to effect payment. HKSCC's role is merely as a facilitator. The Settlement Reports or statements, as the case may be, of the Participants will show the relevant entries and details of the relevant payments.

Investor Participant can only input ISI (without affirmation) and settlement of ISI Transaction resulting from such ISI (without affirmation) must be on a FOP basis.

### **12.3.8 Relevant CCASS Reports**

#### **(i) Reports available**

Three reports relating to ISI Transactions for Participants other than Investor Participants are available in CCASS, namely:

- (a) the ISI Activity Report;
- (b) the ISI Status Report; and
- (c) the Intra-day ISI/SI Full List.

The reports are available for retrieval via CCASS Terminals and Participant Gateways. Please refer to Section 16.6 and the CCASS Terminal User Guide for Participants for details.

#### **(ii) ISI Activity Report**

This report shows details of ISIs that are input, affirmed or purged by CCASS on each Business Day and lists ISI input activities (including input, change, authorise and delete instructions) and maintenance activities of the "Hold/Release ISI" function on that day.

#### **(iii) ISI Status Report**

This report lists all ISIs of a Participant which remain pending or unaffirmed at the end of each Business Day, as well as ISIs that are input or affirmed but are not yet due for settlement on the following Settlement Day.

#### **(iv) Intra-day ISI/SI Full List**

This report shows details of due/overdue ISIs/SIs of a Participant on current Business Day with status as of the completion of each Batch-settlement-run and of the completion of each of the fifth, sixth, eighth and final SI matching runs.

### **12.3.9 ISI Batch File Transfer Service**

(i) **Details of service**

The use of the ISI batch file transfer service by a Participant will avoid the need for it to manually key in ISIs into CCASS on each occasion. Instead, a Participant using this service will be able to transfer to HKSCC a "file" containing details of ISIs already recorded in its own computer system.

(ii) **Technical procedural requirements**

Participants using this service have to develop their own computer software to prepare a batch file containing ISIs in their own computer systems, according to the file format and record layout stipulated by HKSCC.

For procedural requirements, please refer to the CCASS Terminal User Guide.

(iii) **Hours of service**

The ISI batch file transfer service is available for use on each Business Day between the hours of 8:00 a.m. and 7:00 p.m.

**12.3.10 HKSCC not Responsible for ISI Transactions**

HKSCC are not responsible for any default by Participants in respect of ISI Transactions. Participants themselves will have to pursue counterparty Participants which are in default.

**12.3.11 Adjustments of Entitlements for Late Deliveries**

In case of late deliveries in respect of ISI Transactions, where adjustments of benefits entitlements accruing to Eligible Securities have to be made, Participants will themselves have to pursue counterparty Participants which are in default. No adjustment facilities will be offered by HKSCC.

**12.4 TRANSFER INSTRUCTIONS**

**12.4.1 Submission of Transfer Instructions**

A Participant must complete an appropriate Transfer Instruction Form as set out in the CCASS Terminal User Guide for each transfer of Exchange Fund Notes, Government Bonds or Specified Instruments between it and a Recognized Dealer and for each transfer of CMU Instruments between it and a CMU Member. Participants must submit the duly completed Transfer Instruction Form to HKSCC (i) before 12:00 noon (or such other time as may be specified by HKSCC) on a Business Day for transfer to be effected on a delivery versus payment basis in CMU on the same day and (ii) before 2:00 p.m. (or such other time as may be specified by HKSCC) on a Business Day for transfer to be effected on a free of payment basis in CMU on the same day. HKSCC reserves the right not to process any Transfer Instructions received after the deadline specified by HKSCC. In such circumstances, late Transfer Instructions will have to be re-submitted to HKSCC on the next Business Day.

In respect of a transfer to be effected on a delivery versus payment basis in CMU, the Participant must specify in the appropriate Transfer Instruction Form the settlement amount and the settlement currency.

A Participant that wishes to utilize Exchange Fund Notes, Government Bonds or Specified Instruments transferred from a Recognized Dealer's CMU Account or CMU Instruments

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transferred from a CMU Member's CMU Account to settle Exchange Trades and/or SIs must submit its Transfer Instructions to HKSCC at least one Business Day before the settlement day.

#### **12.4.2 Settlement of Transfer Instructions in respect of which a Participant is to receive Exchange Fund Notes, Government Bonds or Specified Instruments from a Recognized Dealer or CMU Instruments from a CMU Member**

- (i) Upon the receipt of a duly completed Transfer Instruction Form as set out in the CCASS Terminal User Guide from a Participant in respect of a transfer between CCASS and CMU to be effected on a free of payment basis in CMU, HKSCC will transmit the Transfer Instruction to CMU. If sufficient Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments (as the case may be) are available in the relevant CMU Account of the counterparty to give effect to the Transfer Instruction, settlement of the Transfer Instruction will be executed in CMU immediately.
- (ii) Upon the receipt of a duly completed Transfer Instruction Form as set out in the CCASS Terminal User Guide from a Participant in respect of a transfer between CCASS and CMU to be effected on a delivery versus payment basis in CMU, HKSCC will transmit the Transfer Instruction to CMU only if HKSCC is satisfied that it has received from the Participant the required amount of payment, being the aggregate of the settlement amount specified in the Transfer Instruction Form and an amount equivalent to the value determined by CMU from time to time as the tolerance limit of settlement amount, in full before the specified deadline (normally 12:00 noon on a Business Day) in accordance with the arrangements as set out in the Transfer Instruction Form or as HKSCC may from time to time prescribe. Otherwise, the Transfer Instruction will be rejected by HKSCC and will not be submitted to CMU.

Following the transmission of the Transfer Instruction to CMU, if sufficient Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments (as the case may be) are available in the relevant CMU Account of the counterparty to give effect to the Transfer Instruction, HKSCC will be notified of the actual settlement amount payable in order to effect the transfer. Such actual settlement amount may be deviated from the settlement amount specified in the Transfer Instruction Form but the discrepancy will not be greater than the value determined by CMU from time to time as the tolerance limit of settlement amount. HKSCC is authorized by the Participant to use the required amount of payment or any part thereof to pay the actual settlement amount in settlement of the transfer, and to return the remaining balance of the required amount of payment (if any) to the Participant.

- (iii) The effecting of a transfer between CCASS and CMU in accordance with a Transfer Instruction will be dependent upon the appropriate actions being taken by the CMU, the CMU counterparty and, in the case of settlement on a delivery versus payment basis in CMU, HKSCC's banker.
- (iv) Upon receipt of a settlement confirmation from CMU by HKSCC, HKSCC will cause the Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments (as the case may be) to be credited to the designated Stock Accounts of the relevant Participant on the same day. Where applicable, HKSCC will also credit the remaining balance of the required amount of payment (if any) to the Participant's Money Ledger to be settled against its Designated Bank Account on the same day.

- (v) In case the transfer is not settled in CMU on the day specified in the Transfer Instruction Form, the Transfer Instruction may be carried forward to the next Business Day in CMU, subject to and in accordance with the procedures specified by the CMU. In respect of a Transfer Instruction that can be carried forward to the next Business Day in CMU, the Participant may cancel the Transfer Instruction by submitting to HKSCC a duly completed Transfer Instruction Cancellation Form as set out in the CCASS Terminal User Guide before the deadline specified by HKSCC. An unsettled Transfer Instruction that cannot be carried forward to the next Business Day or has been cancelled by the Participant as aforesaid will be purged by CMU at day end. A Participant will have to re-submit Transfer Instruction Form to HKSCC in respect of such unsettled Transfer Instruction. Where a Participant has made the required amount of payment to HKSCC in respect of such unsettled Transfer Instruction, HKSCC is authorized to and it will credit the relevant amount of payment to the Participant's Money Ledgers to be settled against its Designated Bank Account by HKSCC on the same day.

#### **12.4.3 Settlement of Transfer Instructions in respect of which a Participant is to deliver Exchange Fund Notes, Government Bonds or Specified Instruments to a Recognized Dealer or CMU Instruments to a CMU Member**

Upon receipt of a duly completed Transfer Instruction Form as set out in the CCASS Terminal User Guide from a Participant, HKSCC will check whether there are sufficient Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments (as the case may be) for delivery in the Participant's specified Stock Account before submitting the Transfer Instructions to CMU.

If there are insufficient Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments (as the case may be), HKSCC will notify the Participant by phone. If there are sufficient Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments (as the case may be), HKSCC will debit the Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments in respect of the Transfer Instruction from the specified Stock Account of the Participant. HKSCC will then submit the Transfer Instructions to CMU for processing.

The effecting of a transfer between CCASS and CMU in accordance with a Transfer Instruction will be dependent upon the appropriate actions being taken by the CMU, the CMU counterparty and, in the case of settlement on a delivery versus payment basis, the designated banks of the counterparty and HKSCC's banker.

Upon receipt of a settlement confirmation from CMU, HKSCC will advise the Participant. In the case of a Transfer Instruction specified to be effected on a delivery versus payment basis in CMU, HKSCC will credit the Participant's Money Ledger in accordance with Section 12.4.4.

In case the transfer is not effected in CMU on the day specified in the Transfer Instruction Form, the Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments (as the case may be) debited from the Stock Account of the Participant will be re-credited into their Stock Account by HKSCC on the same day and the Participant will be advised accordingly. If the Participant wishes to proceed with the transfer, it will need to submit a new Transfer Instruction Form to HKSCC.

#### **12.4.4 Money Settlement of Transfer Instructions**

A Participant shall state in its Transfer Instruction Form submitted to HKSCC whether the transfer between CCASS and CMU is to be effected on a delivery versus payment basis or a free of payment basis in CMU.

If settlement of the Transfer Instruction is to be effected between CCASS and CMU on a delivery versus payment basis in CMU, the settlement amount and the settlement currency must be specified by Participant in the Transfer Instruction Form. The Participant must maintain a Designated Bank Account in the relevant settlement currency which must be an Eligible Currency.

For a Transfer Instruction to be settled between CCASS and CMU on a delivery versus payment basis in CMU, with payment to be made to HKSCC, upon receipt of the settlement confirmation from CMU and the settlement amount, HKSCC will issue a credit entry of the relevant amount to the Miscellaneous Account of the Participants' Money Ledgers to be settled against the Participant's Designated Bank Account to effect payment for the value on the same day.

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

#### **12.4.5 HKSCC not responsible**

For the avoidance of doubt, HKSCC will not be responsible in any way for the failure or delay of a Participant, a Recognized Dealer or a CMU Member to effect a transfer in accordance with a Transfer Instruction, irrespective of whether the transfer is specified to be effected on a free of payment basis or a delivery versus payment basis in CMU. If one of the parties is in default, the other party will have to pursue the party in default.

### **12.5 CROSS-BORDER TRANSFER INSTRUCTION**

#### **12.5.1 Submission of Cross-Border Transfer Instructions**

##### **(i) Foreign Securities**

Any Participant that wishes Foreign Securities to be transferred from an account of a person (other than HKSCC or the Nominee) with an Appointed Depository to HKSCC's account or the Nominee's account with that Appointed Depository (or vice versa) must complete and submit to HKSCC a Cross-Border Transfer Instruction Form in respect of Foreign Securities in the form set out in the CCASS Terminal User Guide. Participants must submit the completed Cross-Border Transfer Instruction Form to HKSCC before 2:00 p.m. (or such other time as may be specified by HKSCC) on a Business Day if the transfer is to be effected by the Appointed Depository on the same day, provided always that it is a business day in the place of location of the Appointed Depository. HKSCC reserves the right not to process any Cross-Border Transfer Instruction which is received after the deadline imposed by HKSCC. In such circumstances, late Cross-Border Transfer Instructions should be re-submitted by the Participant on the next Business Day.

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A Participant who wishes to use Foreign Securities transferred from an account of a person (other than HKSCC or the Nominee) with the Appointed Depository to an account in the name of HKSCC or the Nominee with the Appointed Depository to settle an Exchange Trade, an SI and/or an ISI must submit a Cross-Border Transfer Instruction in respect of the receipt of Foreign Securities by the Participant to HKSCC at least one Business Day before the Settlement Day.

**(ii) Uncertificated Eligible Securities**

Any Participant that wishes Uncertificated Eligible Securities to be transferred from an Overseas Account to its Stock Account with CCASS (or vice versa) must complete and submit to HKSCC a Cross-Border Transfer Instruction Form in respect of Uncertificated Eligible Securities in the form set out in the CCASS Terminal User Guide. Participants must submit the completed Cross-Border Transfer Instruction Form to HKSCC before 2:00 p.m. (or such other time as may be specified by HKSCC) on a Business Day if the transfer is to be effected on the same day, provided always that it is a business day in the place of location of the Overseas Account. HKSCC reserves the right not to process any Cross-Border Transfer Instruction which is received after the deadline imposed by HKSCC. In such circumstances, late Cross-Border Transfer Instructions should be re-submitted by the Participant on the next Business Day.

A Participant who wishes to use Uncertificated Eligible Securities to be transferred from an Overseas Account to its Stock Account with CCASS to settle an Exchange Trade, an SI and/or an ISI must submit a Cross-Border Transfer Instruction in respect of the receipt of Uncertificated Eligible Securities by the Participant to HKSCC at least one Business Day before the Settlement Day.

**12.5.2 Settlement of Cross-Border Transfer Instructions in respect of which Foreign Securities are to be credited to HKSCC's account or the Nominee's account with the Appointed Depository and debited from another person's account with the Appointed Depository**

Upon receipt of a duly completed Cross-Border Transfer Instruction Form as set out in the CCASS Terminal User Guide from a Participant which relates to the crediting of Foreign Securities to HKSCC's account or the Nominee's account with the Appointed Depository, HKSCC shall transmit a Cross-Border Transfer Instruction to the Appointed Depository (or its nominee). The effecting of a transfer in accordance with that instruction will be dependent upon the appropriate action being taken by the Appointed Depository and the person whose account with the Appointed Depository will be debited.

Upon receipt of a confirmation from the Appointed Depository (or its nominee) that HKSCC's account or the Nominee's account with the Appointed Depository has been credited with the relevant Foreign Securities a corresponding entry will be made in the Participant's Stock Account.

Unless a cancel instruction is submitted by HKSCC to the Appointed Depository, transfer instructions which are not effected by the Appointed Depository on the specified day will be carried forward to the next business day in the location of the Appointed Depository. Participants who wish HKSCC to submit a cancel instruction to the Appointed Depository are required to submit a duly completed Cancel Receive Instruction Form in the form as set in the CCASS Terminal User Guide before 2:00 p.m. on any Business Day which the Participant wishes to cancel the unsettled transfer instruction.



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**12.5.3 Settlement of Cross-Border Transfer Instructions in respect of which Foreign Securities are to be debited from HKSCC's account or the Nominee's account with the Appointed Depository and credited to another person's account with the Appointed Depository**

Upon receipt of a duly completed Cross-Border Transfer Instruction Form as set out in the CCASS Terminal User Guide from a Participant which relates to the debiting of Foreign Securities from HKSCC's account or the Nominee's account with the Appointed Depository, HKSCC shall check whether a corresponding number of Foreign Securities are credited to that Participant's Stock Account. If there are sufficient Foreign Securities credited to the Participant's Stock Account, HKSCC will debit Foreign Securities from the Participant's Stock Account in accordance with the Cross-Border Transfer Instruction Form and will transmit a Cross-Border Transfer Instruction to the Appointed Depository (or its nominee) for processing.

Upon receipt of a confirmation from the Appointed Depository (or its nominee) that HKSCC's account with the Appointed Depository has been debited with the relevant Foreign Securities, HKSCC will advise the Participant.

Transfer instructions which are not effected by the Appointed Depository on the specified day will be purged by the Appointed Depository at its day end and the Participant will be advised accordingly. The appropriate Foreign Securities will be credited back to the Participant's Stock Account. Participants that wish to proceed with the transfer are required to submit a new duly completed Cross-Border Transfer Instruction Form to HKSCC.

**12.5.3A Settlement of Cross-Border Transfer Instructions in respect of which Uncertificated Eligible Securities are to be credited to Participant's Stock Account with CCASS and debited from an Overseas Account**

Upon receipt of a duly completed Cross-Border Transfer Instruction Form as set out in the CCASS Terminal User Guide from a Participant in relation to the crediting of Uncertificated Eligible Securities to that Participant's Stock Account with CCASS and a confirmation from the Overseas Issuer, or its authorized agents or representatives or its principal or branch share registrar or the entity with which the Overseas Account is maintained in relation to the transfer and/or re-registration of such Uncertificated Eligible Securities in the name of HKSCC or the Nominee, HKSCC shall credit such Uncertificated Eligible Securities to the Participant's Stock Account with CCASS. The effecting of a transfer in accordance with that instruction will be dependent upon the appropriate actions being taken by the Overseas Issuer (or its agents or representatives), the entity with which the Overseas Account is maintained and the holder of the Overseas Account to be debited.

Cross-Border Transfer Instructions received by HKSCC cannot be cancelled by the Participant. In case a Cross-Border Transfer instruction is not effected on the specified day for any reason, such transfer instruction will be carried forward to the next business day in the location of the Overseas Account to be debited, subject to any specified procedures of the Overseas Issuer (or its agents or representatives) and the entity with which the Overseas Account is maintained. In order to effect the transfer instruction that has been carried forward as aforesaid, the Participant may be required to submit a revised Cross-Border Transfer Instruction Form to HKSCC.

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**12.5.3B Settlement of Cross-Border Transfer Instructions in respect of which Uncertificated Eligible Securities are to be debited from Participant's Stock Account with CCASS and credited to an Overseas Account**

Upon receipt of a duly completed Cross-Border Transfer Instruction Form as set out in the CCASS Terminal User Guide from a Participant in relation to the debiting of Uncertificated Eligible Securities from that Participant's Stock Account with CCASS, HKSCC will debit such Eligible Securities from the Participant's Stock Account in accordance with the Cross-Border Transfer Instruction Form if there are sufficient Eligible Securities in credit in the Participant's Stock Account. HKSCC will forward the transfer instruction to the Overseas Issuer, its authorized agents or representatives or its principal or branch share registrar or the entity with which the Overseas Account is maintained for processing. The effecting of a transfer in accordance with that instruction will be dependent upon the appropriate actions being taken by the Overseas Issuer (or its agents or representatives), the entity with which the Overseas Account is maintained and the holder of the Overseas Account to be credited.

Upon receipt of a confirmation from the Overseas Issuer (or its agents or representatives) or the entity with which the Overseas Account is maintained that the relevant Uncertificated Eligible Securities are transferred and credited to the Overseas Account as specified in the Cross-Border Transfer Instruction Form, HKSCC will advise the Participant.

For transfer instructions which are not effected by the Overseas Issuer (or its agents or representatives) or the entity with which the Overseas Account is maintained on the specified day, the relevant Uncertificated Eligible Securities will be credited back to the Participant's Stock Account and the Participant will be advised accordingly. Participants that wish to proceed with the transfer are required to submit a new duly completed Cross-Border Transfer Instruction Form to HKSCC.

**12.5.4 No Money Settlement of Cross-Border Transfer Instructions**

Settlement of Cross-Border Transfer Instructions shall be effected on a FOP basis only.

**12.6 NON-TRADE TRANSFERS IN CHINA CONNECT SECURITIES****12.6.1 General**

In accordance with the requirements of the relevant governmental, regulatory or competent authority, Participants shall not effect any non-trade transfer in China Connect Securities. Exceptions to such requirements are set out in Rule 4110(iii). Where stamp duty is payable in respect of such non-trade transfers under the laws of Mainland China, HKSCC will assist in the collection in accordance with the procedure set out in this Section or such other procedure as may be notified to Participants and published on the HKEX website.

**12.6.2 Procedure**

A Participant who wishes HKSCC to submit the relevant stamp duty payable on a non-trade transfer to the relevant China Connect Clearing House for onward delivery to the relevant tax authority of Mainland China for the Participant or a client of the Participant must complete and submit to HKSCC a Non-Trade Transfer in China Connect Security Stamp Duty Declaration Form (see CCASS Terminal User Guide for Participants for the form), together with such supporting documents as may be specified by HKSCC. If a duly completed and signed form, together with the required supporting documents (if any) is received by HKSCC before 3:45 p.m. (or such other time as may be specified by HKSCC) on a Business Day, HKSCC will issue a debit entry of the stamp duty amount specified in the form (in RMB) to the Miscellaneous Account of the Participant's Money Ledger to be settled against the

Participant's Designated Bank Account on the same day. The Participant must therefore maintain a Designated Bank Account in RMB for this purpose. Once HKSCC is satisfied that it has received from the Participant the required amount of payment, it will transmit the form, together with any required supporting documents and the relevant stamp duty payment to the relevant China Connect Clearing House. Upon receipt of the confirmation and stamp duty receipt from the relevant China Connect Clearing House, HKSCC will advise the Participant for collection of the stamp duty receipt.

### **12.6.3 HKSCC not responsible**

HKSCC will not in any way be responsible or liable in contract, tort or otherwise to a Participant, its clients or any other person for any act, omission, delay or failure on the part of HKSCC or the relevant China Connect Clearing House in connection with the stamp duty payment collection, processing or other procedure relating to non-trade transfers in China Connect Securities. It is the responsibility of the Participant, its client or the relevant investor (as the case may be) to ensure that stamp duty, including any fine or penalty, in respect of a non-trade transfer is properly and timely paid to the relevant tax authority of Mainland China.