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## **Section 14**

### **CCASS Money Settlement**

#### **14.1 SCOPE OF MONEY SETTLEMENT SERVICES**

##### **14.1.1 Scope of payments**

CCASS caters for settlement of transactions either on a DVP basis or FOP basis. However, settlement of ISI or SI transactions can also be made on a RDP basis.

Other than in relation to settlement of transactions in CCASS on a DVP or RDP basis, CCASS money settlement also caters for payment of sums to or by Participants in relation to nominee and similar services provided by HKSCC, the payment of fees and expenses by Participants for CCASS services, payments in relation to risk management measures by HKSCC for the CNS System and payment of other sums to be paid to or by Participants under CCASS.

##### **14.1.2 HKSCC's role**

HKSCC plays two different roles in relation to CCASS money settlement :

- (i) as counterparty in relation to sums due or payable (a) between HKSCC and Participants (e.g. under the CNS System or in relation to nominee or tender services) and (b) between HKSCC (in its capacity as TSF operator) and TSF CCASS Participants (e.g. in relation to the settlement of TSF FX Transactions and Stock Release FX Transactions);
- (ii) as facilitator in relation to sums due or payable by or to Participants themselves in relation to settlement of trade-for-trade transactions on a DVP or RDP basis;
- (iii) as facilitator in relation to payment and refund of application or tender monies between Participants and issuers in relation to Tender Instructions; and
- (iv) as facilitator in relation to payment of money by Clearing Participants or Custodian Participants to their SSA Statement Recipients pursuant to STI Transfers on a DVP basis.

#### **14.2 DESIGNATED BANKS AND AUTHORISATION FORMS**

##### **14.2.1 Designated Bank Accounts**

For effecting CCASS money settlement, each Participant must maintain a General Purpose Designated Bank Account in its own name and denominated in Hong Kong dollar (which may be a current account or other account approved by HKSCC from time to time) with a Designated Bank. Each Participant which wishes to settle money obligations in CCASS in an Eligible Currency other than Hong Kong dollar must maintain a Designated Bank Account in its own name and denominated in that Eligible Currency for the settlement of

money obligations in CCASS.

Each Participant other than an Investor Participant may, at its own discretion and with the approval of HKSCC, maintain in its own name two additional Designated Bank Accounts in Hong Kong dollar:-

- (i) a Designated Bank Account for the settlement of money obligations in respect of ISI Transactions settled on a DVP or RDP basis; and/or
- (ii) a Designated Bank Account for the settlement of money obligations in respect of CCASS transactions (other than ISI Transactions) to be settled via CPIs.

All Participants must obtain their Designated Banks' and HKSCC's prior written approval for their use of their Designated Bank Accounts for CCASS money settlement.

Where a Clearing Participant is in the process of opening a bank account in an Eligible Currency (other than Hong Kong dollars) for CCASS money settlement purposes, the Clearing Participant shall make payment directly to HKSCC's stated foreign currency bank account at or before a stated time as prescribed by HKSCC. HKSCC shall make payments to the Clearing Participant by telegraphic transfer or paper cheques or such other means as are considered appropriate by HKSCC.

#### **14.2.2 Lists of Designated Banks**

Separate lists of banks which are approved by HKSCC as Designated Banks for Participants (other than Investor Participants) and for Investor Participants, are published by HKSCC from time to time and are available from HKSCC upon request.

#### **14.2.3 Conditions for becoming a Designated Bank**

HKSCC shall approve a bank as a Designated Bank if the bank fulfils the following conditions:-

- (i) it is a licensed bank or a restricted licence bank under the Hong Kong Banking Ordinance;
- (ii) it agrees to install a CCASS Terminal maintaining electronic linkage with CCASS and HKSCC;
- (iii) it has completed the necessary set-up and testing procedures (with the Clearing House of HKAB for the relevant Eligible Currency) in order for the bank to be identified or accepted as a Designated Bank to receive the CCASS money settlement files and/or reports daily;
- (iv) where the bank agrees to provide money settlement of CCASS transactions via CPIs as a Designated Bank, it has completed the necessary technical set-up procedures as prescribed by the Clearing House of HKAB for the relevant Eligible Currency from time to time for effecting CCASS-related CHATS payment;
- (v) in relation to the bank's application to act as a Designated Bank for Participants other than Investor Participants, it has duly completed and submitted the required

application documents, including an undertaking in favour of HKSCC in the form prescribed by HKSCC, by which it undertakes to issue to HKSCC a confirmation by no later than the time or times stipulated in the undertaking, or such later time or times as is or are specified by HKSCC, through its CCASS Terminal and on all Business Days stating details of any DDIs, DCIs and EPIs drawn on or paid to and rejected by it (see Sections 14.4.3 and 14.5.3 below); and

- (vi) in relation to the bank's application for acting as Designated Bank for Investor Participants, it has duly completed and submitted the required application documents, including an undertaking in favour of HKSCC in the form prescribed by HKSCC, by which it undertakes to issue to HKSCC a confirmation by 2:30 p.m. or such later time or times as is or are specified by HKSCC, through its CCASS Terminal and on all Business Days, stating details of any DDIs and debit EPIs which are generated from ISI Transactions to be settled on a DVP basis with the application of on hold mechanism, drawn on and rejected by it.

#### **14.2.4 Forms to be completed**

In order that a Participant can use its Designated Bank Account(s) for CCASS money settlement, it has to complete and submit such debit authorisations and authorisations to disclose information as HKSCC may prescribe from time to time to HKSCC for processing. Such debit authorisations and authorisations to disclose information include the following:

- (i) Direct Debit Authorisation.

By giving this authorisation a Participant authorises its Designated Bank to accept debit instructions from HKSCC by way of DDIs in order to effect payment to HKSCC. Further, a Participant will authorise its Designated Bank to give confirmation of payments to HKSCC (see below);

- (ii) Debit Authorisation for Electronic Payment Instruction.

By giving this authorisation, a Participant authorises its Designated Bank to accept debit instructions from HKSCC by way of EPIs (see below), to effect payment to HKSCC or other Participants; and

- (iii) Debit Authorisation for Clearing House Automated Transfer System ("CHATS") Payment Instructions.

By giving this authorization, a Participant that opts for money settlement via CPIs in CCASS authorises its Designated Bank to accept debit instructions from HKSCC by way of CPIs (see below) in order to effect CHATS payment to HKSCC or other Participants.

#### **14.2.5 Changes**

Save with the prior written approval of HKSCC, a Participant shall not close or change its Designated Bank Account(s) (or modify the authority of HKSCC in respect thereof) or change its Designated Bank(s). Participants intending to make such changes should complete and submit the prescribed forms to HKSCC.

#### **14.2.6 [Repealed]**

### **14.3 INSTRUCTIONS BY HKSCC TO DESIGNATED BANKS**

#### **14.3.1 The Clearing House of HKAB for each Eligible Currency**

CCASS money settlement involves HKSCC issuing instructions to the Designated Banks of Participants to cause credits and debits to be made to the Designated Bank Accounts of Participants.

HKSCC's payment instructions to Designated Banks in relation to DDIs, DCIs and EPIs are sent directly by HKSCC through the Clearing House of HKAB for the relevant Eligible Currency. CPIs are sent by HKSCC to Designated Banks via CCASS Terminals or, in the case of mechanical breakdown, computer or system failures or failures of communication media or any other force majeure reasons, by such other means as are agreed between the Designated Banks and HKSCC. HKSCC's Intra-day Payment Instructions are sent to Designated Banks by HKSCC's banker on HKSCC's behalf, or by HKSCC through the Clearing House of HKAB, in respect of certain Hong Kong dollar money obligation, as applicable.

#### **14.3.2 Types of instructions**

There are four different types of instructions issued by HKSCC to Designated Banks of Participants, namely:

- (i) "Direct Debit Instructions" or "DDIs" or "Direct Credit Instructions" or "DCIs";
- (ii) "Electronic Payment Instructions" or "EPIs";
- (iii) CHATS Payment Instructions or "CPIs"; and
- (iv) Intra-day Payment Instructions or "IPIs".

The use of these different types of instructions is explained further in Sections 14.4 to 14.8.

#### **14.3.3 Amounts arising out of transactions settled in CCASS**

The amounts to be debited or credited to Designated Bank Accounts of Participants for different transactions in CCASS have been explained elsewhere.

In brief, in relation to settlement of transactions in securities or transfer of securities on a DVP basis:

- (i) for CNS stock positions of a Clearing Participant or Clearing Agency Participant arising from Exchange Trades, settled on each Settlement Day, the related money positions will be set-off against each other and the net sum, subject to (iv) below, due from or to the Clearing Participant or Clearing Agency Participant will be settled by HKSCC issuing a DDI or a DCI to the Designated Bank of the Clearing Participant or

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Clearing Agency Participant (see Section 10.5.6 and Section 14.4);

- (ia) for CNS stock positions of a China Connect Clearing Participant arising from China Connect Securities Trades, settled on each Settlement Day, the related money positions for all the China Connect Markets will be set-off against each other and the net sum will be settled by HKSCC issuing a CPI to the Designated Bank of the China Connect Clearing Participant or a bank designated by HKSCC (see Section 10A.4 and Section 14.7) on T+1 day;
- (ib) for fees, expenses, levies and taxes relating to China Connect Securities Trades to be settled by a China Connect Clearing Participant on each Mainland Business Day, including those collected by HKSCC on behalf of the relevant China Connect Clearing House, China Connect Market, regulatory or tax authority or relevant third parties, HKSCC will issue debit entries to the respective sub-accounts of the Money Ledger of the China Connect Clearing Participant;
- (ii) for Exchange Trades of a Clearing Participant settled under the Isolated Trades System on a DVP basis, on each Settlement Day, in respect of each such Exchange Trade settled under the Isolated Trades System, HKSCC will issue an EPI for the amount (as notified by the Exchange as the price for such Exchange Trade) to each of the Designated Banks of the two Clearing Participants concerned in each case, so as to effect payment by the Clearing Participant receiving Eligible Securities to the delivering Clearing Participant (see Section 14.5). The EPIs issued for each Exchange Trade in interest bearing Debt Securities will include the accrued interest;
- (iii) for ISI or SI Transactions of a Participant settled on a DVP basis on each Settlement Day, in respect of each such ISI or SI Transaction, HKSCC will issue an EPI for the amount (as detailed in the ISIs or SI relating to the ISI or SI Transaction respectively) to each of the Designated Banks of the two Participants concerned in each case, so as to effect payment by the Participant receiving Eligible Securities to the delivering Participant (see Section 14.5);
- (iv) for Clearing Agency Transactions between Clearing Agency Participants and Participants settled under the CNS System on each Settlement Day, the related money positions will be set-off against each other and further set-off against any money positions of the CNS stock positions arising from Exchange Trades of such Participants. The net sum due from or to the Participants will be settled by HKSCC issuing a DDI or DCI to the Designated Bank of the Participant (see section 12.2.6 and section 14.4). For Clearing Agency Transactions between Clearing Agency Participants and Participants settled under the Isolated Trades System on a DVP basis, on each Settlement Day, in respect of each such Clearing Agency Transaction, HKSCC will issue an EPI for the amount (as notified by the Clearing Agency Participants as the price for such Clearing Agency Transactions) to each of the Designated Banks of the two Participants concerned in each case, so as to effect payment by the Participant receiving Eligible Securities to the delivering Participant (see Section 14.5) ; and
- (v) for STI Transfers of a Clearing Participant or a Custodian Participant effected on a DVP basis on each Business Day, in respect of each such STI Transfer, HKSCC will issue an EPI for the amount (as detailed in the STI) to the Designated Bank of the Clearing Participant or Custodian Participant and the receiving bank of the SSA

Statement Recipient concerned, so as to effect payment by the Clearing Participant or Custodian Participant to its SSA Statement Recipient in respect of the transfer of Eligible Securities from the SSA with Statement Service to another Stock Account of the Clearing Participant or Custodian Participant.

For ISI or SI transactions of a Participant to be settled on a RDP basis on each Settlement Day, subject to availability of Eligible Securities in respect of such ISI or SI transactions, HKSCC will issue a CPI for the amount (as detailed in the ISIs or SIs relating to the ISI or SI transactions respectively) to the Designated Banks of the receiving Participant concerned in each case, so as to effect CHATS payment to the delivering Participant. Upon receipt of confirmation of payment from the Clearing House of HKAB for the relevant Eligible Currency, delivery of Eligible Securities takes place immediately on-line in CCASS.

For any cash prepayment request or intra-day marks of a Clearing Participant to be settled via CPIs on each Business Day, HKSCC will issue a CPI for the amount to the Designated Bank of the paying Participant, so as to effect CHATS payment to the respective bank account of HKSCC or the HKSCC HKD RTGS Account, as applicable.

For any accepted Intra-day Payment Standing Instruction covering intra-day refund to a Clearing Participant of surplus cash arising from overpaid cash prepayment and/or intra-day settlement of money obligations due to Clearing Participants from HKSCC under the CNS System on a Settlement Day, HKSCC will issue an Intra-day Payment Instruction covering the amount (as stated in the “Enquire Intra-Day Payment Summary” in CCASS Terminal) of the surplus cash refund and/or intra-day settlement of money obligations due to the Clearing Participant from HKSCC under the CNS System included in the Intra-day Payment to the Designated Bank of the Clearing Participant to effect intra-day payment on each Settlement Day (See Section 14.8).

#### **14.3.3A Amounts arising out of settlement of Transfer Instruction in CMU**

In respect of the settlement of Transfer Instruction to be effected between CCASS and CMU on a delivery versus payment basis in CMU with payment to be received by HKSCC, HKSCC will normally issue a credit entry to the Money Ledgers of the Participant delivering Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments to be settled against its Designated Bank Accounts so as to effect payment to the Participant on the same day as the date of receipt of the payment by HKSCC.

#### **14.3.4 Amounts arising out of nominee services**

The amounts to be debited or credited to the Designated Bank Accounts of Participants in relation to nominee and similar transactions effected by HKSCC have been explained elsewhere (see Sections 8.7 to 8.21, 8.25 and 8.26). In brief, they arise from the following types of corporate actions:

- (i) for payments of dividends in an Eligible Currency, HKSCC will normally issue credit entries to the Participants' Money Ledgers to be settled against the Designated Bank Accounts of the Participants entitled to such dividends on the same day depending on the time of payment received by HKSCC;
- (ii) for subscription of rights shares and excess shares in relation to PALs where the subscription monies are payable in an Eligible Currency, HKSCC will issue debit entries to the Participants' Money Ledgers in respect of the appropriate subscription monies upon receipt of the rights subscription and/or excess shares application instructions via CCASS Terminals or via the CCASS Phone System or the CCASS

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Internet System for settlement via the relevant Participants' Designated Bank Accounts on the same day via DDIs or CPIs;

- (iii) for subscription of new shares and excess shares under open offers where the subscription monies are payable in an Eligible Currency, HKSCC will issue debit entries to the Participants' Money Ledgers concerned in respect of the appropriate subscription monies together with subscription charges such as brokerage, transaction levy and the Exchange's trading fee upon receipt of the subscription of open offers and excess shares application instructions via CCASS Terminals or the CCASS Phone System or the CCASS Internet System as appropriate for settlement via the relevant Participants' Designated Bank Accounts on the same day via DDIs or CPIs;
- (iv) for subscription of shares on exercise of warrants where the subscription monies are payable in an Eligible Currency, HKSCC will issue debit entries to the Participants' Money Ledgers concerned in respect of the appropriate subscription monies and conversion charges upon receipt of the warrant conversion instructions via CCASS Terminals or the CCASS Phone System or the CCASS Internet System as appropriate for settlement via the relevant Participants' Designated Bank Accounts on the same day via DDIs or CPIs. HKSCC will issue debit entries regarding the ad valorem stamp duty payable on the conversion of the warrants upon notification from the Issuer or its agent or representative of the amount of ad valorem stamp duty levied;
- (v) for payments of cash consideration in an Eligible Currency to Participants that accept a take-over offer which is successful, HKSCC will issue credit entries to the Participants' Money Ledgers on the same day if payments are received by HKSCC at or before 3:45 p.m. on that day;
- (vi) for refund of surplus subscription monies in an Eligible Currency received by HKSCC from the issuers of the relevant Eligible Securities in respect of unsuccessful open offers, excess shares applications under rights issues and/or open offers, HKSCC will issue credit entries to the Participants' Money Ledgers on the same day or the next Business Day depending on the time of receipt of payment by HKSCC;
- (vii) for payments of principal or interest accruing to eligible Debt Securities in an Eligible Currency, HKSCC will normally issue credit entries to the Participants' Money Ledgers to be settled against the Designated Bank Accounts of the Participants entitled to such interests payments on the same day depending on the time of payment received by HKSCC;
- (viii) for subscription of shares in relation to eligible convertible Debt Securities where subscription monies are payable in an Eligible Currency, HKSCC will issue debit entries to the Participants' Money Ledgers concerned in respect of the appropriate subscription monies and conversion charges, if applicable, upon receipt of the Debt Securities conversion instructions via CCASS Terminals for settlement via the relevant Participants' Designated Bank Accounts on the same day via DDIs or CPIs;

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- (ix) for disbursement charges in an Eligible Currency resulting from corporate activities in relation to eligible Debt Securities, HKSCC will issue debit entries to the Participants' Money Ledgers upon distribution of the share/cash entitlements by HKSCC;
  - (x) [Repealed]
  - (xi) for payment of tender monies or application monies in an Eligible Currency in respect of Tender Instructions, HKSCC will effect debit payments from the Participants' Designated Bank Accounts on the day which is two Business Days before the tender day of the relevant Exchange Fund Notes or Specified Instruments or on the closing date of the subscription period of relevant Government Bonds or CMU Instruments. Where the bids for Exchange Fund Notes or Specified Instruments are non-competitive and the initial bid price is lower than the final accepted price, HKSCC will effect debit payments for any shortfall of tender moneys from the relevant Participants' Designated Bank Accounts on the tender day. Where the application price is lower than the subscription price, HKSCC will effect debit payments for any shortfall of application moneys from the relevant Participants' Designated Bank Accounts on the date upon receipt of the allotment results. For refund of tender monies in respect of Tender Instructions for Exchange Fund Notes or Specified Instruments, HKSCC will effect credit payments to the Participants' Designated Bank Accounts on the day which is either one Business Day before the tender day if the HKMA or the relevant Issuer withdraws the tender invitation or if excess monies are to be refunded in respect of cancelled Tender Instructions and, in other cases, on the tender day or as soon as practicable. For refund of application monies in respect of Tender Instructions for Government Bonds or CMU Instruments, HKSCC will effect credit payments to the Participants' Designated Bank Accounts on the day the allotment result is received from the Issuer or its agent or arranger or one Business Day before the closing date if the relevant Issuer withdraws the offer or as soon as practicable;
  - (xii) for payments or refunds in an Eligible Currency in respect of the issue and redemption of Units, HKSCC will follow the procedures set out in the applicable sections of these Operational Procedures; and
  - (xiii) for cash payments relating to Structured Products payable in an Eligible Currency, HKSCC will normally issue credit entries to the Participants' Money Ledgers to be settled against the Designated Bank Accounts of the Participants entitled to such cash payments on the same day depending on the time of receipt of payments by HKSCC. Where applicable, HKSCC will issue debit entries regarding the ad valorem stamp duty payable on the underlying securities of the Structured Products and any other expenses payable in connection with any scrip and/or cash payment distributed in respect of the Structured Products upon notification from the issuer or its agent of the amount of ad valorem stamp duty levied and/or any other relevant expenses charged.

The debit or credit entries, except payments in respect of Tender Instructions referred to in Section 14.3.4(xi) above, are posted to the Entitlements Accounts of the Participants' Money Ledgers.

For any accepted Intra-day Payment Standing Instruction covering intra-day payment to a Participant other than an Investor Participant of cash payments arising out of nominee services on a Business Day, HKSCC will issue an Intra-day Payment Instruction covering



the amount (as stated in the “Enquire Intra-Day Payment Summary” in CCASS Terminal) of the cash payments included in the Intra-day Payment to the Designated Bank of the Participant to effect intra-day payment of the amount to the Designated Bank Account of the Participant on each Business Day (See Section 14.8).

Where HKSCC accepts a Nominee Payment (Evening) Standing Instruction requested by a Participant other than an Investor Participant, it will generate a DCI to effect the evening distribution of the relevant amount of cash payments arising from nominee services in the relevant Eligible Currency to the Designated Bank Account of the Participant not later than day end on each Business Day (see Section 8.26).

Subject as aforesaid, HKSCC will, at day end on each Business Day, on the basis of the account balance, generate DDIs/DCIs/EPIs for settlement via Participants’ Designated Bank Accounts (see Sections 14.4 and 14.5).

For subscription instructions which involve the collection of subscription monies via CPIs, HKSCC will, on the basis of such instructions, generate CPIs for settlement via Participants’ Designated Bank Accounts during the day (see Section 14.7).

In relation to entitlement payments for which HKSCC has credited the relevant Participants’ Money Ledgers before receipt of payment and if, for whatever reason, the relevant entitlement payments are not received by HKSCC, HKSCC shall have the right either to arrange for an amount equivalent to that credited by HKSCC to be debited from the relevant Participants’ Money Ledgers or require the relevant Participants to immediately refund the amount to HKSCC either by bank draft, cheque or telegraphic transfer or in such other manner as HKSCC deems appropriate. In relation to any entitlement payment which may have been conditionally received by HKSCC, HKSCC shall be entitled not to credit such payment to the relevant Participants’ Money Ledgers until the entitlement payment to HKSCC has become unconditional.

#### **14.3.5 Amount arising out of CCASS services to Investor Participants**

Fees and expenses payable by Investor Participants for CCASS services will be collected from Investor Participants in Hong Kong dollars through the generation of DDIs by HKSCC on a monthly basis. Dividend collection fees and interest collection fees will be collected by HKSCC in the Eligible Currencies in which the relevant securities are denominated and deducted by HKSCC at source before payment.

A monthly statement will be mailed to the Investor Participants at the beginning of each month setting out the previous month’s transactions and will also be posted on the CCASS Internet System (see section 16.6.2). The monthly statement will not be mailed to an Investor Participant who has elected to enquire the details of the statement through the CCASS Internet System.

#### **14.3.6 Amount arising out of CCASS services in relation to SSA with Statement Service**

Fees and expenses arising out of CCASS services in relation to SSA with Statement Service of a Clearing Participant or a Custodian Participant (including but not limited to those arising from CCASS services to SSA Statement Recipients for the account of the Participant) are payable by the Participant and will be collected from the Participant in Hong Kong dollars on a monthly basis through the generation of EPIs by HKSCC.

#### **14.3.7 Amounts arising out of FX Services**

The amounts in HKD or RMB to be debited and credited to Designated Bank Accounts of a TSF CCASS Participant in relation to TSF FX Transactions and Stock Release FX Transactions are explained in Sections 12A.4 and 12A.6. In brief,

- (i) in respect of TSF FX Transactions, HKSCC will generate DDIs, DCIs and/or CPIs to the Designated Bank of the TSF Clearing Participant for settlement of the Participant's TSF Final FX Positions as determined by HKSCC pursuant to Section 12A.3.5 on each Settlement Day; and
- (ii) for Stock Release FX Transactions, HKSCC will generate DCIs and CPIs to the Designated Bank of the TSF CCASS Participant for settlement of the aggregate payment amounts due from or to the Participant, as determined by HKSCC pursuant to Section 12A.6.3(i).

## **14.4 DDIs AND DCIs**

### **14.4.1 Usage**

DDIs/DCIs are used to effect money settlement between HKSCC and Participants arising from (i) CNS stock positions arising from Exchange Trades and Clearing Agency Transactions to be settled with Clearing Participants and Clearing Agency Participants; (ii) Marks, Margin and Collateral provided by Clearing Participants and Clearing Agency Participants for CNS stock positions; (iii) Basic Contributions and Dynamic Contributions by Clearing Participants to the Guarantee Fund; (iv) money transactions in relation to nominee services provided by HKSCC as set out in Section 14.3.4; (v) money transactions in relation to FX Services provided by HKSCC, as TSF operator, as set out in Section 14.3.7; (vi) fees, expenses, levies and taxes relating to China Connect Securities Trades payable by China Connect Clearing Participants; (vii) fees and expenses payable by Investor Participants for provision of CCASS services (see Section 14.3.5); and (viii) other matters where HKSCC can demand payment from or is required to make payments to Participants.

### **14.4.2 Procedures**

The following is a brief description of the procedures relating to DDIs/DCIs issued by HKSCC:

- (i) periodically, based on the balance of the relevant sub-accounts of the Money Ledger of Participants (i.e. the Settlement Account, the Marks and Margin Account, the Entitlements Account, and the Miscellaneous Account), HKSCC will generate DDIs/DCIs to collect or pay sums from or to Participants for value on the same day. Subject to HKSCC's right to offset credit and debit balances in the sub-accounts of the Money Ledger of a Participant, relevant DDIs or DCIs will be generated by HKSCC in respect of balances in the sub-accounts of the Money Ledger of the Participant as follows:
  - in respect of the Settlement Account, on each Settlement Day; and
  - in respect of the Marks and Margin Account, the Entitlements Account and the Miscellaneous Account, on each Business Day;
- (ii) except for balances in the Entitlements Account and the Billing Account, HKSCC will normally offset the credit and debit balances in the sub-accounts of the Money Ledgers of Participants before issuing relevant DDIs or DCIs (usually, the credit

balances in the sub-accounts of the Money Ledger will be applied in the following order, namely, Miscellaneous Account, Settlement Account and the Marks and Margin Account);

- (iii) the DDIs/DCIs, so generated by HKSCC on each day for same day settlement and for settlement on the next Business Day, are forwarded to the Clearing House of HKAB for the relevant Eligible Currency by HKSCC. Special arrangements have been made by HKSCC with the Clearing House of HKAB for each relevant Eligible Currency pursuant to which extra clearing runs will be conducted by that Clearing House and files and/or reports will be provided to the Designated Banks of Participants by that Clearing House on the same day;
- (iv) Designated Banks will be able to obtain via their CCASS Terminals and Participant Gateways details of DDIs/DCIs affecting the Participants they act for, which will be contained in (a) the “DDI/DCI/EPI Listing for Designated Bank” and the “DDI/DCI/EPI Exception Report” or (b) the “DDI/DCI/EPI Listing for IP Related Transactions”, as the case may be (see Section 16.7). Designated Banks will reconcile the details with the information they received from the Clearing House of HKAB for the relevant Eligible Currency and will report any discrepancies to HKSCC for clarification;
- (v) The “Statement of Money Ledger” and “DDI/DCI/EPI Summary for Participant” (see Section 16.6), containing details of the DDIs/DCIs issued by HKSCC, will be available to Participants other than Investor Participants via their CCASS Terminals and Participant Gateways. In the case of Investor Participants, activity statements containing the relevant information will be posted on the CCASS Internet System and the activity statements will also be mailed to Investor Participants who have elected to receive their activity statements by mail on the Business Day following the issue of DDIs/DCIs by HKSCC (see Section 16.6.2). Activity statements will not be mailed to Investor Participants who have not elected to receive their activity statements by mail and such Investor Participants should enquire the details of their activity statements through the CCASS Internet System; and
- (vi) Designated Banks of Participants are required to confirm to HKSCC via their CCASS Terminals (a) the payment status of DDIs and DCIs affecting Participants other than Investor Participants and (b) the payment status of DDIs affecting Investor Participants, at the time or times and in the manner as set out in Section 14.4.3.

In addition to the above procedures, Designated Banks must follow the prescribed procedures of the Clearing House of HKAB for each Eligible Currency in relation to DDIs/DCIs.

#### **14.4.3 Payment confirmation by Designated Banks**

- (i) As mentioned, where HKSCC approves a bank as a Designated Bank, the Designated Bank is required to enter into an undertaking in favour of HKSCC. In the undertaking, a Designated Bank is required to issue to HKSCC a confirmation via its CCASS Terminal if any payments to be debited from or credited to the Designated Bank Account of a Participant in respect of any DDIs and/or DCIs issued by HKSCC have not been or cannot be effected by the Designated Bank.
- (ii) In this Section 14.4.3, “payment confirmation” means a confirmation issued by Designated Banks to HKSCC via their CCASS Terminals stating or confirming that:
  - (a) payments to be made out of the Designated Bank Accounts of Participants other

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- than Investor Participants in respect of DDIs issued by HKSCC have not been or cannot be made or effected by Designated Banks;
- (b) payments to be received by the Designated Bank Accounts of Participants other than Investor Participants in respect of DCIs issued by HKSCC have not been or cannot be received or effected by Designated Banks; or
  - (c) payments to be made out of the Designated Bank Accounts of Investor Participants in respect of DDIs issued by HKSCC have not been or cannot be made or effected by Designated Banks.
- (iii) To facilitate the provision of money settlement services by HKSCC to Participants under the Rules, HKSCC has made arrangements with the Clearing House of HKAB to transmit to the Clearing House on each Business Day:
- (a) DDIs and DCIs issued by HKSCC for settlement by all Participants; and
  - (b) amendments to those DDIs and DCIs issued by HKSCC for settlement by Participants other than Investor Participants in respect of which payment confirmations have been issued by Designated Banks to HKSCC pursuant to undertakings made in favour of HKSCC by Designated Banks.
- (iv) The following paragraphs summarise the key obligations of Designated Banks in relation to the issue of payment confirmations relating to DDIs and DCIs for Participants' information.
- (a) For DDIs and DCIs issued by HKSCC for settlement by a Participant other than an Investor Participant on the Business Day following the day of issue of the DDIs and DCIs (the "following Business Day"), if any payment to be debited from or credited to the Designated Bank Account of the Participant have not been or cannot be effected by a Designated Bank, the Designated Bank is required to issue to HKSCC a payment confirmation in accordance with the timing and other requirements set out in Section 6.3, and in any event by no later than 9:30 a.m., on the following Business Day. Where a payment confirmation is issued to HKSCC by a Designated Bank as mentioned above, it has been agreed between HKSCC and the Clearing House of HKAB that the Clearing House shall not, in respect of a DDI, make the relevant payment; and in respect of a DCI, receive the relevant payment. Where no payment confirmation is issued to HKSCC by a Designated Bank in respect of a DDI or a DCI by 9:30 a.m. on the following Business Day, the Designated Bank of the Participant will be bound, in respect of a DDI, to make the relevant payment; and in respect of a DCI, to receive the relevant payment.
  - (b) For DDIs and DCIs issued by HKSCC for settlement by a Participant other than an Investor Participant on the same Business Day that the DDIs and the DCIs are issued, if any payment to be debited from or credited to the Designated Bank Account of the Participant have not been or cannot be effected by a Designated Bank, the Designated Bank is required to issue to HKSCC a payment confirmation in accordance with the timing and other requirements set out in Section 6.3, and in any event by no later than 5:45 p.m. on that Business Day. Where a payment confirmation is issued to HKSCC by a Designated Bank as mentioned above, it has been agreed between HKSCC and the Clearing House of HKAB that the Clearing House shall not, in respect of a DDI, make the relevant payment; and in respect of a DCI, receive the relevant payment. Where no payment confirmation is issued to HKSCC by a Designated Bank in respect of a DDI or a DCI by 5:45 p.m. on that Business Day, the Designated Bank of the Participant will be bound, in respect of a

DDI, to make the relevant payment; and in respect of a DCI, to receive the relevant payment.

- (c) For DDIs issued by HKSCC for settlement by a Participant other than an Investor Participant on the same Business Day that the DDIs are issued, where a Designated Bank should pursuant to (b) above have issued a payment confirmation to HKSCC at or before 5:45 p.m. on that Business Day but for any reason fails to do so, notwithstanding (b) above, the Designated Bank may issue to HKSCC a payment confirmation in accordance with the timing and other requirements set out in Section 6.3, and in any event by no later than 8:00 p.m. on that Business Day. Where a payment confirmation is issued to HKSCC by a Designated Bank as mentioned in this paragraph (c), HKSCC will return to the Participant the relevant amount of payment already made by the Participant's Designated Bank to HKSCC under the DDI pursuant to the last sentence of paragraph (b) above provided that the amount to be returned will only be effected by HKSCC by way of a DCI issued by HKSCC at day end for settlement on the Business Day following the day of issue of the DCI.
- (d) For DDIs issued by HKSCC for settlement by an Investor Participant on the Business Day following the day of issue of the DDIs (the "following Business Day"), if any payment to be debited from the Designated Bank Account the Investor Participant have not been or cannot be effected by the Designated Bank, the Designated Bank is required to issue to HKSCC a payment confirmation in accordance with the timing and other requirements of Section 6.3, and in any event by no later than 2:30 p.m. on the following Business Day. Where no payment confirmation is issued to HKSCC by a Designated Bank in respect of a DDI by 2:30 p.m. on the following Business Day, the Designated Bank of the Investor Participant will be bound to make or effect the relevant payment to HKSCC.
- (e) For further details of the procedures to be followed in relation to the issue of payment confirmation to HKSCC, Designated Banks should refer to the CCASS Terminal User Guide for Designated Banks.
- (v) To monitor and control its risk exposure to Participants, Eligible Securities other than China Connect Securities delivered to Participants by HKSCC under the CNS System will be treated as Securities-on-hold under the Rules. HKSCC has full discretion not to allow Participants to make use of some or all of such Eligible Securities other than China Connect Securities until HKSCC is fully satisfied that all payments by Participants under the CNS System (as a result of DDIs issued by HKSCC) are good and irrevocable. For the avoidance of doubt, unless otherwise agreed by HKSCC, payments in respect of DDIs issued by HKSCC on a Business Day for settlement by Participants other than Investor Participants on the same Business Day will not be regarded by HKSCC as good and irrevocable at any time before 8:00 p.m. on that Business Day.

#### **14.4.4 Default of payment by Participants other than Investor Participants**

If HKSCC is notified of a rejected DDI by the Designated Bank of a Participant other than an Investor Participant, the Participant will be regarded as having defaulted and will be subject to such action or actions as HKSCC may wish to take under the Rules.

Without prejudice to HKSCC's right to take any action under the Rules, HKSCC may attempt to contact the defaulting Participant and may demand that the defaulting Participant make payment to HKSCC by such means as specified by HKSCC from time to time and before such time or times as HKSCC may specify.

HKSCC, if it is able to contact the defaulting Participant, will usually demand the defaulting Participant to provide HKSCC with an explanation for the default and assurances as determined by HKSCC to ensure that the default will be cured promptly. HKSCC may also contact the Designated Bank of the defaulting Participant to ascertain the reasons for the default. Interest will be charged by HKSCC.

A defaulting Participant (other than an Investor Participant) will be subject to such disciplinary action as may be deemed appropriate by HKSCC, upon the occurrence of any such default or any of the following events :

- (i) a Participant rejects or fails to comply with HKSCC's demand for payment;
- (ii) a Participant fails to provide an explanation for its default or fails to provide HKSCC with assurances that the default will be cured.

HKSCC reserves the right not to effect payment in respect of any DCIs issued in favour of a defaulting Participant, in the event that any DDI issued is rejected or any CPI issued in relation to China Connect Securities Trades remains unpaid after the stipulated deadline.

HKSCC reserves the right not to effect payment in respect of any DCIs issued in favour of a defaulting Participant, in the event that any DDI issued is rejected. To monitor and control the risk exposure of HKSCC in settlement of money positions relating to Multi-counter Eligible Securities that are subject to the same stock netting process, in the event that a Designated Bank rejected a DDI of a Clearing Participant or Clearing Agency Participant (except where the Clearing Agency Participant is a China Connect Clearing House) at or before 5:45 p.m. on a Settlement Day, the corresponding DCI of such Clearing Participant or Clearing Agency Participant will, unless otherwise determined by HKSCC in its absolute discretion, be rejected.

Where a Clearing Participant or a Clearing Agency Participant defaults in payment, HKSCC will normally notify the Exchange.

For any DDI issued by HKSCC in connection with a Participant's instruction on nominee and similar services (including, but not limited to, Tender Instructions), if payment is not received by HKSCC, HKSCC reserves the right not to act on the defaulting Participant's instruction until such time when payment is received by HKSCC. If any deadline for implementing such instruction is breached as a result of any default of payment by the Participant, HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC will not be liable for any losses or damages that may be suffered by the defaulting Participant.

#### **14.4.5 Default of Payment by Investor Participants**

Payments of Investor Participants to be made to HKSCC are normally payments for nominee and similar services and fees and expenses payable to HKSCC.

If HKSCC is notified of a rejected DDI by the Designated Bank of an Investor Participant, the Investor Participant will be regarded as having defaulted and will be subject to such

action which HKSCC may take under the Rules and the Terms and Conditions.

For any DDI issued by HKSCC in connection with an Investor Participant's instruction on nominee and similar services (including, but not limited to, Tender Instructions), if payment is not received by HKSCC, HKSCC reserves the right not to act on the defaulting Investor Participant's instruction until such time when payment is received by HKSCC. If any deadline for implementing such instruction is breached as a result of any default of payment by the Investor Participant, HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC will not be liable for any losses or damages that may be suffered by the defaulting Investor Participant.

If the rejected DDI is in relation to fees and expenses to be paid to HKSCC, HKSCC may attempt to contact the defaulting Investor Participant and may demand such Investor Participant to put sufficient funds into its Designated Bank Account to covering its payment obligation. HKSCC may freeze the defaulting Investor Participant's Stock Account if the DDI in relation to the fees and expenses of the defaulting Investor Participant is still rejected on the following money settlement day. (For details, please refer to Section 22.4).

## **14.5 ELECTRONIC PAYMENT INSTRUCTIONS**

### **14.5.1 Usage**

EPIs are used to effect (i) money settlement between Participants in relation to trade for trade transactions settled in CCASS on a DVP basis (i.e. Isolated Trades, ISI and SI Transactions settled on a DVP basis); (ii) payment of money by Clearing Participants or Custodian Participants to their SSA Statement Recipients in relation to STI Transfers on a DVP basis; (iii) payment of fees and expenses by Participants other than Investor Participants on a weekly basis to HKSCC for CCASS services; and (iv) redelivery to China Connect Clearing Participants of Collateral provided to HKSCC for the early release of China Connect Securities that are Securities-on-hold.

### **14.5.2 Procedures**

The following is a brief description of the procedures relating to EPIs issued by HKSCC:

- (i) on each Settlement Day, in relation to Isolated Trades (including Clearing Agency Transactions), ISI and SI Transactions settled on a DVP basis in CCASS, HKSCC will in respect of each such trade or transaction, cause, via the Clearing House of HKAB for the relevant Eligible Currency, a debit EPI to be issued to the Designated Bank of the Participant receiving Eligible Securities as a result of settlement of such a trade or transaction in CCASS and a corresponding credit EPI to be issued to the Designated Bank of the counterparty Participant delivering Eligible Securities;
- (ii) [Repealed]
- (iia) at the end of each Business Day, in relation to STI Transfer to be effected on a DVP basis in CCASS, HKSCC will in respect of each such transfer, cause, via the Clearing House of HKAB for the relevant Eligible Currency, a debit EPI to be issued to the Designated Bank of the Clearing Participant or Custodian Participant inputting the STI on a DVP basis and a corresponding credit EPI to be issued to the receiving bank account with the receiving banker of the relevant SSA Statement Recipient;

- (iib) at the end of each Business Day, in relation to fees and expenses payable by a Participant other than an Investor Participant for CCASS services, HKSCC will compute the relevant tariff amounts and post entries to its Billing Account (a sub-account of the Money Ledger). On each Saturday, CCASS will generate a debit EPI for each Participant according to the balance of its Billing Account and a corresponding credit EPI to HKSCC's specified bank account. On each Monday, the processing of EPIs will be carried out by the Clearing House of HKAB and the Designated Banks concerned. If any Monday is a public holiday, the processing will be postponed to the following Business Day;
- (iic) on each Settlement Day, to effect the redelivery of Collateral provided to HKSCC for the early release of China Connect Securities that are Securities-on-hold, HKSCC will determine the relevant amount of Collateral to be redelivered and a corresponding credit EPI will be issued to the Designated Bank of the China Connect Clearing Participant upon HKSCC being fully satisfied that all payments by the China Connect Clearing Participant under the CNS System (as a result of CPI issued by HKSCC) are good and irrevocable;
- (iii) Repealed
- (iv) special arrangements have been made by HKSCC with the Clearing House of HKAB for each relevant Eligible Currency pursuant to which extra clearing runs will be conducted by that Clearing House of HKAB and files and/or reports will then be provided to Designated Banks of Participants by that Clearing House of HKAB on the same day;
- (iva) Designated Banks will be able to obtain via their CCASS Terminals and Participant Gateways details of EPIs affecting the Participants they act for, which will be contained in the "DDI/DCI/EPI Listing for Designated Bank", "DDI/DCI/EPI Exception Report" or "DDI/DCI/EPI Listing for IP Related Transactions", as the case may be (see Section 16.7). Designated Banks will reconcile the details with the information they received from the Clearing House of HKAB for the relevant Eligible Currency and will report any discrepancies to HKSCC for clarification;
- (v) Participants other than Investor Participants will be able to obtain via their CCASS Terminals or Participant Gateways their "Settlement Report", "DDI/DCI/EPI Summary for Participant" and "Settlement Related EPI Listing" (in respect of trade for trade transactions settled in CCASS on a DVP basis) and "Statements of Money Ledger" (in respect of fees and expenses for CCASS services) (see Section 16.6.1) which contain details of the EPIs for debits and credits to their Designated Bank Accounts. In the case of Investor Participants, activity statements will be posted on the CCASS Internet System and activity statements will also be mailed to Investor Participants who have elected to receive their activity statements by mail on the Business Day following the activities to which the activity statement relates (see Section 16.6.2). In the case of SSA Statement Recipients receiving EPI payment, activity statements including the payment details will be posted on the CCASS Internet System and activity statements will also be mailed to SSA Statement Recipients who have elected to receive their activity statements by mail on the Business Day following the payment to which the activity statement relates (see Section 16.6.8). Activity statements will not be mailed to Investor Participants who have not elected to receive their activity statements by mail and such Investor Participants should enquire the details of their activity statements through the CCASS Internet System; and



- (vi) Designated Banks of Participants are required to confirm to HKSCC via their CCASS Terminals (a) the payment status of EPIs affecting Participants other than Investor Participants; and (b) the payment status of debit EPIs affecting Investor Participants, by the times and in the manner as set out in Section 14.5.3.

In addition to the above procedures, Designated Banks must follow the prescribed procedures of the Clearing House of HKAB for each Eligible Currency in relation to EPIs.

### **14.5.3 Payment confirmation by Designated Banks**

- (i) In this Section 14.5.3, “payment confirmation” means a confirmation issued by Designated Banks to HKSCC via their CCASS Terminals stating or confirming that:
  - (a) payments to be made out of the Designated Bank Accounts of Participants other than Investor Participants in response to debit EPIs to effect money settlement in relation to Isolated Trades, SI Transactions on a DVP basis and/or fees and expenses for CCASS services have not been or cannot be made or effected by Designated Banks;
  - (b) payments to be received by the Designated Bank Accounts of Participants other than Investor Participants in response to credit EPIs to effect money settlement in relation to Isolated Trades and/or SI Transactions on a DVP basis have not been or cannot be received or effected by Designated Banks; or
  - (c) payments to be made out of the Designated Bank Accounts of the Investor Participants in response to debit EPIs to effect money settlement in relation to ISI Transactions on a DVP basis where the on hold mechanism applies have not been or cannot be made or effected by Designated Banks.
- (ii) To facilitate the provision of money settlement services by HKSCC to Participants under the Rules, HKSCC has made arrangements with the Clearing House of HKAB to transmit to the Clearing House on each Business Day:
  - (a) EPIs issued by HKSCC for settlement by all Participants; and
  - (b) amendments to those EPIs issued by HKSCC for settlement by Participants other than Investor Participants in respect of which payment confirmations have been issued by Designated Banks to HKSCC pursuant to undertakings made in favour of HKSCC by Designated Banks. In this paragraph (b), “EPIs” only covers those EPIs issued by HKSCC to effect money settlement in relation to Isolated Trades and/or SI Transactions on a DVP basis.
- (iii) The following paragraphs summarise the key obligations of Designated Banks in relation to the issue of payment confirmations relating to EPIs for Participants’ information. In paragraphs (a) and (b) below, “EPIs” only covers those EPIs issued by HKSCC to effect money settlement in relation to Isolated Trades and/or SI Transactions on a DVP basis.
  - (a) For EPIs issued by HKSCC for settlement by a Participant other than an Investor Participant on the Business Day following the day of issue of the EPIs (the “following Business Day”), if any payment to be debited from or credited to the Designated Bank Account of the Participant have not been or cannot be effected by a Designated Bank, the Designated Bank is required to issue to HKSCC a payment confirmation in accordance with the timing and other requirements set out in Section 6.3, and in any event by no later than 9:30 a.m. on the following Business

- Day. Where a payment confirmation is issued to HKSCC by a Designated Bank as mentioned in this paragraph (a), it has been agreed between HKSCC and the Clearing House of HKAB that the Clearing House shall not, in respect of a debit EPI, make the relevant payment; and in respect of a credit EPI, receive the relevant payment. Where no payment confirmation is issued to HKSCC by a Designated Bank in respect of a debit EPI or a credit EPI by 9:30 a.m. on the following Business Day, the Designated Bank of the Participant will be bound, in respect of a debit EPI, to make the relevant payment; and in respect of a credit EPI, to receive the relevant payment.
- (b) For EPIs issued by HKSCC for settlement by a Participant other than an Investor Participant on the same Business Day that the EPIs are issued, if any payment to be debited from or credited to the Designated Bank Account of the Participant has not been or cannot be effected by a Designated Bank, the Designated Bank is required to issue to HKSCC a payment confirmation in accordance with the timing and other requirements set out in Section 6.3, and in any event by no later than 5:45 p.m. or, where Night Settlement applies, by no later than 9:20 p.m. on that Business Day. Where a payment confirmation is issued to HKSCC by a Designated Bank as mentioned in this paragraph (b), it has been agreed between HKSCC and the Clearing House of HKAB that the Clearing House shall not, in respect of a debit EPI, make the relevant payment; and in respect of a credit EPI, receive the relevant payment. Where no payment confirmation is issued to HKSCC by a Designated Bank in respect of a debit EPI or a credit EPI by 5:45 p.m. or, where Night Settlement applies, by 9:20 p.m. on the same Business Day, the Designated Bank of the Participant will be bound, in respect of a debit EPI, to make the relevant payment; and in respect of a credit EPI, to receive the relevant payment.
  - (c) A delivering Participant may, with a view to monitoring and controlling the risk that a paying Investor Participant will not pay for Eligible Securities under an ISI Transaction which is to be settled in CCASS on a DVP basis, require that the shares on hold mechanism is used before affirmation of that ISI Transaction. If this is done, HKSCC will not permit the delivering Participant or the paying Investor Participant to withdraw the relevant Eligible Securities from CCASS or transfer or otherwise use them until Negative Confirmation of Payment in response to the relevant debit EPI has been obtained from the paying Investor Participant's Designated Bank.
  - (d) Where the on hold mechanism applies to an ISI Transaction, the Investor Participant's Designated Bank must, in order to avoid an obligation to make the payment itself, issue to HKSCC, in accordance with the timing and other requirements set out in Section 6.3, and in any event by no later than 2:30 p.m. on the Business Day following the day of issue of the relevant debit EPI, a payment confirmation that payment will not be made in response to that debit EPI. If the Designated Bank does not do this, Negative Confirmation of Payment in response to the relevant debit EPI will have been obtained and the Designated Bank will be obliged to make the payment.
  - (e) For further details of the procedures to be followed in relation to the issue of payment confirmations to HKSCC, Designated Banks should refer to the CCASS Terminal User Guide for Designated Banks.

#### **14.5.4 Default of payment**

As HKSCC's role in relation to money settlement for (i) trade for trade transactions in CCASS on a DVP basis; and (ii) STI Transfers on a DVP basis is merely that of a facilitator, it will not be responsible for any default in payment in relation to trade for trade

transactions settled in CCASS or STI Transfers effected in CCASS by Participants. In case of any payment default in relation to trade for trade transactions, the non-defaulting Participant shall notify HKSCC immediately.

Accordingly, Participants themselves have to monitor good payment in relation to money settlement by EPIs.

## **14.6 Repealed**

## **14.7 CHATS PAYMENT INSTRUCTIONS**

### **14.7.1 Usage**

CPIs are used to collect CCASS payments, to effect money settlement between Participants in relation to ISI or SI Transactions to be settled in CCASS on a RDP basis and to effect money settlement of CNS stock positions in relation to China Connect Securities Trades.

FINI CPIs are used to effect money settlement in respect of Electronic Application Instructions for New Issue Shares.

### **14.7.2 Procedures**

The following is a brief description of the procedures relating to CPIs issued by HKSCC:

- (i) generally, on each Business Day, in relation to CCASS transactions to be settled via CPIs, HKSCC will generate a CPI to be issued to the Designated Bank of the paying Participant upon creation with subsequent authorisation of an instruction by the Participant or as instructed by the paying Participant if it has authorised HKSCC to collect CCASS payments via CPIs. The CPI will include inter alia, the money value and the bank account information of the paying Participant and the receiving party;
- (ii) on the day imposed by HKSCC as the deadline for submitting subscription instructions, in relation to subscription instructions involving the collection of subscription monies via CPIs, upon acceptance and processing by HKSCC of the relevant instructions, HKSCC will generate a CPI to be issued to the Designated Bank of the paying Participant. The CPI will include inter alia, the money value and the bank account information of the paying Participant and HKSCC;
- (iii) on each Settlement Day, in relation to ISI and SI Transactions settled on a RDP basis in CCASS, upon its having successfully put on-hold sufficient available shares in the delivering Participant's Stock Account in respect of each such transaction, HKSCC will generate a CPI to be issued to the Designated Bank of the paying Participant. The CPI will include inter alia, the money value and the bank account information of the paying and receiving Participants;
- (iiia) on each Settlement Day, in relation to TSF FX Transactions and/or Stock Release FX Transactions in respect of each TSF CCASS Participant who has authorised HKSCC to collect payments via CPIs, HKSCC as TSF operator will generate CPI(s) to be issued to the Designated Bank of the TSF CCASS Participant. The CPI(s) will include, among others, the money value concerned and the bank account information of the TSF CCASS Participants;

- (iiib) on each Settlement Day, in relation to CNS money obligations of each China Connect Clearing Participant for China Connect Securities Trades and/or surplus cash arising from overpaid cash prepayment on the previous Settlement Day, HKSCC will generate CPI(s) to be issued to the Designated Bank of the China Connect Clearing Participant or a bank designated by HKSCC. The CPI(s) will include, among others, the money value concerned and the bank account information of the China Connect Clearing Participant;
- (iv) the CPIs so generated by HKSCC are transmitted via CCASS Terminals to the Designated Banks of the paying Participants. The Designated Banks of the paying Participants may retrieve the “Electronic CHATS Payment Instruction Report” via CCASS Terminals or Participant Gateways at nine designated times on each Business Day and effect CHATS payments according to the deadline for each type of CCASS payment on the same day on a best effort basis, subject to the close of processing window of CCASS-related CHATS (normally at 7:45 p.m. for RMB and 6:00 p.m. for Eligible Currencies other than RMB);
- (v) the CCASS-related CHATS messages so constructed by Designated Banks will be transmitted online to the clearing house for the relevant Eligible Currency for processing. Special arrangements have been made by HKSCC with the Clearing House of HKAB for each relevant Eligible Currency pursuant to which each CCASS-related CHATS message will be transmitted by the Clearing House of HKAB for that Eligible Currency to HKSCC for validation before settlement in that Clearing House of HKAB for the relevant Eligible Currency;
- (vi) upon receipt of confirmation of payment in respect of the CPIs from the Clearing House of HKAB for the relevant Eligible Currency, HKSCC will i) update the Money Ledgers of the Participants concerned, if applicable, and the status of the respective CCASS transactions, including, in the case of Securities-on-hold China Connect Securities, the extent the Participants will be allowed to use such China Connect Securities; or ii) for SI / ISI Transactions, effect on-line delivery of the on-hold shares to the relevant receiving Participant's Stock Account. No DDI or EPI will be generated after such settlement;
- (vii) if the relevant payment is not confirmed settled by the Clearing House of HKAB for the relevant Eligible Currency before the specified CCASS cut-off time for real time money settlement (normally at 12:00 noon or 6:00 p.m. as the case may be in accordance with Section 10A.4.5 for payments of CNS money obligations of China Connect Clearing Participants for China Connect Securities Trades, 1:00 p.m. for payments for nominee-related services, 3:00 p.m. for payments relating to TSF FX Transactions and Stock Release FX Transactions, 3:30 p.m. for payments relating to SI / ISI Transactions and other CCASS payments for Eligible Securities other than China Connect Securities, 6:00 p.m. for payments in Eligible Currencies other than RMB relating to SI Transactions in China Connect Securities, 7:45 p.m. for payments in RMB relating to SI Transactions in China Connect Securities) on each Business Day, HKSCC will i) not give effect to or process or settle the relevant CCASS transaction, ia) not allow China Connect Clearing Participants to use the Securities-on-hold China Connect Securities, ii) for TSF FX Transactions or Stock Release FX Transactions, take such action as it considers necessary to adjust, amend or reverse the FX transactions pursuant to Sections 12A.6 and 12A.8 or, iii) for SI/ISI Transactions, release the on-hold shares to the delivering Participant for other settlement purposes, as appropriate;
- (viii) if the relevant payment is confirmed settled and paid to HKSCC's bank account (for CCASS transactions other than SI / ISI Transactions) at any time after the specified

CCASS cut-off time for real time money settlement on each Business Day, HKSCC will arrange to refund the relevant payment to the relevant Participant on the same Business Day via DCIs; and

- (ix) the status of CPIs can be enquired online via CCASS Terminals. Designated Banks and Participants other than Investor Participants can access, via their CCASS Terminals or Participant Gateways, their CCASS Reports (e.g. their Settlement Reports) to obtain details of the CPIs.

The procedures relating to FINI CPIs issued by HKSCC are set out in the FINI User Guide.

Unsettled CPIs on a Business Day or Mainland Business Day will be purged at the end of such day by HKSCC.

In addition to the above procedures, Designated Banks must follow the prescribed procedures of the Clearing House of HKAB for each Eligible Currency in relation to money settlement of CPIs.

#### **14.7.2a Payment confirmation by Designated Banks**

For CPIs issued by HKSCC for settlement by a China Connect Clearing Participant on a Settlement Day, if any payment to be debited from the Designated Bank Account of the Participant has not been or cannot be effected by the Designated Bank, the Designated Bank is required to issue to HKSCC a CPI confirmation in accordance with the timing and other requirements set out in Section 6.3. Where no CPI confirmation is issued to HKSCC by the Designated Bank in respect of a CPI by 12:00 noon on T+1 or 6:00 p.m. on T-day if T-day is an H-1 day, the Designated Bank of the Participant will be bound, in respect of the CPI, to make the relevant payment.

To monitor and control its risk exposure to Participants, China Connect Securities delivered to Participants by HKSCC under the CNS System will be treated as Securities-on-hold under the Rules. HKSCC has full discretion not to allow Participants to make use of some or all of such China Connect Securities until HKSCC is fully satisfied that all payments by Participants under the CNS System (as a result of CPIs issued by HKSCC) are good and irrevocable.

#### **14.7.3 Default of or delay in payment**

It is the responsibility of the paying Participants to ensure that their Designated Banks act according to the CPIs issued in relation to CCASS transactions and make payment by the deadline determined by HKSCC from time to time.

In case of any default or delay in any intra-day Marks payment or intra-day Margin payment or any payment relating to CNS money obligations, Mainland Settlement Deposit or Mainland Security Deposit in respect of China Connect Securities Trades, HKSCC may take such default action or other action against the concerned Participant as it thinks fit in accordance with the Rules.

In case of any default or delay in any payment relating to a TSF CCASS Participant's TSF Final FX Position or a Stock Release FX Transaction, HKSCC, as TSF operator, may take such default action or other action against the concerned TSF CCASS Participant as it thinks fit in accordance with the Rules.

As HKSCC's role in relation to money settlement for ISI or SI transactions in CCASS on a RDP basis is merely that of a facilitator, it will not be responsible for any default of or delay in payment for whatever reasons in relation to such ISI or SI transactions to be settled in CCASS. In case of any default of or delay in such payment, the concerned Participants should resolve such disputes among themselves.

#### **14.7.4 Hours of CPI services**

The facility of CPI service is available for use on each Business Day starting from the hours of 9:30 a.m. until 6:00 p.m. for Eligible Currencies other than RMB and until 7:45 p.m. for RMB. HKSCC will periodically generate the "Electronic CHATS Payment Instruction Report" via the CCASS Terminals or Participant Gateways to Designated Banks of paying Participants at the following time schedule: 9:30 a.m. (after), 10:30 a.m. (after), 11:00 a.m. (after), 12:00 noon (after), 2:00 p.m. (after), 4:45 p.m. (after), 5:30 p.m. (after), 6:15 p.m. (after) and 7:00 p.m. (after).

The facility of FINI CPI service is available for use by the relevant FINI users in accordance with the FINI Terms and Conditions and the FINI User Guide.

### **14.8 INTRA-DAY PAYMENT INSTRUCTIONS**

#### **14.8.1 Usage**

Intra-day Payment Instructions are used to effect (i) intra-day payment by HKSCC to Participants other than Investor Participants on a Business Day of cash payments arising out of nominee services at the requests of the Participants, (ii) intra-day settlement of money obligations due to Clearing Participants and Clearing Agency Participants from HKSCC under the CNS System, at the requests of the Clearing Participants and Clearing Agency Participants and (iii) intra-day refund by HKSCC to Clearing Participants and Clearing Agency Participants on a Settlement Day of surplus cash arising from overpaid cash prepayment, at the requests of the Clearing Participants and Clearing Agency Participants.

#### **14.8.2 Procedures**

The following is a brief description of the procedures relating to Intra-day Payment Instructions issued by HKSCC on a Business Day and/or a Settlement Day:

- (i) shortly after 2:00 p.m. on each Business Day and after completion of the third Batch-settlement-run for Eligible Securities other than China Connect Securities if the Business Day is also a Settlement Day, HKSCC will, based on an Intra-day Payment Standing Instruction accepted by HKSCC at or before 1:15 p.m. on the Business Day, take into account any or all of the following items (as the case may be) in determining the amount of Intra-day Payment to be paid to a Participant other than Investor Participant via IPI:
  - (a) (where the Intra-day Payment Standing Instruction covers intra-day refund of surplus cash arising from overpaid cash prepayment of a Clearing Participant or Clearing Agency Participant on a Settlement Day) (i) the total cash prepayments received, confirmed and updated to the Participant's Settlement Account of Money Ledger at or before 1:15 p.m. or such other time as specified by HKSCC from time to time, (ii) the Margin amount updated to the Settlement Account of Participant's Money Ledger around 10:00 a.m., (iii) the amount of Specific Cash Collateral updated to the Settlement Account of

Participant's Money Ledger upon the completion of the third Batch-settlement-run, (iv) the CNS money obligation upon the completion of the third Batch-settlement-run and any immediate settlement before 2:00 p.m. by DIs, and (v) other types of money obligations in the Participant's Settlement Account and Miscellaneous Account of Money Ledger as HKSCC may from time to time specify;

- (b) (where the Intra-day Payment Standing Instruction covers intra-day payment of cash payments arising out of nominee services on a Business Day) the cash payments in an Eligible Currency arising out of nominee services actually received by HKSCC of which cleared funds are made available to HKSCC by the relevant paying banks and distributed to the Entitlements Account of the Money Ledger of the Participant before 1:45 p.m. or such other time as specified from time to time by HKSCC; and
  - (c) (where the Intra-day Payment Standing Instruction covers intra-day settlement of money obligations due to the Participant from HKSCC under the CNS System for all settled short CNS positions upon completion of the third Batch-settlement-run for Eligible Securities other than China Connect Securities shortly after 2:00 p.m. and any immediate settlement by DIs) the money obligations due from the Participant to HKSCC under the CNS System for all settled and unsettled long CNS positions and other types of money obligations in the Participant's Settlement Account and Miscellaneous Account of Money Ledger as HKSCC may from time to time specify;
- (ii) if the total amount of Intra-day Payment determined by HKSCC is equal to or greater than the pre-set threshold defined by the Participant in the accepted Intra-day Payment Standing Instruction, HKSCC will issue an Intra-day Payment Instruction on such Business Day and/or Settlement Day to the Designated Bank of the Participant via HKSCC's banker at around 2:30 p.m. or such other time as specified by HKSCC from time to time to effect payments on the same day;
  - (iii) HKSCC will notify Participants via the Broadcast Message Service when Intra-day Payment Instructions are issued. Participants that have input Intra-day Payment Standing Instructions accepted by HKSCC can enquire the amounts of Intra-day Payments under Intra-day Payment Instructions via CCASS Terminal. The concerned Designated Banks of those Participants may retrieve the "Intra-day Payment Instruction Listing" report via CCASS after the issuance of the Intra-day Payment Instructions by HKSCC; and
  - (iv) if any Intra-day Payment is not paid to the Participants concerned intra-day due to any contingent situations and/or at the full discretion of HKSCC, HKSCC will, subject to its right in Section 10.12.8(i) to make use of surplus cash arising from overpaid cash prepayment for any other purpose, pay the relevant payments to them not later than day-end via DCI.