

CCASS OPERATIONAL PROCEDURES

Definitions

- (a) For the convenience of readers, the definitions contained in the Rules are repeated below.

“T+1”

means the Settlement Day immediately following T-day;

- (b) When used in the Operational Procedures, the following expressions shall have the following meanings unless the context otherwise requires:

“H-1 day”

means, in relation to China Connect Securities, the Settlement Day immediately preceding a day which is a public holiday in Hong Kong but not in Mainland China;

Section 2
Participants

2.4.3 Money not held by HKSCC

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

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

Money obligations between a Participant and HKSCC in an Eligible Currency which are recorded in the sub-accounts of its Money Ledger will be settled on a daily basis at day end by HKSCC issuing "Direct Debit Instructions" or "DDIs" or "Direct Credit Instructions" or "DCIs" to the Designated Bank of the Participant, except that (i) money obligations of CNS stock positions in China Connect Securities will be settled on a daily basis by HKSCC issuing "CHATS Payment Instructions" or "CPIs" to the

Designated Bank of the Participant or a bank designated by HKSCC on T-day or T+1, as the case may be, in accordance with Section 10A.4.5; (ii) Intra-day Payments during a Business Day or a Settlement Day will be effected on the same day by way of “Intra-day Payment Instructions” or “IPIs” issued to the Designated Bank of the Participant and the Clearing House of HKAB, where applicable, for certain money obligations in Hong Kong dollars at around 2:30 p.m. or such other time as may be specified by HKSCC; (iii) the Billing Account for Participants other than Investor Participants will be settled in Hong Kong dollars by EPIs on a weekly basis and the Billing Accounts for Investor Participants will be settled in Hong Kong dollars by DDIs on a monthly basis; and (iv) dividend collection fees and interest collection fees will be collected by HKSCC in the Eligible Currencies in which the relevant securities are denominated and deducted by HKSCC at source before payment. Please refer further to Section 14.

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

Section 6

Operational and Service Schedule

6.3 DAILY SERVICE SCHEDULE FOR DESIGNATED BANKS

The daily service schedule of CCASS applicable to Designated Banks is set out in brief below. For more details, please refer to the CCASS Terminal User Guide for Designated Banks.

Time	CCASS events
7:15 a.m.	Commencement of report retrieval and Enquire Broadcast Message functions
8:00 a.m.	Generation of CPIs by HKSCC for money settlement between Participants and HKSCC (including money obligations arising from CNS stock positions of China Connect Securities Trades settled on the previous Settlement Day with payment deadline at 12:00 noon) to be settled by a specific time on the same day

8:30 a.m.	Commencement of enquiry function DDI/DCI/EPI Listing for Designated Bank (for DDIs/DCIs/EPIs generated on the previous day for settlement on the current day) available DDI/DCI/EPI Listing for IP Related Transactions available Commencement of inputting payment confirmation for DDIs/DCIs/EPIs in the DDI/DCI/EPI Listing for Designated Bank generated on the previous day for settlement on the current day
9:00 a.m.	Commencement of batch upload for rejected DDI/debit EPI relating to Investor Participants functions
9:30 a.m.	Deadline for inputting payment confirmation for DDIs/DCIs/EPIs in the DDI/DCI/EPI Listing for Designated Bank generated on the previous day for settlement on the current day Commencement of Enquire Payment Instruction function
9:30 a.m. (after)	DDI/DCI/EPI Rejection Listing (for payment confirmation of DDIs/DCIs/EPIs generated on the previous day for settlement on the current day) available Electronic CHATS Payment Instruction Report available (containing CPIs generated at around 8:00 a.m. for money settlement between Participants and HKSCC by a specified time on the same day)
10:30 a.m. (after)	Electronic CHATS Payment Instruction Report available
11:00 a.m. (after)	Electronic CHATS Payment Instruction Report available
11:30 a.m. (around)	CCASS Funding Projection Report for Designated Bank (for funding projection as of the completion of the First Batch-settlement-run for Eligible Securities other than China Connect Securities) available
12:00 noon	Commencement of inputting payment confirmation for DDIs/debit EPIs in the DDI/DCI/EPI Listing for IP Related Transactions

Deadline for paying HKSCC in good funds for CPIs contained in the Electronic CHATS Payment Instruction Report generated at 9:30 a.m. (after) in respect of money settlement of China Connect Securities Trades between HKSCC and Participants and issuing by facsimile or telephone to HKSCC a confirmation regarding each such CPI for which payment has not been or cannot be effected

12:00 noon. (after)	Electronic CHATS Payment Instruction Report available
12:30 p.m. (around)	CCASS Funding Projection Report for Designated Bank (for funding projection as of the completion of the Second Batch-settlement-run for Eligible Securities other than China Connect Securities) available
1:30 p.m.	Close of batch upload for rejected DDI/debit EPI relating to Investor Participants functions
1:30 p.m. (after)	Rejected DDI/EPI Batch Input Control Report available
2:00 p.m. (after)	Electronic CHATS Payment Instruction Report available
2:30 p.m.	Deadline for inputting payment confirmation for DDIs/debit EPIs in the DDI/DCI/EPI Listing for IP Related Transactions
2:30 p.m. (around)	CCASS Funding Projection Report for Designated Bank (for funding projection as of the completion of the Third Batch-settlement-run for Eligible Securities other than China Connect Securities) available
2:30 p.m. (after)	Investor Confirmation Report available
3:00 p.m. (after)	Intra-day Payment Instruction Listing available
3:30 p.m. (around)	CCASS Funding Projection Report for Designated Bank (for funding projection as of the completion of the Sixth SI matching for Eligible Securities other than China Connect Securities) available
4:05 p.m. (after)	DDI/DCI/EPI Listing for Designated Bank (for DDIs/DCIs/EPIs generated on the current day for settlement on the same day) available
4:20 p.m. (after)	DDI/DCI/EPI Exception Report available
	Commencement of the first session for inputting payment

	confirmation for DDIs/DCIs/EPIs in the DDI/DCI/EPI Listing for Designated Bank generated on the current day for settlement on the same day, excluding those DDIs, DCIs and EPIs contained in the DDI/DCI/EPI Exception Report
4:45 p.m. (after)	Electronic CHATS Payment Instruction Report available
5:00 p.m. (around)	CCASS Funding Projection Report (Night Settlement) for Designated Bank (for funding projection as of the completion of the first Batch-settlement-run for China Connect Securities) available
5:30 p.m. (after)	Electronic CHATS Payment Instruction Report available
5:45 p.m.	Deadline of the first session for inputting payment confirmation for DDIs/DCIs/EPIs in the DDI/DCI/EPI Listing for Designated Bank generated on the current day for settlement on the same day (see Note (i) below)
5:45 p.m. (around)	CCASS Funding Projection Report (Night Settlement) for Designated Bank (for funding projection as of the completion of the second Batch-settlement-run for China Connect Securities) available
5:45 p.m. (after)	DDI/DCI/EPI Rejection Listing (for payment confirmation inputted in the first session) available
6:00 p.m.	Deadline for paying HKSCC in good funds for CPIs contained in the Electronic CHATS Payment Instruction Report generated at 4:45 p.m. (after) in respect of money settlement of China Connect Securities Trades between HKSCC and Participants and issuing by facsimile or telephone to HKSCC a confirmation regarding each such CPI for which payment has not been or cannot be effected (see Note (ii) below)
6:00 p.m. (after)	Commencement of the second session for inputting payment confirmation for DDIs in the DDI/DCI/EPI Listing for Designated Bank generated on the current day for settlement on the same day, excluding those DDIs contained in the DDI/DCI/EPI Exception Report and those DDIs in relation to which payment confirmation has been inputted in the first session
6:15 p.m. (after)	Electronic CHATS Payment Instruction Report available
6:30 p.m. (around)	CCASS Funding Projection Report (Night Settlement) for

	Designated Bank (for funding projection as of the completion of the third Batch-settlement-run for China Connect Securities) available
7:00 p.m.	Close of all enquiry functions except for the Enquire DDI/DCI/EPI Rejection and Enquire Broadcast Message functions
7:00 p.m. (after)	Electronic CHATS Payment Instruction Report available
7:15 p.m. (around)	CCASS Funding Projection Report (Night Settlement) for Designated Bank (for funding projection as of the completion of the fourth Batch-settlement-run for China Connect Securities) available
8:00 p.m.	Deadline of the second session for inputting payment confirmation for DDIs in the DDI/DCI/EPI Listing for Designated Bank generated on the current day for settlement on the same day, excluding those DDIs contained in the DDI/DCI/EPI Exception Report and those DDIs in relation to which payment confirmation has been inputted in the first session
8:00 p.m. (around)	CCASS Funding Projection Report (Night Settlement) for Designated Bank (for funding projection as of the completion of the final SI Batch-settlement-run for China Connect Securities) available
8:00 p.m. (after)	DDI/DCI/EPI Rejection Listing (for payment confirmation inputted in the second session) available
8:05 p.m. (after)	DDI/DCI/EPI Listing for Designated Bank (for EPIs generated on the current day for same day Night Settlement) available
8:20 p.m. (after)	DDI/DCI/EPI Exception Report available
	Commencement of inputting payment confirmation for EPIs in the DDI/DCI/EPI Listing for Designated Bank generated on the current day for same day Night Settlement, excluding those EPIs contained in the DDI/DCI/EPI Exception Report
9:20 p.m.	Deadline for inputting payment confirmation for EPIs in the DDI/DCI/EPI Listing for Designated Bank generated on the current day for same day Night Settlement

9:20 p.m. (after)	DDI/DCI/EPI Rejection Listing (for EPI payment confirmation inputted in the session) available
	Close of the Enquire DDI/DCI/EPI Rejection function
9:30 p.m.	Close of the report retrieval and Enquire Broadcast Message functions

Notes:

- (i) Where a Designated Bank should input a payment confirmation in the first session for any DDI contained in the DDI/DCI/EPI Listing for Designated Bank but fails to do so, notwithstanding this deadline, the Designated Bank may input a payment confirmation in the second session commencing at 6:00 p.m. (after).
- (ii) This is only applicable to an H-1 day.

Section 9

Overview of Clearing and Settlement in CCASS

9.8 MONEY SETTLEMENT

Each Participant must establish a General Purpose Designated Bank Account denominated in Hong Kong dollars with a Designated Bank for settlement of money obligations in respect of all its transactions in Eligible Securities in CCASS. Each Participant which wishes to settle money obligations in CCASS in an Eligible Currency other than Hong Kong dollars 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 must also authorise HKSCC to cause debits and credits to be made to its Designated Bank Account (or, if it has more than one, to each of them) for CCASS money settlement purposes.

Each China Connect Clearing Participant must maintain with a Designated Bank a Designated Bank Account in its own name and denominated in RMB for the settlement of money obligations in respect of China Connect Securities Trades to be settled via CPIs and DDIs.

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 dollars:-

- (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.

In general, for transactions in Eligible Securities to be settled on a DVP basis in CCASS, payment will follow delivery of Eligible Securities in CCASS; whereas for those transactions to be settled on an RDP basis in CCASS, Eligible Securities will be delivered upon receipt of confirmation of payments of such transactions from the Clearing House of HKAB.

For Exchange Trades and Clearing Agency Transactions to be settled under the CNS System, settlement between Participants and HKSCC will always be on a DVP basis. Following delivery of Eligible Securities in CCASS, HKSCC will issue IPis, DDIs and DCIs to the Designated Banks of the Participants concerned to effect payment for value on the same day.

For China Connect Securities Trades to be settled under the CNS System, settlement between China Connect Clearing Participants and HKSCC shall be on a DVP basis only. On the Mainland Business Day following execution of China Connect Securities Trades by a China Connect Clearing Participant or its NCCCPs or on the same day as execution if it is an H-1 day, the China Connect Clearing Participant's money positions which correspond to its CNS stock positions in such China Connect Securities will be calculated separately for each China Connect Market and its money positions for all China Connect Markets will be set-off against each other to arrive at a total net money position in the Money Ledger of the China Connect Clearing Participant. HKSCC will issue CPIs to the Designated Bank of the paying China Connect Clearing Participant or HKSCC's banker to effect payment for value on the same day in respect of such net money position.

For Exchange Trades and Clearing Agency Transactions to be settled under the Isolated Trades System and for ISI and SI Transactions, if settlement in CCASS is on a DVP basis, HKSCC will, following delivery of Eligible Securities in CCASS, issue EPIs to the Designated Banks of Participants concerned to effect payment for value on the same day.

For those transactions in which relevant Participants opt for settlement of those transactions in CCASS on a RDP basis, subject to the relevant Eligible Securities being put on-hold in the delivering Participant's Stock Account in CCASS, HKSCC will issue CPIs to the Designated Banks of the paying Participants to request for payment. Delivery of Eligible Securities will be effected upon receipt of confirmation of payments of such transactions from the Clearing House of HKAB to HKSCC within the predefined time schedule, i.e. on each Settlement Day, normally from 9:30 a.m. to 3:30 p.m. for Eligible Securities other than China Connect Securities, from 9:30 a.m. to 6:00 p.m. for China Connect Securities the payment for which is in an Eligible Currency other than RMB and from 9:30 a.m. to 7:45 p.m. for China Connect Securities the payment for which is in RMB.

For Transfer Instructions which are to be settled between CCASS and CMU on a delivery versus payment basis in CMU, with payment to be made to HKSCC, HKSCC will, following receipt of the settlement confirmation from CMU and the relevant amount of payment, credit the Participants' Money Ledgers with the relevant amount of payment on the same day.

Section 10A

China Connect Securities Trades - CNS System

10A.4 MONEY SETTLEMENT UNDER THE CNS SYSTEM

10A.4.1 DVP basis

Settlement between China Connect Clearing Participants and HKSCC under the CNS System will normally be on a DVP basis and in Renminbi. To the extent that HKSCC determines that it is not possible or reasonably practicable to make payment in Renminbi, HKSCC's obligations shall be to make payment, in full or in part, in such other currency or currencies and at such conversion rate(s) as HKSCC may in its absolute discretion determine to be fair and reasonable, taking into account all relevant circumstances as it may consider appropriate. Except for the cases mentioned in Section 10A.4.4 and those China Connect Clearing Participants which have net payable items on China Connect Securities Trades on H-1 day as mentioned in Section 10A.4.5, money settlement will only be effected after settlement of stock positions in CCASS.

HKSCC will issue instructions to the Designated Banks of China Connect Clearing Participants to cause credits and debits to be made to the Designated Bank Accounts of China Connect Clearing Participants.

10A.4.5 Settlement of money obligations under the CNS System

There will be one net money position under the CNS System for each China Connect Clearing Participant for its China Connect Securities Trades executed on all of the China Connect Markets on a Trading day (i.e. T-day) (see Section 10A.4.2).

Money settlement in respect of a net money position will be effected as follows (see Section 10.5.7 for an example of daily net money position under the CNS System):

- (a) (if T-day is not an H-1 day) China Connect Clearing Participants which have net payable items on China Connect Securities Trades will be required to settle their payment obligations to HKSCC by 12:00 noon on T+1 or such other time as may be specified by HKSCC from time to time, via RTGS;
- (aa) (if T-day is an H-1 day) China Connect Clearing Participants which have net payable items on China Connect Securities Trades executed on T-day will be required to settle such payment obligations to HKSCC by 6:00 p.m. on T-day

or such other time as may be specified by HKSCC from time to time, via RTGS. At approximately 4:45 p.m. on T-day, HKSCC will issue CPIs for the amount payable by each such China Connect Clearing Participant (based on the net unsettled CNS stock positions of all its China Connect Securities Trades executed on T-day) to the Designated Bank of the China Connect Clearing Participant so as to effect CHATS payment to the bank account of HKSCC for value on the same day. HKSCC will take into account the Cash Prepayment Standing Instruction given by the relevant China Connect Clearing Participant in CPI generation (see section 10A.14.5); and

- (b) For China Connect Clearing Participants which have net receivable items on China Connect Securities Trades, HKSCC will transfer settlement amounts into their Designated Bank Accounts at around 12:30 p.m. on T+1 or such other time as may be specified by HKSCC from time to time, via RTGS.

In the morning of T+1, HKSCC will issue CPIs for the amount (based on the balance of the relevant sub-accounts of the Money Ledger of China Connect Clearing Participants (i.e. the Settlement Account)) to the Designated Bank of the paying China Connect Clearing Participants, so as to effect CHATS payment to the respective bank account of HKSCC for value on the same day (see Section 14.7). For the avoidance of doubt, HKSCC will not offset the credit and debit balances in the sub-accounts of the Money Ledgers of China Connect Clearing Participants before issuing relevant CPIs.

If a China Connect Clearing Participant fails to place HKSCC in good funds through its Designated Bank by 12:00 noon on T+1 or 6:00 p.m. on T-day if T-day is an H-1 day or such other time as may be specified by HKSCC from time to time, the China Connect Clearing Participant will be regarded as having defaulted and will be subject to such action or actions as HKSCC may take under the Rules.

In addition to any CNS money payment obligation of a China Connect Clearing Participant, the China Connect Clearing Participant will also be required to pay all fees, levies and taxes relating to the trading and clearing of China Connect Securities. These fees, levies and taxes will be collected through HKSCC and passed onto the relevant China Connect Clearing House for paying to the relevant China Connect Market, regulatory or tax authority or to other relevant parties. HKSCC will post such fees, levies and taxes to the China Connect Clearing Participant's Miscellaneous Account of its Money Ledger on T-day and collect such payments via day-end DDI.

10A.14 RISK MANAGEMENT: SECURITIES-ON-HOLD OF CHINA CONNECT SECURITIES

10A.14.4 China Connect Clearing Participant may effect cash prepayment

China Connect Clearing Participants 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 during a Settlement Day, may pay same day available funds to HKSCC to reduce their monetary obligations and have the equivalent discounted market value of Securities-on-hold in China Connect Securities released.

A China Connect Clearing Participant may pay same day available funds to HKSCC by inputting Cash Prepayment Instructions on each Settlement Day or by inputting a Cash Prepayment Standing Instruction via the “Cash Prepayment Standing Instruction” maintenance function to authorize HKSCC to generate recurring Cash Prepayment Instructions on behalf of the China Connect Clearing Participant on each Settlement Day. The cash prepayment amount that will be generated under a Cash Prepayment Standing Instruction will depend on the payment basis of the standing instruction given by the China Connect Clearing Participant, and will be either (a) the gross amount of the unsettled money obligations on its long CNS stock positions; or (b) the net amount of the unsettled money obligations on its long and short CNS stock positions, plus a certain percentage of the net amount input by the China Connect Clearing Participant.

Any Cash Prepayment Standing Instruction remaining in the “pending status” ten calendar days after its last updated date will be automatically purged from CCASS.

10A.14.4A China Connect Clearing Participant may deposit HKD or USD as Collateral

On each Settlement Day other than an H-1 day, China Connect Clearing Participants 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 during a Settlement Day, may, in addition to or in lieu of effecting cash prepayment, apply for the early release of Securities-on-hold by delivering the required amount of same day available funds in HKD or USD as Collateral to HKSCC’s specified bank account in accordance with the procedures set out in Section 10A.14.5A.

HKSCC has the power to approve or reject a China Connect Clearing Participant’s application for the early release of Securities-on-hold in its sole and absolute discretion.

Without prejudice to Section 10A.14.5A, HKSCC may impose such limit on the amount of Collateral that may be accepted, require such Collateral to be provided in such form and manner, and prescribe such exchange and haircut rates that may be applied as it considers appropriate by reference to, inter alia, the level of exposure of such China Connect Clearing Participant to HKSCC (including, but not limited to, the risks associated with the clearing and settlement of China Connect Securities Trades) and such other matters as HKSCC may consider relevant.

Unless HKSCC otherwise approves or the Operational Procedures otherwise provide, no interest will be payable by HKSCC on the Collateral provided by a

China Connect Clearing Participant in connection with any early release of Securities-on-hold.

10A.14.5 Procedures relating to cash prepayment

The following is a brief description of the procedures relating to cash prepayment on each Settlement Day:

- (a) Cash Prepayment Instructions with “CHATS” set as the payment method
 - (i) China Connect Clearing Participants that wish to make prepayments by means of CPIs shall select “CHATS” as the payment method when creating a Cash Prepayment Instruction via a CCASS Terminal from 4:00 p.m. to 5:30 p.m. or such other time specified by HKSCC from time to time or when creating a Cash Prepayment Standing Instruction via a CCASS Terminal from 8:00 a.m. to 3:00 p.m. or such other time specified by HKSCC from time to time;
 - (ii) To avoid undue concentration of HKSCC’s exposure to a bank appointed by HKSCC as receiving bank for cash payment, cash prepayment is subject to the concentration limit pre-determined by HKSCC in respect of each appointed receiving bank. HKSCC will only accept or generate Cash Prepayment Instructions within the predetermined concentration limit of the appointed receiving bank. In case a Cash Prepayment Standing Instruction is created and authorized by a China Connect Clearing Participant by 3:00 p.m. on a Settlement Day, Cash Prepayment Instructions will be generated by HKSCC, if applicable, at approximately 4:00 p.m. on the same Settlement Day;
 - (iii) Upon the creation and authorization of Cash Prepayment Instructions by China Connect Clearing Participants or the generation of Cash Prepayment Instructions by HKSCC pursuant to Cash Prepayment Standing Instructions, CPIs will be generated to collect the cash prepayments from their Designated Bank Accounts. The CPIs information will be included in the Electronic CHATS Payment Instruction Report (CSEPI03). Based on the report, Designated Banks will issue CPIs to the Clearing House of HKAB to make payment on their behalf. China Connect Clearing Participants must ensure that there are sufficient funds in their Designated Bank Accounts and that the CHATS payments are completed by their Designated Banks no later than 7:00 p.m. or such other time as may be prescribed by HKSCC from time to time;
 - (iv) Upon being notified by the Clearing House of HKAB of the finality of such payment, HKSCC will update the Settlement Accounts of the relevant China Connect Clearing Participants’ Money Ledger to reduce their corresponding monetary obligations due to HKSCC and as a result,

release equivalent discounted market value of Securities-on-hold (see Section 10A.14.3). China Connect Clearing Participants' Statements of Money Ledger will show the relevant entries. China Connect Clearing Participants can check the status of a Cash Prepayment Instruction via the "Enquire Prepayment Instruction" function of CCASS. For the status of a Cash Prepayment Instruction, China Connect Clearing Participants can make use of the "Enquire Cash Prepayment Instruction" function;

- (v) China Connect Clearing Participants can operate ATIs to check whether the Securities-on-hold have been released and rely on DIs or Batch-settlement-runs to settle the SI Transactions;
- (vi) Since HKSCC allocates shares according to a pre-set algorithm, China Connect Clearing Participants making prepayments may not have received all allocated shares. Any surplus funds thus arising will be returned to them on the next Settlement Day via CPI. Please refer further to Section 14.7.2(iib);
- (vii) In case the relevant cash payment under a Cash Prepayment Instruction input or generated on a Settlement Day is not received by HKSCC, the Cash Prepayment Instruction will be purged from CCASS at the end of the Settlement Day.

(b) Cash Prepayment Instructions with "OTHERS" set as the payment method

- (i) China Connect Clearing Participants which wish to make prepayments by other means must indicate "OTHERS" as the payment method when creating a Cash Prepayment Instruction via a CCASS Terminal from 4:00 p.m. to 6:00 p.m. or such other time specified by HKSCC from time to time or when creating a Cash Prepayment Standing Instruction via a CCASS Terminal from 8:00 a.m. to 3:00 p.m. or such other time specified by HKSCC from time to time provided that notwithstanding that "OTHERS" is indicated, prepayments shall only be made by means of CPIs on an H-1 day;
- (ii) To avoid undue concentration of HKSCC's exposure to a bank appointed by HKSCC as receiving bank for cash payment, cash prepayment is subject to the concentration limit pre-determined by HKSCC in respect of each appointed receiving bank. HKSCC will only accept or generate Cash Prepayment Instructions within the predetermined concentration limit of the appointed receiving bank. In case a Cash Prepayment Standing Instruction is created and authorized by a China Connect Clearing Participant by 3:00 p.m., Cash Prepayment Instructions will be generated by HKSCC, if applicable, at approximately 4:00 p.m. on the same Settlement Day;

- (iii) China Connect Clearing Participants must ensure that same day available funds are transferred to HKSCC's specified bank account no later than 6:00 p.m. or such other time prescribed by HKSCC from time to time. For China Connect Clearing Participants using the same bank as HKSCC, they can make use of the internal account transfer function of the bank or electronic banking services to transmit available funds. For others, they can instruct their banks to make payment to HKSCC via inter-bank transfer with CHATS payment (see CCASS Terminal User Guide for Participants for details);
- (iv) Based on the details of Cash Prepayment Instructions, HKSCC will follow up the funds with its appointed receiving bank and the relevant China Connect Clearing Participants. Only when available funds are confirmed will HKSCC update the relevant China Connect Clearing Participants' Settlement Accounts of Money Ledger to reduce their corresponding monetary obligations due to HKSCC and as a result, release equivalent discounted market value of Securities-on-hold (see Section 10A.14.3). China Connect Clearing Participants' Statements of Money Ledger will show the relevant entries. China Connect Clearing Participants can check the status of a Cash Prepayment Instruction via the CCASS enquiry function of "Enquire Cash Prepayment Instruction";
- (v) China Connect Clearing Participants can operate ATIs to check whether the Securities-on-hold have been released and rely on DIs or Batch-settlement-runs to settle the SI Transactions;
- (vi) Since HKSCC allocates shares according to a pre-set algorithm, China Connect Clearing Participants making prepayments may not have received all allocated shares. Any surplus funds thus arising will be returned to them on the next Settlement Day via CPI. Please refer further to Section 14.7.2 (iiib);
- (vii) Acceptance of the prepayment requests will be at HKSCC's full discretion. If China Connect Clearing Participants fail to follow the procedures, and/or for any other reason the requests are subsequently turned down by HKSCC, then the funds received will only be refunded the following Settlement Day without interest;
- (viii) In the event of default of payment (e.g., for any transfers subsequently reversed by the Clearing House of HKAB), HKSCC shall have recourse against the relevant China Connect Clearing Participant;
- (xi) In case cash remittance is made by a China Connect Clearing Participant to HKSCC as cash prepayment not pursuant to any Cash Prepayment Instruction, HKSCC reserves the right not to effect the updating of the China Connect Clearing Participant's Money Ledger on the same day.

Such cash payment will be refunded without interest to the China Connect Clearing Participant by crediting the cash payment amount to its Money Ledger on the next Settlement Day; and

- (x) In case the relevant cash payment under a Cash Prepayment Instruction input on a Settlement Day is not received by HKSCC, the Cash Prepayment Instruction will be purged from CCASS at the end of the Settlement Day.

Section 14

Money Settlement

14.7 CHATS PAYMENT INSTRUCTIONS

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.

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.