

## CCASS OPERATIONAL PROCEDURES

### Definitions

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

**“Afternoon Session”**

means the period in the afternoon during which trading can be conducted on the Exchange pursuant to the Exchange Rules;

**“AMS”**

means the Automatic Order Matching and Execution System as installed and operated by the Exchange for securities trading;

**“automatic order matching”**

has the same meaning as defined in the Exchange Rules;

**“Collateral”**

means collateral, in such form as HKSCC may from time to time require, to be provided by a Participant pursuant to Rule 602, 806, 3501 or 3602 and additionally, to be provided by a TSF CCASS Participant pursuant to Rule 12A14;

**“de-earmark”**

means the designation of earmarked TSF Stocks as not subject to earmarking, and “de-earmarking” shall be construed accordingly;

**“earmark”**

means the designation of TSF Stocks as stocks purchased with the support of the FX Services, and “earmarking” shall be construed accordingly;

**“earmarked TSF Stocks”**

means TSF Stocks purchased with the support of the FX Services and which shall be held in a TSF Account unless otherwise provided in the Rules or determined by HKSCC;

**“FX”**

means foreign exchange;

**“FX Services”**

means, the foreign exchange services which may be provided by HKSCC as set out in Chapter 12A of the Rules;

**“Hong Kong dollar”, “HKD” or “\$”**

means Hong Kong dollar, the lawful currency of Hong Kong;

**“Morning Session”**

means the period in the morning during which trading can be conducted on the Exchange pursuant to the Exchange Rules;

**“Pre-opening Session”**

has the same meaning as defined in the Exchange Rules;

**“RMB”**

means Renminbi, the lawful currency of the People’s Republic of China, for settlement in Hong Kong;

**“RMB Buy Final FX Rate”**

has the meaning as set out in Rule 12A10(iii);

**“RMB Buy Indicative FX Rate”**

has the meaning as set out in Rule 12A10(i);

**“RMB Sell Final FX Rate”**

has the meaning as set out in Rule 12A10(iv);

**“RMB Sell Indicative FX Rate”**

has the meaning as set out in Rule 12A10(ii);

**“STI Transfer”**

means a transfer to be effected in CCASS between a SSA with Statement Service and any other Stock Account (including other SSA with Statement Service but excluding Stock Collateral Control Account and TSF Accounts) of a Clearing Participant or Custodian Participant as a result of (i) the input (and authorisation, if required) of a Stock Segregated Account Transfer Instruction (without affirmation) or (ii) the input (and authorisation, if required) of a Stock Segregated Account Transfer Instruction (with affirmation) affirmed by the relevant SSA Statement Recipient;

**“Stock Account”**

means, (i) in relation to each Clearing Participant, each Stock Clearing Account, Stock Segregated Account, Stock Lending Account and Stock Collateral Control Account; (ii) in relation to each Investor Participant, each Stock Clearing Account; and (iii) in relation to each Participant other than a Clearing Participant and an Investor Participant, each Stock Clearing Account, Stock Segregated Account and Stock Lending Account, allocated to and operated by it in which Eligible Securities of such Participant are credited or debited, as referred to in Rule 601, and in relation to a TSF CCASS Participant, means additionally, each TSF Account allocated to it by HKSCC under Rule 12A08;

**“Stock Release FX Transaction”**

means a FX transaction relating to the sale of RMB by a TSF CCASS Participant to HKSCC as TSF operator arising from or generated by the submission of a Stock Release Request by such Participant, as referred to in Rule 12A12;

**“Stock Release Request”**

means a request submitted by a TSF CCASS Participant to HKSCC for the purpose of de-earmarking earmarked TSF Stocks, as referred to in Rule 12A12;

**“Stock Segregated Accounts” or “SSA”**

means, (i) in relation to each Clearing Participant, the Stock Accounts in CCASS of such Participant other than its Stock Clearing Account, Stock Lending Account and Stock Collateral Control Account; and (ii) in relation to each Participant other than a Clearing Participant and an Investor Participant, the Stock Accounts in CCASS of such Participant other than its Stock Clearing Account and Stock Lending Account, as referred to in Rule 601, including but not limited to SSA with Statement Service of the Participant, and in relation to a TSF CCASS Participant, TSF Accounts shall not be regarded as Stock Segregated Accounts;

**“Stock Segregated Account Transfer Instruction” or “STI”**

means an instruction of a Clearing Participant or Custodian Participant, in such form as HKSCC may from time to time prescribe as being valid, to effect book-entry movements of Eligible Securities between the Participant’s SSA with Statement Service and its other Stock Accounts (including other SSA with Statement Service but excluding Stock Collateral Control Account and where a Clearing Participant or a Custodian Participant is a TSF CCASS Participant, excluding also TSF Accounts) in CCASS, as referred to in Rule 601;

**“Trading day”**

means a day on which trading is conducted on the Exchange;

**“TSF”**

means the trading support facility in the form of FX Services which HKSCC may provide for the purposes of facilitating the purchase and sale of TSF Stocks. Where the FX Services are provided, HKSCC shall do so as TSF operator and not in its capacity as, or for the purposes of acting as, the central counterparty for the clearing of Exchange Trades; and unless the context otherwise requires, references in Chapter 12A to HKSCC shall be construed accordingly;

**“TSF Account”**

means the TSF Principal Account or the TSF Segregated Account, as the context may require;

**“TSF Buy Exchange Trade”**

means an Exchange Trade with respect to the purchase of TSF Stocks by a TSF Exchange Participant through the AMS which is (i) supported by a TSF Buy FX Order prior to the effect of the Exchange Trade on the AMS; and (ii) supported by a TSF Buy FX Transaction upon the effect of the Exchange Trade on the AMS;

**“TSF Buy FX Order”**

means an order for the conversion of HKD to RMB by a TSF Exchange Participant to HKSCC as TSF operator through an input into the AMS for the purpose of supporting an order to purchase TSF Stocks, which order shall, upon matching on the AMS, constitute a TSF Buy Exchange Trade;

**“TSF Buy FX Transaction”**

means the FX transaction between HKSCC as TSF operator and a TSF Exchange Participant relating to a TSF Buy FX Order for the purpose of settlement of a TSF Buy Exchange Trade;

**“TSF CCASS Participant”**

means a TSF Clearing Participant or a TSF Custodian Participant, as the context may require;

**“TSF Clearing Participant”**

means a Direct Clearing Participant or a General Clearing Participant which has been accepted for registration and to remain registered as a TSF CCASS Participant by HKSCC;

**“TSF Custodian Participant”**

means a Custodian Participant which has been accepted for registration and to remain registered as a TSF CCASS Participant by HKSCC;

**“TSF Exchange Participant”**

means, in the context of trading of TSF Stocks, an Exchange Participant which has been accepted for registration and to remain registered as a TSF Exchange Participant by the Exchange;

**“TSF Exchange Trade”**

means a TSF Buy Exchange Trade or a TSF Sell Exchange Trade, as the context may require;

**“TSF FX Order”**

means a TSF Buy FX Order or a TSF Sell FX Order, as the context may require;

**“TSF FX Transaction”**

means a TSF Buy FX Transaction or a TSF Sell FX Transaction, as the context may require;

**“TSF Participant”**

means, a TSF Exchange Participant and/or a TSF CCASS Participant, as the context may require;

**“TSF Participant Registration Criteria”**

means the eligibility criteria which HKSCC may prescribe from time to time for Participants to be accepted for registration and to remain registered as TSF CCASS Participants for the purposes of providing clearing and settlement services in respect of TSF Exchange Trades and/or providing custodian services in respect of earmarked TSF Stocks;

**“TSF Partner Bank”**

means a financial institution which has entered into an agreement or arrangement with HKSCC for the purposes of providing RMB to HKD or HKD to RMB conversion services and/or liquidity to HKSCC as TSF operator;

**“TSF Principal Account”**

means a Stock Account established by HKSCC in the name of a TSF CCASS Participant principally for the purposes of facilitating the credit and debit of TSF Stocks for such Participant to earmark or de-earmark TSF Stocks;

**“TSF Segregated Account”**

means a Stock Account established by HKSCC in the name of a TSF CCASS Participant for the sole purpose of holding earmarked TSF Stocks of such Participant, whether as principal or as agent for its clients;

**“TSF Sell Exchange Trade”**

means an Exchange Trade with respect to the sale of TSF Stocks by a TSF Exchange Participant through the AMS which is (i) supported by a TSF Sell FX Order prior to the effect of the Exchange Trade on the AMS; and (ii) supported by a TSF Sell FX Transaction upon the effect of the Exchange Trade on the AMS;

**“TSF Sell FX Order”**

means an order for the conversion of RMB to HKD by a TSF Exchange Participant to HKSCC as TSF operator through an input into the AMS for the purpose of supporting an order to sell TSF Stocks, which order shall, upon matching on the AMS, constitute a TSF Sell Exchange Trade;

**“TSF Sell FX Transaction”**

means the FX transaction between HKSCC as TSF operator and a TSF Exchange Participant relating to a TSF Sell FX Order for the purpose of settlement of a TSF Sell Exchange Trade;

**“TSF Stocks”**

means Eligible Securities which are included in the list of TSF Stocks by HKSCC from time to time under Rule 12A04;

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

**“Afternoon FX Settlement Time”**

means no later than 3:00 p.m. on T+2, being the deadline for settlement of a TSF Final FX Position by a TSF Clearing Participant, as referred to in Sections 12A.3.1(ii) and 12A.3.5;

**“Cash Prepayment Standing Instruction”**

means a standing instruction in such details as HKSCC may prescribe from time to time, given by a Clearing Participant to HKSCC via the “Cash Prepayment / TSF Payment Standing Instruction” maintenance functions of its CCASS Terminal or Participant Gateway, to authorize HKSCC to generate Cash Prepayment Instructions on behalf of the Clearing Participant;

**“corresponding CNS money position”**

means, in relation to the settlement of TSF FX Transactions, the CNS money position of a TSF Clearing Participant in respect of a TSF Stock that corresponds to the TSF FX Position of the Participant in respect of the same TSF Stock (if any) as referred to in Section 12A.3.4(ii)(c);

**“Evening FX Settlement Time”**

means the time when the final Batch-settlement-run is completed on T+2, being the deadline for settlement of the TSF Final FX Position by a TSF Clearing Participant, as referred to in Sections 12A.3.1(ii) and 12A.3.5;

**“TSF Confirmation Report”**

means the report to be provided by HKSCC to a TSF CCASS Participant setting out information regarding TSF Exchange Trades, TSF FX Transactions, Stock Release FX Transactions and other related information as referred to in Section 12A.2.3;

**“TSF Final FX Position”**

means, in relation to the settlement of TSF FX Transactions, the final money positions in respect of TSF Stocks for settlement by a TSF Clearing Participant and HKSCC, as determined in accordance with 12A.3.5;

**“TSF FX Position”**

means, in relation to the settlement of TSF FX Transactions, the money positions in respect of a TSF Stock for settlement by a TSF Clearing Participant and HKSCC, as determined in accordance with Section 12A.3.2;

**“TSF FX Transaction / Stock Release Activity / Status Report”**

means, in relation to (i) the maintenance activities of Stock Release Requests performed by the TSF CCASS Participants; and (ii) the settlement status of TSF FX Transactions and Stock Release FX Transactions on the current Business Day, a daily report provided by HKSCC to that Participant as referred to in Section 16.6 (refer to the CCASS Terminal User Guide for Participants for details);

**“TSF payment instruction”**

means the payment instructions generated by HKSCC in respect of TSF Final FX Positions as referred to in Section 12A.4.1 or in respect of money positions arising from Stock Release FX Transactions, as referred to in Section 12A.6.3(i);

**“TSF Payment Standing Instruction”**

means the standing instruction set up by a TSF Clearing Participant for the payment of TSF payment instructions via CPIs, as referred to in Section 12A.4.1(i);

**“TSF Share De-earmarking Process”**

means the process adopted by HKSCC to de-earmark TSF Stocks for the settlement of TSF Sell Exchange Trades, as referred to in Rule 12A09 and Section 12A.5.6;

**“TSF Share Earmarking Process”**

means the process adopted by HKSCC to earmark TSF Stocks following the settlement of TSF Buy Exchange Trades, as referred to in Rule 12A09 and Section 12A.5.4;

**“TSF stock position”**

means the net long or net short stock position in respect of a TSF Stock, as referred to in Section 12A.5.3;

The definitions of “Trading day” has been repealed.

## **Section 1 Introduction**

### **1.4 ADDITIONAL SERVICES**

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

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

## **Section 2 Participants**

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

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

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

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

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

Each Participant other than an Investor Participant will have one Stock Clearing Account and may have, subject to HKSCC's approval, one Stock Lending Account and such number of Stock Segregated Accounts as HKSCC may in its absolute discretion determine from time to time. A Clearing Participant will, in addition to the abovementioned accounts, be allocated one Stock Collateral Control Account. Where the Participant is a TSF CCASS Participant, the Participant will, in addition to the abovementioned accounts, be allocated one TSF Principal Account and one TSF Segregated Account. An Investor Participant will be allocated one Stock Clearing Account.

#### **2.3.3 Assigned account numbers**

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

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

The Stock Segregated Accounts of a Participant will be assigned or re-assigned account numbers from 2 onwards (other than 17 to 20). For the case of SSA with Statement Service, they will be assigned account numbers from 21 onwards.

The Stock Collateral Control Account of a Clearing Participant will have the assigned account number 20.

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

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

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

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

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

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

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

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

A Clearing Participant or a Custodian Participant inputting a STI shall state in the STI whether the STI Transfer is to be effected on a DVP or FOP basis. STI Transfer to be effected on a DVP basis is only available to the STI Transfer with Eligible Securities debited from SSA with Statement Service. For STI Transfer to be effected in CCASS on a DVP basis, upon the completion of transfer of the Eligible Securities, HKSCC will issue EPIs in the normal way to the Designated Banks of the Clearing or Custodian Participants concerned to effect payment and cause credits to the bank accounts of SSA Statement Recipients.

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

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

**2.3.5 Stock Clearing Account**

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

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

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

The only case where the Stock Clearing Account of a Participant will not be used is where a Participant other than an Investor Participant initiates delivery of Eligible Securities in CCASS to another Participant by the use of a “Delivery Instruction” or “DI”. In such a case, the delivering Participant may elect to make use of Eligible Securities in any stated Stock Accounts, other than

the Stock Collateral Control Account or the TSF Accounts (if the delivering Participant is a TSF CCASS Participant), it has, including its Stock Segregated Accounts.

### **2.3.13 TSF Accounts**

The TSF Accounts are Stock Accounts established within CCASS in the name of a TSF CCASS Participant for the sole purpose of holding earmarked TSF Stocks.

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

A TSF Segregated Account is for the sole purpose of holding earmarked TSF Stocks. This account may be used by a TSF CCASS Participant to hold earmarked TSF Stocks for its clients as a segregated client account or for its own proprietary use.

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

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

A TSF CCASS Participant will not be allowed to withdraw the earmarked TSF Stocks directly from its TSF Accounts. Such Participant may release the TSF Stocks from its TSF Accounts to other Stock Accounts in CCASS, other than the Stock Collateral Control Account and an SSA with Statement Service, by inputting and authorising a "Stock Release Request" (see Section 12A.6.1) prior to any withdrawal being made.

## **2.5 AUTHORISED SIGNATORIES**

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

- (a) authorise deposits and withdrawals of securities into and from its Stock Accounts, other than Stock Collateral Control Account or TSF Accounts (if the Participant is a TSF CCASS Participant), in CCASS and sign and submit the relevant forms to HKSCC, and "sign", in relation to Stock Deposit Forms, includes the affixing or making of a stamped impression of the signature;

## **Section 6 Operational and Service Schedule**

### **6.2 DAILY PROCESSING AND SERVICE SCHEDULE**

The daily processing and service schedule in CCASS below only sets out the available time of some CCASS events. For more details on service schedule and function availability in CCASS, please refer to the CCASS Terminal User Guide for Participants.

<b>Time</b>	<b>CCASS events</b>
8:00 a.m.	Commencement of the following services and functions through CCASS Terminal and Participant Gateway: <ul style="list-style-type: none"><li>(i) clearing services (SI/ISI maintenance and upload functions);</li></ul>

	(ii) ATI/STI maintenance and upload functions;
	(iii) SSA maintenance and upload functions;
	(iv) Cash Prepayment Instruction, Cash Prepayment / TSF Payment Standing Instruction, Intra-day Payment Standing Instruction and Nominee Payment (Evening) Standing Instruction maintenance functions;
	(v) subscription, election, voting instructions, Electronic Application Instructions for New Issue Shares (except where such day is the application start date), Tender Instructions (except where such day is the tender or application start date) and Corporate Representative / Proxy instructions maintenance functions; and
	(vi) clearing and settlement services enquiry functions, Enquire Broadcast Message function and report retrieval functions
9:30 a.m.	Commencement of the following services and functions through CCASS Terminal and Participant Gateway
	(i) settlement services (DI input, input of recall and return request, if appropriate);
	(ii) Stock Release Request maintenance functions for TSF CCASS Participants;
	(iii) depository services (deposits and withdrawals of Eligible Securities by Participants);
	(iv) submission of Transfer Instructions; and
	(v) CCMS services
10:15 a.m.	First TSF Share De-earmarking Process
11:45 a.m.	Second TSF Share De-earmarking Process
1:45 p.m.	Third TSF Share De-earmarking Process
3:30 p.m.	Fourth STI Batch-run
	Fourth TSF Share De-earmarking Process
	Deadline for inputting Nominee Payment (Evening) Standing Instruction in order to have the evening distribution of nominee payment to start on the same day, subject to acceptance of the Nominee Payment (Evening) Standing Instruction by HKSCC
4:00 p.m.	Close of Stock Release Request maintenance functions for TSF CCASS Participants
4:15 p.m.	Close of Unit Creation / Redemption Orders maintenance functions
	Deadline for inputting voting instructions and Corporate Representative/Proxy instructions where the deadline prescribed by HKSCC for inputting such instructions falls on such day
	Sixth batch of scrip entitlement distribution

First TSF Share Earmarking Process

Fifth TSF Share De-earmarking Process

7:00 p.m.

Close of SI/ISI maintenance and upload, Cash Prepayment / TSF Payment Standing Instruction maintenance, Intra-day Payment Standing Instruction maintenance, Nominee Payment (Evening) Standing Instruction maintenance, ATI/STI input and upload, Mass ATI/Mass STI maintenance, CCMS cash transfer and stock collateral maintenance services and Tender Instructions, subscription, election, voting and Corporate Representative/Proxy instructions maintenance functions

Close of all enquiries through CCASS Terminals and Participant Gateways, except for CCMS enquiry and Enquire Broadcast Message functions

Deadline for inputting subscription instructions where the deadline for subscription imposed by the relevant Issuer falls on the next Business Day at or before 12:00 noon

Commencement of the revaluation of Collateral Securities and collateralization of day-end marks

Ninth batch of scrip entitlement distribution

Generation of DDIs, DCIs and EPIs by HKSCC for settlement in the next Business Day

8:30 p.m.

Second TSF Share Earmarking Process

Electronic Application Instructions for New Issue Shares maintenance, CCMS enquiry, report retrieval and Enquire Broadcast Message functions close

*Notes :*

(iv) On each Settlement Day, the final Batch-settlement-run will include the following processes:-

- final Batch-settlement-run - Part 1
- CSB run
- 1st Auto-return run - for recalled CSB loans
- final Batch-settlement-run - Part 2
- 2nd Auto-return run - for all other CSB loans
- settlement of TSF Final FX Position by the Evening FX Settlement Time

The final Batch-settlement-run - Part 1 will determine all unsettled due/overdue CNS long positions. The CSB run will determine the aggregate of the total quantity of unsettled due/overdue CNS long positions and the total quantity of Eligible Securities in respect of which notices of recall have been served (rounded up to a multiple of board lot) for each Eligible Security and will automatically generate compulsory borrowing request(s) for each Eligible Security for matching with Eligible Securities credited to Stock Lending Accounts in accordance with Section 10.7.

The borrowed securities will be credited to HKSCC's Stock Account and will be used in the following order:

- (a) to settle outstanding Compulsory Stock Borrowing Transactions in respect of which a notice of recall has been served by the Lenders via the 1st Auto-return run;

- (b) to settle the unsettled CNS long positions via the final Batch-settlement-run - Part 2; and
- (c) to settle outstanding Compulsory Stock Borrowing Transactions in respect of which no notice of recall has been served by the Lender, but in respect of which HKSCC has elected to exercise its right of termination under the Compulsory Stock Borrowing and Lending Regulations via the 2nd Auto-return run.

The settlement of TSF Final FX Position by the Evening FX Settlement Time will follow the procedures set forth in Section 12A.4.4.

### **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.

<b>Time</b>	<b>CCASS events</b>
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

## **Section 7 Depository and Related Services**

### **7.2 OPERATING PRINCIPLES**

#### **7.2.5 Deposits and Withdrawals of Certificates**

Subject as provided below or in the Rules, Participants may, at any time, deposit Eligible Securities in registered form into their Stock Accounts, other than their Stock Collateral Control Accounts, and where the Participants are TSF CCASS Participants, other than their TSF Accounts. An Investor Participant may only deposit Eligible Securities which are in registered form where such Eligible Securities are registered in the name of the Investor Participant concerned or in the name of the Nominee. Deposit of Eligible Securities registered in any other name(s) will not be accepted.

Any Debt Securities in bearer form which are Eligible Securities cannot be deposited into CCASS by Participants, and are only accepted by HKSCC direct from the issuer or the issuer's agent or representative for credit to Participants' Stock Accounts, other than Stock Collateral Control Accounts during the initial issue process. The bearer certificates of Debt Securities credited to Participants' Stock Accounts, other than Stock Collateral Control Accounts if withdrawn from CCASS by Participants, are not allowed to be re-deposited into CCASS at any time thereafter.

Participants may, at any time, withdraw Eligible Securities credited to their Stock Accounts, other than their Stock Collateral Control Accounts and where the Participants are TSF CCASS Participants, other than their TSF Accounts, from CCASS, subject to such conditions and restrictions as HKSCC may from time to time impose. Unless otherwise determined by HKSCC or provided in the Rules, Participants cannot physically withdraw from CCASS or an Appointed Depository via HKSCC Eligible Securities which are uncertificated or issued in global form.

For the avoidance of doubt, no Eligible Securities can be directly deposited into or withdrawn from any Stock Collateral Control Account and any TSF Account.

#### **7.2.8 Fungibility**

All Eligible Securities of the same kind held in CCASS may be treated as fungible by HKSCC. Eligible Securities will not normally be marked or labelled by HKSCC to a particular Participant or to a particular transaction.

## Section 8 Nominee Services

### 8.2 GENERAL PRINCIPLES

#### 8.2.7 Time limits for instructions from Participants etc.

Once Participants give instructions to HKSCC, they will be under an obligation to ensure that they have the relevant number of Eligible Securities (in respect of which instructions have been given) in their Stock Accounts, other than the Stock Collateral Control Accounts and where the Participants are TSF CCASS Participants, other than their TSF Accounts, if the instructions require submission of Eligible Securities, and, as the case may be, place HKSCC in funds by the appropriate date to give effect to the instruction. Failure to observe this obligation may result in HKSCC not giving effect to such instructions or taking other appropriate actions including the taking of disciplinary action to redress the position.

#### 8.2.3 DECIMAL PLACES FOR CALCULATION PURPOSE

Cash entitlements accruing to Eligible Securities etc. in most currencies will be calculated to two decimal places in most cases, as further particularised in the table below.

Currency	Decimal places
Chinese Yuan (CNY)	2

## Section 9 Overview of Clearing and Settlement in CCASS

### 9.2 EXCHANGE TRADES

Under the Exchange Rules, all Exchange Trades (excluding those not recognized by the Exchange) will have to be settled in CCASS.

Where at least one of the parties to an Exchange Trade is an NCP, the GCP of that NCP designated for clearing Exchange Trades of such NCP shall become a party to the Exchange Trade as principal, in substitution for and with exactly the same rights and obligations under the Exchange Trade, as that NCP.

In relation to TSF Exchange Trades of a TSF Exchange Participant, the TSF Clearing Participant of that TSF Exchange Participant designated for clearing TSF Exchange Trades of such TSF Exchange Participant shall become a party to the relevant TSF Exchange Trades and the corresponding TSF FX Transaction as principal in substitution for, and with exactly the same rights and obligations under the relevant TSF Exchange Trade and the corresponding TSF FX Transaction as, that TSF Exchange Participant at the same time as the relevant TSF Exchange Trade is effected on the AMS.

Exchange Trades will be settled in CCASS either under:

- (i) the CNS System (see Section 10) pursuant to which HKSCC becomes substituted as the settlement counterparty and settlement will be effected between Clearing Participants and HKSCC on a net basis; or
- (ii) the Isolated Trades System (see Section 11) where settlement will be effected directly between the Clearing Participants concerned.

Settlement under the CNS System will always be effected on a DVP basis.

Settlement under the Isolated Trades System may be effected on a DVP or FOP basis, as selected by delivering Clearing Participants.

## **Section 10 Exchange Trades - CNS System**

### **10.12 RISK MANAGEMENT: SECURITIES-ON-HOLD**

#### **10.12.4 Clearing Participant may effect cash prepayment**

A 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 / TSF Payment Standing Instruction” maintenance functions to authorize HKSCC to generate recurring Cash Prepayment Instructions on behalf of the 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, and will be either (a) the gross amount of the unsettled money obligations on its CNS long positions; or (b) the net amount of the unsettled money obligations on its CNS long and short positions, plus a certain percentage of the net amount input by the 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.

## **Section 12 Non-Exchange Trades - SI Transactions, Clearing Agency Transactions, ISI Transactions and Transfer Instructions**

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

#### **12.1.2 Input SIs**

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

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

## **Section 12A Foreign Exchange Services**

### **12A.1 THE TSF**

#### **12A.1.1 Purpose**

Chapter 12A of the Rules sets out the terms and conditions on which the FX Services may be provided by HKSCC as TSF operator and the obligations of TSF CCASS Participants to settle TSF FX Transactions and Stock Release FX Transactions. This Section 12A provides details on the money positions of TSF CCASS Participants and HKSCC in respect of TSF FX Transactions and Stock Release FX Transactions and the procedures relating to the settlement of such Transactions, submission of Stock Release Requests and earmarking and de-earmarking of TSF Stocks.

### **12A.2 TSF FX TRANSACTIONS**

#### **12A.2.1 Settlement date of TSF FX Transactions**

A TSF FX Transaction shall be settled by TSF Clearing Participants on the same Settlement Day on which the corresponding TSF Exchange Trade is settled, that is, on T+2. Unless the context otherwise requires, references to “**settlement date**” or “**T+2**” in this Section 12A shall be construed accordingly.

**12A.2.2 Settlement obligations relating to TSF FX Transactions**

In respect of a TSF Buy FX Transaction, a TSF Clearing Participant is obliged to buy RMB from HKSCC in the amount representing the consideration payable under the corresponding TSF Buy Exchange Trade. Accordingly, the HKD amount to be provided by a TSF Clearing Participant for settlement of a TSF Buy FX Transaction will be an amount equal to the consideration payable multiplied by the applicable RMB Sell Final FX Rate. Subject to the provisions in Chapter 12A of the Rules and in this Section 12A, the RMB amount to be provided by HKSCC for settlement of a TSF Buy FX Transactions will be an amount representing the consideration payable as referred to above.

In respect of a TSF Sell FX Transaction, a TSF Clearing Participant is obliged to sell RMB to HKSCC in the amount representing the sale proceeds receivable under the corresponding TSF Sell Exchange Trade. Subject to the provisions in Chapter 12A of the Rules and in this Section 12A, the HKD amount to be provided by HKSCC for settlement of a TSF Sell FX Transaction will be an amount equal to the sale proceeds receivable multiplied by the applicable RMB Buy Final FX Rate.

**12A.2.3 TSF Confirmation Reports**

To assist TSF CCASS Participants in carrying out daily reconciliation with their internal records of TSF FX Transactions and Stock Release FX Transactions, details of such Transactions and the related information will be provided to TSF CCASS Participants in a TSF Confirmation Report at around 6:00 p.m. on each Business Day. TSF Confirmation Reports are provided for the information of TSF CCASS Participants only. TSF CCASS Participants can access TSF Confirmation Reports through CCASS Terminals and the Participant Gateway.

Subject to the above and HKSCC's discretion, a TSF Confirmation Report will include the following information (if any) in respect of a TSF Clearing Participant:

- (i) Information relating to each TSF FX Transaction generated on the relevant Trading day, details of the corresponding TSF Exchange Trade, the TSF FX Position in respect of each relevant TSF Stock and the corresponding CNS money and stock positions, the TSF Final FX Position of the Participant and the quantity of TSF Stocks to be earmarked or de-earmarked;
- (ii) Information relating to the TSF FX Position in respect of each relevant TSF Stock generated on the preceding Trading day and the corresponding CNS money and stock positions, the TSF Final FX Position of the Participant and the quantity of TSF Stocks to be earmarked or de-earmarked;
- (iii) Information relating to each Stock Release FX Transaction generated on the relevant Trading day, details of the corresponding Stock Release Request and the aggregate money position of the Participant in respect of Stock Release FX Transactions; and
- (iv) Information relating to each Stock Release FX Transaction generated on the preceding Trading day and the aggregate money position of the Participant in respect of Stock Release FX Transactions.

**12A.3 MONEY POSITIONS IN RESPECT OF TSF FX TRANSACTIONS****12A.3.1 Purpose**

As a TSF Clearing Participant may have to settle multiple TSF FX Transactions in respect of a TSF Stock on T+2 and it may also have to settle multiple non-TSF supported Exchange Trades on TSF Stocks on the same day, with the view to reducing the funding pressure on TSF Clearing Participants, HKSCC may at its full discretion, allow the netting of money positions arising from different TSF FX Transactions and allow RMB payments to be received by the Participant under its CNS money positions to offset part or all of its RMB payment obligations arising under TSF FX Transactions.

Sections 12A.3.2 to 12A.3.6 provide a brief description of the procedures to be adopted where netting of money positions is allowed. These procedures can be summarised as follows:

- (i) Determination of the TSF FX Position in respect of each TSF Stock: The related procedures are set out in Section 12A.3.2 and illustrated by the example in Section 12A.3.3.
- (ii) Determination of the settlement time in respect of each TSF FX Position: This will result in dividing the TSF FX Positions of a TSF Clearing Participant in respect of different TSF Stocks due for settlement on T+2 into two groups, one group to be settled by the Participant by no later than 3:00 p.m. (the “**Afternoon FX Settlement Time**”) and the other group to be settled by the Participant by the completion of the final Batch-settlement-run (the “**Evening FX Settlement Time**”). The related procedures are set out in Section 12A.3.4 and illustrated by the example in Section 12A.3.6.
- (iii) Determination of the TSF Final FX Positions: The related procedures are set out in Section 12A.3.5 and are also illustrated by the example in Section 12A.3.6.

For the avoidance of doubt, in this Section 12A and in other parts of the Operational Procedures concerning the money position of a TSF Clearing Participant and HKSCC, unless the context otherwise requires, a reference to “**TSF FX Position**”, “**TSF Final FX Position**” or “**FX position**” comprises two money positions, with one money position expressed in RMB or HKD in respect of a TSF Clearing Participant representing the buy side or the sell side of a FX transaction (as the case may be) and the other or corresponding money position expressed in HKD or RMB in respect of HKSCC (as TSF operator) representing the other side of a FX transaction.

### 12A.3.2 Determination of the TSF FX Position

All TSF Buy FX Transactions of a TSF Clearing Participant generated on a Trading day in respect of a TSF Stock will be offset against all TSF Sell FX Transactions generated on the same Trading day in respect of the same TSF Stock and all FX transactions effected for the purposes of amending or adjusting a TSF Exchange Trade in respect of the same TSF Stock pursuant to Section 12A.7.1, to result in a money position for settlement by a TSF Clearing Participant and the corresponding money position for settlement by HKSCC regarding the TSF Stock concerned. Such money position is referred to as the “**TSF FX Position**”.

The concept of how a TSF FX Position is derived can be illustrated by using the example set out in Section 12A.3.3.

A TSF FX Position normally involves either the TSF Clearing Participant making HKD payment to HKSCC for the purchase of RMB (or HKSCC making RMB payment to the Participant for the conversion of HKD), or the TSF Clearing Participant making RMB payment to HKSCC to effect a sale of RMB (or HKSCC making HKD payment to the Participant for the conversion of RMB). In some cases, however, it is possible that a TSF Clearing Participant may have a TSF FX Position under which it is obliged to make both RMB and HKD payments to HKSCC (or the other way round, where HKSCC is obliged to make both RMB and HKD payments to the Participant). These situations may arise due to differences in the RMB Buy Final FX Rate and the RMB Sell Final FX Rates applicable to TSF Exchange Trades.

As each TSF FX Position relates to a single TSF Stock, where a TSF Clearing Participant has obligations to settle TSF FX Transactions involving multiple TSF Stock on T+2, TSF FX Positions relating to different TSF Stocks will be generated.

### 12A.3.3 Example (determining the TSF FX Position in respect of each TSF Stock)

The concept of netting used to derive a TSF FX Position can be illustrated by the following example: (Note: The negative (–) sign indicates payment by a TSF Clearing Participant and a positive (+) sign indicates payment by HKSCC.)

(1) TSF Stock	(2) TSF Buy/Sell FX Transaction	(3) FX Amount in RMB	(4) Final FX Rate	(5) FX Amount in HKD
X	Buy	¥100 +	1.17	\$117 –
X	Buy	¥400 +	1.19	\$476 –
X	Sell	¥200 –	1.16	\$232 +
	<b>TSF FX Position:</b>	<b>¥300 +</b>		<b>\$361 –</b>
TSF Stock	TSF Buy/Sell FX Transaction	FX Amount in RMB	Final FX Rate	FX Amount in HKD
Y	Buy	¥300 +	1.17	\$351 –
Y	Sell	¥800 –	1.16	\$928 +
	<b>TSF FX Position:</b>	<b>¥500 –</b>		<b>\$577 +</b>

This example assumes that a TSF Clearing Participant is obliged to settle:

- two TSF Buy FX Transactions and one TSF Sell FX Transaction in respect of Stock X; and
- one TSF Buy FX Transaction and one TSF Sell FX Transaction in respect of Stock Y on the same settlement date.

The first step is to determine the RMB and HKD payment amounts for each TSF FX Transaction. The RMB amount in column (3) is derived from the consideration payable or receivable under the corresponding TSF Exchange Trade depending on whether such Trade involves a purchase or a sale of Stock X or Y. The HKD amount in column (5) is determined by applying the applicable RMB Buy Final FX Rate or RMB Sell Final FX Rate as referred to in Rule 12A10 (column (4)) to the corresponding RMB amount depending on whether RMB or HKD conversion by HKSCC is required.

For the TSF Buy FX Transactions in column (2), the TSF Clearing Participant is required to make HKD payment to HKSCC in exchange for RMB. For TSF Sell FX Transactions (also column (2)), the Participant is required to make RMB payment to HKSCC in exchange for HKD.

The TSF FX Position is derived from offsetting the RMB money positions in column (3) and the HKD money positions in column (5) for each of Stock X and Stock Y. The resulting TSF FX Position comprises one money position in one currency for the TSF Clearing Participant and the corresponding money position in the other currency for HKSCC as follows:

- TSF FX Position of TSF Clearing Participant: for Stock X, pay HKD361 to HKSCC in exchange of RMB300 and for Stock Y, pay RMB 500 to HKSCC in exchange for HKD577.
- TSF FX Position of HKSCC: for Stock X, provide RMB 300 to the Participant for the conversion of HKD361 and for Stock Y, provide HKD577 to the Participant for the conversion of RMB500, as TSF operator.

#### 12A.3.4 Determination of the settlement time of TSF FX Positions

- (i) A TSF Clearing Participant is normally required to settle all its TSF FX Positions by no later than the Afternoon FX Settlement Time on T+2. However, depending on a number of factors as set out in Section 12A.3.4(ii), HKSCC may allow a TSF Clearing Participant to settle part or all of its TSF FX Positions by the Evening FX Settlement Time or at such later time as permitted by it as described in Sections 12A.3.4(iv) and 12A.4.5. In any event, HKSCC is not obliged to settle any money positions in respect of any TSF FX Positions on T+2 until after it has confirmed good payment of the relevant settlement amount from the TSF Clearing Participant.
- (ii) HKSCC may allow certain TSF FX Positions of a TSF Clearing Participant to be settled by the Evening FX Settlement Time while others must be settled by the Afternoon FX Settlement Time as normal, after taking into account, among others, the following factors:
  - (a) whether a TSF FX Position requires the Participant to make HKD payment to HKSCC;
  - (b) whether a TSF FX Position requires the Participant to make RMB payment to HKSCC; and
  - (c) whether the Participant has a TSF FX Position and a CNS money position in respect of the same TSF Stock (a “**corresponding CNS money position**”) and if so, the RMB amount involved in each case.
- (iii) Where a TSF FX Position requires a TSF Clearing Participant to make HKD payment to HKSCC in exchange for RMB, that TSF FX Position will be designated for settlement by the TSF Clearing Participant by the Afternoon FX Settlement Time.
- (iv) Where a TSF FX Position requires a TSF Clearing Participant to make RMB payment to HKSCC in exchange for HKD on T+2, HKSCC will consider whether the Participant will be receiving RMB from HKSCC on T+2 under its corresponding CNS money position before designating the settlement time of that TSF FX Position by the Participant. Normally, the following principles will be adopted:
  - (a) If HKSCC’s records show that the TSF Clearing Participant will not be receiving any RMB payment from HKSCC under its corresponding CNS money position, that TSF FX Position will be designated for settlement by the Afternoon FX Settlement Time.
  - (b) If HKSCC’s records show that the TSF Clearing Participant will be receiving RMB payment from HKSCC under its corresponding CNS money position, and the RMB payment to be received is not less than the RMB payment amount which the Participant is required to make to HKSCC pursuant to that TSF FX Position, that TSF FX Position will be designated for settlement by the Evening FX Settlement Time.
  - (c) If HKSCC’s records show that the TSF Clearing Participant will be receiving RMB payment from HKSCC under its corresponding CNS money position, and the RMB payment to be received under its corresponding CNS money position is less than the RMB payment amount which the Participant is required to make to HKSCC pursuant to that TSF FX Position, that TSF FX Position (comprising both the RMB money position and the corresponding HKD money position) will be split into two FX positions to be settled by the TSF Clearing Participant at two different times on T+2 as follows:
    - (1) the portion of the TSF FX Position representing the RMB payment amount that is equal to the RMB amount of the corresponding CNS money position will be designated for settlement by the Evening FX Settlement Time; and

- (2) the portion of the TSF FX Position representing the RMB payment amount that is in excess of the RMB amount of the corresponding CNS money position will be designated for settlement by the Afternoon FX Settlement Time.

For the avoidance of doubt, a reference in this Section 12A.3.4(iv)(c) to a split portion of a TSF FX Position shall be construed to mean a “**TSF FX Position**” as defined; and a reference to the “**corresponding HKD money position**” means, in relation to a TSF FX Position that is split into two FX positions, the HKD money position which corresponds to the RMB money position referred to in paragraph (1) and (2) above and which is derived on a pro-rata basis as illustrated in the example set out in Section 12A.3.6.

The method of determining the settlement time of TSF FX Positions described above can be illustrated by the example in Section 12A.3.6.

### 12A.3.5 Determination of the TSF Final FX Positions

- (i) Upon completion of the procedures in Section 12A.3.4, one or more TSF FX Positions due for settlement by a TSF Clearing Participant by the Afternoon FX Settlement Time and one or more TSF FX Positions due for settlement by the Evening FX Settlement Time on T+2 will be generated.
- (ii) All TSF FX Positions designated for settlement by the Afternoon FX Settlement Time (as referred to in Sections 12A.3.4(iii), 12A.3.4(iv)(a) and 12A.3.4(iv)(c)(2)) will be offset against each other to result in a net money position under which the TSF Clearing Participant is normally either required to make HKD payment to HKSCC in exchange for RMB, or to make RMB payment to HKSCC in exchange for HKD. In some cases, however, it is possible that the Participant may have a TSF Final FX Position under which it is obliged to make both RMB and HKD payments to HKSCC (or the other way round, where HKSCC is obliged to make both RMB and HKD payments to the Participant). These situations may arise due to differences in the RMB Buy Final FX Rate and the RMB Sell Final FX Rates applicable to TSF Exchange Trades. This HKD and/or RMB amount (as the case may be) represents the final money position of the Participant in respect of TSF FX Transactions to be settled by it on T+2 by the Afternoon FX Settlement Time (a “**TSF Final FX Position**”) and shall be settled no later than such time.
- (iii) All TSF FX positions designated for settlement by the Evening FX Settlement Time (as referred to in Sections 12A.3.4(iv)(b) and 12A.3.4 (iv)(c)(1)) will be aggregated to result in a combined money position in respect of which the TSF Clearing Participant is required to make RMB payment to HKSCC in exchange for the aggregated amount of the corresponding HKD payment to be made by HKSCC. This RMB amount represents the final money position of the Participant in respect of TSF FX Transactions to be settled by it on T+2 by the Evening FX Settlement Time (a “**TSF Final FX Position**”) and unless HKSCC permits a later settlement time as described in Section 12A.4.5, such amount shall be settled no later than such time.

The netting process as described in this Section 12A.3.5 is illustrated in the example set out in Section 12A.3.6.

Details of a TSF Clearing Participant’s TSF Final FX Positions will be included in TSF Confirmation Reports.

### 12A.3.6 Example (determining the settlement time of TSF FX Positions and the TSF Final FX Position)

The method of determining the settlement time of TSF FX Positions described in Section 12A.3.4 and determining the TSF Final FX Positions described in Section 12A.3.5 can be illustrated by using the following example: (Note: The negative (-) sign indicates payment by a TSF Clearing Participant and a positive (+) sign indicates payment by HKSCC.)

TSF Stock	CNS money positions in RMB	TSF FX Positions		TSF FX Positions for Participant to pay at different times			
		RMB amount	HKD amount	By the Afternoon FX Settlement Time		By the Evening FX Settlement Time	
				RMB amount	HKD amount	RMB amount	HKD amount
<i>TSF FX Positions (Participant to pay HKD):</i>							
U	¥200 –	¥100 +	\$117 –	¥100 +	\$117 –	0	0
V	¥100 –	¥200 +	\$234 –	¥200 +	\$234 –	0	0
W	¥100 +	¥300 +	\$351 –	¥300 +	\$351 –	0	0
<i>TSF FX Positions (Participant to pay RMB):</i>							
X	¥100 –	¥400 –	\$464 +	¥400 –	\$464 +	0	0
Y	¥200 +	¥500 –	\$580 +	¥300 –	\$348 +	¥200 –	\$232 +
Z	¥700 +	¥600 –	\$696 +	0	0	¥600 –	\$696 +
<b>TSF Final FX Positions:</b>				<b>¥100 –</b>	<b>\$110 +</b>	<b>¥800 –</b>	<b>\$928 +</b>

This example assumes that a TSF Clearing Participant has the TSF FX Positions and corresponding CNS money positions in respect of each of Stocks U to Z for settlement on the same day.

The TSF FX Positions for Stocks U, V and W require the Participant to pay HKD to HKSCC in exchange for RMB. Such TSF FX Positions will be designated for settlement by the Afternoon FX Settlement Time. (Section 12A.3.4(iii))

The TSF FX Positions for Stocks X, Y and Z require the Participant to pay RMB to HKSCC in exchange for HKD. As mentioned in Section 12A.3.1, HKSCC will, at its discretion, consider whether the Participant will be receiving RMB from HKSCC on T+2 under its corresponding CNS money position before designating the settlement time of these TSF FX Positions. (Section 12A.3.4(iv))

For Stock X, the Participant is required to make RMB payment (RMB100) to HKSCC for the corresponding CNS money position. As it will not be able to use any RMB amount arising from its corresponding CNS money position to settle its TSF FX Position of RMB400, the whole TSF FX Position in respect of Stock X (RMB400) is designated for settlement by the Participant by the Afternoon FX Settlement Time. (Section 12A.3.4(iv)(a))

For Stocks Y and Z, the record shows that the Participant will be receiving RMB payment from HKSCC under its corresponding CNS money position (RMB200 for Stock Y and RMB 700 for Stock Z).

In the case of Stock Y, the RMB amount to be received (RMB200) is less than the RMB amount it is required to pay under its TSF FX Position (RMB500). Hence, the TSF FX Position in respect of Stock Y will be split into two FX positions which will be settled by the Participant at different times:

- one money position to be settled by the Evening FX Settlement Time: this relates to the portion of the RMB payment amount which is up to the amount of the corresponding CNS money position (RMB200) (Section 12A.3.4(iv)(c)(1));
- the other money position to be settled by the Afternoon FX Settlement Time: this relates to the portion of the RMB payment amount which is in excess of the amount of the corresponding CNS money position (RMB300) (Section 12A.3.4(iv)(c)(2); and

- the corresponding HKD payment amount of the original TSF FX Position for Stock Y (HKD580) will also be allocated to the two new TSF FX Positions pro-rata to their RMB payment amounts (HKD232 for RMB200, and HKD348 for RMB300 respectively). (Section 12A.3.4(iv)(c))

In the case of Stock Z, the RMB amount to be received from HKSCC under the Participant's corresponding CNS money position (RMB700) is in excess of its RMB payment amount in respect of its TSF FX Position (RMB600). This TSF FX Position is, therefore, designated for settlement by the Participant by the Evening FX Settlement Time. (Section 12A.3.4(iv)(b))

After dividing the various TSF FX Positions into the two groups for settlement by the Afternoon FX Settlement Time and by the Evening FX Settlement Time, the TSF FX Positions designated for settlement by the Afternoon FX Settlement Time will be offset against each other to result in a net money position and the TSF FX Positions designated for settlement by the Evening FX Settlement Time will be added together to result in an aggregate money position, in each case, to arrive at a TSF Final FX Position for the Participant for settlement on T+2. (Sections 12A.3.5(i) to (iii))

In this example, under the TSF Final FX Position for settlement by the Afternoon FX Settlement Time, the Participant is required to pay RMB100 (RMB100 + RMB200 + RMB300 – RMB400 – RMB300) to HKSCC in exchange for HKD110 (–HKD117 – HKD234 – HKD351 + HKD464 + HKD348); and under the TSF Final FX Position for settlement by the Evening FX Settlement Time, the Participant is required to pay RMB800 (–RMB200 – RMB600) to HKSCC in exchange for HKD928 (HKD232 + HKD696).

## 12A.4 SETTLEMENT OF TSF FINAL FX POSITIONS

### 12A.4.1 Payment methods available to TSF Clearing Participants

The methods which a TSF Clearing Participant may use to settle its TSF Final FX Position by the Evening FX Settlement Time on T+2 are addressed in Section 12A.4.4. The methods which a TSF Clearing Participant may use to settle its TSF Final FX Position by the Afternoon FX Settlement Time on T+2 are set out below.

In respect of TSF Clearing Participants which are obliged to make a HKD or RMB payment to HKSCC for settlement of its TSF FX Final Position on T+2 by the Afternoon FX Settlement Time pursuant to Section 12A.3.5(ii), payment instruction in respect of such HKD or RMB payment obligation will be generated at around 8:00 a.m. on T+2 (a “**TSF payment instruction**”).

TSF payment instructions may be settled through CPIs or other methods. The following describes the procedures that will apply depending on which method a Participant chooses.

- (i) A TSF Clearing Participant may choose to settle TSF payment instructions via CPIs. If so, the following procedures apply:
  - (a) As a one-time instruction set up, the Participant should input and authorize a standing instruction to HKSCC relating to TSF payment instructions (a “**TSF Payment Standing Instruction**”) with “CHATS” as the payment method via a CCASS Terminal or a Participant Gateway on any Business Day between 8:00 a.m. and 7:00 p.m. or such other time as may be prescribed by HKSCC from time to time. Any TSF Payment Standing Instruction remaining in “pending” status for ten calendar days after the date of its last update will be automatically purged from CCASS.
  - (b) Upon the generation of a TSF payment instruction by HKSCC, a CPI will be generated and included in the Electronic CHATS Payment Instruction Report (CSEPI03) for action by the TSF Clearing Participant's Designated Bank.
  - (c) The Participant must authorize its Designated Bank to issue CHATS payment to the Clearing House of HKAB on behalf of the TSF Clearing Participant.

- (d) The TSF Clearing Participant must ensure that there will be sufficient funds in the relevant currency in its HKD and/or RMB Designated Bank Account and that the CHATS payment is completed by its Designated Bank no later than the Afternoon FX Settlement Time on the same day on which the CPI is generated or such other time as may be prescribed by HKSCC from time to time.
  - (e) Where the CHATS payment is received by HKSCC after the Afternoon FX Settlement Time, HKSCC is entitled not to settle the relevant TSF Final FX Position and to refund the relevant amount received under the CHATS payment without interest to the Participant by crediting the amount to its Money Ledger.
- (ii) A TSF Clearing Participant may choose to settle TSF payment instructions through other means designated as acceptable by HKSCC from time to time, e.g. by bank transfer or CHATS payment. In these cases, the following procedures apply:
- (a) The TSF Clearing Participant must ensure that payment in the form of same day available funds is transferred to HKSCC's specified bank account no later than the Afternoon FX Settlement Time on the day on which the TSF payment instruction is generated or such other time as may be prescribed by HKSCC from time to time.
  - (b) Where payment is received by HKSCC after the Afternoon Settlement FX Time, HKSCC is entitled not to settle the relevant TSF Final FX Position and refund the amount received without interest to the TSF Clearing Participant by crediting the full amount of the payment to its Money Ledger.
  - (c) Where cash remittance is made to HKSCC not pursuant to any TSF payment instruction, HKSCC is entitled not to refund the amount paid to the TSF Clearing Participant on the same day. At the discretion of HKSCC, the amount will be refunded without interest to the Participant by crediting it to the Participant's Money Ledger, normally on the next Business Day.

Where a TSF payment instruction is generated on a Business Day but the relevant payment is not received by HKSCC by the close of business of that Business Day, the TSF payment instruction will be purged from CCASS at the end of the same day.

#### **12A.4.2 TSF Final FX Positions which require TSF Clearing Participants to pay HKD by the Afternoon FX Settlement Time**

This Section sets out the settlement procedures of TSF Final FX Positions which require a TSF Clearing Participant to make HKD payment to HKSCC by the Afternoon FX Settlement Time.

Pursuant to Section 12A.3.5(ii), a TSF Clearing Participant may be required under a TSF FX Final Position to make HKD payment to HKSCC by the Afternoon FX Settlement Time on T+2. The procedures for the settlement of such TSF Final FX Position by the Participant in HKD and by HKSCC in RMB are as follows:

- (i) Upon the receipt of the relevant HKD payment amount from the Participant in respect of such TSF Final FX Position via a CPI or through other means as referred to in Section 12A.4.1, HKSCC will record the receipt of HKD by crediting such amount in the Miscellaneous Account of the Money Ledger of the Participant.
- (ii) HKSCC will normally make payment of the relevant RMB amount in settlement of its TSF Final FX Position by the Evening FX Settlement Time on T+2. However, it may consider making the payment earlier to facilitate the Participant's settlement of its CNS money positions (if any). Accordingly, in determining the time of payment of the RMB amount for settlement of its TSF Final FX Position, HKSCC may have regard to the Participant's corresponding CNS money positions (if any) in relation to the TSF Stocks in respect of which it has TSF FX Positions and the net amount of such corresponding CNS money positions (in this Section 12A.4.2(ii), the "**net CNS money position**"). The following procedures will be adopted:

- (a) HKSCC will consider whether the TSF Clearing Participant will be receiving any RMB payment from HKSCC under its net CNS money position on T+2 or whether the Participant will be obliged to make any RMB payment to HKSCC under the Participant's net CNS money position on T+2.
- (b) If, according to HKSCC's records, the Participant will receive a RMB payment under its net CNS money position from HKSCC on T+2, HKSCC may settle its TSF Final FX Position in RMB by the Evening FX Settlement Time. This will be done by crediting the relevant RMB amount in the Miscellaneous Account of the Money Ledger of the TSF Clearing Participant after debiting the relevant HKD amount received under Section 12A.4.2(i) above from the Participant for settlement of its TSF Final FX Position from the same account.
- (c) If, according to HKSCC's records, the Participant will be obliged to make a RMB payment under its net CNS money position to HKSCC on T+2, HKSCC may settle its TSF Final FX Position in RMB in separate batches and at different times as follows:
  - (1) upon the receipt of the relevant HKD payment from the TSF Clearing Participant pursuant to Section 12A.4.2(i) above, HKSCC may immediately credit such amount of RMB which it expects to have to make payment to the Participant under its TSF Final FX Position into the TSF Clearing Participant's Settlement Account of the Money Ledger up to the extent of the net CNS money position, provided that such amount shall in any event be no more than the net CNS money position or the RMB payment amount under the corresponding TSF Final FX Position, whichever is lower, after debiting the relevant HKD payment amount from its Miscellaneous Account; and
  - (2) HKSCC may settle the remaining portion of the amount in excess of the net CNS money position(s), if any, by the Evening FX Settlement Time by debiting the relevant amount of HKD from and crediting the relevant amount of RMB in the Miscellaneous Account of the Money Ledger of the TSF Clearing Participant.

The settlement procedures described above are illustrated by the example in Section 12A.4.3.

**12A.4.3 Example (Determine the payment time of the RMB amount for settlement of a TSF Final FX Position which requires TSF Clearing Participant to pay HKD by the Afternoon FX Settlement Time)**

This example illustrates the RMB payment amounts that will be settled by HKSCC immediately after a TSF Clearing Participant have made HKD payment to it and before the Evening FX Settlement Time respectively in respect of the Participant's TSF Final FX Position, where the Participant is obliged to make RMB payment under its corresponding CNS money positions in relation to the TSF Stocks in respect of which it has TSF FX Positions, pursuant to Section 12A.4.2(ii)(c).

This example assumes that a TSF Clearing Participant has the following TSF Exchange Trades and CNS money positions for settlement on T+2 in respect of Stocks Y and Z which are TSF Stocks: (Note : The negative (-) sign indicates payment by a TSF Clearing Participant and a positive (+) sign indicates payment by HKSCC.)

Stock	Corresponding CNS money positions in RMB	TSF FX Positions for Participant to settle by Afternoon FX Settlement Time	
		RMB amount	HKD amount
<i>TSF FX Position (Participant to pay RMB)</i>			
Y	¥200 +	¥400 –	\$468 +
<i>TSF FX Position (Participant to pay HKD)</i>			
Z	¥300 –	¥800 +	\$928 –
	¥100 –	¥400 +	\$460 –

After netting as illustrated in the above table, the TSF Clearing Participant has a HKD money position under its TSF Final FX Position to be settled by the Afternoon FX Settlement Time (HKD460).

Assuming the Participant has settled its HKD money position (HKD460) before the Afternoon FX Settlement Time, HKSCC will immediately record the receipt of the HKD460 by crediting the amount in the Miscellaneous Account of the Money Ledger of the Participant.

HKSCC will then immediately credit in the Participant's Settlement Account of the Money Ledger for the amount of RMB100, which is the lower of (i) the net amount of Participant's corresponding CNS money positions in relation to the TSF Stocks in respect of which it has TSF FX Positions (RMB100) and (ii) the RMB payment amount of the HKSCC under the corresponding TSF Final FX Positions (RMB400), after debiting the relevant HKD amount of HKD115 (HKD460 \* RMB100/RMB400) from the Participant's Miscellaneous Account. (Section 12A.4.2(ii)(c)(1))

In respect of the remaining portion of the RMB amount (RMB300) in excess of the net amount of the Participant's corresponding CNS money positions (RMB400 – RMB100), HKSCC will credit the amount in the Participant's Miscellaneous Account by the Evening FX Settlement Time, after debiting the relevant HKD amount of HKD345 (HKD460 – HKD115) from the same account. (Section 12A.4.2(ii)(c)(2))

#### 12A.4.4 TSF Final FX Positions which require TSF Clearing Participants to pay RMB by the Afternoon FX Settlement Time

This Section sets out the settlement procedures of TSF Final FX Positions which require a TSF Clearing Participant to make RMB payment to HKSCC by the Afternoon FX Settlement Time.

Pursuant to Section 12A.3.5(ii), a TSF Clearing Participant may be required under a TSF FX Final Position to make RMB payment to HKSCC by the Afternoon FX Settlement Time on T+2. The procedures for the settlement of such TSF Final FX Position by the Participant in RMB and by HKSCC in HKD are as follows:

- (i) Upon the receipt of the relevant RMB payment amount from the Participant in respect of such TSF Final FX Position via a CPI or through other means as referred to in Section 12A.4.1, HKSCC will record the receipt of RMB by crediting such amount in the Miscellaneous Account of the Money Ledger of the Participant.
- (ii) HKSCC will, by the Evening FX Settlement Time, complete the settlement of the TSF Final FX Position by debiting the relevant amount of RMB from and crediting the relevant amount of HKD in the Miscellaneous Account of the Money Ledger of the Participant.

#### 12A.4.5 TSF Final FX Positions which require the TSF Clearing Participants to pay RMB by the Evening FX Settlement Time

This Section sets out the settlement procedures of TSF Final FX Positions which require a TSF Clearing Participant to make RMB payment to HKSCC by the Evening FX Settlement Time.

Pursuant to Section 12A.3.5(iii), a TSF Clearing Participant may be required under a TSF Final FX Position to make RMB payment to HKSCC by the Evening FX Settlement Time on T+2. The procedures for the settlement of such TSF Final FX Position by the Participant in RMB and by HKSCC in HKD are as follows:

- (i) At the end of the final Batch-settlement-run on T+2, HKSCC will collect the relevant amount of RMB required for settlement of the TSF Final FX Position from the TSF Clearing Participant by:
  - (a) firstly, accepting or taking up any RMB amount paid to the Participant under its settled net CNS money position, including any RMB amount paid to the Participant pursuant to Section 12A.4.2 (ii)(c)(1), by debiting the Participant's Miscellaneous Account of the Money Ledger; and
  - (b) secondly, accepting and taking up any RMB amount paid to the Participant's Miscellaneous Account of the Money Ledger for settlement of its TSF Final FX Position by the Afternoon FX Settlement Time on T+2 as referred to in Sections 12A.4.2 (ii)(b) and 12A.4.2 (ii)(c)(2) by debiting the Participant's Miscellaneous Account of the Money Ledger.

The RMB amounts collected by HKSCC under paragraphs (a) and (b) above are together referred to as the “**RMB available amount**” in this Section 12A.4.5.

- (ii) Where the RMB available amount is sufficient to settle the Participant's RMB money position under its TSF Final FX Position designated for settlement by the Evening FX Settlement Time, HKSCC may consider that the TSF Clearing Participant has fully settled such money position. Upon debiting the RMB available amount from the relevant account as referred to in Sections 12A.4.5(i)(a) and (b), HKSCC will immediately credit the relevant HKD amount in the Participant's Miscellaneous Account.
- (iii) Where the RMB available amount is not sufficient to settle the Participant's RMB money position under its TSF Final FX Position designated for settlement by the Evening FX Settlement Time in full (that is, in cases where the RMB money position of the TSF Final FX Position to be settled is greater than the RMB available amount), HKSCC may, at its discretion, consider allowing such RMB money position to be settled by the Participant in stages and at different times by applying the following procedures:
  - (a) Firstly, upon debiting the RMB available amount from the relevant account as referred to in Sections 12A.4.5(i)(a) and (b), HKSCC will immediately credit the Participant's Miscellaneous Account with the corresponding amount in HKD. Such amount so debited may be treated as having been applied towards partial settlement of the RMB money position due for settlement by the Participant by the Evening FX Settlement Time on T+2.
  - (b) Secondly, a debit entry will be posted on the Participant's Miscellaneous Account of the Money Ledger for the collection of the outstanding amount of the RMB money position due for settlement by the Evening FX Settlement Time on T+2. This debit entry will be settled in accordance with the money settlement process as described in Section 14.4. Upon settlement of the debit entry in accordance with Section 14.4 and after HKSCC has confirmed good payment, the full amount of the RMB money position due for settlement by the Participant by the Evening FX Settlement on T+2 may be treated as settled.

- (c) Finally, after HKSCC has confirmed good payment of the RMB settlement amount in full as a result of the procedures under paragraphs (a) and (b) above, which normally takes place at around 8:30 p.m. on T+2, HKSCC will complete the settlement of the TSF Final FX Position by crediting the HKD amount which corresponds to the outstanding RMB amount referred to in Section 12A.4.5(iii)(b) above in the Miscellaneous Account of the Money Ledger of the TSF Clearing Participant.
- (iv) Where there is no RMB available amount for collection by HKSCC under Sections 12A.4.5 (i)(a) and (b) above, HKSCC will post a debit entry on the TSF Clearing Participant's Miscellaneous Account of the Money Ledger to collect RMB from the TSF Clearing Participant. This debit entry will be settled in accordance with the money settlement process as described in Section 14.4. Upon settlement of the debit entry in accordance with Section 14.4 and after HKSCC has confirmed good payment of the relevant RMB amount to be settled, which normally takes place at around 8:30 p.m. on T+2, HKSCC will complete the settlement of the TSF Final FX Position by crediting the relevant HKD amount in the Miscellaneous Account of the Money Ledger of the TSF Clearing Participant.
- (v) With respect to the portion of RMB money position that is settled by accepting or taking up the RMB available amount referred to in Sections 12A.4.5(i)(a) and (b) above, the TSF Clearing Participant will normally receive the corresponding HKD payment on T+2.
- (vi) With respect to the portion of RMB money position that is not settled by the acceptance or taking up of the RMB available amount referred to in Sections 12A.4.5(i)(a) and (b) above, the TSF Clearing Participant will normally receive the corresponding HKD payment in the morning of T+3, but valued on T+2.

The above settlement procedures are illustrated by the example set out in Section 12A.4.6.

#### **12A.4.6 Example (determining the HKD payment amount to be received from HKSCC by day-end of T+2 or the morning of T+3)**

This example illustrates the HKD payment amounts that a TSF Clearing Participant will receive from HKSCC by the end of T+2 and the morning of T+3 in respect of its TSF Final FX Position designated for settlement by the Evening Settlement FX Time, where the RMB money position of the Participant under a TSF Final FX Position is not considered by HKSCC to be settled by or is only considered to be partially settled by the Evening FX Settlement Time, pursuant to Section 12A.4.5.

This example assumes that a TSF Clearing Participant has the following TSF Exchange Trades and CNS money positions for settlement on T+2 in respect of Stock N (which is not a TSF Stock) and Stocks Y and Z which are TSF Stocks: (Note: The negative (–) sign indicates payment by a TSF Clearing Participant and a positive (+) sign indicates payment by HKSCC.)

Stock	CNS money positions in RMB	TSF FX Positions		TSF FX Positions for Participant to pay at different times			
		RMB amount	HKD amount	By Afternoon FX Settlement Time		By Evening FX Settlement Time	
				RMB amount	HKD amount	RMB amount	HKD amount
<i>CNS money position in non-TSF Stock:</i>							
N	¥300 –						
<i>TSF FX Positions (Participant to pay RMB):</i>							
Y	¥200 –	¥200 –	\$232 +	¥200 –	\$232 +	0	0
Z	¥300 +	¥900 –	\$1,044 +	¥600 –	\$696 +	¥300 –	\$348 +
	<u>¥200 –</u>			<u>¥800 –</u>	<u>\$928 +</u>	<u>¥300 –</u>	<u>\$348 +</u>

After netting as illustrated in the above table, the TSF Clearing Participant has a RMB money position under its TSF Final FX Position to be settled by the Afternoon FX Settlement Time (RMB800) and another RMB money position under its TSF Final FX Position to be settled by the Evening FX Settlement Time (RMB300).

In respect of the TSF Clearing Participant's TSF Final FX Position designated for settlement by the Afternoon Settlement FX Time, assuming that the Participant has settled its RMB money position (RMB800) on time, HKSCC will effect the FX settlement before the Evening FX Settlement Time. The TSF Clearing Participant will receive the corresponding HKD payment amount under the TSF Final FX Position (HKD928) by the end of T+2.

In respect of the TSF Clearing Participant's RMB money position designated for settlement by the Evening Settlement FX Time (RMB300), although the Participant will receive RMB300 from HKSCC under the corresponding CNS money position in Stock Z, the Participant is, however, required to make a payment of RMB200 to HKSCC in respect of its net CNS money positions in respect of all stocks to be settled in RMB. As a result, the Participant is unable to draw on any available RMB amount under its CNS money positions, and is required to pay the outstanding RMB money position under its TSF Final FX Position (RMB300) through the CCASS day-end money settlement process. HKSCC will effect the settlement of the TSF Final FX Position upon the receipt of the RMB payment amount (RMB300) from the TSF Clearing Participant, and the Participant will only receive the corresponding HKD payment amount (HKD348) from HKSCC in the morning of T+3 (valued on T+2).

#### 12A.4.7 Failure to settle TSF Final FX Positions or other FX money positions

Where a TSF Clearing Participant fails to settle any TSF Final FX Positions, TSF FX Positions or money positions in respect of TSF FX Transactions, Section 12A.8 apply.

### 12A.5 EARMARKING AND DE-EARMARKING OF TSF STOCKS

#### 12A.5.1 Earmarking and de-earmarking requirements

In accordance with Rules 12A01(v) and 12A09, TSF Stocks purchased with the support of the TSF shall be earmarked as such; held in the TSF Accounts; and be subject to restrictions on transfer to other Stock Accounts and withdrawal of share certificates from CCASS. TSF Participants wishing to sell earmarked TSF Stocks shall, except where a Stock Release Request is accepted by HKSCC or otherwise permitted under the Rules, be obliged to sell such TSF Stocks through the use of the TSF and to accept the sale proceeds of such TSF Stocks in HKD. The sale of earmarked TSF Stocks through the use of the TSF will result in the de-earmarking of the TSF Stocks.

### 12A.5.2 TSF Accounts

Each TSF CCASS Participant will be allocated a TSF Principal Account and a TSF Segregated Account for the purpose of holding earmarked TSF Stocks.

### 12A.5.3 Determination of the number of TSF Stocks to be earmarked and de-earmarked

With respect to the TSF Exchange Trades that a TSF Clearing Participant is obliged to settle on T+2, the number of shares in relation to each TSF Stock that will be subject to earmarking or de-earmarking in so far as that TSF Clearing Participant is concerned will be determined based on the following procedures:

- (i) aggregate the number of shares involved in all the TSF Buy Exchange Trades that were effected on the relevant Trading day;
- (ii) aggregate the number of shares involved in all the TSF Sell Exchange Trades that were effected on the same Trading day; and
- (iii) offset the resulting number of shares under paragraphs (i) and (ii) above to arrive at one net long stock position or one net short stock position (a “TSF stock position”).

In relation to each TSF Stock that a TSF Clearing Participant has settlement obligations on T+2, the number of shares representing a net long TSF stock position arrived at based on the above procedures, will be subject to earmarking, and the number of shares representing a net short TSF stock position arrived at based on the above procedures, will be subject to de-earmarking.

### 12A.5.4 Earmarking of TSF Stocks

- (i) Shares subject to earmarking must be earmarked upon settlement of the relevant TSF Exchange Trades on T+2. Accordingly, on each Settlement Day, earmarking of the relevant number of shares calculated in accordance with Section 12A.5.3 must be made or carried out by TSF Clearing Participants before the final Batch-settlement-run, failing which earmarking will be carried out by HKSCC in accordance with Section 12A.5.4(iii).
- (ii) Earmarking should be made by TSF Clearing Participants by effecting an ATI to transfer the relevant number of shares from their other Stock Accounts (other than Stock Collateral Control Account) into the TSF Accounts. TSF Clearing Participants shall not transfer any Eligible Securities that are not subject to earmarking into their TSF Accounts.
- (iii) If, by the final Batch-settlement-run on a Settlement Day, a TSF Clearing Participant has not yet carried out the earmarking or has not yet earmarked the relevant quantity of shares in accordance with Section 12A.5.4(i), HKSCC will carry out the earmarking itself by debiting the relevant number of shares, or if there is a shortfall of shares that require earmarking, the relevant number of shares representing the shortfall, from the Participant’s Stock Clearing Account and credit the same number of shares in the Participant’s TSF Principal Account without giving prior notice to or obtaining the prior consent of the Participant. Each TSF CCASS Participant confirms and acknowledges that HKSCC is authorised to carry out earmarking by effecting transfers of shares in and out of its Stock Clearing Account and its TSF Principal Account as contemplated in this Section. Should it be necessary for HKSCC to carry out earmarking as mentioned in this Section, HKSCC will normally do so at the following times:
  - (a) after the completion of the final Batch-settlement-run on T+2, that is, normally at around 4:15 p.m.; and
  - (b) following the release of the Securities-on-hold after the close of the second session for Designated Banks to input DDI payment confirmation pursuant to Section 14.4.3, that is, normally at around 8:30 p.m.

- (iv) Where Section 12A.5.4(iii) applies and HKSCC has to carry out earmarking for a TSF Clearing Participant, the Participant is obliged to ensure that prior to the times specified for the earmarking to take place, there will be sufficient shares of the relevant TSF Stocks in the Participant's Stock Clearing Account to enable the earmarking of the relevant number of shares to be completed by HKSCC. If, in the course of carrying out earmarking for a TSF Clearing Participant pursuant to Section 12A.5.4(iii), HKSCC finds that earmarking of the relevant number of shares in respect of a TSF Stock cannot be fully completed due to an insufficient number of shares being available in a TSF Clearing Participant's Stock Clearing Account (the "**share shortfall**"), the following provisions will apply.

If the Participant has an unsettled long CNS stock position in respect of the same TSF Stock and the unsettled number of shares is not smaller than the share shortfall, HKSCC will transfer the number of shares representing the share shortfall from the TSF Clearing Participant's Stock Clearing Account to the TSF Principal Account after settlement of the relevant long CNS stock position; otherwise, the TSF Clearing Participant will be required to transfer the number of shares representing the share shortfall to its TSF Principal Account or TSF Segregated Account by the end of T+3. Where the Participant fails to make the transfer or fails to transfer sufficient number of shares to its TSF Account by the end of T+3, HKSCC is entitled to, among others, impose an exception handling fee as it considers appropriate and execute a FX transaction with the Participant in the opposite direction in respect of the relevant TSF FX Position in relation to the share shortfall, and in such circumstance, the Participant shall be liable to pay, reimburse and indemnify HKSCC for and against all costs, fees, expenses, losses and damages incurred by or caused to HKSCC as a result of its failure.

- (v) Information relating to the number of shares subject to earmarking and the corresponding CNS money and stock positions are available in the TSF Confirmation Report for reference by TSF CCASS Participants.

#### **12A.5.5 Earmarking of share entitlements**

As set out in Section 8.8, share entitlements arising from earmarked TSF Stocks such as bonus securities and scrip dividend entitlements will be credited to the Entitlement Account of TSF CCASS Participants. TSF CCASS Participants that wish to maintain the entitlements in their TSF Accounts may request HKSCC to transfer them from the Entitlement Account to the TSF Accounts by submitting an instruction in writing to HKSCC in the prescribed form. For the avoidance of doubt, once share entitlements arising from earmarked TSF Stocks are transferred to the TSF Accounts, they will be subject to earmarking and the same restrictions as set out in Rule 12A09 and Section 12A.5.1 shall apply.

#### **12A.5.6 De-earmarking of earmarked TSF Stocks**

The sale of earmarked TSF Stocks through the use of the TSF will result in the de-earmarking of the TSF Stocks. In addition, earmarked TSF Stocks can be de-earmarked through the submission of a Stock Release Request by a TSF CCASS Participant. This Section 12A.5.6 sets out the procedures involved in the de-earmarking of earmarked TSF Stocks resulting from a sale of earmarked TSF Stocks and Section 12A.6.1 sets out the procedures involved in the de-earmarking of earmarked TSF Stocks resulting from a submission of a Stock Release Request.

De-earmarking of earmarked TSF Stocks resulting from a sale of earmarked TSF Stocks will be carried out by HKSCC. Each TSF CCASS Participant confirms and acknowledges that HKSCC is authorised to carry out de-earmarking by effecting transfers of shares out of its TSF Principal Account and into its Stock Clearing Account as contemplated by this Section.

TSF Clearing Participants are obliged to ensure that at least 15 minutes prior to the final Batch-settlement-run, there will be sufficient number of shares of the relevant TSF Stock in their TSF Principal Accounts to enable de-earmarking to be effected by HKSCC.

If, in the course of conducting de-earmarking pursuant to this Section 12A.5.6, HKSCC finds that de-earmarking of the relevant number of shares cannot be fully completed due to an insufficient number of shares being available in a TSF Clearing Participant's TSF Principal Account, and this results in the Participant not being able to settle its TSF Final FX Position in RMB under Section 12A.3.5(iii), the provisions in Section 12A.8.1 shall apply.

A brief description of the de-earmarking procedures is set out as follows:

- (i) Around 15 minutes before each Batch-settlement-run on T+2 and after the completion of the final Batch-settlement-run on T+2, that is, normally at around 4:15 p.m., HKSCC will, based on a TSF Clearing Participant's net short TSF stock position as calculated in accordance with Section 12A.5.3 and subject to Section 12A.5.6(ii) below, de-earmark the relevant number of shares by transferring the relevant number of shares out of the TSF Clearing Participant's TSF Principal Account into its Stock Clearing Account so that the relevant number of shares which should be subject to de-earmarking are de-earmarked.
- (ii) In carrying out de-earmarking, HKSCC may consider a TSF Clearing Participant's money position under its TSF Final FX Position designated for settlement by the Afternoon FX Settlement Time on T+2 to determine the number of shares that should be de-earmarked at different times:
  - (a) If the Participant does not have any outstanding money position which is designated for settlement by the Afternoon FX Settlement Time on T+2 as set out in Section 12A.3.5(ii), where there is sufficient number of shares in the Participant's TSF Principal Account available for de-earmarking, HKSCC will transfer the full number of relevant shares subject to de-earmarking from the Participant's TSF Principal Account into its Stock Clearing Account.
  - (b) If the Participant has an outstanding money position which is designated for settlement by the Afternoon FX Settlement Time on T+2 as set out in Section 12A.3.5(ii):
    - (1) where the relevant number of shares in a Participant's TSF Principal Account is sufficient for transfer for the purpose of de-earmarking, HKSCC will transfer such number of the shares representing the quantity of the Participant's corresponding short CNS stock position (if any) from the TSF Principal Account into the Participant's Stock Clearing Account; and
    - (2) the number of shares which has yet to be de-earmarked and which is over and above the quantity of the corresponding short CNS stock position (if any) will only be transferred from the TSF Clearing Participant's TSF Principal Account to its Stock Clearing Account after HKSCC has received the full payment amount due from the Participant in settlement of its RMB money positions on T+2.

## **12A.6 STOCK RELEASE REQUESTS AND STOCK RELEASE FX TRANSACTIONS**

### **12A.6.1 Submission of Stock Release Request and de-earmarking of earmarked TSF Stocks**

In accordance with Rule 12A12, if a TSF CCASS Participant wishes to de-earmark earmarked TSF Stocks or to release earmarked TSF Stocks from the restrictions referred to in Rule 12A09 and Section 12A.5.1 without selling them, it may effect a book-entry movement of the relevant number of earmarked TSF Stocks from its TSF Accounts to any other Stock Account (other than the Stock Collateral Control Account and a SSA with Statement Service) on any Business Day through inputting and authorising a "Stock Release Request" via a CCASS Terminal or any other means as HKSCC may from time to time prescribe on any Business Day.

Unless HKSCC otherwise determines, HKSCC will notify the Participant of its acceptance of a Stock Release Request through CCASS after validation of the request. HKSCC will not accept a Stock Release Request unless it is satisfied that there is sufficient number of the relevant shares in the TSF CCASS Participant's designated TSF Account to enable de-earmarking of the shares.

Details of a TSF CCASS Participant's Stock Release Request activities and Stock Release FX Transactions will be provided to the Participant via a TSF FX Transaction / Stock Release Activity / Status Report and a TSF Confirmation Report, all of which are available to the Participant on the CCASS Terminals and/or Participant Gateway.

De-earmarking of shares resulting from an acceptance of a Stock Release Request will be carried out by HKSCC. Upon acceptance of a Stock Release Request by HKSCC, HKSCC will effect de-earmarking of the number of shares specified in the Stock Release Request by transferring the relevant number of shares from the TSF CCASS Participant's designated TSF Account to its other designated Stock Account. Each TSF CCASS Participant confirms and acknowledges that HKSCC is authorised to carry out de-earmarking by effecting transfers of shares out of its designated TSF Account and into its other designated Stock Account as contemplated in this Section.

Any Stock Release Request submitted by a TSF CCASS Participant on a Business Day which remains in the "pending status" by the close of business of that Business Day will be automatically purged from CCASS by the end of the same day.

### **12A.6.2 Stock Release FX Transactions**

Upon acceptance of a Stock Release Request by HKSCC, a Stock Release FX Transaction will automatically be generated by CCASS.

Under a Stock Release FX Transaction, a TSF CCASS Participant shall in accordance with Rule 12A12, be deemed to have agreed to pay HKSCC on the second Settlement Day after the day on which HKSCC accepts the Stock Release Request, an amount in RMB representing the total market value of the earmarked TSF Stocks (which are the subject of the relevant Stock Release Request) based on the closing price of the TSF Stocks on the Trading day immediately preceding the day on which the Request was submitted to HKSCC, as recorded on the Exchange.

HKSCC will, subject to the relevant TSF Partner Bank delivering the relevant funds in HKD and provided that the TSF has not been temporarily suspended or ceased to operate and the FX Services are available, effect the settlement of the Stock Release FX Transaction by causing a credit to the relevant Designated Bank Account of the Participant with an amount in HKD representing the equivalent of the RMB amount paid by the Participant on the same Settlement Day, by reference to the following conversion rates:

- (i) where a Stock Release Request is accepted by HKSCC at or before 12:00 noon on a Trading day, the applicable conversion rate shall be the RMB Buy Final FX Rate published by HKSCC at approximately 12:45 p.m. on that Trading day; and
- (ii) where a Stock Release Request is accepted by HKSCC after 12:00 noon on a Trading day, the applicable conversion rate shall be the RMB Buy Final FX Rate published by HKSCC at approximately 4:45 p.m. on that Trading day.

### **12A.6.3 Settlement of Stock Release FX Transactions**

The procedures on the settlement of Stock Release FX Transactions and the acceptable settlement methods are set out in this Section. A reference to "**settlement date**" in this Section means the second Settlement Day after the day on which HKSCC has accepted a relevant Stock Release Request.

- (i) At around 8:00 a.m. on a settlement date, HKSCC will aggregate (a) the RMB money positions arising from all the Stock Release FX Transactions regarding all the relevant TSF Stocks in respect of a TSF CCASS Participant; and (b) the corresponding money positions arising from the same Stock Release FX Transactions in respect of itself, that are due for settlement on that day by reference to Section 12A.6.2, and generate a single combined RMB money position and the related payment instruction for the Participant (a "**TSF payment instruction**") and a single combined HKD money position for itself.

- (ii) If the Participant has set up a TSF Payment Standing Instruction in accordance with Section 12A.4.1(i)(a) with “CHATS” as a payment method, upon the generation of the TSF payment instruction referred to in paragraph (i) above, HKSCC will generate a CPI to its Designated Bank instructing the Designated Bank to make payment on the Participant’s behalf.
- (iii) The TSF Clearing Participant must settle or ensure that its Designated Bank will settle the TSF payment instruction by paying or transferring same day available RMB funds into HKSCC’s specified bank account at no later than 3:00 p.m. on the settlement date or such other time as may be prescribed by HKSCC from time to time;
- (iv) Upon receiving the relevant RMB amount due from the TSF CCASS Participant in full on the settlement date, HKSCC will effect settlement of its combined HKD money position referred to in paragraph (i) above by crediting the Participant’s Money Ledger with the relevant HKD payment amount on the same settlement date.

#### **12A.6.4 Failure to settle Stock Release FX Transactions**

Where a TSF CCASS Participant fails to settle its combined RMB money position referred to in Section 12A.6.3(i) above to HKSCC by 3:00 p.m. on the settlement date, HKSCC is entitled to, among others, enter into or effect one or more FX transactions with a TSF Partner Bank in the opposite direction to reduce or minimize its back-to-back FX exposure to a TSF Partner Bank. Where such FX transactions are entered into by HKSCC and generally where a TSF CCASS Participant fails to settle any of its RMB money positions under this Section, the Participant shall be liable to pay, reimburse and indemnify HKSCC for and against all costs, fees, expenses, losses and damages incurred by or caused to HKSCC as a result of its failure. Further, the TSF CCASS Participant will also be subject to the payment of an exception handling fee (if applicable).

### **12A.7 AMENDMENTS TO TSF EXCHANGE TRADES AND ADJUSTMENTS TO TSF FX TRANSACTIONS**

#### **12A.7.1 Trade amendments and adjustments**

Where a Trade Amendment is permitted under Exchange Rule 528 or when a TSF Exchange Trade is isolated by HKSCC under Rule 901(ii), HKSCC is entitled to take such action as it considers necessary to adjust, amend or reverse the corresponding TSF FX Transaction (the “**original TSF FX Transaction**”) of the affected TSF Exchange Trade. Such action may include HKSCC entering into any FX transaction in respect of the relevant RMB or HKD amount that needs to be adjusted with the Participant (an “**Amendment FX Transaction**”) and a back-to-back FX transaction with a TSF Partner Bank, in each case, at such exchange rate as HKSCC considers appropriate. For the avoidance of doubt, where an Amendment FX Transaction is entered into, the original TSF FX Transaction will continue to be treated as valid and effective by HKSCC.

Where an Amendment FX Transaction is entered into, the Transaction shall be settled by the TSF Clearing Participant on the same Settlement Day on which the original TSF FX Transaction is to be settled. Details of any Amendment FX Transaction or any other adjustments or amendments to any TSF FX Transaction will be provided to the Participant in separate reports.

#### **12A.7.2 HKSCC’s powers**

Where HKSCC exercises its power under Section 12A.7.1, the TSF CCASS Participant shall be responsible for paying and reimbursing all costs, fees and expenses incurred by HKSCC and shall indemnify HKSCC against all such costs, fees and expenses and all losses caused to HKSCC, directly or indirectly, as a result of the entering into of any Amendment FX Transaction or back-to-back FX transaction or the taking of any other action or actions by HKSCC.

## 12A.8 FAILURE TO SETTLE MONEY POSITIONS

### 12A.8.1 HKSCC's powers

Where a TSF Clearing Participant fails to settle any TSF FX Position, TSF Final FX Position or any of its money positions in respect of any TSF FX Transaction on T+2, without affecting or limiting any powers of HKSCC and without prejudice to any other provisions of the Rules (including the default provisions), HKSCC is entitled to take any or all of the following actions:

- (i) HKSCC is entitled not to settle any of its corresponding money positions in HKD or RMB, as the case may be, in which case, where appropriate, the Participant concerned shall be responsible for obtaining the necessary funds in the relevant currency to settle the relevant TSF Exchange Trade;
- (ii) HKSCC may take such action as it considers necessary to adjust, amend or reverse any TSF FX Transaction (in whole or in part) in respect of which the Participant has failed to settle. Such action may include HKSCC entering into any FX transaction with the Participant (an "**Amendment FX Transaction**") and a back-to-back FX transaction with a TSF Partner Bank, in each case, at such exchange rate as HKSCC considers appropriate; and
- (iii) HKSCC may impose an exception handling fee on the Participant as it considers appropriate;

Further, HKSCC is entitled to take additional actions in the following specific circumstances:

- (a) Where a TSF Clearing Participant fails to provide sufficient shares for de-earmarking in accordance with Section 12A.5.6 which results in the Participant not being able to settle any of its corresponding CNS stock position and corresponding money position in full at the designated settlement time on the relevant Settlement Day, where the money position involved is the payment of RMB by the Participant in the situation contemplated in Section 12A.3.4(iv)(b) or 12A.3.4(iv)(c)(1), HKSCC is entitled not to accept or take up any RMB available amount in part or in full referred to in Section 12A.4.4 and treat the relevant money position as outstanding and unsettled; and
- (b) Where a TSF Clearing Participant fails to settle any TSF Final FX Position in full, notwithstanding such failure, HKSCC is entitled to carry out or continue to carry out earmarking of the relevant number of shares in accordance with the calculation set out in Section 12A.5.3 by effecting the transfers of shares as contemplated in Section 12A.5.4 as if the TSF Final FX Position has been fully settled. In this connection, TSF Participants are deemed to have authorised and accepted such transfers.

Where any action in this Section 12A.8 is taken by HKSCC, the Participant shall be responsible for paying and reimbursing all costs, fees and expenses incurred by HKSCC and shall indemnify HKSCC against all such costs, fees, expenses and all losses caused to HKSCC, directly or indirectly, as a result of the Participant's failure or HKSCC taking any of the above actions.

## 12A.9 RISK MANAGEMENT: COLLATERAL

HKSCC, as TSF operator, may collect Collateral in the form of cash as security for the performance of the TSF CCASS Participant's obligations and liabilities under a TSF FX Transaction or a Stock Release FX Transaction or to be applied in or towards the satisfaction of such obligations and liabilities. The amount of the Collateral required to be provided shall be as determined by HKSCC from time to time.

HKSCC will notify a TSF CCASS Participant in writing of the amount of Collateral required and the Participant should provide the Collateral within the time period specified.

Collateral provided by TSF CCASS Participants will be returned at such time as is considered appropriate by HKSCC.

HKSCC may at its absolute discretion allow interest on Collateral provided by TSF CCASS Participants calculated at a rate determined by HKSCC from time to time. HKSCC reserves the right to deduct any administrative costs from any interest to be allowed.

## **Section 13 Securities Settlement**

### **13.1 GENERAL**

#### **13.1.2 Stock Accounts used for settlement**

The Stock Clearing Account of a Participant other than an Investor Participant may not be used for settlement purposes in CCASS if a Participant initiates settlement by the input of a DI. In such a case, the Participant can specify any of its Stock Accounts (other than its Stock Collateral Control Account and where the Participant is a TSF CCASS Participant, other than its TSF Accounts) from which Eligible Securities should be debited. A Participant can also specify for a SI Transaction which Stock Account (other than its Stock Collateral Control Account) from which or to which Eligible Securities should be debited or credited.

## **Section 14 Money Settlement**

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

#### **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 Electronic Application Instructions for New Issue Shares or 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.

## 14.3 INSTRUCTIONS BY HKSCC TO DESIGNATED BANKS

### 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; (ii) Marks and Collateral provided by Clearing Participants for CNS stock positions; (iii) 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 and expenses payable by Investor Participants for provision of CCASS services (see Section 14.3.5); and (vii) other matters where HKSCC can demand payment from or is required to make payments to Participants.

## 14.7 CHATS PAYMENT INSTRUCTIONS

### 14.7.2 Procedures

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

- (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;
- (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 five 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 3:30 p.m.);
- (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 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 and 3:30 p.m. for payments relating to SI / ISI Transactions and other CCASS payments) on each Business Day, HKSCC will i) not give effect to or process or settle the relevant CCASS transaction, 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

#### **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 intra-day marks payment, 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.

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

The facility of CPI service is available for use on each Business Day between the hours of 9:30 a.m. and 3:30 p.m. 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) and 2:00 p.m. (after).

## **Section 15 Enquiry Services**

### **15.2 USE OF VARIOUS ENQUIRY FUNCTIONS AVAILABLE**

The various enquiry functions that are available for access and the purpose of accessing each such function are set out below :

#### **(i) Available to Participants other than Investor Participants:**

- (ah) "Enquire Cash Prepayment / TSF Payment Standing Instruction" function: to enquire about the status and details of any Cash Prepayment Standing Instruction and/or TSF Payment Standing Instruction input by a Clearing Participant;

#### **(ia) Available to TSF CCASS Participants:**

- (a) "Enquire Stock Release Request" function: to enquire about the details of Stock Release Requests (including information concerning the corresponding Stock Release FX Transactions) in respect of the current Business Days and the preceding Business Day; and
- (b) "Enquire TSF Payment Instruction" function: to enquire about the details of a TSF CCASS Participant's TSF payment instruction as referred to in Section 12A.4.1.

**Section 16**  
**Statements and Reports**

**16.6 REPORTS AND STATEMENTS FOR PARTICIPANTS**

**16.6.1 Reports and Statements for Participants other than Investor Participants**

<b>Report ID</b>	<b>Report name</b>	<b>Frequency</b>	<b>Time available</b>
CSECP03	Cash Prepayment / TSF Payment / Intra- day Payment Instruction Maintenance A/T Report	Daily	from the time when the report retrieval function is available (for previous day's maintenance activities of Cash Prepayment, TSF Payment and Intra-day Payment Standing Instruction)
CFIBI01	Buy-in Notification Report	Daily	after 5:00 p.m. (for Buy-in to be executed by HKSCC on the following Trading day and Buy-in executed on previous Trading day.)
CSETF03	TSF FX Transaction / Stock Release Activity / Status Report	Daily	from the time when the report retrieval function is available (for previous Trading day's (i) Stock Release Request maintenance activities; and (ii) settlement status of TSF FX Transactions and Stock Release FX Transactions)
CSETF07	TSF Confirmation Report	Daily	around 6:00 p.m. (for (i) current Trading day's TSF FX Transactions and Stock Release Requests; (ii) the preceding Trading day's TSF FX Positions and Stock Release FX Transactions; (iii) a summary of the quantity of TSF Stocks to be earmarked and de-earmarked and money positions of the TSF CCASS Participants; and (iv) the applicable FX rates)

**16.7 REPORTS AND STATEMENTS FOR DESIGNATED BANKS**

<b>Report ID</b>	<b>Report name</b>	<b>Frequency</b>	<b>Time available</b>
CSEPI03	Electronic CHATS Payment Instruction Report	Five times a day	After 9:30 a.m. (for CPIs generated upon report generation), after 10:30 a.m. (for CPIs generated after the completion of the first Batch-settlement-run), 11:00 a.m. (for CPIs generated upon report generation), after 12:00 noon and 2:00 p.m. (for CPIs generated after the completion of second and third Batch-settlement-runs)

## Section 17 Suspension of Services

### 17.2 TYPHOONS

#### 17.2.6a Settlement of TSF FX Transactions and Stock Release FX Transactions

The procedures adopted for clearing and settlement of TSF FX Transactions and Stock Release FX Transactions in relation to typhoons are generally in line with the procedures adopted for Exchange Trades. If a Typhoon Signal No. 8 or above is hoisted before 9:00 a.m. and is not lowered at 12:00 noon on a Business Day, that day will not be treated as a Settlement Day for the purpose of determining the date of settlement of TSF FX Transactions and Stock Release FX Transactions in CCASS. Otherwise, it will still be treated as a Settlement Day notwithstanding the fact that part of the day may have been affected by a typhoon.

As a result of a day not being treated as a Settlement Day as mentioned above, settlement of TSF Final FX Positions pursuant to Section 12A.4, earmarking and de-earmarking of TSF Stocks pursuant to Section 12A.5, settlement of Stock Release FX Transactions pursuant to Section 12A.6, and any measures which will be taken by HKSCC as a result of defaults may be postponed accordingly.

#### 17.2.10 Money settlement services

In relation to cash prepayment, if a Typhoon Signal No. 8 or above is hoisted at any time between 8:00 a.m. and 9:00 a.m. and is not lowered by 12:00 noon on a Business Day, any Cash Prepayment Instruction or Cash Prepayment Standing Instruction already input by a Clearing Participant at any time between 8:00 a.m. and 9:00 a.m. on the day will be ignored by HKSCC and a Clearing Participant will have to re-input its Cash Prepayment Instructions and Cash Prepayment Standing Instruction from the time of resumption of the “Cash Prepayment Instruction” and “Cash Prepayment / TSF Payment Standing Instruction” maintenance functions. If the Clearing Participant does not re-input its Cash Prepayment Instruction or Cash Prepayment Standing Instruction, any cash prepayment received by HKSCC will be refunded without interest to the Clearing Participant after receiving written request for repayment supported by evidence of such payment from the Clearing Participant.

In relation to Intra-day Payment Standing Instruction, if a Typhoon Signal No. 8 or above is hoisted at any time between 8:00 a.m. and 9:00 a.m. and is not lowered by 12:00 noon on a Business Day, any Intra-day Payment Standing Instruction already input by a Participant other than an Investor Participant at any time between 8:00 a.m. and 9:00 a.m. on the day will be ignored by HKSCC, and the Participant will have to re-input its Intra-day Payment Standing Instruction from the time of resumption of the “Intra-day Payment Standing Instruction” maintenance functions. If the Participant does not re-input such Intra-day Payment Standing Instruction, HKSCC will, (i) if there is an Intra-day Payment Standing Instruction of the Participant accepted by HKSCC in CCASS immediately before the input of the Intra-day Payment Standing Instruction that has been ignored as aforesaid, issue an Intra-day Payment Instruction based on that Intra-day Payment Standing Instruction accepted by HKSCC in CCASS on each subsequent Business Day; or (ii) if there is no Intra-day Payment Standing Instruction accepted by HKSCC in CCASS immediately before the input of the Intra-day Payment Standing Instruction that has been ignored as aforesaid, return any Intra-day Payments to the Participant not later than day end via DCI on each subsequent Business Day.

In relation to a Nominee Payment (Evening) Standing Instruction, if a Typhoon Signal No. 8 or above is hoisted at any time between 8:00 a.m. and 9:00 a.m. and is not lowered by 12:00 noon on a Business Day, any Nominee Payment (Evening) Standing Instruction already input by a Participant other than an Investor Participant at any time between 8:00 a.m. and 9:00 a.m. on the day will be ignored by HKSCC, and the Participant will have to re-input its Nominee Payment (Evening) Payment Standing Instruction from the time of resumption of the “Nominee Payment (Evening) Payment Standing Instruction” maintenance functions. If a Nominee Payment (Evening) Standing Instruction has been ignored in the situation as aforesaid and the relevant Participant does not re-input such Nominee Payment (Evening) Standing Instruction as aforesaid, HKSCC will, (i) where there is a Nominee Payment (Evening) Standing Instruction of the Participant accepted by HKSCC in CCASS immediately before the input of the Nominee Payment (Evening) Standing Instruction that has been ignored, effect the evening distribution of cash payments not later than

day end via DCI on each subsequent Business Day based on that accepted Nominee Payment (Evening) Standing Instruction; or (ii) where there is no Nominee Payment (Evening) Standing Instruction accepted by HKSCC in CCASS immediately before the input of the Nominee Payment (Evening) Standing Instruction that has been ignored, effect distribution of cash payments at day end via DCI on each subsequent Business Day.

In relation to payments relating to TSF FX Transactions and Stock Release FX Transactions, if a Typhoon Signal No. 8 or above is hoisted at any time between 8:00 a.m. and 9:00 a.m. and is not lowered by 12:00 noon on a Business Day, any TSF Payment Standing Instruction already input and/or authorised by a TSF CCASS Participant at any time between 8:00 a.m. and 9:00 a.m. on the day will be ignored by HKSCC and the TSF CCASS Participant will have to re-input and authorise its TSF Payment Standing Instruction upon the resumption of the “Cash Prepayment / TSF Payment Standing Instruction” maintenance functions.

For the avoidance of doubt, a failure of a TSF CCASS Participant to settle any payment relating to any TSF FX Transaction or Stock Release FX Transaction due to the hoisting of a Typhoon Signal No. 8 or above before 3:00 p.m. on a Business Day will not be treated as a failure of the Participant to settle any money position as referred to in Sections 12A.6.4 and 12A.8. Similarly, a failure of a TSF CCASS Participant to comply with any earmarking or de-earmarking obligation due to the hoisting of a Typhoon Signal No. 8 or above before 3:00 p.m. on a Business Day will not be treated as a failure of the Participant to transfer sufficient number of shares to its relevant TSF Account as referred to in Section 12.5.4.

## **17.3 RAINSTORMS**

### **17.3.6a Settlement of TSF FX Transactions and Stock Release FX Transactions**

The procedures adopted for clearing and settlement of TSF FX Transactions and Stock Release FX Transactions in relation to rainstorms are generally in line with the procedures adopted for Exchange Trades (including TSF Exchange Trades). If a Black Rainstorm Warning is issued before 9:00 a.m. and remains in effect at 12:00 noon on a Business Day, that day will not be treated as a Settlement Day for the purpose of determining the date of settlement of TSF FX Transactions and Stock Release FX Transactions in CCASS. Otherwise, it will still be treated as a Settlement Day.

As a result of a day not being counted as a Settlement Day, settlement of TSF Final FX Positions pursuant to Section 12A.4, earmarking and de-earmarking of TSF Stocks pursuant to Section 12A.5, settlement of Stock Release FX Transactions pursuant to Section 12A.6, and any measures which will be taken by HKSCC as a result of defaults may be postponed accordingly.

#### **17.3.10 Money settlement services**

In relation to cash prepayment, if a Black Rainstorm Warning is issued at any time between 8:00 a.m. to 9:00 a.m. and remains in effect at 12:00 noon on a Business Day, any Cash Prepayment Instruction or Cash Prepayment Standing Instruction already input by a Clearing Participant at any time between 8:00 a.m. to 9:00 a.m. on the day will be ignored by HKSCC and a Clearing Participant will have to re-input its Cash Prepayment Instructions and Cash Prepayment Standing Instruction from the time of resumption of the “Cash Prepayment Instruction” and “Cash Prepayment / TSF Payment Standing Instruction” maintenance functions. If the Clearing Participant does not re-input its Cash Prepayment Instruction or Cash Prepayment Standing Instruction, any cash prepayment received by HKSCC will be refunded without interest to the Clearing Participant after receiving written request for repayment supported by evidence of such payment from the Clearing Participant.

In relation to Intra-day Payment Standing Instruction, if a Black Rainstorm Warning is issued at any time between 8:00 a.m. and 9:00 a.m. and remains in effect at 12:00 noon on a Business Day, any Intra-day Payment Standing Instruction already input by a Participant other than an Investor Participant at any time between 8:00 a.m. and 9:00 a.m. on the day will be ignored by HKSCC and the Participant will have to re-input its Intra-day Payment Standing Instruction from the time of resumption of the “Intra-day Payment Standing Instruction” maintenance functions. If the Participant does not re-input such Intra-day Payment Standing Instruction, HKSCC will, (i) if there is an Intra-day Payment Standing Instruction of the Participant accepted by HKSCC in CCASS immediately before the input of the Intra-day Payment Standing Instruction that has been

ignored as aforesaid, issue an Intra-day Payment Instruction based on that Intra-day Payment Standing Instruction accepted by HKSCC in CCASS on each subsequent Business Day; or (ii) if there is no Intra-day Payment Standing Instruction accepted by HKSCC in CCASS immediately before the input of the Intra-day Payment Standing Instruction that has been ignored as aforesaid, return any Intra-day Payments to the Participant not later than day end via DCI on each subsequent Business Day.

In relation to a Nominee Payment (Evening) Standing Instruction, if a Black Rainstorm Warning is issued at any time between 8:00 a.m. and 9:00 a.m. and remains in effect at 12:00 noon on a Business Day, any Nominee Payment (Evening) Standing Instruction already input by a Participant other than an Investor Participant at any time between 8:00 a.m. and 9:00 a.m. on the day will be ignored by HKSCC and the Participant will have to re-input its Nominee Payment (Evening) Standing Instruction from the time of resumption of the “Nominee Payment (Evening) Standing Instruction” maintenance functions. If a Nominee Payment (Evening) Standing Instruction has been ignored in the situation as aforesaid and the relevant Participant does not re-input such Nominee Payment (Evening) Standing Instruction as aforesaid, HKSCC will, (i) where there is a Nominee Payment (Evening) Standing Instruction of the Participant accepted by HKSCC in CCASS immediately before the input of the Nominee Payment (Evening) Standing Instruction that has been ignored, effect the evening distribution of cash payments not later than day end via DCI on each subsequent Business Day based on that accepted Nominee Payment (Evening) Standing Instruction; or (ii) where there is no Nominee Payment (Evening) Standing Instruction accepted by HKSCC in CCASS immediately before the input of the Nominee Payment (Evening) Standing Instruction that has been ignored, effect distribution of cash payments at day end via DCI on each subsequent Business Day.

In relation to payments relating to TSF FX Transactions and Stock Release FX Transactions, if a Black Rainstorm Warning is issued at any time between 8:00 a.m. and 9:00 a.m. and remains in effect at 12:00 noon on a Business Day, any TSF Payment Standing Instruction already input and authorised by a TSF CCASS Participant at any time between 8:00 a.m. and 9:00 a.m. on the day will be ignored by HKSCC and a TSF CCASS Participant will have to re-input and authorise its TSF Payment Standing Instruction upon the resumption of the “Cash Prepayment / TSF Payment Standing Instruction” maintenance function.

## **Section 20 Disciplinary Action**

### **20.4 ACTS OF MISCONDUCT**

#### **20.4.1 Grounds for disciplinary action**

HKSCC may institute disciplinary proceedings against a Participant in respect of an act of misconduct committed or reasonably believed to have been committed by it. An act of misconduct includes:

- (j) conduct which leads to any disciplinary action being taken against HKSCC or which leads to HKSCC being in breach of the rules of an Appointed Depository;
- (k) failure to provide information requested by an exchange, clearing house, regulatory authority or an organization with which HKEx, HKSCC or the Exchange has entered into an information sharing arrangement or agreement (this act of misconduct does not apply to an Investor Participant);
- (l) if the Participant is a Common Participant, a default in payment of any sum payable to any other Recognized Clearing House or an event of default committed by the Participant under the rules of such Recognized Clearing House; and
- (m) if the Participant is a TSF CCASS Participant, a failure to comply with any TSF Participant Registration Criteria or any other conditions or requirements for its continued registration as a TSF CCASS Participant, or a failure to comply with any provisions of, or any of its obligations under, Chapter 12A of the Rules, Section 12 of the Operational Procedures and other related provisions in the Operational Procedures.

**Section 21**  
**Costs and Expenses**

**21.19 CLEARING AND SETTLEMENT OF TSF FX TRANSACTIONS**

- |   |   |                              |
|---|---|------------------------------|
| – | TSF FX clearing fee   | NIL                          |
| – | TSF FX settlement fee payable by each TSF Clearing Participant for each TSF FX Transaction settled through CCASS. | HK\$2 per TSF FX Transaction |

*Notes:*

Fee debited on T+1

**21.20 EXCEPTION HANDLING FEE IN RELATION TO SETTLEMENT OF TSF FX TRANSACTIONS AND EARMARKING OF TSF STOCKS**

- |   |   |   |
|---|---|---|
| – | Exception handling fee in respect of a failure to settle a TSF Final FX Position or a TSF payment instruction generated for the settlement of Stock Release FX Transaction on the due date; | 0.50% multiplied by the unsettled amount subject to a maximum amount of HK\$100,000 in respect of each failure to settle. |
|---|---|---|

*Notes:*

For the calculation of the fee, if the unsettled amount is in RMB, the fee will be calculated based on the corresponding HKD amount under the HKD money position in respect of the TSF Final FX Position or the stock release payment instruction.

The fee will be debited in HKD by autopay instructions.

The fee may be revised by HKSCC from time to time.

- |   |  |  |
|---|--|--|
| – | Exception handling fee in respect of a failure to transfer the number of shares for earmarking pursuant to Section 12A.5.4(iv) | 0.50% multiplied by the HKD money position of the FX transaction executed by HKSCC with the default TSF Clearing Participant pursuant to Section 12A.5.4(iv), subject to a maximum amount of HK\$100,000 in respect of each failure. |
|---|--|--|

*Notes:*

The fee will be debited in HKD by autopay instructions.

The fee may be revised by HKSCC from time to time.