

GENERAL RULES OF CCASS

CHAPTER 33

CONTINUOUS NET SETTLEMENT SYSTEM

3307. HKSCC's obligations under Market Contracts

To the extent that the aggregate of the funds or assets available to HKSCC are insufficient at any time to meet the aggregate of HKSCC's liabilities to Clearing Participants or Clearing Agency Participants, as the case may be, under all Market Contracts subsisting at any time, based on the amount of the funds or assets available to HKSCC for the purpose at the time (taking into account HKSCC's other liabilities then subsisting), as certified in writing by HKSCC, each such Participant to whom HKSCC is liable under Market Contracts shall only be entitled to receive payment pro-rata to the amount due to it as compared with the aggregate amount due to all Clearing Participants or Clearing Agency Participants, as the case may be, under Market Contracts; HKSCC shall remain liable for such Market Contracts but payment of the balance of such amounts due shall only be made as and when and to the extent that funds or assets are subsequently available. In relation to the funds or assets available to HKSCC both to meet its liabilities to Clearing Participants or Clearing Agency Participants, as the case may be, under Market Contracts and to meet its liabilities to Participants pursuant to Rule 813, Rule 814, Rule 815 and Rule 816 (as referred to in Rule 816), HKSCC may apportion the funds or assets so available to it between its liabilities to Clearing Participants or Clearing Agency Participants, as the case may be, under Market Contracts and its liabilities to Participants pursuant to Rule 813, Rule 814, Rule 815 and Rule 816, either on a pro-rata basis or in such other manner as HKSCC shall consider fair and appropriate reasonable in the circumstances.

Without prejudice to the foregoing provisions regarding pro-rata payment in circumstances where the aggregate of the funds or assets available to HKSCC are insufficient to meet the aggregate of its liabilities to Participants under all Market Contracts subsisting at the time, in respect of HKSCC's obligations to deliver Eligible Securities under Market Contracts, to the extent that HKSCC determines that it is not possible or reasonably practicable to deliver Eligible Securities, HKSCC's obligation shall be to make money compensation to Participants concerned in substitution for the delivery of Eligible Securities in whole or in part and in such amount as HKSCC may in its absolute discretion determine by reference to the market value of such Eligible Securities at the time of payment of compensation by HKSCC (or the value at such other time as HKSCC shall consider fair and appropriate reasonable in the circumstances). The money compensation shall be in such currency or currencies (whether in the Eligible Currency in which the Eligible Securities are denominated or otherwise) and at such conversion rate(s) as HKSCC may in its absolute discretion determine to be fair and reasonable, taking into account all relevant circumstances as it may consider appropriate.

Without prejudice to the foregoing provisions regarding pro-rata payment in circumstances where the aggregate of the funds or assets available to HKSCC are insufficient to meet the aggregate of its liabilities to Participants under all Market Contracts subsisting at the time, in respect of HKSCC's obligations to make payment to Clearing Participants or Clearing Agency Participants under Market Contracts in an Eligible Currency in which the relevant securities are denominated or in a specified Eligible Currency, to the extent that HKSCC determines that it is not possible or reasonably practicable to make payment in such Eligible Currency, HKSCC's obligations shall be to make payment, in full or in part, in such other currency or currencies and at such conversion rate(s) as HKSCC may in its absolute discretion determine to be fair and reasonable, taking into account all relevant circumstances as it may consider appropriate.

CHAPTER 36

RISK MANAGEMENT MEASURES – CNS SYSTEM

3606. Money compensation and payment obligations

In addition to any other rights HKSCC may have under the Rules:-

- (i) where HKSCC has an obligation to deliver securities under a Market Contract, HKSCC may in lieu of delivering securities make money compensation to the Participant concerned notwithstanding that such securities may be available in the market. HKSCC shall only exercise its powers under this Rule in circumstances when HKSCC considers in its reasonable opinion that the securities are not freely available in the market. The money compensation shall be in such amount and in such currency or currencies (whether in the Eligible Currency in which the securities are denominated or otherwise) as HKSCC considers to be fair and reasonable having regard to all the circumstances of the case; and
- (ii) where HKSCC has an obligation to make payment under a Market Contract in an Eligible Currency in which the relevant securities are denominated or in a specified Eligible Currency, notwithstanding that the relevant Eligible Currency may be available, HKSCC may in lieu of making payment in that Eligible Currency make payment to the Participant concerned, in full or in part, in such other currency or currencies and at such conversion rate(s) as HKSCC may in its absolute discretion determine to be fair and reasonable having regard to all the circumstances of the case. HKSCC shall only exercise its powers under this Rule in circumstances when HKSCC considers in its reasonable opinion that the relevant Eligible Currency is not freely available or convertible in the market.