

**GENERAL RULES OF CCASS**

**PART A: RULES OF GENERAL APPLICATION**

**CHAPTER 1**

**INTERPRETATION**

**101. Definitions**

When used herein, the following expressions shall, unless the context otherwise requires, bear the following meanings:

“Clearing Agreement”	means a written agreement between an NCCCP and a GCP made pursuant to Rule 4001 or between a Special Participant and a China Connect Clearing House made pursuant to Rule 4205;
“Forced-Sale Notice”	means a notice which may from time to time be issued by HKSCC, the Exchange or an SEHK Subsidiary to a Participant or an NCCCP of the Participant, requiring the Participant or the NCCCP to reduce its or its clients’ relevant holdings in a China Connect Security in compliance with any foreign shareholding limit imposed under the applicable laws of Mainland China;
“Non-China Connect Clearing Participant” or “NCCCP”	means (i) an NCP or (ii) a Clearing Participant which is not a China Connect Clearing Participant and which has entered into a Clearing Agreement with a GCP for the clearing of its China Connect Securities Trades;

**CHAPTER 9**

**CLEARING SERVICES**

**901A. Clearance of China Connect Securities Trades**

- (ii) Substitution Process for China Connect Securities Trades

Where a China Connect Exchange Participant for whom a China Connect Securities Trade is executed is an NCCCP, the GCP of that NCCCP designated for clearing China Connect Securities Trades of such NCCCP shall become a party to the China Connect Securities Trade as principal in substitution for, and with exactly the same rights and

obligations under the China Connect Securities Trade as, that NCCCP.

## **CHAPTER 19**

### **INDEMNITY**

#### **1902. Participants liable for officers, employees etc.**

For the purpose of determining whether a Participant other than an Investor Participant or a Corporate Investor Participant is liable under Rule 1901, the acts or omissions of its officers, employees, agents, representatives, SSA Statement Recipients and the persons comprising SSA Statement Recipients, and NCPs shall be deemed to be the acts or omissions of the Participant or in the case of any NCCCP in respect of its China Connect Securities Trades, deemed to be the acts or omissions of its GCP designated for the clearing of such China Connect Securities Trades.

## **CHAPTER 25**

### **GUARANTEE FUND**

#### **2502. Contributions by Clearing Participants**

Each Clearing Participant shall pay to HKSCC the Basic Contribution and the Dynamic Contribution, being two types of contributions to the Guarantee Fund, in accordance with the Rules. HKSCC shall credit the Basic Contributions and Dynamic Contributions by Clearing Participants to the Guarantee Fund.

(i) **Basic Contribution**

Subject to this Rule and Rule 2509B, the amount of Basic Contribution from time to time required to be made by each Clearing Participant shall be determined by reference to and shall be subject to such adjustments as are provided in the Operational Procedures.

The minimum amount of Basic Contribution to be made by each DCP shall be HK\$50,000 or HK\$50,000 in respect of each Stock Exchange Trading Right held by such DCP in the Exchange, whichever is the higher. The minimum amount of Basic Contribution to be made by each GCP shall be HK\$150,000 or the aggregate of HK\$50,000 in respect of each Stock Exchange Trading Right held by it and HK\$50,000 in respect of each NCCCP with whom such GCP has entered into a Clearing Agreement, whichever is the higher. The minimum amount of Basic Contribution to be made by each Clearing Participant shall be made in cash. HKSCC may from time to time specify such other amount as the minimum amount of Basic Contribution by each Clearing Participant.

## CHAPTER 36

### RISK MANAGEMENT MEASURES - CNS SYSTEM

#### **3602A. Mainland Settlement Deposit and Mainland Security Deposit**

Each China Connect Clearing Participant shall on demand provide to HKSCC such amount of Mainland Settlement Deposit and Mainland Security Deposit for each China Connect Market as may from time to time be determined by HKSCC to be payable by the China Connect Clearing Participant in respect of its or its NCCCPs' China Connect Securities Trades on that China Connect Market.

HKSCC shall be entitled from time to time and at any time to compute Mainland Settlement Deposit and Mainland Security Deposit using the formulae set forth in the Operational Procedures or such other methods and assumptions as HKSCC may consider appropriate. Unless HKSCC otherwise specifies, in respect of each China Connect Market, (i) Mainland Settlement Deposit will be computed with reference to the buy turnover in China Connect Securities and any overdue short CNS stock positions in China Connect Securities of a China Connect Clearing Participant and its NCCCPs on that China Connect Market and the sell turnover in China Connect Securities that are executed on that China Connect Market by the China Connect Clearing Participant and its NCCCPs for Special Segregated Accounts; and (ii) Mainland Security Deposit will be computed with reference to the net settlement amount in China Connect Securities Trades of the China Connect Clearing Participant and its NCCCPs on that China Connect Market under the CNS System.

#### **3605. Evidence of Securities available for settlement**

In relation to Exchange Trades, China Connect Securities Trades or Clearing Agency Transactions in Eligible Securities which are subject to expiry (e.g. warrants) or which HKSCC considers as high risk securities and which are to be settled under the CNS System, the delivering Clearing Participant, delivering China Connect Clearing Participant or the delivering Clearing Agency Participant as the case may be must ensure that when they or, in the case of GCPs, including their NCCCPs, place a selling order or in the case of a Clearing Agency Transaction when the transaction is reported to HKSCC by the Clearing Agency Participant they have readily available evidence showing that, on or before the due date for settlement of the Market Contracts, they have or will have the required quantity of Eligible Securities in their stock accounts in CCASS for settlement of the Market Contracts. The delivering Clearing Participant, delivering China Connect Clearing Participant or delivering Clearing Agency Participant, as the case may be, shall provide the evidence to HKSCC upon request.

If at any time HKSCC is not satisfied that such Participant has or will have the Eligible Securities on the due date for settlement of the Market Contract, HKSCC may direct such Participant to arrange or may on behalf of such Participant execute immediately a Buy-in on or off the Exchange to purchase the Eligible Securities required by that Participant to settle its obligations in respect of that Market Contract. If a Buy-in is unable to be effected, HKSCC

may require additional cash collateral to be provided by the Participant in such amount as HKSCC considers appropriate.

## **CHAPTER 37**

### **DEFAULT RULES - CNS SYSTEM**

#### **3701. Events of Default**

In the event that:-

- (iiia) failure by a GCP which is a registered institution under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to demonstrate to the satisfaction of HKSCC its capability to manage the portfolio of a defaulting NCCCP for which it clears. Such capability might include, for example, having a valid, binding and effective Clearing Agreement with more than one NCCCP for which it provides clearing services which permits such GCP to close out positions of the NCCCP in the event of a default by such NCCCP under the Exchange Rules;

then on the occurrence of any one or more of such events (each an “Event of Default”), in its absolute discretion, HKSCC shall be entitled then or at any time thereafter whilst such event is, in the opinion of HKSCC, continuing unremedied, to take any one or more of the actions referred to in Rule 3702.

## **CHAPTER 40**

### **CLEARING BY GENERAL CLEARING PARTICIPANTS**

#### **4001. Execution of Clearing Agreement**

Every GCP which intends to clear and settle Exchange Trades or Clearing Agency Transactions for an NCP and/or China Connect Securities Trades for an NCCCP shall enter into a Clearing Agreement in such form or containing such provisions as may from time to time be required by HKSCC with such NCP or NCCCP. Except as otherwise approved by HKSCC and subject to such terms and conditions as HKSCC may from time to time specify, a GCP shall not accept for clearing and settlement of any Exchange Trades or Clearing Agency Transactions for an NCP and/or China Connect Securities Trades of an NCCCP unless and until there is in place a valid, binding and effective Clearing Agreement between it and the NCP or the NCCCP. Every GCP which is a TSF CCASS Participant which intends to clear and settle TSF Exchange Trades for NCPs shall, in addition to the above, comply with Rule 12A21. Every GCP which is a China Connect Clearing Participant which intends to clear and settle China Connect Securities Trades for NCCCPs shall, in addition to the above, comply with Rule 4104.

**4002. Notification of execution of Clearing Agreement**

A GCP shall notify HKSCC of each Clearing Agreement it entered into with an NCP or NCCCP forthwith upon its execution. Such notification shall be in such form as HKSCC may from time to time specify. The GCP shall, at the request of HKSCC, supply it with a certified copy of the executed Clearing Agreement.

**4003. Obligations of GCP**

A GCP shall capture all liabilities for all the Exchange Trades or Clearing Agency Transactions concluded by each NCP and/or China Connect Securities Trades concluded by each NCCCP with which it has entered into a Clearing Agreement, as if it were a party to these trades and transactions and shall not be entitled to decline to settle and clear any Exchange Trades or Clearing Agency Transactions of the NCP, and/or China Connect Securities Trades of the NCCCP. A GCP shall have arrangement in place with each NCP or NCCCP for the NCP or NCCCP to notify it of all Exchange Trades and Clearing Agency Transactions concluded by the NCP and/or all China Connect Securities Trades concluded by the NCCCP.

A GCP shall have arrangement in place to monitor the ability of each NCCCP with whom it has entered into a Clearing Agreement to satisfy promptly all obligations arising from the Exchange Trades, Clearing Agency Transactions and/or China Connect Securities Trades, as the case may be, concluded by such NCCCP. A GCP must forthwith notify HKSCC of any failure of an NCCCP to meet its obligations under the Clearing Agreement, and in the case of an NCP, HKSCC may disclose such information to any other GCP of the NCP.

A GCP shall, within a period as HKSCC may specify, provide information in its possession about its NCCCPs to HKSCC, including but not limited to, financial position, an NCCCP's underlying client information or any other information or documents as HKSCC may demand.

A GCP shall ensure that the Clearing Agreement to which it is a party, and all subsequent agreements to amend the Clearing Agreement do not contain any provision which is inconsistent with the Rules and has terms and conditions to facilitate the performance of, and be consistent with, the GCP's obligations under the Rules. The Clearing Agreement shall incorporate any additional conditions prescribed by HKSCC from time to time. A GCP shall be bound by and comply strictly with the terms of each Clearing Agreement to which it is a party, to the extent that those Clearing Agreements are consistent with the Rules.

A GCP shall notify HKSCC of any changes to any of the Clearing Agreements it entered into forthwith upon such changes being made. Such notification shall be in a form as HKSCC may from time to time specify and be accompanied by a certified copy of a document evidencing such changes. For the avoidance of doubt, a GCP must ensure that any changes to the Clearing Agreement and any amendment agreement are in compliance with these Rules.

Every GCP which is a TSF CCASS Participant which intends to clear and settle TSF Exchange Trades for NCPs shall, in addition to the above, comply with Rule 12A21. Every GCP which is a China Connect Clearing Participant which intends to clear and settle China Connect Securities Trades for NCPs shall, in addition to the above, comply with Rule 4104.

**4004. Termination of Clearing Agreement**

A GCP shall give prior written notice to HKSCC if it or an NCCCP intends to terminate the Clearing Agreement between them, unless the NCCCP has already given notice to terminate the Clearing Agreement to the Exchange in accordance with the Exchange Rules.

When HKSCC receives a termination notice from a GCP or when HKSCC receives notification from the Exchange that notice to terminate the Clearing Agreement had been given by an NCCCP, HKSCC will issue a confirmation of termination to the GCP (with a copy to the NCCCP concerned) in writing and unless and until written confirmation has been issued to the GCP, the Clearing Agreement shall be treated as valid, binding and effective by HKSCC for the purposes of these Rules notwithstanding any provision to the contrary in the Clearing Agreement and/or the termination notice from the GCP or the NCCCP and the GCP shall continue to be bound by the Clearing Agreement and responsible for all the Exchange Trades, Clearing Agency Transactions and/or China Connect Securities Trades, as the case may be, concluded by such NCCCP.

Notwithstanding the above, the Clearing Agreement is deemed to be terminated when the GCP is declared as a defaulter or suspended from further activities in CCASS under the Rules.

The termination of Clearing Agreement will not affect any rights or liabilities of the GCP and the NCCCP arising out of matters which have taken place prior to the termination of the relevant Clearing Agreement and for the purpose of settlement of any such rights or liabilities of the GCP and the NCCCP, HKSCC may continue to treat the GCP as the GCP of the relevant NCCCP.

## **CHAPTER 41**

### **CHINA CONNECT CLEARING SERVICES**

#### **4104. General Clearing Participants as China Connect Clearing Participants**

Only General Clearing Participants which are China Connect Clearing Participants shall be eligible to clear and settle China Connect Securities Trades for NCCCPs which are China Connect Exchange Participants.

A General Clearing Participant which is a China Connect Clearing Participant and which intends to clear and settle China Connect Securities Trades for NCCCPs which are China Connect Exchange Participants shall:

- (i) ensure that the Clearing Agreement it enters into with each such NCCCP includes an obligation on its part to settle China Connect Securities Trades. Such General Clearing Participant should bring its NCCCPs' attention to the special features and restrictions of the China Connect Securities Trades as highlighted in paragraph (vi) below with regard to the execution of selling orders for China Connect Securities via the Trading Links, HKSCC's powers and other matters as set out in this Chapter 41;
- (ii) be liable to HKSCC for all the China Connect Securities Trades concluded by each such NCCCP with which it has entered into a Clearing Agreement, as if it were a party to these trades and shall not be entitled to decline to settle and clear any China Connect Securities Trades of the NCCCP;
- (iii) have arrangements in place with each such NCCCP for the NCCCP to notify it of all China Connect Securities Trades concluded by or for the NCCCP;
- (iv) have arrangements in place to monitor the ability of each such NCCCP with whom it

has entered into a Clearing Agreement to satisfy promptly all obligations arising from the China Connect Securities Trades concluded by or for such NCCCP;

- (v) forthwith notify HKSCC of any failure of an NCCCP to meet its obligations under the Clearing Agreement, and in the case of any NCP, HKSCC may disclose such information to any other GCP of the NCP; and
- (vi) designate its CCASS stock accounts, which may either be its stock accounts or specific SSAs with Statement Service, to such NCCCPs for the purposes of maintaining their holdings of China Connect Securities in CCASS and for facilitating the determination of the maximum amount of China Connect Securities that may be sold by an NCCCP on a particular Trading day. Subject to the Rules and the Exchange Rules, a General Clearing Participant shall ensure that such account designation is performed accurately and properly, and shall have measures in place to ensure that each of its NCCCPs will not place or execute selling orders for any China Connect Security via the relevant Trading Link such that the aggregate selling quantity of such China Connect Security on a Trading day is in excess of the aggregate holding of the China Connect Security in the CCASS stock account(s) designated to the NCCCP as of the end of the immediately preceding batch-settlement run of Settlement Instructions on China Connect Securities effected by HKSCC.

#### **4107. Risk Management Measures applicable to China Connect Securities Trades**

##### **i. Mainland Settlement Deposit and Mainland Security Deposit**

Each China Connect Clearing Participant shall on demand provide to HKSCC such amount of Mainland Settlement Deposit and Mainland Security Deposit for each China Connect Market as may from time to time be determined by HKSCC to be payable by the China Connect Clearing Participant in respect of its or its NCCCPs' China Connect Securities Trades on that China Connect Market.

HKSCC shall be entitled from time to time and at any time to compute Mainland Settlement Deposit and Mainland Security Deposit using the formulae set forth in the Operational Procedures or such other methods and assumptions as HKSCC may consider appropriate. Unless HKSCC otherwise specifies, in respect of each China Connect Market, (i) Mainland Settlement Deposit will be computed by reference to the buy turnover in China Connect Securities and any overdue short CNS stock positions in China Connect Securities of a China Connect Clearing Participant and its NCCCPs on that China Connect Market and the sell turnover in China Connect Securities that are executed on that China Connect Market by the China Connect Clearing Participant and its NCCCPs for Special Segregated Accounts; and (ii) Mainland Security Deposit will be computed by reference to the net settlement amount in China Connect Securities Trades of the China Connect Clearing Participant and its NCCCPs on that China Connect Market under the CNS System.

#### **4110. Compliance with applicable laws and the Rules**

##### **iv. Shareholding restrictions**

In the event that a Participant which is a GCP has been notified by HKSCC or has otherwise been informed that any NCCCP of the Participant has been issued with a Forced-Sale Notice, the Participant shall ensure that such NCCCP's relevant holdings (to the extent they still remain in the Participant's Stock Account) are not transferred by Settlement Instruction or otherwise out of the Stock Accounts of the Participant except for the settlement of the sale

of such relevant holdings as required under the Forced-Sale Notice. If by the time it is notified of the Forced-Sale Notice, the relevant holdings of the NCCCP have already been transferred to another Participant, the Participant shall provide HKSCC with such details of such other Participant as HKSCC may require.

Notwithstanding the above, in the event that the aggregate foreign shareholding in the relevant China Connect Security is reduced to below the statutory limit after a Forced-Sale Notice is served on the Participant or an NCCCP of the Participant, and the Participant has been notified that the Forced-Sale Notice no longer applies, the Participant shall not be obliged to comply with paragraphs (d) to (f) above or the immediately preceding paragraph in respect of all or part (as the case may be) of its clients' or the NCCCPs' holdings in the China Connect Security.

If the relevant holdings of the Participant's clients or NCCCPs have already been transferred to any other Participant by the time a Forced-Sale Notice is received as mentioned above, such other Participant shall:

- (a) provide such confirmation to HKSCC as it may require regarding the clients' or NCCCPs' holdings in the China Connect Security;
- (b) transfer such clients' or NCCCPs' holdings back to the original Participant by way of Settlement Instruction within such time period as may be specified by HKSCC unless prior to the expiry of such period, a waiver from compliance with the sale requirement has been notified to the Participant. Participants shall have arrangements and authorizations in place to enable them to effect such transfers on behalf of their clients should their clients fail to expressly instruct them to do so within the specified time period; and
- (c) once such clients' or NCCCPs' holdings have been transferred back to the original Participant, notify HKSCC and provide HKSCC with such supporting documents as it may require.

#### **4113. Responsibilities of HKSCC**

HKSCC, the Exchange and HKEX, and their respective directors, employees and agents shall not be responsible or held liable for any loss or damage directly or indirectly suffered by a Participant, its clients or NCCCPs (if applicable) or any third parties arising from or in connection with the China Connect Clearing Services including, without limitation, the following: