

GENERAL RULES OF CCASS

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CHAPTER 3

ADMISSION OF PARTICIPANTS

303. Criteria for admission

An applicant for admission as a Participant must apply in the prescribed manner to HKSCC and must demonstrate to the satisfaction of HKSCC that it is of good financial standing, has the operational capability to satisfy at all times the requirements of CCASS, including but not limited to each of the requirements set out in Chapter 17, and is otherwise a fit and proper person to be admitted as a Participant.

In the case of an application to become a Clearing Agency Participant, the applicant must:-

- (iii) undertake, if its application is successful, to sign a Participant Agreement; to pay to HKSCC in accordance with the Participant Agreement an admission fee of HK\$1,000,000 (or such other amount as may be specified by HKSCC from time to time); and to arrange, if required, indemnity insurance in a form acceptable to or as prescribed by HKSCC; and to provide, if required, assurances acceptable to HKSCC in respect of its obligations to HKSCC as a result of its participation in CCASS, including, but not limited to, liabilities for defective Eligible Securities deposited by it into CCASS, such assurances to be in the form of insurance, ~~a guarantee from a bank~~ or in such other form as shall be acceptable to HKSCC.

In the case of an application to become a Custodian Participant, the applicant must :

- (iii) undertake, if its application is successful, to sign a Participant Agreement; to pay to HKSCC in accordance with the Participant Agreement an admission fee of HK\$1,000,000 (or such other amount as may be specified by HKSCC from time to time); and to provide, if required, assurances acceptable to HKSCC in respect of its obligations to HKSCC as a result of its participation in CCASS, including, but not limited to, liabilities for defective Eligible Securities deposited by it into CCASS, such assurances to be in the form of insurance, ~~a guarantee from a bank~~ or in such other form as shall be acceptable to HKSCC; and

- (iv) if Eligible Securities are accepted for deposit into its Stock Accounts by it, undertake if its application is successful, to provide ~~a bank guarantee or~~ a form of insurance or other form of assurances acceptable to HKSCC to secure an amount of not less than HK\$100,000,000 for the purpose of securing its liabilities for defective Eligible Securities deposited into CCASS.

In the case of an application to become a Direct Clearing Participant, the applicant must:-

- (iii) undertake, if its application is successful, to sign a Participant Agreement; to pay to HKSCC as provided in the Participant Agreement an admission fee of HK\$50,000 in respect of each Stock Exchange Trading Right held by the applicant (or such other amount as may be specified by HKSCC from time to time); to pay to HKSCC its Basic Contribution and Dynamic Contribution in accordance with the Rules; to arrange indemnity insurance in a form acceptable to or as prescribed by HKSCC; and to provide, if required, assurances acceptable to HKSCC in respect of its obligations to HKSCC as a result of its participation in CCASS, including, but not limited to, liabilities for defective Eligible Securities deposited by it into CCASS, such assurances to be in the form of insurance, ~~a guarantee from a bank~~ or in such other form as shall be acceptable to HKSCC; and to procure the agreement of its Designated Bank to comply with the requirements of HKSCC for CCASS money settlement purposes.

In the case of an application to become a General Clearing Participant, the applicant must: -

- (v) undertake, if its application is successful, to sign a Participant Agreement; to pay to HKSCC as provided in the Participant Agreement an admission fee of HK\$50,000 or HK\$50,000 in respect of each Stock Exchange Trading Right held by the applicant (if applicable) whichever is the higher (or such other amount as may be specified by HKSCC from time to time); to pay to HKSCC its Basic Contribution and Dynamic Contribution in accordance with the Rules; to arrange indemnity insurance in a form acceptable to or as prescribed by HKSCC; and to provide, if required, assurances acceptable to HKSCC in respect of its obligations to HKSCC as a result of its participation in CCASS, including, but not limited to, liabilities for defective Eligible Securities deposited by it into CCASS, such assurances to be in the form of insurance, ~~a guarantee from a bank~~ or in such other form as shall be acceptable to HKSCC; and to procure the agreement of its Designated Bank to comply with the requirements of HKSCC for CCASS money settlement purposes.

In the case of an application to become a Stock Lender Participant, the applicant must: -

- (ii) undertake, if its application is successful, to sign a Participant Agreement; to pay to HKSCC in accordance with the Participant Agreement an admission fee of HK\$200,000 (or such other amount as may be specified by HKSCC from time to time); to restrict its transactions in Eligible Securities in CCASS to stock lending transactions and not other transactions; to arrange, if required, indemnity insurance in a form acceptable to or as prescribed by HKSCC; and to provide, if required, assurances acceptable to HKSCC in respect of its obligations to HKSCC as a result of its participation in CCASS, including, but not limited to, liabilities for defective Eligible Securities deposited by it into CCASS, such assurances to be in the form of insurance, ~~a bank guarantee~~ or such other form as shall be acceptable to HKSCC.

In the case of an application to become an Individual Investor Participant, the applicant must:

- (v) undertake, if the application is successful, to provide at the request of HKSCC assurances acceptable to HKSCC in respect of his obligations to HKSCC as a result of his participation in CCASS, including, but not limited to, liabilities for defective Eligible Securities deposited by him into CCASS, such assurances to be in the form of insurance, ~~a guarantee from a bank~~ or in such other form as shall be acceptable to HKSCC.

In the case of an application to become a Joint Individual Investor Participant, each individual must:-

- (vi) undertake, if the application is successful, to provide at the request of HKSCC assurances acceptable to HKSCC in respect of his obligations to HKSCC as a result of his participation in CCASS, including, but not limited to, liabilities for defective Eligible Securities deposited by him into CCASS, such assurances to be in the form of insurance, ~~a guarantee from a bank~~ or in such other form as shall be acceptable to HKSCC.

In the case of an application to become a Corporate Investor Participant:-

- (vi) undertake, if the application is successful, to provide at the request of HKSCC assurances acceptable to HKSCC in respect of its obligations to HKSCC as a result of its participation in CCASS, including, but not limited to, liabilities for defective Eligible Securities deposited by it into CCASS, such assurances to be in the form of insurance, ~~a guarantee from a bank~~ or in such other form as shall be acceptable to HKSCC.

CHAPTER 22

TERMINATION OF PARTICIPATION

2204. Consequences of termination

Within six months of the termination of participation in CCASS of a Participant, or as soon thereafter as is practicable, HKSCC shall, subject as otherwise provided in the Rules, cause to be returned to, or make available for collection by, the Participant all property or assets held by HKSCC for the Participant provided always that HKSCC shall have the right (without affecting any other rights it may have):-

- (i) to set off amounts due or which may become due to HKSCC from the Participant, if applicable; and/or
- (ii) to retain property or assets (but not Eligible Securities in the Stock Segregated Accounts of the Participant other than Derived Assets credited into the Entitlement Account of the Participant) or to refrain from arranging for the determination or cancellation of (as well as to require the provision of) insurance, assurances, ~~guarantees~~, indemnities, to provide in full for the fulfilment of the Participant's obligations and liabilities, actual or contingent, to HKSCC.

CHAPTER 25

GUARANTEE FUND

2503. Form of Contributions

(i) Basic Contributions in excess of the minimum amount of Basic Contribution required under Rule 2502 and (ii) Dynamic Contributions may be provided by Clearing Participants in cash in Hong Kong dollars or in any other currency prescribed by HKSCC from time to time ~~or by way of bank guarantees~~ or in such other form as may be acceptable to HKSCC. ~~The use of bank guarantee by a Clearing Participant shall be subject to the prior approval of HKSCC and the Clearing Participant shall be liable for all disbursements and expenses that may be incurred by HKSCC in respect of or incidental to the acceptance, expiry and early termination of any bank guarantee that may be provided by the Clearing Participant. The bank guarantee shall be in the form prescribed by HKSCC and issued by a bank acceptable to HKSCC from time to time.~~

CHAPTER 36

RISK MANAGEMENT MEASURES - CNS SYSTEM

3603. Form of Marks, Margin and Collateral

Unless HKSCC otherwise agrees or the Operational Procedures otherwise provided, Clearing Participants and Clearing Agency Participants shall provide Marks, Margin and Collateral required pursuant to Rules 3601, 3601A and 3602 in the form of cash in the currency in which Marks, Margin and/or Collateral is calculated and denominated. The provision of Marks, Margin and Collateral in any other currency or any other form, if it is accepted by HKSCC, shall be subject to such conditions and up to such limits as HKSCC may from time to time determine.

HKSCC shall be entitled from time to time to accept Eligible Securities from Participants as Collateral Securities for discharge and satisfaction of Marks, Margin and/or Collateral of the Participants required pursuant to Rules 3601, 3601A and 3602. The calculation and collection of Collateral Securities shall be made in accordance with the Operational Procedures.

~~HKSCC shall also be entitled from time to time to accept bank guarantees arranged by Clearing Participants or Clearing Agency Participants as collateral for Marks, Margin and/or Collateral obligations of the Participants required pursuant to Rules 3601, 3601A and 3602. The bank guarantees shall be in the form prescribed by HKSCC and issued by a licensed bank under the Banking Ordinance which is acceptable to HKSCC from time to time. The Participant shall seek prior approval from HKSCC for the use of bank guarantees as collateral. HKSCC has absolute right to determine the limits of obligations of Participants that may be covered by means of bank guarantees and the value of any bank guarantees provided. The Participant shall be liable for all disbursements and expenses that may be incurred by HKSCC in respect of or incidental to the acceptance, expiry and early termination of any bank guarantee that may be provided by the Participant.~~

Without prejudice to Rules 3601, 3601A and 3602, HKSCC may, for the purposes of deciding whether or not to require Clearing Participants and Clearing Agency Participants to provide Marks, Margin or Collateral, prescribe position limits on such Participants.

HKSCC may apply all or any of the Marks, Margin, and/or Collateral (including all rights and entitlements thereto, if any) and/or Charged Property or the proceeds thereof at any time without prior notice to a Clearing Participant or Clearing Agency Participant, as the case may be, which has made the provision of Marks, Margin, Collateral and/or Charged Property in or towards satisfaction of the obligations and liabilities (actual or contingent) of such Participant to HKSCC.

~~Where bank guarantees have been accepted as collateral for Marks, Margin and/or Collateral obligations of a Clearing Participant or Clearing Agency Participant, HKSCC may apply the proceeds of the bank guarantees at any time without prior notice to the Participant in or towards satisfaction of the obligations and liabilities (actual or contingent) of such Participant to HKSCC.~~

HKSCC has absolute discretion to determine the order of application of such Marks, Margin, Collateral, and Charged Property ~~and proceeds of bank guarantees~~ in such manner as it considers appropriate.

A Clearing Participant or Clearing Agency Participant, as the case may be, which provides Marks, Margin, Collateral and/or Charged Property shall not create or permit to subsist any mortgage, charge or other encumbrance over all or any of the Marks, Margin, Collateral or Charged Property. The Marks, Margin, Collateral, ~~bank guarantees~~ and Charged Property shall be in addition to and independent of any cover provided to HKSCC and any security which HKSCC

may at any time hold for the obligations and liabilities of such Participant.

In respect of any sums received by HKSCC and/or Eligible Securities deposited with HKSCC as Marks, Margin, Collateral and/or Charged Property from a Clearing Participant or Clearing Agency Participant, as the case may be, the only obligation of HKSCC to such Participant shall be to pay such Participant an amount equal to the balance remaining after satisfaction of all obligations and liabilities (actual or contingent) of such Participant to HKSCC and/or to return to such Participant the balance of the Charged Property remaining after satisfaction of all obligations and liabilities (actual or contingent) of such Participant to HKSCC.

3609. ~~Bank Guarantee~~[Repealed]

~~Bank guarantees accepted by HKSCC pursuant to Rule 3603 shall be recorded in the CCMS House Collateral Account (or any other CCMS Collateral Account as determined by HKSCC) of the Participant, in such manner as HKSCC considers appropriate.~~

~~Any bank guarantee provided for use as collateral for Marks, Margin and/or Collateral obligations of a Participant shall be a continuing guarantee in accordance with its terms and shall form a separate security.~~

~~The Participant shall, at its own cost, promptly execute and do all such acts, deeds and things as may from time to time require for preserving or maintaining the collateral provided by way of bank guarantees, or for facilitating the exercise of rights of HKSCC under the bank guarantees.~~

~~Without prejudice to HKSCC's rights in Rule 3702, upon any failure by a Participant to perform its obligations to HKSCC under the CNS System or when HKSCC otherwise deems it necessary for its own protection, HKSCC may exercise all its rights under the bank guarantees and apply the proceeds of the bank guarantees, without notice or further reference to the Participant.~~

CHAPTER 37

DEFAULT RULES - CNS SYSTEM

3702. Actions on default

Without prejudice to any other provision of the Rules, the actions which HKSCC may take as referred to in Rule 3701 are:-

- (iv) to take any other action or measure open to HKSCC under the Rules;
- (v) to debit Eligible Securities from the Stock Clearing Account of a defaulting Clearing Participant or Clearing Agency Participant without further reference to the Clearing Participant or Clearing Agency Participant;
- (vi) to exercise all rights attaching to the Charged Property, including, but not limited to voting rights; and
- (via) ~~to exercise all rights under bank guarantees provided for use as collateral for Marks, Margin, Collateral or other obligations (actual or contingent) of a defaulting Clearing Participant or Clearing Agency Participant, without notice or further reference to the defaulting Clearing Participant or Clearing Agency Participant; and~~[Repealed]
- (vii) to take such other action as it deems necessary or desirable for the protection of HKSCC with respect to Market Contracts to which a defaulting Clearing Participant or Clearing Agency Participant is a party, at the Clearing Participant's or Clearing Agency Participant's expense and if appropriate, in its name.