

**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:

- “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, 3501A or 3602 and additionally, to be provided by a TSF CCASS Participant pursuant to Rule 12A14 or a China Connect Clearing Participant pursuant to Rule 4107(iii) or 4107(viii);
- “Electronic Payment Instruction” or “EPI” means a payment instruction generated by HKSCC and forwarded for processing to the Designated Bank of a Participant via the Clearing House of HKAB, to effect (i) money settlement between two Participants in relation to Isolated Trades or SI or ISI Transactions in CCASS on a DVP basis; (ii) payment of application monies to Issuers and refund monies to Participants; (iii) payment of money by Clearing Participants or Custodian Participants to their SSA Statement Recipients in respect of STI Transfers on a DVP basis; ~~or~~ (iv) payment of fees and expenses by Participants other than Investor Participants to HKSCC for CCASS services; or (v) redelivery to China Connect Clearing Participants of Collateral provided to HKSCC for the early release of China Connect Securities that are Securities-on-hold;
- “Government Bonds” means bonds which are ~~(i)~~ issued or to be issued by the Hong Kong Government acting through the HKMA under the Loans Ordinance (Chapter 61 of the Laws of Hong Kong) for the purpose of promoting the further development of the Hong Kong bond market and the proceeds of which will

be credited to a special purpose fund established under the Public Finance Ordinance (Chapter 2 of the Laws of Hong Kong) ~~and (ii) listed or to be listed on the Exchange;~~

“Issuer”

means any company or other legal person (i) any of whose shares, warrants, Structured Products or Debt Securities, or (ii) whose shares are represented by Depositary Receipts of which or (iii) which is the trustee or manager of any Units and the Units in which, are the subject of an application for listing on the Exchange in connection with an initial public offering of those shares, warrants, Depositary Receipts, Structured Products, Debt Securities or Units or are listed on the Exchange or are otherwise accepted by HKSCC as Eligible Securities;

“USD”

means United States dollar, the lawful currency of the United States of America, for settlement in Hong Kong;

## CHAPTER 7

### SERVICES – GENERAL

#### 701. Services

Subject to the Rules, HKSCC may supply to Participants the services referred to in the Rules and such other services as may from time to time be deemed appropriate by HKSCC.

In relation to those types of services supplied by HKSCC to a Clearing Participant or Custodian Participant in respect of the Participant’s holdings in the SSA with Statement Service which HKSCC finds it appropriate to make available for use by SSA Statement Recipients for the account of the Participant as provided in the Rules, the Participant may, in such manner as HKSCC may from time to time prescribe, authorize any its SSA Statement Recipients to use any such services (including the giving of instructions in relation thereto) for the account of the Participant subject to the Rules. For the avoidance of doubt, the use of such services by SSA Statement Recipients for the account of the Participant as aforesaid shall, for the purposes of the Rules, be considered use of the services by the Participant which shall be liable therefor. Unless otherwise stated in the Rules, such authorization to SSA Statement Recipient is personal to that SSA Statement Recipient.

HKSCC may from time to time prescribe new or additional rules and procedures in

relation to the provision of the services contemplated in the Rules.

Notwithstanding anything to the contrary in the Rules, HKSCC may decline in its discretion to provide one or more services or facilities or suspend or cease to provide any services or facilities with respect to any transaction or class of transactions, any Participant or category of Participants or SSA Statement Recipients, or any Eligible Security or class of Eligible Securities. In deciding whether to exercise such discretion, HKSCC may take into account any factors which it considers reasonable or relevant including, without limitation, any terms and conditions upon which an Eligible Security is issued or any restrictions, limitations, conditions or requirements under or imposed by any applicable law, rule or regulation of any relevant jurisdiction.

Participants (except Investor Participants) or its Settlement Agent shall gain access to services of CCASS via a CCASS Terminal or a Participant Gateway in accordance with these Rules and such conditions as prescribed by HKSCC from time to time.

## **CHAPTER 8**

### **DEPOSITORY AND CUSTODIAN SERVICES**

#### **803. Eligible Securities deposited to be freely transferable**

Unless otherwise approved by HKSCC in consultation with the Commission, Eligible Securities deposited into CCASS by a Participant shall be freely transferable or deliverable and shall be accompanied by such certificates or evidence of title (duly endorsed as appropriate), instruments of transfer (duly executed, endorsed and stamped as appropriate) and such other documents, acts, or things as may be required by HKSCC.

## **CHAPTER 36**

### **RISK MANAGEMENT MEASURES - CNS SYSTEM**

#### **3602. Collateral**

HKSCC shall be entitled from time to time to require a Clearing Participant or a Clearing Agency Participant to provide on demand collateral (including Concentration Collateral and Collateral required under Rule 4107(iii)) or additional collateral in such form, to such extent and in such manner as is determined by HKSCC to be appropriate by reference to, inter alia, the level of exposure of such Participant to HKSCC (including, but not limited to, the risks associated with the effecting of Closing-out Contracts pursuant to Rule 3607 or 4107(x), the risks of effecting Buy-ins pursuant to Rule 3501 or 3501A in the event of a default by the Participant, the risks associated with the clearing and settlement of China Connect Securities Trades and in the case of a Clearing Agency Participant which is a China Connect Clearing House, the risks associated with the clearing and settlement of Exchange Trades in respect of each of its Special Participants) and such other matters as HKSCC shall consider relevant, all in accordance with the Rules.

Unless otherwise approved by HKSCC, it shall be mandatory for a Clearing Agency Participant which is participating in CCASS pursuant to a Clearing Link to provide to HKSCC as Collateral Security on T-day the relevant quantity of Eligible Securities representing its short stock positions in Market Contracts arising from Exchange Trades and no Marks will be payable on such short stock positions to the extent that they are so covered.

Without limiting the generality of the above, a Clearing Participant or Clearing Agency Participant with a net long CNS stock position in an Eligible Security which HKSCC considers a high risk security is subject to a Concentration Collateral as determined by HKSCC from time to time in accordance with the Operational Procedures. HKSCC may waive the computation of Concentration Collateral on a part or the whole of a stock position not due for settlement as provided in Rule 3601.

A Clearing Participant which is a China Connect Clearing Participant may, but is not required to, provide Collateral to HKSCC for the early release of China Connect Securities that are Securities-on-hold in accordance with Sections 10A.14.4A and 10A.14.5A of the Operational Procedures.

A Clearing Participant or Clearing Agency Participant providing Collateral to HKSCC, where applicable, represents and warrants in favour of HKSCC that it has title and authority to provide such Collateral to HKSCC, free from all liens, charges, encumbrances, equities and all other third party rights of any nature whatsoever.

For the avoidance of doubt, HKSCC may at any time require Clearing Participants and Clearing Agency Participants who are parties to Clearing Agency Transactions to be settled under the CNS System to provide Collateral, including Concentration Collateral, to HKSCC.

#### **3604. Securities-on-hold**

Until such time as HKSCC is satisfied that (i) it has received payment in full in respect of Eligible Securities delivered by HKSCC to a Clearing Participant or Clearing Agency Participant as the case may be under the CNS System on a particular Settlement Day; and (ii) such payment is good and irrevocable, or, in the case of China Connect Securities, the required amount of Collateral has been received in good and irrevocable funds pursuant to an application for the early release of Securities-on-hold that has been approved by HKSCC in accordance with Section 10A.14.5A of the Operational Procedures, or unless otherwise agreed by HKSCC, title, ~~and~~ property or any interest in such Eligible Securities (“Securities-on-hold”) shall not pass to such Clearing Participant or Clearing Agency Participant, as the case may be.

For the avoidance of doubt, title and property in Securities-on-hold shall be deemed to have passed when such Clearing Participant or Clearing Agency Participant, as the case may be, is allowed by HKSCC to use or withdraw such Eligible Securities from CCASS but at any time before then, HKSCC shall be free to use or apply such Eligible Securities in such manner as HKSCC considers appropriate.

**CHAPTER 41**  
**CHINA CONNECT CLEARING SERVICES**

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

**iii. Collateral**

Each China Connect Clearing Participant shall on demand provide to HKSCC such Collateral in such form, to such extent and in such manner as may from time to time be determined by HKSCC to be appropriate by reference to, inter alia, the level of exposure of such China Connect Clearing Participant to HKSCC (including, but not limited to, the risks associated with the effecting of Closing-out Contracts relating to China Connect Securities pursuant to Rule 3607 in the event of a default by the China Connect Clearing Participant) and such other matters as HKSCC shall consider relevant, all in accordance with the Rules.

A China Connect Clearing Participant may, but is not required to, provide Collateral to HKSCC for the early release of China Connect Securities that are Securities-on-hold in accordance with Sections 10A.14.4A and 10A.14.5A of the Operational Procedures.

**iv. Form of Mainland Settlement Deposit, Mainland Security Deposit, Marks and Collateral**

Unless HKSCC otherwise approves or the Operational Procedures otherwise provide, China Connect Clearing Participants shall provide Mainland Settlement Deposit, Mainland Security Deposit, Marks and Collateral required pursuant to Rules 4107(i) to (iii) in the form of cash in Renminbi and Collateral referred to in Rule 4107(iii) for the early release of Securities-on-hold in the form of cash in HKD or USD. The provision of Mainland Settlement Deposit, Mainland Security Deposit, Marks and/or 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.

**viii. Securities-on-hold**

Until such time as HKSCC is satisfied that (i) it has received payment in full in respect of China Connect Securities delivered by HKSCC to a China Connect Clearing Participant under the CNS System on a particular Settlement Day; and (ii) such payment is good and irrevocable, or the required amount of Collateral has been received in good and irrevocable funds pursuant to an application for the early release of Securities-on-hold that has been approved by HKSCC in accordance with Section 10A.14.5A of the Operational Procedures, or unless otherwise agreed by HKSCC, title, property or any interest in such China Connect Securities (“Securities-on-hold”) shall not pass to the China Connect Clearing Participant.