

**GENERAL RULES OF CCASS**

**CHAPTER 1**  
**INTERPRETATION**

**101. Definitions**

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

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| “Back-Up Centre”  | means a place where back-up facilities are provided by HKSCC to a Participant other than an Investor Participant, as referred to in Rule 1301;   |
| “CCASS”   | means the Central Clearing and Settlement System operated by HKSCC, and unless otherwise stated or the context requires otherwise, references in the Rules to “CCASS” shall include RMS and CCMS;  |
| “CCASS Terminal User Guide” or “CCASS Terminal User Guide for Participants” | means the guide entitled "CCASS Terminal User Guide for Participants" of HKSCC in relation to CCASS, containing information on the use of CCASS Terminals by Participants other than Investor Participants, as from time to time in force; |
| “Expected Uncollateralised Loss”  | means, in respect of a Clearing Participant, the net projected loss calculated under daily stress testing arising from all CNS stock positions of the Clearing Participant;  |
| “Guarantee Fund Expected Uncollateralised Loss”                             | has the meaning given to it in Section 10.11.3C of the Operational Procedures;   |
| “Initial Margin Calculation Guide”  | means the guide entitled “Initial Margin Calculation Guide” of HKSCC in relation to RMS, containing information on the calculation of Margin under the CNS System, as from time to time in force;  |

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| “Marginable Position”                 | means the Mark-to-market value of the unsettled stock position of a Clearing Participant or Clearing Agency Participant under the CNS System, as determined by HKSCC for computation of Margin;  |
| “RMS”                                 | means a sub-system of CCASS operated by HKSCC which enables Participants other than Investor Participants to conduct risk monitoring and risk management functions on their stock positions under the CNS System;  |
| “RMS Guide”                           | means the guide entitled “RMS Guide” of HKSCC in relation to RMS, containing information on the use of RMS, the Initial Margin Calculation Guide, the Stress Test Value Calculation Guide and such other information as may be included by HKSCC as part of the RMS Guide from time to time; |
| “Stress Test Value Calculation Guide” | means the guide entitled “Stress Test Value Calculation Guide” of HKSCC in relation to RMS, containing information on the calculation of stress test value under the CNS System, as from time to time in force;  |

#### **104. HKSCC's policy on personal information collection**

In relation to the Personal Data (Privacy) Ordinance, HKSCC and its nominee's policy with respect to personal information collection relating to individuals in relation to CCASS functions and services are as follows:

- (i) The information provided with respect to such persons may be used for the purposes of admitting Participants and their continued participation in CCASS, providing CCASS services to Participants, administration of CCASS activities, the daily operations of CCASS, CCASS money settlement services, conducting risk management and compliance functions, ensuring ongoing credit worthiness of Participants, meeting the requirements under insurance policies purchased and maintained by HKSCC, designing new services for Participants, preparing CCASS and other publications, facilitating despatch of copies of Corporate Communications to recipients, meeting the requirements to make disclosure under the requirements of any laws binding on HKSCC and other purposes related thereto.
- (ii) Unless consent of the individual is obtained, personal information of an individual held by HKSCC will be kept confidential but HKSCC may release some of the information (including but not limited to information received from an Investor Participant and other information in connection with an Investor Participant) to external parties including but not limited to agents, contractors or third party service providers who provide administrative, telecommunications, computer, insurance, payment clearing or other

services to HKSCC in connection with the operation of its business, any other person under a duty of confidentiality to HKSCC (including by way of contract), the Commission, the Exchange, any recognized exchange controller, any company of which the recognized exchange controller which is the controller of HKSCC is the controller, other recognized clearing houses, central depositories, bodies of exchanges, overseas governmental or regulatory bodies, governmental departments and issuers of Eligible Securities authorized by law and/or pursuant to the Rules, notwithstanding that any such persons may be outside of Hong Kong.

- (iii) Subject to the exemptions under the Ordinance, individuals who have provided such information to HKSCC have the right to access and correction with respect to personal data held by HKSCC. Request for personal data access and correction should be in writing and addressed to the Personal Data Administrator, Hong Kong Securities Clearing Company Limited, 8th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.
- (iv) In accordance with the terms of the Ordinance, HKSCC shall impose a reasonable fee for processing a data access request.

## **CHAPTER 5**

### **ELIGIBLE SECURITIES AND ELIGIBLE CURRENCIES**

#### **504. Acceptance of Eligible Securities as Collateral Security**

HKSCC shall have absolute discretion to accept or refuse for credit to any CCMS Collateral Account an Eligible Security from a Participant as Collateral Security (i) for the discharge and satisfaction of any Marks, Margin and Collateral obligations of such Participant, (ii) for the discharge and satisfaction of all other obligations and liabilities (actual or contingent) of such Participant to HKSCC arising directly in connection with HKSCC ensuring the settlement of Market Contracts to which such Participant is a party, (iii) for the discharge and satisfaction of all liabilities (actual or contingent) of the Participant to HKSCC arising from a loss of or defects affecting Eligible Securities pursuant to Rule 812, Rule 813, Rule 814 and Rule 815 and (iv) for the discharge and satisfaction of all other obligations (actual or contingent) of such Participant to HKSCC. For the avoidance of doubt, in the case of a Clearing Agency Participant which is a China Connect Clearing House, notwithstanding that any Collateral Security may be credited to a CCMS Collateral Account in respect of the relevant Special Participant, such Collateral Security is provided for the discharge and satisfaction of all obligations and liabilities of such Clearing Agency Participant and not only those in respect of the relevant Special Participant.

HKSCC shall also have absolute discretion to accept or refuse for credit to any CCMS Collateral Account an Eligible Security from a Clearing Participant or Clearing Agency Participant as Collateral Security for HKSCC's (i) waiver in computation of Marks required from the Participant; and (ii) reduction of Marginable Position of the Participant for computation of Margin required from the Participant.

## 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 other than Investor Participants or its Settlement Agent shall gain access to services of CCASS in accordance with these Rules and such conditions as prescribed by HKSCC from time to time.

Investor Participants shall gain access to services of CCASS via the CCASS Phone System or the CCASS Internet System in accordance with these Rules and such conditions as prescribed by HKSCC from time to time.

#### **704. Access to CCASS**

This Rule 704 does not apply to Investor Participants.

##### **(i) Access to CCASS (other than RMS) via CCASS Terminals and Participant Gateways**

Unless the prior written approval of HKSCC is obtained, CCASS Terminals and Participant Gateways can only be installed at the office premises of a Participant or its Settlement Agent.

Where a Participant can demonstrate to the satisfaction of HKSCC that there is sufficient commercial and policy justification, it may, with the prior written approval of HKSCC, install

a CCASS Terminal or a Participant Gateway at a location which is not the office premises of the Participant or its Settlement Agent. Where approval is granted, such installation and access shall be subject to the Rules and such conditions as prescribed by HKSCC from time to time. Where a CCASS Terminal is approved to be installed in a foreign jurisdiction or where CCASS is accessed from a foreign jurisdiction pursuant to Rule 3901, approval shall be subject to such conditions as stipulated in Rules 3902 to 3904. For the avoidance of doubt, a Participant shall continue to be liable as principal and shall bear full responsibility for all acts, omissions, breaches and defaults, even when it or its Authorised User accesses CCASS or conduct its activities in CCASS at a location not at the office premises of the Participant or its Settlement Agent.

Each Participant must ensure that only persons approved as its Authorised Users are allowed access to CCASS via CCASS Terminals and/or via Participant Gateways. Where the approval is for access by an Authorised User who is not employed by or affiliated with the Participant or its Settlement Agent, the Participant shall ensure and procure that the Authorised User, in accessing CCASS or conducting its activities in CCASS on behalf of the Participant, complies with the Rules and such other conditions as prescribed by HKSCC from time to time.

**(ii) Access to RMS**

A Participant that wishes to be granted access to RMS shall apply to HKSCC in the manner prescribed by HKSCC from time to time and shall appoint Delegated Administrators, who shall be responsible for establishing or cancelling the access to RMS of its Authorised Users.

A Participant must ensure that only persons approved as its Delegated Administrators and Authorised Users for RMS are allowed access to RMS and shall be liable as principal and shall bear full responsibility for all acts, omissions, breaches and defaults in connection with its Delegated Administrators and Authorised Users' access to RMS. Where the access approval is granted to a Delegated Administrator or Authorised User who is not employed by or affiliated with the Participant or its Settlement Agent, the Participant shall ensure and procure that the Delegated Administrator or Authorised User, in accessing RMS or conducting its activities in RMS on behalf of the Participant, complies with the Rules and such other conditions as prescribed by HKSCC from time to time.

**(iii) Shared Access**

Before a Participant may share its CCASS Terminal, Participant Gateway and/or RMS access, where appropriate, with other Participants, Settlement Agents or Designated Banks, it must first obtain HKSCC's approval to do so. Where approval is granted, such sharing of CCASS Terminal, Participant Gateway and/or RMS access shall be subject to the Rules and such conditions as prescribed by HKSCC from time to time. For the avoidance of doubt, a Participant shall continue to be liable as principal and shall bear full responsibility for all acts, omissions, breaches and defaults, even when it shares its CCASS Terminal, Participant Gateway and/or RMS access with other Participants, Settlement Agents or Designated Banks.

**(iv) Use of market data**

A Participant shall not disseminate or redistribute to any other person any market data obtained through accessing CCASS and shall only use such market data for the purposes of conducting risk management monitoring and assessments within CCASS in such form and manner as HKSCC may prescribe from time to time. Each Participant shall be under a duty to immediately report in writing to HKSCC any breach of its obligation not to disseminate or redistribute, or any unauthorised use by it of such market data.

**(v) Information from RMS**

Information available in RMS and associated reports is indicative only. For the details of its net settlement and payment requirements under the CNS System, a Participant shall refer to reports available for retrieval from its CCASS Terminal or Participant Gateway (see the CCASS Terminal User Guide for details).

**CHAPTER 13**

**BACK-UP CENTRE**

**1301. Scope of Back-Up Centre**

HKSCC may establish a Back-up Centre to provide back-up facilities to Participants (other than Investor Participants) and Designated Banks.

The scope of and the manner in which such facilities are to be provided will be as determined by HKSCC from time to time, and notified by HKSCC to Participants other than Investor Participants and Designated Banks. HKSCC may in its discretion restrict the availability and the use of such facilities provided to Participants.

**CHAPTER 25**

**GUARANTEE FUND**

**2501. Establishment of Guarantee Fund**

HKSCC has established, in accordance with the Rules, a fund called the Guarantee Fund. The Guarantee Fund shall only be used in accordance with the Rules.

HKSCC may apply any amounts standing to the credit of the Guarantee Fund as a short-term source of liquid funds or otherwise to meet any immediate obligations and liabilities arising out of Market Contracts regardless of the order of priority set out in Rule 2507 and/or pursuant to Rules 813, 814, 815 and 816, other than the following:

- (a) obligations and liabilities between HKSCC and a Clearing Agency Participant arising out of a Market Contract between HKSCC and the Clearing Agency Participant which is participating in CCASS pursuant to a Clearing Link as referred to in Chapter 42; and
- (b) liabilities between HKSCC and a Clearing Agency Participant which is participating in CCASS pursuant to one or more Clearing Links as referred to in Chapter 42 for a loss of or defects affecting Eligible Securities pursuant to Rules 813, 814, 815 and/or 816.

For the purpose of calculating the Guarantee Fund size under Rule 2504 and Section 18.2.1 of the Operational Procedures, HKSCC may, from time to time in its absolute discretion, prescribe an amount which is projected to be the maximum required size for the time being of the Guarantee Fund, known as the Guarantee Fund Threshold, taking into account such relevant factors as it shall consider appropriate, including any historical scenarios and prevailing market conditions.

## **CHAPTER 36**

### **RISK MANAGEMENT MEASURES – CNS SYSTEM**

#### **3601. Marks**

HKSCC shall be entitled from time to time and at any time to Mark-to-market all unsettled Market Contracts (whether or not due for settlement) by reference to the market price of the Eligible Securities that are the subject of Market Contracts, as determined by HKSCC.

Each Clearing Participant and Clearing Agency Participant shall on demand provide to HKSCC such amounts ("Marks") as may be considered appropriate by HKSCC as a result of the Mark-to-market of all unsettled Market Contracts to which such Participant is a party.

Where a Clearing Participant or Clearing Agency Participant wishes HKSCC to waive computation of Marks on a part or the whole of a short stock position not due for settlement, it may provide the relevant quantity of Eligible Security representing the short stock position to HKSCC as Collateral Security. HKSCC will have absolute right to use such Collateral Security to settle the covered portion of the short stock position on or before its Settlement Day.

Where a Clearing Participant or Clearing Agency Participant wishes HKSCC to waive computation of Marks on a part or the whole of a long stock position not due for settlement, it may provide to HKSCC the relevant amount of Specific Cash Collateral representing the corresponding money position of the long stock position as cover for such long stock position. The Specific Cash Collateral paid to and accepted by HKSCC will be recorded in the CCMS House Collateral Account of such Participant as a credit entry. HKSCC will have absolute right to use such Specific Cash Collateral to settle the money position of the covered portion of the long stock position on or before its Settlement Day. The only obligation of HKSCC in respect of such Specific Cash Collateral shall be to pay to such Participant an amount equal to the balance (if any) remaining after satisfaction of all obligations and liabilities (actual or contingent) of such Participant to HKSCC.

A Clearing Participant or Clearing Agency Participant which provides Specific Cash Collateral to HKSCC represents and warrants to HKSCC that it has title and authority to provide such Specific Cash Collateral to HKSCC, free from all liens, charges, encumbrances, equities and all other third party rights of any nature whatsoever.

The calculation and collection of Marks, and the provision of Collateral Security and Specific Cash Collateral for HKSCC to waive computation of Marks shall be made in accordance with the Operational Procedures. For the avoidance of doubt, HKSCC may at any time Mark-to-market the unsettled stock positions of Clearing Participants and Clearing Agency Participants in respect of Clearing Agency Transactions to be settled under the CNS System, and demand Marks from such Participants who are parties to the Clearing Agency Transactions.

### **3601A. Margin**

HKSCC shall be entitled from time to time and at any time to compute Margin on all unsettled Market Contracts (whether or not due for settlement) using the methodology set forth in the RMS Guide, the Operational Procedures or such other methods and assumptions as HKSCC may from time to time consider appropriate. Unless HKSCC otherwise specifies, Margin will be computed with reference to the Marginable Position of a Clearing Participant or Clearing Agency Participant. For a Clearing Agency Participant which is a China Connect Clearing House, Margin will be computed with reference to the Marginable Position of unsettled Market Contracts arising from Exchange Trades that are executed by each of its Special Participants separately. Such Marginable Position will be determined by HKSCC in accordance with the Operational Procedures or such other methodology and assumptions as HKSCC may consider appropriate.

Each Clearing Participant and Clearing Agency Participant shall on demand provide to HKSCC such amounts as determined by HKSCC to be the required amount of Margin on all unsettled Market Contracts to which such Participant is a party.

Where a Clearing Participant or Clearing Agency Participant wishes HKSCC to reduce the Marginable Position for computation of Margin, it may provide to HKSCC the relevant quantity of Eligible Security representing a part or the whole of a short stock position not due for settlement as Collateral Security. HKSCC will have absolute right to use such Collateral Security to settle the covered portion of the short stock position on or before its Settlement Day.

Where a Clearing Participant or Clearing Agency Participant wishes HKSCC to reduce the Marginable Position for computation of Margin in the manner as provided in the Operational Procedures, it may provide to HKSCC the relevant amount of Specific Cash Collateral representing the corresponding money position of a part or the whole of a long stock position not due for settlement as cover for such long stock position. The Specific Cash Collateral paid to and accepted by HKSCC will be recorded in the CCMS House Collateral Account of such Participant as a credit entry. HKSCC will have absolute right to use such Specific Cash Collateral to settle the money position of the covered portion of the long stock position on or before its Settlement Day. The only obligation of HKSCC in respect of such Specific Cash Collateral shall be to pay to such Participant an amount equal to the balance (if any) remaining after satisfaction of all obligations and liabilities (actual or contingent) of such Participant to HKSCC.

A Clearing Participant or Clearing Agency Participant which provides Specific Cash Collateral to HKSCC represents and warrants to HKSCC that it has title and authority to provide such Specific Cash Collateral to HKSCC, free from all liens, charges, encumbrances, equities and all other third party rights of any nature whatsoever.

The calculation and collection of Margin, and the provision of Collateral Security and Specific Cash Collateral for HKSCC to reduce the Marginable Position for computation of Margin, shall be made in accordance with the Operational Procedures or such other methodology and assumptions as HKSCC may consider appropriate. For the avoidance of doubt, HKSCC may at any time calculate Margin on unsettled stock positions of Clearing Participants and Clearing Agency Participants in respect of Clearing Agency Transactions to be settled under the CNS System, and demand Margin from such Participants who are parties to the Clearing Agency Transactions.

HKSCC may at any time in its absolute discretion determine the Margin amount required to be



provided by a Clearing Participant or Clearing Agency Participant, and the time and manner of payment of the Margin amount by the Participant.

**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 Guarantee Fund Risk 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, when the Guarantee Fund Expected Uncollateralised Loss exceeds the Guarantee Fund Risk Predefined Limit, a Clearing Participant is subject to a Guarantee Fund Risk Collateral as determined by HKSCC from time to time in accordance with the Operational Procedures, in order to cover the residual risk exposure when the size of the Guarantee Fund has reached the Guarantee Fund Threshold.

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 Guarantee Fund Risk Collateral (if applicable), to HKSCC.

**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 methodology 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 trading amount in China Connect Securities Trades of the China Connect Clearing Participant and its NCCCPs on that China Connect Market.

**3608. Charged Property**

Collateral Securities accepted by HKSCC pursuant to Rule 3603 shall be credited to the CCMS House Collateral Account (or any other CCMS Collateral Account as determined by HKSCC) of the Participant.

HKSCC shall have a first fixed charge over:-

- (a) the Collateral Securities from time to time credited to any CCMS Collateral Account of the Participant; and
- (b) the Derived Assets

by way of a continuing security (i) for the discharge and satisfaction of any Marks, Margin and Collateral obligations of such Participant, (ii) for the discharge and satisfaction of all other obligations and liabilities (actual or contingent) of such Participant to HKSCC arising directly in connection with HKSCC ensuring the settlement of Market Contracts to which such Participant is a party, (iii) for the discharge and satisfaction of all liabilities (actual or contingent) of such Participant to HKSCC arising from a loss of or defects affecting Eligible Securities pursuant to Rule 812, Rule 813, Rule 814 and Rule 815 and (iv) for the discharge and satisfaction of all other obligations (actual or contingent) of such Participant to HKSCC. Each of the charges created over the assets specified in (a) and (b) and in respect of the Participant's obligations in (i), (ii), (iii) and (iv) above shall form a separate security.

Without prejudice to the above, the Charged Property shall also be a continuing security for HKSCC's waiver of computation of Marks and reduction of Marginable Position for computation of Margin required from such Participant.

The Participant shall, at its own cost, promptly execute and do, all such acts, deeds and things as HKSCC may from time to time require for perfecting, preserving or protecting the security created under this Rule or for facilitating the realisation of HKSCC's security over the Charged Property.

Collateral Securities credited to the CCMS Collateral Account of a Participant may not be transferred from such Account without the express consent of HKSCC.

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:

- (i) HKSCC may sell or apply the Charged Property of the Participant without further reference to the Participant and the provisions of Rule 3702 shall apply equally to such sale. Following such sale or application, the only obligation of HKSCC to such Participant in respect of its Charged Property shall be to pay such Participant an amount equal to the balance 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;
- (ii) Derived Assets credited to the Entitlement Account may not be transferred from such Account without the express consent of HKSCC and may be transferred to the Participant's CCMS Collateral Account by HKSCC; and
- (iii) all dividends, interests and other distributions in respect of the Charged Property not forming part of the Derived Assets may be retained and used by HKSCC.

## **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:-

- (i) to effect Closing-out Contracts in accordance with Rule 3607 and Rule 4107(x);
- (ii) to sell or apply Marks, Margin, Mainland Settlement Deposit, Mainland Security Deposit, Collateral, Specific Cash Collateral, Charged Property (including, but not limited to, Derived Assets credited to the Entitlement Account of a defaulting Clearing Participant or Clearing Agency Participant), any Eligible Securities held by HKSCC (irrespective of whether they are held in lieu of Marks, Margin and/or Collateral, or for HKSCC's waiver in computation of Marks and reduction of Marginable Position for computation of Margin) and any security furnished by a defaulting Clearing Participant or Clearing Agency Participant, without further reference to the Clearing Participant or Clearing Agency Participant and to execute all such documents and take all such action as may be necessary in connection therewith, if appropriate, on behalf of the Clearing Participant or Clearing Agency Participant;
- (iii) to exercise its rights of set-off pursuant to Rules 1207 and 12A15;
- (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) [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.

In the event that HKSCC takes one or more steps referred to in this Rule against a Clearing Participant or Clearing Agency Participant, HKSCC may declare the Clearing Participant or Clearing Agency Participant to be a "Defaulter".

In the event that HKSCC takes any action under sub-paragraphs (i) and (ii) of this Rule 3702 against a Clearing Participant or Clearing Agency Participant, HKSCC shall declare the Clearing Participant or Clearing Agency Participant to be a "Defaulter".

On the occurrence of an event set out in sub-paragraph (ix) of Rule 3701, HKSCC shall declare the Clearing Participant or Clearing Agency Participant to be a "Defaulter".

Except as otherwise provided in the Rules, HKSCC shall not be obliged to take any step referred to in this Rule and shall not be liable to any person for not taking any such step or for any delay in taking any such step.

In the event that HKSCC sells or otherwise disposes of or realizes the Charged Property (whether by public offer or private contract) to any person, it may do so for such consideration and on such terms as HKSCC in its absolute discretion may think fit.

HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC shall not in any circumstances be liable to the Participant or any other person for any losses, damages or expenses arising from any realization of the Charged Property or from any exercise or non-exercise by HKSCC of any rights in relation to the Charged Property except where HKSCC is guilty of anything not done or not omitted to be done in good faith on its part and is directly responsible for the losses.

The actions that HKSCC may take upon the default of a TSF CCASS Participant as set out in Rule 12A17 are in addition to the above.

## CHAPTER 41

### CHINA CONNECT CLEARING SERVICES

#### 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 methodology 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 trading amount in China Connect Securities Trades of the China Connect Clearing Participant and its NCCCPs on that China Connect Market.

The calculation and collection of Mainland Settlement Deposit and Mainland Security Deposit and the use of any surplus Mainland Security Deposit shall be made in accordance with the Operational Procedures.

HKSCC shall have the right to satisfy its obligations as clearing participant to the China Connect Clearing House under the relevant Clearing Link with, or otherwise use, funds provided by China Connect Clearing Participants as Mainland Settlement Deposit and Mainland Security Deposit. Without limitation to the foregoing or to application of such funds in accordance with the rules of the China Connect Clearing House, HKSCC may use such funds for money settlement in the event that the usual money settlement procedures between HKSCC and the China Connect Clearing House under the relevant Clearing Link are temporarily delayed or prevented as a result of any Typhoon Signal No. 8 or above, Extreme Conditions, Black Rainstorm Warning, human error or delay, third party or technical incidents or force majeure events, provided that HKSCC will endeavour to replenish the funds used in such money settlement as soon as practicable. For the avoidance of doubt, in such situations HKSCC shall still be liable to pay to a China Connect Clearing Participant an amount equal to the Mainland Settlement Deposit and Mainland Security Deposit provided by it (less any amount if any used to satisfy obligations and liabilities of such China Connect Clearing Participant) in accordance with Rule 4107(v).