

CCASS OPERATIONAL PROCEDURES

Definitions

- (a) For the convenience of readers, the definitions contained in the Rules are repeated below.

“Clearing Agreement”

means a written agreement between an **NCPNCCCP** 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 **NCPNCCCP** of the Participant, requiring the Participant or the **NCPNCCCP** 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;

- (b) When used in the Operational Procedures, the following expressions shall have the following meanings unless the context otherwise requires:

“Mainland Security Deposit Payable Report”

means, in relation to a China Connect Clearing Participant, a report provided by HKSCC to such Participant, containing details of the computation of Mainland Security Deposit payable by such Participant in respect of each China Connect Market with reference to the net settlement amount in China Connect Securities Trades of such Participant and its **NCPsNCCCPs** on that China Connect Market, as referred to in Section 10A.9.3 and the CCASS Terminal User Guide for Participants;

“Mainland Settlement Deposit Payable Report”

means, in relation to a China Connect Clearing Participant, a report provided by HKSCC to such Participant, containing details of the computation of Mainland Settlement Deposit payable by such Participant in respect of each China Connect Market with reference to the buy turnover in China Connect Securities and overdue short CNS positions in China Connect Securities of such Participant and its **NCPsNCCCPs** on that China Connect Market and the sell turnover in China Connect Securities that are executed on that China Connect Market by such Participant and its **NCPsNCCCPs** for Special Segregated Accounts, as referred to in Section 10A.8.5 and the CCASS Terminal User Guide for Participants;

Section 2

Participants

2.3.14 Stock Account mapping of GCPs registered as China Connect Clearing Participants

To facilitate pre-trade checking by HKSCC for the purpose of determining the maximum amount of China Connect Securities that may be sold by a GCP or an NCPNCCCP of a GCP in any one Trading day, a GCP applying for registration as a China Connect Clearing Participant to clear and settle China Connect Securities Trades for its own account or on behalf of an NCPNCCCP shall notify HKSCC of the Stock Account mapping details for itself and for each of the NCPsNCCCPs it serves. Such notification shall be in such form as HKSCC may from time to time specify. A GCP shall give not less than 3 Business Days' written notice to HKSCC of any changes to any of the Stock Account mapping details previously notified to HKSCC.

Section 6

Operational and Service Schedule

6.2.2 Daily Processing and Service Schedule in relation to China Connect Securities

Time	CCASS events
8:15 a.m.	Snapshot taking of total sellable balance of China Connect Securities of China Connect Clearing Participants and their <u>NCPsNCCCPs</u> for pre-trade checking in the trading sessions for trading China Connect Securities between the time of such snapshot and the time of the next snapshot
9:30 p.m. (after)	Snapshot taking of total sellable balance of China Connect Securities of China Connect Clearing Participants and their <u>NCPsNCCCPs</u> for pre-trade checking

Section 9

Overview of Clearing and Settlement in CCASS

9.2A CHINA CONNECT SECURITIES TRADES

Under the Exchange Rules, all China Connect Securities Trades (excluding those not recognized by the Exchange) will have to be settled in CCASS.

Where at least one of the parties for whom a China Connect Securities Trade is executed is an NCPNCCCP, the GCP of that NCPNCCCP designated for clearing China Connect Securities Trades of such NCPNCCCP 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 NCPNCCCP.

9.8 MONEY SETTLEMENT

For China Connect Securities Trades to be settled under the CNS System, settlement between China Connect Clearing Participants and HKSCC shall be on a DVP basis only. On the Mainland Business Day following execution of China Connect Securities Trades by a China

Connect Clearing Participant or its NCPs/NCCCPs, the China Connect Clearing Participant's money positions which correspond to its CNS stock positions in such China Connect Securities will be calculated separately for each China Connect Market and its money positions for all China Connect Markets will be set-off against each other to arrive at a total net money position in the Money Ledger of the China Connect Clearing Participant. HKSCC will issue CPIs to the Designated Bank of the paying China Connect Clearing Participant or HKSCC's banker to effect payment for value on the same day in respect of such net money position.

Section 10A

China Connect Securities Trades - CNS System

10A.1.1 Details of China Connect Securities Trades

Arrangements have been made by HKSCC for details of China Connect Securities Trades effected on a China Connect Market via the relevant SEHK Subsidiary under a Trading Link to be reported to HKSCC by the SEHK Subsidiary, its designated person or the relevant China Connect Clearing House on a daily basis. China Connect Clearing Participants will not, therefore, generally have to input into CCASS details of China Connect Trades. However, HKSCC reserves the right to require China Connect Clearing Participants to provide details of China Connect Securities Trades executed by them or, in the case of GCPs, including those of their NCPs/NCCCPs to it.

10A.1.4 Availability of FCSs and information contained in FCSs

An FCS for each China Connect Market will be made available by HKSCC to each China Connect Clearing Participant via its CCASS Terminals or Participant Gateways. An FCS issued in respect of each China Connect Market will contain the following information in relation to China Connect Securities Trades of a China Connect Clearing Participant and, in the case of a GCP, including those of its NCPs/NCCCPs, which are effected on that China Connect Market and which are to be cleared and settled on the current Trading day (i.e. T-day):

- (i) the net stock position with HKSCC in each China Connect Security (which will be assigned a unique Settlement Position Number) and its related money position under the CNS System as well as details of individual China Connect Securities Trades of the China Connect Clearing Participant and, if applicable, its NCPs/NCCCPs, effected on the current Trading day; and
- (ii) the net money position with HKSCC for all net stock positions under the CNS System.

10A.3.1 Settlement between HKSCC and China Connect Clearing Participants

In respect of each China Connect Securities Trade entered into by the relevant SEHK Subsidiary for a China Connect Clearing Participant or any of its NCPs/NCCCPs under a Trading Link, a Market Contract will be created by way of Novation whereby HKSCC becomes the settlement counterparty to the China Connect Clearing Participant. Settlement of such Market Contracts will be effected under the CNS System in CCASS between China Connect Clearing Participants and HKSCC.

10A.3.4 Settlement of long stock positions of China Connect Clearing Participants and adjustment of sellable balance for GCPs

A China Connect Clearing Participant which is a GCP and which has long stock positions in China Connect Securities may make an adjustment request to HKSCC using the prescribed

form (see CCASS Terminal User Guide for Participants for the form) to allocate the relevant number of long stock positions from its Stock Clearing Account to the sellable balances of its relevant Stock Accounts, including those of its **NCPs/NCCCPs**. Any adjustment made by HKSCC shall only have the effect of adjusting the sellable balances for pre-trade checking purpose and will only apply to the following Trading day. The actual holdings of the Stock Accounts of the GCP will not be adjusted.

10A.4.4 CNS positions involving both delivery and payment by HKSCC or by China Connect Clearing Participants

In some cases, it is possible that a China Connect Clearing Participant may have a CNS stock position under which it is obliged to deliver China Connect Securities to HKSCC as well as to pay HKSCC (or the other way round, where HKSCC is obliged to deliver China Connect Securities to it as well as to make payment to it). This may, for example, arise if on a particular day, the purchases and sales in a particular China Connect Security are made by a China Connect Clearing Participant or in the case of a GCP, including those made by its **NCP/NCCCPs** in such a way that whilst having a net long stock position (i.e. net buy position), the proceeds of its sales more than offset the purchase prices payable by it.

In such cases, money settlement in respect of such CNS positions will be effected on the due dates irrespective of whether or not such CNS stock positions have been settled in CCASS.

10A.7A LATE DELIVERY: ADJUSTMENT OF SELLABLE BALANCE FOR CHINA CONNECT SECURITIES

In respect of overdue short stock positions in China Connect Securities of a China Connect Clearing Participant under the CNS System which are outstanding for settlement on the due date, HKSCC will request the Exchange to deduct the overdue short stock position quantities from the sellable balances of such China Connect Clearing Participant on the next Trading day, and if the China Connect Clearing Participant is a GCP, from the sellable balances of all of its **NCPs/NCCCPs** on the next Trading day, provided that if the overdue short stock positions are or are alleged by the China Connect Clearing Participant to be caused in whole or in part by an SPSA Delivery Failure, the sellable balances of the China Connect Clearing Participant and the relevant Special Segregated Accounts will be adjusted in accordance with Section 2.3.15.

10A.8.2 Computation of Mainland Settlement Deposit

Buy turnover is the buy turnover of the China Connect Clearing Participant (including those of its **NCPs/NCCCPs**) on a Trading day in China Connect Securities on the relevant China Connect Market;

Sell turnover is the sell turnover in China Connect Securities that are executed by the China Connect Clearing Participant and its **NCPs/NCCCPs** for Special Segregated Accounts on a Trading day on the relevant China Connect Market;

Section 15

Enquiry Services

15.2 USE OF VARIOUS ENQUIRY FUNCTIONS AVAILABLE

The various enquiry functions that are available for access and the purpose of accessing each such function are set out below:

(i) Available to Participants other than Investor Participants:

- (av) “Enquire GCP/NCP Mapping” function: to enquire about the details of the GCP designated by any NCP-NCCCP in accordance with the relevant CCASS Rules and the Clearing Agreement entered into between the GCP and an NCPNCCCP;

Section 16

Statements and Reports

16.6.1 Reports and Statements for Participants other than Investor Participants

Report ID	Report name	Frequency	Time available
CCLID01	Intra-day Trade File (available in data format file only)	Ten times a day	shortly after 9:45 a.m., 10:15 a.m., 10:45 a.m., 11:30 a.m., 12:00 noon, 1:15 p.m., 2:00 p.m., 2:45 p.m., 3:30 p.m. and 4:25 p.m. (for current day’s Exchange Trades effected on or reported to the Exchange by the NCPs of a GCP)
		Eight times a day	shortly after 9:45 a.m., 10:15 a.m., 10:45 a.m., 11:45 a.m., 1:15 p.m., 2:00 p.m., 2:30 p.m. and 3:30 p.m. (for current day’s China Connect Securities Trades effected via a Trading Link by the <u>NCPsNCCCPs</u> of a GCP)

Section 18

Guarantee Fund

18.2.1 Determination of amount

The amount of the Basic Contribution required from a Clearing Participant will be determined by reference to the Clearing Participant’s share of the average daily CNS positions of all Clearing Participants during the most recent 60 Business Days, subject to a minimum cash Basic Contribution. The minimum cash Basic Contribution by each DCP shall be HK\$50,000 or HK\$50,000 in respect of each Stock Exchange Trading Right held by such DCP, whichever is the higher. The minimum cash Basic Contribution 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 NCPNCCCP with whom such GCP has entered into a Clearing Agreement, whichever is the higher. The size of the aggregate Basic Contributions required from all Clearing Participants shall generally be not less than HK\$100,000,000 provided that HKSCC reserves the right to determine from time to time the required size of the aggregate Basic Contributions.

18.2.3 Acquisition of additional Stock Exchange Trading Rights and/or increase in number of NCPsNCCCPs

A Clearing Participant acquiring additional Stock Exchange Trading Rights and/or entering into Clearing Agreements with additional NCPsNCCCPs, where applicable, may need to pay to HKSCC an additional amount in respect of its required Basic Contribution.

This will be the case if the minimum cash Basic Contribution required of the Clearing Participant as a result of its acquisition of additional Stock Exchange Trading Rights and/or entering into Clearing Agreements with additional ~~NCPs~~NCCCPs, where applicable, will exceed the amount of the existing Basic Contribution made in cash of such Clearing Participant.

Any additional amount so required from a Clearing Participant as Basic Contribution (as a result of its acquisition of additional Stock Exchange Trading Rights and/or entering into Clearing Agreements with additional ~~NCPs~~NCCCPs) must be made in cash within seven Business Days from the date on which notice of approval of the Exchange (in respect of the issue of such Stock Exchange Trading Right to that Exchange Participant) is given and in relation to entering into Clearing Agreements with additional ~~NCPs~~NCCCPs, no later than seven Business Days from the date on which notice of the execution of each Clearing Agreements is given to HKSCC.

Section 20

Disciplinary Action

20.5.1 Summary suspension

If in its opinion it would be in the interests of CCASS or Participants to do so, HKSCC may summarily suspend a Participant from participation in CCASS or limit its activities or access to the services and facilities in CCASS without notifying such Participant beforehand.

In such a case, HKSCC will immediately notify a Participant in writing of the summary suspension of its participation in CCASS or of the limitation to CCASS services or facilities, or of the suspension of any other HKSCC services or facilities (as the case may be) that has been imposed on it by HKSCC. In appropriate cases (e.g. where a DCP or a GCP is summarily suspended from participation in CCASS), HKSCC may also notify other Participants. ~~Further, where~~Where a DCP or a GCP is summarily suspended by HKSCC, HKSCC may also request the Exchange to suspend (i) the DCP or the GCP if it is an Exchange Participant and (ii) each NCP of that GCP's NCPs which does not have in place immediately upon suspension of the GCP a binding, valid and effective Clearing Agreement with another GCP for the clearing of the NCP's Exchange Trades or Clearing Agency Transactions from further trading on the Exchange, regardless of whether the DCP, GCP or NCP has in place a binding, valid and effective Clearing Agreement with another GCP for the clearing and settlement of its China Connect Securities Trades. Further, where a GCP is summarily suspended by HKSCC, HKSCC may also request the Exchange to suspend each NCCCP of that GCP from the trading of China Connect Securities.