

CCASS Operational Procedures

Definitions

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

“Back-Up Centre”

means a place where terminal back-up facilities are provided by HKSCC to a Participant other than an Investor Participant, as referred to in Rule 1301;

“Buy-in”

means a transaction as specified in paragraphs (iii) and (iv) of Rule 3501 or paragraph (ii) of Rule 3501A in relation to the CNS System or in paragraphs (iii) and (iv) of Rule 3402 in relation to the Isolated Trades System;

“CCASS Terminal”

means, in relation to a Participant other than an Investor Participant or a Designated Bank, a terminal which provides direct electronic linkage to the CCASS host computer of HKSCC, as referred to in Section 3.1.1 of the Operational Procedures, installed at the office premises of the Participant, its Settlement Agent or the Designated Bank;

“CCMS Collateral Account”

means an account established in CCMS for each Participant other than an Investor Participant for debiting and crediting collateral, as referred to in Rule 601A. For the purposes of the Rules and the Operational Procedures, unless otherwise specified, the term “CCMS Collateral Account” does not include an account established in CCMS for a Participant by another Recognized Clearing House under its rules;

“CCMS House Collateral Account”

means House Collateral Account 0001 established in CCMS for each Participant other than an Investor Participant, as referred to in Rule 601A;

“CHATS Payment Instruction” or “CPI”

means a payment instruction generated by HKSCC and transmitted electronically (i) to a Designated Bank requesting that Designated Bank to effect a CCASS-related CHATS payment for a paying Participant or (ii) to a bank designated by HKSCC requesting that bank to effect a CCASS-related CHATS payment for HKSCC in accordance with the Rules;

“China Connect Clearing House”

means a clearing house in Mainland China acceptable to HKSCC and included in the list of China Connect Clearing Houses from time to time, as referred to in Rule 4105(b);

“China Connect Clearing Participant”

means a Clearing Participant which is registered as a China Connect Clearing Participant by HKSCC;

“China Connect Clearing Participant Registration Criteria”

means the eligibility criteria in Rule 4103 and any additional eligibility criteria which HKSCC may prescribe from time to time for a Participant to be, and to remain, registered as a China Connect Clearing Participant as referred to in Rule 4103;

“China Connect Clearing Services”

means the clearing, settlement, depository, nominee and other services that may be provided by HKSCC to Participants other than Investor Participants for the purposes of or in connection with establishing and operating a Clearing Link as referred to in Rule 4102;

“China Connect Exchange Participant”

has the same meaning as defined in the Exchange Rules;

“China Connect Market”

has the same meaning as defined in the Exchange Rules;

“China Connect Securities”

has the same meaning as defined in the Exchange Rules. Unless the context otherwise requires, any reference in the Rules to “China Connect Securities” includes “Special China Connect Securities”;

“China Connect Securities Trade”

means a trade in China Connect Securities (including Special China Connect Securities) executed on a China Connect Market through the SEHK Subsidiary under a Trading Link;

“Clearing Agency Participant”

means a Participant admitted to participate in CCASS as a Clearing Agency Participant. Where applicable, references in the Rules to “Clearing Agency Participant” shall be construed to include the Clearing Agency Participant in its capacity as a China Connect Clearing House;

“Clearing Agency Transaction”

means a transaction other than an SI Transaction between (i) a Participant other than an Investor Participant or in the case of a GCP, including its NCP, and (ii) a Clearing Agency Participant for settlement in CCASS as referred to in Rule 902. For the avoidance of doubt, a Clearing Agency Transaction does not include an Exchange Trade, one of the parties to which has been substituted by a Clearing Agency Participant under Rule 901;

“Clearing Agreement”

means a written agreement between an NCP and a GCP made pursuant to Rule 4001 or between a Special Participant and a China Connect Clearing House made pursuant to Rule 4205;

“Clearing House of HKAB” or “Clearing House”

means the clearing house of The Hong Kong Association of Banks managed by Hong Kong Interbank Clearing Limited for the clearance of payment transactions between its members (which include the Designated Banks);

“Clearing Link”

means any cross-boundary arrangement that may be entered into by HKSCC with a China Connect Clearing House as referred to in Rule 4101 or Rule 4201;

“Clearing Links Agreement”

means an agreement that may be entered into by HKSCC with a China Connect Clearing House relating to a Clearing Link;

“Clearing Participant”

means a Participant admitted to participate in CCASS as a Direct Clearing Participant or a General Clearing Participant. Where applicable, references in the Rules to “Clearing Participant” shall be construed to include the Clearing Participant in its capacity as a China Connect Clearing Participant;

“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);

“Continuous Net Settlement System” or “CNS System”

means the method of settlement in relation to certain Exchange Trades, China Connect Securities Trades and Clearing Agency Transactions as referred to in Rules 3301 to 3308;

“Direct Credit Instruction” or “DCI”

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 payment of sums owing by HKSCC to a Participant in respect of certain CCASS operations or services, including any risk management measures adopted by HKSCC;

“Direct Debit Instruction” or “DDI”

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 payment of sums owing by a Participant to HKSCC in respect of certain CCASS operations or services, including any risk management measures adopted by HKSCC;

“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; or (iii) payment of money by Clearing Participants or Custodian Participants to their SSA Statement Recipients in respect of STI Transfers on a DVP basis;

“Eligible Security”

means an issue of securities including but not limited to China Connect Securities, Foreign Securities, Debt Securities, Depositary Receipts, Structured Products, Exchange Fund Notes, Government Bonds, Specified Instruments, CMU Instruments, warrants, options and Units and other rights under collective investment schemes, which is from time to time and for the time being accepted as eligible by HKSCC for deposit, clearance and settlement in CCASS, in accordance with Rule 501, and (a) where the context so requires shall include any particular security or securities of such an issue and (b) unless the context will not admit, shall include, upon their issue, all New Issue Shares so accepted as eligible;

“Exchange Trade”

means a trade in an Eligible Security (other than a China Connect Security) either reported to the Exchange by an Exchange Participant or effected on the Exchange;

“Forced-Sale Notice”

means a notice which may from time to time be issued by HKSCC, the Exchange or the SEHK Subsidiary to a Participant or an NCP of the Participant, requiring the Participant or the NCP 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;

“Foreign Securities”

means the securities which are either listed both on the Exchange and on an overseas exchange (including NASDAQ or AMEX) or listed on an overseas exchange and admitted to trading on the Exchange, which may be held in an account in the name of HKSCC with an Appointed Depositary and in respect of which HKSCC provides settlement and clearing services. For the avoidance of doubt, Foreign Securities do not include China Connect Securities;

“Investor Settlement Instruction” or “ISI”

means an instruction relating to an Investor Participant, in such form as HKSCC may from time to time prescribe as being valid, relating to transactions in Eligible Securities (other than Exchange Trades, China Connect Securities Trades, Clearing Agency Transactions, Settlement Instructions, Transfer Instructions and Cross-border Transfer Instructions) to be settled in CCASS, as referred to in Rule 905;

“Mainland Business Day”

means a day on which the China Connect Clearing Services relating to the clearing and settlement of China Connect Securities Trades are available and CCASS is open for business to China Connect Clearing Participants (except a Saturday, Sunday or a public holiday in either Hong Kong or Mainland China);

“Mainland China”

means the People’s Republic of China, other than Hong Kong, the Macau Special Administrative Region and Taiwan;

“Mainland Clearing Risk Fund”

means an amount determined by HKSCC as Mainland Clearing Risk Fund required to be provided by a China Connect Clearing Participant pursuant to Rule 4107(vii);

“Mainland Security Deposit”

means an amount determined by HKSCC as Mainland Security Deposit required to be provided by a China Connect Clearing Participant pursuant to Rule 4107(i);

“Mainland Settlement Deposit”

means an amount determined by HKSCC as Mainland Settlement Deposit required to be provided by a China Connect Clearing Participant pursuant to Rule 4107(i);

“Marks”

means an amount required to be provided by a Clearing Participant (including a Clearing Participant which is a China Connect Clearing Participant) or a Clearing Agency Participant to HKSCC pursuant to Rule 3601 or Rule 4107(ii);

“Market Contract”

means (i) a contract between HKSCC and a Clearing Participant or a Clearing Agency Participant arising as a result of the Novation of an Exchange Trade to be settled under the CNS System, or (ii) a contract between HKSCC and a China Connect Clearing Participant arising as a result of the Novation of a China Connect Securities Trade to be settled under the CNS System, or (iii) a contract between HKSCC and a Participant arising as a result of the Novation of a Clearing Agency Transaction to be settled under the CNS System, as referred to in Rule 3301;

“Multi-counter Transfer Instruction”

means an instruction given by a Participant to HKSCC in such form as HKSCC may prescribe from time to time, to effect the transfer of Multi-counter Eligible Securities of an Issuer held in the Participant’s Stock Accounts (except its Stock Collateral Control Accounts, SSA with Statement Service (in the case of a Clearing Participant or a Custodian Participant) and TSF Accounts (in the case of a TSF CCASS Participant)) from one relevant stock code to another relevant stock code, as referred to in Rule 816A;

“Novation”

means the legal process of novation, pursuant to which Market Contracts are made in accordance with Rule 3301 or, in the case of China Connect Securities Trades, Rule 4106;

“Securities-on-hold”

means the Eligible Securities allocated to the Stock Clearing Account of a Clearing Participant (including a Clearing Participant which is a China Connect Clearing Participant) or a Clearing Agency Participant which is a party to a Market Contract by HKSCC under the CNS System, as referred to in Rule 3604 or Rule 4107(viii);

“SEHK Securities”

has the same meaning as defined in the Exchange Rules;

“SEHK Subsidiary”

has the same meaning as defined in the Exchange Rules;

“Settlement Agent”

means a person appointed by a Participant other than an Investor Participant, pursuant to Rule 3801 to access CCASS and conduct settlement and other activities in CCASS on behalf of the Participant;

“Settlement Day”

means (i) in relation to Eligible Securities other than China Connect Securities, a Business Day on which the settlement services of CCASS in respect of such Eligible Securities are open for use by Participants, and (ii) in relation to China Connect Securities, a day on which the China Connect Clearing Services of CCASS in respect of the clearing and settlement of such China Connect Securities are open for use by China Connect Clearing Participants;

“Settlement Instruction” or “SI”

means an instruction of a Participant, in such form as HKSCC may from time to time prescribe as being valid, relating to transactions in Eligible Securities (other than Exchange Trades, China Connect Securities Trades, Clearing Agency Transactions, Electronic Application Instructions for New Issue Shares, Investor Settlement Instructions, Transfer Instructions and Cross-border Transfer Instructions) to be settled in CCASS, as referred to in Rule 904;

“SI Transaction”

means a transaction to be settled in CCASS between two Participants other than Investor Participants as a result of the input of a Settlement Instruction, authorized, if required, by each of the Participants (such Settlement Instructions being matched in CCASS);

“Special China Connect Securities”

has the same meaning as defined in the Exchange Rules;

“Special Participant”

has the same meaning as defined in the Exchange Rules;

“Special SEHK Securities”

has the same meaning as defined in the Exchange Rules. Unless the context requires otherwise, any reference in the Rules to “SEHK Securities” includes “Special SEHK Securities”;

“Stock Account”

means, (i) in relation to each Clearing Participant or Clearing Agency Participant, each Stock Clearing Account, Stock Segregated Account, Stock Lending Account and Stock Collateral Control Account; (ii) in relation to each Investor Participant, each Stock Clearing Account; and (iii) in relation to each Participant other than a Clearing Participant, a Clearing Agency Participant or an Investor Participant, each Stock Clearing Account, Stock Segregated Account and Stock Lending Account, allocated to and operated by it in which Eligible Securities of such Participant are credited or debited, as referred to in Rule 601, and in relation to a TSF CCASS Participant, means, additionally, each TSF Account allocated to it by HKSCC under Rule 12A08;

“Stock Collateral Control Account”

means, in relation to each Clearing Participant or Clearing Agency Participant, the Stock Account in CCASS of such Participant which records (i) the Collateral Securities that have been transferred from Stock Accounts of that Participant to its CCMS Collateral Account(s), as referred to in Rule 601 and (ii) the Eligible Securities that have been transferred from Stock Accounts of that Participant to a collateral account established in CCMS for that Participant by another Recognized Clearing House under its rules;

“Stock Segregated Accounts” or “SSA”

means, (i) in relation to each Clearing Participant or Clearing Agency Participant, the Stock Accounts in CCASS of such Participant other than its Stock Clearing Account, Stock Lending Account and Stock Collateral Control Account; and (ii) in relation to each Participant other than a Clearing Participant, a Clearing Agency Participant or an Investor Participant, the Stock Accounts in CCASS of such Participant other than its Stock Clearing Account and Stock Lending Account, as referred to in Rule 601, including but not limited to SSA with Statement Service of the Participant, and in relation to a TSF CCASS Participant, TSF Accounts shall not be regarded as Stock Segregated Accounts;

“T-day”

means, in relation to a transaction in Eligible Securities other than China Connect Securities, the day of the transaction as reported by the Exchange, and in relation to a transaction in China Connect Securities, the day of the transaction as reported by the SEHK Subsidiary, its designated person or the relevant China Connect Clearing House;

“Trading day”

means, in relation to securities and other products which are traded on the Exchange, a day on which trading is conducted on the Exchange and in relation to China Connect Securities, a day on which trading is conducted on the relevant China Connect Market via the relevant Trading Link and the China Connect Clearing Services of CCASS in respect of the clearing and settlement of China Connect Securities are open for use by China Connect Clearing Participants;

“Trading Links”

has the same meaning as defined in the Exchange Rules;

“Uncertificated Eligible Security”

means an Eligible Security (other than a Foreign Security or a China Connect Security) issued by an Overseas Issuer in uncertificated form and designated by HKSCC as an “Uncertificated Eligible Security” for the purposes of the Rules;

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

“Buy-in Notification Report”

means a report provided by HKSCC informing a Clearing Participant, Clearing Agency Participant or China Connect Clearing Participant of its overdue short stock positions under the CNS System which are subject to Buy-in and confirmations of Buy-in orders that have been executed, as referred to in Sections 10.8 and 10A.6 and the CCASS Terminal User Guide for Participants;

“Favourable Marks”

means Marks computed by the Mark-to-market of a stock position under the CNS System which are favourable to a Clearing Participant or Clearing Agency Participant, as referred to in Sections 10.10.2 and 10A.10;

“Final Clearing Statement” or “FCS”

means, in relation to Exchange Trades or Clearing Agency Transactions executed or effected on T-day for clearing and settlement by a Clearing Participant or a Clearing Agency Participant, a statement issued by HKSCC to that Participant on T+1, the Business Day following the relevant day of the transaction, as referred to in Sections 10.2.3 and 12.2.2; and in relation to China Connect Securities Trades executed on T-day for clearing and settlement by a China Connect Clearing Participant, a statement issued by HKSCC to that Participant on T-day, as referred to in Sections 10A.1.4 and 10A.9.3 and the CCASS Terminal User Guide for Participants;

“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 with reference to the net settlement amount in China Connect Securities Trades of such Participant and its NCPs, 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 with reference to the buy turnover in China Connect Securities and overdue short CNS positions in China Connect Securities of such Participant and its NCPs, as referred to in Section 10A.8.5 and the CCASS Terminal User Guide for Participants;

“Unfavourable Marks”

means Marks computed by the Mark-to-market of a stock position under the CNS System which are unfavourable to a Clearing Participant or Clearing Agency Participant, as referred to in Sections 10.10.2 and 10A.10; and

The definitions of “Direct Credit Instruction” or “DCI”, “Direct Debit Instruction” or “DDI” and “Electronic Payment Instruction” or “EPI” have been repealed.

Section 1

Introduction

1.3 MAIN CCASS SERVICES

The main services of CCASS are:

- (iii) clearing and settlement services in relation to all Exchange Trades based on trade details received from the Exchange, either under the CNS System, whereby HKSCC becomes the settlement counterparty, or under the Isolated Trades System;
- (iiia) clearing and settlement services in relation to all Clearing Agency Transactions based on trade details received from the relevant Clearing Agency Participant, either under the CNS System, whereby HKSCC becomes the settlement counterparty, or under the Isolated Trades System;
- (iiib) China Connect Clearing Services, including clearing and settlement services in relation to all China Connect Securities Trades under the CNS System based on trade details received from the SEHK Subsidiary and the relevant China Connect Clearing House, whereby HKSCC becomes the settlement counterparty to the relevant China Connect Clearing Participants, and nominee and depository services in relation to China Connect Securities held by Participants;

The operation of the CNS System by HKSCC in effect involves HKSCC providing a "guarantee of settlement" for the Exchange Trades, China Connect Securities Trades and Clearing Agency Transactions settled under the CNS System, in favour of Participants which are parties to the Market Contracts.

Section 2

Participants

2.3 STOCK ACCOUNTS AND CCMS COLLATERAL ACCOUNTS

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 NCP 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 NCP shall notify HKSCC of the Stock Account mapping details for itself and for each of the NCPs 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.

2.4 MONEY LEDGER

2.4.3 Money not held by HKSCC

Money obligations between a Participant and HKSCC in an Eligible Currency which are recorded in the sub-accounts of its Money Ledger will be settled on a daily basis at day end by HKSCC issuing "Direct Debit Instructions" or "DDIs" or "Direct Credit Instructions" or "DCIs" to the Designated Bank of the Participant, except that (i) money obligations of CNS stock positions in China Connect Securities will be settled on a daily basis by HKSCC issuing "CHATS Payment Instructions" or "CPIs" to the Designated Bank of the Participant or a bank designated by HKSCC on the following Business Day; (ii) Intra-day Payments during a Business Day or a Settlement Day will be effected on the same day by way of "Intra-day Payment Instructions" or "IPIs" issued to the Designated Bank of the Participant at around 2:30 p.m. or such other time as may be specified by HKSCC; (iii) the Billing Account for Participants other than Investor Participants will be settled in Hong Kong dollars by autopay on a weekly basis and the Billing Accounts for Investor Participants will be settled in Hong Kong dollars by DDIs on a monthly basis; and (iv) dividend collection fees and interest collection fees will be collected by HKSCC in the Eligible Currencies in which the relevant securities are denominated and deducted by HKSCC at source before payment. Please refer further to Section 14.

Section 3

CCASS Terminals/CCASS Phone System/CCASS Internet System/ Participant Gateways

3.1 DIRECT LINKAGE

3.1.4 Participants responsible for costs etc.

Participants are responsible for obtaining their own PCs and printers; and for arranging the installation of the required data communication links with CCASS. Participants are also responsible for all costs (maintenance or otherwise) relating to their CCASS Terminals, Participant Gateways, printers, data communication links and related peripherals, as well as for all costs (maintenance or otherwise) relating to the required system software.

3.2 COMMISSIONING OF CCASS TERMINALS AND PARTICIPANT GATEWAYS

3.2.2 Number and location of CCASS Terminals and Participant Gateways

HKSCC reserves the right to limit the number of CCASS Terminals or Participant Gateways that may be set up or operated by a Participant, its Settlement Agent or a Designated Bank.

Section 5

Eligible Securities

5.1 SECURITIES ACCEPTED AS ELIGIBLE SECURITIES

Securities which are listed or admitted to trading on the Exchange, as well as securities which are not listed or admitted to trading on the Exchange, may be accepted as Eligible Securities by HKSCC. These may include:

- (ix) China Connect Securities;
- (x) Units; and
- (xi) Structured Products.

5.2 CURRENCY OF DENOMINATION AND SETTLEMENT

Securities accepted as Eligible Securities for clearing and settlement in CCASS may be denominated in any major currency. However, unless otherwise specified by HKSCC, the currency for trading and settlement for CCASS purposes must be an Eligible Currency and the settlement of China Connect Securities Trades by China Connect Clearing Participants in CCASS must be in Renminbi.

5.3 STOCK CODE NUMBER AND DESCRIPTION

In general, for Eligible Securities listed or admitted to trading on the Exchange, HKSCC will usually follow the stock codes and descriptions used by the Exchange. For China Connect Securities with 6-digit stock codes starting with “60xxxx”, HKSCC will usually follow a mapping algorithm and convert the stock codes to “9xxxx”. In exceptional cases such as entitlement stocks distributed to Participants the stock codes of which do not start with “60xxxx”, Participants will be notified of the relevant stock code mapping via circular. A list of the China Connect Securities’ stock codes together with their CCASS stock code mapping will be published by HKSCC on the website of HKEx.

5.4 RESTRICTIONS AFFECTING ELIGIBLE SECURITIES

Certain Eligible Securities may be subject to restrictions or limitations as to ownership or control or other matters. These restrictions or limitations may be imposed by the issuers of Eligible Securities in their Articles of Association or Bye-laws or may be required under applicable law. For example, the terms of an issue of an Eligible Security may provide that a registered holder of such Eligible Securities may not hold more than a stated percentage of such Eligible Securities without the approval of the board of directors of the issuer. To comply with such restrictions or limitations, HKSCC may from time to time enter into arrangements with issuers of Eligible Securities, agreeing to provide information relating to Eligible Securities to the issuers or agreeing to require Participants to provide information or comply with relevant requirements of the issuers.

Restrictions or limitations as to ownership or control or other matters may also be imposed by applicable law. For example, under the applicable laws of Mainland China,

unless otherwise permitted by the relevant strategic investor regulators, no foreign investors are allowed to individually hold more than 10% of the issued shares of an A-share listed company, or in aggregate with other foreign investors hold more than 30% of the issued shares of an A-share listed company (note that these limits are provided for reference only and are subject to change by the Mainland regulators). If these limits are reached or exceeded, (whether through China Connect Clearing Services or through other means) at the end of a Trading day, the China Connect Market Operator, China Connect Clearing House or governmental, regulatory or competent authority may issue a forced-sale notice to HKSCC, the Exchange or the SEHK Subsidiary generally on a “last-in, first-out” basis (i.e. the forced sales will apply to the most recently completed buy orders in reverse chronological order).

While HKSCC may notify Participants of the relevant restrictions, limitations or requirements to be complied with by them to the extent that it is aware of them, it shall be the responsibility of Participants and their clients to ensure compliance with such restrictions, limitations and requirements. Any such information provided to Participants and any description of Mainland China laws or regulations in the Rules are for informational purposes only and are not intended, nor should they be regarded, as legal or other professional advice. Participants should seek independent legal advice regarding any such restrictions, limitations or other requirements to which they may be subject. HKSCC shall have the right to take such action or require Participants to take such action regarding the Eligible Securities held by or for Participants as it considers appropriate, including requiring Participants to liquidate their holdings in Eligible Securities as referred to in Rule 4110 regarding China Connect Securities.

Section 6

Operational and Service Schedule

6.2 DAILY PROCESSING AND SERVICE SCHEDULE FOR PARTICIPANTS OTHER THAN INVESTOR PARTICIPANTS

The daily processing and service schedule in CCASS below only sets out the available time of some CCASS events. For more details on service schedule and function availability in CCASS, please refer to the CCASS Terminal User Guide for Participants.

6.2.1 Daily Processing and Service Schedule in relation to Eligible Securities Other than China Connect Securities

For the purpose of this Section 6.2.1, references to “Eligible Securities” shall mean Eligible Securities other than China Connect Securities.

Time	CCASS events
2:00 p.m. (after)	Final Clearing Statement or FCS in respect of Exchange Trades effected on or reported to the Exchange and Clearing Agency Transactions concluded on previous day, available to Clearing Participants and Clearing Agency Participants
5:00 p.m. (after)	First batch of PCS in respect of Exchange Trades effected on or reported to the Exchange current day available to Clearing Participants and Clearing Agency Participants
6:00 p.m.	Fourth Collateral Security Batch-run
6:00 p.m. (after)	Settled Position Report and third batch of Corporate Announcement Master Data File and Corporate Announcement Maintenance Activities Report available
7:00 p.m.	Close of SI/ISI maintenance and ISI upload, Cash Prepayment / TSF Payment Standing Instruction maintenance, Intra-day Payment Standing Instruction maintenance, Nominee Payment (Evening) Standing Instruction maintenance, Mass ATI/Mass STI maintenance, CCMS cash transfer and stock collateral maintenance services and Tender Instructions, subscription, election, voting and Corporate Representative/Proxy instructions maintenance functions
7:15 p.m.	Close of SI/ATI/STI upload functions
7:15 p.m. (after)	Revaluation of General Collateral Inventory and collateralization of day-end Marks, Concentration Collateral and day-end Margin
7:30 p.m.	Close of ATI/STI input functions
8:00 p.m.	Final batch of scrip entitlement distribution

Close of all enquiries through CCASS Terminals and Participant Gateways, except for CCMS enquiry and Enquire Broadcast Message functions

8:00 p.m. (after) Second batch of PCS in respect of Exchange Trades effected on or reported to the Exchange and Clearing Agency Transactions concluded on current day available to Clearing Participants and Clearing Agency Participants.

Sixth STI Batch-run (for STI Transfers to be effected on FOP basis only)

Generation of DDIs, DCIs and EPIs by HKSCC for settlement on the next Business Day

**6.2.2 Daily Processing and Service Schedule in relation to China Connect Securities
Time CCASS events**

7:00 a.m. Revaluation of General Collateral Inventory

7:15 a.m. Commencement of the following services and functions through CCASS Terminal and Participant Gateway:

- (i) clearing services (SI maintenance and upload functions); and
- (ii) clearing and settlement services enquiry functions, Enquire Broadcast Message function and report retrieval functions

All previous day's reports are available for retrieval

7:30 a.m. (around) First batch of scrip entitlement distribution

First SI matching

7:45 a.m. Second SI matching

First SI Batch-settlement-run (for settlement of SI stock positions only)

8:00 a.m. Commencement of the following services and functions through CCASS Terminal and Participant Gateway:

- (i) ATI/STI maintenance and upload functions;
- (ii) Intra-day Payment Standing Instruction (only applicable to nominee payment) and Nominee Payment (Evening) Standing Instruction maintenance functions; and
- (iii) election, voting instructions and Proxy instruction maintenance functions

Time	CCASS events
	Generation of CPIs by HKSCC (in respect of money obligations arising from CNS stock positions settled on previous Mainland Business Day) for same day settlement
8:15 a.m.	Snapshot taking of total sellable balance of China Connect Securities of China Connect Clearing Participants and their NCPs 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
9:15 a.m.	First STI Batch-run
10:00 a.m.	Second STI Batch-run
11:45 a.m.	Third SI matching
12:00 noon	Deadline for inputting election instructions, where the deadline prescribed by HKSCC for inputting such instructions falls on such day
12:45 p.m.	Third STI Batch-run
1:00 p.m. (after)	First batch of Corporate Announcement Master Data File and Corporate Announcement Maintenance Activities Report available
1:15 p.m.	Deadline for inputting Intra-day Payment Standing Instructions (only applicable to nominee payment) in order to have such instructions effected on the same day
2:30 p.m. (around)	Generation of Intra-day Payment Instructions (only applicable to nominee payment) by HKSCC
3:00 p.m.	Fourth SI matching
3:30 p.m.	Fourth STI Batch-run
	Deadline for inputting Nominee Payment (Evening) Standing Instruction in order to have the evening distribution of nominee payment to start on the same day, subject to acceptance of the Nominee Payment (Evening) Standing Instruction by HKSCC
3:45 p.m. (around)	Second batch of Corporate Announcement Master Data File and Corporate Announcement Maintenance Activities Report available
4:00 p.m. (after)	Final Clearing Statement or FCS in respect of China Connect Securities Trades effected via a Trading Link available to China Connect Clearing Participants

Time	CCASS events
	Commencement of Cash Prepayment service
4:15 p.m.	Deadline for inputting voting instructions and Proxy instructions where the deadline prescribed by HKSCC for inputting such instructions falls on such day
	Calculation of Mainland Clearing Risk Fund contributions
4:30 p.m. (around)	First CNS Batch-settlement-run (for settlement of CNS stock positions only)
5:00 p.m.	Fifth SI matching
	Fifth STI Batch-run (only STI Transfers on FOP basis allowed for China Connect Securities)
5:45 p.m. (around)	Reconciliation of China Connect Securities Trades with the relevant China Connect Clearing House
6:00 p.m.	Deadline for Cash Prepayment service
	Close of ATI/STI maintenance and upload functions
6:00 p.m. (around)	Final CNS Batch-settlement-run (for settlement of CNS Stock positions only)
	Commencement of DI input and subscription instructions maintenance functions
	Second session of ATI/STI maintenance/upload services commence (HKSCC will announce by broadcast message when the services are available to Participants)
6:15 p.m. (around)	Second batch of scrip entitlement distribution
	Third batch of Corporate Announcement Master Data File and Corporate Announcement Maintenance Activities Report available
	Calculation of Mainland Settlement Deposit
7:00 p.m.	Close of Intra-day Payment Standing Instruction maintenance (only applicable to nominee payment), subscription, election, voting and Proxy instructions maintenance functions
	Third batch of scrip entitlement distribution
7:15 p.m.	Close of SI/ATI/STI upload functions

Time	CCASS events
7:30 p.m.	<p>Close of SI/DI/ATI/STI maintenance functions</p> <p>Final SI matching</p> <p>Final SI Batch-settlement-run (for settlement of SI stock positions only)</p>
8:00 p.m.	<p>Final batch of scrip entitlement distribution</p> <p>Final STI Batch-run (only STI Transfers on FOP basis allowed for China Connect Securities)</p> <p>Close of all enquiries through CCASS Terminals and Participant Gateways, except for Enquire Broadcast Message function</p>
8:00 p.m. (after)	<p>Generation of DDIs, DCIs and EPIs by HKSCC for settlement on the next Business Day</p>
8:30 p.m.	<p>CCMS enquiry, report retrieval and Enquire Broadcast Message functions close</p>
8:30 p.m. (after)	<p>Snapshot taking of total sellable balance of China Connect Securities of China Connect Clearing Participants and their NCPs for pre-trade checking</p>

Notes:

- (i) Report retrieval functions are available on Saturdays.
- (ii) The schedule set out above is indicative only.
- (iii) Final Clearing Statement or FCS availability to China Connect Clearing Participants is subject to HKSCC's timely receipt of clearing information from the relevant China Connect Clearing House.
- (iv) The commencement of the final Batch-settlement-run (for settlement of CNS stock positions only) is subject to HKSCC's timely receipt of settlement information from the relevant China Connect Clearing House.

6.3 DAILY SERVICE SCHEDULE FOR DESIGNATED BANKS

The daily service schedule of CCASS applicable to Designated Banks is set out in brief below. For more details, please refer to the CCASS Terminal User Guide for Designated Banks.

Time	CCASS events
8:00 a.m.	Generation of CPIs by HKSCC for money settlement between Participants and HKSCC (including money obligations arising from CNS stock positions of China Connect Securities Trades settled on the previous Settlement Day with payment deadline at 12:00 noon) to be settled by a specific time on the same day
9:30 a.m. (after)	DDI/DCI/EPI Rejection Listing (for payment confirmation of DDIs/DCIs/EPIs generated on the previous day for settlement on the current day) available Electronic CHATS Payment Instruction Report available (containing CPIs generated at around 8:00 a.m. for money settlement between Participants and HKSCC by a specified time on the same day)
11:30 a.m. (around)	CCASS Funding Projection Report for Designated Bank (for funding projection as of the completion of the First Batch-settlement-run for Eligible Securities other than China Connect Securities) available
12:00 noon	Commencement of the session for inputting DDI/debit EPI payment confirmation relating to Investor Participants (see Note (iii) below) Deadline for CPI confirmations and paying HKSCC in good funds for CPIs contained in the Electronic CHATS Payment Instruction Report generated at 9:30 a.m. (after) in respect of money settlement of China Connect Securities Trades between HKSCC and Participants (see Note (ix) below)
12:30 p.m. (around)	CCASS Funding Projection Report for Designated Bank (for funding projection as of the completion of the Second Batch-settlement-run for Eligible Securities other than China Connect Securities) available
2:30 p.m. (around)	CCASS Funding Projection Report for Designated Bank (for funding projection as of the completion of the Third Batch-settlement-run for Eligible Securities other than China Connect Securities) available
3:30 p.m. (around)	CCASS Funding Projection Report for Designated Bank (for funding projection as of the completion of the Sixth SI matching for Eligible Securities other than China Connect Securities) available

Notes:

- (ix) This (i.e. 12:00 noon) is the deadline for issuing by facsimile and telephone to HKSCC a confirmation regarding each CPI for money settlement of China Connect Securities Trades contained in the Electronic CHATS Payment Instruction Report for which payment has not been or cannot be effected (“CPI Confirmation”).

Section 7

Depository and Related Services

7.2.5 Deposits and Withdrawals of Certificates

Unless otherwise determined by HKSCC or provided in the Rules, Participants cannot physically deposit into or withdraw from CCASS or an Appointed Depository via HKSCC Eligible Securities which are uncertificated or issued in global form. Accordingly, physical deposit or withdrawal of China Connect Securities into or from CCASS or the relevant China Connect Clearing House is not available. Rules relating to the physical deposit and withdrawal of securities are not applicable to China Connect Securities.

7.14 UNCERTIFICATED ELIGIBLE SECURITIES

7.14.1 Custodian Services in relation to Uncertificated Eligible Securities (other than China Connect Securities)

For the purposes of this Section 7.14.1, references to “Uncertificated Eligible Securities” shall not include China Connect Securities.

7.14.2 Custodian Services in relation to China Connect Securities

China Connect Securities are uncertificated and are held by HKSCC for the account of Participants in an account maintained by HKSCC with the relevant China Connect Clearing House under a Clearing Link and are recorded in computerized form in CCASS. HKSCC shall not be obliged to open or maintain any sub-account with the relevant China Connect Clearing House for a Participant or any other person in respect of China Connect Securities.

Physical deposit and withdrawal of China Connect Securities into or from the CCASS Depository is not available. Accordingly, Rules relating to the physical deposit and withdrawal of securities are not applicable to China Connect Securities.

China Connect Securities may be credited to and debited from a Participant's Stock Account as a result of (a) clearing and settlement of China Connect Securities Trades, and (b) the provision of any other China Connect Clearing Services by HKSCC to the Participant.

Save as otherwise provided in the Rules, HKSCC acknowledges and confirms that it has no proprietary interest in China Connect Securities to the extent they are credited to the Stock Account of a Participant.

HKSCC does not guarantee the title to any China Connect Securities held through it in any manner. Further, HKSCC shall have no obligation to enforce any rights on behalf of Participants in respect of China Connect Securities.

Participants confirm and agree that their title or interest in and entitlements to China Connect Securities (whether legal, equitable or otherwise) and their holdings in China Connect Securities shall be subject to the applicable laws of Mainland China and Hong Kong, including any laws which restrict foreign shareholding or impose a disclosure of

interest obligation on the holder beyond a specified limit. Participants shall be responsible for ensuring that they comply with such applicable laws.

Where China Connect Securities of a Participant are held through HKSCC in any manner, the Participant covenants, represents and warrants to HKSCC that:-

- (a) it shall not raise any claims (whether in contract, tort or otherwise) against HKSCC arising from or relating to any form of tax, duty, fine or penalty imposed or levied on or in respect of the China Connect Securities under any applicable law or regulation, whether or not HKSCC is involved in any tax collection, withholding or related arrangement; and
- (b) unless HKSCC otherwise agrees, it shall only give voting or other instructions to HKSCC and not directly to the issuer or its authorised agents or representatives (if any).

Section 8

Nominee Services

8.1 PROVISION OF NOMINEE SERVICES

Nominee and similar services to Participants in respect of (a) Eligible Securities deposited into or otherwise held or recorded in CCASS, (b) Electronic Applications for New Issue Shares and other electronic applications for or in connection with securities and (c) Tender Instructions are provided by HKSCC. However, HKSCC reserves the right to appoint an agent to provide such services where such an appointment would be in the best interest of Participants.

8.2 GENERAL PRINCIPLES

8.2.1 Scope and procedures

The scope of and the manner in which nominee and similar services in respect of (a) Eligible Securities deposited into or otherwise held or recorded in CCASS, (b) Electronic Applications for New Issue Shares and other electronic applications for securities and (c) Tender Instructions that will be provided by HKSCC to Participants will be as determined by HKSCC from time to time.

Although HKSCC intends to provide fairly comprehensive nominee services to Participants in relation to corporate actions or other matters affecting Eligible Securities to the extent commercially reasonable and practicable, nothing in this Section 8 should be regarded as creating in any way an obligation on the part of HKSCC to provide nominee or other services to Participants except as provided in the Rules.

In the case of Foreign Securities, a Participant's entitlement to receive nominee services will be determined by reference to the rules and procedures of the Appointed Depository with which the Foreign Securities are held and by reference to the appropriate holding of the Foreign Securities by HKSCC on behalf of the Participant in HKSCC's stock account maintained with that Appointed Depository as at the book-close or record date as determined by that Appointed Depository.

In the case of China Connect Securities, a Participant's entitlement to receive nominee services will be determined by reference to the rules and procedures of the China Connect Clearing House with which the China Connect Securities are held or the rules and procedures of the China Connect Market on which the China Connect Securities are listed and by reference to the appropriate holding of China Connect Securities by HKSCC on behalf of the Participant in HKSCC's stock account maintained with the China Connect Clearing House as at the record date as determined by the China Connect Clearing House or the relevant issuer.

8.2.2 HKSCC's role

HKSCC's role as provider of nominee services (i) in relation to the four broad categories of corporate actions or activities affecting Eligible Securities and (ii) insofar as Eligible Securities other than China Connect Securities are concerned, in relation to (a) Electronic Application Instructions for New Issue Shares, (b) Tender Instructions and (c) electronic applications for issue and redemption of Units can be summarised as follows:

- (i) **Announcement/communication:** this refers to announcements by issuers or Depositories of Eligible Securities (eg. declarations of dividends or announcements of notifiable transactions) or announcements by third parties affecting holders of Eligible Securities (eg. announcements of take-over offers) as well as the distribution of corporate communications by the issuers of Eligible Securities other than China Connect Securities to holders of those Eligible Securities other than China Connect Securities and by Depositories (eg. release of annual reports, circulars to shareholders containing details of notifiable transactions etc.). Here, the role of HKSCC as provider of nominee services to Participants will be to endeavour to bring the relevant matters to the attention of the Participants concerned or to arrange for the distribution of copies of relevant corporate communications to Participants;
- (ii) **Voting:** this refers to actions or activities affecting Eligible Securities that are to be voted upon by the holders of those Eligible Securities. Here, the role of HKSCC will be to endeavour (i) to obtain the instructions of Participants and, where applicable, instructions of SSA Statement Recipients in relation to the Eligible Securities in SSA with Statement Service for the account of Clearing Participants or Custodian Participants, (ii) to vote, (iii) if appropriate, to make a demand for poll on their behalf, and (iv) where the applicable laws, rules or regulations or the constitutional documents of the relevant Overseas Issuer or issuer so permit or require, to appoint persons nominated by Participants and, where applicable, by SSA Statement Recipients as aforesaid to attend meetings directly. In respect of Uncertificated Securities, this refers to or may include (where applicable or where the applicable laws, rules or regulations or the constitutional documents of the relevant Overseas Issuer or issuer so permit or require), HKSCC communicating or passing on any voting or other instructions, proxy nominations or appointments or all other authorizations, declarations, requests or information received from Participants and, where applicable, from SSA Statement Recipients to the relevant Overseas Issuer or issuer or its authorized agents or representatives including the Overseas Issuer or issuer's principal or branch share registrar. Notwithstanding the foregoing, HKSCC shall not be obliged to communicate, vote or take any action on behalf of Participants or their SSA Statement Recipients where communication, voting or the taking of action must be performed in person at a place outside of Hong Kong instead of by facsimile or electronic means.
- (iv) **Entitlements/actions (requiring the exercise of discretion):** this refers to actions or activities affecting Eligible Securities such as rights issues, take-over offers, bond conversion, redemption of shares, etc. where Participants, as the holders of Eligible Securities, are expected to decide whether or not, or how, to participate in such actions or activities. Here, provided that it is practicable or legally permissible for HKSCC to do so, HKSCC's role as provider of nominee services will be to endeavor to collect instructions etc. from Participants and to take action on their behalf or to facilitate the taking of actions by Participants directly;

8.2.4 Entitlements of Participants

In respect of any negative stock balance in the Stock Accounts of a Clearing Participant or Clearing Agency Participant as at the date on which entitlements of Participants relating to corporate actions affecting an Eligible Security are determined by HKSCC, the entitlements accruing to such negative stock balance will be offset against the entitlements, if any, which would otherwise accrue to any outstanding long stock position

of that Clearing Participant or Clearing Agency Participant in the same Eligible Security under the CNS System. Otherwise, a Participant other than an Investor Participant with a negative balance in its Stock Account will be dealt with in substantially the same way as Clearing Participants or Clearing Agency Participants with outstanding short stock positions under the CNS System (see Section 10.9).

8.3.4 Entitlement Statement and activity statement

Other than the Book-Close Reminder and Corporate Action Reminder, the Entitlement Statement of Participants other than Investor Participants will in addition contain the following information:

(i) details of entitlements receivable and expected payable date with respect to actual holdings of Eligible Securities on the last registration day or record date as determined by the relevant Appointed Depository, China Connect Clearing House or the relevant issuer (or CCASS Record Date imposed by HKSCC for Eligible Securities issued in bearer form) on which the entitlements of Participants are determined by HKSCC and, also, in the case of Clearing Participants and Clearing Agency Participants, for outstanding long stock positions under the CNS System as at that date, as well as entitlements payable in the case of Clearing Participants and Clearing Agency Participants for outstanding short positions under the CNS System or in the case of Participants with "negative" balances in their Stock Accounts;

(iii) relevant fees and/or charges charged to Participants (see Section 21);

A detailed explanation of the Entitlement Statement is set out in the CCASS Terminal User Guide for Participants.

In the case of Foreign Securities or China Connect Securities, if the entitlements determination date determined by HKSCC is different from the book-close or record date determined by the relevant Appointed Depository or China Connect Clearing House or the relevant issuer, or in other limited circumstances (e.g. adjustments made to the Stock Accounts of Participants), HKSCC may make adjustments to the details of entitlements receivables of the Participants concerned.

8.3.5 Receipt of entitlements

Participants other than Investor Participants will normally be informed via the Broadcast Message Service when benefit entitlements are received by HKSCC.

If entitlements in the form of securities are received by HKSCC at or before 5:00 p.m. on a Business Day or 12:00 noon on a Saturday, HKSCC will usually cause such entitlements to be credited to the Stock Accounts of the relevant Participants on the same day in multiple batches in accordance with Section 6.2. Otherwise, HKSCC will credit the entitlements on the following Business Day (Saturday being treated as a Business Day for this purpose, unless it is a public holiday).

If entitlements in relation to China Connect Securities in the form of scripless entitlements are unconditionally credited to HKSCC's stock account maintained with the China Connect Clearing House at or before 6:00 p.m. on a Mainland Business Day, HKSCC will usually cause such entitlements to be credited to the Stock Accounts of the relevant Participants on the same day in multiple batches in accordance with Section

6.2.2. Otherwise, HKSCC will credit the entitlements on the following Mainland Business Day.

In relation to benefit entitlements which are non-Eligible Securities, Participants are obliged to withdraw such entitlements before the time-limit set by HKSCC. HKSCC may take such action as it may in its absolute discretion consider appropriate or desirable to safeguard any entitlements accruing thereto during the period for withdrawal. Where withdrawal of such entitlements is not available or practicable, HKSCC may make arrangements to sell or realize the entitlements or take such other action as it may consider appropriate for the benefit of the relevant Participants and shall be entitled to deduct any cost so incurred from the proceeds.

8.5 CORPORATE COMMUNICATIONS

8.5.1 General

From time to time, issuers and Depositories of Eligible Securities will send out reports or circulars to holders of Eligible Securities (eg. annual reports, circulars to shareholders etc.). Save in the case of Foreign Securities or China Connect Securities in respect of which Participants will be notified of important notices and record date notices pertaining to Foreign Securities or China Connect Securities by HKSCC if such information is provided to HKSCC by the appropriate Appointed Depository, China Connect Clearing House or China Connect Market, HKSCC aims to ensure that Participants receive copies of such reports or circulars by providing to issuers of Eligible Securities the names and addresses of Participants to enable the issuers to send copies of corporate communications direct to Participants. This Section 8.5 does not apply to Foreign Securities and China Connect Securities.

8.5.2 Procedures: Eligible Securities listed on Exchange (other than Foreign Securities)

Special arrangements have been made for Eligible Securities listed on the Exchange (other than Foreign Securities). Recipients will normally receive copies of corporate communications direct from the issuers via their registrars in respect of Eligible Securities (other than Foreign Securities) and the following will usually apply:

- (iii) Participants other than Investor Participants and Clearing Agency Participants may inform HKSCC, by means of on-line input or upload function via their CCASS Terminals or Participant Gateways, of the names and addresses of Recipients who are to receive copies of corporate communications for a corporate communications event. Participants other than Investor Participants and Clearing Agency Participants may also inform HKSCC, by means of the “Recipient Master Maintenance” functions via their CCASS Terminals or Participant Gateways, of the names and addresses of Recipients who are to receive copies of corporate communications for corporate communications events relating to specified stock codes on a standing basis. Any instruction to HKSCC for a Recipient to receive copies of corporate communications relating to a corporate communications event must be given to HKSCC at the latest one Business Day after the specified record date of the corporate communications event. Participants other than Investor Participants and Clearing Agency Participants shall not submit the names and addresses of Recipients to HKSCC unless they have obtained their written consent to release their information to issuers and their registrars;

8.5.3 Procedures: Eligible Securities not listed on Exchange (other than Foreign Securities and China Connect Securities)

For Eligible Securities not listed on the Exchange (other than Foreign Securities and China Connect Securities), HKSCC will normally attempt to arrange for issuers to send copies of all corporate communications direct to Participants. If this is not possible, HKSCC will endeavour to make available copies of such communications to Participants upon request.

8.6 VOTING

8.6.2 General procedures

Normally, HKSCC will, based on the procedures described below, consolidate voting instructions from Participants and either submit one combined proxy form appointing the chairman of the relevant meeting to vote on the Nominee's behalf or send its own representatives to attend and vote at such a meeting, in each case, in accordance with the instructions of Participants concerned. Alternatively, HKSCC will, based on the procedures described below, appoint a person nominated by the Participant to attend and vote at such meeting, either as a proxy or as one of the Nominee's representatives. In determining whether a representative or a proxy will be appointed, HKSCC will refer to the constitutional documents of the issuer of the Eligible Securities, the proceedings of the relevant meeting and applicable laws. In respect of Uncertificated Securities other than China Connect Securities, (where applicable or where the applicable laws, rules or regulations or the constitutional documents of the Overseas Issuer or issuer so permit or require), HKSCC will communicate or pass on any voting or other instructions, proxy nominations or appointments or all other authorizations, declarations, requests or information received from the Participants to the Overseas Issuer or its authorized agents or representatives including the Overseas Issuer's principal or branch share registrar. In respect of China Connect Securities (where the applicable laws, rules or regulation or constitutional documents of the issuer so permit or require), HKSCC will communicate or pass on any voting instructions received from Participants to the issuer or its authorized agents or representatives. Notwithstanding the foregoing, HKSCC shall not be obliged to communicate, vote or take any action on behalf of Participants or their SSA Statement Recipients where communication, voting or the taking of action by facsimile or electronic means is unavailable and must be performed in person at a place outside of Hong Kong.

Normally, for meetings held in Hong Kong and where the constitutional documents of the issuer of the Eligible Securities, the proceedings of the relevant meeting and applicable laws allow more than one corporate representative to be appointed by HKSCC to attend and vote at the meeting, the deadline prescribed by HKSCC on Participants for the giving of instructions is one Business Day before the relevant meeting day. Otherwise, the deadline prescribed by HKSCC on Participants for the giving of instructions will be on a day which in the opinion of HKSCC would enable it to have sufficient time to submit the proxy form or the consolidated voting instruction or the relevant document for appointment of corporate representative, as the case may be, to the designated place of the issuer of the Eligible Securities or its authorized agent or representatives including the issuer's principal or branch share registrar by the stipulated time. For the avoidance of doubt, the deadlines prescribed by HKSCC on Participants for the giving of instructions are also applicable to the giving of instructions by SSA Statement Recipients for the account of Participants. Notwithstanding the foregoing, Participants will not be entitled

to attend and vote at meetings of issuers of China Connect Securities.

8.7 CASH DIVIDEND ENTITLEMENTS

8.7.1 Determination of entitlements

A Participant's entitlement to cash dividends accruing to Eligible Securities will be determined by reference to its holding of such Eligible Securities in CCASS or by an Appointed Depository as at the date on which the entitlement of HKSCC or the Nominee is determined (normally the last day on which transfers can be submitted for registration in order to qualify for entitlement to dividends).

Dividend entitlements of Participants will normally be calculated down to two decimal places for most currencies (see Section 8.23 which sets out the number of decimal places for calculation purposes in respect of different currencies).

In the case of Foreign Securities, China Connect Securities and Depository Receipts, dividend entitlements will normally be distributed to HKSCC and the relevant Participants after deduction of any withholding taxes applicable to HKSCC and/or net of any Withholding Tax (whether withheld by HKSCC or any other parties). HKSCC will have no obligation to gross-up any such distribution or to pay any additional amount as a result of such deduction or Withholding Tax.

8.8 BONUS ISSUES OF SECURITIES

8.8.2 Determination of entitlements

A Participant's entitlement to such bonus securities will normally be determined by reference to the relevant Eligible Securities credited to its Stock Account in CCASS as at the date on which the entitlement of HKSCC or the Nominee is determined (normally the last day on which transfers can be submitted for registration in order to qualify for such bonus securities).

8.8.3 Procedures

The following procedures will usually apply:

- (ii) in the case of Eligible Securities other than China Connect Securities, upon receipt of bonus securities, if those bonus securities are received by HKSCC at or before 5:00 p.m. on a Business Day or 12:00 noon on a Saturday, HKSCC will usually cause such bonus securities to be credited to the Stock Accounts of the relevant Participants on the same day in multiple batches in accordance with Section 6.2. Otherwise, HKSCC will credit the bonus securities on the following Business Day (Saturday being treated as a Business Day for this purpose, unless it is a public holiday). Participants other than Investor Participants will be informed when bonus securities are received by HKSCC via the Broadcast Message Service;
- (iia) in the case of China Connect Securities, HKSCC will cause such bonus securities to be credited to the relevant Participants' Stock Accounts upon receipt of confirmation from the China Connect Clearing House that the new bonus securities have been unconditionally credited to HKSCC's account with that China Connect Clearing House provided that if the bonus securities are not securities listed on the relevant China Connect Market and HKSCC has an option to elect to receive the entitlement

in cash or bonus securities, HKSCC will elect to receive the entitlement in cash and distribute the proceeds to Participants. Participants will not have the right to elect to receive the entitlement in bonus securities under such circumstances;

- (iii) upon distribution or crediting of bonus securities which are or will be accepted as Eligible Securities by HKSCC to them, Entitlement Statements of the relevant Participants other than Investor Participants or activity statements for Investor Participants will be updated;
- (iv) in relation to bonus securities which are not Eligible Securities or in respect of which no disposal arrangement as referred to in paragraph (v) of this Section 8.8.3 has been made by HKSCC, the Participants concerned are required to withdraw such bonus securities from the CCASS Depository on or before the deadline specified by HKSCC. Upon withdrawal by the relevant Participants, their relevant Stock Accounts will be updated. If such securities are not withdrawn by the deadline specified by HKSCC, HKSCC may arrange for such securities to be delivered to the relevant Participants at their cost. HKSCC shall bear no responsibility for any loss or damages arising from the loss or destruction of such securities during the delivery thereof; and
- (v) in relation to bonus securities which are distributed by reference to holdings in China Connect Securities without any cash election option and which are not listed on the relevant China Connect Market, HKSCC may, but is not obliged to, make such arrangement with the relevant China Connect Clearing House or issuer regarding the disposal of such bonus securities for Participants as HKSCC may consider appropriate. Any charges arising from the disposal arrangement will be deducted from the proceeds and any such arrangement undertaken by HKSCC shall be binding on all relevant Participants. HKSCC shall not be liable to Participants for anything done or omitted to be done by it in connection with any such arrangement.

8.8.5 Scripless entitlements and other non-Eligible Securities entitlements

Where any scripless entitlements or other non-Eligible Securities entitlements accrue to any Eligible Securities other than China Connect Securities, HKSCC may arrange for such scripless and other non-Eligible Securities entitlements to be distributed directly by the issuer to the Participants entitled thereto. HKSCC shall be authorized to provide the issuer with such information relating to the relevant Participants to facilitate the direct distribution of such entitlements to the Participants. Where any non-Eligible Securities entitlements accrue to any China Connect Securities, HKSCC may make such arrangements as referred to in Section 8.8.3(v).

8.10 RIGHTS ISSUES

8.10.1 General

Implementation of rights issues by issuers of Eligible Securities may involve several different stages including the initial announcements, approval by holders of Eligible Securities (if necessary), etc. This Section is only concerned with:

- (i) the collection and distribution of nil paid rights which may be represented by provisional allotment letters (PALs);

8.10.2 Determination of entitlements

A Participant's entitlement to "nil paid rights" will normally be determined by reference to the relevant Eligible Securities credited to its Stock Account as at the date on which the entitlement of HKSCC or the Nominee is to be determined (normally, the last day on which transfers can be submitted for registration in order to qualify for the nil paid rights).

8.10.4 Procedures

The following procedures will usually apply:

- (ii) upon receipt of nil paid rights, if they are received by HKSCC at or before 5:00 p.m. on a Business Day or 12:00 noon on a Saturday, HKSCC will usually cause such nil paid rights to be credited to the Stock Accounts of the relevant Participants on the same day in multiple batches in accordance with Section 6.2. Otherwise, HKSCC will credit the nil paid rights on the following Business Day (Saturday being treated as a Business Day for this purpose, unless it is a public holiday). Participants other than Investor Participants will be informed when nil paid rights are received by HKSCC via the Broadcast Message Service. Investor Participants concerned will be informed of distribution of nil paid rights by HKSCC via their activity statements;
- (iv) Participants other than Investor Participants wishing to subscribe for rights shares through HKSCC, in respect of nil paid rights credited to its Stock Account, must input their subscription instructions via their CCASS Terminals or Participant Gateways to HKSCC. Investor Participants wishing to subscribe for rights shares through HKSCC must give such instructions via the CCASS Phone System or the CCASS Internet System, or at the Customer Service Centre. Normally, the time-limit for input of the completed electronic instruction to HKSCC will be before 11:00 a.m. on the day of the deadline for subscription of securities imposed by the Issuers of the relevant Eligible Securities. Subscription instructions of Investor Participants received by HKSCC after 7:00 p.m. on a Business Day and before 7:00 a.m. on next Business Day will only be processed after 7:00 a.m. on that next Business Day. Participants may cancel their subscription instructions any time before such time-limit;
- (v) instructions to apply for excess shares should be given separately under the relevant corporate announcement by Investor Participants via the CCASS Phone System or the CCASS Internet System, or at the Customer Service Centre and input by Participants other than Investor Participants via their CCASS Terminals or Participant Gateways. Unless the offer document specifically provides otherwise, only Participants that are entitled to or to whom nil paid rights have been issued may apply for excess shares. An Investor Participant is not entitled to give more than one instruction to HKSCC to apply for excess shares in respect of any one rights issue event. Separate debit entries for the appropriate subscription money will be posted to the Participants' Money Ledgers and will be automatically charged to the Participants' Designated Bank Accounts;
- (viii) upon receipt of rights shares (the rights shares will normally be accepted as Eligible Securities by HKSCC), if the rights are received by HKSCC at or before

5:00 p.m. on a Business Day or 12:00 noon on a Saturday, HKSCC will usually cause such rights shares to be credited to the Stock Accounts of the relevant Participants on the same day in multiple batches in accordance with Section 6.2. Otherwise, HKSCC will credit the rights shares on the following Business Day (Saturday being treated as a Business Day for this purpose, unless it is a public holiday). Participants other than Investor Participants will be informed when rights shares are received by HKSCC, via the Broadcast Message Service;

- (ix) in respect of excess shares received by HKSCC, unless all the excess shares applied for at the request of Participants are allotted to HKSCC (in which case the Participants concerned will receive in full what they have applied for), excess shares will be allocated to the relevant Participants pro-rata to the number of excess shares each has applied for, or in such other manner as HKSCC considers fair and appropriate. Excess shares will be distributed to the relevant Participants in the same manner as rights shares. Surplus subscription monies in Hong Kong Dollars refunded to HKSCC in respect of applications for excess shares, if received by HKSCC at or before 3:45 p.m. on a Business Day, will be returned to the relevant Participants by HKSCC by credit entries to their Money Ledgers on the same day. Otherwise, HKSCC will effect the return of surplus subscription monies on the following Business Day. In the case of Foreign Securities, surplus subscription monies in respect of applications for excess shares will be refunded to Participants in the same currency that the subscription monies have been paid for. The refund procedures will follow those described in Section 8.7.3;

8.11 OPEN OFFERS

8.11.2 Determination of entitlements

A Participant's entitlement to subscribe for new shares under open offers will normally be determined by reference to its holding of the relevant Eligible Securities as at the date on which the entitlement of HKSCC or the Nominee is determined (normally, the last day on which transfers can be submitted for registration in order to qualify to participate in an open offer).

8.11.3 Procedures

The following procedures will usually apply:

- (vi) upon receipt of new shares under an open offer by HKSCC (such shares will normally be accepted as Eligible Securities by HKSCC), if the new shares are received by HKSCC at or before 5:00 p.m. on a Business Day or 12:00 noon on a Saturday, HKSCC will usually cause such shares to be credited to the Stock Accounts of the relevant Participants on the same day in multiple batches in accordance with Section 6.2. Otherwise, HKSCC will credit the new shares under an open offer on the following Business Day (Saturday being treated as a Business Day for this purpose, unless it is a public holiday). Participants other than Investor Participants will be informed when new shares subscribed for under an open offer are received by HKSCC via the Broadcast Message Service. In the case of new shares involving Foreign Securities, HKSCC will cause such shares to be credited to the relevant Participants' Stock Accounts upon receipt of confirmation from the Appointed Depository that the new shares have been credited to HKSCC's account with that Appointed Depository; and

8.12 TAKE-OVER OFFERS

8.12.2 Determination of entitlements

A Participant's right to take part in a take-over offer will normally be determined by reference to the relevant Eligible Securities credited to its Stock Account as at the date on which the extent of the right of HKSCC or the Nominee to take part in such a take-over offer is determined (normally, the last day on which transfers can be submitted for registration in order to participate in a take-over offer).

8.12.3 Procedures

The following procedures will usually apply:

- (ii) Participants other than Investor Participants wishing to accept a take-over offer must input subscription instructions via their CCASS Terminals or Participant Gateways to HKSCC. Investor Participants must give such instructions via the CCASS Phone System or the CCASS Internet System, or at the Customer Service Centre. The deadline for giving such subscription instructions to HKSCC is normally by 11:00 a.m. on the last acceptance day of the take-over offer or, in the case of China Connect Securities, 7:00 p.m. on the Business Day immediately preceding the deadline date imposed by the issuer or its authorized agent. Subscription instructions of Investor Participants received by HKSCC after 7:00 p.m. on a Business Day and before 7:00 a.m. on next Business Day, will only be processed after 7:00 a.m. on that next Business Day. Participants may cancel their subscription instructions on the same day or by such other time as HKSCC considers appropriate;
- (v) based on the instructions of Participants, HKSCC will cause acceptances to be made in respect of the relevant number of Eligible Securities, provided that in the case of any take-over offer relating to China Connect Securities the consideration of which may be received in the form of securities which are not listed on the relevant China Connect Market with a cash alternative, HKSCC will elect to receive the consideration in cash only. Participants will not have the right to elect to receive the consideration in securities under such circumstances;
- (vi) if a take-over offer is successful, upon receipt of the cash consideration under the take-over offer, if such cash payments are received by HKSCC at or before 3:45 p.m. on a Business Day, HKSCC will usually cause such payments to be credited to the Money Ledgers of the relevant Participants on the same day. Otherwise, HKSCC will credit the cash payments on the following Business Day. Participants other than Investor Participants will be informed when cash consideration under a take-over offer is received by HKSCC via the Broadcast Message Service.

If a take-over offer is successful, upon receipt of the securities consideration under the take-over offer, if securities (being Eligible Securities other than China Connect Securities) are received by HKSCC at or before 5:00 p.m. on a Business Day or 12:00 noon on a Saturday, HKSCC will usually cause such securities to be credited to the Stock Accounts of the relevant Participants on the same day in multiple batches in accordance with Section 6.2. Otherwise, HKSCC will credit

the securities consideration on the following Business Day (Saturday being treated as a Business Day for this purpose, unless it is a public holiday). Participants other than Investor Participants will be informed when securities consideration under a take-over offer are received by HKSCC via the Broadcast Message Service.

In the case of China Connect Securities, HKSCC will cause such securities to be credited to the relevant Participants' Stock Accounts upon receipt of confirmation from the China Connect Clearing House that the securities have been unconditionally credited to HKSCC's account with the China Connect Clearing House;

- (vii) if securities being offered as consideration under a take-over offer do not constitute Eligible Securities, Participants will be required to withdraw their entitlements of such securities from the CCASS Depository. Where the take-over offer relates to any China Connect Security and the securities being offered as consideration are not listed on the relevant China Connect Market and no cash alternative is available, HKSCC may, but is not obliged to, make such arrangement with the relevant China Connect Clearing House or offeror regarding the disposal or realization of such securities consideration for Participants as HKSCC may consider appropriate. All costs incurred in connection with such arrangement shall be deducted from the proceeds and any such arrangement undertaken by HKSCC shall be binding on all relevant Participants. HKSCC shall not be liable to Participants for anything done or omitted to be done by it in connection with any such arrangement;
- (ix) the ad valorem stamp duty and any other relevant charges will be charged back to the Participants concerned on a pro-rata basis to the number of Eligible Securities each has given instructions to accept, or in such other manner as HKSCC considers fair and appropriate upon distribution of the cash or securities by HKSCC.

8.12.8 Compulsory acquisition of shares

In the event that Eligible Securities are subject to a compulsory acquisition, the following procedures will usually apply:

- (ii) upon receipt of cash or securities consideration by HKSCC, HKSCC will cause such securities or cash consideration to be paid to the Participants concerned in the same way as described in paragraph (vi) of Section 8.12.3. Participants other than Investor Participants will be informed when cash or securities consideration is received by HKSCC via the Broadcast Message Service;
- (iii) if the securities consideration does not constitute Eligible Securities, Participants will be required to withdraw their entitlements of such securities from the CCASS Depository and if the compulsory acquisition relates to China Connect Securities and the securities consideration involves securities not listed on the relevant China Connect Market, such securities may be dealt with by HKSCC in the same way as described in paragraph (vii) of Section 8.12.3;
- (v) the ad valorem stamp duty and any other relevant charges will be charged back

to the Participants concerned on a pro-rata basis to the number of Eligible Securities so held by the relevant Participants, or in such other manners as HKSCC considers fair and appropriate upon distribution of the cash or securities by HKSCC.

Participants will be advised of other relevant procedures to be observed on a case by case basis.

8.17A REDEMPTION OF SHARES

8.17A.2 Redemption of shares

The following procedures will usually apply:

- (iii) Following receipt of redemption requests, debit entries representing CCASS fees, if applicable, will be posted to Participants' Money Ledgers on the day when redeemable shares are to be withdrawn from Participants' designated Stock Accounts.
- (v) If there are insufficient shares in the Participant's designated Stock Account for withdrawal, the relevant redemption request of such Participant will be rejected by HKSCC and the Participant will be notified of such rejection by fax or in any other manner as decided by HKSCC. There may be other circumstances set out in the constitutional documents and/or prospectus of the relevant company requiring or entitling the company or its agent to reject redemption requests. When a redemption request is rejected due to insufficient shares, HKSCC may, on behalf of the redemption agent, debit a handling fee from the relevant Participant's Designated Bank Account and any CCASS fee collected, if applicable, will not be refunded.

8.20 ELECTRONIC APPLICATIONS FOR THE ISSUE AND REDEMPTION OF UNITS

8.20.2 Issue of Units

The following procedures will usually apply provided that where the underlying securities of Units are non-Eligible Securities, HKSCC may not be responsible for the transfer of such underlying securities for the issue of Units and the following procedures relating to the debiting of underlying securities by CCASS may not apply:

- (v) If a Cash Creation Order is unsuccessful or is rejected, the application monies received from the Participant giving the Order will be re-credited to its Money Ledger by HKSCC. If an In Kind Creation Order is unsuccessful or is rejected, the Eligible Securities debited from the Participant's designated Stock Account will be re-credited to its designated Stock Account by HKSCC. Any CCASS fee, if applicable, collected will not be refunded.

8.20.3 Redemption of Units

The following procedures will usually apply provided that where the underlying securities of Units are non-Eligible Securities, HKSCC may not be responsible for the transfer of such underlying securities for the redemption of Units and the following procedures relating to crediting of underlying securities by CCASS may not apply:

- (iv) If a Unit Redemption Order is unsuccessful or is rejected, the Units debited from the Participant's designated Stock Accounts will be re-credited to its designated Stock Account by HKSCC. HKSCC will also arrange for any surplus monies received by HKSCC in respect of duties, charges and transaction fees to be refunded to Participants. Any CCASS fee collected, if applicable, will not be refunded.

Section 9

Overview of Clearing and Settlement in CCASS

9.1 TRANSACTIONS ACCEPTED FOR SETTLEMENT IN CCASS

In brief, subject to the Rules, transactions in Eligible Securities accepted for settlement in CCASS will be (i) Exchange Trades, (ii) SI Transactions, (iii) Clearing Agency Transactions, (iv) ISI Transactions, (v) Compulsory Stock Borrowing Transactions and (vi) China Connect Securities Trades. Transfer Instructions to effect transfers of Exchange Fund Notes, Government Bonds or Specified Instruments between a Participant and a Recognized Dealer and Transfer Instructions to effect transfers of CMU Instruments between a Participant and a CMU Member are also accepted for settlement between CCASS and CMU. Cross-Border Transfer Instructions are accepted for settlement and/or clearance by HKSCC on a Free of Payment basis for the time being.

Arrangements have been made by HKSCC for details of the Exchange Trades, China Connect Securities Trades and Clearing Agency Transactions to be reported to HKSCC on a daily basis. Participants will not, therefore, generally have to input into CCASS details of Exchange Trades, China Connect Securities Trades or Clearing Agency Transactions.

SI Transactions are transactions in Eligible Securities to be settled in CCASS between Participants other than Investor Participants, other than Exchange Trades, China Connect Securities Trades, Clearing Agency Transactions and ISI Transactions. Details of SI Transactions are input into CCASS by "Settlement Instructions" or "SIs" given by the two Participants other than Investor Participants concerned to HKSCC. ISI Transactions (see Section 12.3) are transactions in Eligible Securities other than China Connect Securities to be settled in CCASS involving Investor Participants. Details of ISI Transactions are input into CCASS by "Investor Settlement Instructions" or "ISIs" given by a Participant to HKSCC and which are, if required, affirmed by the relevant Investor Participant via the CCASS Phone System or the CCASS Internet System.

Transactions in Eligible Securities other than China Connect Securities can be settled in CCASS, either on a Free of Payment, or FOP, basis, or on a Delivery versus Payment, or DVP, basis or on Realtime Delivery versus Payment, or RDP, basis. SI Transactions in China Connect Securities can be settled in CCASS on an FOP basis only.

Compulsory Stock Borrowing Transactions are stock borrowing transactions relating to Eligible Securities which are entered into in accordance with the Compulsory Stock Lending and Borrowing Regulations between HKSCC and a Participant other than an Investor Participant.

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 NCP, the GCP of that NCP designated for clearing China Connect Securities Trades of such NCP 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 NCP.

China Connect Securities Trades will be settled by China Connect Clearing Participants in CCASS under the CNS System (see Section 10A) with HKSCC as the settlement counterparty pursuant to the creation through Novation of a Market Contract between HKSCC and the relevant China Connect Clearing Participant as described in Rule 4106. Settlement will be effected between China Connect Clearing Participants and HKSCC in CCASS on a net basis.

Settlement of China Connect Securities Trades under the CNS System will always be effected on a DVP basis via the issuance of CPIs.

9.3 SI TRANSACTIONS

Settlement of SI Transactions in CCASS will be effected directly between the Participants concerned and can be effected on a RDP, DVP or FOP basis, as stipulated by the Participants concerned in their SIs. SI Transactions in China Connect Securities can be effected by Participants on an FOP basis only.

9.7 SECURITIES SETTLEMENT

Settlement of transactions in Eligible Securities in CCASS involves book-entry movements of Eligible Securities among the Stock Accounts of the Participants concerned and will be effected either:

- (iii) by way of on-line immediate delivery upon input (and authorisation, if required) of an ISI (without affirmation) by a Participant or upon affirmation of an ISI (with affirmation) by the Investor Participant concerned, provided that there are sufficient Eligible Securities in the Stock Account of the delivering Participant and, in the case of an ISI Transaction or SI Transaction to be settled in CCASS on a RDP basis, upon receipt of confirmation of payment of the ISI Transaction or SI Transaction from the Clearing House of HKAB for the relevant Eligible Currency.

Exchange Trades and Clearing Agency Transactions, including those to be settled under the Isolated Trades System and ISI and SI Transactions specifically excluded by Participants from Batch-settlement-runs will require the input of DIs by the delivering Participants other than Investor Participants.

9.8 MONEY SETTLEMENT

Each Participant must establish a General Purpose Designated Bank Account denominated in Hong Kong dollars with a Designated Bank for settlement of money obligations in respect of all its transactions in Eligible Securities in CCASS. Each Participant which wishes to settle money obligations in CCASS in an Eligible Currency other than Hong Kong dollars must maintain a Designated Bank Account in its own

name and denominated in that Eligible Currency for the settlement of money obligations in CCASS. Each Participant must also authorise HKSCC to cause debits and credits to be made to its Designated Bank Account (or, if it has more than one, to each of them) for CCASS money settlement purposes.

Each China Connect Clearing Participant must maintain with a Designated Bank a Designated Bank Account in its own name and denominated in RMB for the settlement of money obligations in respect of China Connect Securities Trades to be settled via CPIs and DDIs.

In general, for transactions in Eligible Securities other than China Connect Securities to be settled on a DVP basis in CCASS, payment will follow delivery of Eligible Securities other than China Connect Securities in CCASS; whereas for those transactions to be settled on an RDP basis in CCASS, Eligible Securities other than China Connect Securities will be delivered upon receipt of confirmation of payments of such transactions from the Clearing House of HKAB.

For Exchange Trades and Clearing Agency Transactions to be settled under the CNS System, settlement between Participants and HKSCC will always be on a DVP basis. Following delivery of Eligible Securities in CCASS, HKSCC will issue IPIs, DDIs and DCIs to the Designated Banks of the Participants concerned to effect payment for value on the same day.

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 the China Connect Securities Trade, after delivery by the delivering China Connect Clearing Participants of China Connect Securities in CCASS, HKSCC will issue CPIs to the Designated Banks of the paying China Connect Clearing Participants or HKSCC's banker to effect payment for value on the same day.

For those transactions in which relevant Participants opt for settlement of those transactions in CCASS on a RDP basis, subject to the relevant Eligible Securities being put on-hold in the delivering Participant's Stock Account in CCASS, HKSCC will issue CPIs to the Designated Banks of the paying Participants to request for payment. Delivery of Eligible Securities will be effected upon receipt of confirmation of payments of such transactions from the Clearing House of HKAB to HKSCC within the predefined time schedule, i.e. normally from 9:30 a.m. to 3:30 p.m. on each Settlement Day.

Section 10

Exchange Trades - CNS System

For the purposes of this Section 10, (i) references to “Eligible Securities” mean Eligible Securities other than China Connect Securities; (ii) references to “Participants” mean Clearing Participants and Clearing Agency Participants; and (iii) references to “Exchange Participants” include Special Participants, unless specified otherwise.

10.1 ACCEPTANCE FOR SETTLEMENT UNDER THE CNS SYSTEM

10.1.1 Details of Exchange Trades

Arrangements have been made by HKSCC for details of Exchange Trades to be reported to HKSCC on a daily basis. Participants will not, therefore, generally have to input into CCASS details of Exchange Trades. However, HKSCC reserves the right to require Participants to provide details of Exchange Trades executed by them or, in the case of GCPs, including those of their NCPs to it.

10.1.2 Confirmation of acceptance under the CNS System

Acceptance by HKSCC of Exchange Trades for settlement under the CNS System will only be confirmed by details contained in the second batch of PCSs issued by HKSCC to Participants at or about 8:00 p.m. on each Business Day.

10.1.3 “Guarantee” by HKSCC

Since acceptance for settlement under the CNS System involves the substitution of HKSCC as settlement counterparty, a form of "guarantee" is in effect provided by HKSCC to Participants in respect of Exchange Trades accepted for settlement under the CNS System.

10.1.4 Availability of PCSs

Hard copies of PCSs issued by HKSCC to Participants on each Business Day can be obtained by such Participants via their CCASS Terminals or Participant Gateways. PCSs are generated twice daily on each Business Day.

10.1.5 Information contained in PCSs

A PCS will provide a Participant with information in relation to all Exchange Trades and/or Clearing Agency Transactions to be cleared and settled by the Participant on that day. For a particular day, a PCS will set out the details of Exchange Trades and/or Clearing Agency Transactions to be settled under the CNS System and the details of its net stock settlement positions in each Eligible Security traded that day (and the relevant money positions).

The information contained in a PCS will only be indicative of the settlement obligations of a Participant on the due settlement date (i.e. T+2). Trade Amendments may be made, “late” Exchange Trades may be accepted, trades not recognized by the Exchange may be excluded and the settlement obligations may be affected by unsettled positions under the CNS System in the intervening day (i.e. T+1) before the due settlement date.

The main purpose of a PCS, in addition to allowing a Participant to make initial preparation for settlement, is to allow a Participant to carry out daily reconciliation with its internal records of the Exchange Trades and/or Clearing Agency Transactions.

Where a Participant is in the process of opening a bank account in an Eligible Currency for money settlement of Exchange Trades and/or Clearing Agency Transactions accepted under the CNS System, a message will be posted on the PCSs of the Participant concerned to alert the Participant about the alternative payment methods available.

10.2 TRADE AMENDMENTS, “LATE” EXCHANGE TRADES AND TRADES NOT RECOGNIZED BY THE EXCHANGE

10.2.1 Rectification of errors by Trade Amendments

Arrangements have been made by HKSCC for details of Trade Amendments to be reported to it by the Exchange. Provided that such details are received by HKSCC on the Business Day following the relevant day of trade, before the usual time for the issue of the FCSs by HKSCC (see Section 10.2.3), HKSCC will normally accept such Trade Amendments and cause the relevant adjustments to be made to the settlement positions of the Participants concerned under the CNS System. However, HKSCC reserves the right not to accept Trade Amendments even if the Exchange has given approval and if so, will notify the Participants concerned as soon as possible. For those Trade Amendments relating to Exchange Trades in which a GCP or a Clearing Agency Participant has been substituted as a party, the GCP or Clearing Agency Participant shall notify the NCP or Special Participant concerned that the Trade Amendment has not been accepted by HKSCC.

10.2.2 “Late” Exchange Trades

Exchange Trades conducted on a particular day may not be reported to the Exchange by the Exchange Participants in time for the details of such Exchange Trades to be reported by the Exchange to HKSCC on the same day. The reporting of such late Exchange Trades by the Exchange Participants concerned to the Exchange will be dealt with by the Exchange as a form of Trade Amendment. Treatment of such "late" Exchange Trades by HKSCC will be the same as Trade Amendments as described in Section 10.2.1 except that this Section 10.2.2 on “Late” Exchange Trades shall not apply to Special Participants.

10.2.2A Trades not recognized by the Exchange

Trades in a Structured Product which are effected on or reported to the Exchange on a particular day after the time of the relevant call event as notified by the Issuer of the Structured Product to or otherwise determined by the Exchange and which are not recognized by the Exchange in accordance with the Exchange Rules may not be reported by the Exchange to HKSCC on the same day, or even if on the same day, may not be reported in time for such trades to be excluded from the relevant PCSs. Any such trades not recognized by the Exchange, if not already excluded from the PCSs issued to the Clearing Participants, will be excluded from the FCSs (see Section 10.2.3).

10.2.3 Confirmation of acceptance under CNS System of Exchange Trades subject to Trade Amendments and “late” Exchange Trades and exclusion of trades not recognized by the Exchange

Acceptance by HKSCC of the Exchange Trades subject to Trade Amendments for settlement under the CNS System and “late” Exchange Trades as referred to in Section 10.2.2, as well as exclusion of trades not recognized by the Exchange as referred to in Section 10.2.2A, will be confirmed by details contained in the FCSs issued by HKSCC daily to Clearing Participants at or about 2:00 p.m., on the Business Day following the relevant day of trade.

10.2.4 Availability of FCSs

Hard copies of FCSs, issued by HKSCC to Participants on each Business Day, can be obtained by the Participants via their CCASS Terminals or Participant Gateways.

10.2.5 Information contained in FCSs

A FCS will contain the following information in relation to (a) trades of a Participant and, in the case of a GCP or a Clearing Agency Participant, including those of its NCPs or Special Participants concluded on the Exchange and/or (b) Clearing Agency Transactions of a Participant and, in the case of a GCP, including those of NCPs, effected on the previous Business Day (i.e. T-day) and which are to be settled on the following Settlement Day (i.e. T+2):

Where a Participant is in the process of opening a bank account in an Eligible Currency for money settlement of Exchange Trades and/or Clearing Agency Transactions accepted under CNS System, a message will be posted on the FCS of the Participant concerned to alert the Participant about the alternative payment methods available.

10.2.6 Accrued Interest Adjustment

Details of the accrued interest adjustments are provided in the FCSs, Next Settlement Day Due/Overdue Position Reports, Settled Position Reports and Settlement Report (see CCASS Terminal User Guide for Participants for details), where applicable.

10.4 SECURITIES SETTLEMENT UNDER THE CNS SYSTEM

10.4.1 Settlement between HKSCC and Participants

Under the CNS System, Exchange Trades are replaced by Market Contracts whereby HKSCC becomes the settlement counterparty to Participants. Settlement will be effected between the Participants and HKSCC in CCASS.

10.4.2 Settlement of short stock positions of Participants

Short stock positions of Participants under the CNS System may be settled in CCASS in any one of the following ways:

- (i) by the input of Delivery Instructions by the delivering Participants;

In the case of settlement by Batch-settlement-runs and cross-day netting, the oldest short stock positions of a Participant will always be settled first.

Except in cases where Participants have provided Collateral Security through CCMS for a waiver of computation of Marks, the CNS short stock position in the batch settlement occurring at the beginning of each Settlement Day will be settled with the relevant Collateral Security so provided with the same settlement date and to the extent which Marks computation has been waived, if the CNS short stock position still exists. Where

two or more short positions exist in the same stock and with the same settlement date, relevant Collateral Security will be used to settle the position with a higher average price first.

In the case of settlement by DIs, a delivering Participant can select any stock position for settlement without reference to age.

10.4.3 Settlement of long stock positions of Participants

As and when Eligible Securities are made available to HKSCC by Participants with short stock positions under the CNS System, these will be used by HKSCC to settle its obligations to Participants with long stock positions under the CNS System.

HKSCC will deliver the Eligible Securities made available to it to Participants with long stock positions under the CNS System in accordance with the allocation algorithm set out in Section 13.4.

Although Participants with long stock positions under the CNS System may not receive Eligible Securities in CCASS on due dates (T+2), they will be able to make use of their outstanding long stock positions to offset against short stock positions in the same Eligible Securities under the CNS System on subsequent Settlement Days.

10.4.4 Partial delivery

Partial delivery will be allowed in respect of the CNS stock positions of Participants.

10.5 MONEY SETTLEMENT UNDER THE CNS SYSTEM

10.5.1 DVP basis

Settlement between Participants and HKSCC under the CNS System will normally be on a DVP basis and in the Eligible Currency in which the relevant securities are denominated. To the extent that HKSCC determines that it is not possible or reasonably practicable to make payment in such Eligible Currency, HKSCC's obligations shall be to make payment, in full or in part, in such other currency or currencies and at such conversion rate(s) as HKSCC may in its absolute discretion determine to be fair and reasonable, taking into account all relevant circumstances as it may consider appropriate. With only one exception (see Section 10.5.5), money settlement will only be effected after settlement of stock positions in CCASS.

CCASS money settlement involves HKSCC issuing instructions to the Designated Banks of Participants to cause credits and debits to be made to the Designated Bank Accounts of Participants. Where the Participant is in the process of opening a Designated Bank Account in an Eligible Currency which is the subject of the CNS Transactions, HKSCC will make payment to the Participant by telegraphic transfer or paper cheque or such other means as are considered fair and reasonable by HKSCC. Payment will be made to the delivering Participant on the Business Day following the actual date of securities settlement. The receiving Participant must make payment directly into HKSCC's stated foreign currency bank account before 5:45 p.m. on the actual date of securities settlement.

10.5.2 Money position of daily net CNS stock positions

For Exchange Trades in the same Eligible Security effected on the same day (and

accepted for settlement under the CNS System), there will be one daily net stock position, as illustrated in the example set out in Section 10.3.3.

This daily net CNS stock position of a Participant in an Eligible Security will have a corresponding net money position, derived from offsetting the money positions of the underlying Exchange Trades. Again, this is illustrated in the example set out in Section 10.3.3.

The net money positions derived from offsetting the money positions of the underlying Exchange Trades of a Participant in each Eligible Security in the same Eligible Currency on the same day will be offset against each other to result in a total net money position with HKSCC on each Settlement Day.

10.5.3 Money position of CNS stock positions after cross-day netting

If two opposite CNS stock positions of a Participant in the same Eligible Security are offset against each other as a result of cross-day netting, the money positions of the two CNS stock positions will also be offset against each other to result in a sum to be settled between HKSCC and the Participant concerned. Any unsettled CNS stock position will also have a corresponding money position. The position is illustrated in the example set out in Section 10.3.4.

The money positions of two CNS stock positions of a Participant in the same Eligible Security (such CNS stock positions being both long or both short), will continue to be treated as separate and distinct.

10.5.4 Partial delivery

In respect of any partial delivery of a CNS stock position of a Participant (in an Eligible Security due for settlement on a particular Settlement Day), the amount to be settled between HKSCC and the Participant will be determined by multiplying the number of Eligible Securities settled, by the average position price of the CNS stock position (see Section 10.3.3). The position is illustrated in the example set out in Section 10.3.6.

10.5.5 CNS positions involving both delivery and payment by HKSCC or by Participants

In some cases, it is possible that a Participant may have a CNS stock position under which it is obliged to deliver Eligible Securities to HKSCC as well as to pay HKSCC (or the other way round, where HKSCC is obliged to deliver Eligible 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 Eligible Security are made by a Participant or in the case of a GCP or a Clearing Agency Participant, including that made by an NCP or a Special Participant 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.

10.5.6 One daily net money position under the CNS System for each Participant

There will be one net money position under the CNS System for each Participant on each Settlement Day. The position is illustrated in Section 10.5.7.

10.5.8 Intra-day settlement of money obligations due to Participants under the CNS System

Participants that wish to receive intra-day settlement of money obligations due to Participants from HKSCC under the CNS System on a Settlement Day may input Intra-day Payment Standing Instructions via the “Intra-day Payment Standing Instruction” maintenance functions. Such intra-day settlement of money obligations due from HKSCC to Participants shall be at the full discretion of HKSCC and may be subject to such conditions and limits as HKSCC may consider appropriate, including limiting the intra-day settlement amount to the amount of cash prepayments received from Participants under Section 10.12.4 and overpaid cash prepayments not refunded to Participants under Section 10.12.7 or such other amount as HKSCC may from time to time determine.

If for whatever reason, the money obligations due to Participants that have requested to receive intra-day settlement of money obligations from HKSCC under the CNS System exceed any limit determined by HKSCC, HKSCC shall have the right to allocate the intra-day settlement amounts among Participants in such manner as it shall consider fair and appropriate in the circumstances. Priority will be given to Participants that have maintained authorised Cash Prepayment Standing Instructions at the beginning of the Settlement Day. Upon determination of the actual intra-day settlement amounts of money obligations that will be paid to Participants, HKSCC will generate Intra-day Payment Instructions to the Participants in accordance with Section 14.8.

The following is a brief description of the procedures relating to intra-day settlement of money obligations due to Participants from HKSCC under the CNS System:

- (i) Participants that wish to request HKSCC to effect intra-day settlement of money obligations due to Participants from HKSCC under the CNS System shall input Intra-day Payment Standing Instructions via the “Intra-day Payment Standing Instruction” maintenance functions to instruct HKSCC to issue Intra-day Payment Instructions covering such intra-day settlement of money obligations. Acceptance of such Intra-day Payment Standing Instructions by HKSCC will be at the discretion of HKSCC and subject to such conditions and limits as HKSCC may from time to time specify. Where the Intra-day Payment Standing Instruction of a Participant also covers intra-day payment to the Participant of cash payments arising out of nominee services on each Business Day and/or surplus cash arising from overpaid cash prepayment on each Settlement Day, the amount of Intra-day Payment in this Section 10.5.8 on a Settlement Day shall include the amount of cash payments arising out of nominee services as referred to in and determined by HKSCC under Section 8.25.2 and/or surplus cash arising from overpaid cash prepayment as referred to in and determined by HKSCC under Section 10.12.8;
- (ii) Participants shall define a pre-set threshold in their Intra-day Payment Standing Instructions. No Intra-day Payment Instruction will be issued by HKSCC to a Participant on a Settlement Day and/or a Business Day if the total amount of Intra-day Payment as determined by HKSCC to be paid to the Participant on that day via IPI is smaller than its pre-set threshold;
- (iii) in case an Intra-day Payment Standing Instruction covering intra-day settlement of money obligations due to a Participant from HKSCC under the CNS System is accepted by HKSCC on a Settlement Day at or before 1:15 p.m., an Intra-day Payment Instruction will be issued starting from that day if applicable. Otherwise,

the Intra-day Payment Instruction will only be issued from the next Settlement Day/Business Day;

- (iv) following the acceptance by HKSCC of an Intra-day Payment Standing Instruction to effect intra-day settlement of money obligations due to a Participant from HKSCC under the CNS System, HKSCC will normally determine the amount of such money obligations that is due to the Participant upon completion of the third Batch-settlement-run shortly after 2:00 p.m. on each Settlement Day, or such other time as specified by HKSCC from time to time;
- (v) in determining the intra-day settlement amount of money obligations that is due to a Participant from HKSCC under the CNS System, HKSCC will consider:
 - (a) whether the Participant has maintained an authorised Cash Prepayment Standing Instruction at the beginning of the Settlement Day;
 - (b) the money obligations due to the Participant from HKSCC under the CNS System for all settled CNS short positions upon completion of the third Batch-settlement-run shortly after 2:00 p.m. and any immediate settlement by DIs;
 - (c) the money obligations due from the Participant to HKSCC under the CNS System for all settled and unsettled CNS long positions; and
 - (d) other types of money obligations in the Participant's Settlement Account and Miscellaneous Account of Money Ledger as HKSCC may from time to time specify;
- (vi) if the aggregate amount of intra-day settlement of money obligations exceeds any limit set by HKSCC, HKSCC shall have the right to allocate the intra-day settlement amounts among Participants in such manner as it shall consider fair and appropriate in the circumstances. Upon determination of the actual intra-day settlement amount of money obligations that will be paid to a Participant, an Intra-day Payment Instruction will be issued by HKSCC if the total amount of Intra-day Payment of the Participant is equal to or greater than the pre-set threshold defined by the Participant;
- (vii) HKSCC will issue Intra-day Payment Instructions to the Designated Banks of Participants on a Settlement Day or Business Day at around 2:30 p.m., or such other time as specified by HKSCC from time to time, to cause credits to be made to the Designated Bank Accounts of Participants;
- (ix) irrespective of whether an Intra-day Payment Standing Instruction is accepted by HKSCC under Section 10.5.8(iii), whether to allow an Intra-day Payment to Participants in respect of any intra-day settlement of money obligations due to Participants from HKSCC under the CNS System will be at the full discretion of HKSCC. If (a) a Participant fails to follow the specified procedures; (b) its Intra-day Payment Standing Instruction is subsequently turned down by HKSCC for any other reason; or (c) the settlement of any money obligations due to the Participant from HKSCC under the CNS System is not effected under an Intra-day Payment Instruction for any reason, then any money obligations due to the Participant from

HKSCC under the CNS System will only be paid to the Participant not later than day end via DCI.

10.6 LATE DELIVERY: DEFAULT FEE

HKSCC may require Participants that fail to settle their CNS stock positions in Eligible Securities on due dates to pay to it default fees. Default fees levied by HKSCC may be retained by HKSCC for use for such CCASS purposes as HKSCC deems fit. Default fees will be prescribed by HKSCC from time to time.

10.7 LATE DELIVERY: COMPULSORY STOCK BORROWING BY HKSCC

10.7.1 Purpose

HKSCC reserves the right at any time to effect a Compulsory Stock Borrowing Transaction in order to:

- (i) meet the aggregate of HKSCC's CNS delivery obligations to Participants, which have not been satisfied as a result of a failure by any Participant to deliver Eligible Securities to HKSCC by the final Batch-settlement-run on the due date (i.e., T+2); or

For the avoidance of doubt, any borrowing of Eligible Securities effected by HKSCC pursuant to this Section 10.7 shall not affect the obligation of the Participant to deliver Eligible Securities under the CNS System.

10.8 LATE DELIVERY: BUY-IN

10.8.2 Timing of Buy-in

Unless (i) HKSCC grants an exemption under Section 10.8.3, (ii) there is a risk management reason affecting HKSCC, which is considered valid by the Risk Management Committee, (iii) a Buy-in has been executed by HKSCC pursuant to Rule 3501(iv) in respect of the short CNS stock positions of a Participant or (iv) the exemption from Buy-in specified in Section 17.2.13 applies, short stock positions of a Participant under the CNS System which are outstanding for settlement on the due date (i.e., unsettled after settlement processing on T+2) will be subject to a Buy-in by HKSCC on behalf of the short Participant on T+3 (or if it is not practicable to do so on T+3, at any time thereafter).

A Buy-in trade executed by HKSCC on behalf of the short Participant on or off the Exchange will normally be settled under the CNS System, subject to the usual T+2 settlement period and will go through the substitution process (where applicable) and normal novation, daily netting and cross day netting processing.

In the event that a short Participant wishes to make an irrevocable request to HKSCC to execute a Buy-in pursuant to Rule 3501(iv), such Participant shall complete and submit to HKSCC the prescribed form of request (See Appendix 4.7a). If the request form is received by HKSCC between 8:01 p.m. and 12:00 noon, orders will be placed on or off the Exchange during the afternoon trading session at the Exchange. If the request form is received by HKSCC between 12:01 p.m. and 8:00 p.m., orders will be placed on or off the Exchange on the following trading day. HKSCC shall effect the Buy-in at what it determines to be the best prevailing market price and terms available (but taking into

account HKSCC may need to act promptly and provided that HKSCC shall have no liability if it acts in good faith). The short Participant shall be liable to and shall indemnify HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC against all costs and expenses incurred by HKSCC in connection with the Buy-in.

10.8.3 Exemption from Buy-in

HKSCC may grant an exemption from a Buy-in on behalf of a short Participant on T+3 if such Participant is able to provide HKSCC with satisfactory evidence in accordance with Section 10.8.4 that a ground for exemption as set out below applies:

- (v) in respect of oversold trades due to clerical or calculation error of the short Participant applying for exemption (or in the case of a GCP, including such oversold trades of its NCP), the delivery obligations of the Participant applying for exemption will be settled fully on T+3 pursuant to purchase transactions executed on T+1;

The short Participant to whom an exemption from a Buy-in is granted shall be obliged to settle all overdue short positions of which exemption is granted by day-end of T+3. In the event that such Participant fails to do so for whatever reason, HKSCC may consider executing on behalf of such Participant a Buy-in on T+4 (or, if it is not practicable to do so on T+4, at any time thereafter) in its absolute discretion as it may think fit.

10.8.4 Application for exemption from Buy-in on T+3

A short Participant wishing to claim exemption under Section 10.8.3 must apply to HKSCC not later than 8.00 p.m. on the due date for settlement (i.e., T+2) by completing and submitting an Application Form for Exemption of Buy-in (see Appendix 4.7). The Application Form shall be sent by facsimile and shall be deemed received when received by HKSCC. In addition, the short Participant applying for exemption must provide HKSCC with satisfactory supporting documents as set out below on or before T+6, unless otherwise notified by HKSCC. Unless (i) HKSCC grants an exemption under Section 10.8.3, (ii) there is a risk management reason affecting HKSCC, which is considered valid by the Risk Management Committee, (iii) a Buy-in has been executed by HKSCC pursuant to Rule 3501 (iv) in respect of the short CNS stock positions of a short Participant or (iv) the exemption from Buy-in specified in Section 17.2.13 applies, HKSCC will effect a Buy-in on behalf of the short Participant on T+3 (or if it is not practicable to do so on T+3, at any time thereafter) through HKSCC's authorized brokers. For the avoidance of doubt, a short Participant is not required to apply to the HKSCC to claim an exemption if the exemption from Buy-in specified in Section 17.2.13 applies.

10.8.5 Buy-in process by HKSCC on behalf of a short Participant

The following explains the process of Buy-in by HKSCC on behalf of a short Participant in greater detail:

- (i) in respect of the short stock positions of a short Participant under the CNS System still outstanding at the end of the due date (i.e., T+2), a Buy-in Notification Report containing such outstanding short stock positions will be generated by HKSCC. Unless (a) HKSCC grants an exemption under Section 10.8.3 or (b) there is a risk

management reason affecting HKSCC which is considered valid by the Risk Management Committee, HKSCC will effect Buy-in on T+3 (or if it is not practicable to do so on T+3, at any time thereafter), of all outstanding short stock positions stated in the Buy-in Notification Report;

- (ii) the Buy-in Notification Report will be available to the short Participant through its CCASS Terminals and Participant Gateways after the final Batch-settlement-run;
- (iii) the short Participant may apply for exemption from Buy-in to HKSCC in accordance with the provisions of section 10.8.4;
- (v) HKSCC shall effect a Buy-in at what it determines to be the best prevailing market price and terms available (but taking into account HKSCC may need to act promptly and provided that HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC shall have no liability if HKSCC acts in good faith). The short Participant shall be liable to and shall indemnify HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC against all costs and expenses incurred by HKSCC in connection with the Buy-in;
- (vi) after effecting such a Buy-in, the relevant Buy-in details will be available to the short Participant via the CCASS enquiry function of "Enquire Buy-in Confirmation". The relevant Buy-in details will also be posted under the section "Buy-in Confirmation" in the Buy-in Notification Report; and
- (vii) upon receipt of confirmation of good funds in relation to the cost of the Buy-in, Eligible Securities received under the Buy-in will be delivered to the short Participant.

10.8.6 Buy-in to be effected under the Isolated Trades System

Where a Buy-in is required by HKSCC to be effected under the Isolated Trades System, the selling counterparty Exchange Participant to a Buy-in executed on behalf of the short Participant will have to be so informed by HKSCC or its authorized broker.

10.8.8 Participants may effect cash prepayment

Participants that have outstanding payment obligations to HKSCC under any Buy-in but wish to utilize any or all of the Eligible Securities to be received under the Buy-in for any purpose, including to settle ISI/SI Transactions and Isolated Trades during a Settlement Day, may pay same day available funds in the relevant Eligible Currency to HKSCC to reduce their monetary obligations.

A Participant may pay same day available funds to HKSCC by inputting Cash Prepayment Instructions on each Settlement Day or by inputting a Cash Prepayment Standing Instruction via the "Cash Prepayment Standing Instruction" maintenance functions to authorize HKSCC to generate recurring Cash Prepayment Instructions on behalf of the Participant concerned on each Settlement Day. The cash prepayment amount that will be generated under a Cash Prepayment Standing Instruction will equal to the total outstanding Buy-in cost on the Settlement Day. Any Cash Prepayment Standing Instruction remaining in the "pending status" ten calendar days after its last updated date will be automatically purged from CCASS.

10.8.9 Procedures

The following is a brief description of the procedures relating to cash prepayment on each Settlement Day:

- (a) Cash Prepayment Instructions with “CHATS” set as the payment method
 - (i) Participants that wish to make prepayments by means of CPIs shall select “CHATS” as the payment method when creating a Cash Prepayment Instruction via a CCASS Terminal or a Participant Gateway from 8:00 a.m. to 2:00 p.m. or such other time specified by HKSCC from time to time or when creating a Cash Prepayment Standing Instruction via a CCASS Terminal or a Participant Gateway from 8:00 a.m. to 7:00 p.m. or such other time specified by HKSCC from time to time;
 - (iii) Upon the creation and authorization of Cash Prepayment Instructions by Participants or the generation of Cash Prepayment Instructions by HKSCC pursuant to Cash Prepayment Standing Instructions, CPIs will be generated to collect the cash prepayments from their Designated Bank Accounts. The CPIs information will be included in the Electronic CHATS Payment Instruction Report (CSEPI03). Based on the report, Designated Banks will issue CPIs to the Clearing House of HKAB to make payment on their behalf. Clearing Participants must ensure that there are sufficient funds in their Designated Bank Accounts and that the CHATS payments are completed by their Designated Banks no later than 3:30 p.m. or such other time as may be prescribed by HKSCC from time to time;
 - (iv) Upon being notified by the Clearing House of HKAB of the finality of such payment, HKSCC will update the Miscellaneous Accounts of Participants’ Money Ledgers to reduce their corresponding monetary obligations due to HKSCC and as a result, release the Eligible Securities received under the Buy-ins to the Participants. Participants’ Statements of Money Ledger will show the relevant entries. Participants can check the status of a Cash Prepayment Instruction via the CCASS enquiry function of “Enquire Cash Prepayment Instruction”; and
- (b) Cash Prepayment Instructions with “OTHERS” set as the payment method
 - (i) Participants that wish to make prepayments by other means must indicate “OTHERS” as the payment method when creating a Cash Prepayment Instruction via a CCASS Terminal or a Participant Gateway from 8:00 a.m. to 2:30 p.m. or such other time specified by HKSCC from time to time or when creating a Cash Prepayment Standing Instruction via a CCASS Terminal or a Participant Gateway from 8:00 a.m. to 7:00 p.m. or such other time specified by HKSCC from time to time;
 - (ii) To avoid undue concentration of HKSCC's exposure to a bank appointed by HKSCC as receiving bank for cash payment, cash prepayment is subject to the concentration limit predetermined by HKSCC in respect of each appointed receiving bank. HKSCC will only accept or generate Cash Prepayment Instructions within the predetermined concentration limit of the

receiving bank. In case a Cash Prepayment Standing Instruction is created and authorized by a Participant, Cash Prepayment Instructions will be generated by HKSCC, if applicable, at approximately 8:00 a.m. starting from the following Settlement Day;

- (iii) Participants must ensure that same day available funds are transferred to HKSCC's specified bank account no later than 2:45 p.m. or such other time prescribed by HKSCC from time to time. For Participants using the same bank as the appointed receiving bank of HKSCC, they can make use of the internal account transfer function of the bank (see CCASS Terminal User Guide for Participants for details) or its electronic banking system to transmit available funds. For others, they can instruct their banks to make payment to HKSCC via inter-bank transfer with CHATS payment (see CCASS Terminal User Guide for Participants for details);
- (iv) Based on the details of Cash Prepayment Instructions, HKSCC will follow up the funds with its appointed receiving bank and the relevant Participants. Only when available funds in the relevant Eligible Currency are confirmed will HKSCC update Participants' Miscellaneous Accounts of Money Ledger to reduce their corresponding monetary obligations due to HKSCC and as a result, release the Eligible Securities received under the Buy-ins to the Participants. Participants' Statements of Money Ledger will show the relevant entries. Participants can check the status of a Cash Prepayment Instruction via the CCASS enquiry function of "Enquire Cash Prepayment Instruction";
- (vii) In case cash remittance is made by a Participant to HKSCC as cash prepayment not pursuant to any Cash Prepayment Instruction, HKSCC reserves the right not to effect the updating of the Participant's Money Ledger on the same day. Such cash payment will be refunded without interest to the Participant by crediting the cash payment amount to its Money Ledger on the next Business Day; and

10.9 LATE DELIVERY: ADJUSTMENTS FOR ENTITLEMENTS

10.9.1 General

If, as at that date, a Participant has any outstanding unsettled stock positions under the CNS System, certain adjustments to its entitlements may have to be made between HKSCC and such Participant.

This Section explains the facilities and procedures in CCASS to deal with adjustments or claims in respect of entitlements accruing to Eligible Securities which may be necessary as a result of late deliveries by Participants under the CNS System.

For convenience, Participants with long CNS stock positions giving rise to adjustments are referred to in this Section as "Long Participants". Participants with short CNS stock positions giving rise to adjustments are referred to in this Section as "Short Participants"

Where a benefit entitlement election or election to participate in corporate actions in respect of any Eligible Securities has to be made by a Long Participant by a specific

time on any day which is the last election day by delivering the Eligible Securities to the registrar by the specified time (usually 4:00 p.m.) to take up the entitlement and/or participate in the corporate action, and the Long Participant is unable to do so by reason of not having received the relevant Eligible Securities in settlement under CNS following the second Batch-settlement-run (currently 12:00 noon), in such case, HKSCC shall hold the Short Participant who still maintains an unsettled CNS short position in such Eligible Securities after the second batch-settlement-run on such Settlement Day, being the last day of election and delivery of the Eligible Securities to the registrar, responsible and accountable for the benefit entitlement that a Long Participant has indicated for election in the application form submitted to HKSCC in accordance with Sections 10.9.8 et seq.

10.9.2 General principles

The procedures for adjustments for entitlements under the CNS System, as set out in this Section, or as may be notified by HKSCC from time to time, will be binding on Participants. Save as provided in this Section, Long Participants shall have no claim against HKSCC in respect of benefit entitlements accruing to their outstanding long CNS stock positions.

10.9.8 Rights issues

In relation to rights issues, the following procedures will usually apply:

- (ii) Short Participants will be required to have the relevant number of nil paid rights in their Entitlement Account on or before the day before the first dealing date of such nil paid rights;

Application for rights shares and excess shares by Long Participants will be effected by completing and submitting to HKSCC a "Rights Issues Subscription Election Form - CNS Positions" (see Appendix 4.10) together with a cashier order for the subscription money or by any other means as specified by HKSCC by 2:00 p.m. on the Business Day before the last day for subscription for rights shares or any other time as specified by HKSCC, and may not result in HKSCC requiring Short Participants to take action.

10.9.9 Open Offers

In relation to open offers, the following procedures will usually apply:

- (i) Long Participants wishing to apply for new shares or excess shares under an open offer will be required to complete and submit to HKSCC a "Subscription of Open Offer Form - CNS Positions" (see Appendix 4.11) and provide HKSCC with a cashier's order for the relevant amount or by such other means as specified by HKSCC by 2:00 p.m. on the Business Day before the last day for acceptances under an open offer or any other time as specified by HKSCC;

Applications for excess shares by Long Participants will be dealt with in the normal manner (see Section 8.11.4) and will not usually result in HKSCC requiring Short Participants to take action.

10.9.11 Conversion of warrants

In relation to conversion of warrants close to expiry or otherwise subject to corporate actions, the following procedures will normally apply:

- (i) on the due date of settlement of the last trading day of warrants about to expire, or the Business Day before the last day to participate in corporate actions affecting the warrants, as the case may be, Long Participants will be asked by HKSCC to elect whether or not to subscribe for securities under the warrants. A Long Participant wishing to subscribe for securities under warrants will be required to complete a "Warrant Conversion Election Form - CNS Positions" (see Appendix 4.13) and provide HKSCC with a cashier's order for the relevant amount or to apply to HKSCC by any other means as specified by HKSCC by 2:00 p.m. on the Business Day before the last day of subscription of the warrants (or the Business Day before the last day to participate in corporate actions affecting the warrants, as the case may be) or any other time as specified by HKSCC;

10.9.15 Daily accrued interest of interest bearing Debt Securities

In cases where the Short Participant cannot deliver the eligible Debt Securities on the due settlement day of the Exchange Trade in such eligible Debt Securities, daily accrued interest amount of that Exchange Trade concerned will remain unchanged even if the eligible Debt Securities involved are settled in a later day. The above procedures do not apply if the due settlement day is affected by typhoon, rainstorm and other contingency situations (see Section 17).

10.10 RISK MANAGEMENT: MARKS

10.10.1 General

As settlement counterparty to Participants under the CNS System, HKSCC is exposed to market risks as a result of unfavourable fluctuations of prices in respect of the unsettled stock positions of Participants under the CNS System. In this Section 10.10, any unsettled stock positions in Eligible Securities under the CNS System are referred to as "CNS stock positions".

To monitor and control such risk exposure, HKSCC will Mark-to-market the CNS stock positions of Participants and collect Marks from Participants. In respect of the CNS stock positions in any Eligible Security, HKSCC will compute Marks in accordance with the provisions of this Section 10.10 in the Eligible Currency in which that Eligible Security is traded.

HKSCC will collect Marks from the Participant in the same Eligible Currency unless the Participant has maintained a Preferred Single Settlement Currency or unless the Marks are to be collected from a Clearing Agency Participant. Where the Participant has maintained a Preferred Single Settlement Currency, HKSCC will convert Marks calculated and denominated in its original Eligible Currency to the Preferred Single Settlement Currency at such exchange rate and subject to such haircut rate as determined by HKSCC from time to time, and collect Marks from the Participant in the Preferred Single Settlement Currency. Unless HKSCC otherwise agrees, the Participant shall pay Marks to HKSCC in the Preferred Single Settlement Currency. Notwithstanding the foregoing, HKSCC reserves the right to collect the required amount of Marks in any Eligible Currency.

Where the Marks to be collected are in respect of CNS stock positions arising from Exchange Trades of a Clearing Agency Participant or its Special Participant, HKSCC

will convert the Marks to Renminbi at such exchange rate and subject to such haircut rate as determined by HKSCC from time to time and collect the Marks from the Clearing Agency Participant in Renminbi. Unless HKSCC otherwise agrees, the Clearing Agency Participant shall pay Marks to HKSCC in Renminbi. Notwithstanding the foregoing, HKSCC reserves the right to collect the required amount of Marks in any Eligible Currency.

Mark-to-market of a CNS stock position involves the evaluation of the risk exposure of a Participant to HKSCC relating to the CNS stock position by reference to the extent to which the Mark-to-market value of the CNS stock position has moved against the value originally agreed in respect of such CNS stock position.

Under the Rules, HKSCC has the right to collect Marks from Participants in respect of all CNS stock positions, whether or not due for settlement and whether or not such CNS stock positions may be subsequently amended or excluded or not accepted for settlement under the CNS System in accordance with the Rules.

This Section 10.10 describes the extent to and the manner in which Marks from Participants will be collected and redelivered by HKSCC.

10.10.2 Various terms explained

For the purpose of this Section, the term "Favourable Marks" refers to Marks computed by the Mark-to-market of a CNS stock position which are favourable to a Participant and the term "Unfavourable Marks" has the opposite meaning.

A "pending CNS stock position" refers to an unsettled CNS stock position of a Participant which is not yet due for settlement and an "overdue CNS stock position" refers to a CNS stock position of a Participant which is due for settlement but not yet settled.

The "Settlement Cap" of a Clearing Participant that is a licensed corporation licensed to carry on Type 1 regulated activity under the Securities and Futures Ordinance, which is used by HKSCC to determine how Marks are to be collected on the pending CNS stock positions of a Clearing Participant, is a multiple of the liquid capital of a Clearing Participant determined in accordance with the Financial Resources Rules made under Section 145 of the Securities and Futures Ordinance (or where applicable, its apportioned liquid capital as notified to HKSCC under Section 19.2.5 of these Operational Procedures). The "Settlement Cap" of a GCP which is a registered institution registered to carry on Type 1 regulated activity is a multiple of the liquid capital assigned by HKSCC from time to time for the sole purpose of computing such "Settlement Cap". The "Settlement Cap" of a Clearing Agency Participant which clears for a Special Participant is a multiple of the liquid capital assigned by HKSCC from time to time defined by reference to the financial information provided by the Clearing Agency Participant. The value of the multiple will be determined by HKSCC and may be subject to review from time to time.

10.10.3 Computation of Marks

The value of the Mark on a CNS stock position of a Participant is the difference between:

Where a Participant has provided the relevant quantity of Collateral Security to cover a part or the whole of a short CNS stock position not due for settlement to HKSCC pursuant to Rule 3601, the short CNS stock position covered by the Collateral Security will be waived from computation of Marks. HKSCC has absolute right to use such Collateral Security to settle the covered portion of the short CNS stock position on or before its Settlement Day.

Where a Participant has provided the relevant amount of Specific Cash Collateral to cover the corresponding money position of a part or the whole of a long CNS stock position not due for settlement to HKSCC pursuant to Rule 3601, the long CNS stock position covered by the Specific Cash Collateral will be waived from computation of Marks and Concentration Collateral. HKSCC has absolute right to use such Specific Cash Collateral to settle the money position of the covered portion of the long CNS stock position on or before its Settlement Day.

10.10.5 Marks on overdue CNS stock positions

In respect of the overdue CNS stock positions of a Participant, the Favourable Marks and the Unfavourable Marks on such overdue CNS stock positions in the same Eligible Currency will be offset against each other to arrive at the Net Favourable Marks or Net Unfavourable Marks on overdue CNS stock positions in that Eligible Currency.

The Net Favourable Marks or Net Unfavourable Marks on overdue CNS stock positions in an Eligible Currency will offset against the Net Unfavourable Marks or Net Favourable Marks, as the case may be, on overdue CNS stock positions in other Eligible Currencies to arrive at the Net Favourable Marks or Net Unfavourable Marks on overdue CNS stock positions. For details of the cross-currency offset and re-conversion back to the original Eligible Currency after the cross-currency offset, reference should be made to Section 10.10.3. HKSCC will collect the Net Unfavourable Marks on overdue CNS stock positions after cross-currency offset from the Participant at day end. Such Net Unfavourable Marks will be collected as day-end Marks on a daily basis. The Net Favourable Marks on overdue CNS stock positions will be used to offset day-end Margin, if any, of the Participant in accordance with the provisions in Section 10.10A.2.

In respect of the collection of intra-day Marks, the Net Favourable Marks and/or Net Unfavourable Marks, as the case may be, on overdue CNS stock positions in different Eligible Currencies will be subject to further offset as follows - (i) the Net Unfavourable Marks on overdue CNS stock positions in an Eligible Currency will further offset against the Net Favourable Marks on Uncovered Allocated Positions in the same Eligible Currency of the Participant or (ii) the Net Favourable Marks on overdue CNS stock positions in an Eligible Currency will offset against the Net Unfavourable Marks on Uncovered Allocated Positions in the same Eligible Currency of the Participant, as the case may be, to arrive at the Net Favourable Marks or the Net Unfavourable Marks on overdue CNS stock positions and Uncovered Allocated Positions in that Eligible Currency.

Such Net Favourable Marks or Net Unfavourable Marks on overdue CNS stock positions and Uncovered Allocated Positions in an Eligible Currency will offset against the Net Unfavourable Marks or Net Favourable Marks, as the case may be, on overdue CNS stock positions and Uncovered Allocated Positions in other Eligible Currencies to arrive at the Net Favourable Marks or Net Unfavourable Marks on overdue CNS stock positions and Uncovered Allocated Positions. For details of the cross-currency offset

and re-conversion back to the original Eligible Currency after the cross-currency offset, reference should be made to Section 10.10.3. After such cross-currency offset and re-conversion, any Net Unfavourable Marks on overdue CNS stock positions and Uncovered Allocated Positions will be collected daily from the Participant by HKSCC as intra-day Marks as a matter of course.

Net Favourable Marks on overdue CNS stock positions resulted from the computation of day-end Marks and Net Favourable Marks on overdue CNS stock position and Uncovered Allocated Positions resulted from the computation of intra-day Marks, if any, will not be paid to the Participant by HKSCC.

10.10.7 Marks on pending CNS stock positions

HKSCC will also collect Marks on pending CNS stock positions of Participants daily as a matter of course.

Under a T+2 settlement system, pending CNS stock positions of a Participant on a Business Day will derive from the Exchange Trades effected by the Participant and, in the case of a GCP or a Clearing Agency Participant, including the Exchange Trades effected by each NCP with which the GCP has entered into a Clearing Agreement or by each Special Participant with which the Clearing Agency Participant has entered into a Clearing Agreement, on that Business Day and the immediately preceding Business Day.

At the end of a Business Day, a Participant will have (i) pending CNS stock positions in respect of the Exchange Trades which are accepted to be cleared and settled on that Business Day (referred to here as "Current Day") for settlement under the CNS System (referred to in this Section 10.10.7 as "Current Day positions") and (ii) pending CNS stock positions in respect of the Exchange Trades which are accepted to be cleared and settled by it on the immediately preceding Business Day (referred to here as "Previous Day") for settlement under the CNS System (referred to in this Section 10.10.7 as "Previous Day positions"). Unless otherwise stated, "pending CNS stock positions" in this Section 10.10.7 covers Current Day Positions and Previous Day Positions.

The manner in which HKSCC will collect the Net Unfavourable Marks, if any, on pending CNS stock positions of a Participant will depend on whether or not the net value (in Hong Kong dollar or Hong Kong dollar equivalent) of the CNS stock positions of a Participant, including pending CNS stock positions and overdue CNS stock positions, of the Participant exceeds the Settlement Cap applicable to the Participant. For the purpose of calculating the net value of the CNS stock positions, if the value of any CNS stock positions is in a currency other than Hong Kong dollar, it will be converted to Hong Kong dollar equivalent subject to haircut. The conversion shall be at such exchange rate and subject to such haircut rate as determined by HKSCC from time to time.

The following principles will generally be applied by HKSCC:

- (i) if the net value (in Hong Kong dollars or Hong Kong dollar equivalent) of the CNS stock positions of a Participant exceeds or equals to its Settlement Cap, HKSCC will collect from the Participant the Net Unfavourable Marks (if any) on all pending CNS stock positions of the Participant;

- (ii) if the net value (in Hong Kong dollars or Hong Kong dollar equivalent) of the CNS stock positions of a Participant is below its Settlement Cap, HKSCC will collect from the Participant the Net Unfavourable Marks (if any) on all pending CNS stock positions of the Participant, to the extent that such Net Unfavourable Marks exceeds the internal "credit limit" determined by HKSCC for the Participant from time to time. In the case of a Participant having Net Unfavourable Marks on pending CNS stock positions, in more than one Eligible Currency, the "credit limit" will be applied against such Net Unfavourable Marks in different Eligible Currencies on a pro-rata basis with reference to the respective amounts (in Hong Kong dollars or Hong Kong dollar equivalent) of such Net Unfavourable Marks.

The Net Favourable Marks, if any, on pending CNS stock positions of a Participant will not be paid to the Participant by HKSCC. Such Net Favourable Marks will be used to offset Margin, if any, of the Participant in accordance with the provisions in Section 10.10A.2.

10.10.8A Marks on Uncovered Allocated Positions

Sections 10.10.8A and 10.10.8B apply to the calculation and collection of intra-day Marks. Currently, intra-day Marks are calculated by HKSCC at 11:00 a.m. on each Business Day in respect of overdue CNS stock positions and pending CNS stock positions of a Participant. HKSCC may be exposed to market risks in respect of Eligible Securities allocated to a Participant because payment of the relevant DDIs will not be confirmed until the end of the day on which the Eligible Securities are allocated to the Participant, unless the corresponding money obligations are covered by cash prepayment or the relevant Margin amount or the relevant amount of Specific Cash Collateral referred to Section 10.12.4A. To control such risk exposure, HKSCC will collect intra-day Marks on the Uncovered Allocated Positions of a Participant in the manner set out below.

The Net Favourable Marks or Net Unfavourable Marks on overdue CNS stock positions and Uncovered Allocated Positions in an Eligible Currency will offset against the Net Unfavourable Marks or Net Favourable Marks, as the case may be, in other Eligible Currencies. The Net Unfavourable Marks on overdue CNS stock positions and Uncovered Allocated Position, if any, arrived at after such cross-currency offset will be collected from the Participant. For details of the cross-currency offset and re-conversion after the cross-currency offset, reference should be made to Section 10.10.3.

10.10.9 Relevant CCASS reports

The following will be made available via CCASS Terminals and Participant Gateways to assist Participants to estimate the Marks payable to HKSCC at any time:

- (i) the PCS, which gives information on the pending CNS stock positions of the Participant for the Current Day (as defined in Section 10.10.7);
- (ii) the FCS, which gives information on the pending CNS stock positions of the Participant for the Previous Day (as defined in Section 10.10.7);
- (iii) the "Enquire Due and Overdue Positions" enquiry function, which gives

information on the due and overdue CNS stock positions of the Participant;

- (iv) the Intra-Day Marks and Collateral Collection Report, which will be made available each time after intra-day Marks are calculated for collection by HKSCC to provide information on intra-day Marks, Concentration Collateral and details of the computation of intra-day Marks and Concentration Collateral for that day;
- (v) the Marks and Collateral Collection Report, which will be made available upon the completion of day-end Marks processing and at the end of each Business Day to provide information on day-end Marks and Concentration Collateral, and details of the computation for that day; and
- (vi) the NCP Marks Projection Report, which will be made available to a GCP or a Clearing Agency Participant upon the completion of intra-day Marks processing and at the end of each Business Day to provide information on estimated intra-day Marks and day-end Marks on pending CNS stock positions of NCPs of the GCP or of Special Participants of the Clearing Agency Participant, and details of the computation for that day. For the avoidance of doubt, the Marks obligations of such GCP or Clearing Agency Participant may not necessarily equal to the sum of the estimated Marks on CNS stock positions of its NCPs or Special Participants.

10.10.10 Interest on Marks collected

HKSCC may allow or charge, at its absolute discretion, to Participants interest on the Marks collected in cash calculated at a rate determined by HKSCC from time to time. HKSCC reserves the right to deduct any administrative costs from any interests to be allowed or to charge such administrative cost to the Marks collected in cash.

Unless otherwise specified by HKSCC, interest to be allowed or charged on Marks provided in cash, if any, will be accrued daily and paid (after deduction of the administrative costs, if applicable) or charged (together with the administrative costs, if applicable) monthly by HKSCC to Participants in the same currency as the cash on which the interest accrued, by crediting or debiting, as the case may be, the CCMS House Collateral Accounts of the Participants, on the first Business Day of the following month.

10.10.11 Collection of Marks and Concentration Collateral

The details of the computation of Concentration Collateral are set out in Sections 10.11.3A and 10.11.3B.

(i) Clearing Participants

Marks and Concentration Collateral to be requested from a Clearing Participant on each Business Day will be collateralized against the value (or the Discounted Market Value, if applicable) of the General Collateral Inventory in the CCMS House Collateral Account of the Clearing Participant. For details of the collateralization process, reference should be made to Section 10.15.3.

(ii) Clearing Agency Participants

In respect of CNS stock positions arising from Exchange Trades of a Clearing Agency Participant, HKSCC will convert the Marks and Concentration Collateral to Renminbi at such exchange rate and subject to such haircut rate as determined by HKSCC from time to time. Unless HKSCC otherwise agrees, the Clearing Agency Participant shall pay Marks and Concentration Collateral to HKSCC in Renminbi. Notwithstanding the foregoing, HKSCC reserves the right to collect the required amount of Marks and Concentration Collateral in any Eligible Currency.

Unless otherwise agreed by HKSCC, any shortfall in day-end Marks and Concentration Collateral required, as determined by HKSCC, will be debited to the Miscellaneous Account of a Clearing Agency Participant and will be collected from the Clearing Agency Participant on the Business Day following T-day by issuing DDIs for same day settlement to the Designated Bank of the Clearing Agency Participant as part of the CCASS money settlement process, or in any other manner determined by HKSCC from time to time. In general, any surplus cash collateral over Marks and Concentration Collateral in the CCMS House Collateral Account will be automatically redelivered on the Business Day following T-day by HKSCC issuing DCIs for same day settlement to the Designated Bank of the Clearing Agency Participant as part of the CCASS money settlement process, or in any other manner determined by HKSCC from time to time. Notwithstanding the foregoing, HKSCC reserves the right not to redeliver surplus cash collateral at any time it considers appropriate.

10.10A RISK MANAGEMENT: MARGIN

10.10A.1 General

As settlement counterparty to Participants under the CNS System, HKSCC is exposed to market risks as a result of potential unfavourable fluctuations of prices in respect of the unsettled stock positions of Participants under the CNS System. In this Section 10.10A, any unsettled stock positions in Eligible Securities under the CNS System are referred to as “CNS stock positions”.

To monitor and control such risk exposure, HKSCC will compute Margin on the CNS stock positions of Participants and collect Margin from Participants. In respect of the CNS stock positions in any Eligible Security, HKSCC will compute Margin in accordance with the provisions of this Section 10.10A in the Eligible Currency in which that Eligible Security is traded.

(i) Clearing Participants

HKSCC will collect Margin from the Clearing Participant in the same Eligible Currency unless the Clearing Participant has maintained a Preferred Single Settlement Currency.

(ii) Clearing Agency Participants

Where the Margin to be collected is in respect of CNS stock positions arising from Exchange Trades of a Clearing Agency Participant, HKSCC will convert the Margin to Renminbi at such exchange rate and subject to such haircut rate as

determined by HKSCC from time to time and collect the Margin from the Clearing Agency Participant in Renminbi. Unless HKSCC otherwise agrees, the Clearing Agency Participant shall pay Margin to HKSCC in Renminbi. Notwithstanding the foregoing, HKSCC reserves the right to collect the required amount of Margin in any Eligible Currency.

The computation of Margin on a CNS stock position involves the estimation of the risk exposure of a Participant to HKSCC relating to the CNS stock position by reference to the estimated future market movement against the Mark-to-market value of such CNS stock position.

Under the Rules, HKSCC has the right to collect Margin from Participants in respect of all CNS stock positions, whether or not due for settlement and whether or not such CNS stock positions may be subsequently amended or excluded or not accepted for settlement under the CNS System in accordance with the Rules.

This Section 10.10A describes the extent to and the manner in which Margin from Participants will be collected and redelivered by HKSCC.

10.10A.2 Computation of Margin

(i) Margin requirement

The Margin requirement on CNS stock positions of a Participant will be computed using the formula below

$$\text{Margining Position} \times \text{Margin Rate} \times \text{Margin Multiplier} - \text{Favourable Marks Offset} = \text{Margin Credit (on pro-rata basis)}$$

Where

$$\text{Margining Position} \times \text{Margin Rate} \times \text{Margin Multiplier} - \text{Favourable Marks Offset} = \text{Margin calculated}$$

and

the Margin calculated will be compared with the Margin Credit (on a pro-rata basis as described in paragraph (vi) below) to arrive at the Margin requirement as below -

- (a) If the Margin calculated equals to the Margin Credit, there will be no Margin requirement. The Margin Credit will be treated as fully utilized by the Participant.
- (b) If the Margin calculated is greater than the Margin Credit, the amount of the Margin calculated which exceeds the Margin Credit will be the Margin requirement. The Margin Credit will be treated as fully utilized by the Participant.
- (c) If the Margin calculated is less than the Margin Credit, there will be no Margin requirement. The Margin calculated will be the amount of Margin

Credit utilized by the Participant. For the avoidance of doubt, the unused amount of the Margin Credit will not be paid to the Participant or allowed for use by the Participant for any purpose.

(ii) Margining Position

Margining Position refers to the higher of the value of the total cross-day net long CNS stock positions and the total cross-day net short CNS stock positions of the Participant. The value of the total cross-day net long CNS stock positions and the value of the total cross-day net short CNS position are computed by HKSCC by reference to the Mark-to-market value of the relevant CNS stock positions, as determined by HKSCC.

Where a Participant has provided the relevant quantity of Collateral Security to cover a part or the whole of a short CNS stock position not due for settlement to HKSCC pursuant to Rule 3601A, (a) the Mark-to-market value of the cross-day net long CNS stock positions, and hence the Margining Position for computation of Margin, will be reduced by the amount of the CNS money position corresponding to the short CNS stock position covered by the Collateral Security; and (b) the Mark-to-market value of the cross-day net short CNS stock positions, and hence the Margining Position for computation of Margin, will be reduced by the Mark-to-market value of the short CNS stock position covered by the Collateral Security, as HKSCC considers appropriate. HKSCC has absolute right to use such Collateral Security to settle the covered portion of the short CNS stock position on or before its Settlement Day.

Where a Participant has provided the relevant amount of Specific Cash Collateral to cover the corresponding money position of a part or the whole of a long CNS stock position not due for settlement to HKSCC pursuant to Rule 3601A, the Mark-to-market value of the cross-day net long CNS stock position, and hence the Margining Position for computation of Margin, will be reduced by the Mark-to-market value of the long CNS stock position covered by the Specific Cash Collateral, as HKSCC considers appropriate. HKSCC has absolute right to use such Specific Cash Collateral to settle the money position of the covered portion of the long CNS stock position on or before its Settlement Day.

(iii) Margin Rate

The Margin Rate, which may be different between Clearing Participants and Clearing Agency Participants, will be determined by HKSCC in its absolute discretion from time to time by reference to the historical volatility of the securities market operated by the Exchange and such other matters as HKSCC may consider relevant.

(iv) Margin Multiplier

The Margin Multiplier will be defined at individual Participant level. It will be determined by HKSCC in its absolute discretion from time to time by reference to the level of risk exposure of the individual Participant to HKSCC and such other matters as HKSCC may consider relevant.

(vi) Margin Credit

In the case where a Clearing Participant has Margining Position in more than one Eligible Currency and hence there is Margin calculated in different Eligible Currencies, the Margin Credit will be applied to the Margin calculated in different Eligible Currencies on a pro-rata basis with reference to the respective value (in Hong Kong dollar or Hong Kong dollar equivalent calculated at the exchange rate determined by HKSCC from time to time) of such Margin calculated.

For the avoidance of doubt, the Margin Credit shall only be utilized for the purpose of reducing the Margin requirement of the Clearing Participant as described in paragraph (i) above. HKSCC will not be required to make any actual payment in respect of the Margin Credit or any part thereof, irrespective of whether it has been utilized or not, to the Clearing Participant at any time, as referred to in Rule 2507A.

Margin Credit is not applicable to Clearing Agency Participants for the purpose of computing their Margin requirement.

(vii) HKSCC's rights

HKSCC reserves the right to use any other formula or adopt any other methodology in computing Margin, and the right to determine the Margining Position, Margin Rate, Margin Multiplier and Margin Credit of a Clearing Participant or a Clearing Agency Participant in any manner. HKSCC will inform Participants of any changes to the Margin formula or methodology, the Margin Multiplier, the Margin Rate and the Margin Credit.

Notwithstanding the above, HKSCC may prescribe Margin requirement on a Participant in any amount and manner, and at any time. For the avoidance of doubt, HKSCC may at any time at its absolute discretion require or demand higher Margin from Participants or any individual Participant. The Participants or individual Participant shall pay such higher Margin to HKSCC forthwith on demand.

10.10A.4 Example (Computation of Day-end Margin Requirement)

(i) Margining Position in Hong Kong dollar

The Mark-to-market value of the cross-day net long CNS stock position and the Mark-to-market value of the cross-day net short CNS stock position, as the case may be, and hence the Margining Position for computation of Margin, will be reduced, in the manner as described in Section 10.10A.2, with reference to the Collateral Security and Specific Cash Collateral that have been provided by a Participant to HKSCC pursuant to Rule 3601A.

10.10A.5 Intra-day Margin

In addition to day-end Margin which is collected from Participants on a daily basis, HKSCC has full discretion to call for intra-day Margin on CNS stock positions from all or any Participants. HKSCC may call for and collect intra-day Margin on CNS

stock positions under any of the following circumstances:

The computation of intra-day Margin is the same as day-end Margin except that overdue CNS stock positions will be excluded from the computation and there will be no offset of Favourable Marks on overdue CNS stock positions and Uncovered Allocated Positions. If a Participant is unable to meet its intra-day Margin payment by the prescribed deadline for any reason, the Participant will be subject to such action which HKSCC may take under the Rules.

10.10A.6 Relevant CCASS reports

The following will be made available via CCASS Terminals and Participant Gateways to assist Participants to estimate the Margin payable by it to HKSCC at any time:

- (i) the PCS, which gives information on the pending CNS stock positions of the Participant for the Current Day (as defined in Section 10.10.7);
- (ii) the FCS, which gives information on the pending CNS stock positions of the Participant for the Previous Day (as defined in Section 10.10.7);
- (iii) the "Enquire Due and Overdue Positions" enquiry function, which gives information on the due and overdue CNS stock positions of the Participant;
- (iv) the Intra-Day Margin Payable Report, which will be made available each time after intra-day Margin is calculated for collection by HKSCC. The Report provides information on intra-day Margin and details of the computation of intra-day Margin for that Business Day;
- (v) the Margin Payable Report, which will be made available at the end of each Business Day to provide information on day-end Margin and details of the computation of day-end Margin for that Business Day; and
- (vi) the NCP Margin Projection Report, which will be made available to a GCP or a Clearing Agency Participant at the end of each Business Day to provide information on estimated day-end Margin on pending CNS stock positions of NCPs of the GCP or Special Participants of the Clearing Agency Participant, and details of the computation, for that day. Where applicable, an NCP Margin Projection Report will similarly be made available upon completion of intra-day Margin processing to provide similar information on estimated intra-day Margin. For the avoidance of doubt, the Margin requirement of such GCP or Clearing Agency Participant does not necessarily equal to the sum of the estimated Margin on CNS stock positions of its NCPs or Special Participants.

10.10A.7 Interest on Margin collected

HKSCC may allow or charge, at its absolute discretion, to Participants interest on the Margin collected in cash, calculated at a rate determined by HKSCC from time to time. HKSCC reserves the right to deduct any administrative costs from any interests to be allowed or to charge such administrative costs to the Margin collected in cash.

Unless otherwise specified by HKSCC, interest to be allowed or charged on Margin provided in cash, if any, will be accrued daily and paid (after deduction of the administrative costs, if applicable) or charged (together with the administrative costs, if applicable) monthly by HKSCC to Participants in the same currency as the cash on which the interest accrued, by crediting or debiting, as the case may be, the CCMS House Collateral Accounts of the Participants, on the first Business Day of the following month.

10.10A.8 Collection of Margin

Margin to be requested from a Participant on each Business Day will be collateralized against the value (or Discounted Market Value, if applicable) of the General Collateral Inventory in the CCMS House Collateral Account of the Participant. For details of the collateralization process, reference should be made to Section 10.15.3.

(i) Clearing Participants

If there is any shortfall in Margin after the collateralization process, HKSCC will collect the shortfall in the currency in which the Margin is calculated and denominated unless the Clearing Participant has maintained a Preferred Single Settlement Currency. Where the Clearing Participant has maintained a Preferred Single Settlement Currency, HKSCC will convert the shortfall to the Preferred Single Settlement Currency at such exchange rate and subject to such haircut rate as determined by HKSCC from time to time, and HKSCC will collect the shortfall in Margin in the Preferred Single Settlement Currency. Unless HKSCC otherwise agrees, the Clearing Participant shall pay the shortfall in the Preferred Single Settlement Currency. Notwithstanding the foregoing, HKSCC reserves the right to collect the shortfall in Margin required in any Eligible Currency.

(ii) Clearing Agency Participants

In respect of CNS stock positions arising from Exchange Trades of a Clearing Agency Participant, HKSCC will convert the Margin to Renminbi at such exchange rate and subject to such haircut rate as determined by HKSCC from time to time. Unless HKSCC otherwise agrees, the Clearing Agency Participant shall pay Margin to HKSCC in Renminbi. Notwithstanding the foregoing, HKSCC reserves the right to collect the required amount of Margin in any Eligible Currency. Unless otherwise agreed by HKSCC, any shortfall in day-end Margin required, as determined by HKSCC, will be debited to the Miscellaneous Account of a Clearing Agency Participant and will be collected from the Clearing Agency Participant on the Business Day following T-day by issuing DDIs for same day settlement to the Designated Bank of the Clearing Agency Participant as part of the CCASS money settlement process, or in any other manner determined by HKSCC from time to time. In general, any surplus cash collateral over Margin in the CCMS House Collateral Account will be automatically redelivered on the Business Day following T-day by HKSCC issuing DCIs for same day settlement to the Designated Bank of the Clearing Agency Participant as part of the CCASS money settlement process, or in any other manner determined by HKSCC from time to time. Notwithstanding the foregoing, HKSCC reserves the right not to redeliver surplus cash collateral at any time it considers appropriate.

10.11 RISK MANAGEMENT: COLLATERAL

10.11.1 Purpose of Collateral

HKSCC monitors its risk exposure to Participants on a continuous basis. From time to time, circumstances peculiar to a particular Participant may warrant HKSCC taking additional risk management measures against it.

For example, a Participant's financial well-being may be in question. Similarly, the trading pattern of a Participant may in HKSCC's view create excessive risks.

In appropriate cases, HKSCC will require a Participant to provide it with Collateral. HKSCC may collect Collateral based on HKSCC's assessment of its exposure on the risks arising out of Market Contracts and defects affecting the Eligible Securities of a Participant.

10.11.2 Form of Collateral

Normally, HKSCC will require Participants to provide Collateral in the form of cash or Collateral Securities, subject to the Rules.

10.11.3 Amount of Collateral

The amount of Collateral required to be provided by a Participant will be decided by HKSCC, taking into account HKSCC's exposure posed by the Participant.

Unless otherwise agreed by HKSCC, a Clearing Agency Participant is required to provide such amount of Eligible Securities as shall represent its short CNS stock positions in Exchange Trades in such Eligible Securities to HKSCC as Collateral Security in such manner as may be considered appropriate by HKSCC pursuant to Rule 3602.

HKSCC shall be entitled from time to time require a Clearing Agency Participant to provide on demand Collateral in such form, to such extent and in such manner as is determined by HKSCC to cover any shortfall in respect of its CNS positions arising from Exchange Trades in the event that its Marks, Concentration Collateral, Margin and Collateral Securities held in HKSCC are insufficient to cover its stressed default loss determined by HKSCC at a pre-defined stress market movement level fixed by HKSCC from time to time in light of market conditions and such other factors as HKSCC may consider appropriate. The Clearing Agency Participant shall pay the required Collateral to HKSCC on the same day HKSCC notifies it of the collection of the required Collateral.

10.11.3A Concentration Collateral on net long CNS stock position in high risk security

For an Eligible Security which HKSCC considers as a high risk security, HKSCC may require a Participant to provide from time to time on demand Concentration Collateral if (i) the Participant's concentration percentage in that Eligible Security exceeds the concentration trigger percentage as determined by HKSCC from time to time and (ii) the value of the Participant's net long CNS stock position in that Eligible Security exceeds the concentration trigger value as determined by HKSCC from time to time.

The concentration trigger percentage and concentration trigger value applicable to a Participant shall be determined by HKSCC in its absolute discretion from time to time.

Where a Participant has provided the relevant quantity of Collateral Security to cover a part or the whole of a short CNS stock position in a high risk security not due for settlement to HKSCC pursuant to the Rules, the short CNS stock position covered by the Collateral Security will be excluded from the determination of the Participant's net long CNS stock position in that high risk security. HKSCC has absolute right to use such Collateral Security to settle the covered portion of the short CNS stock position.

Where a Participant has provided the relevant amount of Specific Cash Collateral to cover the corresponding money position of a part or the whole of a long CNS stock position in a high risk security not due for settlement to HKSCC, the long CNS stock position covered by the Specific Cash Collateral will be excluded from the determination of the Participant's net long CNS stock position in that high risk security. HKSCC has absolute right to use such Specific Cash Collateral to settle the money position of the covered portion of the long CNS stock position on or before its Settlement Day.

The Participant's concentration percentage of a net long CNS stock position in a high risk security is calculated as follows:

$$\frac{\text{Participant's net long CNS stock position in a high risk security (in Hong Kong dollars or its Hong Kong dollar equivalent converted at such exchange rate and subject to such haircut rate as determined by HKSCC)}}{\text{Participant's liquid capital as per the Participant's latest Financial Resources Rules (FRR) return (or where applicable, its apportioned liquid capital as notified to HKSCC under Section 19.2.5 or an amount determined by HKSCC under Section 10.10.2 to be the liquid capital of a GCP which is a registered institution or a Clearing Agency Participant which clears for a Special Participant)}} \times 100\%$$

The amount of Concentration Collateral required from a Participant is:

$$\text{Participant's net long CNS stock position in a high risk security (in the currency in which the high risk security is traded and settled)} \times \text{Percentage of daily market volatility of high risk securities}$$

10.11.3B Example (Computation of Concentration Collateral)

Suppose: concentration trigger percentage = 200%,
concentration trigger value = HK\$5M,

HK\$ million

$$\text{Participant's liquid capital as per its latest FRR return (or where applicable, its apportioned liquid capital as notified to)} = 10$$

HKSCC under Section 19.2.5 or an amount determined by HKSCC under Section 10.10.2 to be the liquid capital of a GCP which is a registered institution or a Clearing Agency Participant which clears for a Special Participant)

Participant's net long CNS stock position in a high risk security = 25
 Daily market volatility of high risk securities = 12%
 Net Unfavourable Marks computed in net long CNS stock position = 1

Participant's concentration percentage:

$$\frac{\text{HK\$25 million}}{\text{HK\$10 million}} \times 100\% = 250\%$$

250% exceeds concentration trigger percentage of 200%,

Participant's net long CNS stock position in the high risk security also exceeds the concentration trigger value of HK\$5 million.

Participant is therefore required to pay Concentration Collateral of HK\$3 million.

The amount of Concentration Collateral required from the Participant
 = HK\$25 million x 12%
 = HK\$3 million < (HK\$25M - HK\$1M).

10.11.4 Notification by HKSCC

Except for Concentration Collateral the collection of which is described in Section 10.10.11, HKSCC will notify a Participant in writing of the amount of other Collateral required and the Participant will have to provide the Collateral within the time period specified.

10.11.5 Return or Redelivery of Collateral

Collateral, other than Concentration Collateral, provided by Participants will be returned or redelivered to them by HKSCC in such manner and at such time as is considered appropriate by HKSCC. In respect of the surplus of Concentration Collateral, please refer to Section 10.10.11.

10.11.6 Interest on Collateral

HKSCC may allow or charge, at its absolute discretion, to Participants interest on Collateral provided by Participants in cash calculated at a rate determined by HKSCC from time to time. HKSCC reserves the right to deduct any administrative costs from any interest to be allowed or to charge such administrative cost to the Collateral provided in cash.

Unless otherwise specified by HKSCC, interest to be allowed or charged on Collateral provided in cash, if any, will be accrued daily and paid (after deduction of the administrative costs, if applicable, and net of any Withholding Tax (whether withheld

by HKSCC or any other parties) or charged (together with the administrative costs, if applicable) monthly, by HKSCC to Participants in the same currency as the cash on which the interest accrued, by crediting or debiting, as the case may be, the CCMS House Collateral Accounts of the Participants, on the first Business Day of the following month.

10.12 RISK MANAGEMENT: SECURITIES-ON-HOLD

10.12.1 Purpose of Securities-on-hold

On each Settlement Day, HKSCC will, in respect of Eligible Securities made available to it by Participants with short stock positions under the CNS System, allocate such Eligible Securities to the Stock Clearing Accounts of those Participants with long stock positions under the CNS System.

Since under the current design of the CCASS money settlement process, payment by Participants to HKSCC via their Designated Banks (as part of CCASS money settlement process) will only be confirmed good and irrevocable at day end after the Eligible Securities have been delivered to Participants under the CNS System in CCASS, HKSCC faces significant risk exposure from the time of delivery of Eligible Securities in CCASS to the time when confirmation of good and irrevocable payment is issued by the Designated Banks of Participants and the receiving bank of HKSCC.

To guard against this risk exposure, the Rules provide that 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 Participant under the CNS System on a Settlement Day; and (ii) such payment is good and irrevocable, or unless otherwise agreed by HKSCC, title and property in such Eligible Securities shall not pass to the Participant. Until then, Participants will not be allowed to use or withdraw some or all of such Eligible Securities, except as permitted by HKSCC.

10.12.2 Quantity of Eligible Securities allocated which cannot be used

The quantity of Eligible Securities allocated to the Stock Clearing Account of a Participant under the CNS System on a Settlement Day which will not be allowed to be used or withdrawn by the Participant, will depend on the amount to be paid by the Participant to HKSCC under the CNS System on that day.

If a Participant wishes to make use of any of such Eligible Securities in its Stock Clearing Account before payment of the amount owed to HKSCC is confirmed good and irrevocable, as long as the value of such Eligible Securities (in Hong Kong dollars or its Hong Kong dollar equivalent converted at the exchange rate determined by HKSCC) which are to remain in the Stock Clearing Account of the Participant (determined by using the Mark-to-market values of the relevant Eligible Securities at the time), discounted by a percentage to be decided by HKSCC (normally ten per cent), is not less than the total amount owed to HKSCC (in Hong Kong dollars or its Hong Kong dollar equivalent converted at the exchange rate determined by HKSCC), the Participant will be allowed by HKSCC to make use of the Eligible Securities. For the purpose of calculating the total amount owed by a Participant to HKSCC, sums so owed and denominated in one Eligible Currency shall not be reduced by sums owed to that Participant by HKSCC which are denominated in any other Eligible Currency.

When payment of the total amount owed to HKSCC is confirmed good and irrevocable, all Eligible Securities allocated under the CNS System to the Stock Clearing Account of a Participant will become available for use by it.

10.12.4 Participants may effect cash prepayment

Participants that have outstanding payment obligations to HKSCC but wish to utilize any or all of the Securities-on-hold covering such outstanding payment obligations for any purpose, including to settle ISI/SI Transactions and Isolated Trades, if applicable, during a Settlement Day, may pay same day available funds in the relevant Eligible Currency to HKSCC to reduce their monetary obligations and to have the equivalent discounted market value of Securities-on-hold released.

A Participant may pay same day available funds to HKSCC by inputting Cash Prepayment Instructions on each Settlement Day or by inputting a Cash Prepayment Standing Instruction via the “Cash Prepayment / TSF Payment Standing Instruction” maintenance functions to authorize HKSCC to generate recurring Cash Prepayment Instructions on behalf of the Participant on each Settlement Day. The cash prepayment amount that will be generated under a Cash Prepayment Standing Instruction will depend on the payment basis of the standing instruction given by the Participant, and will be either (a) the gross amount of the unsettled money obligations on its long CNS stock positions; or (b) the net amount of the unsettled money obligations on its long and short CNS stock positions, plus a certain percentage of the net amount input by the Participant. Where the Participant has selected “CHATS” as the payment method when creating the Cash Prepayment Standing Instruction, the cash prepayment amount generated as aforesaid on a Settlement Day will be reduced by the relevant Margin amount and the relevant amount of Specific Cash Collateral, as described in Section 10.12.4A.

10.12.4A Use of Margin and Specific Cash Collateral to reduce cash prepayment amount

This Section 10.12.4A is applicable where a Cash Prepayment Standing Instruction to release Securities-on-hold has been created and authorized by a Participant, with “CHATS” set as the payment method.

In respect of the generation of Cash Prepayment Instruction by HKSCC under the Cash Prepayment Standing Instruction on a Settlement Day, HKSCC will reduce the cash prepayment amount by the amount of Margin on CNS stock positions due for settlement on that Settlement Day and/or the relevant amount of Specific Cash Collateral, as the case may be, under the following circumstances:

- (i) the Participant is required to make payment on that Settlement Day in respect of a DDI issued by HKSCC on the previous day to collect Marks, Margin and/or Collateral with respect to all unsettled CNS stock positions on the previous day; and/or
- (ii) the Participant has provided Specific Cash Collateral to HKSCC to cover long CNS stock positions due for settlement on that Settlement Day.

Subject to HKSCC satisfying that full payment under the DDI is good and irrevocable, HKSCC will update the Settlement Account of the Participant’s Money Ledger with the relevant Margin amount around 10:00 a.m. on that Settlement Day to reduce its

corresponding monetary obligations due to HKSCC. As a result, HKSCC will release equivalent discounted market value of the Securities-on-hold.

When Eligible Security is allocated to the Stock Clearing Account of the Participant in respect of the long CNS stock position covered by the Specific Cash Collateral, and in any event upon completion of the third Batch-settlement-run on that Settlement Day, HKSCC will update the Settlement Account of the Participant's Money Ledger with the amount of the Specific Cash Collateral to reduce the corresponding monetary obligations due to HKSCC. As a result, HKSCC will release equivalent discounted market value of the Securities-on-hold.

At the end of each Business Day, HKSCC will calculate the Margin amount that may be used to reduce the cash prepayment amount to be generated under the Cash Prepayment Standing Instruction in the following Settlement Day. Participant can enquire such information in the Margin Payable Report.

10.12.5 Procedures

The following is a brief description of the procedures relating to cash prepayment on each Settlement Day:

- (a) Cash Prepayment Instructions with "CHATS" set as the payment method
 - (i) Participants that wish to make prepayments by means of CPIs shall select "CHATS" as the payment method when creating a Cash Prepayment Instruction via a CCASS Terminal or a Participant Gateway from 8:00 a.m. to 2:00 p.m. or such other time specified by HKSCC from time to time or when creating a Cash Prepayment Standing Instruction via a CCASS Terminal or a Participant Gateway from 8:00 a.m. to 7:00 p.m. or such other time specified by HKSCC from time to time;
 - (ii) To avoid undue concentration of HKSCC's exposure to a bank appointed by HKSCC as receiving bank for cash payment, cash prepayment is subject to the concentration limit predetermined by HKSCC in respect of an appointed receiving bank. HKSCC will only accept or generate Cash Prepayment Instructions within the predetermined concentration limit of the receiving bank. In case a Cash Prepayment Standing Instruction is created and authorized by a Participant, Cash Prepayment Instructions will be generated by HKSCC, if applicable, at approximately 8:00 a.m. starting from the following Settlement Day. The cash prepayment amount under the Cash Prepayment Instruction generated by HKSCC may be reduced in the manner as described in Section 10.12.4A;
 - (iii) Upon the creation and authorization of Cash Prepayment Instructions by Participants or the generation of Cash Prepayment Instructions by HKSCC pursuant to Cash Prepayment Standing Instructions, CPIs will be generated to collect the cash prepayments from their Designated Bank Accounts. The CPIs information will be included in the Electronic CHATS Payment Instruction Report (CSEPI03). Based on the report, Designated Banks will issue CPIs to the Clearing House of HKAB to make payment on their behalf. Participants must ensure that there are sufficient funds in their

Designated Bank Accounts and that the CHATS payments are completed by their Designated Banks no later than 3:30 p.m. or such other time as may be prescribed by HKSCC from time to time;

- (iv) Upon being notified by the Clearing House of HKAB of the finality of such payment, HKSCC will update the Settlement Accounts of Participants' Money Ledgers to reduce their corresponding monetary obligations due to HKSCC and as a result, release equivalent discounted market value of Securities-on-hold (see Section 10.12.6). Participants' Statements of Money Ledger will show the relevant entries. Participants can check the status of a CPI via the "Enquire Payment Instruction" function of CCASS. For the status of a Cash Prepayment Instruction, Participants can make use of the "Enquire Cash Prepayment Instruction" function;
 - (v) Participants can operate ATIs to check whether the Securities-on-hold have been released and rely on DIs or batch-settlement-runs to settle SI Transactions, ISI Transactions and Isolated Trades;
 - (vi) Since HKSCC allocates shares according to a pre-set algorithm, Participants making prepayments may still not get all the allocated shares. Any surplus funds thus arising will be returned to the Participants not later than day end. Please refer further to Section 14.4.2;
- (b) Cash Prepayment Instructions with "OTHERS" set as the payment method
- (i) Participants that wish to make prepayments by other means must indicate "OTHERS" as the payment method when creating a Cash Prepayment Instruction via a CCASS Terminal or a Participant Gateway from 8:00 a.m. to 2:30 p.m. or such other time specified by HKSCC from time to time or when creating a Cash Prepayment Standing Instruction via a CCASS Terminal or a Participant Gateway from 8:00 a.m. to 7:00 p.m. or such other time specified by HKSCC from time to time;
 - (ii) To avoid undue concentration of HKSCC's exposure to a bank appointed by HKSCC as receiving bank for cash payment, cash prepayment is subject to the concentration limit predetermined by HKSCC in respect of each appointed receiving bank. HKSCC will only accept or generate Cash Prepayment Instructions within the predetermined concentration limit of the receiving bank. In case a Cash Prepayment Standing Instruction is created and authorized by a Participant, Cash Prepayment Instructions will be generated by HKSCC, if applicable, at approximately 8:00 a.m. starting from the following Settlement Day;
 - (iii) Participants must ensure that same day available funds are transferred to HKSCC's specified bank account no later than 2:45 p.m. or such other time prescribed by HKSCC from time to time. For Participants using the same bank as the appointed receiving bank of HKSCC, they can make use of the internal account transfer function of the bank (see CCASS Terminal User Guide for Participants for details) or its electronic banking system to transmit available funds. For others, they can instruct their banks to make

payment to HKSCC via inter-bank transfer with CHATS payment (see CCASS Terminal User Guide for Participants for details);

- (iv) Based on the details of Cash Prepayment Instructions, HKSCC will follow up the funds with its appointed receiving bank and the relevant Participants. Only when available funds in the relevant Eligible Currency are confirmed will HKSCC update Participants' Settlement Accounts of Money Ledger to reduce their corresponding monetary obligations due to HKSCC and as a result, release equivalent discounted market value of Securities-on-hold (see Section 10.12.6). Participants' Statements of Money Ledger will show the relevant entries. Participants can check the status of a Cash Prepayment Instruction via the CCASS enquiry function of "Enquire Cash Prepayment Instruction";
- (v) Participants can operate ATIs to check whether the Securities-on-hold have been released and rely on DIs or batch-settlement-runs to settle SI Transactions, ISI Transactions and Isolated Trades;
- (vi) Since HKSCC allocates shares according to a pre-set algorithm, Participants making prepayments may still not get all allocated shares. Any surplus funds thus arising will be returned to the Participants not later than day end. Please refer further to Section 14.4.2;
- (vii) Acceptance of the prepayment requests will be at HKSCC's full discretion. If Participants fail to follow the procedures, and/or for any other reason the requests are subsequently turned down by HKSCC, then the funds received will only be refunded the following Business Day without interest;
- (viii) In the event of default of payment (e.g., for any transfers subsequently reversed by the Clearing House of HKAB), HKSCC shall have recourse against the relevant Participant;
- (ix) In case cash remittance is made by a Participant to HKSCC as cash prepayment not pursuant to any Cash Prepayment Instruction, HKSCC reserves the right not to effect the updating of the Participant's Money Ledger on the same day. Such cash payment will be refunded without interest to the Participant by crediting the cash payment amount to its Money Ledger on the next Business Day; and

10.12.7 Participants may request intra-day refund of overpaid cash prepayment

Participants that have overpaid cash prepayment to HKSCC to cover outstanding payment obligations may request HKSCC to effect intra-day refund to the Participants of any surplus cash arising from such overpaid cash prepayment on each Settlement Day by inputting Intra-day Payment Standing Instruction via the "Intra-day Payment Standing Instruction" maintenance functions. HKSCC will determine the amount of surplus cash arising from the overpaid cash prepayment and generate Intra-day Payment Instructions to refund any surplus cash (if any) to the Participants intra-day in accordance with Section 10.12.8.

10.12.8 Procedures

The following is a brief description of the procedures relating to intra-day refund of surplus cash arising from overpaid cash prepayment on a Settlement Day:

- (a) Participants that wish to request HKSCC to effect intra-day refund to the Participants of surplus cash arising from overpaid cash prepayment on each Settlement Day shall input Intra-day Payment Standing Instructions via the “Intra-day Payment Standing Instruction” maintenance functions to instruct HKSCC to issue Intra-day Payment Instructions covering such surplus cash on each Settlement Day. Acceptance of such Intra-day Payment Standing Instructions by HKSCC will be at the discretion of HKSCC and subject to the requirements as HKSCC may from time to time specify. Where the Intra-day Payment Standing Instruction of a Participant also covers intra-day payment to the Participant of cash payments arising out of nominee services on each Business Day and/or intra-day settlement of money obligations due to the Participant from HKSCC under the CNS System on each Settlement Day, the amount of Intra-day Payment in this Section 10.12.8 on a Settlement Day shall include the amount of cash payments arising out of nominee services, as referred to in and determined by HKSCC under Section 8.25.2 and/or the intra-day settlement amount of money obligations due to the Participant from HKSCC under the CNS System, as referred to in and determined by HKSCC under Section 10.5.8;
- (b) Participants shall define a pre-set threshold in their Intra-day Payment Standing Instructions. No Intra-day Payment Instruction will be issued by HKSCC to a Participant on a Settlement Day and/or a Business Day if the total amount of Intra-day Payment as determined by HKSCC to be paid to the Participant on that day via IPI is smaller than its pre-set threshold;
- (d) following the acceptance by HKSCC of an Intra-day Payment Standing Instruction to effect intra-day refund of surplus cash arising from overpaid cash prepayment to the Participant, HKSCC will normally determine the amount of surplus cash arising from overpaid cash prepayment to be included in the Intra-day Payment upon completion of the third Batch-settlement-run shortly after 2:00 p.m. on each Settlement Day, or such other time as specified by HKSCC from time to time;
- (e) in determining the amount of surplus cash arising from cash prepayment to be refunded intra-day, HKSCC will consider:
 - (i) the total cash prepayments received, confirmed and updated to the Participant’s Settlement Account of Money Ledger at or before 1:15 p.m. on the Settlement Day or such other time as specified by HKSCC from time to time;
 - (ii) the Margin amount updated to the Settlement Account of Participant’s Money Ledger around 10:00 a.m. on the Settlement Day;
 - (iii) the amount of Specific Cash Collateral updated to the Settlement Account of Participant’s Money Ledger on the Settlement Day upon the completion of the third Batch-settlement-run;

- (v) other types of money obligations in the Participant's Settlement Account and Miscellaneous Account of Money Ledger as HKSCC may from time to time specify;
- (f) if the total amount of Intra-day Payment of the Participant including the amount of surplus cash arising from overpaid cash prepayment determined by HKSCC under Section 10.12.8(e) is equal to or greater than the pre-set threshold defined by the Participant, an Intra-day Payment Instruction will be issued by HKSCC;
- (g) HKSCC will issue Intra-day Payment Instructions to the Designated Banks of Participants on a Settlement Day or Business Day at around 2:30 p.m., or such other time as specified by HKSCC from time to time, to cause credits to be made to the Designated Bank Accounts of Participants;
- (h) Participants that have input Intra-day Payment Standing Instructions may enquire the estimated amount of surplus cash arising from overpaid cash prepayment to be refunded before 2:30 p.m. on a Settlement Day via the "Enquire Intra-day Payment Summary" function in CCASS Terminal or Participant Gateway. Details of Intra-day Payment Instructions issued by HKSCC including the amount of the Intra-day Payment will be available for enquiry after 2:30 p.m. on a Settlement Day via the "Enquire Intra-day Payment Summary" function in CCASS Terminal or Participant Gateway;
- (i) irrespective of whether an Intra-day Payment Standing Instruction is accepted by HKSCC under Section 10.12.8(c), whether to allow an intra-day refund to Participants of any surplus cash arising from overpaid cash prepayment will be at the full discretion of HKSCC. If (a) a Participant fails to follow the specified procedures; (b) its Intra-day Payment Standing Instruction is subsequently turned down by HKSCC for any other reason; or (c) any surplus cash arising from overpaid cash prepayment is not refunded intra-day to the Participant for any reason, HKSCC shall have full discretion to make use of such surplus cash for any purpose it deems appropriate, including but not limited to applying it for the intra-day settlement of money obligations due to other Participants from HKSCC under the CNS System. Where HKSCC does not allow intra-day refund, any surplus cash arising from overpaid cash prepayment on a Settlement Day will only be returned to the Participant not later than day end via DCI.

10.14 RISK MANAGEMENT: CLOSING-OUT

10.14.1 Purpose of Closing-out

Under Rule 3607, in the occurrence of an Event of Default of a Participant, HKSCC may Close-out any or all unsettled obligations of that Participant under the CNS System (whether or not due for settlement).

The two main purposes of Closing-out are (i) to enable HKSCC to crystalize its exposure to a Participant in default and (ii) to enable HKSCC to meet its obligations under the CNS System to other Participants. The end result of Closing-out of all unsettled positions of a Participant under the CNS System is that all obligations to deliver or receive Eligible Securities will be replaced by sums payable and a net sum will become payable by or to the defaulting Participant. This Section is only concerned

with the mechanics of Closing-out.

10.14.2 Procedures

In brief, Closing-out of an unsettled stock position of a Participant under the CNS System involves HKSCC entering into, on behalf of the defaulting Participant, an opposite transaction to offset the unsettled stock position, resulting in a sum payable by or to the Participant (the money position of the unsettled stock position will be offset against the money position of the opposite transaction as a result of Closing-out).

In relation to unsettled stock positions of a defaulting Participant under the CNS System, HKSCC will instruct one or more of its authorized brokers to Close-out such positions by entering into relevant transactions on or off the Exchange. The costs and expenses of the Closing-out transactions will be borne by the defaulting Participant.

10.14.4 Default by Participants

On the occurrence of an Event of Default against a Participant, HKSCC may declare the Participant a defaulter and if so, will effect Closing-out in respect of all of the unsettled obligations of the Participant under the CNS System.

If, as a result of Closing-out, the Participant owes money to HKSCC, HKSCC will apply the Marks, Margin, Collateral, Mainland Settlement Deposit, Mainland Security Deposit and Charged Property provided by the Participant (as well as all other assets and property which may be applied by HKSCC for such purpose) towards such indebtedness.

If a Participant which is an Exchange Participant is declared a defaulter, HKSCC will notify the Exchange forthwith and request the Exchange to suspend the Participant from trading. HKSCC will also request the Exchange to suspend from trading any NCP of the GCP or any Special Participant of the Clearing Agency Participant which does not have in place immediately upon suspension of the GCP or Clearing Agency Participant a valid, binding and effective Clearing Agreement with another GCP or Clearing Agency Participant, as the case may be. If a Participant which is not an Exchange Participant or Special Participant is declared a defaulter, HKSCC will request the Exchange to suspend from trading any NCP of the GCP or any Special Participant of the Clearing Agency Participant which does not have in place immediately upon suspension of the GCP or Clearing Agency Participant a valid, binding and effective Clearing Agreement with another GCP or Clearing Agency Participant, as the case may be.

A Participant declared a defaulter will also be suspended from further activities in CCASS.

10.15 RISK MANAGEMENT: CASH AND COLLATERAL SECURITIES

10.15.2 Valuation of Collateral Securities, etc.

For the purpose of the collateralization process under Section 10.15.3, the “Discounted Market Value” of a collateral, if applicable, in the CCMS House Collateral Account of a Participant, is determined as below:

The valuation price, exchange rates and haircut rates shall be determined by HKSCC

in its absolute discretion from time to time. All Eligible Securities shall have haircut ratio and valuation price which shall be determined by HKSCC in its absolute discretion from time to time. If applicable, the “Discounted Market Value” of a collateral in Eligible Currency other than Hong Kong dollar will be converted into its Hong Kong dollar equivalent at the exchange rate and haircut rate determined by HKSCC. Participants may enquire the applicable valuation price, exchange rates and haircut rates via the CCMS.

10.15.6 Application of moneys

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

All moneys arising from the exercise of the powers of sale in Rule 3608 and Rule 3702 shall be held and applied in or towards the payment or discharge of the Participant's obligations and liabilities (actual or contingent) under the Rules (but without prejudice to the right of HKSCC to recover any shortfall from the Participant).

Section 10A

China Connect Securities Trades - CNS System

10A.1 ACCEPTANCE FOR SETTLEMENT UNDER THE 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 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 to it.

10A.1.2 Confirmation of acceptance under the CNS System

Acceptance by HKSCC of China Connect Securities Trades for settlement under the CNS System will only be confirmed by details contained in the FCSs issued by HKSCC to China Connect Clearing Participants after market close on each Trading day.

10A.1.3 "Guarantee" by HKSCC

Since acceptance for settlement under the CNS System involves HKSCC as settlement counterparty, a form of "guarantee" is in effect provided by HKSCC to China Connect Clearing Participants in respect of China Connect Securities Trades accepted for settlement under the CNS System.

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

FCSs relating to China Connect Securities Trades will be made available by HKSCC to China Connect Clearing Participants via their CCASS Terminals or Participant Gateways. An FCS 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, effected and 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, effected on the current Trading day; and
- (ii) the net money position with HKSCC for all net stock positions under the CNS System.

Notwithstanding Sections 10A.1.2 and 10A.1.3, if any information contained in an FCS is inconsistent or does not reconcile with the final report on trade and settlement details subsequently issued to HKSCC by the relevant China Connect Clearing House, HKSCC shall be entitled to take such action as it may consider appropriate to rectify

the discrepancy, including cancelling or reversing any settled positions.

No PCSs will be issued by HKSCC in respect of China Connect Securities Trades.

10A.2 NETTING

10A.2.1 Determination of daily stock settlement positions

The daily stock settlement positions of a China Connect Clearing Participant with HKSCC arising out of China Connect Securities Trades accepted for settlement under the CNS System will be determined based on the following steps:

- (i) Novation: the creation, through Novation of each China Connect Securities Trade, of a Market Contract between HKSCC and the relevant China Connect Clearing Participant as described in Rule 4106 at the same time the China Connect Clearing House becomes substituted as the sole settlement counterparty to its participants in accordance with its rules;
- (ii) daily netting: the stock positions of a China Connect Clearing Participant under the Market Contracts arising on the same day in the same China Connect Security, being offset against each other to result in one net long or net short stock position with HKSCC, in each China Connect Security, on each Trading day. Each such net long or net short stock position of a China Connect Clearing Participant will be assigned a unique Settlement Position Number for reference purposes (see Section 10.3.3 for an example of daily netting); and
- (iii) cross-day netting: the netting process operates on a continuous basis in the sense that any outstanding unsettled stock position of a China Connect Clearing Participant in a China Connect Security on a Settlement Day is carried forward to the following Settlement Day and is offset against any opposite stock position in the same China Connect Securities due on the following Settlement Day (see Sections 10.3.4 to 10.3.6 for examples of cross-day netting).

10A.3 SECURITIES SETTLEMENT

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

In respect of each China Connect Securities Trade entered into by the SEHK Subsidiary for a China Connect Clearing Participant or any of its NCPs 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.3.2 Settlement between HKSCC and the China Connect Clearing House

In respect of the settlement obligations between HKSCC and the China Connect Clearing House that arise from a China Connect Securities Trade, such settlement obligations will be effected by HKSCC with the China Connect Clearing House in accordance with the rules of the China Connect Clearing House and the provisions of any Clearing Links Agreement that may have been entered into between HKSCC and the China Connect Clearing House.

10A.3.3 Settlement of short stock positions of China Connect Clearing Participants

Short stock positions of China Connect Clearing Participants under the CNS System will be settled in CCASS by Batch-settlement-runs or by cross-day netting automatically carried out in CCASS on each Settlement Day. The oldest short stock positions of a China Connect Clearing Participant will always be settled first.

10A.3.4 Settlement of long stock positions of China Connect Clearing Participants

As and when China Connect Securities are made available to HKSCC by the relevant China Connect Clearing House under its rules and procedures relating to the settlement of China Connect Securities Trades, these will be used by HKSCC to settle its obligations to China Connect Clearing Participants with long stock positions under the CNS System in accordance with the allocation algorithm set out in Section 13.4.

Although China Connect Clearing Participants with long stock positions under the CNS System may not receive China Connect Securities in CCASS on due date (i.e. T-day), they will be able to make use of their outstanding long stock positions to offset against short stock positions in the same China Connect Securities under the CNS System on subsequent Settlement Days.

10A.3.5 Partial delivery

Partial delivery will be allowed in respect of the CNS stock positions of China Connect Clearing Participants.

10A.4 MONEY SETTLEMENT UNDER THE CNS SYSTEM

10A.4.1 DVP basis

Settlement between China Connect Clearing Participants and HKSCC under the CNS System will normally be on a DVP basis and in Renminbi. To the extent that HKSCC determines that it is not possible or reasonably practicable to make payment in Renminbi, HKSCC's obligations shall be to make payment, in full or in part, in such other currency or currencies and at such conversion rate(s) as HKSCC may in its absolute discretion determine to be fair and reasonable, taking into account all relevant circumstances as it may consider appropriate. With one exception (see Section 10.A.4.4), money settlement will only be effected after settlement of stock positions in CCASS.

HKSCC will issue instructions to the Designated Banks of China Connect Clearing Participants to cause credits and debits to be made to the Designated Bank Accounts of China Connect Clearing Participants.

10A.4.2 Money position of daily net CNS stock positions

For China Connect Securities Trades in the same China Connect Security effected on the same day (and accepted for settlement under the CNS System), there will be one daily net stock position. This daily net CNS stock position of a China Connect Clearing Participant in a China Connect Security will have a corresponding net money position, derived from offsetting the money positions of the underlying China Connect Securities Trades.

The net money positions derived from offsetting the money positions of the underlying China Connect Securities Trades of a China Connect Clearing Participant in each

China Connect Security on the same day will be offset against each other to result in a total net money position with HKSCC on each Settlement Day.

10A.4.3 Money position of CNS stock positions after cross-day netting

If two opposite CNS stock positions of a China Connect Clearing Participant in the same China Connect Security are offset against each other as a result of cross-day netting, the money positions of the two CNS stock positions will also be offset against each other to result in a sum to be settled between HKSCC and the China Connect Clearing Participant concerned. Any unsettled CNS stock position will also have a corresponding money position.

The money positions of two CNS stock positions of a China Connect Clearing Participant in the same China Connect Security (such CNS stock positions being both long or both short), will continue to be treated as separate and distinct.

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 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.4.5 Settlement of money obligations under the CNS System

There will be one net money position under the CNS System for each China Connect Clearing Participant on each Settlement Day for China Connect Securities. Money settlement in respect of such net money position will be effected on the next Settlement Day (i.e. T+1) (see Section 10.5.7 for an example of daily net money position under the CNS System).

- (a) China Connect Clearing Participants which have net payable items on China Connect Securities Trades will be required to settle their payment obligations to HKSCC by 12:00 noon on T+1 or such other time as may be specified by HKSCC from time to time, via RTGS;
- (b) For China Connect Clearing Participants which have net receivable items on China Connect Securities Trades, HKSCC will transfer settlement amounts into their Designated Bank Accounts at around 12:30 p.m. on T+1 or such other time as may be specified by HKSCC from time to time, via RTGS.

In the morning of T+1, HKSCC will issue CPIs for the amount (based on the balance of the relevant sub-accounts of the Money Ledger of China Connect Clearing

Participants (i.e. the Settlement Account)) to the Designated Bank of the paying China Connect Clearing Participants, so as to effect CHATS payment to the respective bank account of HKSCC for value on the same day (see Section 14.7). For the avoidance of doubt, HKSCC will not offset the credit and debit balances in the sub-accounts of the Money Ledgers of China Connect Clearing Participants before issuing relevant CPIs.

If a China Connect Clearing Participant fails to place HKSCC in good funds through its Designated Bank by 12:00 noon or such other time as may be specified by HKSCC from time to time on the Settlement Day (i.e. T+1), the China Connect Clearing Participant will be regarded as having defaulted and will be subject to such action or actions as HKSCC may take under the Rules.

In addition to any CNS money payment obligation of a China Connect Clearing Participant, the China Connect Clearing Participant will also be required to pay all fees, levies and taxes relating to the trading and clearing of China Connect Securities. These fees, levies and taxes will be collected through HKSCC and passed onto the relevant China Connect Clearing House for paying to the relevant China Connect Market, regulatory or tax authority or to other relevant parties. HKSCC will post such fees, levies and taxes to the China Connect Clearing Participant's Miscellaneous Account of its Money Ledger on T-day and collect such payments via day-end DDI.

10A.4.6 Partial delivery

In respect of any partial delivery of a CNS stock position of a China Connect Clearing Participant (in a China Connect Security due for settlement on a particular Settlement Day), the amount to be settled between HKSCC and the China Connect Clearing Participant will be determined by multiplying the number of China Connect Securities settled, by the average position price of the CNS stock position (see Section 10.3.3). The position is illustrated in the example set out in Section 10.3.6.

10A.5 LATE DELIVERY: DEFAULT FEE

HKSCC may require China Connect Clearing Participants that fail to settle their CNS stock positions in China Connect Securities on due dates to pay to it default fees. Default fees levied by HKSCC may be retained by HKSCC for use for such CCASS purposes as HKSCC deems fit. Default fees will be prescribed by HKSCC from time to time.

10A.6 LATE DELIVERY: BUY-IN

10A.6.1 Purpose

The purpose of a Buy-in is to ensure that outstanding stock positions of Participants under the CNS System are settled without delay.

10A.6.2 Timing of Buy-in

Unless there is a risk management reason affecting HKSCC which is considered valid by the Risk Management Committee, 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 (i.e., unsettled after the final Batch-settlement-run for China Connect Securities Trades on T-day) will be subject to a Buy-in by HKSCC or an authorized broker on behalf of the short China Connect

Clearing Participant on T+1 (or if it is not practicable to do so on T+1, at any time thereafter).

A Buy-in trade executed by HKSCC or an authorized broker on behalf of the short China Connect Clearing Participant on the relevant China Connect Market via a Trading Link will be subject to the usual settlement period of a China Connect Securities Trade, will go through the substitution process (where applicable) and normal novation, daily netting and cross day netting processing and will be settled in the CNS System.

10A.6.3 Buy-in process by HKSCC on behalf of a China Connect Clearing Participant

The following explains the process of Buy-in by HKSCC on behalf of a short China Connect Clearing Participant in greater detail:

- (i) in respect of the short stock positions in China Connect Securities of a short China Connect Clearing Participant which remain outstanding under the CNS System after the final Batch-settlement-run for China Connect Securities Trades on the Settlement Day, a Buy-in Notification Report containing such outstanding short stock positions will be generated by HKSCC. Unless there is a risk management reason affecting HKSCC which is considered valid by the Risk Management Committee, HKSCC will effect Buy-in on T+1 (or if it is not practicable to do so on T+1, at any time thereafter), of all outstanding short stock positions stated in the Buy-in Notification Report;
- (ii) the Buy-in Notification Report will be available to the short China Connect Clearing Participant through its CCASS Terminals and Participant Gateways after the final Batch-settlement-run for China Connect Securities Trades;
- (iii) HKSCC may instruct its authorized brokers to assist in effecting a Buy-in of the China Connect Securities on the relevant China Connect Market via the relevant Trading Link;
- (iv) HKSCC shall effect a Buy-in at what it determines to be the best prevailing market price and terms available (but taking into account HKSCC may need to act promptly and provided that HKSCC, the Exchange, the SEHK Subsidiary and a recognized exchange controller which is the controller of HKSCC shall have no liability if HKSCC acts in good faith). The short China Connect Clearing Participant shall be liable to and shall indemnify HKSCC, the Exchange, the SEHK Subsidiary and a recognized exchange controller which is the controller of HKSCC against all costs and expenses incurred by HKSCC in connection with the Buy-in;
- (v) after effecting such a Buy-in, the relevant Buy-in details will be available to the short China Connect Clearing Participant via the CCASS online enquiry function and report; and
- (vi) upon receipt of confirmation of good funds in relation to the cost of the Buy-in, China Connect Securities received under the Buy-in will be delivered to the short China Connect Clearing Participant.

10A.7 LATE DELIVERY: ADJUSTMENTS FOR ENTITLEMENTS

The provisions in Section 10.9 shall be applicable, in so far as they are relevant, to adjustments of entitlements in respect of late delivery of China Connect Securities. HKSCC will from time to time notify Participants of the procedures or additional procedures to be followed in relation to adjustments for entitlements under the CNS System in respect of corporate actions involving China Connect Securities, either generally or on a case by case basis.

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 on the next Trading day.

10A.8 RISK MANAGEMENT: MAINLAND SETTLEMENT DEPOSIT

10A.8.1 General

As settlement counterparty to China Connect Clearing Participants in respect of China Connect Securities Trades under the CNS System, HKSCC is exposed to credit risk as a result of the failure by any China Connect Clearing Participant to meet its money obligations in respect of its stock positions in China Connect Securities under the CNS System. In this Section 10A.8, any overdue short stock positions in China Connect Securities under the CNS System are referred to as “overdue short positions in China Connect Securities”.

To monitor and control such risk exposure, HKSCC will collect Mainland Settlement Deposit from China Connect Clearing Participants. HKSCC will compute and collect Mainland Settlement Deposit in accordance with the provisions of this Section 10A.8 in the form of cash in Renminbi, rounded to the nearest RMB0.01. Notwithstanding the foregoing, HKSCC reserves the right to collect the required amount of Mainland Settlement Deposit in any Eligible Currency. 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, the Mainland Settlement Deposit collected from China Connect Clearing Participants.

This Section 10A.8 describes the extent to and the manner in which Mainland Settlement Deposit from China Connect Clearing Participants will be collected and redelivered by HKSCC.

10A.8.2 Computation of Mainland Settlement Deposit

The Mainland Settlement Deposit requirement of a China Connect Clearing Participant will be the higher of:

Daily Mainland Settlement Deposit requirement

and

Monthly Mainland Settlement Deposit requirement.

(i) Daily Mainland Settlement Deposit requirement

Daily Mainland Settlement Deposit requirement will be computed on a daily basis using the following formula:

$$\left(\begin{array}{l} \text{Buy turnover in} \\ \text{China Connect} \\ \text{Securities} \end{array} + \begin{array}{l} \text{Contract value of overdue} \\ \text{short positions} \\ \text{in China Cconnect} \\ \text{Securities} \end{array} \right) \times \text{Settlement} \\ \text{Deposit Rate}$$

where

Buy turnover is the buy turnover of the China Connect Clearing Participant (including those of its NCPs) on a Trading Day in China Connect Securities; and

Settlement Deposit Rate is the rate determined by HKSCC in its absolute discretion from time to time by reference to the rate payable by HKSCC to the Mainland's Settlement Reserve Fund as required by the relevant China Connect Clearing House under its rules.

(ii) Monthly Mainland Settlement Deposit requirement

Monthly Mainland Settlement Deposit requirement for a particular month will be computed using the following formula:

$$\frac{\text{Sum of Daily Mainland Settlement Deposit requirement in the previous month}}{\text{Number of days having buy turnover in China Connect Securities} \\ \text{in the previous month}}$$

where

Sum of Daily Mainland Settlement Deposit requirement does not include any Mainland Settlement Deposit requirement on a day where there is no buy turnover in China Connect Securities.

10A.8.3 Example (Computation of Mainland Settlement Deposit Requirement)

	<i>(RMB)</i>
(a) Buy Turnover in China Connect Securities	3,000,000
(b) Contract value of overdue short positions in China Connect Securities	50,000

	<i>(RMB)</i>
(c) Settlement Deposit Rate = 20%	
(d) Daily Mainland Settlement Deposit requirement [(a) + (b)] × (c)	610,000
(e) Monthly Mainland Settlement Deposit requirement	550,000
(f) Mainland Settlement Deposit requirement: Higher of (d) & (e)	610,000

10A.8.4 Example (Computation of Monthly Mainland Settlement Deposit Requirement)

Suppose there are 5 Trading days in the month. The following table shows the buy turnover in China Connect Securities and contract value of overdue short positions in China Connect Securities for a China Connect Clearing Participant on each Trading day of the month:

	<u>Day 1</u> <i>(RMB)</i>	<u>Day 2</u> <i>(RMB)</i>	<u>Day 3</u> <i>(RMB)</i>	<u>Day 4</u> <i>(RMB)</i>	<u>Day 5</u> <i>(RMB)</i>
(a) Buy Turnover in China Connect Securities	1,000,000	10,000	0	200,000	0
(b) Contract value of overdue short positions in China Connect Securities	200,000	800,000	4,000	0	0
(c) Settlement Deposit Rate = 20%					
(d) Daily Mainland Settlement Deposit requirement [(a) + (b)] × (c)	240,000	162,000	800	40,000	0

Sum of Daily Mainland Settlement Deposit Requirement in the month excluding days without buy turnover in China Connect Securities
 = RMB240,000 + RMB162,000 + RMB40,000
 = RMB442,000

Number of days having buy turnover in the month = 3

Monthly Mainland Settlement Deposit requirement
 = RMB442,000 ÷ 3
 = RMB147,333.33 (rounded to nearest RMB0.01)
 = RMB147,333.33

10A.8.5 Relevant CCASS reports

The FCS which gives information on the total buy trade amount in China Connect Securities of a China Connect Clearing Participant on a Trading day will assist the

China Connect Clearing Participant to estimate its Mainland Settlement Deposit requirement at any time.

A Mainland Settlement Deposit Payable Report will be made available via CCASS Terminals and Participant Gateways each time after any Mainland Settlement Deposit requirement is calculated for collection by HKSCC to provide details of the computation of the Mainland Settlement Deposit requirement of a China Connect Clearing Participant on that Trading day.

10A.8.6 Interest on Mainland Settlement Deposit collected

HKSCC may allow or charge, at its absolute discretion, to China Connect Clearing Participants interest on the Mainland Settlement Deposit collected in cash calculated at a rate determined by HKSCC from time to time. HKSCC reserves the right to deduct any administrative costs from any interests to be allowed or to charge such administrative cost to the Mainland Settlement Deposit collected in cash.

Unless otherwise specified by HKSCC, interest to be allowed or charged on Mainland Settlement Deposit provided in cash, if any, will be accrued and paid (after deduction of the administrative costs, if applicable) or charged (together with the administrative costs, if applicable) quarterly by HKSCC to China Connect Clearing Participants in the same currency as the cash on which the interest accrued, by crediting or debiting, as the case may be, the Miscellaneous Account of the China Connect Clearing Participant's Money Ledger, on the first Business Day of the following quarter.

10A.8.7 Collection of Mainland Settlement Deposit

Mainland Settlement Deposit requirement to be demanded from a China Connect Clearing Participant on each Trading Day will be compared to the collected amount in the CCMS House Collateral Account of the China Connect Clearing Participant. If there is any shortfall in the Mainland Settlement Deposit required, HKSCC will collect the shortfall in the currency in which the Mainland Settlement Deposit requirement is calculated. Notwithstanding the foregoing, HKSCC reserves the right to collect the shortfall in Mainland Settlement Deposit required in any Eligible Currency.

Unless otherwise agreed by HKSCC, any shortfall in Mainland Settlement Deposit required, as determined by HKSCC, will be debited to the Miscellaneous Account of a China Connect Clearing Participant's Money Ledger and will be collected from the China Connect Clearing Participant. Mainland Settlement Deposit will be collected from the China Connect Clearing Participant on a daily basis by HKSCC by issuing DDIs to the Designated Bank of the China Connect Clearing Participant as part of the CCASS money settlement process on each Trading day, or in any other manner determined by HKSCC from time to time. If DDIs cannot be issued on any Trading day, HKSCC will collect Mainland Settlement Deposit by issuing DDIs to the Designated Bank of the China Connect Clearing Participant on the next Business Day. Subject to the determination of HKSCC, no surplus cash collateral over Mainland Settlement Deposit in the CCMS House Collateral Account of a China Connect Clearing Participant on a Trading day will be redelivered to it at the end of the day except any surplus cash collateral that may be credited to its CCMS House Collateral Account on the tenth Trading day of each month. The redelivery will be made in such manner as prescribed by HKSCC from time to time. Notwithstanding the above,

HKSCC reserves the right not to redeliver surplus cash collateral at any time it considers appropriate.

Upon termination of a Clearing Participant as a China Connect Clearing Participant, provided that all liabilities of such Clearing Participant to HKSCC in respect of Market Contracts in China Connect Securities, whether actual or contingent, have been satisfied or provided for in full and provided that all payments by HKSCC to the relevant China Connect Clearing House as cover for HKSCC's corresponding liabilities to the China Connect Clearing House have been repaid by the China Connect Clearing House to HKSCC, HKSCC shall, subject to any deductions which may be allowed under the Rules, redeliver to the Clearing Participant such amount as shall represent the balance of any Mainland Settlement Deposit which the Clearing Participant has provided to HKSCC.

In the event of default of the relevant China Connect Clearing House and the China Connect Clearing House fails to repay to HKSCC all payments made by HKSCC as cover for liabilities to the China Connect Clearing House which correspond to a China Connect Clearing Participant, HKSCC shall not be liable to redeliver to the China Connect Clearing Participant any Mainland Settlement Deposit provided to HKSCC by the China Connect Clearing Participant beyond any corresponding amount received from the China Connect Clearing House plus any amount of Mainland Settlement Deposit collected from the China Connect Clearing Participant which had not been used by HKSCC to satisfy its obligations as clearing participant to the China Connect Clearing House under the relevant Clearing Link. Should there be a shortfall, the amount of Mainland Settlement Deposit available for redelivery to China Connect Clearing Participants will be made by HKSCC on a pro-rata basis.

10A.8.8 Intra-day Mainland Settlement Deposit

In addition to day-end Mainland Settlement Deposit, a China Connect Clearing Participant shall on demand pay to HKSCC within the time period specified by HKSCC such intra-day Mainland Settlement Deposit as HKSCC may from time to time determine by reference to the buy turnover and contract value of overdue short positions in China Connect Securities of the China Connect Clearing Participant.

10A.9 RISK MANAGEMENT: MAINLAND SECURITY DEPOSIT

10A.9.1 General

As settlement counterparty to China Connect Clearing Participants in respect of China Connect Securities Trades under the CNS System, HKSCC is exposed to market risks as a result of potential unfavourable fluctuations of prices in respect of the unsettled stock positions in China Connect Securities of China Connect Clearing Participants under the CNS System.

To monitor and control such risk exposure, HKSCC will collect Mainland Security Deposit from China Connect Clearing Participants in respect of their net settlement amount in China Connect Securities under the CNS System. HKSCC will compute and collect Mainland Security Deposit in accordance with the provisions of this Section 10A.9 in the form of cash in Renminbi, rounded to the nearest RMB0.01. Notwithstanding the foregoing, HKSCC reserves the right to collect the required amount of Mainland Security Deposit in any Eligible Currency.

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, the Mainland Security Deposit collected from China Connect Clearing Participants.

This Section 10A.9 describes the extent to and the manner in which Mainland Security Deposit from China Connect Clearing Participants will be collected and redelivered by HKSCC.

10A.9.2 Computation of Mainland Security Deposit

The Mainland Security Deposit requirement of a China Connect Clearing Participant will be computed at the end of each month using the following formula:

$$\frac{\text{Sum of daily net settlement amount in China Connect Securities in the last 6 months}}{\text{Number of days traded in China Connect Securities by the China Connect Clearing Participant in the last 6 months}} \times \text{Mainland Security Deposit Rate}$$

subject to such minimum amount as may be determined by HKSCC from time to time in its absolute discretion. Such minimum amount of Mainland Security Deposit is required to be paid to HKSCC by a Clearing Participant upon its registration as a China Connect Clearing Participant as one of the China Connect Clearing Participant Registration Criteria as referred to in Rule 4103.

Mainland Security Deposit Rate is the rate determined by HKSCC in its absolute discretion from time to time by reference to the rate payable by HKSCC to the Mainland's Settlement Guarantee Fund as required by the relevant China Connect Clearing House under its rules.

10A.9.3 Relevant CCASS reports

The FCS which gives information on the net settlement amount in China Connect Securities to be settled under the CNS System of a China Connect Clearing Participant on each Trading day will assist the China Connect Clearing Participant to estimate its Mainland Security Deposit requirement at any time.

A Mainland Security Deposit Payable Report will be made available via CCASS Terminals and Participant Gateways each time after any Mainland Security Deposit is calculated for collection by HKSCC to provide information on Mainland Security Deposit and details of the computation of the Mainland Security Deposit requirement of a China Connect Clearing Participant for that month.

10A.9.4 Interest on Mainland Security Deposit collected

HKSCC may allow or charge, at its absolute discretion, to China Connect Clearing Participants interest on the Mainland Security Deposit collected in cash calculated at a rate determined by HKSCC from time to time. HKSCC reserves the right to deduct

any administrative costs from any interests to be allowed or to charge such administrative cost to the Mainland Security Deposit collected in cash.

Unless otherwise specified by HKSCC, interest to be allowed or charged on Mainland Security Deposit provided in cash, if any, will be accrued and paid (after deduction of the administrative costs, if applicable) or charged (together with the administrative costs, if applicable) quarterly by HKSCC to China Connect Clearing Participants in the same currency as the cash on which the interest accrued, by crediting or debiting, as the case may be, Miscellaneous Account of the China Connect Clearing Participant's Money Ledger, on the first Business Day of the following quarter.

10A.9.5 Collection of Mainland Security Deposit

The Mainland Security Deposit requirement of a China Connect Clearing Participant on the first Business Day of each month will be compared to the collected amount in the CCMS House Collateral Account of the China Connect Clearing Participant. If there is any shortfall in Mainland Security Deposit, HKSCC will collect the shortfall in the currency in which the Mainland Security Deposit is calculated. Notwithstanding the foregoing, HKSCC reserves the right to collect the shortfall in Mainland Security Deposit required in any Eligible Currency.

Unless otherwise agreed by HKSCC, any shortfall in Mainland Security Deposit required, as determined by HKSCC, will be debited to the Miscellaneous Account of a China Connect Clearing Participant's Money Ledger and will be collected from the China Connect Clearing Participant. Mainland Security Deposit will be collected from the China Connect Clearing Participant on a monthly basis by HKSCC by issuing DDIs to the Designated Bank of the China Connect Clearing Participant on the first Business Day of each month as part of the CCASS money settlement process, or in any other manner determined by HKSCC from time to time. If DDIs cannot be issued on the first Business Day of the month, HKSCC will collect Mainland Security Deposit by issuing DDIs to the Designated Bank of the China Connect Clearing Participant on the next Business Day.

Subject to the determination of HKSCC, any surplus cash collateral over Mainland Security Deposit in the CCMS House Collateral Account will be redelivered at the end of the tenth Business Day of each month. The redelivery will be made in such manner as prescribed by HKSCC from time to time. Notwithstanding the above, HKSCC reserves the right not to redeliver surplus cash collateral at any time it considers appropriate.

Upon termination of a Clearing Participant as a China Connect Clearing Participant, provided that all liabilities of such Clearing Participant to HKSCC in respect of Market Contracts in China Connect Securities, whether actual or contingent, have been satisfied or provided for in full and provided that all payments by HKSCC to the relevant China Connect Clearing House as cover for HKSCC's corresponding liabilities to the China Connect Clearing House have been repaid by the China Connect Clearing House to HKSCC, HKSCC shall, subject to any deductions which may be allowed under the Rules, redeliver to the Clearing Participant such amount as shall represent the balance of any Mainland Security Deposit which the Clearing Participant has provided to HKSCC.

In the event of default of the relevant China Connect Clearing House and the China Connect Clearing House fails to repay to HKSCC all payments made by HKSCC as cover for liabilities to the China Connect Clearing House which correspond to a China Connect Clearing Participant, HKSCC shall not be liable to redeliver to the China Connect Clearing Participant any Mainland Security Deposit provided to HKSCC by the China Connect Clearing Participant beyond any corresponding amount received from the China Connect Clearing House plus any amount of Mainland Security Deposit collected from the China Connect Clearing Participant which had not been used by HKSCC to satisfy its obligations as clearing participant to the China Connect Clearing House under the relevant Clearing Link. Should there be a shortfall, the amount of Mainland Security Deposit available for redelivery to China Connect Clearing Participants will be made by HKSCC on a pro-rata basis.

10A.10 RISK MANAGEMENT: MARKS

10A.10.1 Purpose of Marks

As settlement counterparty to China Connect Clearing Participants in respect of China Connect Securities Trades under the CNS System, HKSCC is exposed to market risks as a result of unfavourable fluctuations of prices in respect of the unsettled stock positions in China Connect Securities of China Connect Clearing Participants under the CNS System.

To monitor and control such risk exposure, HKSCC shall be entitled from time to time and at any time Mark-to-market all unsettled CNS stock positions in China Connect Securities of China Connect Clearing Participants by reference to the market price of the China Connect Securities.

10A.10.2 Computation of Marks

The value of Marks on the CNS stock position in a China Connect Security of a China Connect Clearing Participant is the difference between:

- (i) the money position of that CNS stock position in the China Connect Security; and
- (ii) the prevailing market value of such CNS stock position in the China Connect Security (as determined by HKSCC).

The Marks on the CNS stock positions of any China Connect Security will be calculated and denominated in the Eligible Currency in which the China Connect Security is traded. Favourable Marks and Unfavourable Marks in the same Eligible Currency will be offset against one another to arrive at the Favourable Marks or Unfavourable Marks in that Eligible Currency.

10A.10.3 Form of Marks

Normally, HKSCC will require China Connect Clearing Participants to provide Marks in the form of cash subject to the Rules.

10A.10.4 Notification by HKSCC

HKSCC will notify a China Connect Clearing Participant in writing of the amount of Marks required and the China Connect Clearing Participant will have to provide the Marks within the time period specified.

10A.10.5 Return of Marks

Marks provided by China Connect Clearing Participants will be returned to them by HKSCC in such manner and at such time as is considered appropriate by HKSCC.

10A.10.6 Interest on Marks

HKSCC may allow or charge, at its absolute discretion, to China Connect Clearing Participants interest on Marks provided by China Connect Clearing Participants in cash calculated at a rate determined by HKSCC from time to time. HKSCC reserves the right to deduct any administrative costs from any interest to be allowed or to charge such administrative cost to the Marks provided in cash.

Unless otherwise specified by HKSCC, interest to be allowed or charged on Marks provided in cash, if any, will be accrued and paid (after deduction of the administrative costs, if applicable) or charged (together with the administrative costs, if applicable) monthly, by HKSCC to China Connect Clearing Participants in the same currency as the cash on which the interest accrued, by crediting or debiting, as the case may be, the Miscellaneous Account of the China Connect Clearing Participant's Money Ledger, on the first Business Day of the following month.

10A.11 RISK MANAGEMENT: COLLATERAL

10A.11.1 Purpose of Collateral

HKSCC monitors its risk exposure to China Connect Clearing Participants on a continuous basis. From time to time, circumstances peculiar to a particular China Connect Clearing Participant may warrant HKSCC taking additional risk management measures against it.

For example, a China Connect Clearing Participant's financial well-being may be in question. Similarly, the trading pattern of a China Connect Clearing Participant may in HKSCC's view create excessive risks.

In appropriate cases, HKSCC will require a China Connect Clearing Participant to provide it with Collateral. HKSCC may collect Collateral based on HKSCC's assessment of its exposure on the risks arising out of Market Contracts in China Connect Securities of a China Connect Clearing Participant.

10A.11.2 Form of Collateral

Normally, HKSCC will require China Connect Clearing Participants to provide Collateral in the form of cash subject to the Rules.

10A.11.3 Amount of Collateral

The amount of Collateral required to be provided by a China Connect Clearing Participant will be decided by HKSCC, taking into account HKSCC's exposure posed by the China Connect Clearing Participant.

10A.11.4 Notification by HKSCC

HKSCC will notify a China Connect Clearing Participant in writing of the amount of Collateral required and the China Connect Clearing Participant will have to provide the Collateral within the time period specified.

10A.11.5 Return or Redelivery of Collateral

Collateral provided by China Connect Clearing Participants will be returned or redelivered to them by HKSCC in such manner and at such time as is considered appropriate by HKSCC.

10A.11.6 Interest on Collateral

HKSCC may allow or charge, at its absolute discretion, to China Connect Clearing Participants interest on Collateral provided by China Connect Clearing Participants in cash calculated at a rate determined by HKSCC from time to time. HKSCC reserves the right to deduct any administrative costs from any interest to be allowed or to charge such administrative cost to the Collateral provided in cash.

Unless otherwise specified by HKSCC, interest to be allowed or charged on Collateral provided in cash, if any, will be accrued and paid (after deduction of the administrative costs, if applicable) or charged (together with the administrative costs, if applicable) monthly, by HKSCC to China Connect Clearing Participants in the same currency as the cash on which the interest accrued, by crediting or debiting, as the case may be, Miscellaneous Account of the China Connect Clearing Participant's Money Ledger, on the first Business Day of the following month.

10A.12 RISK MANAGEMENT: MAINLAND CLEARING RISK FUND

10A.12.1 General

Each China Connect Clearing Participant shall on demand provide to HKSCC such contributions to the Mainland Clearing Risk Fund as may from time to time be determined by HKSCC based on the turnover of all China Connect Securities Trades of the China Connect Clearing Participant and its NCPs on a Trading day and at such rate as may be determined by HKSCC in its absolute discretion by reference to the rate prescribed by the China Securities Regulatory Commission and the Ministry of Finance of Mainland China from time to time. If HKSCC as a clearing participant of the China Connect Clearing House under the relevant Clearing Link is not required to contribute to the Settlement Risk Fund administered by the China Securities Regulatory Commission and the Ministry of Finance of Mainland China, HKSCC will not demand contributions to the Mainland Clearing Risk Fund from China Connect Clearing Participants.

HKSCC will compute and collect contributions to the Mainland Clearing Risk Fund in accordance with the provisions of this Section 10A.12 in the form of cash in Renminbi, rounded up to the nearest RMB0.01. Notwithstanding the foregoing, HKSCC reserves the right to collect the required amount of Mainland Clearing Risk Fund in any Eligible Currency.

HKSCC shall have the right to satisfy its obligations to contribute to the Settlement Risk Fund administered by the China Securities Regulatory Commission and the Ministry of Finance of Mainland China or any other risk fund as clearing participant of the China Connect Clearing House under the relevant Clearing Link with contributions to the Mainland Clearing Risk Fund collected from China Connect Clearing Participants.

This Section 10A.12 describes the extent to and the manner in which Mainland Clearing Risk Fund from China Connect Clearing Participants will be collected.

10A.12.2 Mainland Clearing Risk Fund contributions

The Mainland Clearing Risk Fund contribution of a China Connect Clearing Participant will be computed on a daily basis using the following formula:

$$\frac{\text{Turnover in China Connect Securities of a China Connect Clearing Participant and its NCPs}}{\text{NCPs}} \times \text{Clearing Risk Fund Rate}$$

where

Clearing Risk Fund Rate is determined by HKSCC in its absolute discretion from time to time by reference to the rate payable by HKSCC to the Mainland's Settlement Risk Fund as required by the China Securities Regulatory Commission and the Ministry of Finance of Mainland China.

10A.12.3 Relevant CCASS reports and notification by HKSCC

The FCS which gives information on the total buy and sell trade amount in China

Connect Securities of a China Connect Clearing Participant on that Trading day will assist the China Connect Clearing Participant to estimate its Mainland Clearing Risk Fund requirement at any time.

HKSCC will, via the Broadcast Message Service, notify the amount of Mainland Clearing Risk Fund required from a China Connect Clearing Participant on that Trading day.

10A.12.4 Collection of Mainland Clearing Risk Fund contributions

Unless otherwise agreed by HKSCC, debit entry of Mainland Clearing Risk Fund required, as determined by HKSCC, will be posted to the Miscellaneous Account of a China Connect Clearing Participant's Money Ledger and will be collected from the China Connect Clearing Participant. Any Mainland Clearing Risk Fund required will be collected from the China Connect Clearing Participant on a daily basis by HKSCC by issuing DDIs to the Designated Bank of the China Connect Clearing Participant as part of the CCASS money settlement process on each Trading day, or in any other manner determined by HKSCC from time to time. If DDIs cannot be issued on the Trading day, HKSCC will collect Mainland Clearing Risk Fund by issuing DDIs to the Designated Bank of the China Connect Clearing Participant on the next Business Day.

Contributions to the Mainland Clearing Risk Fund paid by China Connect Clearing Participants will not be returned or redelivered to China Connect Clearing Participants by HKSCC, unless contributions made by HKSCC as a clearing participant of the relevant China Connect Clearing House to the Mainland's Settlement Risk Fund administered by the China Securities Regulatory Commission and the Ministry of Finance of Mainland China are returned in whole or in part to HKSCC. HKSCC may allocate the returned contributions to China Connect Clearing Participants which have made contributions to the Mainland Clearing Risk Fund in such manner as it considers appropriate.

10A.13 RISK MANAGEMENT: CASH COLLATERAL

10A.13.1 Cash Collateral for Market Contracts in China Connect Securities

Cash Collateral for Market Contracts in China Connect Securities in Renminbi and other Eligible Currencies recorded as credit entries in any CCMS Collateral Account of a China Connect Clearing Participant are amounts paid by the China Connect Clearing Participant to HKSCC. The only obligation of HKSCC to the China Connect Clearing Participant in respect of such amounts shall be to pay the China Connect Clearing Participant an amount equal to the balance remaining after satisfaction of all obligations and liabilities (actual or contingent) of such Participant (whether in its capacity as China Connect Clearing Participant or otherwise) to HKSCC.

10A.14 RISK MANAGEMENT: SECURITIES-ON-HOLD OF CHINA CONNECT SECURITIES

10A.14.1 Purpose of Securities-on-hold

On each Settlement Day, HKSCC will, as and when China Connect Securities are made available to it by the China Connect Clearing House under its rules and procedures relating to the settlement of China Connect Securities Trades, use such China Connect Securities to settle its obligations to China Connect Clearing

Participants with long stock positions under the CNS System by allocating such China Connect Securities to their Stock Clearing Accounts in accordance with the allocation algorithm set out in Section 13.4.

Since under the current design of the CCASS money settlement process, payment by China Connect Clearing Participants to HKSCC via their Designated Banks (as part of CCASS money settlement process) will only be settled the next Settlement Day at noon after the China Connect Securities have been delivered to China Connect Clearing Participants under the CNS System in CCASS, HKSCC faces significant risk exposure from the time of delivery of China Connect Securities in CCASS to the time when confirmation of good and irrevocable payment is issued by the Designated Banks of China Connect Clearing Participants and the receiving bank of HKSCC.

To guard against this risk exposure, the Rules provide that 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 Settlement Day; and (ii) such payment is good and irrevocable, or unless otherwise agreed by HKSCC, title and property in such China Connect Securities shall not pass to the China Connect Clearing Participant. Until then, China Connect Clearing Participants will not be allowed to use some or all of such China Connect Securities, except as permitted by HKSCC.

10A.14.2 Quantity of China Connect Securities allocated which cannot be used

The quantity of China Connect Securities allocated to the Stock Clearing Account of a China Connect Clearing Participant under the CNS System on a Settlement Day which will not be allowed to be used by the China Connect Clearing Participant will depend on the amount to be paid by the China Connect Clearing Participant to HKSCC under the CNS System on that day.

If a China Connect Clearing Participant wishes to make use of any of such China Connect Securities in its Stock Clearing Account before payment of the amount owed to HKSCC is confirmed good and irrevocable, as long as the value of such China Connect Securities (in Hong Kong dollar equivalent converted at the exchange rate determined by HKSCC) which are to remain in the Stock Clearing Account of the China Connect Clearing Participant (determined by using the Mark-to-market values of the relevant China Connect Securities at the time), discounted by a percentage to be decided by HKSCC (normally ten percent), is not less than the total amount owed to HKSCC (in Hong Kong dollars or its Hong Kong dollar equivalent converted at the exchange rate determined by HKSCC), the China Connect Clearing Participant will be allowed by HKSCC to make use of the China Connect Securities. For the purpose of calculating the total amount owed by a China Connect Clearing Participant to HKSCC, sums so owed and denominated in one Eligible Currency shall not be reduced by sums owed to that China Connect Clearing Participant by HKSCC which are denominated in any other Eligible Currency.

When payment of the total amount owed to HKSCC is confirmed good and irrevocable, all China Connect Securities allocated under the CNS System to the Stock Clearing Account of a China Connect Clearing Participant will become available for use by it.

10A.14.3 Example (Quantity of China Connect Securities which cannot be used)

On a Settlement Day, China Connect Clearing Participant A was allocated 4,000 of Stock X (denominated in RMB) and 3,000 of Stock Y (denominated in RMB) and has RMB80,000 due to HKSCC. China Connect Clearing Participant A has provided to HKSCC cash prepayment of RMB30,000. The prevailing Mark-to-market price for Stock X is RMB10 and for Stock Y is RMB20.

Then:

- (i) Mark-to-market value of China Connect Securities allocated to China Connect Clearing Participant A

$$= \text{RMB10} \times 4,000 \text{ (stock X)} + \text{RMB20} \times 3,000 \text{ (stock Y)}$$

$$= \text{RMB100,000}$$

- (ii) Discounted market value of such allocated China Connect Securities

$$= \text{RMB100,000} \times (1 - 0.1)$$

$$= \text{RMB90,000}$$

- (i) Discounted market value of allocated China Connect Securities which could be withdrawn

$$= \begin{array}{l} \text{Discounted market -} \\ \text{value of allocated} \\ \text{China Connect} \\ \text{Securities} \end{array} - \begin{array}{l} \text{Amount due to HKSCC not covered} \\ \text{by cash prepayment} \end{array}$$

$$= \text{RMB90,000} - (\text{RMB80,000} - \text{RMB30,000})$$

$$= \text{RMB40,000}$$

China Connect Clearing Participant A will be allowed by HKSCC to use allocated China Connect Securities with a total discounted market value of not more than RMB40,000.

China Connect Clearing Participant A can therefore use no more than either: -

- (i) 4,444 of Stock X (derived from $\text{RMB40,000} \div \text{RMB10} \div (1 - 0.1)$); or
- (ii) 2,222 of Stock Y (derived from $\text{RMB40,000} \div \text{RMB20} \div (1 - 0.1)$); or
- (iii) a combination of Stock X and Stock Y so long as their total discounted market value does not exceed RMB40,000.

The amount of Stock X and Stock Y which must be retained in the Stock Clearing Account of China Connect Clearing Participant A will be treated by HKSCC as Securities-on-hold.

10A.14.4 China Connect Clearing Participant may effect cash prepayment

China Connect Clearing Participants that have outstanding payment obligations to HKSCC but wish to utilize any or all of the Securities-on-hold covering such outstanding payment obligations for any purpose, including to settle SI Transactions during a Settlement Day, may pay same day available funds to HKSCC to reduce their monetary obligations and have the equivalent discounted market value of Securities-

on-hold in China Connect Securities released.

10A.14.5 Procedures

The following is a brief description of the procedures relating to cash prepayment on each Settlement Day:

- (i) China Connect Clearing Participants must make their cash prepayment requests to HKSCC by phone or electronic transmission, with payment details;
- (ii) To avoid undue concentration of HKSCC's exposure to a bank appointed by HKSCC as receiving bank for cash payment, cash prepayment is subject to the concentration limit pre-determined by HKSCC in respect of each appointed receiving bank. China Connect Clearing Participants must liaise closely with their banks to ensure that same day available funds are transferred to HKSCC's specified bank account before 6:00 p.m., or such other time prescribed by HKSCC from time to time.

For China Connect Clearing Participants using the same bank as HKSCC, they can make use of the internal account transfer function of the bank or electronic banking services to transmit available funds. For others, they can pay via CHATS;

- (iii) Before 5:45 p.m. or such other time as from time to time determined by HKSCC, China Connect Clearing Participants must send by facsimile or electronic transmission the supporting documents (see CCASS Terminal User Guide for Participants for details) to HKSCC. In preferred sequence, HKSCC accepts China Connect Clearing Participants' payment instructions to their banks, Electronic Banking Payment Authorizations, etc.;
- (iv) With full payment details, HKSCC will follow up the funds with its bank and the China Connect Clearing Participants. Only when available funds are confirmed will HKSCC update the China Connect Clearing Participants' Settlement Accounts of Money Ledger to reduce their monetary obligations due to HKSCC and as a result, release equivalent discounted market value of Securities-on-hold (see Section 10A.14.3). China Connect Clearing Participants' Statements of Money Ledger will show the relevant entries;
- (v) China Connect Clearing Participants can operate ATIs to check whether the Securities-on-hold have been released and rely on DIs or Batch-settlement-runs to settle the SI Transactions;
- (vi) Since HKSCC allocates shares according to a pre-set algorithm, China Connect Clearing Participants making prepayments may not have received all allocated shares. Any surplus funds thus arising will be returned to them on next Settlement Day via CPI. Please refer further to Section 14.4.2;
- (vii) Acceptance of the prepayment requests will be at HKSCC's full discretion. If China Connect Clearing Participants fail to follow the procedures, and/or for any other reason the requests are subsequently turned down by HKSCC, then the funds received will only be refunded the following Settlement Day without

interest; and

- (viii) In the event of default of payment (e.g., for any transfers subsequently reversed by the Clearing House of HKAB), HKSCC shall have recourse against the relevant China Connect Clearing Participant.

10A.15 RISK MANAGEMENT: CLOSING-OUT

10A.15.1 Purpose of Closing-out

Under Rule 3607 and Rule 4107, on the occurrence of an Event of Default of a China Connect Clearing Participant, HKSCC may Close-out any or all unsettled obligations of that China Connect Clearing Participant (whether in its capacity as China Connect Clearing Participant or otherwise) under the CNS System (whether or not due for settlement).

The two main purposes of Closing-out are (i) to enable HKSCC to crystalize its exposure to a Participant in default and (ii) to enable HKSCC to meet its obligations under the CNS System to other Participants. The end result of Closing-out of all unsettled positions of a Participant under the CNS System is that all obligations to deliver or receive Eligible Securities (including but not limited to China Connect Securities) will be replaced by sums payable and a net sum will become payable by or to the defaulting Participant. The mechanics of Closing-out described in Section 10.14 shall be applicable, in so far as they are relevant.

(For further details, reference should be made to Sections 10.14.2, 10.14.3 and 10.14.4 which shall also apply to default by China Connect Clearing Participants.)

Section 11

Exchange Trades - Isolated Trades System

11.2 TRADE AMENDMENTS, “LATE” EXCHANGE TRADES AND TRADES NOT RECOGNIZED BY THE EXCHANGE

11.2.3 Accrued interest adjustment

Details of the accrued interest adjustments are provided in the FCSs, Next Settlement Day Due/Overdue Position Reports, Settled Position Reports and Settlement Reports (see CCASS Terminal User Guide for Participants for details), where applicable.

Section 12

Non-Exchange Trades - SI Transactions, Clearing Agency Transactions, ISI Transactions and Transfer Instructions

12.1 SI TRANSACTIONS (BETWEEN PARTICIPANTS OTHER THAN INVESTOR PARTICIPANTS)

12.1.1 Details of SI Transactions

For transactions between Participants to be settled in CCASS other than Exchange Trades, China Connect Securities Trades, Clearing Agency Transactions, Isolated Trades and ISI Transactions, each of the two Participants concerned must, on each occasion, input a Settlement Instruction or SI into CCASS, containing the relevant details required by HKSCC.

12.1.2 Input SIs

(i) Details of SIs

In relation to item (g), Participants may only elect “FOP” as the payment instruction when inputting SIs relating to China Connect Securities. Hence, items (h) and (ha) shall not be applicable to SIs relating to China Connect Securities.

12.1.3 Matching of SIs

Matching of SIs in CCASS is conducted at stated times in CCASS on each Settlement Day in accordance with Sections 6.2.1 and 6.2.2.

In addition, for Eligible Securities other than China Connect Securities, a further SI matching run is conducted immediately preceding the last Batch-settlement-run on each Settlement Day. This is intended to ensure that all SIs input into CCASS and, if required, authorised before 3:45 p.m. (the scheduled time for the last Batch-settlement-run) will have a chance to be matched for settlement the same day.

12.1.4 Purging of SIs

Matched SIs and matched on-hold SIs which remain unsettled will be purged from CCASS fourteen calendar days after the stipulated Settlement Day (or if the fourteenth calendar day falls on a day which is not a Business Day, the Business Day immediately preceding the fourteenth calendar day).

Unmatched SIs and pending SIs will be purged from CCASS fourteen calendar days after input (or if the fourteenth calendar day falls on a day which is not a Business Day, the Business Day immediately preceding the fourteenth calendar day).

12.1.6 Settlement of SI Transactions

(vi) China Connect Securities

Input and matching of SIs relating to China Connect Securities will be conducted at stated times in CCASS on each Business Day in accordance with Section 6.2.2

but settlement of SI Transactions in China Connect Securities inputted into CCASS on a Business Day will only be allowed in the SI Batch-settlement-runs or by the use of DI.

Notwithstanding any other provision in the Rules, the following shall apply to SIs relating to China Connect Securities:

- (a) SIs relating to China Connect Securities may only be settled on an FOP basis;
- (b) only SIs in which a Custodian Participant or a GCP which is not an Exchange Participant is the delivering party will be processed in the first SI Batch-settlement-run;
- (c) DIs can only be effected to settle SIs relating to China Connect Securities after completion of the final CNS Batch-settlement-run shortly after 6:00 p.m. until 7:30 p.m.; and
- (d) in the event that a China Connect Clearing Participant has any short stock positions in a China Connect Security under the CNS System which are outstanding for settlement on the due date, all SIs which involve the delivery by the China Connect Clearing Participant of such China Connect Security from its Stock Accounts will be put on hold and no settlement of any such SIs will be allowed until its outstanding stock positions in the China Connect Security are settled.

12.1.8 Relevant CCASS Reports

(i) Reports available

Four sets of reports relating to SI transactions are available in CCASS, namely:

The reports are available for retrieval via CCASS Terminals and Participant Gateways. Please refer to Section 16.6 and the CCASS Terminal User Guide for Participants for details.

(ii) SI Activity Report

This report shows details of SIs that are matched, matched on-hold, revoked, or purged by CCASS on each Business Day or Mainland Business Day in the case of SIs relating to China Connect Securities, and lists SI input activities (including input, change, change matched on-hold, authorise, delete and revoke instructions) and maintenance activities of the “Hide Unmatched SI Content Counterparty List” function on that day.

(iii) SI Status Report

This report lists all SIs of a Participant which remain pending or unmatched at the end of each Business Day or Mainland Business Day in the case of SIs relating to China Connect Securities, SIs that are matched but are not yet due for settlement on the following Settlement Day, as well as SIs that are matched but whose settlement has been put on-hold.

(iv) Intra-day ISI/SI Full List

In relation to Eligible Securities other than China Connect Securities, the report shows details of due/overdue ISIs/SIs in such Eligible Securities of a Participant on the current Business Day with status as of the completion of each Batch-settlement-run and of the completion of each of the fifth, sixth, eighth and final SI matching runs. Details of SIs that are due on a future day are also included in the reports generated after the final Batch-settlement-run.

In relation to China Connect Securities, the report shows details of due/overdue SIs in China Connect Securities of the Participant on the current Mainland Business Day with status as of the completion of each of the Batch-settlement-runs (for settlement of SI stock positions only) and of the completion of each of the SI matching runs (except the first SI matching run) for China Connect Securities. Details of SIs that are due on a future day are also included in the reports generated after the final Batch-settlement-run for settlement of SI stock positions only.

(v) Unmatched SI Report

This report shows the details and reasons of the unmatched SIs on the current Business Day or Mainland Business Day in the case of SIs in China Connect Securities as of the completion of each SI matching run (except the first SI matching run for China Connect Securities). Where a Participant has specifically elected not to disclose its input data regarding an unmatched SI to the counterparty Participant via the “Hide Unmatched SI Content Counterparty List” function, only the SI Input Number and Participant ID/name of the Participant together with the unmatched reasons would be shown in the Unmatched SI Report of the counterparty Participant and the other details of the unmatched SIs will not be shown.

12.1.9 SI Batch File Transfer Service**(iii) Hours of service**

The SI batch file transfer service is available for use on each Business Day between the hours of 7:15 a.m. and 7:15 p.m.

12.3 ISI TRANSACTIONS (INVOLVING INVESTOR PARTICIPANTS)

ISI Transactions are not allowed to be effected by Clearing Agency Participants or in respect of China Connect Securities. Hence, this Section 12.3 shall not be applicable to Clearing Agency Participants or Eligible Securities which are China Connect Securities.

12.3.4 Purging of ISIs

Pending for settlement ISIs, unaffirmed ISIs (with affirmation) and pending ISIs may from time to time be purged from CCASS by HKSCC. The purging of ISIs is initiated by HKSCC and not by Participants.

Unaffirmed ISI (with affirmation), pending ISIs will be purged from CCASS fourteen calendar days after input (or if the fourteenth calendar day falls on a day which is not a Business Day, the immediately preceding Business Day).

Pending for settlement ISIs which remain unsettled for fourteen calendar days after the stipulated Settlement Day (or if the fourteenth calendar day falls on a day which is not a Business Day, the immediately preceding Business Day) will also be purged from CCASS.

Pending ISIs will be purged from CCASS fourteen calendar days after input (or if such day falls on a day which is not a Business Day, the immediately preceding Business Day).

12.3.8 Relevant CCASS Reports

(i) Reports available

The reports are available for retrieval via CCASS Terminals and Participant Gateways. Please refer to Section 16.6 and the CCASS Terminal User Guide for Participants for details.

Section 13

Securities Settlement

13.1 GENERAL

13.1.1 DIs or Batch-settlement-runs or on-line delivery to effect delivery in CCASS

CCASS is designed to give Participants a high degree of flexibility to cater for their priorities for settlement of transactions in CCASS (CNS stock positions arising from Exchange Trades, China Connect Securities Trades and Clearing Agency Transactions and other stock positions arising from Isolated Trades including Clearing Agency Transactions, ISI Transactions, SI Transactions and Compulsory Stock Borrowing Transactions).

13.1.3 Partial deliveries

Partial deliveries in CCASS will only be allowed in respect of CNS stock positions of Clearing Participants or Clearing Agency Participants and Isolated Trades (including Clearing Agency Transactions) to be settled on an FOP basis.

13.1.4 Money settlement

Settlement of CNS stock positions of Clearing Participants and Clearing Agency Participants will always be on a DVP basis.

Settlement of ISI or SI Transactions may be on a RDP, DVP or FOP basis, stipulated by the Participants concerned, except that SI Transactions for China Connect Securities can only be settled on an FOP basis.

13.2 SETTLEMENT BY DIs

13.2.1 Transactions which may be settled by DIs

All transactions other than Compulsory Stock Borrowing Transactions and CNS stock positions in China Connect Securities in CCASS may be settled by the delivering Participants other than Investor Participants by the input of DIs on or after the due settlement dates of such transactions.

Participants other than Investor Participants can monitor their settlement positions and can input DIs at any time during the operational hours of CCASS to effect settlement.

DIs for the settlement of Eligible Securities other than China Connect Securities must be input into CCASS before the commencement of each Batch-settlement-run on each Settlement Day. DIs for the settlement of SI Transactions in China Connect Securities inputted on a Settlement Day will only be allowed after completion of the final Batch-settlement-run for CNS stock positions and before the final SI Batch-settlement run on that Settlement Day.

13.2.2 Transactions which must be settled by DIs

Isolated Trades (including Clearing Agency Transactions), ISI Transactions and SI Transactions which are stipulated by the delivering Participants other than Investor Participants to require settlement by DIs only must be settled by DIs.

13.2.3 "Change DI Requirement" function

As mentioned, in relation to Isolated Trades (including Clearing Agency Transactions), ISI Transactions and SI Transactions, a delivering Participant other than an Investor Participant may at any time before the settlement of such transactions make use of the "Change DI Requirement" function available through its CCASS Terminals or Participant Gateways to specify that such transactions are to be settled by the input of DIs only and not to be included in the respective Batch-settlement-runs.

13.2.4 "Input DI" function

To input a DI, a delivering Participant other than an Investor Participant may use the "Input DI" function available via its CCASS Terminals or Participant Gateways and will identify the transaction to be settled by keying in the relevant number assigned to such transaction in CCASS.

Further information regarding the data fields of the Input DI function relating to the four types of transactions (i.e. CNS stock positions, Isolated Trades including Clearing Agency Transactions, ISI Transactions and SI Transactions) are set out in the CCASS Terminal User Guide for Participants.

13.2.5 Immediate delivery

DIs input by Participants other than Investor Participants usually will be given effect to in CCASS immediately by HKSCC. In the case of ISI or SI Transactions to be settled in CCASS on a RDP basis, shares will be put on-hold upon DIs input by Participants other than Investor Participants pending receipt of confirmation of payment of such transactions from the Clearing House of HKAB.

13.2.6 DIs not accepted

Settlement of a transaction by a DI input by a Participant other than an Investor Participant will not be given effect to in CCASS in the following cases:

- (vi) where a DI attempts to effect settlement of an SI Transaction, whose settlement has been put on hold by either or both of the delivering and receiving Participants;
- (vii) where a DI attempts to effect settlement of an ISI Transaction, whose settlement has been put on hold by the Participant;
- (viii) where a DI attempts to effect settlement of a CNS stock position in a China Connect Security; and
- (ix) where a DI attempts to effect settlement of an SI Transaction in a China Connect Security which has an overdue short CNS position in such China Connect Security after the final Batch-Settlement-Run for CNS stock positions.

13.3 SETTLEMENT BY BATCH-SETTLEMENT-RUNS

13.3.1 Transactions settled by Batch-settlement-runs

Other than (i) those transactions which are specified to require the input of DIs by the delivering Participants other than Investor Participants to effect settlement (see Section 13.2.3); (ii) SI Transactions whose settlement has been put on hold by either or both of the delivering and receiving Participants after successful matching (see Section

12.1.6(ii)); and (iii) ISI Transactions whose settlement has been put on hold by a Participant other than an Investor Participant (see Section 12.3.6 (vii)), transactions in CCASS may be settled by the multiple Batch-settlement-runs effected by HKSCC on each Settlement Day.

13.3.2 Batch-settlement-runs

Each Batch-settlement-run will involve relevant Eligible Securities in the Stock Clearing Accounts of the delivering Participants being automatically debited in respect of transactions to be settled (based on a pre-determined sequence - see Section 13.3.4) and then credited to the Stock Clearing Accounts of the receiving Participants other than Investor Participants or Stock Accounts of the receiving Investor Participants (in the case of deliveries made to settle CNS long stock positions, based on a pre-determined allocation algorithm - see Section 13.4).

13.3.3 Frequency of Batch-settlement-runs

For Eligible Securities other than China Connect Securities, four Batch-settlement-runs are carried out every Settlement Day, at 10:30 a.m., 12:00 noon, 2:00 p.m. and 3:45 p.m..

For China Connect Securities, four Batch-settlement-runs are carried out every Settlement Day: two at 4:30 p.m. and 6:00 p.m. designated for the settlement of CNS stock positions; and two at 7:45 a.m. and 7:30 p.m. designated for the settlement of SI stock positions.

13.3.4 Delivery - processing sequence of short positions

Different delivery positions of a Participant in the same Eligible Security may be included in a Batch-settlement-run. For Clearing Participants, these may include CNS stock positions, Isolated Trades (including Clearing Agency Transactions), ISI Transactions and SI Transactions. For Clearing Agency Participants, these may include CNS stock positions, Clearing Agency Transactions and SI Transactions, where applicable. For other Participants other than Investor Participants, ISI Transactions and SI Transactions will be included in a Batch-settlement-run. For Investor Participants, ISI Transactions will be included in a Batch-settlement-run.

Notwithstanding the above, where the delivering Participant other than Investor Participant is the seller in a Buy-in, the Buy-in short stock position will have the highest priority for settlement in a Batch-settlement-run.

For SI/ISI Transactions in the same Eligible Security, settlement processing will be in the following order:-

- (iii) Among overdue SI/ISI Transactions for settlement on the RDP basis, settlement priority shall be based on transaction value.
 - (b) Those with transaction values below HK\$1 billion and equal to or above HK\$1,000 are settled in the order of priority based on their transaction values. Those with the highest transaction values are settled with priority over those with a lower transaction value. SI/ISI Transactions will be valued in increments of HK\$1,000, to illustrate, SI/ISI Transactions having values between HK\$1,000 and HK\$1,999 will all be valued at HK\$1,000; SI/ISI

Transactions having values between HK\$2,000 and HK\$2,999 will all be valued at HK\$2,000, et seq. Such SI/ISI Transactions having values between HK\$1,000 and HK\$1,999, et seq., will be settled by reference to matching/affirmation time.

- (v) Among overdue SI/ISI Transactions for settlement on the DVP basis, settlement priority shall be based on transaction value.
 - (b) Those with transaction values below HK\$1 billion and equal to or above HK\$1,000 are settled in the order of priority based on their transaction values. Those with the highest transaction values are settled with priority over those with a lower transaction value. SI/ISI Transactions will be valued in increments of HK\$1,000, to illustrate, SI/ISI Transactions having values between HK\$1,000 and HK\$1,999 will all be valued at HK\$1,000; SI/ISI Transactions having values between HK\$2,000 and HK\$2,999 will all be valued at HK\$2,000, et seq. Such SI/ISI Transactions having values between HK\$1,000 and HK\$1,999, et seq., will be settled by reference to matching/affirmation time.
- (viii) Among due SI/ISI Transactions for settlement on the RDP basis, settlement priority shall be based on transaction value.
 - (b) Those with transaction values below HK\$1 billion and equal to or above HK\$1,000 are settled in the order of priority based on their transaction values. Those with the highest transaction values are settled with priority over those with a lower transaction value. SI/ISI Transactions will be valued in increments of HK\$1,000, to illustrate, SI/ISI Transactions having values between HK\$1,000 and HK\$1,999 will all be valued at HK\$1,000; SI/ISI Transactions having values between HK\$2,000 and HK\$2,999 will all be valued at HK\$2,000, et seq. Such SI/ISI Transactions having values between HK\$1,000 and HK\$1,999, et seq., will be settled by reference to matching/affirmation time.

In brief therefore, where delivery positions arising out of different types of transaction in the same Eligible Security are included in a Batch-settlement-run, settlement will be processed in the following order:

- (i) Buy-ins for Eligible Securities other than China Connect Securities (to be settled under the Isolated Trades System);
- (ii) CNS stock positions, including Buy-ins for China Connect Securities (priority by reference to age);

13.3.5 Example (delivery - processing sequence, with reference to the processing schedule for Eligible Securities other than China Connect Securities)

- (a) **Example of processing sequence of short positions**
- (b) **Example (delivery - settlement sequence for SI transactions, with reference to the processing schedule for Eligible Securities other than China Connect**

Securities)

13.3.6 Receipt - processing sequence of long positions

HKSCC will allocate Eligible Securities made available by delivering Participants and, in the case of China Connect Securities, by delivering China Connect Clearing Participants and the China Connect Clearing House, to Participants with long CNS stock positions in a Batch-settlement-run based on a pre-determined algorithm (see Section 13.4).

13.4 ALLOCATION ALGORITHM FOR LONG CNS STOCK POSITIONS

13.4.1 Allocation algorithm

For each Eligible Security, upon receipt of Eligible Securities from Participants and, in the case of China Connect Securities, the relevant China Connect Clearing House and China Connect Clearing Participants, with short CNS stock positions (whether by DIs or as a result of Batch-settlement-runs) HKSCC will allocate such Eligible Securities to the Stock Clearing Accounts of Participants with long CNS Stock positions based on the following allocation algorithm:

13.5 ENQUIRIES AND REPORTS

Details of the enquiry services and the reports and statements which are available are listed in Sections 15 and 16.

13.6 CANCELLING STOCK POSITIONS

13.6.1 Eligible Securities becoming non-eligible

Stock positions may remain unsettled in CCASS. This may arise as a result of Eligible Securities becoming non-eligible (e.g. as a result of delisting from the Exchange), the termination of participation of a Participant, or for other reasons. This Section explains how such unsettled stock positions, arising out of transactions accepted for settlement in CCASS, may be cancelled by HKSCC.

To cancel unsettled stock positions under the CNS System and the Isolated Trades System, the Participants concerned will have to complete and return an application to cancel the settlement position (see CCASS Terminal User Guide for Participants for the form) to HKSCC. In the case of an unsettled stock position under the Isolated Trades System, both counterparty Participants will have to apply jointly to HKSCC. HKSCC reserves the right to cancel such unsettled stock positions in CCASS if the Participants concerned fail to apply for cancellation of such stock positions after a period of time (to be decided by HKSCC on a case by case basis) from the date the relevant Eligible Security becomes non-eligible.

Unsettled SI Transactions with matched status or matched on-hold status will be purged from CCASS fourteen calendar days after the stipulated Settlement Day while unmatched or pending SIs will be purged from CCASS fourteen calendar days after input, provided that if the fourteenth calendar day is not a Business Day, unsettled and unmatched or pending SIs will be purged from CCASS on the Business Day immediately preceding the fourteenth calendar day. Further, Participants may themselves make use of the "Revoke Matched SI" function to cancel SI stock positions.

ISI with pending for settlement status will be purged from CCASS fourteen calendar days after the stipulated settlement day (or if the fourteenth calendar day falls on a day which is not a Business Day, the immediately preceding Business Day). Unaffirmed ISIs (with affirmation) and pending ISIs, will be purged from CCASS fourteen calendar days after input. Further, Participants other than Investor Participants may make use of the "Delete ISI" function to cancel such unaffirmed ISIs (with affirmation) and pending ISIs.

Section 14

Money Settlement

14.3 INSTRUCTIONS BY HKSCC TO DESIGNATED BANKS

14.3.3 Amounts arising out of transactions settled in CCASS

The amounts to be debited or credited to Designated Bank Accounts of Participants for different transactions in CCASS have been explained elsewhere.

In brief, in relation to settlement of transactions in securities or transfer of securities on a DVP basis:

- (i) for CNS stock positions of a Clearing Participant or Clearing Agency Participant arising from Exchange Trades, settled on each Settlement Day, the related money positions will be set-off against each other and the net sum, subject to (iv) below, due from or to the Clearing Participant or Clearing Agency Participant will be settled by HKSCC issuing a DDI or a DCI to the Designated Bank of the Clearing Participant or Clearing Agency Participant (see Section 10.5.6 and Section 14.4);
- (ia) for CNS stock positions of a China Connect Clearing Participant arising from China Connect Securities Trades, settled on each Settlement Day, the related money positions will be set-off against each other and the net sum will be settled by HKSCC issuing a CPI to the Designated Bank of the China Connect Clearing Participant or a bank designated by HKSCC (see Section 10A.4 and Section 14.7.) on T+1 day;
- (ib) for fees, expenses, levies and taxes relating to China Connect Securities Trades to be settled by a China Connect Clearing Participant on each Mainland Business Day, including those collected by HKSCC on behalf of the relevant China Connect Clearing House, China Connect Market, regulatory or tax authority or relevant third parties, HKSCC will issue debit entries to the respective sub-accounts of the Money Ledger of the China Connect Clearing Participant;

14.3.4 Amounts arising out of nominee services

In relation to entitlement payments for which HKSCC has credited the relevant Participants' Money Ledgers before receipt of payment and if, for whatever reason, the relevant entitlement payments are not received by HKSCC, HKSCC shall have the right either to arrange for an amount equivalent to that credited by HKSCC to be debited from the relevant Participants' Money Ledgers or require the relevant Participants to immediately refund the amount to HKSCC either by bank draft, cheque or telegraphic transfer or in such other manner as HKSCC deems appropriate. In relation to any entitlement payment which may have been conditionally received by HKSCC, HKSCC shall be entitled not to credit such payment to the relevant Participants' Money Ledgers until the entitlement payment to HKSCC has become unconditional.

14.4 DDIs AND DCIs

14.4.1 Usage

DDIs/DCIs are used to effect money settlement between HKSCC and Participants arising from (i) CNS stock positions arising from Exchange Trades and Clearing Agency Transactions to be settled with Clearing Participants and Clearing Agency Participants; (ii) Marks, Margin and Collateral provided by Clearing Participants and Clearing Agency Participants for CNS stock positions; (iii) Basic Contributions and Dynamic Contributions by Clearing Participants to the Guarantee Fund; (iv) money transactions in relation to nominee services provided by HKSCC as set out in Section 14.3.4; (v) money transactions in relation to FX Services provided by HKSCC, as TSF operator, as set out in Section 14.3.7; (vi) fees, expenses, levies and taxes relating to China Connect Securities Trades payable by China Connect Clearing Participants; (vii) fees and expenses payable by Investor Participants for provision of CCASS services (see Section 14.3.5); and (viii) other matters where HKSCC can demand payment from or is required to make payments to Participants.

14.4.3 Payment confirmation by Designated Banks

(v) To monitor and control its risk exposure to Participants, Eligible Securities other than China Connect Securities delivered to Participants by HKSCC under the CNS System will be treated as Securities-on-hold under the Rules. HKSCC has full discretion not to allow Participants to make use of some or all of such Eligible Securities other than China Connect Securities until HKSCC is fully satisfied that all payments by Participants under the CNS System (as a result of DDIs issued by HKSCC) are good and irrevocable. For the avoidance of doubt, unless otherwise agreed by HKSCC, payments in respect of DDIs issued by HKSCC on a Business Day for settlement by Participants other than Investor Participants on the same Business Day will not be regarded by HKSCC as good and irrevocable at any time before 8:00 p.m. on that Business Day.

14.4.4 Default of payment by Participants other than Investor Participants

HKSCC reserves the right not to effect payment in respect of any DCIs issued in favour of a defaulting Participant, in the event that any DDI issued is rejected or any CPI issued in relation to China Connect Securities Trades remains unpaid after the stipulated deadline.

Where a Clearing Participant or a Clearing Agency Participant defaults in payment, HKSCC will normally notify the Exchange.

14.7 CHATS PAYMENT INSTRUCTIONS

14.7.1 Usage

CPIs are used to collect CCASS payments, to effect money settlement between Participants in relation to ISI or SI Transactions to be settled in CCASS on a RDP basis and to effect money settlement of CNS stock positions in relation to China Connect Securities Trades.

14.7.2 Procedures

The following is a brief description of the procedures relating to CPIs issued by HKSCC:

(iiib) on each Settlement Day, in relation to CNS money obligations of each China Connect Clearing Participant for China Connect Securities Trades, HKSCC will

generate CPI(s) to be issued to the Designated Bank of the China Connect Clearing Participant or a bank designated by HKSCC. The CPI(s) will include, among others, the money value concerned and the bank account information of the China Connect Clearing Participant;

- (vi) upon receipt of confirmation of payment in respect of the CPIs from the Clearing House of HKAB for the relevant Eligible Currency, HKSCC will i) update the Money Ledgers of the Participants concerned, if applicable, and the status of the respective CCASS transactions, including, in the case of Securities-on-hold China Connect Securities, the extent the Participants will be allowed to use such China Connect Securities; or ii) for SI / ISI Transactions, effect on-line delivery of the on-hold shares to the relevant receiving Participant's Stock Account. No DDI or EPI will be generated after such settlement;
- (vii) if the relevant payment is not confirmed settled by the Clearing House of HKAB for the relevant Eligible Currency before the specified CCASS cut-off time for real time money settlement (normally at 12:00 noon for payments of CNS money obligations of China Connect Clearing Participants for China Connect Securities Trades, 1:00 p.m. for payments for nominee-related services, 3:00 p.m. for payments relating to TSF FX Transactions and Stock Release FX Transactions and 3:30 p.m. for payments relating to SI / ISI Transactions and other CCASS payments) on each Business Day, HKSCC will i) not give effect to or process or settle the relevant CCASS transaction, ia) not allow China Connect Clearing Participants to use the Securities-on-hold China Connect Securities, ii) for TSF FX Transactions or Stock Release FX Transactions, take such action as it considers necessary to adjust, amend or reverse the FX transactions pursuant to Sections 12A.6 and 12A.8 or iii) for SI/ISI Transactions, release the on-hold shares to the delivering Participant for other settlement purposes, as appropriate;

Unsettled CPIs on a Business Day or Mainland Business Day will be purged at the end of such day by HKSCC.

14.7.2a Payment confirmation by Designated Banks

For CPIs issued by HKSCC for settlement by a China Connect Clearing Participant on a Settlement Day, if any payment to be debited from the Designated Bank Account of the Participant has not been or cannot be effected by the Designated Bank, the Designated Bank is required to issue to HKSCC a CPI confirmation in accordance with the timing and other requirements set out in Section 6.3. Where no CPI confirmation is issued to HKSCC by the Designated Bank in respect of a CPI by 12:00 noon on the Settlement Day, the Designated Bank of the Participant will be bound, in respect of the CPI, to make the relevant payment;

To monitor and control its risk exposure to Participants, China Connect Securities delivered to Participants by HKSCC under the CNS System will be treated as Securities-on-hold under the Rules. HKSCC has full discretion not to allow Participants to make use of some or all of such China Connect Securities until HKSCC is fully satisfied that all payments by Participants under the CNS System (as a result of CPIs issued by HKSCC) are good and irrevocable.

14.7.3 Default of or delay in payment

It is the responsibility of the paying Participants to ensure that their Designated Banks act according to the CPIs issued in relation to CCASS transactions and make payment by the deadline determined by HKSCC from time to time.

In case of any default or delay in any intra-day Marks payment or intra-day Margin payment or any payment relating to CNS money obligations, Mainland Settlement Deposit, Mainland Security Deposit or Mainland Clearing Risk Fund contributions in respect of China Connect Securities Trades, HKSCC may take such default action or other action against the concerned Participant as it thinks fit in accordance with the Rules.

14.8 INTRA-DAY PAYMENT INSTRUCTIONS

14.8.1 Usage

Intra-day Payment Instructions are used to effect (i) intra-day payment by HKSCC to Participants other than Investor Participants on a Business Day of cash payments arising out of nominee services at the requests of the Participants, (ii) intra-day settlement of money obligations due to Clearing Participants and Clearing Agency Participants from HKSCC under the CNS System, at the requests of the Clearing Participants and Clearing Agency Participants and (iii) intra-day refund by HKSCC to Clearing Participants and Clearing Agency Participants on a Settlement Day of surplus cash arising from overpaid cash prepayment, at the requests of the Clearing Participants and Clearing Agency Participants.

14.8.2 Procedures

The following is a brief description of the procedures relating to Intra-day Payment Instructions issued by HKSCC on a Business Day and/or a Settlement Day:

- (i) shortly after 2:00 p.m. on each Business Day and after completion of the third Batch-settlement-run for Eligible Securities other than China Connect Securities if the Business Day is also a Settlement Day, HKSCC will, based on an Intra-day Payment Standing Instruction accepted by HKSCC at or before 1:15 p.m. on the Business Day, take into account any or all of the following items (as the case may be) in determining the amount of Intra-day Payment to be paid to a Participant other than Investor Participant via IPI:
 - (a) (where the Intra-day Payment Standing Instruction covers intra-day refund of surplus cash arising from overpaid cash prepayment of a Clearing Participant or Clearing Agency Participant on a Settlement Day) (i) the total cash prepayments received, confirmed and updated to the Participant's Settlement Account of Money Ledger at or before 1:15 p.m. or such other time as specified by HKSCC from time to time, (ii) the Margin amount updated to the Settlement Account of Participant's Money Ledger around 10:00 a.m., (iii) the amount of Specific Cash Collateral updated to the Settlement Account of Participant's Money Ledger upon the completion of the third Batch-settlement-run, (iv) the CNS money obligation upon the completion of the third Batch-settlement-run and any immediate settlement before 2:00 p.m. by DIs, and (v) other types of money obligations in the

Participant's Settlement Account and Miscellaneous Account of Money Ledger as HKSCC may from time to time specify;

- (c) (where the Intra-day Payment Standing Instruction covers intra-day settlement of money obligations due to the Participant from HKSCC under the CNS System for all settled short CNS positions upon completion of the third Batch-settlement-run for Eligible Securities other than China Connect Securities shortly after 2:00 p.m. and any immediate settlement by DIs) the money obligations due from the Participant to HKSCC under the CNS System for all settled and unsettled long CNS positions and other types of money obligations in the Participant's Settlement Account and Miscellaneous Account of Money Ledger as HKSCC may from time to time specify;
- (iii) HKSCC will notify Participants via the Broadcast Message Service when Intra-day Payment Instructions are issued. Participants that have input Intra-day Payment Standing Instructions accepted by HKSCC can enquire the amounts of Intra-day Payments under Intra-day Payment Instructions via CCASS Terminal or Participant Gateway. The concerned Designated Banks of those Participants may retrieve the "Intra-day Payment Instruction Listing" report via CCASS after the issuance of the Intra-day Payment Instructions by HKSCC; and

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:

- (f) “Enquire Money Position/Instruction” function: to enquire about the money positions due to or from HKSCC (in respect of CNS positions) or money positions in Eligible Securities other than China Connect Securities due to or from other Participants (in respect of SI/ISI Transactions and Isolated Trades); or to enquire about the money settlement instructions issued by HKSCC on the current Settlement Day or money settlement instructions due from SSA Statement Recipients to the Participants (in respect of STI Transfers) on the current Business Day. This function is designed to help Participants to plan their funding arrangements;
- (w) “Enquire Payment Instruction” function: to enquire about the details of CPIs generated in CCASS for money obligations to be settled via CPIs, e.g. CNS money obligations for China Connect Securities, SI / ISI Transactions to be settled on a RDP basis. This function allows the paying Participant to obtain the bank account details of the beneficiary, e.g. the delivering Participant for SI / ISI Transactions, in the event that the paying Participant wishes to instruct a bank other than its Designated Bank to effect payment of a CPI;
- (ah) “Enquire Cash Prepayment / TSF Payment Standing Instruction” function: to enquire about the status and details of any Cash Prepayment Standing Instruction and/or TSF Payment Standing Instruction input by a Participant;
- (ai) “Enquire Cash Prepayment Instruction” function: to enquire about the details of any Cash Prepayment Instruction input by a Clearing Participant or a Clearing Agency Participant or generated by HKSCC on behalf of a Clearing Participant or a Clearing Agency Participant;

(iv) Available to Designated Banks:

- (f) “Enquire Cash Projection” function: to enquire about the projected total money obligations of a Clearing Participant or a Clearing Agency Participant for its CNS positions in Eligible Securities other than China Connect Securities on T+2 day; and

15.3 HOURS WHEN SERVICES ARE AVAILABLE

The enquiry services provided by CCASS for Participants other than Investor Participants are usually available for use by such Participants between the hours of 7:15 a.m. and 8:00 p.m., Monday to Friday (except public holiday), except for CCMS

enquiry and Broadcast Message Enquiry functions which close at approximately 8:30 p.m., and also between the hours of 8:00 a.m. and 1:00 p.m. on Saturday (except public holiday). These services hours are subject to change as HKSCC may from time to time specify. Enquiry services may be limited when each Batch-settlement-run is in process (see the daily CCASS processing and service schedule set out in Section 6.2).

The enquiry services provided by CCASS for Designated Banks are usually available between the hours of 8:30 a.m. and 8:00 p.m., Monday to Friday (except public holiday), except for Enquire Broadcast Message functions which close at approximately 8:30 p.m., and also between the hours of 8:30 a.m. and 1:00 p.m. on Saturday (except public holiday). These service hours are subject to change as HKSCC may from time to time specify.

Section 16

Statements and Reports

16.6 REPORTS AND STATEMENTS FOR PARTICIPANTS

16.1 STATEMENTS AND REPORTS AVAILABLE

The various statements and reports that are to be made available by HKSCC to Participants and Designated Banks and the times at which those statements and reports are to be made available are set out in Section 16.6 and Section 16.7. Where a report is stated in Section 16.6 or 16.7 to be available “daily”, the report will be available on each Business Day or Mainland Business Day only and will not be available on a Saturday unless expressly stated otherwise. Further, full descriptions of the information contained in the reports for Participants other than Investor Participants and Designated Banks are set out in the CCASS Terminal User Guide for Participants and the CCASS Terminal User Guide for Designated Banks.

16.6 REPORTS AND STATEMENTS FOR PARTICIPANTS

16.6.1 Reports and Statements for Participants other than Investor Participants

Report ID	Report name	Frequency	Time available
CCLTN04	Provisional Clearing Statement	Twice daily	shortly after 5:00 p.m. (for current day's Exchange Trades); Shortly after 8:00 p.m. (for current day's Exchange Trades and Clearing Agency Transactions)
CCLTN05	Final Clearing Statement	Daily	shortly after 2:00 p.m. (for previous day's Exchange Trades and Clearing Agency Transactions)
		Daily	shortly after 4:00 p.m. (for current day's China Connect Securities Trades)
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 4:15 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

Report ID	Report name	Frequency	Time available
			the NCPs of a GCP)
CCLUS01	Unmatched SI Report	Nine times a day	around 9:45 a.m., 10:30 a.m., 12:00 noon, 2:00 p.m., 3:00 p.m., 3:30 p.m., 4:15 p.m., 5:30 p.m. and 6:30 p.m. (for unmatched SI results as of the completion of each SI matching run for Eligible Securities other than China Connect Securities)
		Five times a day	around 8:00 a.m., 12:00 noon, 3:15 p.m., 5:15 p.m. and 7:45 p.m. (for unmatched SI results as of the completion of each SI matching run except the first SI matching run for China Connect Securities)
CSESP01	Settled Position Report	Daily	shortly after 6:00 p.m. (for accumulated settlement results for Eligible Securities other than China Connect Securities as of current day) shortly after 7:45 p.m. (for accumulated settlement results for China Connect Securities as of current day)
CSESP04	Intra-day Settled Position Report	Three times a day	around 11:30 a.m., 12:30 p.m. and 2:30 p.m. (for settlement results as of the completion of first, second and third Batch-settlement-runs for Eligible Securities other than China Connect Securities)
		Three times a day	around 8:00 a.m., 5:00 p.m. and 6:30 p.m. (for settlement results as of the completion of first Batch-settlement run for settlement of SI and first and final Batch-settlement-runs for settlement of CNS stock positions in China Connect Securities)
CSESM01	Statement of Stock Movement (By Stock) Report	Daily	from the time when the report retrieval function is available (for previous day's stock movements sorted by stocks)
CSEMP02	CCASS Funding Projection Report for Participant	Four times a day	around 11:30 a.m., 12:30 p.m. and 2:30 p.m. (for funding projection as of the completion of each of the first three

Report ID	Report name	Frequency	Time available
			Batch-settlement-runs for Eligible Securities other than China Connect Securities) and around 3:30 p.m. (for funding projection as of the completion of the sixth SI matching for Eligible Securities other than China Connect Securities)
CCNPT06	Nominee Fees Refund Report	Daily	from the time when the report retrieval function is available (for refund of the over-charged nominee fees arising from multi-counter stocks, i.e. scrip fee and dividend collection fee)
CFIMC01	Monthly Stock Balance Report	Monthly	from the time when the report retrieval function is available on the first Business Day of each month (for previous month's Stock Account balance)
CCDPC01	Monthly Portfolio Fee Collection Report	Monthly	from the time when the report retrieval function is available on the first Business Day of each month (for previous month's portfolio values of each calendar day for calculating portfolio fee of China Connect Securities with details of the portfolio fee shown)

Report ID	Report name	Frequency	Time available
CSESI02	Intra-day ISI/SI Full List	Eight times a day	around 11:30 a.m., 12:30 p.m., 2:30 p.m. and 4:15 p.m. (for settlement results as of the completion of each Batch-settlement-run for Eligible Securities other than China Connect Securities) and around 3:00 p.m., 3:30 p.m., 5:30 p.m. and 6:30 p.m. (for matched SI results as of the completion of the fifth, sixth, eighth and final SI matching runs for Eligible Securities other than China Connect Securities)
		Five times a day	around 8:00 a.m. and 7:45 p.m. (for settlement results as of the completion of each Batch-settlement-run for settlement of SI stock positions in China Connect Securities) and around 12:15 p.m., 3:30 p.m. and 5:30 p.m. (for matched SI results as of the completion of each SI matching run except the first SI matching run for China Connect Securities)
CCNPT03	Participant Voted Quantity Exception Report—On Voting Deadline	Around 4:15 p.m. on voting deadline	shortly after the 4:15 p.m. voting validation run (for voting instructions being scaled down for Eligible Securities other than China Connect Securities)
		Daily	from the time when the report retrieval function is available (for voting instructions being scaled down for China Connect Securities)
CFIBI01	Buy-in Notification Report	Daily	after 5:00 p.m. (for Buy-in of Eligible Securities other than China Connect Securities to be executed by HKSCC on the following Trading day and those executed on previous Trading day)
			after 6:15 p.m. (for Buy-in of China Connect Securities to be executed by HKSCC on the following Trading day and those executed on current Trading day)

Report ID	Report name	Frequency	Time available
CCMPS01	Maintain Preferred Single Settlement Currency Activity Report	Daily (including Saturday)	from the time when the report retrieval function is available on each Business Day and Saturday (for previous day's activities in relation to Preferred Single Settlement Currency)
CCMIA12	Quarterly Interest Report for Mainland Settlement Deposit and Mainland Security Deposit	Quarterly	from the time when the report retrieval function is available on the first Business Day of each quarter (for previous quarter's interest)
CRMGF01	Mainland Security Deposit Payable Report	Monthly	from the time when the report retrieval function is available on the first Business Day of each month
CRMSD01	Mainland Settlement Deposit Payable Report	Daily	after calculation for current day's Mainland Settlement Deposit requirement

16.7 REPORTS AND STATEMENTS FOR DESIGNATED BANKS

Report ID	Report Name	Frequency	Time available
CSEMP01	CCASS Funding Projection Report for Designated Bank	Four times a day	around 11:30 a.m., 12:30 p.m. and 2:30 p.m. (for funding projection as of the completion of each of the first three Batch-settlement-runs for Eligible Securities other than China Connect Securities) and around 3:30 p.m. (for funding projection as of the completion of the sixth SI matching run for Eligible Securities other than China Connect Securities)
CSEPI03	Electronic CHATS Payment Instruction Report	Five times a day	after 9:30 a.m. (for CPIs generated, including CPIs for money settlement between HKSCC and Participants which shall be settled by a specified time on the current day), after 10:30 a.m. (for CPIs generated after the completion of the first Batch-settlement-run), 11:00 a.m. (for CPIs generated upon report

generation), after 12:00 noon and 2:00 p.m. (for CPIs generated after the completion of second and third Batch-settlement-runs for Eligible Securities other than China Connect Securities)

Section 17

Suspension of Services

17.1 GENERAL

Under the Rules, if in the opinion of HKSCC the functioning of CCASS or the services and facilities that it provides in relation to China Connect Securities or the settlement and/or clearance of Foreign Securities held by an Appointed Depository is or is likely to be impaired by any event or circumstances, HKSCC may suspend the whole or any part of the operations of CCASS and the CCASS Depository or the services and facilities available thereunder to Participants, for such duration as it sees fit.

This Section explains in some detail the procedures which HKSCC will adopt when a Typhoon Signal No. 8 or above is hoisted or lowered or when a Black Rainstorm Warning is issued or cancelled by the Hong Kong Observatory. In other similar cases, HKSCC will notify Participants, Designated Banks, the China Connect Clearing Houses, the Exchange and the Commission in relation to any action or procedures to be adopted, in the event HKSCC decides to suspend CCASS services or facilities or any other service or facility relating to China Connect Securities or the settlement and/or clearance of Foreign Securities held by an Appointed Depository.

17.2 TYPHOONS

17.2.1 General principles

In general, in the event that a Typhoon Signal No. 8 or above is hoisted on any Business Day at or after 9:00 a.m., all CCASS and CCASS Depository services and facilities in relation to Eligible Securities other than China Connect Securities available to Participants other than Investor Participants will be terminated by HKSCC within fifteen minutes except as provided below.

- (ii) the SI, ISI, ATI, STI, Cash Prepayment Instruction and Intra-day Payment Summary enquiry functions, Enquire Broadcast Message function and such other enquiry functions as HKSCC may from time to time specify will continue to be available for use in accordance with their normal service hours;
- (iii) the maintenance functions of and relating to Collateral Security batch upload and enquiry functions on collateral account balance and movements will continue to be available for use in accordance with their normal service hours; and
- (iv) various statements and reports will continue to be available for retrieval and printing in accordance with their normal service hours.

In general, in the event that a Typhoon Signal No. 8 or above is hoisted on any Business Day at or after 9:00 a.m., all CCASS services and facilities in relation to China Connect Securities available to Participants will be terminated by HKSCC within fifteen minutes except as provided below.

- (i) the SI, ATI, STI upload functions will continue to be available for use within one hour after the hoisting and will be terminated thereafter;

- (ii) the maintenance functions of and relating to SIs, ATIs and STIs (other than upload functions) and DIs will continue to be available for use in accordance with their normal service hours;
- (iii) Intra-day Payment Summary enquiry functions, Enquire Broadcast Message function and such other enquiry functions as HKSCC may from time to time specify will continue to be available for use in accordance with their normal service hours; and
- (iv) various statements and reports will continue to be available for retrieval and printing in accordance with their normal service hours.

In general, in the event that a Typhoon Signal No. 8 or above is hoisted on any Business Day, CCASS services and facilities available to Investor Participants via the CCASS Phone System and the CCASS Internet System will continue to be available for use in accordance with their normal service hours. However, ISI (without affirmation) and the subscription instructions input and ISI (with affirmation) affirmed during the period when a Typhoon Signal No. 8 or above is hoisted will only be processed by CCASS after the Signal is lowered and when normal CCASS and CCASS Depository services and facilities resume. If a Typhoon Signal No. 8 or above is hoisted on a Business Day at the time when CCASS Depository services and Customer Service Centre service for Investor Participants are available, such services will be terminated by HKSCC within fifteen minutes.

Notwithstanding the foregoing, HKSCC has the discretion to extend the time of access to or termination of any CCASS and CCASS Depository services and facilities to such times and on such terms as it may from time to time specify. Provided that if the Signal is lowered at or before 12:00 noon, normal CCASS and CCASS Depository services will resume two hours thereafter. If the Signal is still hoisted at 12:00 noon, no CCASS and CCASS Depository services or facilities or access to CCASS will be available on that day except those provided in this Section or otherwise specified by HKSCC.

17.2.5 Nominee services

If a Typhoon Signal No. 8 or above is hoisted at any time between 8:00 a.m. and 9:00 a.m. on a Business Day, any nominee-related instructions other than Electronic Application Instructions for New Issue Shares and Tender Instructions already inputted by Participants and SSA Statement Recipients for the account of Clearing Participants or Custodian Participants at any time before 9:00 a.m. on the day will not be recognized or accepted by HKSCC and Participants and SSA Statement Recipients will have to re-input such instructions upon resumption of the nominee services.

In relation to China Connect Securities, if a Typhoon Signal No. 8 or above is issued after 9:00 a.m. or before 9:00 a.m. and remains hoisted at 12:00 noon on a Business Day, and if such day falls on the deadline stipulated by HKSCC to collect any nominee-related instructions from Participants, Participants are required to submit manual instructions to HKSCC in order to participate in the relevant corporate actions. Such manual instructions have to be given in the manner as determined by HKSCC announced through Broadcast Messages.

17.2.6 Clearing and settlement of Exchange Trades

The issue of outstanding PCSs by HKSCC to Clearing Participants and Clearing Agency Participants in respect of a Business Day's Exchange Trades will take place as soon as practicable following the resumption of CCASS services.

However, the adoption of risk management measures by HKSCC will not normally be affected by a typhoon except where it will not be possible to implement such measures in the usual way. For instance, Marks, Margin and Collateral on pending and overdue stock positions of a Clearing Participant and Clearing Agency Participants under the CNS System will be determined in the normal way and will be collected unless CCASS money settlement is affected by a typhoon.

17.2.6b Clearing and settlement of China Connect Securities Trades

If a Typhoon Signal No. 8 or above is hoisted before 9:00 a.m. and is not lowered at 12:00 noon on a Business Day, that day will not be treated as a Settlement Day for China Connect Securities Trades under a T-day settlement system. Otherwise, it will still be treated as a Settlement Day notwithstanding the fact that part of the day may have been affected by a typhoon.

Notwithstanding the above, the adoption of risk management measures by HKSCC will not normally be affected by a typhoon except where it will not be possible to implement such measures in the usual way. For instance, Marks, Mainland Settlement Deposit, Mainland Security Deposit, Mainland Clearing Risk Fund contributions and Collateral on stock positions in China Connect Securities of a China Connect Clearing Participant under the CNS System will be determined in the normal way and will be collected unless CCASS money settlement is affected by a typhoon.

17.2.8 Clearing of ISIs/SIs

In other words, even if some of the CCASS services are to cease as a result of a Typhoon Signal No. 8 or above being hoisted at or after 9:00 a.m., the matching of SIs will still be carried out in CCASS.

If a Typhoon Signal No. 8 or above is hoisted and remains in effect at 7:15 a.m. on any Business Day, there will be no first or second SI matching run or first Batch-settlement-run for settlement of SI in relation to China Connect Securities in CCASS by HKSCC.

If a Typhoon Signal No. 8 or above is hoisted between 7:15 a.m. and 9:00 a.m. and is not lowered at 12:00 noon on a Business Day, all SIs input by Participants and SI Transactions matched and settled in the first Batch-settlement-run for settlement of SI in relation to China Connect Securities will be cancelled or reversed by HKSCC and will be considered void. Participants are responsible at the time of resumption of CCASS services to review and make appropriate rectifications in respect of any SIs input by Participants on the day.

If a Typhoon Signal No. 8 or above is hoisted between 8:00 a.m. and 9:00 a.m. on any Business Day, Participants are responsible at the time of the resumption of CCASS services to review and make appropriate amendments in respect of any ISIs/SIs in relation to Eligible Securities other than China Connect Securities already input by Participants on the day.

The stipulated settlement dates of SI Transactions and ISI Transactions are not affected by any typhoon.

17.2.9 Securities settlement

In other words, even if some of the CCASS services are to cease as a result of a typhoon (after commencement of operation on a particular Business Day), Batch-settlement-runs will still be carried out in CCASS, despite the fact that it might not be possible for delivering Participants other than Investor Participants to input DIs to effect settlement.

17.2.10 Money settlement services

CCASS money settlement facilities in relation to DDIs, DCIs, EPIs and autopay instructions are dependent on the availability of the services of the Clearing House of HKAB for the relevant Eligible Currency. Under the current practice, if a Typhoon Signal No. 8 or above is hoisted at or before 3:00 p.m. on a Business Day, no clearing services of the Clearing House of HKAB for any Eligible Currency will be available with respect to CCASS money settlement instructions for the rest of the Business Day.

If a Typhoon Signal No. 8 or above is hoisted after 3:00 p.m. on a Business Day, clearing services for the rest of the Business Day of the Clearing House of HKAB for Eligible Currencies will be available as normal with respect to CCASS money settlement instructions.

If the services of the Clearing House of HKAB for the relevant Eligible Currency are available where a Typhoon Signal No. 8 or above is hoisted, HKSCC will generate DDIs, DCIs, EPIs and autopay instructions in the usual way. If not, then the day will in effect not be treated as a "Settlement Day" for CCASS money settlement purposes in relation to DDIs, DCIs, EPIs and autopay instructions and the following points should be noted:

- (ii) no interest or credit charges will be levied by HKSCC in respect of "late" payments by Participants to HKSCC;

In relation to money settlement services via CPIs and Intra-day Payment Instructions, if a Typhoon Signal No. 8 or above is hoisted before 9:00 a.m. on a Business Day but is lowered at or before 12:00 noon, such services will normally resume two hours after the lowering of the signal. China Connect Clearing Participants are required to fulfill their CNS money obligations in respect of China Connect Securities Trades by 3:00 p.m. or such other time as may be specified by HKSCC upon resumption of CCASS services. No such services will be available for that day if the Signal remains hoisted at 12:00 noon. If a Typhoon Signal No. 8 or above is hoisted at or after 9:00 a.m. on a Business Day, such services will continue to be available as normal. Hence, China Connect Clearing Participants shall fulfill their CNS money obligations in respect of China Connect Securities Trades in accordance with the normal schedule.

In relation to confirmations by Designated Banks of Participants other than Investor Participants in respect of payments by China Connect Clearing Participants pursuant to CPIs issued by HKSCC, if a Typhoon Signal No. 8 or above is hoisted at any time before 9:00 a.m. on a Business Day and is lowered at or before 12:00 noon on any Business Day, Designated Banks will have to issue CPI confirmations of payment no later than 3:00 p.m. on such a day.

In relation to cash prepayment, if a Typhoon Signal No. 8 or above is hoisted at any time between 8:00 a.m. and 9:00 a.m. and is not lowered by 12:00 noon on a Business Day, any Cash Prepayment Instruction or Cash Prepayment Standing Instruction for an Eligible Security other than a China Connect Security already input by a Clearing Participant or Clearing Agency Participant at any time between 8:00 a.m. and 9:00 a.m. on the day will be ignored by HKSCC and a Clearing Participant or Clearing Agency Participant will have to re-input its Cash Prepayment Instructions and Cash Prepayment Standing Instruction from the time of resumption of the “Cash Prepayment Instruction” and “Cash Prepayment / TSF Payment Standing Instruction” maintenance functions. If the Clearing Participant or Clearing Agency Participant does not re-input its Cash Prepayment Instruction or Cash Prepayment Standing Instruction, any cash prepayment received by HKSCC will be refunded without interest to the Clearing Participant or Clearing Agency Participant after receiving written request for repayment supported by evidence of such payment from the Clearing Participant or Clearing Agency Participant.

17.2.11 Enquiry services and reprint of reports

The availability of enquiry services (other than those mentioned in Section 17.2.1) and reprints of reports services to Participants other than Investor Participants will normally cease fifteen minutes after a Typhoon Signal No. 8 or above is hoisted and will normally resume within two hours after the Signal 8 is lowered at or before 12:00 noon on a Business Day. If a Typhoon Signal No. 8 or above is still hoisted at 12:00 noon, no enquiry services will be available on that day.

17.2.13 Buy-in of Eligible Securities other than China Connect Securities on T+3

HKSCC will grant an exemption from Buy-in to a Clearing Participant or Clearing Agency Participant and will not effect a Buy-in on T+3 on behalf of the Clearing Participant or Clearing Agency Participant in respect of its short stock positions under the CNS System which are outstanding for settlement on the due date (i.e. unsettled after settlement processing on T+2) if a Typhoon Signal No. 8 or above is hoisted on T+2:

- ii) between 12:00 noon and 15 minutes prior to the commencement of the routine daily final Batch-settlement-run for Eligible Securities other than China Connect Securities as stated under Section 6.2.

The Clearing Participant or Clearing Agency Participant to whom such an exemption from Buy-in is granted shall be obliged to settle all overdue short stock positions of which exemption is granted by day-end of T+3. If such overdue short stock positions of the Clearing Participant or Clearing Agency Participant remain unsettled after settlement processing on T+3, HKSCC will effect a Buy-in in respect of such overdue short stock positions on behalf of the Clearing Participant or Clearing Agency Participant on T+4 (or if it is not practicable to do so on T+4, at any time thereafter).

17.2.14 Buy-in of China Connect Securities on T+1

HKSCC will not grant exemption from Buy-in to a China Connect Clearing Participant in respect of its short stock positions in China Connect Securities under the CNS System which are outstanding for settlement on the due date (i.e. unsettled after settlement processing on T-day) if a Typhoon Signal No.8 or above is hoisted at or after 9:00 a.m. on T-day and is not lowered by 12:00 noon on the same day.

For the avoidance of doubt, if Typhoon Signal No. 8 or above is hoisted at or after 9:00 a.m. on T-day, each China Connect Clearing Participant is required to settle its short stock positions in China Connect Securities on T-day. Any 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 will be subject to a Buy-in by HKSCC on behalf of the short China Connect Clearing Participant on T+1 (or if it is not practicable to do so on T+1, at any time thereafter).

17.3 RAINSTORMS

17.3.1 General principles

In general, in the event that a Black Rainstorm Warning is issued at or after 9:00 a.m. on any Business Day, normal CCASS and CCASS Depository services and facilities available to Participants other than Investor Participants, including those relating to China Connect Securities, will remain available. If a Black Rainstorm Warning is issued before 9:00 a.m. and is cancelled at or before 12:00 noon on any Business Day, normal CCASS and CCASS Depository services and facilities for Participants other than Investor Participants will normally resume two hours after the cancellation of such warning. When a Black Rainstorm Warning is issued before 9:00 a.m. and remains in effect at 12:00 noon on any Business Day, no CCASS and CCASS Depository services or facilities, including those relating to China Connect Securities, will be available to Participants other than Investor Participants on that day.

17.3.5 Nominee services

If Black Rainstorm Warning is issued at any time between 8:00 a.m. and 9:00 a.m. on a Business Day, any nominee-related instructions other than Electronic Application Instructions for New Issue Shares and Tender Instructions already input by Participants and SSA Statement Recipients for the account of Clearing Participants or Custodian Participants at any time at or before 9:00 a.m. on the day will not be recognized or accepted by HKSCC and Participants and SSA Statement Recipients will have to re-input such instructions upon resumption of the nominee services.

In relation to China Connect Securities, if a Black Rainstorm Warning is issued before 9:00 a.m. and remains in effect at 12:00 noon on a Business Day, and if such day falls on a deadline stipulated by HKSCC to collect any nominee-related instructions from Participants, Participants are required to submit manual instructions to HKSCC in order to participate in the relevant corporate actions. Such manual instructions have to be given in the manner as determined by HKSCC announced through Broadcast Messages.

17.3.6 Clearing and settlement of Exchange Trades

The issuance of PCSs by HKSCC to Clearing Participants and Clearing Agency Participants in respect of a Business Day's Exchange Trades will not be affected by the issuance of a Black Rainstorm Warning.

17.3.6b Clearing and settlement of China Connect Securities Trades

If a Black Rainstorm Warning is issued before 9:00 a.m. and remains in effect at 12:00 noon on any Business Day, that day will not be treated as a Settlement Day for China Connect Securities Trades under a T-day settlement system.

If a Black Rainstorm Warning is issued at or after 9:00 a.m. and remains in effect at 12:00 noon on any Business Day, that day will be treated as a Settlement Day, notwithstanding the fact that the day may have been affected by rainstorm.

Notwithstanding the above, the adoption of risk management measures by HKSCC will not normally be affected by rainstorm except where it will not be possible to implement such measures in the usual way.

17.3.8 Clearing of ISIs/SIs

If a Black Rainstorm Warning is issued before and remains in effect at 7:15 a.m. on any Business Day, there will be no first or second SI matching run or first Batch-settlement-run for settlement of SI in relation to China Connect Securities in CCASS by HKSCC.

If a Black Rainstorm Warning is issued between 7:15 a.m. and 9:00 a.m. and remains in effect at 12:00 noon on a Business Day, all SIs input by Participants and SI Transactions matched and settled in the first Batch-settlement-run for settlement of SI in relation to China Connect Securities will be cancelled or reversed by HKSCC and will be deemed to be void. Participants are responsible at the time of resumption of CCASS services to review and make appropriate rectifications in respect of any SIs input by Participants on the day.

If a Black Rainstorm Warning is issued before 9:00 a.m. and remains in effect at 12:00 noon on any Business Day, CCASS services will not be available on that day and there will not be matching of SI's. Otherwise, matching of SI's will be processed in CCASS by HKSCC in accordance with the usual schedule.

If a Black Rainstorm Warning is issued between 8:00 a.m. and 9:00 a.m. and remains in effect at 12:00 noon on any Business Day, Participants that have input ISIs/SIs in relation to Eligible Securities other than China Connect Securities at any time between 8:00 a.m. and 9:00 a.m. on that day shall be responsible at the time of the resumption of CCASS services to review and make appropriate amendments to the ISIs/SIs already input.

The stipulated settlement dates of SI Transactions and ISI Transactions are not affected by the issuance of a Black Rainstorm Warning.

17.3.10 Money settlement services

In relation to cash prepayment, if a Black Rainstorm Warning is issued at any time between 8:00 a.m. to 9:00 a.m. and remains in effect at 12:00 noon on a Business Day, any Cash Prepayment Instruction or Cash Prepayment Standing Instruction already input by a Clearing Participant or Clearing Agency Participant at any time between 8:00 a.m. to 9:00 a.m. on the day will be ignored by HKSCC and a Clearing Participant or Clearing Agency Participant will have to re-input its Cash Prepayment Instructions and Cash Prepayment Standing Instruction from the time of resumption of the "Cash Prepayment Instruction" and "Cash Prepayment / TSF Payment Standing Instruction" maintenance functions. If the Clearing Participant or Clearing Agency Participant does not re-input its Cash Prepayment Instruction or Cash Prepayment Standing Instruction, any cash prepayment received by HKSCC will be refunded without interest to the Clearing Participant or Clearing Agency Participant after receiving written request for

repayment supported by evidence of such payment from the Clearing Participant or Clearing Agency Participant.

In relation to Intra-day Payment Standing Instructions, if a Black Rainstorm Warning is issued at any time between 8:00 a.m. and 9:00 a.m. and remains in effect at 12:00 noon on a Business Day, any Intra-day Payment Standing Instruction already input by a Participant other than an Investor Participant at any time between 8:00 a.m. and 9:00 a.m. on the day will be ignored by HKSCC and the Participant will have to re-input its Intra-day Payment Standing Instruction from the time of resumption of the “Intra-day Payment Standing Instruction” maintenance functions. If the Participant does not re-input such Intra-day Payment Standing Instruction, HKSCC will, (i) if there is an Intra-day Payment Standing Instruction of the Participant accepted by HKSCC in CCASS immediately before the input of the Intra-day Payment Standing Instruction that has been ignored as aforesaid, issue an Intra-day Payment Instruction based on that Intra-day Payment Standing Instruction accepted by HKSCC in CCASS on each subsequent Business Day; or (ii) if there is no Intra-day Payment Standing Instruction accepted by HKSCC in CCASS immediately before the input of the Intra-day Payment Standing Instruction that has been ignored as aforesaid, return any Intra-day Payments to the Participant not later than day end via DCI on each subsequent Business Day.

For all situations when a Black Rainstorm Warning is issued at or after 9:00 a.m., both CCASS services and those of the Clearing House of HKAB for Eligible Currencies will be available. Therefore, money settlement will be effected as normal on such day.

If a Black Rainstorm Warning is issued before 9:00 a.m. and is cancelled at or before 12:00 noon on any Business Day, any confirmation already given by Designated Banks on the day will be ignored by HKSCC and Designated Banks of Participants other than Investor Participants will have to re-issue confirmations of payments by and/or to such Participants within one hour from the time of resumption of CCASS services on such a day whilst Designated Banks of Investor Participants will have to issue the confirmation of payments by Investor Participants within the specified time after the time of resumption of CCASS services on such a day. However, if a Black Rainstorm Warning is issued before 9:00 a.m. and remains in effect at 12:00 noon on any Business Day, any confirmation already given by Designated Banks on the day will be ignored by HKSCC and Designated Banks are required to issue or re-issue to HKSCC the confirmations no later than the specified time or times on the following Business Day.

In relation to money settlement services via CPIs, if a Black Rainstorm Warning is issued before 9:00 a.m. on a Business Day and is cancelled or before 12:00 noon, such services will normally resume two hours after the cancellation of the warning announced by the Hong Kong Observatory. China Connect Clearing Participants are required to fulfill their CNS money obligations in respect of China Connect Securities Trades by 3:00 p.m. or such other time as may be specified by HKSCC upon resumption of CCASS services. No such services will be available for that day if the Black Rainstorm Warning remains in effect at 12:00 noon. If a Black Rainstorm Warning is issued at or after 9:00 a.m. on a Business Day, such services will continue to be available as normal. Hence, China Connect Clearing Participants shall fulfill their CNS money obligations in respect of China Connect Securities Trades in accordance with the normal schedule.

In relation to confirmations by Designated Banks of Participants other than Investor Participants in respect of payments by China Connect Clearing Participants pursuant to CPIs issued by HKSCC, if a Black Rainstorm Warning is issued before 9:00 a.m. and is cancelled at or before 12:00 noon on any Business Day, Designated Banks will have to issue CPI confirmations of payment no later than 3:00 p.m. on such a day.

17.3.12 Compulsory Stock Borrowing

If a Black Rainstorm Warning is issued before 9:00 a.m. and is not cancelled at 12:00 noon on a Business Day, that day will not be treated as a Business Day for the purpose of the Compulsory Stock Borrowing and Lending Regulations; including but not limited to the calculation of the time period of HKSCC's redelivery obligations thereunder.

Section 18

Guarantee Fund

18.2 CALCULATION OF CONTRIBUTIONS

18.2.1 Determination of amount

For the purpose of this Section, “daily CNS position”, in relation to a Clearing Participant, refers to the higher of (i) the aggregate of the value of the total cross-day net long CNS stock positions of the Clearing Participant and the money settlement obligations of the Clearing Participant on that day and (ii) the value of the total cross-day net short CNS stock positions of such Clearing Participant on that day, each subject to adjustments which HKSCC may from time to time consider appropriate. The adjustments may include (but will not be limited to) adjustments for Multi-counter Eligible Securities of the same class of an Issuer, Collateral Security and Specific Cash Collateral provided by the Clearing Participant. The values of the CNS stock positions in Eligible Securities, including positions in China Connect Securities, are computed with reference to the Mark-to-market value of the relevant CNS stock positions determined by HKSCC. “Money settlement obligations” of a Clearing Participant refers to the amounts payable by the Clearing Participant for the settlement of its Market Contracts.

Section 19

Financial and Accounting Requirements

19.1 FINANCIAL REQUIREMENTS

19.1.2 Financial commitments of Participants in CCASS

In summary, the main financial commitments of a Participant as a result of its participation in CCASS will include:

- (v) payment to HKSCC in respect of costs and expenses of CCASS services and facilities and, in the case of services relating to China Connect Securities, fees, expenses, levies and taxes collected by HKSCC for the relevant China Connect Clearing House or other regulatory or tax authority.

19.2 ACCOUNTING REQUIREMENTS

19.2.2 Duty to keep records

Such records shall be maintained by Participants for a period of at least twenty years where such records relate to China Connect Securities and at least seven years (or such longer period as HKSCC may prescribe) for all other records and shall be made available for inspection by HKSCC upon its request.

19.2.3 Information and returns

Further, HKSCC may by notice in writing from time to time require a Participant to supply to HKSCC information and to file returns in respect of matters relating to its use of the services and facilities of CCASS or for risk management purposes. Participants shall supply to HKSCC the required information or file the required returns in such manner and within such time period as may be specified by HKSCC.

Section 20

Disciplinary Action

20.4 ACTS OF MISCONDUCT

20.4.1 Grounds for disciplinary action

HKSCC may institute disciplinary proceedings against a Participant in respect of an act of misconduct committed or reasonably believed to have been committed by it. An act of misconduct includes:

- (l) if the Participant is a Common Participant, a default in payment of any sum payable to any other Recognized Clearing House or an event of default committed by the Participant under the rules of such Recognized Clearing House;
- (m) if the Participant is a TSF CCASS Participant, a failure to comply with any TSF Participant Registration Criteria or any other conditions or requirements for its continued registration as a TSF CCASS Participant, or a failure to comply with any provisions of, or any of its obligations under, Chapter 12A of the Rules, Section 12 of the Operational Procedures and other related provisions in the Operational Procedures; and
- (n) if the Participant is a China Connect Clearing Participant, a failure to comply with any China Connect Participant Registration Criteria or any other conditions or requirements for its continued registration as a China Connect Clearing Participant, or a failure to comply with any provision of, or any of its obligations under, Chapter 41 of the Rules, Section 10A of the Operational Procedures and other related provisions in the Rules and Operational Procedures.

20.5 THE DISCIPLINARY FUNCTION OF HKSCC

20.5.3 The Global Clearing Division

The Global Clearing Division may investigate and consider grounds for bringing disciplinary proceedings, and may refer cases to the Risk Management Committee and/or the Disciplinary Committee of HKSCC under Section 20.7.1. The Global Clearing Division, through any one of its officers shall have conduct of disciplinary cases against the Participants. Such officer of the Global Clearing Division may act or appear, at the discretion of the Disciplinary Committee through a solicitor or barrister, or through any other officer of HKSCC.

20.5.4 The Risk Management Committee

The Risk Management Committee may receive reports from the Global Clearing Division under Section 20.7.1, and decide whether there should be a referral of the case to the Disciplinary Committee. The Risk Management Committee may give such other advice to the Global Clearing Division as it deems appropriate or as may be requested.

20.7 REFERRAL TO THE DISCIPLINARY COMMITTEE

20.7.1 Referrals by the Global Clearing Division

Where it appears to the Global Clearing Division that there are grounds for believing that a Participant has or may have committed an act of misconduct and that it is appropriate to refer the matter to the Disciplinary Committee, the Global Clearing Division may do so directly, or may report those grounds to the Risk Management Committee which shall then determine whether or not a referral to the Disciplinary Committee should be made.

20.7.2 Statement of Case

Referral to the Disciplinary Committee shall be made, and disciplinary proceedings begun, by the Global Clearing Division serving on the secretary to the Disciplinary Committee and on the Participant the statement of case, which shall comprise the charge or charges and a summary of the principal facts to be relied on.

20.8 PRE-HEARING PREPARATION AND PRE-HEARING REVIEW

20.8.1 Initial exchange of evidence, pleas and proposed directions

After service of a statement of case, except in cases where all charges to be proceeded with are to be admitted by the Participant:

- (a) the Global Clearing Division shall serve on the Participant copies of the documents on which it intends to rely and a list of the witnesses, if any, proposed to be called and a summary of the witnesses' proposed evidence;
- (b) the Participant shall serve to the Global Clearing Division written notice stating its intended pleas to the charges, what evidence of the witnesses, if any, served by the Global Clearing Division is agreed and can be read at the hearing, which documents are agreed and what admissions of facts the Participant can make;
- (c) the Global Clearing Division and the Participant shall then serve on each other and on the secretary of the Disciplinary Committee notice of the directions to be sought at the pre-hearing review or their assessment that there is no need for a pre-hearing review.

20.8.2 Convening of pre-hearing review

A pre-hearing review will be convened as soon as practicable in all cases save those in which all charges are to be admitted and those where both the Global Clearing Division and the Participant have agreed in writing that there is no need for a pre-hearing review.

20.8.5 Particular directions

Without restriction on the general power to give directions under Section 20.8.4, the Disciplinary Committee may:

- (b) with the consent of the Global Clearing Division and the Participant, direct the hearing or any part of the hearing to proceed by written representations;
- (g) direct the Participant to provide the Global Clearing Division with the names of all witnesses to be called at the hearing and their statements or an outline of the matters on which it is intended that they should give evidence;

20.8.7 Failure to comply with pre-hearing rules and directions

Failure by Participant to comply with Sections 20.8.1 or 20.8.4 or any directions given at the pre-hearing review shall not render the Participant liable to disciplinary proceedings, but may be commented on by the Global Clearing Division before the Disciplinary Committee for such inferences to be drawn as are proper in all the circumstances, and may render the Participant liable for costs, whether or not any charge is found proved.

20.8.9 Departure by Participant from statement of defence or admissions

A statement of defence by the Participant pursuant to Section 20.8.5(f) may be put before the Disciplinary Committee. The Participant shall not be prevented by such statement of defence, or by any admissions made to the Global Clearing Division or pursuant to the pre-hearing review, from putting forward any contrary or further case or from withdrawing such admissions; though in any such case the Global Clearing Division may invite the Disciplinary Committee to draw, and the Disciplinary Committee may draw, any inferences proper in all the circumstances.

20.8.10 Consent order

At any time after a referral until the opening of the hearing before the Disciplinary Committee, the Global Clearing Division and the Participant may without prejudice negotiate a proposed consent order and jointly submit it in writing to the Disciplinary Committee for approval.

20.9.5 Normal order of proceedings

Unless otherwise directed by the Disciplinary Committee, the order of proceedings at the hearing shall be as follows:

- (b) the Global Clearing Division shall open the case;
- (c) if any charge is not admitted:
 - (i) the Global Clearing Division shall present evidence and/or call witnesses whom the Participant may then cross-examine, the Global Clearing Division re-examine, and witness(es) may be asked questions by the Disciplinary Committee;
 - (iii) the Global Clearing Division may address the Committee, provided that the Participant has presented or called evidence;
- (d) when any charge has been admitted or found proved, the Global Clearing Division shall give information as to any previous findings of misconduct which may include the findings of regulatory bodies within or outside Hong Kong;

20.9.16 Reservation of judgment

If the Disciplinary Committee has reserved its judgment, it shall reconvene for the purpose of completing any proceeding and imposing any penalty. The Disciplinary Committee may give any decision in writing by delivering it to the Global Clearing Division and the Participant.

20.9.17 Written summary of decision

At the conclusion of the disciplinary proceedings against the Participant, the Disciplinary Committee shall deliver to the Participant and the Head of the Global Clearing Division a written summary:

20.9.18 Costs

In addition, costs may be awarded against HKSCC if, in the opinion of the Disciplinary Committee, the Global Clearing Division has behaved unreasonably in the commencement or conduct of the proceedings.

20.10.2 Time for appeal

(a) Within 10 Business Days of service on it of the Disciplinary Committee's written summary, the Participant may appeal to the Disciplinary Appeals Committee by serving a notice of appeal on the Global Clearing Division and the secretary to the Disciplinary Committee;

20.10.9 Notice of the appeal hearing in other cases

The secretary to the Disciplinary Appeals Committee shall give to the Participant and the Global Clearing Division not less than 10 Business Days' notice in writing of the date, time and place of the appeal hearing.

20.10.12 Normal order of proceeding before the Disciplinary Appeals Committee

The normal order of proceeding will be as follows:

- (a) the Participant shall open the appeal and, subject to Section 20.10.13, produce or call any further evidence;
- (b) the Global Clearing Division may make submissions in answer;

Section 21

Costs and Expenses

In this Section 21, references to “HKD” or “HK\$” mean Hong Kong Dollar; references to “CNY” mean Chinese Yuan (Renminbi) and references to “USD” mean US Dollar.

21.1 CLEARING AND SETTLEMENT OF EXCHANGE TRADES

- | | | |
|---|---|--|
| — | Stock clearing fee | NIL |
| — | Stock settlement fee payable by each Clearing Participant and each Clearing Agency Participant for each Exchange Trade cleared and settled through CCASS. | 0.0020% of gross value of an Exchange Trade, subject to minimum fee of HK\$2 and a maximum fee of HK\$100 per trade. |

Notes:

Gross value refers to transacted market value of eligible non-Debt Securities or nominal value of eligible Debt Securities.

Fee debited on T+1.

Exercised stock options positions processed in CCASS between the two settlement counterparty Participants are subject to the same stock settlement fee and payable by both Participants.

- | | | |
|---|---|---|
| — | Stock settlement fee payable by the Clearing Participant for each crossed Exchange Trade cleared and settled through CCASS, i.e. where the buy and sell of an Exchange Trade is handled by the same Exchange Participant. | 0.001% per side of gross value of a crossed Exchange Trade, subject to a minimum fee of HK\$1 and a maximum fee of HK\$50 per side per trade. |
|---|---|---|

Notes:

Gross value refers to transacted market value of eligible non-Debt Securities or nominal value of eligible Debt Securities.

Not applicable to an Exchange Trade effected by a Special Participant on the Exchange.

Fee debited on T+1.

- Money settlement fee under CNS System.
Note:
Fee debited on the day of money settlement.
- HK\$0.50 for HKD items, CNY items and USD items for each DDI or DCI issued by HKSCC in respect of money positions of a Clearing Participant and a Clearing Agency Participant to be settled under the CNS System on each day.

- Money settlement fee for Isolated Trades payable by each Clearing Participant and each Clearing Agency Participant for each Isolated Trade cleared and settled through CCASS.
Note:
Fee debited on the day of money settlement.
- HK\$0.50 for HKD items, CNY items and USD items for each EPI issued by HKSCC for Isolated Trades settled in CCASS on a DVP basis.

- Cash Prepayment service fee for releasing Securities-on-hold at the request of a Clearing Participant and a Clearing Agency Participant.
Notes:
Fee debited on the day of remittance. For cash prepayment instructions input with “CHATS” set as the payment method, no such fee will be payable by the Clearing Participant and the Clearing Agency Participant.
- HK\$100 per remittance by a Clearing Participant and a Clearing Agency Participant.

Use of this service is at the option of a Clearing Participant and a Clearing Agency Participant.

Refund on the following settlement day of remittance received after the time limit prescribed by HKSCC is also subject to the said cash prepayment service fee.

21.1A CLEARING AND SETTLEMENT OF CHINA CONNECT SECURITIES TRADES

- Stock clearing fee NIL

- Stock settlement fee payable by each China Connect Clearing Participant for each China Connect Securities Trade cleared and settled through CCASS. NIL

Note:
Fee debited on T.

- Stock settlement fee payable by a China Connect Clearing Participant for each crossed China Connect Securities Trade cleared and settled through CCASS, i.e. where the buy and sell of a China Connect Securities Trade is handled by the same China Connect Exchange Participant. NIL

Note:
Fee debited on T.

- Money settlement fee under CNS System. HK\$0.50 for HKD items, CNY items and USD items for each CPI issued by HKSCC in respect of money positions of a China Connect Clearing Participant to be settled under the CNS System on each day.

Note:
Fee debited on the day of money settlement.

- Cash Prepayment service fee for releasing Securities-on-hold at the request of a China Connect Clearing Participant. HK\$100 per remittance by a China Connect Clearing Participant.

Notes:
Fee debited on the day of remittance.

Use of this service is at the option of a China Connect Clearing Participant.

Refund on the following settlement day of remittance received after the time limit prescribed by HKSCC is also subject to the said cash prepayment service fee.

21.2 CLEARING AND SETTLEMENT OF SI TRANSACTIONS

- Stock settlement fee for broker-custodian SI Transactions without trade value data input and all other types of SI Transactions, payable by each counterparty Participant to such SI Transaction. 0.0020% of the gross value subject to a minimum fee of HK\$2 and maximum fee of HK\$100 for each such SI Transaction.

Notes:

Gross value for eligible non-Debt Securities refers to value calculated at nominal prices of the previous trading day, and for eligible Debt Securities, refers to their nominal value.

Fee debited on completion of Settlement.

Notes:

A 50% discount in stock clearing fee and stock settlement fee may be granted to Participants, on written application by Participants, for the portfolio transfer of SI Transactions due to change of business structure or clearing arrangement of Participants subject to payment of a maximum fee of HK\$2,500 by each counterparty Participant where the beneficial ownership remains unchanged or of a maximum fee of HK\$5,000 by each counterparty Participant where there is a change in the beneficial ownership.

A discount in stock clearing fee and stock settlement fee may be granted to Participants, on written application by Participants, for SI Transactions involving China Connect Securities due to such reasons as may be specified by HKSCC from time to time.

21.5 DEPOSITORY AND NOMINEE SERVICES

- Stock deposit fee for the deposit of certificates representing Eligible Securities other than China Connect Securities into CCASS. NIL

Note:

Stock deposit fee for initial/bulk deposit of eligible bearer Debt Securities will be nil.

- Stock withdrawal fee for registered Eligible Securities other than China Connect Securities. HK\$3.50 per Board Lot. Odd lot also charged at HK\$3.50 each. Transfer deed stamp duty of HK\$5 for each certificate, if any, will be borne by the Participant.

Notes:

Fee debited on the day of withdrawal.

Fee inclusive of registration and transfer fee charged by HKSCC.

HKSCC may, on the written application of Participants, waive the registration and transfer fee included in the stock withdrawal fee levied on Participants (which cease to participate in CCASS) due to business restructuring, cessation of business or liquidation or death of Participants (if an individual) to the extent that HKSCC has made such charge at the previous collection date of the relevant Eligible Securities other than China Connect Securities.

No waiver of the registration and transfer fee included in the stock withdrawal fee shall be allowed by HKSCC on any application by a Participant if the Participant has also applied for and HKSCC has granted the

registration and transfer fee concession hereinafter mentioned as a result of such an application.

Fee not applicable to Eligible Securities which are Foreign Securities or China Connect Securities.

- Stock withdrawal fee for eligible bearer Debt Securities. HK\$100 per certificate.

Notes:

Fee debited on the day of withdrawal.

Fee not applicable to Debt Securities which are Foreign Securities or China Connect Securities.

- Stock withdrawal fee for other non-Eligible Securities or securities which have been discontinued as Eligible Securities. HK\$1 per Board Lot for registered securities or HK\$1 per certificate for bearer securities. Odd lot also charged at HK\$1 each.

Notes:

This may include uncertificated or delisted bearer securities.

Discontinued Eligible Securities by reason of delisting or expiry are also covered (eg. Expired warrants).

Fee not applicable to Foreign Securities or China Connect Securities.

- Stock withdrawal fee for Foreign Securities. HK\$600 per instruction.

Notes:

Fee debited on completion of withdrawal.

Fee also applicable to the withdrawal of securities

entitlements accruing from Foreign Securities which do not constitute Eligible Securities.

Out-of-pocket expenses incurred by HKSCC, if any, will be borne by the Participant.

- Stock withdrawal fee for securities entitlements which are non-Eligible Securities.

HK\$1 per Board Lot for registered securities or HK\$1 per certificate for bearer securities. Odd lot also charged at HK\$1 each.

Note:

Fee not applicable to Foreign Securities or China Connect Securities.

- Stock custody fee for the custody of securities representing registered securities held in CCASS.

HK\$0.012 per Board Lot subject to a maximum of HK\$100,000 per month per Participant. Odd lots also charged at HK\$0.012 each.

Notes:

Fee calculated on aggregate month-end stock quantity balances in Stock Accounts of each Participant.

For securities that have undergone automatic conversion (for share subdivisions or consolidations and stock conversions) in CCASS on the last Business Day of a month, the stock quantity balance and board lot before such automatic conversion will be used for calculation of the stock custody fee for that month.

Fee debited at end of each calendar month.

Fee not applicable to Foreign Securities or China Connect Securities.

Fee not applicable to a China Connect Clearing House.

- Stock custody fee for the custody of securities in CCASS representing a) bearer Debt Securities, b) Exchange Fund Notes, c) Government Bonds, d) Specified Instruments and e) CMU Instruments. 0.012% per annum on nominal values calculated on a daily basis, subject to a maximum of HK\$300,000 per month per Participant.

Notes:

Fee calculated on aggregate daily balance of nominal values of bearer Debt Securities, Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments in Stock Accounts of each Participant.

Fee debited at end of each calendar month.

Fee not applicable to Foreign Securities or China Connect Securities.

Fee not applicable to a China Connect Clearing House.

- Stock maintenance fee for Foreign Securities. HK\$0.25 per 100 shares. Odd lots also charged at HK\$0.25.

Notes:

Fee calculated on daily average stock quantity balance of Foreign Securities in Stock Accounts of each Participant on a monthly basis.

For Foreign Securities that have undergone automatic conversion (for share subdivisions or consolidations and stock conversions) in CCASS on any Business Day of a month, the stock quantity balance before such automatic conversion will be used for calculation of the daily average stock quantity balance for that

month.

Fee debited at end of each calendar month.

Fee not applicable to a China Connect Clearing House.

- Portfolio fee for Participants' China Connect Securities held or recorded in CCASS.

Notes:

Fee calculated on aggregate daily stock portfolio value in Stock Accounts of each Participant and collected on a monthly basis.

Fee debited at end of each calendar month.

- Portfolio fee for the safe-keeping of Eligible Securities in CCASS of a China Connect Clearing House under a Clearing Link.

Notes:

Fee calculated on aggregate daily stock portfolio value in Stock Accounts of a China Connect Clearing House and collected on a monthly basis.

Fee debited at end of each

Accrued daily at fixed cumulative percentage per annum on the total daily stock portfolio value of China Connect Securities per Participant.

- The first HK\$50 billion is charged at 0.008%.
- The next HK\$200 billion is charged at 0.007%, the rate applicable to portfolio values above HK\$50 billion and up to HK\$250 billion.
- The next HK\$250 billion is charged at 0.006%, the rate applicable to portfolio values above HK\$250 billion and up to HK\$500 billion.
- The next HK\$250 billion is charged at 0.005%, the rate applicable to portfolio values above HK\$500 billion and up to HK\$750 billion.
- The next HK\$250 billion is charged at 0.004%, the rate applicable to portfolio values above HK\$750 billion and up to HK\$1,000 billion.
- Remainder is charged at 0.003%, the rate applicable to portfolio values above HK\$1,000 billion.

Accrued daily at fixed cumulative percentage per annum on the total daily stock portfolio value of Eligible Securities of the China Connect Clearing House.

- The first HK\$50 billion is charged at 0.008%.
- The next HK\$200 billion is charged at 0.007%, the rate applicable to portfolio values above HK\$50 billion and up to HK\$250 billion.
- The next HK\$250 billion is charged at 0.006%, the rate applicable to portfolio values above HK\$250 billion and up to

calendar month.

HK\$500 billion.

- The next HK\$250 billion is charged at 0.005%, the rate applicable to portfolio values above HK\$500 billion and up to HK\$750 billion.
- The next HK\$250 billion is charged at 0.004%, the rate applicable to portfolio values above HK\$750 billion and up to HK\$1,000 billion.
- Remainder is charged at 0.003%, the rate applicable to portfolio values above HK\$1,000 billion.

— Multi-counter eligible securities transfer fee for the transfer of Multi-counter Eligible Securities of an Issuer from one stock code to another stock code.

HK\$5 per instruction

Notes:

Fee debited on date of submission of instruction.

— Dividend and other distribution and bonus and Debt Securities interest collection service fee.

0.12% of the aggregate of cash amount of dividend, distribution, bonus and interest per stock/Debt Securities paid to Participant in one currency on the same day, subject to a maximum fee of HK\$10,000 (or its equivalent in foreign currencies).

Notes:

Fee is charged for cash dividend or cash distribution or cash bonus or cash interest only.

No fee is charged for scrip dividend or bonus shares.

Fee together with other applicable bank charges will be deducted at source at the time of distribution to Participants.

Fee also applicable to Units and Foreign Securities.

Fee not applicable to China Connect Securities.

Fee not applicable to China Connect Clearing House.

- Handling fee for conversion, redemption and corporate actions of registered and bearer Debt Securities including Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments. HK\$30 per instruction/announcement.

Notes:

Fee debited on input or event date.

Where there is automatic conversion or redemption of non-eligible registered or bearer Debt Securities including Exchange Fund Notes, Specified Instruments and CMU Instruments, the handling fee shall be payable.

Fee also applicable to Foreign Securities.

- Corporate actions service fee for registered non-Debt Securities. HK\$0.80 per Board Lot subject to a maximum of HK\$10,000 per instruction or (if no instruction is required for a corporate action) per corporate action per account. Odd lots also charged at HK\$0.80 each.

Notes:

Fee applicable to all corporate actions other than collection of cash dividends, cash distribution and bonuses, bonus shares, stock dividends, corporate voting, stock splitting, or stock consolidation.

Fee calculated on stock quantity balances on which the corporate actions are to be taken.

Fee debited on input dates or event dates of corporate actions.

Fee also applicable to automatic exercise of Structured Products at expiry.

Fee also applicable to

Where the amount calculated as aforesaid exceeds the corresponding amount of cash payment entitlement collected in respect of the corporate action and such cash payment is the only form of entitlement collected in respect of that corporate action (for the avoidance of doubt, this does not apply where there is no cash payment entitlement in respect of a corporate action), the amount of the cash payment.

applications for issue and redemption of Units.

Fee also applicable to Foreign Securities.

Fee not applicable to China Connect Securities.

Fee not applicable to China Connect Clearing House.

- Handling fee for warrant conversion, voluntary takeover, tender offer, or open offer in respect of Foreign Securities. HK\$600 per instruction.

Notes:

Fee debited on date of submission of instruction.

Out-of-pocket expenses incurred by HKSCC, if any, will be borne by the Participant.

- Handling charge for unclaimed entitlements. HK\$200 per claim application in respect of unclaimed entitlements of a stock or (if the gross cash amount of the unclaimed entitlements is less than HK\$200) the gross cash amount.

Notes:

Fee applicable to claims made by the Participants against HKSCC.

Fee is additional to other fees for relevant nominee services.

Fee is payable on successful claim application.

- Registration and transfer fee. HK\$1.50 per Board Lot on net increase in aggregate holdings in Board Lots of registered securities in balances in the Stock Accounts of a Participant since the date on which fee was last collected by HKSCC. Odd lots also charged at HK\$1.50 each.

Notes:

HKSCC may incur payments for re-registration of registered Eligible Securities as well as non-Eligible Securities and in relation to adjustments for entitlements in respect of late deliveries under the CNS System.

NIL for Exchange Fund Notes, Government Bonds, Specified Instruments, CMU Instruments and Foreign Securities.

In relation to portfolio transfer of registered securities from Clearing and/or Custodian Participants' Stock Accounts to the Investor Participant's Stock Account in CCASS by ISI Transactions without trade data value input within the first ten Settlement Days from the date of opening of the investor account and for which HKSCC has granted registration and transfer fee concession to the Investor Participant; the number of Board Lots representing such transfer will be deducted from the aggregate holdings in Board Lots in the Stock Accounts balances of the Clearing and/or Custodian Participant for the purpose of calculating the registration and transfer fee payable by such Clearing and/or Custodian Participant.

Fee is debited on one of the following collection dates:-

- (i) The last registration date of a corporate event of which a book-close date / record date is announced by the issuer of registered securities for determining the registered holders and their registered holdings that qualify for receipt of cash and non-cash entitlements, (other than for receipt of out-of-money rights issue entitlements determined by reference to the closing nominal prices of the underlying securities on the first ex-date, i.e., two trading days prior to the relevant book-close date / record date, for attendance at meetings and

votings solely without receipt of any entitlement and for stock conversion into other Eligible Securities only);

- (ii) Event date of corporate actions other than share splitting, share consolidation, stock conversion into other Eligible Securities or corporate actions involving no cash distribution to the registered holders).

Fee is subject to revision if registration and transfer fee is changed by share registrars.

Fee not applicable to China Connect Securities.

Fee not applicable to China Connect Clearing House.

HKSCC may, on written applications of Participants, grant concessions to the Participants with respect to all or part of the registration and transfer fee and HKSCC may charge a handling charge of HK\$1,000 per application. HKSCC shall stipulate the circumstances, and the criteria to be satisfied, for the grant from time to time.

Concession may be granted on a written application by the Participants if their CCASS participantship is altered due to their business restructuring.

A concessionary registration and transfer fee of HK\$2.50 per certificate will be charged in respect of large denomination registered share/Debt Securities

certificates deposited in CCASS instead of the normal registration and transfer fee. Each such registered share/Debt Securities certificate must represent at least 1,000 Board Lots. Such fee will be debited at the time of deposit. The number of Board Lots represented by such large denomination registered share/Debt Securities certificates will not be included in the calculation of the normal registration and transfer fee debited on the relevant collection date.

- Bank charges on foreign currency benefits and entitlements distribution. Actual amounts incurred by HKSCC.

Note:

Recovery of bank charges from Participants will be deducted at source at the time of distribution of entitlements to Participants.

- Handling fee for Electronic Application Instructions for New Issue Shares. HK\$5 per instruction.

Note:

Fee is debited on input date.

- Handling fee for Tender Instructions. HK\$5 per instruction.

Note:

Fee is debited on input date.

- Disbursements and out-of-pocket expenses in connection with nominee services. Actual amounts incurred by HKSCC.

Note:

Recoveries of disbursements and out-of-pocket expenses are additional to other fees for

relevant nominee services and will be debited or deducted as and when incurred by HKSCC.

21.6 [Repealed]

21.10 APPLICABLE INTEREST RATES

- Rate of interest chargeable on overdue money balances in HKD or CNY or USD owed to HKSCC.

Notes:

Interest will be debited to the Money Ledger of Participants and collected on a daily basis (except the Billing Account, to which interest will be debited and collected on a weekly basis).

HKSCC shall pay interest at HKD saving account deposit rate or where applicable, CNY or USD savings account deposit rate (or CNY or USD investment rate, if lower) of HKSCC's banker to Participants only if such payment is expressly provided for under the Rules. (other than interest on Marks, Margin and Collateral collected in cash from Participants, which will be at the rate specified below).

- Rate of interest allowed or charged on Marks, Margin or Collateral collected in cash in HKD or CNY or USD from the Participant

Notes:

Interest that may be allowed or charged will be accrued daily and paid or charged monthly to Participants by crediting or debiting, as the case may be, the CCMS House Collateral Accounts of the Participants, on the first Business Day of the following month.

HKD or where applicable, CNY or USD best lending rate of HKSCC's banker plus 2% per annum or the relevant Interbank Offered Rate for HKD, CNY or USD plus 2% per annum, whichever is higher and is incurred by HKSCC.

To be determined by HKSCC from time to time in accordance with HKD or CNY or USD prevailing bank savings rates

The rate of interest may be varied from time to time by HKSCC without prior notice.

- Rate of interest allowed or charged on Mainland Settlement Deposit and Mainland Security Deposit collected in cash in CNY from the Participant

To be determined by HKSCC from time to time by reference to CNY prevailing bank savings rates and the rate of interest allowed or charged by the China Connect Clearing House

Notes:

Interest that may be allowed or charged will be accrued and paid or charged quarterly to Participants by crediting or debiting, as the case may be, Miscellaneous Account of the China Connect Clearing Participant's Money Ledger, on the first Business Day of the following quarter.

The rate of interest may be varied from time to time by HKSCC without prior notice.

21.13 COSTS AND EXPENSES – MISCELLANEOUS

Unless otherwise stated, all other disbursements and out-of-pocket expenses incurred by HKSCC are to be reimbursed by the respective Participants. The relevant Participants must reimburse HKSCC for any additional disbursements or out-of-pocket expenses incurred by HKSCC, including but not limited to those related to China Connect Securities Trades, on their behalf in the Eligible Currency specified by HKSCC from time to time.

21.16 DEFAULT FEE FOR LATE DELIVERY UNDER THE CNS SYSTEM

- Fee for failure to settle CNS short stock position arising from Exchange Trades on the due date (i.e., T+2)

0.50% multiplied by the market value (based upon the closing price quoted on the Exchange on the due date) of the corresponding short stock position arising from Exchange Trades, subject to a maximum fee of HK\$100,000 for each corresponding short stock position.

Notes:

Fee will be debited by DDI on T+2.

In respect of short stock position of which HKSCC has granted an exemption from a Buy-in, fee will be refunded by DCI on T+3 except that where

an exemption is granted under Section 10.8.3(v), (x) and (xii) in respect of failed delivery being due to a Participant's clerical error or calculation error, fee may not be refunded at the discretion of HKSCC. However, fee may be debited again if an exemption is granted but delivery of sufficient Eligible Securities is not made on T+3.

Fee may be revised by HKSCC from time to time.

- | | |
|--|--|
| — Fee for failure to settle CNS short stock position in China Connect Securities on the due date (i.e., T) | 1.00% multiplied by the market value (based upon the closing price quoted on the relevant China Connect Market on the due date) of the corresponding short stock position in China Connect Securities, subject to a maximum fee of HKD200,000 for each corresponding short stock position in China Connect Securities. |
|--|--|
- Notes:*
Fee will be debited by DDI on T.

Fee may be revised by HKSCC from time to time.

Section 22

Tariff for Investor Participants

In this Section 22, references to “HKD” or “HK\$” mean Hong Kong Dollar; references to “CNY” mean Chinese Yuan (Renminbi) and references to “USD” mean US Dollar.

22.1 CLEARING AND SETTLEMENT OF ISI TRANSACTIONS

22.2 DEPOSITORY AND NOMINEE SERVICES

- | | |
|---|-----|
| — Stock deposit fee for the deposits of certificates representing Eligible Securities into CCASS payable by Investor Participant. | NIL |
|---|-----|

Notes:
Stock deposit fee for initial/bulk deposit of eligible bearer Debt Securities will be nil.

Bearer debt securities will not be accepted for deposit into CCASS by Investor Participants except from the issuer or issuer's agent for initial issue.

- Stock withdrawal fee for registered Eligible Securities payable by Investor Participant.

Notes:

Fee debited on the day of withdrawal.

Fee inclusive of the registration and transfer fee charged by HKSCC.

HKSCC may, on the written application of the Investor Participants, waive the registration and transfer fee included in the stock withdrawal fee levied on Investor Participants (who cease to participate in CCASS) due to business restructuring, cessation of business, liquidation or death of Participants (if an individual) to the extent that HKSCC has made such charge at the previous collection dates of the relevant Eligible Securities.

No waiver of the registration and transfer fee included in the stock withdrawal fee shall be allowed by HKSCC on any application by an Investor Participant if the Investor Participant has also applied for and HKSCC has granted the registration and transfer fee concession hereinafter mentioned as a result of such an application.

Fee not applicable to Eligible Securities which are Foreign Securities.

HK\$3.50 per Board Lot, subject to a minimum fee of HK\$20 per withdrawal order. Odd lot also charged at HK\$3.50 each. Transfer deed stamp duty of HK\$5 for each certificate, if any, will be borne by the Investor Participant.

- Stock withdrawal fee for eligible bearer Debt Securities payable by Investor Participant. HK\$100 per certificate, subject to a minimum fee of HK\$100 and maximum fee of HK\$3,000 per withdrawal order.

Notes:

Fee debited on the day of withdrawal.

Bearer debt securities withdrawn by Investor Participants are not allowed to be re-deposited into CCASS.

Fee not applicable to Debt Securities which are Foreign Securities.

- Stock withdrawal fee for other non-Eligible Securities or securities which have been discontinued as Eligible Securities, payable by Investor Participant. HK\$1 per Board Lot for registered securities or HK\$1 per certificate for bearer securities, subject to a minimum fee of HK\$20 and maximum fee of HK\$3,000 per withdrawal order. Odd lot also charged at HK\$1 each.

Notes:

This may include uncertificated or delisted bearer securities.

Discontinued Eligible Securities by reason of delisting or expiry are also covered (e.g. expired warrants).

Fee debited on the day of withdrawal.

Fee not applicable to Foreign Securities.

- Stock withdrawal fee for securities entitlements which are non-Eligible Securities, payable by Investor Participant. HK\$1 per Board Lot for registered securities or HK\$1 per certificate for bearer securities, subject to a minimum fee of HK\$20 and maximum fee of HK\$3,000 per withdrawal order. Odd lot also charged at HK\$1 each.

Notes:

Fee debited on the day of withdrawal.

Fee not applicable to Foreign Securities.

- Stock withdrawal fee for Foreign Securities. HK\$600 per instruction.

Notes:
Fee debited on date of submission of instruction.

Fee applicable to the withdrawal of securities entitlements accruing from Foreign Securities which do not constitute Eligible Securities.

Out-of-pocket expenses incurred by HKSCC, if any, will be borne by the Investor Participant.
- Stock custody fee for the custody of securities representing registered securities held in CCASS payable by Investor Participant. HK\$0.012 per Board Lot subject to a minimum fee of HK\$20 per month and a maximum fee of HK\$3,000 per month per investor account. Odd lots also charged at HK\$0.012 each.

Notes:
Fee debited on the first day of the following calendar month.

For securities that have undergone automatic conversion (for share sub-divisions or consolidations and stock conversions) in CCASS on the last Business Day of a month, the stock quantity balance and board lot before such automatic conversion will be used for calculation of the stock custody fee for that month.

Fee not applicable to Foreign Securities.
- Stock custody fee for the custody of securities in CCASS representing a) bearer Debt Securities, b) Exchange Fund Notes, c) Government Bonds, d) Specified Instruments and e) CMU Instruments payable by Investor Participant. 0.012% per annum on nominal values calculated on a daily basis, subject to a minimum fee of HK\$20 per month and a maximum fee of HK\$3,000 per month per investor account.

Notes:

Fee calculated on aggregate daily balance of nominal values of bearer Debt Securities, Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments in Investor Stock Account.

Fee debited on the first day of the following calendar month.

Fee not applicable to Foreign Securities.

- Stock maintenance fee for Foreign Securities. HK\$0.25 per 100 shares. Odd lots also charged at HK\$0.25.

Notes:

Fee calculated on daily average stock quantity balance of Foreign Securities in Stock Accounts of each Investor Participant on a monthly basis.

For Foreign Securities that have undergone automatic conversion (for share sub-divisions or consolidations and stock conversions) in CCASS on any Business Day of a month, the stock quantity balance before such automatic conversion will be used for calculation of the daily average stock quantity balance for that month.

Fee debited at end of each calendar month.

- Multi-counter eligible securities transfer fee for the transfer of Multi-counter Eligible Securities of an Issuer from one stock code to another stock code. HK\$5 per instruction.

Notes:

Fee debited on date of submission of instruction.

- Dividend and Debt Securities interest collection service fee payable by Investor Participant.
- Notes:*
 Fee is charged for cash dividend or cash distribution or cash bonus or cash interest only.
- No fee is charged for scrip dividend or bonus shares.
- Fee together with other applicable bank charges will be deducted at source at the time of distribution to Investor Participants.
- Fee also applicable to Units and Foreign Securities.
- 0.12% of the aggregate of cash amount of dividend, distribution, bonus and interest per stock/Debt Securities paid to Investor Participant in one currency on the same day, subject to a minimum fee of HK\$10 (or the aggregate gross amount of cash dividend, distribution, bonus and interest if smaller than HK\$10), and a maximum fee of HK\$500 (or the fee equivalent in foreign currencies).
- Handling fee for conversion, redemption and corporate actions of registered and bearer Debt Securities including Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments, payable by Investor Participant.
- Notes:*
 Fee debited on affirmation by Investor Participant or event date.
- Where there is automatic conversion or redemption of registered or bearer Debt Securities including Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments, the handling fee shall be payable.
- Fee also applicable to Foreign Securities.
- HK\$30 per instruction / announcement.
- Corporate actions service fee for registered non-Debt Securities payable by Investor Participant.
- Notes:*
- HK\$0.80 per Board Lot subject to a minimum fee of HK\$30 per instruction or (if no instruction is required for a corporate action) per corporate action and a maximum fee of HK\$500 per

Fee applicable to all corporate actions other than collection of cash dividends, cash distribution and bonuses, bonus shares, stock dividends, corporate voting, stock splitting or stock consolidation.

Fee calculated on stock quantity balances on which the corporate actions are to be taken.

Fee debited on input dates or event dates of corporate actions. Fee also applicable to automatic exercise of Structured Products at expiry.

Fee also applicable to Foreign Securities.

- Handling fee for warrant conversion, voluntary takeover, tender offer, or open offer in respect of Foreign Securities.

Notes:

Fee debited on date of submission of instruction.

Out-of-pocket expenses incurred by HKSCC, if any, will be borne by the Investor Participant.

- Handling charge for unclaimed entitlements.

Notes:

Fee applicable to claims made by the Investor Participants against HKSCC.

Fee is additional to other fees for relevant nominee services.

Fee is payable on successful claim application.

- Registration and transfer fee payable by Investor Participant.

instruction or (if no instruction is required for a corporate action) per corporate action. Odd lots also charged at HK\$0.80 each. Where the amount calculated as aforesaid exceeds the corresponding amount of cash payment entitlement collected in respect of the corporate action and such cash payment is the only form of entitlement collected in respect of that corporate action (for the avoidance of doubt, this does not apply where there is no cash payment entitlement in respect of a corporate action), the amount of the cash payment.

HK\$600 per instruction.

HK\$200 per claim application in respect of unclaimed entitlements of a stock or (if the gross cash amount of the unclaimed entitlements is less than HK\$200) the gross cash amount.

HK\$1.50 per Board Lot on net increase in aggregate holdings in Board Lots of registered securities in balances in the

Notes:

HKSCC may incur payments for re-registration of registered Eligible Securities as well as non-Eligible Securities and in relation to adjustments for entitlements in respect of late deliveries under the CNS System.

Fee is debited on one of the following collection dates:-

- (i) The last registration date of a corporate event of which a book-close date / record date is announced by the issuer of registered securities for determining the registered holders and their registered holdings that qualify for receipt of cash and non-cash entitlements, (other than for receipt of out-of-money rights issue entitlements determined by reference to the closing nominal prices of the underlying securities on the first ex-date, i.e., two trading days prior to the relevant book-close date / record date, for attendance at meetings and votings solely without receipt of any entitlement and for stock conversion into other Eligible Securities only);
- (ii) Event date of corporate actions (other than share splitting, share consolidation, stock conversion into other Eligible Securities or corporate actions with no cash distribution to the registered holders); or

Fee is subject to revision if registration and transfer fee is changed by share registrars.

Investor Stock Account since the date on which fee was last collected by HKSCC. Odd lots also charged at HK\$1.50 each.

NIL for Exchange Fund Notes, Government Bonds, Specified Instruments, CMU Instruments and Foreign Securities.

HKSCC may, on written applications of Investor Participants, grant concessions to Investor Participants with respect to all or part of the registration and transfer fee and HKSCC may charge a handling charge of HK\$1,000 per application. HKSCC shall stipulate the circumstances, and the criteria to be satisfied, for the grant from time to time.

Concession may be granted on stock balances representing portfolio transferred by ISI Transactions without trade value data input from other Participant Stock Accounts to an Investor Stock Account within the first ten Settlement Days from the date of opening of the investor account.

A concessionary registration and transfer fee of HK\$2.50 per certificate will be charged in respect of large denomination registered share/Debt Securities certificates deposited in CCASS instead of the normal registration and transfer fee. Each such registered share/Debt Securities certificate must represent at least 1,000 Board Lots. Such fee will be debited at the time of deposit. The number of Board Lots represented by such large denomination registered share/Debt Securities certificates will not be included in the calculation of the normal registration and transfer fee debited on the relevant collection date.

— Bank charges on foreign currency benefits and entitlements distribution payable by Investor Participant.

Actual amount incurred by HKSCC.

Note:

Recovery of bank charges from Investor Participants will be deducted at source at the time of distribution of entitlements to Investor Participants.

- Handling fee for Electronic Application Instructions for New Issue Shares. HK\$5 per instruction.

Note:

Fee is debited on input date.

- Handling fee for Tender Instructions. HK\$5 per instruction.

Note:

Fee is debited on input date.

- Disbursements and out-of-pocket expenses in connection with nominee services. Actual amounts incurred by HKSCC.

Note:

Recoveries of disbursements and out-of-pocket expenses are additional to other fees for relevant nominee services and will be debited or deducted as and when incurred by HKSCC.

22.3 [Repealed]

Appendix 4

Appendix 4.17

Appendix 4.18

Forms for Miscellaneous Matters

[Repealed]

[Repealed]