

## **CCASS OPERATIONAL PROCEDURES**

### **Definitions**

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

**“Master SPSA Holder”**

means an entity which has been assigned with a Master SPSA ID for using the services for Special Segregated Accounts mapped to the Master SPSA ID;

**“Master SPSA ID”**

means a 6-digit investor identification number in CCASS assigned to a Master SPSA Holder pursuant to the terms and conditions (as approved by the Commission from time to time) governing the use of the services for Special Segregated Accounts mapped to a Master SPSA ID;

**“SPSA ID”**

means a 6-digit investor identification number assigned to a Special Segregated Account;

### **Section 2 Participants**

#### **2.3 STOCK ACCOUNTS AND CCMS COLLATERAL ACCOUNTS**

##### **2.3.15 Special Segregated Accounts**

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 client of a Custodian Participant or a GCP which is not an Exchange Participant in any one Trading day, a Custodian Participant or a GCP which is not an Exchange Participant shall, upon the request of a client, designate a Special Segregated Account with an SPSA ID in CCASS to the client for the purpose of maintaining its holdings of China Connect Securities. The Custodian Participant or GCP shall give not less than five (5) Business Days’ written notice to HKSCC of (i) the designation of a Special Segregated Account to a client; (ii) the SPSA ID assigned by CCASS to the Special Segregated Account; (iii) details of the China Connect Exchange Participants that are authorised by the client to execute sell orders in China Connect Securities via the relevant Trading Link on its behalf; and (iv) changes in any of the information notified to HKSCC in respect of the Special Segregated Account. Each client may authorise up to twenty (20) China Connect Exchange Participants in respect of each Special Segregated Account to execute sell orders on its behalf and written notification of each such authorisation must be given by the Custodian Participant or GCP and the authorised China Connect Exchange Participant to HKSCC in such form as HKSCC may from time to time specify. Upon the request of a Master SPSA Holder, one or more Special Segregated Accounts may be mapped to a Master SPSA ID, in which

case HKSCC will disregard information from a Custodian Participant or GCP with respect to any such Special Segregated Account and rely on information (including details of the authorised China Connect Exchange Participants) provided by the Master SPSA Holder.

If, after a sell order is executed for a client (whether or not it is a Master SPSA Holder) in respect of any China Connect Security in a Special Segregated Account, an SPSA Delivery Failure occurs, the China Connect Clearing Participant responsible for clearing and settling the resulting China Connect Securities Trade shall make a request to HKSCC to adjust, for the purpose of pre-trade checking, (i) where applicable, its sellable balance, (ii) the sellable balance of the relevant Special Segregated Account of the client, and (iii) where applicable, the sellable balance of the Special Segregated Account of any other client for whom the China Connect Clearing Participant is responsible for clearing and settling a buy trade in the same China Connect Security on the same Trading day and the delivery of the relevant quantity of the China Connect Security to the Special Segregated Account of such client is affected by the SPSA Delivery Failure.

The circumstances under which the request is made and the requirements and procedures for making the request shall be as prescribed by HKSCC and notified to CCASS Participants from time to time. If it is confirmed that the stated SPSA Delivery Failure has occurred and the quantity of the relevant China Connect Security in the Special Segregated Account involved in the SPSA Delivery Failure is sufficient for making the relevant adjustment, HKSCC will (i) deduct from the sellable balance of the Special Segregated Account involved in the SPSA Delivery Failure the failed delivery quantity, (ii) add to the sellable balance of the Special Segregated Account of any other affected client the relevant quantity to reflect the amount it bought in the same China Connect Security on the same Trading day; and (iii) add to the sellable balances of the relevant Stock Accounts of the China Connect Clearing Participant the difference, if any, after subtracting the quantity referred to in (ii) as aforesaid from the failed delivery quantity under the SPSA Delivery Failure. If all or part of the relevant China Connect Security has for any reason been transferred out of the Special Segregated Account involved in the SPSA Delivery Failure such that the quantity available is insufficient for making the relevant adjustment, HKSCC will make an adjustment as aforesaid up to the quantity available in the Special Segregated Account and may also adjust, for pre-trade checking purpose, the sellable balance of such other China Connect Clearing Participant or Special Segregated Account to which all or part of the failed delivery quantity of the China Connect Security has been transferred.

Any adjustment made by HKSCC shall only have the effect of adjusting the sellable balances for pre-trade checking purpose and will only apply to the following Trading day. The actual holdings of the Stock Accounts of a China Connect Clearing Participant or the holding in a Special Segregated Account will not be adjusted.

**2.3.16 Mapping of Special Segregated Accounts to a Master SPSA ID**

Where a Special Segregated Account is mapped by a Master SPSA Holder to a Master SPSA ID, HKSCC will notify the relevant Custodian Participant or the relevant GCP which is not an Exchange Participant of such mapping information and any changes thereto as provided by the Master SPSA Holder. The aggregate sellable balances of China Connect Securities in all the Special Segregated Accounts mapped to the same Master SPSA ID, and not those in the individual Special Segregated Accounts, shall be used to determine the maximum amount of China Connect Securities that may be sold through such Master SPSA ID on a particular Trading day. Each Special Segregated Account can be mapped to only one Master SPSA ID.

HKSCC will aggregate the sellable balance of the Special Segregated Accounts mapped to a Master SPSA ID on each Trading day to form the sellable balance of the Master SPSA ID for pre-trade checking purpose and the sellable balance of the relevant Special Segregated Accounts will be deemed to be zero on each such Trading day. Upon any Special Segregated Account ceasing to be mapped to a Master SPSA ID, the sellable balance of such Special Segregated Account will not be aggregated to the sellable balance of the Master SPSA ID and the sellable balance of such Special Segregated Account will be used for pre-trade checking in accordance with Section 2.3.15.

HKSCC shall be entitled to rely and act on the mapping information submitted by the Master SPSA Holder, and shall not be responsible for any inaccuracies, omissions or errors in relying or acting on such mapping information.

**Section 10A**  
**China Connect Securities Trades - CNS System**

**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, provided that if the overdue short stock positions are or are alleged by the China Connect Clearing Participant to be caused in whole or in part by an SPSA Delivery Failure, the sellable balances of the China Connect Clearing Participant and the relevant Special Segregated Accounts will be adjusted in accordance with Section 2.3.15.

In the event of an SPSA Delivery Failure under a Master SPSA ID, if the Master SPSA Holder fails to instruct the relevant Custodian Participant or the relevant GCP which is not an Exchange Participant to deliver the relevant China Connect Securities from the relevant Special Segregated Accounts to the relevant China Connect Clearing Participant, HKSCC may in its sole discretion correspondingly reduce the

sellable balance with respect to the relevant China Connect Securities that were the subject of the SPSA Delivery Failure or reduce the sellable balances of all the China Connect Securities under such Master SPSA ID to zero on the next Trading day or for such longer period as HKSCC may in its absolute discretion consider appropriate.