

CCASS OPERATIONAL PROCEDURES

Definitions

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

“Designated Specialist”

has the same meaning as “Designated Specialist” in the Exchange Rules;

Section 10

Exchange Trades - CNS System

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:

- (xii) in respect of market making transactions in the Participant applying for exemption as a Securities Market Maker of any Market Making Security as specified by HKSCC from time to time, the Participant applying for exemption has duly executed Cross-Border Transfer Instructions transferring sufficient Eligible Securities to HKSCC’s account with the Appointed Depository to cover the relevant short position resulting from the its-market making activities as a Securities Market Maker as aforesaid on T+2 but is unable to cover such short position on T+2 due to clerical error of the Participant or the Appointed Depository;
- (xiii) in respect of market making transactions in the Participant applying for exemption as a Securities Market Maker of any Market Making Security as specified by HKSCC from time to time, the Participant applying for exemption has sufficient Eligible Securities to cover the relevant short position resulting from the its-market making activities as a Securities Market Maker as aforesaid on T+2 but the transfer of the Eligible Securities by Cross-Border Transfer Instructions to HKSCC’s account with the Appointed Depository cannot be effected to cover the relevant short position as a result of a holiday in the market of the Appointed Depository-United States; or
- (xiv) the person who is under an obligation to deliver, whether directly or indirectly, to the Participant applying for exemption the relevant quantity of Eligible Securities for settlement had lent such Eligible Securities and has duly executed a notice of recall pursuant to which such Eligible Securities will be delivered to the Participant on T+3 for settlement of its delivery obligation in full, and that person is an approved lending agent as defined in the Securities and Futures (Disclosure of Interests – Securities Borrowing and Lending) Rules-; or
- (xv) in respect of market making transactions in any Market Making Security as specified by HKSCC from time to time, the Participant applying for exemption can provide

evidence satisfactory to HKSCC that a creation, borrowing and/or purchase of sufficient Eligible Securities has been effected but the relevant Eligible Securities will only be delivered on T+3 to cover the short positions resulting from the market making activities. HKSCC will review this exemption from time to time and may suspend the availability of this exemption for any Participant and any Market Making Security at any time and for such period in its absolute discretion.

For the avoidance of doubt, the market making transactions in a Market Making Security in respect of which an exemption is claimed under Section 10.8.3(xii), (xiii) or (xv) may be conducted by a Securities Market Maker for its own account, or for the account of any of its affiliates or for the account of any of its Designated Specialists as part of its or their market making activities in accordance with the Exchange Rules.

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 CCASS Terminal User Guide for Participants for the form). The Application Form shall be sent by facsimile or such other means as HKSCC may consider appropriate 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 shall have the right, but shall not be obliged, to 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 as HKSCC in its absolute discretion considers appropriate. 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.

In respect of an exemption claimed under Section 10.8.3(i), the Participant applying for exemption is required to provide HKSCC with a certified copy of the temporary receipt issued by the CCASS Depository for the shares deposited.

In respect of an exemption claimed under Section 10.8.3(ii), the Participant applying for exemption is required to provide HKSCC with a certified copy of the relevant Stock Deposit Form endorsed by the CCASS Depository.

In respect of an exemption claimed under Section 10.8.3(iv), the Participant applying for exemption will, if so requested by HKSCC, provide HKSCC with evidence supporting its application at such time as specified by HKSCC.

In respect of an exemption claimed under Section 10.8.3(v), the Participant applying for exemption will have to provide HKSCC with a copy of (i) the relevant report to the Exchange and (ii) the relevant CCASS report evidencing a purchase has been executed on T+1 to cover the shortfall of Eligible Securities.

In respect of an exemption claimed under Section 10.8.3(vi), the Participant applying for exemption will have to provide HKSCC with a copy of (i) the assignment report generated by The SEHK Options Clearing House Limited and (ii) the relevant CCASS report evidencing a purchase has been executed on T+1 to cover the shortfall of Eligible Securities.

In respect of an exemption claimed under Section 10.8.3(vii), the Participant applying for exemption is required to provide HKSCC with a copy of (i) the relevant bought and sold contract notes and (ii) the relevant CCASS report evidencing a matched SI.

In respect of an exemption claimed under Section 10.8.3(viii), the Participant applying for exemption is required to provide HKSCC with (i) a copy of the relevant CCASS reports evidencing the relevant SI and (ii) a confirmation of the delivering Participant that sufficient Eligible Securities are held in its Stock Account in CCASS at day end of T+2 on behalf of the selling client who has instructed that such Eligible Securities be transferred to the Participant applying for exemption on the due date (i.e. T+2).

In respect of an exemption claimed under Section 10.8.3(ix), (x), (xi), (xii) and (xiii), the Participant applying for exemption is required to provide HKSCC with a copy of the relevant CCASS reports or other supporting documents satisfactory to HKSCC evidencing that the relevant Units, Eligible Securities or long positions (as applicable) are available to cover the relevant short positions on T+2.

In respect of an exemption claimed under Section 10.8.3(xiv), the Participant applying for exemption is required, at the time when it submits the application for exemption, to provide HKSCC with the required reference numbers assigned to the supporting documents to be submitted to HKSCC on T+6. The supporting documents include: (i) a document which records the sales transaction executed by such Participant; (ii) a notice of recall which has been duly executed by an approved lending agent in respect of the Eligible Securities lent; and (iii) such other supporting documents as HKSCC may require.

In respect of an exemption claimed under Section 10.8.3(xv), the Participant applying for exemption is required to provide HKSCC with a copy of the relevant CCASS reports or other supporting documents satisfactory to HKSCC evidencing that the relevant Eligible Securities are available to cover the relevant short positions on T+3.