

General Rules of HKSCC

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PART A: RULES OF GENERAL APPLICATION

CHAPTER 1

INTERPRETATION

101. Definitions

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

“Account Transfer Instruction” or “ATI”	means an instruction of a Participant other than an Investor Participant, in such form as HKSCC may from time to time prescribe as being valid, to effect book-entry movements of Eligible Securities between different Stock Accounts (except the Stock Collateral Control Account and in the case of a Clearing Participant or a Custodian Participant, the SSA with Statement Service and Special Segregated Accounts) of the Participant in CCASS, as referred to in Rule 601;
“Afternoon Session”	means the period in the afternoon during which trading can be conducted on the Exchange pursuant to the Exchange Rules;
“Appointed Depositary”	means a nominee of HKSCC or such other person whether appointed by HKSCC or otherwise which performs or assists in performing the depository, custodian and nominee services in respect of Eligible Securities held in CCASS, in accordance with Rule 817 or in respect of Foreign Securities;
“Assessments”	means additional contributions to the Guarantee Fund provided or required to be provided by a Clearing Participant pursuant to Rule 2508;
“Authorised User”	means in relation to a Corporate Investor Participant or a Participant other than an Investor Participant, a person approved by that Participant in the manner prescribed by HKSCC as being authorised to access CCASS on behalf of that Participant via its CCASS Terminal or its Participant Gateway or the CCASS Internet System, as referred to in Rule 704 and Sections 3.4 and 3.10 of the Operational Procedures;
“automatic order matching”	has the same meaning as defined in the Exchange Rules;
“Back-Up Centre”	means a place where back-up facilities are provided by HKSCC to a Participant other than an

	Investor Participant, as referred to in Rule 1301;
“Banking (Capital) Rules”	means the Banking (Capital) Rules made by the HKMA under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong);
“Base Currency”	means Hong Kong dollars, or such other currency as designated by HKSCC and notified to Clearing Participants and Clearing Agency Participants from time to time;
“Basic Contribution”	means a contribution made or required to be made by a Clearing Participant to the Guarantee Fund pursuant to Rule 2502(i);
“Batch-settlement-run”	means the process adopted by HKSCC to effect settlement at stated times on a Settlement Day of certain transactions accepted for settlement in CCASS, whereby Eligible Securities will be automatically debited from the Stock Clearing Accounts/Stock Account of the delivering Participants and credited to the Stock Clearing Accounts/Stock Account of the receiving Participants, as referred to in Rule 1003;
“Board”	means the board of directors of HKSCC;
“Board Lot”	means, in relation to a listed Eligible Security, the standard number of such Eligible Securities constituting one lot for trading purposes and in relation to an unlisted Eligible Security, the standard number of such Eligible Securities constituting one lot for transferring purposes as specified in the offering documents;
“Broker Participant”	means a Participant admitted to participate in CCASS as a Broker Participant immediately before 3 December 2007 and whose Broker Participantship had not been terminated;
“Business Day”	means a day on which CCASS is open for business to Participants (except Saturday, Sunday and public holiday) and shall, for the purposes of or in connection with any depository, nominee or other related services that may be provided by CCASS Depository or the Customer Service Centre, exclude the day on which CCASS Depository and the Customer Service Centre are closed at any time due to severe weather conditions pursuant to the Operational Procedures unless otherwise determined by HKSCC;
“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;
“CA ISO Message Service”	means a service under which subscribers may receive from HKSCC, information on corporate actions in the form of ISO Messages;
“Capped Liability Period”	means the period beginning from the date on which HKSCC declares a Clearing Participant or Clearing Agency Participant to be a defaulter for an Event of Default and ending on the 5th Business Day following such declaration, provided that each time another Clearing Participant or Clearing Agency Participant is declared a defaulter for an Event of Default during a prevailing Capped Liability Period, such Capped Liability Period shall be extended until the 5th Business Day following each such declaration and no new Capped Liability Period will be established for such declaration;
“CCASS”	means the Central Clearing and Settlement System operated by HKSCC, and unless otherwise stated or the context requires otherwise, references in the Rules to “CCASS” shall include RMS and CCMS;
“CCASS Depository”	means, one or more securities depositories for CCASS, providing safe-keeping facilities for Eligible Securities held in CCASS as well as to cater for withdrawals and deposits of Eligible Securities by Participants;
“CCASS Internet System”	means the website operated by HKSCC for enabling Investor Participants and, upon authorization by a Clearing Participant or a Custodian Participant, SSA Statement Recipients of that Clearing Participant or Custodian Participant to access CCASS in accordance with the Rules;
“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;
“CCASS Terminal User Guide” or “CCASS Terminal User Guide for Participants”	means the guide entitled "CCASS Terminal User Guide for Participants" of HKSCC in relation to CCASS, containing information on the use of CCASS Terminals by Participants other than Investor Participants, as from time to time in force;

“CCMS”	means the Common Collateral Management System, a common sub-system of CCASS and DCASS operated by HKSCC, HKFE Clearing Corporation Limited and The SEHK Options Clearing House Limited, which enables Participants to manage their collateral paid, provided or delivered to, or deposited with HKSCC;
“CCMS Collateral Account”	means any account established in CCMS for a 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 a Participant (other than an Investor Participant) or, in the case of a Clearing Agency Participant which is a China Connect Clearing House, for such Participant in respect of each Special Participant, as referred to in Rule 601A;
“Charged Property”	means the Collateral Securities and any Derived Assets of a Participant, as referred to in Rule 3608;
“CHATS”	means Clearing House Automated Transfer System operated by Hong Kong Interbank Clearing Limited;
“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;
“Chief Executive”	means the Chief Executive from time to time appointed by the Board or, as the context may require, his designee;
“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 Market Operator”	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 an 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 NCCCP 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 and HKSCC);
“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 is or may be entered into by HKSCC with a China Connect Clearing House relating to one or more Clearing Links (as may be amended, restated and/or supplemented from time to time);
“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;
“Clearing Service Termination Event”	means an event in relation to the winding down of clearing and settlement services by HKSCC in relation to Market Contracts pursuant to Rule 4301;
“Closing-out Contract”	means a contract entered into by HKSCC on behalf of a defaulting Clearing Participant or Clearing Agency Participant pursuant to Rule 3607;
“CMU”	means the Central Moneymarkets Unit of the HKMA;
“CMU Account”	means a custody account within the CMU in the name of a person who is a Recognized Dealer and/or a CMU Member recording the Exchange Fund Notes, Government Bonds, Specified Instruments and/or CMU Instruments (as the case may be) for the time being held by HKMA on behalf of that person within CMU, including any sub-account under it;
“CMU Instruments”	means those money market or capital market instruments (i) which are specified by the HKMA, and notified to CMU Members, as a CMU Instrument, (ii) which are listed or to be listed on the Exchange and (iii) (where the issuer is a company or a non-Hong Kong company, within the meaning of those terms in the

	Companies Ordinance) in respect of which a prospectus has been registered with the Registrar of Companies in Hong Kong;
“CMU Member”	means a person who has entered into a CMU membership agreement with HKMA regulating that person’s membership of the CMU Service;
“CMU Service”	means the service which HKMA offers through CMU providing a central depository for the custody of CMU Instruments, an electronic system for the recording of the transfer of CMU Instruments by book entry between CMU Members;
“Code”	means the United States Internal Revenue Code of 1986, as amended;
“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) or 4107(viii);
“Collateral Security”	means an Eligible Security which is from time to time held by or deposited with HKSCC by a Participant for credit into the relevant CCMS Collateral Account of such Participant, in accordance with Rule 3601, 3601A, 3603 or 3608;
“Commission”	means the Securities and Futures Commission referred to in section 3(1) of the Securities and Futures Ordinance;
“Common Participant”	means a person admitted as a Clearing Participant of CCASS and duly registered as a participant of one or more of the other Recognized Clearing Houses and “Common Participantship” shall be construed accordingly;
“Compulsory Stock Borrowing and Lending Regulations”	means the regulations which appear at Appendix 6 to the Operational Procedures as amended from time to time;
“Compulsory Stock Borrowing Transaction”	means a transaction between a Lender and HKSCC which is contemplated by Rule 3503 and is entered into in accordance with section 2.2 of the Compulsory Stock Borrowing and Lending Regulations;
“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;
“Contributions”	means, in relation to a Clearing Participant, both the Basic Contribution and the Dynamic Contribution of the Clearing Participant;
“controller”	has the meaning assigned to it by section 18(1) of the Securities and Futures Ordinance;
“Corporate Investor Participant”	means an Investor Participant which is a corporation as referred to in Rule 302;
“Cross-Border Transfer Instructions”	means instructions given by a Participant to HKSCC (in such form as HKSCC may prescribe from time to time) in relation to the transfer of (i) Foreign Securities; or (ii) Uncertificated Eligible Securities, as referred to in Rule 907;
“Custodian Participant”	means a Participant admitted to participate in CCASS as a Custodian Participant;
“Customer Service Centre”	means the location specified by HKSCC from time to time at which Investor Participants may give instructions (in such form as HKSCC may require) in connection with the HKSCC services available to them to HKSCC;
“DB Nominee Account”	means in relation to any Participant, any (or, as the context may require, each) bank account denominated in an Eligible Currency maintained by that Participant’s Designated Bank in accordance with the requirements in the FINI Terms and Conditions and the FINI User Guide and approved by HKSCC for FINI money settlement purposes in respect of that Participant’s Electronic Application Instructions for New Issue Shares;
“DCASS”	means the Derivatives Clearing and Settlement System operated by HKFE Clearing Corporation Limited and The SEHK Options Clearing House Limited;
“de-earmark”	means the designation of earmarked TSF Stocks as not subject to earmarking, and “de-earmarking” shall be construed accordingly;
“Debt Securities”	means an issue of debenture or loan stock, debentures, bonds and notes (including Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments) and other securities or instruments, either interest bearing or non-interest bearing, acknowledging, evidencing or creating indebtedness whether secured or

	unsecured, options, warrants or similar rights to subscribe or purchase any of the foregoing and convertible debt securities, but excluding ELI (as defined in the Exchange Rules);
“Default Information”	means any information provided by HKSCC to a Receiving Clearing Participant relating to a Defaulter including any information given relating to any action carried out pursuant to Rule 3702;
“Delivery Instruction” or “DI”	means an instruction of a Participant in such form as HKSCC may from time to time prescribe as being valid to effect book-entry delivery of Eligible Securities in CCASS to another Participant or HKSCC in respect of transactions in Eligible Securities accepted for settlement in CCASS, as referred to in Rule 1003;
“Depository”	has the same meaning as “depository” in the Exchange’s Listing Rules.
“Depository Receipts”	has the same meaning as “depository receipts” in the Exchange’s Listing Rules;
“Derived Assets”	means all non-cash distributions, securities, rights, entitlements or other property which accrue or are offered, or issued at any time (by way of bonus, rights, redemption, conversion, exchange, substitution, consolidation, subdivision, preference, warrant, option, purchase, takeover or otherwise) in respect of Collateral Securities;
“Designated Bank”	means in relation to any Participant, any bank in Hong Kong designated by that Participant and approved by HKSCC for money settlement purposes;
“Designated Bank Account”	means in relation to any Participant, any (or, as the context may require, each) bank account denominated in an Eligible Currency maintained by that Participant with its Designated Bank and approved by HKSCC for money settlement purposes;
“Direct Clearing Participant” or “DCP”	means a Participant admitted to participate in CCASS as a Direct Clearing Participant or a Broker Participant which is deemed to be a Direct Clearing Participant under Rule 305;
“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;
“Disciplinary Appeals Committee”	means the committee designated by the Board consisting of one or more independent non-executive directors of HKEX and/or other persons co-opted by the Board;
“Disciplinary Committee”	means the committee of the Board designated as the Disciplinary Committee, consisting of one or more directors of HKSCC and/or such other persons as the Board may appoint;
“Dynamic Contribution”	means (i) a contribution made or required to be made by a Clearing Participant to the Guarantee Fund pursuant to Rule 2502(ii); (ii) where any Assessment has been demanded by HKSCC, any Assessment provided or required to be provided by the Clearing Participant; and (iii) where any Voluntary Recap Amount has been requested by HKSCC, any Voluntary Recap Amount provided by the Clearing Participant which will not be refunded by HKSCC to such Clearing Participant in accordance with Rule 2509A(iv);
“Dynamic Contribution Credit”	means a credit limit in respect of Dynamic Contribution (other than any Assessment or Voluntary Recap Amount) that may be allowed to each Clearing Participant, as referred to in Rule 2502;
“E-mail”	means the electronic mail services for sending messages through electronic mail or other means specified by HKSCC to SSA Statement Recipients upon authorization by a Clearing Participant or a Custodian Participant;
“Early Termination Date”	means, in respect of a Market Contract registered in the name of a Clearing Participant or Clearing Agency Participant, the date determined as an Early Termination Date for such Market Contract in accordance with Rule 3705 or 3706, as the case may be. A Market Contract shall be terminated or novated with effect from the Early Termination Date relating to it;

“earmark”	means the designation of TSF Stocks as stocks purchased with the support of the FX Services, and “earmarking” shall be construed accordingly;
“earmarked TSF Stocks”	means TSF Stocks purchased with the support of the FX Services and which shall be held in a TSF Account unless otherwise provided in the Rules or determined by HKSCC;
“Electronic Application Instructions for New Issue Shares”	means instructions by a Participant via FINI for an application to be made on its behalf for New Issue Shares and for the payment of application moneys, as referred to in Rule 1101(vi);
“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 money by Clearing Participants or Custodian Participants to their SSA Statement Recipients in respect of STI Transfers on a DVP basis; (iii) payment of fees and expenses by Participants other than Investor Participants to HKSCC for CCASS services; or (iv) redelivery to China Connect Clearing Participants of Collateral provided to HKSCC for the early release of China Connect Securities that are Securities-on-hold;
“Eligible Currency”	means a currency which is from time to time and for the time being accepted by HKSCC as being a currency in which an Eligible Security may be traded and settled;
“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;
“Eligible U.S. Securities”	means any U.S. securities that are regularly traded on (i) a national securities exchange which is registered under section 6 of the Securities

	Exchange Act of 1934 or (ii) the NASDAQ, provided that no such securities are (x) U.S. real property interests as defined in section 897 of the Code, (y) partnerships, trusts, or real estate investment trusts subject to withholding pursuant to Code section 1445(e), or (z) partnerships subject to withholding pursuant to Code section 1446;
“Entitlement Account”	means in relation to each Participant other than an Investor Participant, that Stock Segregated Account (account number 02) of that Participant which is designated by HKSCC as its Entitlement Account;
“Exchange”	means The Stock Exchange of Hong Kong Limited;
“Exchange Fund Bills and Notes Clearing and Settlement System” or “EFCS”	means the Exchange Fund Bills and Notes Clearing and Settlement System established and operated by the HKMA;
“Exchange Fund Notes”	means notes which are (i) issued or to be issued by the HKMA on behalf of the Hong Kong Government under the Exchange Fund Ordinance (Cap.66) for the account of the Exchange Fund established under that Ordinance and (ii) listed or to be listed on the Exchange;
“Exchange Participant”	has the same meaning as in the Exchange Rules and “Exchange Participants” should be construed accordingly;
“Exchange Rules”	means the Rules of the Exchange as from time to time in force;
“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;
“Exchange Traded Fund”	means any open-ended fund, Unit Trust or similar investment arrangement that is listed and/or traded on the Exchange;
“Exchange Trading System”	means the automatic order matching and execution system as installed and operated by the Exchange for securities trading;
“Exchange's Listing Rules”	means the "Rules governing the listing of securities on The Stock Exchange of Hong Kong Limited", as from time to time in force;
“Executive Committee”	means the committee of the Board designated as the Executive Committee, consisting of one or

	more directors of HKSCC and/or such other persons as the Board may appoint;
“Expected Uncollateralised Loss”	means, in respect of a Clearing Participant, the net projected loss calculated under daily stress testing arising from all CNS stock positions of the Clearing Participant;
“Event of Default”	means an event relating to a Clearing Participant or Clearing Agency Participant as referred to in Rule 3701;
“Failure to Pay Notice”	means a written notification provided by a Clearing Participant or Clearing Agency Participant to HKSCC pursuant to Rule 3705 upon the failure by HKSCC to make, when due, any payment to a Clearing Participant or Clearing Agency Participant (other than a defaulting Clearing Participant or Clearing Agency Participant) under a Market Contract;
“Financial Resources Rules”	means the Securities and Futures (Financial Resources) Rules made by the Commission under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and any amendments, supplements, variations or modifications thereto from time to time in force;
“FINI”	means “Fast Interface for New Issuance”, an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all New Issues;
“FINI CP User”	means a Participant which is accepted by HKSCC to use FINI in its capacity as an “HKSCC Participant”;
“FINI PFR”	means the pre-funding requirement to be satisfied by a Participant in respect of its Electronic Application Instructions for New Issue Shares, as referred to in Section 8.18A.4 of the Operational Procedures;
“FINI Terms and Conditions”	means the terms and conditions governing the use of FINI, as from time to time prescribed by HKSCC;
“FINI User Guide”	means the "FINI User Guide" of HKSCC in relation to FINI, containing information on the use of FINI by FINI users, as from time to time in force;
“Forced-Sale Notice”	means a notice which may from time to time be

	issued by HKSCC, the Exchange or an SEHK Subsidiary to a Participant or an NCCCP of the Participant, requiring the Participant or the NCCCP 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;
“Former Clearing Participant”	means, at any time, a person who was a Clearing Participant but whose participation had been terminated prior to such time;
“FX”	means foreign exchange;
“FX Services”	means, the foreign exchange services which may be provided by HKSCC as set out in Chapter 12A of the Rules;
“GEM Listing Rules”	means the “Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited”, as from time to time in force;
“General Clearing Participant” or “GCP”	means a Participant admitted to participate in CCASS as a General Clearing Participant;
“General Purpose Designated Bank Account”	means, in relation to any Participant, the General Purpose Designated Bank Account which it is required to maintain in accordance with Rule 1201;
“Government Bonds”	means bonds which are issued or to be issued by the Hong Kong Government acting through the HKMA under the Loans Ordinance (Chapter 61 of the Laws of Hong Kong) for the purpose of promoting the further development of the Hong Kong bond market and the proceeds of which will be credited to a special purpose fund established under the Public Finance Ordinance (Chapter 2 of the Laws of Hong Kong);
“Guarantee Fund”	means the fund referred to in Rule 2501;

“Guarantee Fund Contribution Balance”			means, on any Business Day, with respect to each Clearing Participant, the aggregate value of the Basic Contribution and Dynamic Contribution provided by the Clearing Participant, as reduced by payments out of the Guarantee Fund allocated to such Basic Contribution and/or Dynamic Contribution, as applicable, in accordance with Rule 2507;
“Guarantee Fund Uncollateralised Loss”	Expected		has the meaning given to it in Section 10.11.3C of the Operational Procedures;
“Guarantee Fund Resources”			means the Guarantee Fund and any other amounts specified as forming part of the Guarantee Fund Resources in the Rules;
“Guarantee Fund Risk Collateral”			means collateral collected by HKSCC under Section 10.11.3C of the Operational Procedures;
“Guarantee Fund Risk Predefined Limit”			means an amount equal to 50% of the Guarantee Fund Threshold or such other percentage as HKSCC deems appropriate from time to time;
“Guarantee Fund Threshold”			means the Guarantee Fund size prescribed by HKSCC from time to time pursuant to Rule 2501;
“HKEX”			means Hong Kong Exchanges and Clearing Limited;
“HKEX website”			means the official website of HKEX at http://www.hkex.com.hk or at such other website address specified by HKEX from time to time;
“HKMA”			means the Monetary Authority appointed under Section 5A of the Exchange Fund Ordinance (Cap.66) and includes, where the context admits or requires, the authority of the Government of Hong Kong known as the Hong Kong Monetary Authority;
“HKSCC”			means Hong Kong Securities Clearing Company Limited including, where the context so requires, its agents, nominees, representatives, officers and employees;
“HKSCC Default Percentage”	Default	Applicable	means, in respect of an HKSCC Failure to Pay Event or an HKSCC Insolvency Event, a percentage applied by HKSCC to determine the HKSCC Default CP Receivable of a Clearing Participant and the amount payable by HKSCC in respect of its Guarantee Fund Contribution Balance pursuant to Section 17B.1 of the Operational Procedures;
“HKSCC Default CP Receivable”			means, in respect of an HKSCC Failure to Pay

	Event or an HKSCC Insolvency Event, the amount payable by HKSCC to each relevant Clearing Participant or Clearing Agency Participant pursuant to Section 17B.1.3(ii) of the Operational Procedures;
“HKSCC Default Final CP Payable”	means, in respect of an HKSCC Failure to Pay Event or an HKSCC Insolvency Event, the final net amount payable by each relevant Clearing Participant or Clearing Agency Participant to HKSCC, after taking into account the operation of Sections 17B.1.3(i)(a) and 17B.1.3(i)(b) of the Operational Procedures;
“HKSCC Default Interim CP Payable”	means, in respect of an HKSCC Failure to Pay Event or an HKSCC Insolvency Event, the amount payable by each relevant Clearing Participant or Clearing Agency Participant to HKSCC, after taking into account any Margin Balance applied pursuant to Section 17B.1.3(i)(a) of the Operational Procedures;
“HKSCC Failure to Pay Event”	means an event arising from the failure of HKSCC to make all relevant payments under a Market Contract to a Clearing Participant or Clearing Agency Participant by the end of the relevant HKSCC Failure to Pay Grace Period, provided that no such event shall occur if (1) such failure to pay arises as a result of technical or administrative reasons beyond the control of HKSCC; or (2) during the HKSCC Failure to Pay Grace Period, HKSCC has exercised its powers under Rules 3705(iii)(1) and/or 3705(iii)(2);
“HKSCC Failure to Pay Grace Period”	means the period from (but excluding) the day on which HKSCC receives a Failure to Pay Notice from a Clearing Participant or Clearing Agency Participant to (and including) the 21st Business Day following such day;
“HKSCC Insolvency Event”	means an event relating to the insolvency of HKSCC as referred to in Rule 3706;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People's Republic of China;
“Hong Kong dollar”, “HKD” or “\$”	means Hong Kong dollar, the lawful currency of Hong Kong;
“Identified Market Contracts”	means the Market Contracts (including the unsettled Market Contracts of a defaulting Clearing Participant or Clearing Agency Participant and those of any non-defaulting Clearing Participants or Clearing Agency Participants so determined by HKSCC pursuant to

	Rule 3709, but excluding the Market Contracts between HKSCC and each China Connect Clearing Participant arising from China Connect Securities Trades) to be terminated under the contract termination process as referred to in Rule 3709;
“Individual Investor Participant”	means an Investor Participant who is an individual as referred to in Rule 302;
“Initial Margin Calculation Guide”	means the guide entitled “Initial Margin Calculation Guide” of HKSCC in relation to RMS, containing information on the calculation of Margin under the CNS System, as from time to time in force;
“Input”	means a successful input into CCASS;
“Investor Participant”	means a person admitted to participate in CCASS as an Investor Participant who may be an individual or joint individuals or a corporation;
“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;
“ISI Transaction”	means a transaction to be settled in CCASS between an Investor Participant and a Participant other than an Investor Participant as a result of (i) the input (and authorisation, if required) of an Investor Settlement Instruction (without affirmation) or (ii) the input (and authorisation, if required) of an Investor Settlement Instruction (with affirmation) affirmed by the Investor Participant concerned;
“ISO Message”	means an electronic message transmitted through SWIFT;
“Isolated Trade”	means, as the case may be, either, in relation to an Exchange Trade, a trade which is designated by the two counterparty Exchange Participants concerned to be settled under the Isolated Trades System or in relation to a Clearing Agency Transaction, a trade which is reported by a Clearing Agency Participant to be settled under the Isolated Trade System or, such other trade or transaction between Participants (including an Exchange Trade and a Clearing Agency

			Transaction but excluding a SI Transaction) which is not accepted by HKSCC for settlement under the CNS System;
“Isolated Trades System”			means the method of settlement in CCASS between Participants in relation to Isolated Trades;
“Issuer”			means any company or other legal person (i) any of whose shares, warrants, Structured Products or Debt Securities, or (ii) whose shares are represented by Depositary Receipts of which or (iii) which is the trustee or manager of any Units and the Units in which, are the subject of an application for listing on the Exchange in connection with an initial public offering of those shares, warrants, Depositary Receipts, Structured Products, Debt Securities or Units or are listed on the Exchange or are otherwise accepted by HKSCC as Eligible Securities;
“Joint Individual Investor Participant”			means an Investor Participant consisting of more than one but not more than four individuals as referred to in Rule 302;
“Lender”			means, in respect of any Compulsory Stock Borrowing Transaction, a Participant other than an Investor Participant which has lent Eligible Securities to HKSCC under that transaction;
“Limited Recourse Applicable Percentage”			means, in respect of a Clearing Service Termination Event, a percentage applied by HKSCC to determine the Limited Recourse CP Receivable of a Clearing Participant and the amount payable by HKSCC in respect of its Guarantee Fund Contribution Balance pursuant to Section 17A.1 of the Operational Procedures;
“Limited Recourse CP Receivable”			means, in respect of a Clearing Service Termination Event, the amount payable by HKSCC to each relevant Clearing Participant or Clearing Agency Participant pursuant to Section 17A.1.3(ii) of the Operational Procedures;
“Limited Recourse Final CP Payable”			means, in respect of a Clearing Service Termination Event, the final net amount payable by each relevant Clearing Participant or Clearing Agency Participant to HKSCC, after taking into account the operation of Sections 17A.1.3(i)(a) and 17A.1.3(i)(b) of the Operational Procedures;
“Limited Recourse Interim CP Payable”			means, in respect of a Clearing Service Termination Event, the amount payable by each relevant Clearing Participant or Clearing Agency Participant to HKSCC, after taking into account

	any Margin Balance applied pursuant to Section 17A.1.3(i)(a) of the Operational Procedures;
“Mainland Business Day”	means, in relation to a China Connect Market, a day on which the China Connect Clearing Services relating to the clearing and settlement of China Connect Securities Trades on the China Connect Market 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 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);
“Margin”	means an amount determined by HKSCC as required to be provided by a Clearing Participant or Clearing Agency Participant pursuant to Rule 3601A;
“Margin Balance”	means, in respect of a Clearing Participant or Clearing Agency Participant, the aggregate value of Marks, Margin and other Collateral (including any excess Collateral but excluding the Mainland Settlement Deposit, Mainland Security Deposit, Marks and other Collateral provided for its China Connect Securities Trades) provided by such Clearing Participant or Clearing Agency Participant, in each case, as recorded in its CCMS Collateral Account;
“Margin Credit”	means a credit limit in respect of Margin that may be allowed to each Clearing Participant or Clearing Agency Participant, as referred to in Section 10.10A of the Operational Procedures;
“Marginable Position”	means the Mark-to-market value of the unsettled stock position of a Clearing Participant or Clearing Agency Participant under the CNS System, as determined by HKSCC for computation of Margin;
“Mark-to-market”	means the evaluation of the extent, in money

	terms, to which the value of an unsettled position in Eligible Securities of a Clearing Participant or a Clearing Agency Participant has changed, in accordance with Rule 3601;
“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;
“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);
“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;
“Morning Session”	means the period in the morning during which trading can be conducted on the Exchange pursuant to the Exchange Rules;
“Multi-counter Eligible Security”	means an Eligible Security of the same class of an Issuer which have been approved or accepted for listing and trading on the Exchange in different Eligible Currencies under separate stock code numbers;
“Negative Confirmation of Payment” or “Negative Confirmation”	means, in relation to any DDI or debit EPI, a negative confirmation has been obtained if a Designated Bank concerned has not issued to HKSCC before the specified time a confirmation that payment will not be made in response to the DDI or debit EPI, and vice versa, as referred to in Sections 14.4.3 and 14.5.3 of the Operational Procedures;

“New Certificate”	means, in relation to Eligible Securities in registered form, each certificate for such Eligible Securities which has been registered or re-issued in the name of HKSCC or its nominee since it was last deposited with HKSCC by a Participant or, in the case of Eligible Securities newly issued, each certificate issued in the name of HKSCC or its nominees;
“New Issue”	means, in relation to any Issuer falling within paragraphs (i) and (ii) of the definition of that term in the Rules, the issue or sale of shares in the capital, warrants, Depositary Receipts, Structured Products or Debt Securities of that Issuer and in relation to any Issuer falling within paragraph (iii) of that definition, the first issue or sale of Units on the Exchange Traded Fund of which the Issuer is the manager or trustee, in each case in accordance with the terms and conditions of a Prospectus;
“New Issue Brokerage”	means, in relation to a New Issue, the brokerage in respect of a successful application for New Issue Shares to be passed on by an Issuer to an Exchange Participant under the Exchange’s Listing Rules or the GEM Listing Rules, as the case may be;
“New Issue Shares”	means, in relation to any New Issue, the shares, Depositary Receipts, warrants, Structured Products, Debt Securities or Units which are the subject of that New Issue;
“Nominee”	means HKSCC Nominees Limited or such other nominee company as may be used by HKSCC from time to time in relation to the provision of nominee services to Participants;
“Non-China Connect Clearing Participant” or “NCCCP”	means (i) an NCP or (ii) a Clearing Participant which is not a China Connect Clearing Participant and which has entered into a Clearing Agreement with a GCP for the clearing of its China Connect Securities Trades;
“Non-Clearing Participant” or “NCP”	means: (i) an Exchange Participant; or (ii) a registered institution registered to carry on Type 1 regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) registered as a general clearing participant of The SEHK Options Clearing House Limited, which, in either case, is not a Clearing Participant;
“non-trade transfer”	means, in relation to China Connect Securities, a transfer which involves a change in the beneficial ownership of the China Connect Securities and which is not conducted through the relevant

	Trading Link and executed on the relevant China Connect Market;
“Notice of Assessment”	means a written notification provided by HKSCC to Clearing Participants of any demand for Assessments pursuant to Rule 2508;
“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;
“Old Certificate”	means, in relation to Eligible Securities in registered form, each certificate for such Eligible Securities which is not a New Certificate;
“Operational Procedures”	means the Operational Procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC’s services and the operations and functions of the Systems, as from time to time in force;
“Overseas Account”	means an overseas account from or to which Uncertificated Eligible Securities may be transferred, as referred to in Rule 823;
“Overseas Issuer”	means, in relation to Uncertificated Eligible Securities, an Issuer incorporated or otherwise established outside Hong Kong;
“Parallel Trading Conversion Instruction”	means an instruction given by a Participant other than an Investor Participant to HKSCC in such form as HKSCC may prescribe from time to time, to effect the conversion of its holdings in an Eligible Security subject to parallel trading arrangements, as referred to in Rule 816B;
“Participant”	means a person admitted for the time being by HKSCC as a participant of CCASS;
“Participant Admission Appeals Committee”	means the committee convened to hear any appeal against the decisions by HKSCC on any application to admit as a Participant other than an Investor Participant;
“Participant Agreement”	means the agreement in prescribed form between a Participant other than an Investor Participant and HKSCC regulating the terms and conditions of participation in CCASS;
“Participant Gateway” or “PG”	means, in relation to a Participant other than an Investor Participant, its Settlement Agent or a Designated Bank, an optional technical device

	which provides communication interface with CCASS in respect of particular functions specified by HKSCC from time to time, installed at the office premises in Hong Kong of the Participant, its Settlement Agent or the Designated Bank;
“Permitted Purpose”	means any purpose, the objective of which is to allow the Receiving Clearing Participant to assist HKSCC in any actions HKSCC chooses to take pursuant to Rule 3702;
“Pre-opening Session”	has the same meaning as defined in the Exchange Rules;
“Prospectus”	means any prospectus, notice, circular or other document offering or calculated to invite offers by the public to subscribe for or purchase securities (including shares, warrants, Depositary Receipts, Debt Securities and Units), as supplemented or amended, and includes, unless inconsistent with the context, its associated application form or forms;
“Realtime Delivery versus Payment” or “RDP”	means, in relation to settlement of a stock position in CCASS by a Participant, the settlement of such a stock position in CCASS immediately following the settlement of the corresponding money position of such stock position by the Clearing House of the Hong Kong Association of Banks;
“Receiving Clearing Participant”	has the meaning as defined in Rule 3702A(i);
“Receiving Clearing Participant Affiliates”	means, in relation to a Receiving Clearing Participant, any subsidiary or holding company, or a subsidiary of a holding company of that Receiving Clearing Participant. For the purposes of this definition, the terms "holding company" and "subsidiary" shall bear the same respective meanings herein as in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
“Recognized Clearing House”	means Hong Kong Securities Clearing Company Limited, HKFE Clearing Corporation Limited or The SEHK Options Clearing House Limited;
“Recognized Dealer”	means a person appointed as such by the HKMA under the EFCS;
“recognized exchange controller”	has the meaning assigned to it by section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance;
“Relevant Clearing Participant”	means, in relation to a Relevant Event, a

	Participant which participates in CCASS as a Clearing Participant on the date of occurrence of the Relevant Event, notwithstanding the subsequent cessation of its participation in CCASS of a Clearing Participant for whatever reason. For the purposes of the Rules and the Operational Procedures, unless otherwise specified, the term “Relevant Clearing Participant” includes the Clearing Participant in default (if applicable);
“Relevant CP Contracts”	means the Market Contracts of the relevant Clearing Participant or Clearing Agency Participant to be terminated under an HKSCC Failure to Pay Event as referred to in Rule 3705;
“Relevant Event”	means an event or circumstances, including but not limited to an Event of Default, which results in or, in the opinion of HKSCC, may result in payments out of the Guarantee Fund under Rule 2507 to satisfy the obligations and liabilities of HKSCC referred to in Rule 2506; and in the case of a Clearing Participant or Clearing Agency Participant being declared a defaulter because of an Event of Default, the date of occurrence of the Relevant Event refers to the date the Clearing Participant or Clearing Agency Participant is declared to be a defaulter;
“Risk Management Committee”	means the committee of the Board designated as the Risk Management Committee, consisting of one or more directors of HKSCC and/or such other persons as the Board may appoint;
“RMB”	means Renminbi, the lawful currency of the People’s Republic of China, for settlement in Hong Kong;
“RMB Buy Final FX Rate”	has the meaning as set out in Rule 12A10(iii);
“RMB Buy Indicative FX Rate”	has the meaning as set out in Rule 12A10(i);
“RMB Sell Final FX Rate”	has the meaning as set out in Rule 12A10(iv);
“RMB Sell Indicative FX Rate”	has the meaning as set out in Rule 12A10(ii);
“RMS”	means a sub-system of CCASS operated by HKSCC which enables Participants other than Investor Participants to conduct risk monitoring and risk management functions on their stock positions under the CNS System;
“RMS Guide”	means the guide entitled “RMS Guide” of HKSCC in relation to RMS, containing information on the use of RMS, the Initial Margin Calculation Guide, the Stress Test Value

	Calculation Guide and such other information as may be included by HKSCC as part of the RMS Guide from time to time;
“Rules”	means the General Rules of HKSCC as set out herein and as may be amended or modified from time to time and where the context so permits, shall include the Operational Procedures;
“Scheme Effective Date”	means the date on which the Stock Exchange Scheme became effective, being the date on which an official copy of the order of the High Court of Hong Kong sanctioning the Stock Exchange Scheme together with the minute containing the particulars as required by section 61 of the Companies Ordinance were registered by the Registrar of Companies. For purposes herein, Stock Exchange Scheme means the scheme of arrangement between the Exchange and its shareholders under section 166 of the Companies Ordinance as set out in the Stock Exchange Scheme document dated 3 rd September, 1999;
“Securities Loss”	means a loss of Eligible Securities, as referred to in Rule 2401;
“Securities-on-hold”	means the Eligible Securities allocated to a 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;
“SEOCH Participant”	has the same meaning as 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 or manner as HKSCC may from time to time prescribe as being valid (including through a CCASS Terminal or Synapse), 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);
“SMS”	means the short message services for sending messages via mobile phone or fixed line phone or through other means specified by HKSCC to Investor Participants who have subscribed to the services and to SSA Statement Recipients upon authorization by a Clearing Participant or a Custodian Participant;
“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 Segregated Account” or “SPSA”	means a Stock Segregated Account within the range of account codes specified by HKSCC which is designated by a Custodian Participant or a GCP which is not an Exchange Participant for one of its clients for the purpose of maintaining holdings of China Connect Securities of this client and for facilitating the determination of the maximum amount of China Connect Securities that may be sold by this client on a particular Trading day;
“Special SEHK Securities”	has the same meaning as defined in the Exchange Rules. Unless the context otherwise requires, any reference in the Rules to “SEHK Securities” includes “Special SEHK Securities”;
“Specific Cash Collateral”	means cash in the relevant Eligible Currency

	which is from time to time provided by a Participant to HKSCC in accordance with Rule 3601 or 3601A;
“Specified Instruments”	means those capital market instruments (other than Exchange Fund Notes, Government Bonds and CMU Instruments) (i) which are for the time being specified as capable of being held in the EFCS, (ii) which are listed or to be listed on the Exchange and (iii) (where the issuer is a company or a non-Hong Kong company, within the meaning of those terms in the Companies Ordinance) in respect of which a prospectus has been registered with the Registrar of Companies in Hong Kong;
“SPSA ID”	means a 6-digit investor identification number assigned to a Special Segregated Account;
“SSA Statement Recipient”	means, in relation to a SSA with Statement Service of a Clearing Participant or a Custodian Participant, the persons or persons named and/or maintained by such Participant in the manner prescribed by HKSCC in respect of that SSA with Statement Service, as referred to in Section 3.4A of the Operational Procedures. For the purposes of the Rules, such person or persons named and/or maintained by the Participant in respect of the SSA with Statement Service shall be treated as a single SSA Statement Recipient in respect of that SSA with Statement Service;
“SSA with Statement Service”	means a Stock Segregated Account of a Clearing Participant or a Custodian Participant in relation to which SSA Statement Recipient is named and/or maintained by such Participant;
“STI Transfer”	means a transfer to be effected in CCASS between an SSA with Statement Service or a Special Segregated Account and any other Stock Account (including any other SSA with Statement Service or Special Segregated Account but excluding the Stock Collateral Control Account and TSF Accounts) of a Clearing Participant or Custodian Participant as a result of (i) the input (and authorisation, if required) of a Stock Segregated Account Transfer Instruction (without affirmation) or (ii) the input (and authorisation, if required) of a Stock Segregated Account Transfer Instruction (with affirmation) affirmed by the relevant SSA Statement Recipient;
“Stock Account”	means, (i) in relation to each Clearing Participant or Clearing Agency Participant, each Stock Clearing Account, Stock Segregated Account,

	<p>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;</p>
“Stock Clearing Account”	means, in relation to each Participant, the main Stock Account in CCASS of such Participant used for settlement purposes, as referred to in Rule 601;
“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 Exchange Trading Right”	has the same meaning as in the Exchange Rules;
“Stock Lender Participant”	means a Participant admitted to participate in CCASS as a Stock Lender Participant;
“Stock Lending Account”	means, an account which has been designated by HKSCC, in accordance with Rule 601, as such for the purposes of the Compulsory Stock Borrowing and Lending Regulations;
“Stock Pledgee Participant”	means a Participant admitted to participate in CCASS as a Stock Pledgee Participant;
“Stock Release FX Transaction”	means a FX transaction relating to the sale of RMB by a TSF CCASS Participant to HKSCC as TSF operator arising from or generated by the submission of a Stock Release Request by such Participant, as referred to in Rule 12A12;
“Stock Release Request”	means a request submitted by a TSF CCASS Participant to HKSCC for the purpose of de-earmarking earmarked TSF Stocks, as referred to in Rule 12A12;
“Stock Segregated Accounts” or	means, (i) in relation to each Clearing Participant

“SSA”	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 and Special Segregated Accounts of the Participant, and in relation to a TSF CCASS Participant, TSF Accounts shall not be regarded as Stock Segregated Accounts;
“Stock Segregated Account Transfer Instruction” or “STI”	means an instruction of a Clearing Participant or Custodian Participant, in such form or manner as HKSCC may from time to time prescribe as being valid (including through a CCASS Terminal or Synapse), to effect book-entry movements of Eligible Securities between an SSA with Statement Service or a Special Segregated Account and any other Stock Account of the Participant in CCASS (including any other SSA with Statement Service or Special Segregated Account but excluding the Stock Collateral Control Account and where a Clearing Participant or a Custodian Participant is a TSF CCASS Participant, excluding also the TSF Accounts), as referred to in Rule 601;
“Stress Test Value Calculation Guide”	means the guide entitled “Stress Test Value Calculation Guide” of HKSCC in relation to RMS, containing information on the calculation of stress test value under the CNS System, as from time to time in force;
“Structured Products”	means synthetic products, whether or not listed on the Exchange or any other exchange, whose investment returns are linked to the performance of the underlying assets and which include, but are not limited to, derivative warrants, ELI, Callable Bull/Bear Contracts (as these terms are defined in the Exchange Rules) and other equity linked investments;
“SWIFT”	means the secured messaging services platform and interface software provided by the Society for Worldwide Interbank Financial Telecommunication;
“Synapse”	means the communications platform operated by HKSCC which provides a channel for the transmission of information and instructions

	among Synapse Users, CCASS and any other system that interfaces with Synapse for the facilitation of post-trade processes and workflows pertaining to China Connect Securities Trades or for such other purposes as may be prescribed or permitted by HKSCC from time to time;
“Synapse Terms and Conditions”	means the terms and conditions governing the use of Synapse, as from time to time prescribed by HKSCC;
“Synapse User”	means, for the purposes of these Rules, a Participant which is accepted by HKSCC to use Synapse as a “Clearing Participant” or “Local Custodian” under the Synapse Terms and Conditions;
“Synapse User Guide”	means the “Synapse User Guide” of HKSCC in relation to Synapse, containing information on the use of Synapse by Synapse users, as from time to time in force;
“System”	means CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC;
“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 relevant SEHK Subsidiary, its designated person or the relevant China Connect Clearing House;
“T+1”	means the Settlement Day immediately following T-day;
“T+2”	means the second Settlement Day following T-day;
“T+3”	means the third Settlement Day following T-day;
“Tax Information Exchange Framework”	means (i) (a) sections 1471 to 1474 of the Code, (b) any similar or successor legislation to (a) introduced by the United States, (c) any agreement described in section 1471(b) of the Code, (d) any regulations or guidance pursuant to any of the foregoing, (e) any official interpretations of any of the foregoing, (f) any intergovernmental agreement to facilitate the

			<p>implementation of any of the foregoing (an “IGA”), or (g) any law implementing an IGA; or</p> <p>(ii) (a) Part 8A and any other relevant provisions of the Inland Revenue Ordinance (Cap.112 of the Laws of Hong Kong), (b) any similar or successor legislation to the immediately preceding (a) introduced by the Hong Kong Special Administrative Region Government, (c) any guidance pursuant to any of the foregoing in (ii), (d) any official interpretations of any of the foregoing in (ii), or (e) any agreement entered into between the Inland Revenue Department of the Hong Kong Special Administrative Region and the relevant competent authority of an overseas jurisdiction to facilitate the implementation of any of the foregoing in (ii);</p>
“Tender Instructions”			<p>means instructions by a Participant (in such form as HKSCC may from time to time prescribe) for</p> <p>(i) a tender or application to be made on its behalf for Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments and</p> <p>(ii) the payment and refund of tender moneys or application moneys (as the case may be), as referred to in Rule 1101(vii);</p>
“Termination Value Percentage”	Value Applicable		<p>means, under the contract termination process, a percentage applied by HKSCC to determine the Termination Value Receivable of a Clearing Participant pursuant to Section 10.16 of the Operational Procedures;</p>
“Termination Value Payable”			<p>means, under the contract termination process, the amount payable by each relevant Clearing Participant or Clearing Agency Participant to HKSCC pursuant to Section 10.16 of the Operational Procedures;</p>
“Termination Value Receivable”			<p>means, under the contract termination process, the amount payable by HKSCC to each relevant Clearing Participant or Clearing Agency Participant pursuant to 10.16 of the Operational Procedures;</p>
“Terms and Conditions”			<p>means the Terms and Conditions for Investor Participants governing the participation of Investor Participants in CCASS, as from time to time in force;</p>
“Trade Amendment”			<p>means, in relation to an Exchange Trade, errors relating to details of such Exchange Trade reported to HKSCC by the Exchange, the rectification of which have been approved by the Exchange in accordance with the Exchange Rules;</p>

“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 which are traded on a China Connect Market, a day on which trading is conducted on the China Connect Market via the relevant Trading Link and 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;
“Trading Links”	has the same meaning as defined in the Exchange Rules;
“Transfer Instructions” or “TIs”	means instructions by a Participant (in such form as HKSCC may from time to time prescribe) to effect a book-entry transfer of Exchange Fund Notes, Government Bonds or Specified Instruments between the Participant’s Stock Account in CCASS, and a Recognized Dealer’s CMU Account or a book entry transfer of CMU Instruments between the Participant’s Stock Account in CCASS and a CMU Member’s CMU Account, as referred to in Rule 906;
“Treasury Shares”	has the same meaning as “treasury shares” in the Exchange’s Listing Rules or the GEM Listing Rules, as the case may be;
“Treasury Units”	has the same meaning as “treasury units” in the Exchange’s Listing Rules or the GEM Listing Rules, as the case may be;
“TSF”	means the trading support facility in the form of FX Services which HKSCC may provide for the purposes of facilitating the purchase and sale of TSF Stocks. Where the FX Services are provided, HKSCC shall do so as TSF operator and not in its capacity as, or for the purposes of acting as, the central counterparty for the clearing of Exchange Trades; and unless the context otherwise requires, references in Chapter 12A to HKSCC shall be construed accordingly;
“TSF Account”	means the TSF Principal Account or the TSF Segregated Account, as the context may require;
“TSF Buy Exchange Trade”	means an Exchange Trade with respect to the purchase of TSF Stocks by a TSF Exchange Participant through the Exchange Trading System which is (i) supported by a TSF Buy FX Order prior to the effect of the Exchange Trade on the Exchange Trading System; and (ii) supported by a TSF Buy FX Transaction upon the effect of the

		Exchange Trade on the Exchange Trading System;
“TSF Buy FX Order”		means an order for the conversion of HKD to RMB by a TSF Exchange Participant to HKSCC as TSF operator through an input into the Exchange Trading System for the purpose of supporting an order to purchase TSF Stocks, which order shall, upon matching on the Exchange Trading System, constitute a TSF Buy Exchange Trade;
“TSF Buy FX Transaction”		means the FX transaction between HKSCC as TSF operator and a TSF Exchange Participant relating to a TSF Buy FX Order for the purpose of settlement of a TSF Buy Exchange Trade;
“TSF CCASS Participant”		means a TSF Clearing Participant or a TSF Custodian Participant, as the context may require;
“TSF Clearing Participant”		means a Direct Clearing Participant or a General Clearing Participant which has been accepted for registration and to remain registered as a TSF CCASS Participant by HKSCC;
“TSF Custodian Participant”		means a Custodian Participant which has been accepted for registration and to remain registered as a TSF CCASS Participant by HKSCC;
“TSF Exchange Participant”		means, in the context of trading of TSF Stocks, an Exchange Participant which has been accepted for registration and to remain registered as a TSF Exchange Participant by the Exchange;
“TSF Exchange Trade”		means a TSF Buy Exchange Trade or a TSF Sell Exchange Trade, as the context may require;
“TSF FX Order”		means a TSF Buy FX Order or a TSF Sell FX Order, as the context may require;
“TSF FX Transaction”		means a TSF Buy FX Transaction or a TSF Sell FX Transaction, as the context may require;
“TSF Participant”		means, a TSF Exchange Participant and/or a TSF CCASS Participant, as the context may require;
“TSF Participant Criteria”	Registration	means the eligibility criteria which HKSCC may prescribe from time to time for Participants to be accepted for registration and to remain registered as TSF CCASS Participants for the purposes of providing clearing and settlement services in respect of TSF Exchange Trades and/or providing custodian services in respect of earmarked TSF Stocks;
“TSF Partner Bank”		means a financial institution which has entered

	into an agreement or arrangement with HKSCC for the purposes of providing RMB to HKD or HKD to RMB conversion services and/or liquidity to HKSCC as TSF operator;
“TSF Principal Account”	means a Stock Account established by HKSCC in the name of a TSF CCASS Participant principally for the purposes of facilitating the credit and debit of TSF Stocks for such Participant to earmark or de-earmark TSF Stocks;
“TSF Segregated Account”	means a Stock Account established by HKSCC in the name of a TSF CCASS Participant for the sole purpose of holding earmarked TSF Stocks of such Participant, whether as principal or as agent for its clients;
“TSF Sell Exchange Trade”	means an Exchange Trade with respect to the sale of TSF Stocks by a TSF Exchange Participant through the Exchange Trading System which is (i) supported by a TSF Sell FX Order prior to the effect of the Exchange Trade on the Exchange Trading System; and (ii) supported by a TSF Sell FX Transaction upon the effect of the Exchange Trade on the Exchange Trading System;
“TSF Sell FX Order”	means an order for the conversion of RMB to HKD by a TSF Exchange Participant to HKSCC as TSF operator through an input into the Exchange Trading System for the purpose of supporting an order to sell TSF Stocks, which order shall, upon matching on the Exchange Trading System, constitute a TSF Sell Exchange Trade;
“TSF Sell FX Transaction”	means the FX transaction between HKSCC as TSF operator and a TSF Exchange Participant relating to a TSF Sell FX Order for the purpose of settlement of a TSF Sell Exchange Trade;
“TSF Stocks”	means Eligible Securities which are included in the list of TSF Stocks by HKSCC from time to time under Rule 12A04;
“Unadjusted HKSCC Default CP Receivable”	means, in respect of an HKSCC Failure to Pay Event or an HKSCC Insolvency Event, the amount determined to be payable by HKSCC to each relevant Clearing Participant or Clearing Agency Participant, without taking into account any adjustment pursuant to Section 17B.1.3(ii) of the Operational Procedures;
“Unadjusted Limited Recourse CP Receivable”	means, in respect of a Clearing Service Termination Event, the amount determined to be payable by HKSCC to each relevant Clearing

	Participant or Clearing Agency Participant, without taking into account any adjustment pursuant to Section 17A.1.3(ii) of the Operational Procedures;
“Unadjusted Termination Value Receivable”	means, under the contract termination process, the amount payable by HKSCC to each relevant Clearing Participant or Clearing Agency Participant, without taking into account any adjustment pursuant to Section 10.16.3(ii) of the Operational Procedures;
“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;
“Unit”	means one undivided share or undivided beneficial interest in an Exchange Traded Fund, a fund or similar investment arrangement;
“Unit Trust”	means any arrangement made for the purpose, or having the effect, of providing facilities for the participation by persons, as beneficiaries under a trust, in profits or income arising from the acquisition, holding, management or disposal of securities or any other property whatsoever;
“USD”	means United States dollar, the lawful currency of the United States of America, for settlement in Hong Kong;
“Voluntary Recap Amount”	means a voluntary contribution to the Guarantee Fund, as requested by HKSCC pursuant to a Voluntary Recap Request Notice;
“Voluntary Recap Request Notice”	means a written notification provided by HKSCC pursuant to Rule 2509A to a Clearing Participant requesting for a Voluntary Recap Amount;
“Withholding Tax”	means any withholding or deduction pursuant to the Tax Information Exchange Framework.

As used herein, the masculine gender shall include the feminine and the neuter and the singular number shall include the plural and vice versa.

Reference herein to persons shall include individuals, partnerships and bodies corporate.

References herein to times and days are, unless otherwise stated, references to Hong Kong times and days.

References to any law or regulation in the Rules shall be construed as references to such law or regulation as in force from time to time.

Headings are provided for ease of reference only and shall not affect the interpretation or construction of the provisions of the Rules.

For the avoidance of doubt, if there is any conflict in the meaning between the English version and the Chinese version of a Rule, the English version shall prevail.

102. HKSCC to interpret

Unless expressly provided to the contrary, all questions concerning the interpretation or application of or any other matter in connection with the Rules and the Operational Procedures (including, without limitation, any order, direction or practice note issued by HKSCC) shall be determined by HKSCC, whose decision shall be final and binding on all parties.

103. HKSCC may disapply Rules

HKSCC may, having notified the Commission, and in the interest of the efficient operation of a System and/or in the interest of a Participant waive the application of any Rule.

104. HKSCC's policy on personal information collection

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

- (i) The information provided with respect to such persons may be used for the purposes of admitting Participants and their continued participation in a System, providing HKSCC's services to Participants, administration of the activities of a System, the daily operations of a System, money settlement services, conducting risk management and compliance functions, ensuring ongoing credit worthiness of Participants, meeting the requirements under insurance policies purchased and maintained by HKSCC, designing new services for Participants, preparing System related publications and other publications, facilitating despatch of copies of Corporate Communications to recipients, meeting the requirements to make disclosure under the requirements of any laws binding on HKSCC and other purposes related thereto.
- (ii) Unless consent of the individual is obtained, personal information of an individual held by HKSCC will be kept confidential but HKSCC may release some of the information (including but not limited to information received from an Investor Participant and other information in connection with an Investor Participant) to external parties including but not limited to agents, contractors or third party service providers who provide administrative, telecommunications, computer, insurance, payment clearing or other services to HKSCC in connection with the operation of its business, any other person under a duty of confidentiality to HKSCC (including by way of contract), the Commission, the Exchange, any recognized exchange controller, any company of which the recognized exchange controller which is the controller of HKSCC is the controller, other recognized clearing houses, central depositories, bodies of exchanges, overseas governmental or regulatory bodies, governmental departments and issuers of Eligible Securities authorized by law and/or pursuant to the Rules, notwithstanding that any such persons may be outside of Hong Kong.
- (iii) Subject to the exemptions under the Ordinance, individuals who have provided such information to HKSCC have the right to access and correction with respect to

personal data held by HKSCC. Request for personal data access and correction should be in writing and addressed to the Personal Data Privacy Officer, Hong Kong Exchanges and Clearing Limited, 8/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

- (iv) In accordance with the terms of the Ordinance, HKSCC shall impose a reasonable fee for processing a data access request.

CHAPTER 2

PROCEDURES

201. Operational Procedures binding on Participants

The Operational Procedures shall have effect and shall be binding on Participants. In the event of any conflict between the Rules and the Operational Procedures, unless HKSCC otherwise determines, the Rules shall prevail.

202. Orders, directions, practice notes

HKSCC may from time to time issue orders, directions or practice notes relating to any of its services or all or part of the operations and facilities of a System and such orders, directions or practice notes shall be binding on all Participants.

203. Terms and Conditions binding on Investor Participant

The Terms and Conditions shall have effect and shall be binding on Investor Participants. In the event of any conflict between the Terms and Conditions and the Rules, unless HKSCC otherwise determines, the Terms and Conditions shall prevail.

CHAPTER 3

ADMISSION OF PARTICIPANTS

301. Application for admission

A person may apply to be admitted as a Participant in accordance with the procedures of application as may be prescribed by HKSCC from time to time.

HKSCC may make available the services of CCASS to persons who meet and continue to meet the qualifications from time to time prescribed by HKSCC and who have been admitted as a Participant.

302. Categories of Participants

There shall be the following categories of Participants:-

- (i) Clearing Agency Participants;
- (ii) Custodian Participants;
- (iii) Direct Clearing Participants;
- (iv) General Clearing Participants;
- (v) Investor Participants;
- (vi) Stock Lender Participants; and
- (vii) Stock Pledgee Participants.

Each category of Participants shall have such rights and obligations as are provided in the Rules.

HKSCC may by notice from time to time vary the rights and obligations attaching to each category of Participants and may establish from time to time further categories of Participants with such rights and obligations as it may prescribe.

If in the opinion of HKSCC a Participant's transactions in Eligible Securities in CCASS are inconsistent with its category of participation in CCASS, without prejudice to any other rights HKSCC may have, HKSCC may require such Participant to cease such transactions in CCASS and may also require such Participant to re-apply for admission under the appropriate category of Participants.

An Investor Participant must use its Stock Account at all times for its own account as an investor in securities and shall not use the Stock Account for operating any custodian or nominee or investment management business for purposes of commercial gain directly or indirectly arising therefrom.

303. Criteria for admission

An applicant for admission as a Participant must apply in the prescribed manner to HKSCC and must demonstrate to the satisfaction of HKSCC that it is of good financial standing, has the operational capability to satisfy at all times the requirements of CCASS, including but not limited to each of the requirements set out in Chapter 17, and is otherwise a fit and proper person to be admitted as a Participant.

Each applicant must provide HKSCC with such certifications, declarations, representations, undertakings, documents and further information as HKSCC may require for dealing with the application.

In the case of an application to become a Clearing Agency Participant, the applicant must:-

- (i) be a body recognised and regulated in Hong Kong by the Commission or other similar regulatory organisation or in an overseas jurisdiction by a governmental body or securities regulatory agency or an equivalent authority in respect of its business in operating the central securities clearing and settlement system and/or central securities depository system or similar systems;
- (ii) demonstrate to the satisfaction of HKSCC that it has an established business in operating a central securities clearing and settlement system and/or a central securities depository system or similar systems or otherwise demonstrate that it has the financial and operational capacity to establish and operate such a system, and the securities dealt with in the system shall include, inter alia, Eligible Securities; and
- (iii) undertake, if its application is successful, to sign a Participant Agreement; to pay to HKSCC in accordance with the Participant Agreement an admission fee of HK\$1,000,000 (or such other amount as may be specified by HKSCC from time to time); and to arrange, if required, indemnity insurance in a form acceptable to or as prescribed by HKSCC; and to provide, if required, assurances acceptable to HKSCC in respect of its obligations to HKSCC as a result of its participation in CCASS, including, but not limited to, liabilities for defective Eligible Securities deposited by it into CCASS, such assurances to be in the form of insurance or in such other form as shall be acceptable to HKSCC.

In the case of an application to become a Custodian Participant, the applicant must :-

- (i) (a) be an authorized institution under the Banking Ordinance (Chapter 155 of the laws of Hong Kong); or
- (b) be a trust company registered under the Trustee Ordinance (Chapter 29 of the laws of Hong Kong); or
- (c) be a licensed corporation which is licensed to carry on Type 1 regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and which is not an Exchange Participant; or

-
- (d) be the Monetary Authority under the Exchange Fund Ordinance (Chapter 66 of the laws of Hong Kong).
 - (ii) demonstrate to the satisfaction of HKSCC that:-
 - (a) it has an established custodian business in securities listed on the Exchange or it has the financial and operational capacity to establish and operate a custodian business in securities listed on the Exchange; and
 - (b) it has the financial and operational capacity to meet the operational requirements stipulated by HKSCC for its transactions in CCASS;
 - (iii) undertake, if its application is successful, to sign a Participant Agreement; to pay to HKSCC in accordance with the Participant Agreement an admission fee of HK\$1,000,000 (or such other amount as may be specified by HKSCC from time to time); and to provide, if required, assurances acceptable to HKSCC in respect of its obligations to HKSCC as a result of its participation in CCASS, including, but not limited to, liabilities for defective Eligible Securities deposited by it into CCASS, such assurances to be in the form of insurance or in such other form as shall be acceptable to HKSCC; and
 - (iv) if Eligible Securities are accepted for deposit into its Stock Accounts by it, undertake if its application is successful, to provide a form of insurance or other form of assurances acceptable to HKSCC to secure an amount of not less than HK\$100,000,000 for the purpose of securing its liabilities for defective Eligible Securities deposited into CCASS.

An applicant which is an authorised institution under the Banking Ordinance (Chapter 155 of the laws of Hong Kong) and which has paid-up share capital of not less than HK\$100,000,000 (or its equivalent in a currency freely convertible into HK dollars) need not comply with (iv) above.

In the case of an application to become a Direct Clearing Participant, the applicant must:-

- (i) be an Exchange Participant;
- (ii) be a licensed corporation which is licensed to carry on Type 1 regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong); and
- (iii) undertake, if its application is successful, to sign a Participant Agreement; to pay to HKSCC as provided in the Participant Agreement an admission fee of HK\$50,000 in respect of each Stock Exchange Trading Right held by the applicant (or such other amount as may be specified by HKSCC from time to time); to pay to HKSCC its Basic Contribution and Dynamic Contribution in accordance with the Rules; to

arrange indemnity insurance in a form acceptable to or as prescribed by HKSCC; and to provide, if required, assurances acceptable to HKSCC in respect of its obligations to HKSCC as a result of its participation in CCASS, including, but not limited to, liabilities for defective Eligible Securities deposited by it into CCASS, such assurances to be in the form of insurance or in such other form as shall be acceptable to HKSCC; and to procure the agreement of its Designated Bank to comply with the requirements of HKSCC for CCASS money settlement purposes.

In the case of an application to become a General Clearing Participant, the applicant must: -

- (i) (a) be a licensed corporation which is licensed to carry on Type 1 regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong); or
- (b) be a registered institution which is registered to carry on Type 1 regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).
- (ii) (if the applicant is a licensed corporation)
 - (a) be a company limited by shares incorporated in Hong Kong; and
 - (b) have and undertake to maintain liquid capital of not less than: -
 - (1) HK\$100,000,000 provided that if it has entered into valid clearing agreements with no more than five NCPs, an additional HK\$20,000,000 for each NCP after the fifth NCP with which it has entered into a valid clearing agreement, subject to a maximum of HK\$390,000,000; or
 - (2) its required liquid capital under the Financial Resources Rules,
 whichever is the higher.
- (iii) (if the applicant is a registered institution)

have and undertake to maintain Tier 1 capital under the Banking (Capital) Rules of not less than HK\$390,000,000 or such other level as prescribed by HKSCC from time to time.
- (iv) demonstrate to the satisfaction of HKSCC that it has an established clearing business in securities listed and/or traded on the Exchange or it has the financial and operational capacity to establish and operate a clearing business in securities listed and/or traded on the Exchange.
- (v) undertake, if its application is successful, to sign a Participant Agreement; to pay to HKSCC as provided in the Participant Agreement an admission fee of HK\$50,000 or HK\$50,000 in respect of each Stock Exchange Trading Right held by the applicant (if applicable) whichever is the higher (or such other amount as may be specified by HKSCC from time to time); to pay to HKSCC its Basic Contribution and Dynamic Contribution in accordance with the Rules; to arrange indemnity insurance in a form acceptable to or as prescribed by HKSCC; and to provide, if required, assurances acceptable to HKSCC in respect of its obligations to HKSCC as a result of its

participation in CCASS, including, but not limited to, liabilities for defective Eligible Securities deposited by it into CCASS, such assurances to be in the form of insurance or in such other form as shall be acceptable to HKSCC; and to procure the agreement of its Designated Bank to comply with the requirements of HKSCC for CCASS money settlement purposes.

In the case of an application to become a Stock Lender Participant, the applicant must : -

- (i) demonstrate to the satisfaction of HKSCC that it either has an established stock lending business in Hong Kong in securities listed on the Exchange or that it has the financial and operational capacity to establish and operate a stock lending business in Hong Kong and has available a sufficient quantity of securities listed on the Exchange for lending; and
- (ii) undertake, if its application is successful, to sign a Participant Agreement; to pay to HKSCC in accordance with the Participant Agreement an admission fee of HK\$200,000 (or such other amount as may be specified by HKSCC from time to time); to restrict its transactions in Eligible Securities in CCASS to stock lending transactions and not other transactions; to arrange, if required, indemnity insurance in a form acceptable to or as prescribed by HKSCC; and to provide, if required, assurances acceptable to HKSCC in respect of its obligations to HKSCC as a result of its participation in CCASS, including, but not limited to, liabilities for defective Eligible Securities deposited by it into CCASS, such assurances to be in the form of insurance or such other form as shall be acceptable to HKSCC.

In the case of an application to become a Stock Pledgee Participant, the applicant must : -

- (i) be an authorised institution under the Banking Ordinance (Chapter 155 of the laws of Hong Kong) or a licensed money lender under the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong);
- (ii) demonstrate to the satisfaction of HKSCC that it has an established business in Hong Kong of lending money against the security of securities listed on the Exchange or otherwise demonstrate that it has the financial and operational capacity to establish and operate a business in Hong Kong of lending money against the security of securities listed on the Exchange; and
- (iii) undertake, if its application is successful, to sign a Participant Agreement; to pay to HKSCC in accordance with the Participant Agreement an admission fee of HK\$200,000 (or such other amount as may be specified by HKSCC from time to time); and to restrict its transactions in Eligible Securities in CCASS to stock pledging transactions and not other transactions.

In the case of an application to become an Individual Investor Participant, the applicant must:

- (i) be aged 18 or above;

- (ii) hold a Hong Kong identity card or a Macau resident identity card;
- (iii) not be an undischarged bankrupt or be subject to any legal incapacity under any applicable law;
- (iv) undertake, if the application is successful, to comply with and be bound by the Terms and Conditions as well as these Rules; and
- (v) undertake, if the application is successful, to provide at the request of HKSCC assurances acceptable to HKSCC in respect of his obligations to HKSCC as a result of his participation in CCASS, including, but not limited to, liabilities for defective Eligible Securities deposited by him into CCASS, such assurances to be in the form of insurance or in such other form as shall be acceptable to HKSCC.

In the case of an application to become a Joint Individual Investor Participant, each individual must:-

- (i) be aged 18 or above, hold a Hong Kong identity card and not be an undischarged bankrupt or be subject to any legal incapacity;
- (ii) agree to be jointly and severally liable to HKSCC in respect of the obligations and liabilities of the Joint Individual Investor Participant in respect of their participation in CCASS if such application is successful;
- (iii) agree that the individual members operating the Stock Account shall have joint ownership of the securities in the Investor Stock Account with right of survivorship;
- (iv) agree to authorise HKSCC to act on the instructions of any one of the individual members unless otherwise notified to HKSCC in writing;
- (v) each applicant undertake, if the application is successful, to comply with and be bound by the Terms and Conditions as well as these Rules; and
- (vi) undertake, if the application is successful, to provide at the request of HKSCC assurances acceptable to HKSCC in respect of his obligations to HKSCC as a result of his participation in CCASS, including, but not limited to, liabilities for defective Eligible Securities deposited by him into CCASS, such assurances to be in the form of insurance or in such other form as shall be acceptable to HKSCC.

In the case of an application to become a Corporate Investor Participant:-

- (i) the corporation must either be
 - (a) an “existing company” (as defined under the Companies Ordinance), a company incorporated under the Companies Ordinance or a legal entity established under any other ordinance of Hong Kong, or

- (b) incorporated or otherwise established under the laws of any other jurisdiction outside Hong Kong that is approved from time to time by HKSCC for investor participation purposes;
- (ii) the corporation must be validly existing and of good standing;
- (iii) the corporation must have all necessary capacity and authority in its constitution for the corporation to participate and conduct transactions in CCASS;
- (iv) the corporation must authorise HKSCC to act on the instructions of any of its authorised signatory unless otherwise expressly notified to HKSCC in writing;
- (v) the corporation undertakes, if the application is successful, to comply with and be bound by the Terms and Conditions as well as these Rules; and
- (vi) undertake, if the application is successful, to provide at the request of HKSCC assurances acceptable to HKSCC in respect of its obligations to HKSCC as a result of its participation in CCASS, including, but not limited to, liabilities for defective Eligible Securities deposited by it into CCASS, such assurances to be in the form of insurance or in such other form as shall be acceptable to HKSCC.

Each applicant must complete an application in the prescribed form and must undertake to comply with all applicable requirements specified therein and such other conditions and requirements as may be specified in writing from time to time by HKSCC.

In the case of an application to become a Joint Individual Investor Participant, only one application form needs to be submitted. However, each individual member comprising such applicant must undertake jointly and severally to comply with all applicable requirements specified therein and such other conditions and requirements as may be specified in writing from time to time by HKSCC.

HKSCC may waive such conditions and requirements applicable to an applicant as it sees fit and may also from time to time require an applicant to comply with additional conditions and requirements.

304. Approval of admission

Approval of an application for admission as a Participant is entirely at the discretion of HKSCC.

The approval of an application may be subject to such conditions as HKSCC sees fit.

If HKSCC rejects an application to admit as a Participant, the applicant (other than applicant for Investor Participantship) may, within 14 Business Days after it is notified of HKSCC's decision, appeal in writing to the Participant Admission Appeals Committee whose decision will be final and conclusive.

304A. Register of Participants

HKSCC shall maintain a register of Participants containing the full names and addresses of all Participants, particulars of the category of Participantship under which each Participant is registered and the date of admission of each Participant.

305. Transitional Provisions

For the avoidance of doubt, these Rules and Operational Procedures and all rights, privileges, registrations, approvals, obligations and liabilities accrued to or incurred by any person (including without limitation any category of Participant) prior to the Scheme Effective Date shall continue to be valid and binding on that person whatever the capacity in which those rights, privileges, registrations, approvals, obligations and liabilities have been accrued or incurred.

A Broker Participant is deemed to be a DCP on 3 December 2007 and shall be so deemed until it becomes a NCP or is admitted as a Participant under a different category and shall continue to be bound by these Rules and Operational Procedures and any amendments thereto from time to time as well as the Participant Agreement which it has entered into when it was admitted as a Broker Participant. All SSA Statement Service of a Broker Participant on 3 December 2007 shall be deemed to be SSA Statement Service of that deemed DCP.

For the avoidance of doubt, these Rules and Operational Procedures and all rights, privileges, registrations, approvals, obligations and liabilities accrued to or incurred by the Broker Participant prior to 3 December 2007 shall continue to be valid and binding on it whatever the capacity in which those rights, privileges, registrations, approvals, obligations and liabilities have been accrued or incurred.

CHAPTER 4

TRANSACTIONS BY PARTICIPANTS

401. Instructions by Participants

All instructions and communications to HKSCC by, with the authority of, on behalf of and/or for the account of Participants shall be given in such manner and form as may be prescribed by HKSCC from time to time.

HKSCC shall be entitled to accept and rely on any instruction or communication given or purporting to be given to it by, with the authority of, on behalf of or for the account of a Participant, whether or not in strict compliance with the prescribed manner or form or any applicable limitation on authority of, which is understood or believed by HKSCC in good faith to have been given to it by, with the authority of, on behalf of or for the account of such Participant.

HKSCC shall have no obligation to act on any instruction or communication given or purported to be given by, with the authority of, on behalf of or for the account of a Participant if such instruction does not, in the determination of HKSCC, contain sufficient details for HKSCC to act upon it.

402. Participants to act as principals

So far as the rights and liabilities between HKSCC and each Participant are concerned, a Participant using any of the services of HKSCC, whether by the Participant itself or through a person acting or purported to be acting with the authority of, on behalf of and/or for the account of the Participant, shall be treated as acting as principal, and not as agent, and shall be liable to HKSCC as such.

In rendering its services, HKSCC shall be under no obligation to recognize any right or interest which any person, including SSA Statement Recipients and NCPs other than a Participant may have or claim to have in relation to all matters concerning a System or an Appointed Depositary (including, without limitation, Eligible Securities deposited into CCASS or held by an Appointed Depositary and transactions to be settled thereunder) and the operation thereof by HKSCC, provided that HKSCC may recognize any right or interest which a Recognized Clearing House may have or claim to have in relation to Eligible Securities deposited into CCASS by or for a Participant under or in connection with any charge or security interest granted in favour of the Recognized Clearing House by the Participant in respect of such Eligible Securities.

403. Instructions in violation of laws etc.

Notwithstanding anything to the contrary in the Rules, HKSCC shall not be bound to effect any transaction or take any other action upon the instructions of a Participant if it would violate any applicable law, decree, court order, regulation, sanctions regime or order of any government or other competent authority or if HKSCC, in its absolute discretion, determines that it will not be in the interests of HKSCC or Participants to do so.

CHAPTER 5

ELIGIBLE SECURITIES AND ELIGIBLE CURRENCIES

501. HKSCC's discretion to determine eligibility

HKSCC shall have absolute discretion to determine whether or not (i) an issue of securities (including all shares, stocks, Debt Securities, China Connect Securities, Foreign Securities, Depositary Receipts, Structured Products, warrants, options, Units and other rights under collective investment schemes and all other instruments or arrangements commonly known as securities, whether or not evidenced in writing) shall be eligible for deposit, clearance and settlement in CCASS and be accepted as an Eligible Security (including as a Multi-counter Eligible Security), and (ii) to accept one or more currencies as being the currency in which an Eligible Security may be denominated. Without prejudice to the aforesaid, where an issue of securities is accepted by HKSCC as an Eligible Security, HKSCC shall have absolute discretion to determine the manner in which such issue of securities is to be deposited, cleared and settled in CCASS.

An Eligible Security which is traded in more than one currency under multiple counters on the Exchange will be treated as a Multi-counter Eligible Security for the purpose of the Rules and, unless otherwise specified in the Rules or determined by HKSCC, the stock code of the trading counter in HKD (or in the case where a Multi-counter Eligible Security has no such trading counter, the stock code of other trading counter as designated by HKSCC from time to time) will be used as the domain stock code for recording the activities and holdings in relation to such Multi-counter Eligible Securities in CCASS. HKSCC may in its absolute discretion prescribe such conditions, restrictions, requirements or procedures as it considers appropriate in respect of the treatment of Multi-counter Eligible Securities.

Unless otherwise specified in the Rules, provisions applicable to Eligible Securities shall apply to Multi-counter Eligible Securities.

502. Grounds for non-eligibility of Eligible Securities

Without prejudice to any other rights HKSCC may have, HKSCC may refuse to accept an issue of securities as an Eligible Security or may discontinue the eligibility of an Eligible Security, if :

- (i) a question exists, in the opinion of HKSCC, as to whether or not an issue of securities may, under applicable laws, be the subject of book-entry delivery as contemplated herein;
- (ii) a question exists, in the opinion of HKSCC, as to whether or not it has the operational capability to provide services referred to herein in respect of an issue of securities;
- (iii) in the case of an issue of securities issued in registered form (other than a Foreign Security), no register of holders of securities (or a branch thereof) is kept in Hong Kong or if there is no transfer agent for such issue in Hong Kong, or a question exists, in the opinion of HKSCC, as to the adequacy of the performance of the relevant registrar or transfer agent for such issue;
- (iv) a question exists, in the opinion of HKSCC, as to whether or not an issue of securities

may be treated as fungible;

- (v) in the case of an issue of securities listed on the Exchange or other exchanges, such issue ceases or will cease to be so listed or if such listing is suspended;
- (vi) the number of transactions in an issue of securities is, in the opinion of HKSCC, insufficient to justify its inclusion as an Eligible Security;
- (vii) HKSCC determines in its discretion that an issue of securities is no longer suitable to be an Eligible Security;
- (viii) in the case of Foreign Securities which are U.S. corporate stocks, such securities cease or will cease to be Eligible U.S. Securities; or
- (ix) in the case of Depositary Receipts where the Depositary resigns or is removed by the Issuer as the Depositary (“Predecessor”) and there is no replacement to succeed all the rights, powers, duties and obligations of the Predecessor.

503. Acceptance/discontinuance of Eligible Securities

HKSCC shall give notice to all Participants and the issuer specifying the date on which an issue of securities shall become or cease to be an Eligible Security.

Upon the discontinuance of the eligibility of an Eligible Security, HKSCC may forthwith cease to render services in respect of such Eligible Security and may require Participants to withdraw or transfer Eligible Securities of such an issue from CCASS.

504. Acceptance of Eligible Securities as Collateral Security

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

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

CHAPTER 6

STOCK ACCOUNTS AND CCMS COLLATERAL ACCOUNTS

601. Stock Clearing Account / Stock Segregated Accounts / Stock Lending Account / Stock Collateral Control Account / TSF Accounts / Stock Account of an Investor Participant

Subject to the Rules, HKSCC shall allocate to each Participant other than an Investor Participant (i) one Stock Clearing Account; (ii) subject to its approval, such number of Stock Segregated Accounts as HKSCC may in its absolute discretion determine from time to time; and (iii) subject to HKSCC's approval, one Stock Lending Account.

In the case of a Clearing Participant, HKSCC shall allocate to such Participant in addition to the abovementioned accounts one Stock Collateral Control Account. In the case of a TSF CCASS Participant, HKSCC shall allocate to such Participant in addition to the abovementioned accounts one TSF Principal Account and one TSF Segregated Account. In the case of a Clearing Agency Participant, HKSCC may also allocate to such Participant for participating in CCASS as a China Connect Clearing House one set of the abovementioned accounts and one Stock Collateral Account in respect of each Special Participant for administrative and operational convenience only in connection with the establishment and operation of one or more Clearing Links, and references in the Rules to the Stock Clearing Account, Stock Segregated Accounts, Stock Collateral Control Account or any other Stock Account of, established for, or allocated to a Participant shall, in the case of a Clearing Agency Participant participating in CCASS in its capacity as a China Connect Clearing House, be construed to mean the Stock Clearing Account, Stock Segregated Accounts, Stock Collateral Control Account or any other Stock Account allocated to it in respect of each Special Participant or the relevant Special Participant, unless the context requires otherwise. An Investor Participant shall be allocated one Stock Clearing Account only.

The operation of any Stock Account of a Participant, including but not limited to the credit or debit entries made thereto, shall be in accordance with the Rules.

A Participant other than an Investor Participant may move Eligible Securities between its Stock Accounts, other than its Stock Collateral Control Account and, in the case of a Clearing Participant or a Custodian Participant, its SSA with Statement Service and Special Segregated Accounts, by the input of an Account Transfer Instruction in accordance with the Operational Procedures and the "CCASS Terminal User Guide for Participants" of HKSCC, as from time to time in force. A Clearing Participant or Custodian Participant may also move Eligible Securities between any of its SSA with Statement Service or Special Segregated Accounts and any other Stock Accounts (including other SSA with Statement Service and Special Segregated Accounts but excluding its Stock Collateral Control Account and TSF Accounts) by the input of a Stock Segregated Account Transfer Instruction in accordance with the Operational Procedures and the "CCASS Terminal User Guide for Participants" or the "Synapse User Guide" of HKSCC, as from time to time in force.

601A. CCMS Collateral Accounts

HKSCC shall have the absolute discretion to allocate to a Participant (other than an Investor Participant) or, in the case of a Clearing Agency Participant which is a China Connect Clearing House, to such Participant in respect of each Special Participant one CCMS House Collateral Account and/or any other CCMS Collateral Accounts for administrative and operational convenience only in connection with the establishment and operation of one or more Clearing Links with or without receiving an application from the Participant.

The operation of the CCMS House Collateral Account and other CCMS Collateral Accounts, including but not limited to the credit or debit entries made thereto, shall be in accordance with the Rules.

602. Right to rectify errors

HKSCC reserves the right to rectify any erroneous credit or debit entries made to the Stock Accounts or CCMS Collateral Accounts of Participants and shall notify affected Participants if it exercises this right.

Without prejudice to any other right HKSCC may have, if as a result of rectification by HKSCC of any erroneous credit entries to the Stock Accounts or CCMS Collateral Accounts of a Participant pursuant to this Rule a negative balance exists, HKSCC may require the Participant to replace the relevant Eligible Securities (in that connection, HKSCC may require the Participant to pay to it forthwith a cash sum of such amount as HKSCC considers appropriate as Collateral, and the only obligation of HKSCC in respect of any such sum so paid by the Participant shall be to pay such Participant an amount equal to the balance remaining after satisfaction of all obligations and liabilities (actual or contingent) of such Participant to HKSCC) and may itself at any time purchase replacement Eligible Securities on behalf of the Participant and the costs and expenses of such purchase shall be borne by the Participant.

HKSCC shall notify the Participant concerned in respect of such a purchase and will effect any such purchase at what it determines to be the best prevailing market price and terms available (but taking into account that HKSCC may need to act promptly and provided that HKSCC shall have no liability if it acts in good faith).

Each Participant undertakes to indemnify HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC against all costs, fees, expenses, liabilities, losses and damages of any nature whatsoever suffered or incurred by HKSCC directly or indirectly as a result of or in connection with the purchase of replacement Eligible Securities by HKSCC on its behalf.

603. Right to act in compliance with a court order etc.

HKSCC reserves the right to act in accordance with the directions of any governmental or regulatory body, or an order made or directions given by a court in exercise of its proper jurisdiction, where it is required to do so by law.

604. Right to invest

Without prejudice to any other rights of HKSCC in respect of the amounts standing to the credit of any CCMS Collateral Account established for a Participant, HKSCC may invest such amounts or any part thereof in such manner and to such extent as HKSCC considers expedient and financially prudent. For the avoidance of doubt, any obligation of HKSCC to pay the Participant the remaining balance of such amounts after satisfaction of all obligations and liabilities of the Participant to HKSCC and any interest or cost HKSCC may allow and/or charge to the Participant on such amounts in accordance with the Rules and the Operational Procedures shall not be affected by any gain or loss arising from the investment activities. Any such gain or loss is for HKSCC.

CHAPTER 7

SERVICES - GENERAL

701. Services

Subject to the Rules, HKSCC may supply to Participants the services referred to in the Rules and such other services as may from time to time be deemed appropriate by HKSCC.

In relation to those types of services supplied by HKSCC to a Clearing Participant or Custodian Participant in respect of the Participant's holdings in the SSA with Statement Service which HKSCC finds it appropriate to make available for use by SSA Statement Recipients for the account of the Participant as provided in the Rules, the Participant may, in such manner as HKSCC may from time to time prescribe, authorize any its SSA Statement Recipients to use any such services (including the giving of instructions in relation thereto) for the account of the Participant subject to the Rules. For the avoidance of doubt, the use of such services by SSA Statement Recipients for the account of the Participant as aforesaid shall, for the purposes of the Rules, be considered use of the services by the Participant which shall be liable therefor. Unless otherwise stated in the Rules, such authorization to SSA Statement Recipient is personal to that SSA Statement Recipient.

HKSCC may from time to time prescribe new or additional rules and procedures in relation to the provision of the services contemplated in the Rules.

Notwithstanding anything to the contrary in the Rules, HKSCC may decline in its discretion to provide one or more services or facilities or suspend or cease to provide any services or facilities with respect to any transaction or class of transactions, any Participant or category of Participants or SSA Statement Recipients, or any Eligible Security or class of Eligible Securities. In deciding whether to exercise such discretion, HKSCC may take into account any factors which it considers reasonable or relevant including, without limitation, any terms and conditions upon which an Eligible Security is issued or any restrictions, limitations, conditions or requirements under or imposed by any applicable law, rule or regulation of any relevant jurisdiction.

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

Participants which are accepted by HKSCC as Synapse Users shall gain access to Synapse services in accordance with these Rules, the Synapse Terms and Conditions and such conditions as prescribed by HKSCC from time to time.

Participants which are accepted by HKSCC as FINI CP Users shall gain access to FINI services in accordance with these Rules, the FINI Terms and Conditions and such conditions as prescribed by HKSCC from time to time.

Investor Participants shall gain access to services of CCASS via the CCASS Internet System in

accordance with these Rules and such conditions as prescribed by HKSCC from time to time.

702. Other clearing entities

HKSCC may from time to time enter into Clearing Links with clearing houses in Mainland China as referred to in Rules 4101 and 4201 or arrangements, upon such terms and conditions as it decides, with other clearing entities with a view to making available some or all of its services to participants of other clearing entities or obtaining the services of the other clearing entities for Participants, or providing services to Participants in respect of securities which are cleared by the other clearing entities as central counterparties.

In addition to services in relation to Eligible Securities, HKSCC may offer to Participants services in relation to other types of investments, contracts, arrangements or other products, so long as it is satisfied that it has the operational capability to provide such services.

703. Arrangements with other entities

HKSCC may from time to time, in its own right, as agent for Participants and/or in any other capacity, enter into or be required to enter into arrangements with other entities, or to obtain or receive the services or assistance of such entities in order to provide or otherwise to facilitate the provision of, any HKSCC's or other services and facilities to Participants upon such terms and conditions as it may agree with such entities. When using any such services and facilities, Participants shall comply with and be bound by, and all transactions relating to such services and facilities shall also be subject to, the terms and conditions of the relevant arrangements and all the other applicable rules, regulations, procedures, requirements and directions made, issued or prescribed under the arrangements, as notified to the Participants or otherwise set out in these Rules or the Operational Procedures. Where applicable, Participants shall upon request provide HKSCC, any entity it has entered into relevant arrangement with or such other persons as HKSCC may specify with such agreements, confirmations, acknowledgements, declarations or authorizations (i) as HKSCC may require for the provision of the relevant services; or (ii) as HKSCC may be required to obtain or provide under any terms and conditions relating to the relevant arrangement.

Without limiting the generality of the foregoing, a Participant, in using any HKSCC's services and facilities in respect of CMU Instruments, shall be deemed to have provided to HKSCC -

- (i) an acknowledgement in favour of the HKMA and its servants and agents that the holding of CMU Instruments for the Participant on the CMU Account of HKSCC and all transactions over such CMU Account or otherwise in relation to facilities relating to HKSCC's membership of the CMU Service will be subject to all of the provisions of the Membership Agreement in respect of Central Moneymarkets Unit Service entered into between the HKMA and HKSCC ("CMU Membership Agreement") and to the CMU Rules (as defined in the CMU Membership Agreement) and in particular (but without limiting the generality of the foregoing)-
 - (a) that CMU Instruments are to be held in the CMU Service only if they have been purchased or are held on terms authorizing the holder to deal with them free from any proprietary or equitable interest (as defined in the CMU

Membership Agreement) of any other person;

- (b) that except as required by law the HKMA is not bound by or compelled to recognize any proprietary or equitable interest in or any other right in respect of any CMU Instrument other than an absolute right to the entirety of that CMU Instrument in the CMU Member to whose CMU Account that CMU Instrument is for the time being credited or for whose account that CMU Instrument is otherwise held for the time being, and that the Participant will not assert or permit any person claiming under or through it to assert any such proprietary or equitable interest or other right against the HKMA;
 - (c) that the HKMA and its servants and agents, with the limited exceptions expressly provided in the CMU Membership Agreement, are exempt from liability caused directly by or indirectly by the operation of the CMU Service and entitling the HKMA without liability to act without further enquiry on instructions or information or purported instructions or information received through the CMU Service or otherwise in accordance with the CMU Manual (as defined in the CMU Membership Agreement); and
- (ii) an authorization for HKSCC on behalf of the Participant to do all such acts and things and execute all such documents as may be required to enable HKSCC fully to observe and perform its obligations under the CMU Membership Agreement and the CMU Rules, and enter into any arrangement which HKSCC considers proper for the purpose of facilitating clearance of transactions effected on behalf of the Participant through the CMU Service.

Copies of the CMU Membership Agreement, CMU Rules and CMU Manual are available for inspection by Participants at the CCASS Depository service counter.

704. Access to CCASS

This Rule 704 does not apply to Investor Participants.

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

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

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

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

(ii) Access to RMS

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

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

(iii) Shared Access

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

(iv) Use of market data

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

(v) Information from RMS

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

705. Liquidation agent

HKSCC may from time to time dispose, hold or otherwise deal with Bond Connect Securities for any of its affiliates (being OTC Clearing Hong Kong Limited or any Recognized Clearing House) where such affiliate is enforcing its security interest or acting in accordance with the instructions of its members (howsoever described) pursuant to its rules, via one or more electronic trading systems having a trading link established with the China Foreign Exchange Trade System (CFETS) for dealing in Bond Connect Securities, acting as such affiliate's appointed liquidation agent pursuant to the terms of the agency appointment agreement between them.

For the purposes of this Rule 705, "Bond Connect Securities" means bonds in the China Interbank Bond Market which are traded via the mutual market access mechanism between the China Interbank Bond Market and Hong Kong bond market infrastructures, which enables eligible investors outside of Mainland China to directly trade bonds in the China Interbank Bond Market.

CHAPTER 8

DEPOSITORY AND CUSTODIAN SERVICES

801. Deposit of Eligible Securities

Subject to the Rules, HKSCC may accept Eligible Securities from Participants or direct from the issuers of Eligible Securities (or their agents or representatives) for deposit into the Stock Accounts, other than the Stock Collateral Control Accounts of Participants, and where the Participants are TSF CCASS Participants, other than the TSF Accounts of such Participants. Participants are not allowed to deposit Eligible Securities directly into their CCMS Collateral Accounts, Stock Collateral Control Accounts, and where such Participants are TSF CCASS Participants, directly into their TSF Accounts. Eligible Securities held in a CCMS Collateral Account are either transferred from Stock Accounts in CCASS, other than the Stock Collateral Control Accounts and where the Eligible Securities are earmarked TSF Stocks, other than the TSF Accounts, or from other CCMS Collateral Accounts as permitted by HKSCC from time to time.

In the case of an Investor Participant, Eligible Securities in registered form for deposit into CCASS by an Investor Participant shall be registered in the Investor Participant's own name or in the name of HKSCC's nominee.

For the avoidance of doubt, Eligible Securities in registered form deposited for credit by a Joint Individual Investor Participant must be registered in the names of all the individuals comprising such Participant.

Notwithstanding the foregoing, Stock Pledgee Participants shall have no right to deposit Eligible Securities into CCASS.

In respect of Eligible Securities which are uncertificated or issued in global or bearer form, HKSCC shall be at liberty, and may develop rules or procedures, to restrict the deposit or re-deposit of such Eligible Securities into CCASS, to account for and provide services in respect of such Eligible Securities in such manner as it considers appropriate.

802. Safe custody

Eligible Securities deposited into CCASS by Participants will be held in safe-custody upon the terms and subject to the provisions of the Rules.

For the avoidance of doubt, HKSCC acknowledges and confirms that, save as otherwise provided in the Rules, HKSCC has no proprietary interest in the Eligible Securities deposited into CCASS, in particular, Eligible Securities in the Stock Segregated Accounts of Participants.

803. Eligible Securities deposited to be freely transferable

Unless otherwise approved by HKSCC in consultation with the Commission, Eligible Securities deposited into CCASS by a Participant shall be freely transferable or deliverable and shall be accompanied by such certificates or evidence of title (duly endorsed as appropriate), instruments of transfer (duly executed, endorsed and stamped as appropriate)

and such other documents, acts, or things as may be required by HKSCC.

In the case of Eligible Securities issued in registered form, such Eligible Securities shall be deemed not to be freely transferable or deliverable if registration of a transfer of such Eligible Securities (or the re-issue of such Eligible Securities in the name of HKSCC or its nominee, if applicable) is refused at any time for any reason by the registrar or transfer agent for such Eligible Securities.

In relation to Foreign Securities which are credited to a Participant's Stock Account, that Participant covenants, represents and warrants to HKSCC that :-

- (i) in the case of a certificated security, (a) the certificate is genuine and has not been materially altered; (b) the Participant does not know of any fact that might impair the validity of the security; (c) there is no adverse claim to the security; and (d) there is no restriction on the transfer of such certificated security;
- (ii) in the case of an uncertificated security, (a) there is no adverse claim to the security; and (b) there is no restriction on the transfer of such uncertificated security;
- (iii) in the case of the Foreign Securities held in HKSCC's account with The Depository Trust Company or its successor or assignee, such Foreign Securities are Eligible U.S. Securities; and
- (iv) it shall furnish HKSCC with any information as HKSCC may require in order to comply with any request made of it by any tax authority for information in connection with the preceding representations and warranties in this Rule 803 or any other matter required by applicable law.

In relation to Uncertificated Eligible Securities which are credited to a Participant's Stock Account, including but not limited to Uncertificated Eligible Securities credited to a Participant's Stock Account directly by or from the relevant Overseas Issuer, a principal or branch share registrar or such other authorized agents or representatives of the relevant Overseas Issuer or any other intermediaries having relevant authority to do so under applicable laws or arrangements (as the case may be), that Participant covenants, represents and warrants to HKSCC that:

- (i) the Participant does not know of any fact that might impair the validity of such Uncertificated Eligible Securities and has full authority to receive, deal with and give instructions, authorizations or declarations in respect of them;
- (ii) there is no adverse claim to such Uncertificated Eligible Securities and there is no restriction on the transfer of such Uncertificated Eligible Securities; and
- (iii) it shall furnish HKSCC with any information as HKSCC may require in order to:
 - (a) provide the services in respect of the Uncertificated Eligible Securities;
 - (b) comply with any request made of it by any tax authority for information in

connection with the preceding representations and warranties in this Rule 803 or any other matter required by applicable law;

- (c) comply with any request made of it by any competent regulator or authority for information in connection with the Uncertificated Eligible Securities or any other matter required by applicable law; and
- (d) comply with any request of the relevant Overseas Issuer, a principal or branch share registrar or such other authorized agents or representatives of the relevant Overseas Issuer or any other relevant intermediaries (as the case may be) as required by applicable law or the applicable arrangement in relation to the provision of services in respect of Uncertificated Eligible Securities.

In relation to China Connect Securities which are credited to a Participant's Stock Account, that Participant covenants, represents and warrants to HKSCC that :-

- (i) the Participant does not know of any fact that might impair the validity of such China Connect Securities and has full authority to receive, deal with and give instructions, authorizations or declarations in respect of them;
- (ii) there is no adverse claim to such China Connect Securities and there is no restriction on the transfer of such China Connect Securities other than any transfer restriction which is expressly provided for under the Exchange Rules or these Rules; and
- (iii) it shall furnish HKSCC with any information as HKSCC may require in order to:
 - (a) provide China Connect Clearing Services;
 - (b) comply with any request made of it by any tax authority for information in connection with the preceding representations and warranties in this Rule 803 or any other matter required by applicable law; and
 - (c) comply with any request made of it by any competent regulator or authority for information in connection with the China Connect Securities or any other matter required by applicable law.

804. Right not to accept Eligible Securities

HKSCC reserves the right to reject a deposit or refuse to accept a re-deposit of Eligible Securities.

805. Representation and warranty of authority

Each Participant depositing Eligible Securities into CCASS represents and warrants in favour of HKSCC that such Eligible Securities exist and are validly issued and that it is entitled or has full authority to deposit such Eligible Securities into CCASS and to deal with such Eligible Securities.

The representation and warranty herein shall extend to Eligible Securities deposited into the Stock Accounts of Participants directly from the issuer of the Eligible Security (or its agents or representatives).

Except as otherwise provided in the Rules, HKSCC may regard each Participant as having full authority and control in respect of the Eligible Securities in its Stock Accounts and HKSCC shall be under no obligation to recognize any right or interest which any person other than the Participant may have in such Eligible Securities.

In respect of Eligible Securities transferred to any CCMS Collateral Account of a Clearing Participant, the Participant transferring such Eligible Securities represents and warrants in favour of HKSCC that (i) the Participant is entitled or has full authority and all necessary consents to deposit such Eligible Securities with CCASS as Collateral Securities and to create a security interest over the same in favour of HKSCC, (ii) no security interest exists on, over or with respect to the Collateral Securities and the Derived Assets, and (iii) the Collateral Securities are fully paid and the first fixed charge over the Collateral Securities and the Derived Assets created by virtue of Rule 3608 in favour of HKSCC shall have priority over any beneficial or equitable interest or rights in or over the said Eligible Securities.

Each Participant that from time to time deposits Eligible Securities into its Stock Lending Account represents and warrants in favour of HKSCC that it is entitled or has full authority and all necessary consents to lend the Eligible Securities so deposited to HKSCC in accordance with the Compulsory Stock Borrowing and Lending Regulations.

In addition, the Investor Participant depositing Eligible Securities into CCASS represents and warrants that it is the full beneficial owner of the deposited securities.

806. Representation untrue

If the representation and warranty in Rule 805 by a Participant is untrue or the requirements of Rule 803 are not met, then, without prejudice to any other right HKSCC may have (including, without limitation, the right to debit the Stock Accounts of the Participants in respect of such Eligible Securities deposited), HKSCC may require the Participant to replace the Eligible Securities deposited (in that connection, HKSCC may require the Participant to pay to it forthwith a cash sum of such amount as HKSCC considers appropriate as Collateral and the only obligation of HKSCC in respect of any such sum so paid by the Participant shall be to pay such Participant an amount equal to the balance remaining after satisfaction of all obligations and liabilities (actual or contingent) of such Participant to HKSCC) and may itself at any time purchase replacement Eligible Securities and the costs and expenses of such purchase shall be borne by the Participant.

HKSCC shall notify the Participant concerned in respect of such a purchase and will effect any such purchase at what it determines to be the best prevailing market price and terms available (but taking into account that HKSCC may need to act promptly and provided that HKSCC shall have no liability if it acts in good faith).

Each Participant undertakes to indemnify HKSCC against all costs, fees, expenses, liabilities, losses and damages of any nature whatsoever suffered or incurred by HKSCC directly or indirectly as a result of or in connection with the representation and warranty contained in Rule 805 being untrue or the requirements of Rule 803 not being met (including, without

limitation, the purchase of replacement Eligible Securities by HKSCC) or if the Participant does not have full authority or control in respect of Eligible Securities in its Stock Accounts.

807. Registration or re-issue in name of HKSCC's nominee

Notwithstanding instructions to the contrary, HKSCC may, in respect of Eligible Securities in registered form deposited into CCASS by Participants, from time to time submit such Eligible Securities for registration or re-issue in its own name or in the name of its nominee.

The costs and expenses of effecting registration or re-issue incurred by HKSCC shall be charged to Participants in such manner and at such times as are specified in the Rules.

808. Immediate credit

Subject to the Rules, upon acceptance for deposit of Eligible Securities from a Participant other than an Investor Participant, such Eligible Securities will be credited to the Stock Accounts designated by the Participant.

In the case of deposit of Eligible Securities in registered form by an Investor Participant, such Eligible Securities will not be immediately credited to the Investor Participant's Stock Account. Subject to the Rules, HKSCC shall credit such Eligible Securities upon registration or re-issue of such Eligible Securities in the name of HKSCC or its Nominee or at such time as HKSCC determines it would be in the interest of HKSCC to effect such credit. Eligible Securities which are not yet credited to the Investor Participant's account are not available for withdrawal and settlement. However, such Eligible Securities are eligible for nominee services to such extent as HKSCC considers appropriate.

HKSCC reserves the right at any time not to credit the Stock Accounts designated by a Participant in respect of Eligible Securities deposited if :

- (i) in the case of Eligible Securities in registered form, the Eligible Securities deposited are part of an issue the transfer of which is or may be, in HKSCC's absolute determination, subject to unreasonable delay (in which case, the Eligible Securities will only be credited to the designated Stock Accounts at such time as the registration or re-issue of such Eligible Securities in the name of HKSCC or its nominee has been effected);
- (ii) the Eligible Securities deposited are part of an issue which, in HKSCC's absolute determination, is or has been the subject of theft, forgery or other fraudulent activity (in which case, the Eligible Securities will only be credited to the designated Stock Accounts at such time as HKSCC is, in its absolute determination, satisfied that the Eligible Securities are no longer the subject of any such activity); or
- (iii) HKSCC considers, in its absolute determination, that it would not be in the interests of HKSCC or the Participants to do so (in which case, the Eligible Securities will only be credited to the designated Stock Accounts at such time as HKSCC determines that it would be appropriate to do so).

Pending credit to the Stock Accounts designated, a Participant may, subject to the Rules, withdraw the Eligible Securities actually deposited by it into CCASS unless such Eligible Securities are unavailable for whatever reason, including where HKSCC has submitted them for registration or re-issue in its name or in the name of its nominee, or in the name of the Appointed Depositary or its nominee, as applicable.

If HKSCC exercises or proposes to exercise its right under this Rule with respect to a particular Eligible Security as aforesaid, HKSCC shall notify Participants accordingly.

809. Fungibility

Each Participant agrees that Eligible Securities in CCASS may be treated by HKSCC as fungible with Eligible Securities of the same issue.

No Participant will be entitled to any specific Eligible Securities in CCASS and subject as otherwise provided, HKSCC's obligation to a Participant will be to allow withdrawal of, subject to the Rules, up to the number of Eligible Securities in the Stock Accounts of such Participant at any time.

HKSCC need not mark or label specific Eligible Securities either to a particular Participant or to a particular transaction settled or to be settled in CCASS.

810. Withdrawal of Eligible Securities

Subject to the Rules (including but not limited to Chapter 42), each Participant shall be entitled to withdraw from CCASS or an Appointed Depositary via HKSCC Eligible Securities which are issued in registered form (except global registered form) in the Participant's Stock Accounts other than TSF Accounts (if the Participant is a TSF CCASS Participant, in respect of which the provisions of Chapter 12A shall apply). Unless otherwise determined by HKSCC or provided in the Rules, Participants are not entitled to withdraw from CCASS or an Appointed Depositary via HKSCC Eligible Securities which are uncertificated or issued in global form.

The Charged Property of a Participant held in any CCMS Collateral Account in the form of Eligible Securities will have to be transferred to the Stock Accounts in CCASS, other than the Stock Collateral Control Account and the TSF Accounts (if the Participant is a TSF CCASS Participant), prior to any withdrawal being made. Charged Property will not be allowed to be used or transferred by the Participant without the express permission of HKSCC. In the event that Eligible Securities are transferred from a Participant's Stock Accounts in CCASS to a collateral account in CCMS maintained by another Recognized Clearing House for the Participant in its capacity as a participant of such Recognized Clearing House, such Eligible Securities will have to be re-transferred to the Participant's Stock Accounts in CCASS, other than the Stock Collateral Control Account and the TSF Accounts (if the Participant is a TSF CCASS Participant), prior to any withdrawal being made. The Recognized Clearing House may withdraw such Eligible Securities from CCASS or otherwise deal with such Eligible Securities in relation to the enforcement of its rights under

any charge or security interest granted in its favour by the Participant in respect of such Eligible Securities.

811. Limited withdrawal right of Stock Pledgee Participants

A Stock Pledgee Participant may only withdraw Eligible Securities from CCASS in relation to the enforcement of its rights under stock pledging transactions in CCASS in the case of default by a pledgor Participant.

A Stock Pledgee Participant wishing to withdraw Eligible Securities must notify HKSCC in advance and each request for withdrawal shall be deemed to be a confirmation by the Stock Pledgee Participant that the withdrawal to be made is in relation to the enforcement of its rights under stock pledging transactions as aforesaid.

812. Withdrawal of Certificates

Subject to the Rules, all instructions from Participants other than Investor Participants to effect withdrawal from CCASS of Eligible Securities in their Stock Accounts shall be given to HKSCC electronically via their CCASS Terminals, unless otherwise advised by HKSCC from time to time.

An Investor Participant that wishes to withdraw Eligible Securities from its Stock Account shall submit to HKSCC a completed and duly signed instruction form in the form prescribed by HKSCC from time to time (stamped with the company chop, if applicable) at the Customer Service Centre or a duly completed withdrawal form electronically via the CCASS Internet System for processing by HKSCC.

Unless otherwise agreed by HKSCC, withdrawal of Eligible Securities in registered form by Participants from CCASS shall be in Board Lots or such other denominations as HKSCC may specify for an Eligible Security from time to time.

In respect of any defects affecting the Eligible Securities withdrawn by a Participant, except as provided for in Rule 813 and subject to Rule 815, HKSCC shall be liable to a withdrawing Participant, but not to any other person, immediately upon a claim being established by such Participant to the satisfaction of HKSCC (including, without limitation, the return of the defective certificates to HKSCC), either to replace the defective Eligible Securities or if that is not possible or reasonably practicable, as determined by HKSCC, to make money compensation to the Participant by reference to the value of such Eligible Securities, as determined by HKSCC, at the time of payment of compensation by HKSCC (or the value at such other time as HKSCC shall consider fair and appropriate).

813. Withdrawal of New Certificates and Old Certificates

In respect of any defects affecting the Eligible Securities represented by New Certificates withdrawn by a Participant from the CCASS Depository at any time prior to 1996, subject to Rule 815, HKSCC shall be liable to a withdrawing Participant, but not to any other person, immediately upon a claim being established by such Participant to the satisfaction of HKSCC (including, without limitation, the return of the defective certificates to HKSCC), either to replace the defective Eligible Securities or if that is not possible or reasonably practicable, as

determined by HKSCC, to make money compensation to the Participant by reference to the value of such Eligible Securities, as determined by HKSCC, at the time of payment of compensation by HKSCC (or the value at such other time as HKSCC shall consider fair and appropriate).

In respect of any defects affecting the Eligible Securities represented by Old Certificates withdrawn by a Participant at any time prior to 1996, subject to Rule 815, HKSCC shall be liable to a withdrawing Participant, but not to any other person, to the same extent as in the case of Eligible Securities represented by New Certificates, provided that HKSCC shall not be required to replace defective Eligible Securities or to make money compensation until such time as HKSCC shall have recovered from the Participants responsible for depositing such Eligible Securities into CCASS (or until such time as HKSCC shall have determined, on whatever ground, that recovery is not possible).

814. Withdrawal of other Eligible Securities

In the case of withdrawal of Eligible Securities other than in registered form, withdrawal shall be subject to such conditions and restrictions as HKSCC may from time to time impose and/or in such denominations as HKSCC may from time to time prescribe.

In respect of any defects affecting such Eligible Securities, subject to Rule 815, HKSCC shall be liable to a withdrawing Participant, but not to any other person, immediately upon a claim being established by such Participant to the satisfaction of HKSCC, either to replace the defective Eligible Securities or if that is not possible or reasonably practicable, as determined by HKSCC, to make money compensation to such Participant by reference to the value of such Eligible Securities, as determined by HKSCC, at the time of payment of compensation by HKSCC (or the value at such other time as HKSCC shall consider fair and appropriate).

815. HKSCC's liability for defects

In respect of Eligible Securities in CCASS (other than Eligible Securities which are withdrawn by Participants) which are lost or defective (including where HKSCC determines that such Eligible Securities are stolen, mutilated or destroyed; or are forged, fraudulent or invalid; or if for any reason cannot be registered or re-issued or cannot be delivered or are unavailable for delivery), subject as provided in this Rule, HKSCC shall replace such Eligible Securities as soon as reasonably practicable provided that if a declaration of a Securities Loss is to be made by HKSCC as a result, HKSCC shall be liable to make money compensation to those Participants allocated or to be allocated the Securities Loss, by reference to the value of such Eligible Securities at the time of payment of compensation by HKSCC (or the value at such other time as HKSCC shall consider fair and appropriate). For the avoidance of doubt, HKSCC shall not be liable to replace Eligible Securities or make money compensation to Participants in the event that Eligible Securities are nationalized, expropriated or seized.

To the extent that the aggregate of the funds or assets available to HKSCC are insufficient at any time to meet all of HKSCC's obligations to Participants subsisting at any time to replace Eligible Securities or to make money compensation to Participants pursuant to Rule 812, Rule 813, Rule 814 and this Rule, based on the amount of the funds or assets available to HKSCC for the purpose at the time (taking into account HKSCC's other liabilities then

subsisting), as certified by HKSCC, each Participant to whom HKSCC is liable pursuant to Rule 812, Rule 813, Rule 814 and this Rule shall only be entitled to receive payment pro-rata to the amount due to it as compared with the aggregate amount due to all Participants pursuant to such Rules; HKSCC shall remain liable to Participants but payment of the balance of such amounts due shall only be made as and when, and to the extent that, such funds or assets are subsequently available. In relation to the funds or assets available to HKSCC both to meet its liabilities to Participants pursuant to Rule 812, Rule 813, Rule 814 and this Rule, and to meet its liabilities to Clearing Participants under Market Contracts (as referred to in Rule 3307), HKSCC may apportion the funds or assets so available to it between its liabilities to Participants pursuant to Rule 812, Rule 813, Rule 814 and this Rule and its liabilities to Clearing Participants under Market Contracts, either on a pro-rata basis or in such other manner as HKSCC shall consider fair and appropriate in the circumstances.

816. HKSCC to pursue

If any person is or may be legally liable or if any other remedy may be available for making good a loss of or defects affecting Eligible Securities, HKSCC shall take such steps to recover such Eligible Securities or damages in respect thereof as it may consider appropriate in the circumstances (including, without limitation, the bringing and settling of legal proceedings).

816A. [Repealed]

816B. Conversion service for Eligible Securities subject to parallel trading arrangements

In relation to an Eligible Security which is subject to parallel trading arrangements and which has been assigned with separate stock codes for this purpose, as referred to in Section 8.14 of the Operational Procedures, HKSCC may accept instructions from Participants other than Investor Participants to effect the conversion of their holdings in the Eligible Security in CCASS from one relevant stock code to another relevant stock code on a one to one basis.

A Participant other than an Investor Participant that wishes to effect such a conversion of its holdings in the relevant Eligible Security in its Stock Accounts (except its Stock Collateral Control Account, SSA with Statement Service and Special Segregated Accounts (in the case of a Clearing Participant or a Custodian Participant) and TSF Accounts (in the case of a TSF CCASS Participant)) should provide Parallel Trading Conversion Instructions to HKSCC in accordance with the Operational Procedures.

HKSCC may specify such conditions, procedures and other requirements for the conversion service in the Operational Procedures or through other means as it may consider appropriate from time to time. Further, HKSCC may decline to provide the service or suspend or cease to provide the service with respect to any Eligible Security subject to parallel trading arrangements at any time.

817. Appointed Depositary

HKSCC may from time to time appoint one or more banks, custodians, trust companies or other entities as its Appointed Depositary to perform or to assist in the performance of the depository, nominee and custodian services contemplated herein in respect of all or part of the Eligible Securities.

HKSCC shall be entitled to determine the terms and conditions upon which an Appointed Depositary shall act, including, but not limited to, the scope of services to be rendered by it and the procedures to be adopted in relation thereto.

Notwithstanding the foregoing, HKSCC shall procure that each Appointed Depositary acknowledges and confirms to the effect that it shall have no proprietary interests in the Eligible Securities so held by it in its capacity as Appointed Depositary.

Participants shall comply with the procedures of the Appointed Depositary relating to the provision of depository, nominee and custodian services as shall from time to time be notified by HKSCC or otherwise specified in the Operational Procedures.

818. Custodian services in relation to Exchange Fund Notes and Government Bonds

Exchange Fund Notes and Government Bonds are scripless. They are held in computerized form by Recognized Dealers within the EFCS and are recorded in a Recognized Dealer's CMU Account in book-entry form. HKSCC is a Recognized Dealer and maintains a CMU Account for the purpose of holding and settling transactions in Exchange Fund Notes and Government Bonds belonging to Participants.

Physical deposit of Exchange Fund Notes and Government Bonds and physical withdrawal of Exchange Fund Notes and Government Bonds from the CCASS Depositary are not available. Accordingly, Rules relating to the physical deposit and withdrawal of securities are not applicable to Exchange Fund Notes and Government Bonds.

Exchange Fund Notes may be credited to and debited from a Participant's Stock Account as a result of (a) allocation following a tender for Exchange Fund Notes accepted by the HKMA, (b) clearing and settlement of transactions in Exchange Fund Notes effected on the Exchange, (c) clearing and settlement of Transfer Instructions, and (d) the provision of any other CCASS services in relation to Exchange Fund Notes to the Participant.

Government Bonds may be credited to and debited from a Participant's Stock Account as a result of (a) allocation following an application for Government Bonds made through HKSCC and accepted by the HKMA, (b) clearing and settlement of transactions in Government Bonds effected on the Exchange, (c) clearing and settlement of Transfer Instructions, and (d) the provision of any other CCASS services in relation to Government Bonds to the Participant.

819. Custodian services in relation to Specified Instruments

Specified Instruments are issued in global form and are held for the account of Recognized Dealers in computerized form within the EFCS. Recognized Dealers' interests in Specified Instruments are recorded in the Recognized Dealers' CMU Accounts in book entry form. No physical depository service will be provided by HKSCC in respect of Specified Instruments. In certain limited circumstances which are specified in the terms and conditions of the Specified Instruments, those with interests in the global instruments are entitled to delivery of definitive instruments. If HKSCC receives definitive instruments for the account of Participants, they must withdraw their definitive instruments from CCASS and may not redeposit them into CCASS. Specified Instruments may be credited to and debited from a Participant's Stock Account as a result of (a) allocation following a tender for Specified Instruments accepted by their issuer and/or the arranger of the issue, (b) clearing and settlement of transactions in Specified Instruments effected on the Exchange, (c) clearing and

settlement of Transfer Instructions, and (d) the provision of any other CCASS services in relation to Specified Instruments to the Participant. HKSCC shall have no obligation to enforce any rights on behalf of Participants under the terms and conditions in respect of the Specified Instruments.

819A. Custodian services in relation to CMU Instruments

CMU Instruments are issued in global form and are held for the account of CMU Members in book entry form within the CMU Service. CMU Members' interests in CMU Instruments are recorded in CMU Members' CMU Accounts in book entry form. No physical depository service will be provided by HKSCC in respect of CMU Instruments.

In certain limited circumstances which are specified in the terms and conditions of the CMU Instruments, those with interests in the global instruments are entitled to delivery of definitive instruments. If HKSCC receives definitive instruments for the account of Participants, they must withdraw their definitive instruments from CCASS and may not redeposit them into CCASS.

CMU Instruments may be credited to and debited from a Participant's Stock Account as a result of (a) allocation following an application for CMU Instruments made through HKSCC in accordance with the Prospectus, (b) clearing and settlement of transactions in CMU Instruments effected on the Exchange, (c) clearing and settlement of Transfer Instructions, and (d) the provision of any other CCASS services in relation to CMU Instruments to the Participant. HKSCC shall have no obligation to enforce any rights on behalf of Participants under the terms and conditions in respect of the CMU Instruments.

820. Legal title to Exchange Fund Notes and Government Bonds and interests in Specified Instruments and CMU Instruments

HKSCC has the legal title to Exchange Fund Notes and Government Bonds and interest in Specified Instruments credited to its CMU Account. Save as otherwise provided in the Rules, HKSCC has no proprietary interests in those Exchange Fund Notes, Government Bonds and Specified Instruments to the extent that they are credited to the Stock Accounts of Participants.

As long as the CMU Instrument is in global form held within the CMU Service, HKSCC has and holds interests in the CMU Instrument through its CMU Account.

821. Custodian Services in relation to Foreign Securities

Most Foreign Securities are certificated and are physically held by an Appointed Depository. (Those Foreign Securities which are uncertificated or issued in global form are represented by book entries in the records of the Appointed Depository.) HKSCC has an account with that Appointed Depository in order to enable HKSCC to assist the Participant in the holding of Foreign Securities and the settling of transactions relating to Foreign Securities.

Physical deposit of Foreign Securities with the CCASS Depository is not available. Participants that wish to physically deposit Foreign Securities with HKSCC's Appointed Depository will be required to make their own arrangements with a person other than HKSCC who has an account with the Appointed Depository. Foreign Securities which are physically

deposited in this manner may be transferred to HKSCC's account with the Appointed Depositary if the Participant gives a Cross-Border Transfer Instruction for the securities to be so transferred in accordance with the Operational Procedures.

Foreign Securities may be credited to and debited from a Participant's Stock Account as a result of (a) clearing and settlement of Exchange Trades relating to Foreign Securities, (b) clearing and settlement of Cross-Border Transfer Instructions and (c) the provision of any other service by HKSCC in relation to Foreign Securities to Participant.

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

HKSCC does not guarantee title to any Foreign Securities which is evidenced by any certificate which is physically withdrawn on the instructions of a Participant and is re-registered in the name of a beneficiary. Physical withdrawal of Foreign Securities which are uncertificated or issued in global form from an Appointed Depositary via HKSCC is not available.

In the case of the Foreign Securities held in HKSCC's account with The Depository Trust Company or its successor or assignee (hereinafter referred to as "The Depository Trust Company") on behalf of a Participant, that Participant covenants, represents and warrants to HKSCC that the Participant shall not raise any claims (whether in contract, tort or otherwise) against either HKSCC or The Depository Trust Company based upon the fact that HKSCC will not collect United States tax documentation from the Participant nor forward such documentation to The Depository Trust Company if it is received from the Participant, and that The Depository Trust Company will withhold 30% United States tax from the gross amount of any distributions made in respect of securities held in the account regardless of whether the Participant or any underlying beneficial owners of the securities are either foreign persons eligible for a lower withholding tax by treaty or United States persons eligible for an exemption from the withholding tax.

If, contrary to the rules set forth in Rule 803, any securities other than Eligible U.S. Securities permitted by Rule 803(iii) are actually held in HKSCC's account with The Depository Trust Company, The Depository Trust Company may, in compliance with the relevant United States tax laws and regulations, apply different withholding obligations applicable to these prohibited securities. In such event, the affected Participant covenants, represents and warrants to HKSCC that the Participant shall not raise any claims (whether in contract, tort or otherwise) against either HKSCC or The Depository Trust Company based upon the fact that The Depository Trust Company applied different withholding obligations applicable to these prohibited securities.

822. Custodian services in relation to Structured Products issued in global or scripless form

Structured Products issued in global or scripless form are held by HKSCC for the account of Participants recorded in computerized form by CCASS Depositary or an Appointed Depositary. No physical deposit and withdrawal services will be provided by HKSCC for Structured Products save for the physical deposit of global certificate(s) into CCASS in

respect of Structured Products issued with certificate(s) in global form.

Save as otherwise provided in the Rules, Structured Products may be credited to and debited from a Participant's Stock Account as a result of (a) clearing and settlement of Exchange Trades relating to Structured Products; and (b) the provision of any other service by HKSCC in relation to Structured Products to the Participant. HKSCC shall have no obligation to enforce any rights on behalf of Participants under the terms and conditions in respect of the Structured Products. Save as otherwise provided in the Rules, HKSCC acknowledges and confirms that it has no proprietary interest in Structured Products to the extent they are credited to the Stock Account of a Participant.

823. Custodian Services in relation to Uncertificated Eligible Securities

Uncertificated Eligible Securities are held by HKSCC for the account of Participants recorded in computerized form by the CCASS Depository.

Physical deposit of Uncertificated Eligible Securities with and physical withdrawal of Uncertificated Eligible Securities from the CCASS Depository are not available. Accordingly, Rules relating to the physical deposit and withdrawal of securities are not applicable to Uncertificated Eligible Securities.

Participant that wishes to transfer Uncertificated Eligible Securities from an overseas account (the "Overseas Account") maintained with an entity which performs or assists in performing depository, custodian, sub-custodian or related services outside Hong Kong and which is acceptable to HKSCC to its Stock Account with CCASS (or vice versa) will be required to provide a Cross-Border Transfer Instruction in accordance with the Operational Procedures.

Uncertificated Eligible Securities may be credited to and debited from a Participant's Stock Account as a result of (a) allocation following a successful application for New Issue Shares in a New Issue in relation to the relevant Overseas Issuer; (b) clearing and settlement of Exchange Trades relating to Uncertificated Eligible Securities; (c) clearing and settlement of Cross-Border Transfer Instructions; and (d) the provision of any other services by HKSCC in relation to Uncertificated Eligible Securities to the Participant.

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

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

Participants confirm and agree that their title or interest in and entitlements to Uncertificated Eligible Securities (whether legal, equitable or otherwise) shall be subject to the applicable law of the relevant jurisdiction.

Where Uncertificated Eligible Securities of Participants are held through HKSCC in any manner, each 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 Uncertificated Eligible 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 Overseas Issuer or its principal or branch share registrar (if any).

824. Custodian services in relation to China Connect Securities

China Connect Securities are uncertificated securities. Physical deposit of China Connect Securities with and physical withdrawal of China Connect Securities from CCASS or the relevant China Connect Clearing House is not available. Accordingly, Rules relating to the physical deposit and withdrawal of securities are not applicable to China Connect Securities.

China Connect Securities are held by HKSCC for the account of Participants in an omnibus account maintained by HKSCC with the relevant China Connect Clearing House under a Clearing Link (including a central securities depository link) and are recorded in computerized form in CCASS. China Connect Securities may be credited to and debited from a Participant's Stock Account as a result of (a) the clearing and settlement of China Connect Securities Trades, and (b) the provision of any other China Connect Services by HKSCC to the Participant. 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. However, HKSCC has in place daily reconciliation procedures with the relevant China Connect Clearing House and within CCASS to ensure that the credits and debits of China Connect Securities to and from each Participant's Stock Accounts are accurate.

The China Connect Securities that are credited by the relevant China Connect Clearing House to the omnibus account maintained by HKSCC with such China Connect Clearing House, and the China Connect Securities that are credited by HKSCC to the Stock Account of each Participant within CCASS, shall be held by HKSCC as nominee holder only. HKSCC has no proprietary interest in and is not the beneficial owner of any China Connect Securities held or recorded in such accounts. All proprietary interests in respect of China Connect Securities belong to the Participants or their clients (as the case may be).

As permitted in the Rules, Participants may hold their China Connect Securities in one or more Stock Segregated Accounts within CCASS. In addition, Custodian Participants and General Clearing Participants which are not Exchange Participants may hold their China Connect Securities in Special Segregated Accounts within CCASS.

HKSCC provides services to Participants as set out in Chapters 8, 11 and 41 of the Rules and the related Operational Procedures to enable them and their clients (as appropriate) to exercise their rights as owners of proprietary interests in China Connect Securities, including the right to receive dividends and other distributions and the power to exercise voting rights. Unless specifically provided for in the Rules, HKSCC will not exercise any right arising from or in relation to any China Connect Securities without the instruction of the Participants.

Where any Participant or any of its clients who is the beneficial owner of China Connect Securities decides to bring legal action in Mainland China to enforce its rights in relation to the China Connect Securities, HKSCC will:

- (a) upon the request of the Participant and after receiving the necessary information, documentation and indemnities as HKSCC may reasonably require from the Participant, provide certification to the relevant China Connect Clearing House for the purpose of

providing evidential proof of the relevant Participant's or its client's holding in China Connect Securities at the relevant time; and

- (b) upon the request of the Participant, assist the Participant or its client in bringing the legal action in Mainland China in the manner as may be required under Mainland China law, after having regard to its statutory duties and subject to such conditions as HKSCC may reasonably require (including payment of fees and cost up-front and indemnities to the satisfaction of HKSCC).

Participants confirm and agree that their title or interest in and entitlements to the China Connect Securities (whether legal, equitable or otherwise) shall be subject to the applicable laws of Mainland China and Hong Kong, including laws relating to any disclosure of interest requirement or foreign shareholding restriction. Participants shall be responsible for ensuring that they comply with such applicable laws.

In the event that HKSCC, the Exchange or the SEHK Subsidiary is notified by the relevant China Connect Market, China Connect Clearing House or regulatory body that HKSCC's holding in a China Connect Security for Participants has caused any foreign shareholding limit to be exceeded in breach of any applicable law, HKSCC shall have the power to require Participants, as determined by HKSCC on a last-in-first-out basis, to reduce such amount of holdings in their respective Stock Accounts within such time period as may be required by HKSCC such that the applicable foreign shareholding limit will no longer be exceeded. Participants shall, upon receipt of any Forced-Sale Notice, reduce their or their clients' holdings in the relevant China Connect Security as referred to in Rule 4110(iv). Participants shall have arrangements and authorizations in place to enable them to effect the sale of the relevant China Connect Security on behalf of their clients should they fail to do so within the specified time period.

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 any issuer or the issuer's authorized agent or representative.

CHAPTER 9

CLEARING SERVICES

901. Clearance of Exchange Trades

(i) Provision of Exchange Trades Details

In relation to Exchange Trades on each Business Day, details thereof are to be reported to HKSCC by the Exchange.

HKSCC shall be entitled to rely on the accuracy of the details of the Exchange Trades so reported (and may, in its absolute discretion, accept from the Exchange amendments to such details, including, without limitation, amendments relating to Trade Amendments, “late” Exchange Trades and trades subsequently reported as not recognized by the Exchange) and act on them in accordance with the Rules.

For the avoidance of doubt, HKSCC shall not be responsible for any delays or inaccuracies in relation to the reporting of details of Exchange Trades by the Exchange to HKSCC.

HKSCC may require Clearing Participants and Clearing Agency Participants to provide, or to procure their NCPs or Special Participants to provide, details of Exchange Trades to it, such details to be in such form as may be specified by HKSCC from time to time.

(ia) Substitution Process

Where a party to an Exchange Trade is an NCP, the GCP of that NCP designated for clearing such Exchange Trade of that NCP shall become a party to the Exchange Trade as principal in substitution for, and with exactly the same rights and obligations under the Exchange Trade as, that NCP.

Where a party to an Exchange Trade is a Special Participant, the relevant Clearing Agency Participant which clears Exchange Trades for the Special Participant shall become a party to the Exchange Trade as principal in substitution for, and with exactly the same rights and obligations under the Exchange Trade as, that Special Participant.

In relation to a TSF Exchange Trade of a TSF Exchange Participant, the TSF Clearing Participant of that TSF Exchange Participant designated for clearing such TSF Exchange Trade of that TSF Exchange Participant shall become a party to the relevant TSF Exchange Trade and the corresponding TSF FX Transaction as principal in substitution for, and with exactly the same rights and obligations under the relevant TSF Exchange Trade and the corresponding TSF FX Transaction as, that TSF Exchange Participant at the same time as the relevant TSF Exchange Trade is effected on the Exchange Trading System.

(ii) CNS System/Isolated Trades System for Exchange Trades

Subject to the Rules, Exchange Trades are to be cleared and settled in CCASS either:-

- (a) under the Continuous Net Settlement System; or
- (b) under the Isolated Trades System.

An Exchange Trade will be cleared and settled in CCASS under the CNS System unless, (a) in accordance with the Exchange Rules, the two counterparty Exchange Participants to an Exchange Trade elect to settle such trade under the Isolated Trades System or (b) the Exchange Trade is not accepted for clearance and settlement under the CNS System by HKSCC in accordance with the Rules.

Notwithstanding the foregoing, HKSCC shall have the right at any time prior to acceptance for settlement under the CNS System to exclude Exchange Trades for settlement thereunder in which case such trades will be settled under the Isolated Trades System.

For the avoidance of doubt, if HKSCC exercises its right pursuant to Rule 901 to rely on the accuracy of the details of the Exchange Trades reported to it by the Exchange and elects not to accept any Trade Amendment affecting an Exchange Trade which has been accepted for settlement under the CNS System, the acceptance of such Exchange Trade for settlement under the CNS System will be binding on the Clearing Participants and Clearing Agency Participants concerned; and if HKSCC accepts that certain trades shall not be recognized, such trades shall be excluded from clearing and settlement in CCASS and shall be deemed not to have been accepted by HKSCC.

(iii) Settlement period for Exchange Trades

Subject to the Rules, settlement of Exchange Trades effected on each day shall take place on the second Settlement Day thereafter.

901A. Clearance of China Connect Securities Trades

(i) Provision of China Connect Securities Trades Details

In relation to China Connect Securities Trades on each Mainland Business Day, details thereof may be reported to HKSCC by the relevant SEHK Subsidiary, its designated person or the relevant China Connect Clearing House.

HKSCC shall be entitled to rely on the accuracy of the details of the China Connect Securities Trades so reported and act on them in accordance with the

Rules.

For the avoidance of doubt, HKSCC and the Exchange shall not be responsible for any delays or inaccuracies in relation to the reporting of details of China Connect Securities Trades by the relevant SEHK Subsidiary, its designated person or the relevant China Connect Clearing House to HKSCC.

HKSCC may require China Connect Clearing Participants to provide details of China Connect Securities Trades to it, such details to be in such form as may be specified by HKSCC from time to time.

(ii) Substitution Process for China Connect Securities Trades

Where a China Connect Exchange Participant for whom a China Connect Securities Trade is executed is an NCCCP, the GCP of that NCCCP designated for clearing China Connect Securities Trades of such NCCCP 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 NCCCP.

(iii) CNS System for China Connect Securities Trades

Subject to the Rules, China Connect Securities Trades are to be cleared and settled in CCASS under the CNS System and any China Connect Securities Trade which has been accepted by HKSCC for settlement under the CNS System will be binding on the China Connect Clearing Participants concerned.

(iv) Settlement period for China Connect Securities Trades

Subject to the Rules, for China Connect Securities Trades effected on each Trading day, securities settlement shall take place on the same day, while money settlement shall take place on the same day or T+1 in accordance with Section 10A.4.5 of the Operational Procedures.

902. Clearance of Clearing Agency Transactions

(i) Provision of Clearing Agency Transactions details

In relation to Clearing Agency Transactions, details thereof are to be reported to HKSCC by the Clearing Agency Participant in accordance with such procedures, terms and conditions as are agreed upon with HKSCC from time to time.

HKSCC may require relevant Participants to provide details of Clearing Agency Transactions to be settled in CCASS in such forms and at such times as may be specified by HKSCC from time to time.

HKSCC shall be entitled to rely on the accuracy of the details of the transactions so reported (and, in its absolute discretion, may but shall not be required to

accept from the Clearing Agency Participant amendments to transaction details previously reported) and act on them accordingly.

For the avoidance of doubt, HKSCC shall not be responsible for any delay and/or loss that may result to any Participant from any delayed or failed settlement or otherwise as a result of any delay and/or inaccuracies in the reporting of details of transactions by the Clearing Agency Participant to HKSCC.

(ia) Substitution Process

Where the party to a Clearing Agency Transaction is a NCP, the GCP of that NCP designated for clearing Clearing Agency Transactions of that NCP shall become a party to the Clearing Agency Transaction as principal in substitution for, and with exactly the same rights and obligations under the Clearing Agency Transaction as, that NCP.

(ii) CNS System/Isolated Trades System for Clearing Agency Transactions

Subject to the Rules, the Clearing Agency Transactions are to be cleared and settled in CCASS either:

- (a) under the CNS System; or
- (b) under the Isolated Trades System.

A Clearing Agency Transaction will be cleared and settled in CCASS under CNS System unless (a) the Clearing Agency Participant has isolated the Clearing Agency Transaction for settlement under the Isolated Trades System and reported the transaction as such to HKSCC, or (b) the Clearing Agency Transaction is not accepted for clearance and settlement under the CNS System by HKSCC in accordance with the Rules.

Notwithstanding the foregoing, HKSCC shall have the right at any time prior to acceptance for settlement under the CNS System to exclude Clearing Agency Transactions for settlement thereunder in which case such transactions will be settled under the Isolated Trades System.

For the avoidance of doubt, if HKSCC exercises its right pursuant to Rule 902 to rely on the accuracy of the details of the Clearing Agency Transactions reported to it by the Clearing Agency Participant for settlement under the CNS System, the acceptance of such Clearing Agency Transactions for settlement under the CNS System will be binding on the Participants concerned.

(iii) Settlement period for Clearing Agency Transactions

Subject to the Rules, settlement of Clearing Agency Transactions effected on each day shall take place on the second Settlement Day thereafter or such other

day as determined by HKSCC from time to time.

903. HKSCC's discretion not to operate CNS System

For the avoidance of doubt, HKSCC shall have the right not to operate the CNS System or to restrict its operation to some only of the Eligible Securities and Participants.

904. Clearance of other transactions : SIs

Except in relation to Exchange Trades, China Connect Securities Trades, Clearing Agency Transactions, Investor Settlement Instructions, Transfer Instructions and Cross-border Transfer Instructions, the clearance of any other transaction to be settled in CCASS will require the input by each Participant other than an Investor Participant to such transaction (whether using a CCASS Terminal or, if the Participant is a Synapse User, via Synapse) of a Settlement Instruction, containing such details as are specified in and otherwise in accordance with the Operational Procedures. Where the details input by the Participant contain information of or relating to any person other than a Participant, the Participant undertakes and confirms to HKSCC that it has obtained the written consent of the relevant person to input the information for the purpose of the Rules and to facilitate the provision of CCASS services by HKSCC to Participants in accordance with the Rules. Notwithstanding the input of any such details in a Settlement Instruction by a Participant, HKSCC shall be under no obligation to recognize any right or interest which any person may have or claim to have in relation to the relevant transaction or any matters concerning CCASS, and the Participant shall at all times be liable as principal to HKSCC.

Settlement Instructions input by Participants will be subject to matching in accordance with the Operational Procedures and when matched, the relevant transactions will, unless rejected by HKSCC, be accepted for settlement in CCASS in accordance with the Rules.

For the avoidance of doubt, HKSCC will not be responsible in any way for the failure of a Participant to settle an SI Transaction in CCASS in accordance with the terms as agreed between the two counterparty Participants.

905. Clearance of other transactions : ISIs

An Investor Settlement Instruction will require a Participant to input details of the Investor Settlement Instruction, including such details as are specified in the Operational Procedures via a CCASS Terminal, a Participant Gateway, or the CCASS Internet System (as the case may be). An Investor Participant may provide such details to HKSCC at the Customer Service Centre.

An Investor Settlement Instruction may either be an Investor Settlement Instruction (without affirmation) or an Investor Settlement Instruction (with affirmation) as provided in section 12.3 of the Operational Procedures. As soon as an Investor Settlement Instruction (without affirmation) is input (and authorised, if required), the relevant transaction will, unless rejected by HKSCC, be accepted for settlement in

CCASS in accordance with the provisions of the Rules. Where an Investor Settlement Instruction (with affirmation) is input (and authorised, if required), the counterparty Investor Participant will be required to affirm the details of such Investor Settlement Instruction via the CCASS Internet System or at the Customer Service Centre. As soon as the Investor Settlement Instruction (with affirmation) is affirmed by the counterparty Investor Participant, the relevant transaction will, unless rejected by HKSCC, be accepted for settlement in CCASS in accordance with the provisions of the Rules.

For the avoidance of doubt, HKSCC will not be responsible in any way for the failure of a Participant to settle an ISI Transaction in CCASS in accordance with the terms as agreed between the two counterparty Participants.

906. Clearance of other transactions : TIs

Each Participant that wishes to effect electronic transfers of Exchange Fund Notes, Government Bonds or Specified Instruments between its Stock Account and the CMU Account of a Recognized Dealer or electronic transfers of CMU Instruments between its Stock Account and the CMU Account of a CMU Member must complete and sign (and stamped with the company chop, if applicable) the appropriate instruction form in the form prescribed by HKSCC from time to time. Such completed and signed form must be submitted to HKSCC at the CCASS Depository or the Customer Service Centre for processing by HKSCC.

Transfer Instructions submitted by Participants will be subject to clearing and settlement in accordance with the Operational Procedures.

For the avoidance of doubt, HKSCC will not be responsible in any way for the failure or delay of a Participant, a Recognized Dealer or a CMU Member to settle a transfer of Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments in accordance with Transfer Instructions. If one of the parties is in default, the other will have to pursue the party in default.

907. Clearance of other transactions: Cross-Border Transfer Instructions

Each Participant that wishes (i) Foreign Securities to be transferred from an account of a person (other than HKSCC or the Nominee) with an Appointed Depositary to HKSCC's account or the Nominee's account with that Appointed Depositary (or vice versa); or (ii) Uncertificated Eligible Securities to be transferred from an Overseas Account to its Stock Account with CCASS (or vice versa), must complete and submit to HKSCC an instruction form in the form prescribed by HKSCC from time to time (stamped with the company chop, if applicable). The completed and signed form must be submitted to HKSCC at the CCASS Depository for processing by HKSCC.

Cross-Border Transfer Instructions submitted by Participants shall be processed in accordance with the Operational Procedures.

For the avoidance of doubt, HKSCC shall not be responsible in any way to a Participant or any other person for any failure or delay of the clearance or settlement of a transaction to which a Cross-Border Transfer Instruction relates.

CHAPTER 10

SETTLEMENT SERVICES

1001. Book-entry settlement

HKSCC may provide settlement services to Participants in relation to transactions accepted by it for settlement and/or clearance. The right to receive and the obligation to deliver Eligible Securities arising out of transactions accepted for settlement and/or clearance in CCASS or through an Appointed Depositary will be settled by credit and debit entries respectively made to the Stock Accounts of Participants.

1002. Transactions accepted for settlement

Transactions accepted for settlement and/or clearance by HKSCC may include:

- (i) Exchange Trades (including TSF Exchange Trades) under the CNS System;
- (ii) Exchange Trades under the Isolated Trades System;
- (iia) China Connect Securities Trades under the CNS System;
- (iii) Clearing Agency Transactions under the CNS System;
- (iv) Clearing Agency Transactions under the Isolated Trades System;
- (v) transactions arising out of matched Settlement Instructions by two counterparty Participants;
- (vi) transactions arising out of input (and authorised, if required) of Investor Settlement Instructions (without affirmation) by Participants or affirmed Investor Settlement Instructions (with affirmation) by Investor Participants concerned;
- (vii) Compulsory Stock Borrowing Transactions in CCASS;
- (viii) transactions arising out of cleared Transfer Instructions and Cross-Border Transfer Instructions by Participants concerned; and
- (ix) such other transactions as HKSCC may from time to time accept for settlement in CCASS (including TSF FX Transactions and Stock Release FX Transactions).

1003. Settlement by DIs or Batch-settlement-runs or on-line delivery

Subject to the Rules and to the availability of Eligible Securities in the relevant Stock Accounts of the delivering Participants, settlement of the right to receive and the obligation to deliver Eligible Securities arising out of transactions accepted for settlement in CCASS will be given effect on each Settlement Day either : -

- (i) at the initiation of the delivering Participants by the input of Delivery

Instructions; or

- (ii) pursuant to Batch-settlement-runs effected by HKSCC (except those Isolated Trades and those transactions accepted for settlement in CCASS by matched Settlement Instructions, which are specifically excluded from Batch-settlement-runs by either or both of the delivering and receiving Participants in accordance with the Operational Procedures, those transactions accepted for settlement in CCASS by input (and authorisation, if required) of Investor Settlement Instructions (without affirmation) or by affirmed Investor Settlement Instructions (with affirmation) which are specifically excluded from Batch-settlement-runs by the relevant Participant inputting the ISI in accordance with the Operational Procedures and those transactions accepted for settlement in CCASS by Investor Settlement Instructions (without affirmation) input (and authorised, if required) after 3:45 p.m. on a Settlement Day by Participants or by Investor Settlement Instructions (with affirmation) affirmed after 3:45 p.m. on a Settlement Day by Investor Participants); or
- (iii) by way of on-line delivery by HKSCC upon input (and authorisation, if required) of an Investor Settlement Instruction (without affirmation) by the Participant or upon affirmation of an Investor Settlement Instruction (with affirmation) by the Investor Participant concerned, provided that there are sufficient Eligible Securities in the Stock Account of the delivering Participant concerned, and, in the case of settlement of an ISI Transaction or SI Transaction to be settled in CCASS on a RDP basis, upon receipt of confirmation of payment of such transaction from the Clearing House of HKAB, and, in the case of a Compulsory Stock Borrowing Transaction, upon matching of an automatic borrowing request by HKSCC with a lendable position of a Lender following the final Batch-settlement run on a Settlement Day, upon matching of a recall request inputted by the Lender or upon input of a return request by HKSCC

all in accordance with the provisions of the Rules.

For the avoidance of doubt, transactions accepted for settlement in CCASS by virtue of input (and authorisation, if required) of Investor Settlement Instructions (without affirmation) by Participants or by virtue of affirmed Investor Settlement Instructions (with affirmation) will, subject to (i) the Rules, (ii) the availability of Eligible Securities in the relevant Stock Accounts of the delivering Participants, and (iii) the payment method specified in the Investor Settlement Instructions, be settled on-line immediately following input (and authorisation, if required) of the Investor Settlement Instructions (without affirmation) by Participants or affirmation of the Investor Settlement Instructions (with affirmation) by the relevant Investor Participants, as the case may be. If there are insufficient Eligible Securities in the relevant Stock Accounts of the delivering Participants, settlement will, subject to the Rules and the availability of Eligible Securities as aforesaid, be given effect to by Batch-settlement-runs effected by HKSCC in accordance with the Operational Procedures.

A DVP on hold mechanism operates where (i) an ISI Transaction is to be settled in CCASS on a DVP basis and (ii) the delivering Participant requires it to be operated. If

the on hold mechanism operates, the Eligible Securities to be credited to the paying Participant's Stock Account under the ISI Transaction will be put on hold. They will stay on hold until Negative Confirmation of Payment in response to the relevant debit EPI has been obtained from the paying Participant's Designated Bank. While the Eligible Securities are on hold they will remain the property of the delivering Participant and may not be withdrawn from CCASS or transferred or otherwise used by the delivering Participant or the paying Participant. Once the Negative Confirmation has been obtained, the Eligible Securities will become the property of the paying Participant and may be withdrawn from CCASS or transferred or otherwise used by the paying Participant. If Negative Confirmation has not been obtained and the paying Participant's Designated Bank does not make payment in response to the relevant debit EPI, HKSCC will recredit the Eligible Securities to the delivering Participant's Stock Account and the delivering Participant will be free to withdraw them from CCASS or transfer or otherwise use them.

An RDP on hold mechanism also operates where an ISI Transaction or an SI Transaction is to be settled in CCASS on an RDP basis. This on hold mechanism operates automatically. The Eligible Securities will be put on hold in the delivering Participant's Stock Account for a period determined by HKSCC in accordance with the Operational Procedures. Until the Eligible Securities ceased to be on hold they will remain the property of the delivering Participant and may not be withdrawn from CCASS or transferred or otherwise used by the delivering Participant or the paying Participant.

For the avoidance of doubt, settlement in CCASS on a RDP basis is subject to the availability of the Eligible Securities in the relevant Stock Accounts of the delivering Participants.

In respect of SI Transactions, a Participant may opt to apply an on hold mechanism to the Eligible Securities credited to its Stock Account upon the settlement of an SI Transaction for the specific purpose of settling another SI Transaction to which the Participant is the delivering party. Such Eligible Securities shall not be used for any purpose other than the settlement of the Participant's obligation to deliver under the relevant SI in accordance with the Operational Procedures. A Participant other than an Investor Participant may also opt to apply an on hold mechanism for holding settlement of an SI Transaction or an ISI Transaction. An SI Transaction subject to this on hold mechanism will be excluded from settlement by DI and the next Batch-settlement-run after successful matching. Settlement of such SI Transaction will not be effected until the matched on hold status has been released by the initiating party or parties, as the case may be, in accordance with the Operational Procedures. Similarly, an ISI Transaction subject to this on hold mechanism will be excluded from settlement by DI, Batch-settlement-runs and online settlement initiated by the input of an ISI (without affirmation) or affirmation of an ISI (with affirmation). Settlement of such ISI Transaction will not be effected until the on hold mechanism has been released by the initiating Participant.

In case a China Connect Clearing Participant has an overdue short CNS position in a

China Connect Security, settlement of the Participant's delivering SI Transactions in relation to such China Connect Security will only be effected under the circumstances as referred to in Section 12.1.6(vi)(e) of the Operational Procedures.

1004. Batch-settlement-runs: sequence of deliveries

The sequence of settlement of transactions in the same Eligible Security by the same delivering Participant included in the same Batch-settlement-run shall be made in accordance with the Operational Procedures or in such other manner as is considered by HKSCC to be appropriate in the circumstances.

HKSCC may, in relation to the settlement of the transactions of a Participant, give priority to, first the settlement of obligations to deliver Eligible Securities by the Participant under the CNS System and second, the settlement of obligations to deliver Eligible Securities by the Participant under the Isolated Trades System.

1005. Unsettled SI transactions

Without prejudice to the rights and liabilities as between the two Participants concerned, transactions accepted for settlement in CCASS by virtue of matched Settlement Instructions which remain unsettled after the relevant stipulated settlement dates may be rejected for settlement in CCASS by HKSCC in accordance with the Operational Procedures.

1006. Unsettled ISI transactions

Without prejudice to the rights and liabilities as between the two Participants concerned, transactions accepted for settlement in CCASS by virtue of input (and authorisation, if required) of Investor Settlement Instructions (without affirmation) or affirmed Investor Settlement Instructions (with affirmation) which remain unsettled after the relevant stipulated settlement dates may be rejected for settlement in CCASS by HKSCC in accordance with the Operational Procedures.

Unaffirmed ISI (with affirmation) or pending ISIs will be purged from CCASS by HKSCC in accordance with the Operational Procedures.

1007. Transfer Instructions

The settlement of Transfer Instructions and Cross-Border Transfer Instructions shall be effected in accordance with the Operational Procedures.

Without prejudice to the rights and liabilities as between the Participant and its counterparty Transfer Instructions and Cross-Border Transfer Instructions which remain unsettled after the stipulated settlement date will not be given effect by HKSCC.

1008. [Repealed]

CHAPTER 11

NOMINEE SERVICES

1101. Scope and extent of nominee and similar services

Subject to the Rules, applicable laws and applicable regulatory approval, in respect of Eligible Securities deposited into or otherwise held or recorded in CCASS and credited to the Stock Accounts of Participants and in respect of New Issue Shares, HKSCC may from time to time provide nominee and similar services to Participants in such manner and to such extent and at such times as it considers appropriate. The services may include:

- (i) the collection or receipt of dividends, interest payments, redemption proceeds, distributions, rights, entitlements, securities, and other properties and documents with respect to such Eligible Securities;
- (ii) the distribution or payment to Participants of dividends, interest payments, redemption proceeds, distributions, rights, entitlements, securities and other properties and documents received by HKSCC or its nominee with respect to such Eligible Securities and if practicable, the making of disposal arrangements in respect of distributions which would otherwise be difficult or impracticable for Participants to realize for the benefit of the relevant Participants;
- (iii) (a) the appointment of Participants or persons nominated by Participants as proxies or representatives of HKSCC or the Nominee for the purposes of attending and voting at meetings of holders of such Eligible Securities or other similar purposes, (b) in respect of Uncertificated Eligible Securities (where applicable and where the applicable laws, rules or regulations so permit or require), the communication or passing on of any voting or other instructions, proxy nominations or appointments or other authorizations, declarations, requests or information received from Participants to the Overseas Issuer or its authorized agents or representatives including the Issuer's principal or branch share registrar, and (c) in respect of China Connect Securities, where applicable and where the applicable laws, rules or regulations or constitutional documents of the relevant issuer so permit or require, the communication or passing on of any voting or other instructions, proxy nominations or appointments or other authorizations, declarations, requests or information received from Participants to the issuer or its authorized agents or representatives;
- (iv) the seeking of instructions from Participants with regard to the exercise of rights or entitlements accruing to such Eligible Securities or the participation in other actions, transactions or matters affecting them and the giving effect to instructions so received from Participants;
- (v) if practicable, the making of arrangements to enable Participants directly to enjoy rights or entitlements accruing to such Eligible Securities or to participate in other actions, transactions or matters affecting them;
- (vi) the receipt of and compliance with electronic instructions (a) to cause the Nominee to apply for New Issue Shares on its behalf and (b) to arrange payment and (where applicable) refund of the money, in each case in accordance with the Operational Procedures;
- (vii) the receipt of and compliance with Tender Instructions (a) to cause HKSCC to tender or apply for Exchange Fund Notes, Government Bonds, Specified Instruments or CMU

Instruments on its behalf and (b) to arrange payment and refund of the money due in respect of the tender or application (as the case may be), in each case in accordance with the Operational Procedures;

- (viii) the receipt of and compliance with electronic instructions (a) in respect of any application for the issue or redemption of Units / book-entry deposit or withdrawal of Units and (b) to arrange payment of moneys due, and transfers of securities to be made, on issue and redemption of Units / book-entry deposit or withdrawal of Units and to arrange refunds of moneys due, and retransfers of securities to be made, on cancellation or rejection of any such instructions, in each case in accordance with the Operational Procedures;
- (viiiia) the receipt of and compliance with instructions to cause the Nominee to submit a requisition to an Issuer in accordance with the Operational Procedures; and
- (ix) such other services with respect to rights and entitlements accruing to such Eligible Securities or other actions, transactions, or matters affecting them as HKSCC considers appropriate.

Notwithstanding anything to the contrary in the Rules, HKSCC shall not be obliged to provide any nominee or similar services in respect of Treasury Shares or Treasury Units whose rights and entitlements are excluded by an issuer and are held or recorded in any Stock Account of a Participant, as notified to HKSCC by the relevant issuer or its agent.

If a Participant holds any securities repurchased by an issuer which are not Treasury Shares or Treasury Units, the Participant shall withdraw such securities from CCASS.

Subject to the Rules, a Clearing Participant or Custodian Participant may, in respect of Eligible Securities held in custody or recorded in the CCASS Depository or in an Appointed Depository (as the case may be) and credited to the SSA with Statement Service of the Participant, authorize its SSA Statement Recipient to use voting services and give voting instructions to HKSCC in relation to such Eligible Securities for the account of the Participant. Where the Participant has authorized its SSA Statement Recipient to give voting instructions in relation to such Eligible Securities as aforesaid, the Participant itself shall not give voting instructions in relation to such Eligible Securities. For these purposes, voting instructions include instructions to make demand poll requests and instructions to appoint person nominated by SSA Statement Recipient to attend meetings. HKSCC may from time to time provide the following voting services to SSA Statement Recipient for the account of the Clearing Participant or Custodian Participant in such manner and to such extent and at such times as HKSCC considers appropriate:

- (i) the seeking of voting instructions with regard to such Eligible Securities from SSA Statement Recipients for the account of the Clearing Participants or Custodian Participants and the giving effect to voting instructions so received from them; and
- (ii) the appointment of SSA Statement Recipients or persons nominated by SSA Statement Recipients for the account of Clearing Participants or Custodian Participants as proxies or representatives of HKSCC or the Nominee for the purposes of attending and voting at meetings of holders of such Eligible Securities or other similar purposes, and in respect of Uncertificated Eligible Securities (where applicable or where the applicable laws, rules or regulations so permit or require), the communication or passing on of any voting or other instructions, proxy nominations or appointments or all other authorizations, declarations, requests or information received from SSA Statement

Recipients to the Overseas Issuer or its authorized agents or representatives including the Issuer's principal or branch share registrar.

In respect of Uncertificated Eligible Securities, unless HKSCC otherwise agrees, a Participant shall only give voting or other instructions to HKSCC and not directly to the Overseas Issuer or its principal or branch share registrar (if any). Further, where appropriate arrangements have been put in place, the transmission of corporate and other communications in respect of Uncertificated Eligible Securities to Participants directly by the principal or a branch share registrar of an Overseas Issuer (or vice versa) may be made. Such procedures and arrangements are as set out in the Operational Procedures or as HKSCC may from time to time prescribe. HKSCC may also specify rules and procedures in relation to the treatment of and services available for Uncertificated Eligible Securities in light of the circumstances of a particular case and the applicable laws and regulations of the relevant jurisdiction.

HKSCC may from time to time provide nominee services to Participants in respect of Eligible Securities deposited into CCASS but not yet credited to the Stock Accounts of such Participants in such manner and to such extent and at such times as it considers appropriate. If HKSCC considers appropriate, the Participant may not use or withdraw any entitlements arising from the provision of such nominee services until completion of the registration of the Eligible Securities in the name of HKSCC or its Nominee. During this period if there is any failure by the Participant to perform its obligations to HKSCC or when HKSCC otherwise deems it necessary for its own protection, HKSCC may use, sell or apply any such entitlements without further reference to the Participant and the only obligation of HKSCC to such Participant in respect of the entitlements upon successful registration shall be to pay such Participant an amount equal to the balance and/or to return to such Participant the balance of the entitlements remaining after satisfaction of all obligations and liabilities (actual or contingent) of such Participant to HKSCC.

HKSCC may prescribe rules and procedures for the provision of such nominee services (including, without limitation, the determination by HKSCC of the entitlement of Participants to participate in actions, transactions or other matters affecting Eligible Securities) and shall be authorised to take such action as may be necessary to provide such nominee services to Participants. HKSCC may also take such other action as it may in its absolute discretion consider appropriate or desirable to safeguard the interests of Participants with respect to Eligible Securities deposited into CCASS.

HKSCC shall transmit to Participants other than Investor Participants via CCASS Terminals, FINI (for FINI CP Users only), SWIFT (for subscribers of the CA ISO Message Service only), or other means of communication notices of any actions, transactions or other matters affecting Eligible Securities including those that provide for action to be taken by Participants. Investor Participants will be informed of any actions, transactions or other matters affecting Eligible Securities including those that provide for action to be taken by Participants and SSA Statement Recipients will be informed of any actions affecting Eligible Securities in SSA with Statement Service that are to be voted upon. HKSCC will inform the Investor Participants and SSA Statement Recipients through the activity statement and/or the CCASS Internet System. HKSCC shall not be precluded from using other means of communication to advise Participants and SSA Statement Recipients of any such actions, transactions or matters.

If Eligible Securities credited to the Stock Account of a receiving Participant under an ISI Transaction are on hold, HKSCC may limit the extent of nominee services provided with respect to them. If an ISI Transaction settled on a DVP basis is cancelled by HKSCC because Negative Confirmation of Payment in respect to the relevant debit EPI has not been obtained and the receiving Participant's Designated Bank does not make the relevant payment, HKSCC may make adjustments to the receiving Participant's entitlements.

1102. HKSCC not to act for its own benefit

HKSCC shall not be authorised or entitled to exercise rights or entitlements accruing to Eligible Securities in CCASS belonging to Participants for its own benefit or purpose and except as expressly provided in the Rules, shall not exercise such rights or entitlements without instructions of Participants save in the case where HKSCC considers it will be in the interest of Participants to do so.

1103. Agents to provide nominee and similar services

HKSCC may from time to time appoint or instruct one or more banks, custodians, trust companies, nominee companies, registrars, subsidiary companies, intermediaries or such other entities to provide or to assist in the provision of any of the nominee and similar services contemplated herein. For the avoidance of doubt, HKSCC may also appoint any Appointed Depositary for such purpose.

HKSCC shall be entitled to determine the terms and conditions upon which any person or entity appointed or instructed shall act, including, but not limited to, the scope of nominee and similar services to be rendered by it and the procedures to be adopted in relation thereto.

Participants shall comply with such procedures of the person or entity appointed or instructed relating to the provision of nominee and similar services as shall from time to time be notified by HKSCC or otherwise specified in the Operational Procedures.

Without affecting the generality of the above or Rule 703, in the provision of nominee and similar services in respect of Uncertificated Eligible Securities, HKSCC or the Nominee may enter into or be required to enter into arrangements with the relevant Overseas Issuer (or its agents or representatives) to obtain or receive its assistance in order to provide or otherwise to facilitate the provision of nominee and similar services to Participants upon such terms and conditions as HKSCC or the Nominee may agree. When using any such nominee or similar services, Participants shall comply with and be bound by the terms and conditions of the relevant arrangements and all the other applicable procedures made under the arrangements, as notified to the Participants from time to time or otherwise set out in the Operational Procedures. Where applicable, Participants shall upon request provide HKSCC, the Nominee, any entity it has entered into relevant arrangement with or such other persons as HKSCC may specify with such agreements, confirmations, acknowledgements, declarations or authorizations (i) as HKSCC or the Nominee may require for the provision of the relevant services; or (ii) as HKSCC may be required to obtain or provide under any terms and conditions relating to the relevant arrangement.

1104. Time limit for deposit of Eligible Securities

If HKSCC receives sufficient notice of actions, transactions or other matters affecting an Eligible Security issued in registered form (whether or not proposed by the issuer of the Eligible Security) and for which a record or meeting date or time limit is proposed, HKSCC shall, subject as mentioned below, endeavour to cause such Eligible Securities (other than Foreign Securities) in CCASS to be registered in the name of HKSCC or its nominee on or prior to the record or meeting date or the time limit.

HKSCC may assign a time-limit for the deposit by Participants of such Eligible Securities which are the subject of such actions, transactions or other matters and in respect of such Eligible Securities deposited into CCASS after such a time-limit, HKSCC shall be under no obligation to

register them in the name of HKSCC or its nominee on or prior to the record or meeting date or the time limit.

Participants depositing such Eligible Securities into CCASS subsequent to the time-limit assigned shall have, in relation to such actions, transactions or other matters, no right to receive nominee services from HKSCC in respect of such Eligible Securities and any nominee services in respect of such Eligible Securities may be provided to such Participants at the absolute discretion of HKSCC.

1105. Time limit for instructions etc.

In respect of any actions, transactions or other matters affecting an Eligible Security, HKSCC may assign a time-limit by which instructions, payments and/or other actions required to be taken in relation thereto by Participants (including persons acting with the authority of or on behalf of or for the account of the Participants) must be received by HKSCC. HKSCC may assign a latest time for (a) the giving of Electronic Application Instructions for New Issue Shares by Participants, which shall not be later than the latest time for submitting an application as described in the Prospectus and (b) the giving of Tender Instructions, which shall not be later than (in the case of Exchange Fund Notes and Specified Instruments) two Business Days before the latest time for making the relevant tender or (in the case of Government Bonds and CMU Instruments) the latest time for application on the closing date of the subscription period. Investor Participants will normally be subject to a different time-limit for giving of instructions to HKSCC. Instructions from Participants with respect to any actions, transactions or other matters affecting Eligible Securities and Tender Instructions shall be given to HKSCC electronically via CCASS Terminals and instructions from Participants in their capacity as FINI CP User shall be given to HKSCC electronically via FINI, where applicable, unless otherwise prescribed by HKSCC from time to time. Investor Participants are required to input instructions to HKSCC at the Customer Service Centre or via the CCASS Internet System or by such other means as considered by HKSCC in its absolute discretion to be appropriate in the circumstances. SSA Statement Recipients are required to input voting instructions to HKSCC via the CCASS Internet System or by such other means as considered by HKSCC in its absolute discretion to be appropriate in the circumstances.

The giving of instructions (other than Electronic Application Instructions for New Issue Shares and Tender Instructions) by a Participant will constitute an undertaking by that Participant to HKSCC that it will maintain not less than the number of the relevant Eligible Securities (in respect of which instructions have been given) in its Stock Accounts, (other than the Stock Collateral Control Account and if the Participant is a TSF CCASS Participant, the TSF Accounts) if the instructions require submission of Eligible Securities, on the record or similar date or the date on which the Participant gives the instruction to HKSCC, as the case may be. If any cash or other consideration is required to be paid or submitted under the action, transaction or matter in respect of which the Participant has given instructions (including Electronic Application Instructions for New Issue Shares and Tender Instructions), to give effect to the instructions, a Participant shall maintain sufficient funds in its Designated Bank Account or make available the other consideration or, in the case of Electronic Application Instructions for New Issue Shares, comply with its FINI PFR, to enable HKSCC to effect such instructions relating to such actions, transactions or other matters affecting Eligible Securities or New Issue Shares. Without limiting the generality of the above, to the extent an issuer has excluded any Treasury Shares or Treasury Units from any actions, transactions or other matters affecting an Eligible Security, no instruction shall be given by the Participant in respect of such Treasury Shares or Treasury Units in its Stock Account.

If a Participant fails to comply with this obligation, HKSCC shall be entitled not to give effect to the Participant's instructions and/or to take such other action as HKSCC may consider appropriate, including the taking of disciplinary action, to redress the situation.

If a Participant fails to comply with the time-limit assigned by HKSCC, HKSCC shall be under no obligation to take any action in respect of the Eligible Securities in question in the Stock Accounts of the Participant but shall be authorised, in its absolute discretion, to take such action as it considers appropriate or desirable for the benefit of the Participant.

Participants giving instructions to HKSCC in relation to any actions, transactions or other matters affecting Eligible Securities or New Issue Shares are deemed to have read the offer or other similar documents issued by the Issuers in respect of such rights or entitlements or the Prospectus and/or announcements issued in respect of the New Issues Shares and to have complied with any requirements of the Issuers contained in such offer or similar documents or Prospectus and/or announcements including, without limitation, nationality and shareholding limitation requirements, if any.

Where a Participant gives instructions to HKSCC with respect to any actions, transactions or other matters affecting or relating to any Eligible Securities or New Issue Shares, such instructions may not be amended or revoked by the Participant at any time after the time-limit prescribed by HKSCC for the amendment or cancellation of such instructions or, in the case of electronic applications for the issue and redemption of Units / book-entry deposit or withdrawal of Units, once such instructions have been accepted for processing and/or effected by HKSCC.

Where for any reason a Participant provides HKSCC with instructions relating to any actions, transactions or other matters affecting any Eligible Securities with respect to more than the number of relevant Eligible Securities credited to its Stock Account on the record or similar date and/or with respect to any Treasury Shares or Treasury Units which are excluded by the relevant issuer, HKSCC shall be authorized to effect such instructions by making an adjustment to reflect the actual number of Eligible Securities with respect to which the Participant is entitled to provide instructions by the process of scaling down, unless the Participant specifically advises otherwise.

1106. HKSCC may allocate rights among Participants

Participants acknowledge that not all Eligible Securities held in CCASS or by an Appointed Depositary of an issue in registered form may be registered in the name of HKSCC or its nominee or in the name of the Appointed Depositary or its nominee (as the case may be) in time to allow for the exercise of rights or entitlements (including, without limitation, voting rights) or the participation in actions, transactions or other matters in respect of all such Eligible Securities at the relevant time. Participants further acknowledge that in certain circumstances, including, without limitation, as a result of applicable laws, it may be difficult, impracticable or not permissible for HKSCC or its nominee to exercise rights or entitlements or to participate in actions, transactions or other matters in respect of all Eligible Securities (including, without limitation, China Connect Securities).

Participants agree that in such a case and in all other cases where HKSCC or its nominee may not be able to exercise or participate in such rights, entitlements, actions or transactions in respect of all such Eligible Securities deposited into or otherwise held or recorded in CCASS, HKSCC shall be entitled to allocate the exercise of or participation in such rights, entitlements, actions or transactions among Participants either pro-rata to the number of the relevant Eligible Securities in their Stock Accounts at the relevant time, or in such other manner as it shall consider fair, appropriate and practicable in the circumstances, or to refrain from taking any action or to make such arrangement as it shall consider fair, appropriate and practicable in the circumstances regarding such rights, entitlements, actions or transactions.

Participants further agree that in the event of actions, transactions or other matters in respect of an Eligible Security affecting some but not all of such Eligible Securities held in CCASS or by

an Appointed Depositary (including, but not limited to, the redemption or conversion of Eligible Securities by lot or other similar matters affecting an issue of Eligible Securities), HKSCC shall be entitled to allocate the consequence of such matters among Participants either pro-rata to the number of the relevant Eligible Securities in their Stock Accounts at the relevant time or in such other manner as it shall consider fair and appropriate in the circumstances.

In respect of any Treasury Shares and Treasury Units deposited into or otherwise held or recorded in CCASS, Participants acknowledge that HKSCC or its nominee may not be able to exercise or participate in any rights, entitlements, actions or transactions under applicable law or regulation (including, without limitation, the Exchange's Listing Rules or GEM Listing Rules, as the case may be). HKSCC shall be entitled to disregard such Treasury Shares and Treasury Units as may be notified by the relevant issuer or its agent held or recorded in any Stock Account of a Participant in allocating the exercise of or participation in such rights, entitlements, actions or transactions among Participants.

1107. Fractional entitlements

If, as a result of the provision of nominee services or the exercise of its rights in relation thereto by HKSCC, Participants are entitled to fractional securities, HKSCC shall be authorised to round up or down such fractional securities in such manner as HKSCC considers appropriate.

The Participants' fractional securities entitlements will normally be sold by HKSCC for the benefit of the relevant Participants, although HKSCC reserves the right to postpone the sale of the fractional securities and accumulate such fractional securities if the amount of the proceeds that may be realized in the immediate sale thereof would not justify the costs and expenses of the sale of such fractional securities.

With respect to any such accumulated fractional securities, HKSCC shall be authorised to sell such accumulated fractional securities on such terms and at such times as HKSCC considers appropriate, and to utilize the proceeds of such sale for the benefit of Participants in such manner as considered appropriate.

1108. HKSCC not liable

Without prejudice to any liability HKSCC may have in respect of anything not done or not omitted to be done in good faith on its part, if HKSCC or its nominee shall be unable to exercise rights or entitlements (including, without limitation, voting rights) or to participate in actions, transactions or other matters affecting all or any Eligible Securities deposited into or otherwise held or recorded in CCASS due to:

- (i) limitations on the exercise of or participation in such rights or actions by HKSCC or its nominee imposed by law, the issuer of the Eligible Security, the Depositary, the person initiating or responsible for such actions or any other competent authority; or
- (ii) if HKSCC receives insufficient notice of such rights or actions to enable it (using its best endeavours) to take all relevant steps in time in relation to the exercise of or participation in such rights or actions as contemplated herein; or
- (iii) any act, omission, default, failure, delay or inadequacy of performance of any of the agents, representatives or intermediaries of the Issuer of the Eligible Security (including its principal or branch share registrar) or any entity it has entered into arrangement with for the purposes of provision of any services under the Rules; or
- (iv) any limitation, restriction, moratorium, suspension or deprivation of voting rights or rights to receive dividends or any other rights or entitlements under any applicable law or

regulation or the constitutional documents of the Issuer of the Eligible Security or a competent regulator or authority; or

- (v) any limitations or restrictions that require HKSCC or its nominee to exercise such rights or actions in person at any place outside of Hong Kong without the option to exercise such right or actions by facsimile or electronic means; or
- (vi) any securities being identified by an issuer or its agent as Treasury Shares or Treasury Units,

HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC shall be under no obligation and shall be relieved from any further obligation whatsoever to provide for the exercise of or participation in such rights or actions to Participants and shall not be liable to Participants in any manner whatsoever.

1109. Claims for surplus dividends etc.

Subject to applicable law, in the event that the amount of dividends, interest payments, redemption proceeds, distributions, rights, entitlements, securities, properties etc. received by HKSCC or its nominee in respect of Eligible Securities held in CCASS or by an Appointed Depositary exceeds the amount which HKSCC is required to distribute to Participants and such excess amount shall remain unclaimed for a period of seven years from the date of distribution by HKSCC, HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC shall have no further liability to any Participant or to any person claiming through any Participant, in respect of such dividends, interest payments, redemption proceeds, distributions, rights, entitlements, securities, properties etc. and HKSCC shall be authorised to appropriate such unclaimed excess amount and any interest or other distributions accruing thereto for its own use in relation to the operations of CCASS.

Subject to applicable law, where any claim is made by any Participant for any unclaimed dividends, interest payments, redemption proceeds, distributions, rights, entitlements, securities, properties etc. in the seven years period, such Participant shall not be entitled to any interest or other distributions accruing thereto. Such Participant shall be liable to such administration costs and charges applicable at the time of the claim.

CHAPTER 12

MONEY SETTLEMENT SERVICES

1201. Participants to have Designated Bank Accounts

Each Participant shall maintain a General Purpose Designated Bank Account in its own name and denominated in Hong Kong dollars for the settlement of money obligations 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 China Connect Clearing Participant shall maintain 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.

Each Participant other than an Investor Participant may, at its own discretion and with the approval of HKSCC, maintain in its own name two additional Designated Bank Accounts in Hong Kong dollars:-

- (i) a Designated Bank Account for the settlement of money obligations in respect of ISI Transactions settled on a DVP or RDP basis; and/or
- (ii) a Designated Bank Account for the settlement of money obligations in respect of CCASS transactions (other than ISI Transactions) to be settled via CPIs.

In the case of a Joint Individual Investor Participant, each such Account must be maintained in the name of all of the individuals comprising such Participant.

Save with the written approval of HKSCC, a Participant shall not close or change any of its Designated Bank Accounts or modify HKSCC's authority in respect thereof or change any of its Designated Banks. Without prejudice to the aforesaid, a Clearing Participant which is an Exchange Participant may, subject to the Rules, receive into its General Purpose Designated Bank Account New Issue Brokerage passed on to it.

A Clearing Participant or a Custodian Participant which wishes to make payment in Hong Kong dollars or an Eligible Currency other than Hong Kong dollars under STI Transfers on a DVP basis in CCASS to its SSA Statement Recipient shall provide HKSCC with the information of the receiving bank account of SSA Statement Recipient denominated in Hong Kong dollars or that Eligible Currency, as the case may be. The Clearing Participant or Custodian Participant shall ensure that such receiving bank account is maintained by and in the name of SSA Statement Recipient with a bank that has been approved by HKSCC as a Designated Bank, and that such receiving bank account shall not be closed or changed by SSA Statement Recipient save with the written approval of HKSCC. In providing such information of SSA Statement Recipient to HKSCC, the Clearing Participant or Custodian Participant undertakes to HKSCC that it has obtained the written consent of SSA Statement Recipient to provide the information to HKSCC and for HKSCC to release such information to other persons for the purpose of effecting payment to SSA Statement Recipient.

Each Participant which is a FINI CP User shall ensure that its Designated Bank is a Designated Bank which has been accepted by HKSCC to use FINI in the capacity as a "Bank User" as defined in the FINI Terms and Conditions. Such Designated Bank shall maintain a DB Nominee Account for holding the funds of all the Participants which have appointed the Designated Bank to facilitate their money settlement obligations with respect to their Electronic Application Instructions for New Issue Shares.

1202. Participants to authorise HKSCC

Each Participant shall authorise its Designated Bank or Designated Banks in writing in such form as is from time to time deemed acceptable by HKSCC to (i) give effect to instructions from HKSCC to debit and/or credit its Designated Bank Account(s) and cause payments to be made to its SSA Statement Recipients, HKSCC, other Participants or Issuers (or their receiving bankers), as directed by HKSCC, and (ii) give effect to CHATS Payment Instructions from HKSCC to the Designated Bank(s); and shall take such steps as shall be necessary to ensure this to be the case.

Each Participant which is a FINI CP User shall enter into an appropriate arrangement with its Designated Bank for the operation of the DB Nominee Account (including, without limitation, ensuring that direct debit authorizations are in place for giving effect to instructions generated by FINI to debit and/or credit such DB Nominee Account) to facilitate the Participant's compliance with its FINI PFR and money settlement obligations with respect to its Electronic Application Instructions for New Issue Shares.

Each Participant undertakes not to stop, countermand, or restrain the authority granted to HKSCC and further agrees to ratify and confirm all actions taken by HKSCC in relation to the matters contemplated in Rules 1202 to 1207, and where the Participant is a TSF CCASS Participant, additionally, in relation to the matters contemplated in Rules 12A13 and 12A15.

Each Clearing Participant which is an Exchange Participant is deemed to have authorised HKSCC to disclose information relating to its General Purpose Designated Bank Account to any Issuer and/or its agent subject to the Rules to enable such Issuer or its agent to pay the New Issue Brokerage, if any, into such General Purpose Designated Bank Account.

1203. Extent of HKSCC's authority

HKSCC shall be authorised to cause credits and debits to be made to the Designated Bank Accounts in relation to the following:-

- (i) the money obligations due to or from Clearing Participants by or to HKSCC under the CNS System and all other money payments in relation thereto;
- (ii) the money obligations due to or from Clearing Agency Participants by or to HKSCC under the CNS System and all other money payments in relation thereto;
- (iii) the money obligations, if any, between Clearing Participants in respect of the settlement of Exchange Trades under the Isolated Trades System stipulated to be made against payment in CCASS in accordance with the Rules;
- (iv) the money obligations, if any, between Participants in respect of the settlement of transactions arising out of matched Settlement Instructions stipulated to be made against payment in CCASS in accordance with the Rules;
- (v) the money obligations, if any, between Participants in respect of the settlement of Clearing Agency Transactions under the Isolated Trades System stipulated to be made against payment in CCASS in accordance with the Rules;
- (vi) the money obligations, if any, between a Participant other than an Investor Participant and an Investor Participant in respect of the settlement of transactions arising out of affirmed Investor Settlement Instructions stipulated to be made against payment in CCASS in accordance with the Rules;
- (vii) the provision of nominee services by HKSCC with respect to Eligible Securities

deposited into or otherwise held or recorded in CCASS, including, but not limited to, the distribution by HKSCC of all interest or dividends received by HKSCC or its nominee in respect of such Eligible Securities and the collection of funds from Participants in relation to the provision of nominee services;

- (viii) the payments (except for Electronic Application Instructions for New Issue Shares) and refunds of money referred to in paragraphs 1101 (vi) to (viii) (inclusive) of the Rules in respect of Electronic Application Instructions for New Issue Shares, Tender Instructions and the issue and redemption of Units;
- (ix) the payment of the money due in respect of Tender Instructions and the refund of money resulting from unsuccessful or partially unsuccessful tenders;
- (ixa) the payment of the money received by HKSCC from CMU counterparty on settlement of Transfer Instructions on a delivery versus payment basis in CMU, the return of money paid by the Participant in excess of the actual settlement amount paid on settlement of Transfer Instructions and, the return of money paid by the Participant in respect of unsettled and cancelled Transfer Instruction;
- (x) the payment or settlement of all other sums owing and obligations between HKSCC and Participants (including, without limitation, the fees and expenses payable hereunder) as contemplated in the Rules and all other sums which HKSCC may be authorised by Participants to collect from time to time; and
- (xi) the payment of money by Clearing Participants and Custodian Participants to their SSA Statement Recipients in respect of STI Transfers effected as a result of Stock Segregated Account Transfer Instructions stipulated to be made against payment in CCASS in accordance with the Rules.

Each Participant which is a FINI CP User shall procure that HKSCC shall be authorized by its Designated Bank to cause credits and debits to be made to the DB Nominee Account in relation to the payment of money due in respect of Electronic Application Instructions for New Issue Shares.

HKSCC reserves the right to debit or credit the Designated Bank Accounts to rectify erroneous payments made to or received from Participants and shall notify affected Participants if it exercises this right.

In relation to money obligations in respect of CCASS transactions to be settled via CPIs, HKSCC shall be authorised to generate CPIs in relation to such transactions to the Designated Banks of paying Participants in accordance with the Operational Procedures.

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 Ledger 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 the payment of the New Issue Brokerage into the General Purpose Designated Bank Accounts of Clearing Participants which are Exchange Participants, HKSCC is deemed to have been authorised by the Clearing Participants to disclose to the Issuer and/or its agent information relating to the Clearing Participants' General Purpose Designated Bank

Accounts. For the avoidance of doubt, all New Issue Brokerage paid into the General Purpose Designated Bank Accounts of Clearing Participants shall be subject to the rights and authorities of HKSCC in relation to the General Purpose Designated Bank Accounts under the Rules, including but not limited to HKSCC's right of set off under Rule 1207.

1204. Payments relating to Isolated Trades which are Exchange Trades

In relation to the Isolated Trades System, a delivering Participant shall specify in the Delivery Instruction whether or not the delivery of Eligible Securities in CCASS is to be made against payment in CCASS in accordance with the Rules.

The amount to be paid by the Participant receiving Eligible Securities in respect of an Isolated Trade which is an Exchange Trade shall be in accordance with the terms thereof as reported to HKSCC by the Exchange (or as provided by Participants, as the case may be).

If delivery in respect of an Isolated Trade which is an Exchange Trade is to be made against payment in CCASS in accordance with the Rules, upon delivery of Eligible Securities in CCASS, HKSCC shall facilitate the settlement of money obligations by giving instructions to the Designated Banks of the two Participants concerned to cause the relevant amount to be debited and credited as the case may be, to their Designated Bank Accounts for value on the same Settlement Day.

1205. Payments relating to SI and ISI transactions

In relation to the settlement in CCASS of SI Transactions in Eligible Securities, the two Participants to each transaction shall each specify in the Settlement Instructions whether or not the delivery of Eligible Securities in CCASS is to be made against payment in CCASS in accordance with the Rules on a Delivery Versus Payment or DVP basis or on a Real Time Delivery Versus Payment or RDP basis and if so, specify the amount of such payment. A delivering Participant under an ISI Transaction may also specify in the Investor Settlement Instruction whether or not the Eligible Securities to be delivered to the receiving Participant's Stock Account are to be put on hold until HKSCC obtains Negative Confirmation of Payment from the receiving Participant's Designated Bank in accordance with the Operational Procedures.

In relation to the settlement in CCASS of ISI Transactions in Eligible Securities, the Participant party to such transaction which is not an Investor Participant shall specify in the Investor Settlement Instruction whether or not the delivery of Eligible Securities in CCASS is to be made against payment in CCASS in accordance with the Rules on a Delivery Versus Payment or DVP basis or on a Real Time Delivery Versus Payment or RDP and if so, specify the amount of such payment.

If delivery in respect of a Settlement Instruction or an Investor Settlement Instruction is to be made on a DVP basis in CCASS in accordance with the Rules, upon delivery of Eligible Securities in CCASS, HKSCC shall facilitate the settlement of money obligations by giving instructions to the Designated Banks of the two Participants concerned to cause the relevant amount to be debited and credited to their Designated Bank Accounts for value on the same Settlement Day.

If delivery in respect of a Settlement Instruction or an Investor Settlement Instruction is to be made on a RDP basis in CCASS in accordance with the Rules, upon putting the Eligible Securities on-hold in the delivering Participant's Stock Account, HKSCC shall facilitate the settlement of money obligations by way of CHATS Payment Instructions to the Designated Bank of the paying Participant concerned in accordance with the Operational Procedures. The delivering Participant is deemed to have authorised HKSCC to disclose its bank account information to the paying Participant of a CHATS Payment Instruction.

1205A. Payments relating to STI Transfer

In relation to the transfer of Eligible Securities in CCASS under STI Transfer, the Clearing Participant or Custodian Participant shall specify in the Stock Segregated Account Transfer Instruction whether or not the transfer of Eligible Securities in CCASS is to be made against payment in CCASS in accordance with the Rules on a Delivery Versus Payment or DVP basis and if so, specify the amount of such payment.

1205B. Payments relating to Transfer Instructions

In relation to a transfer of Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instrument to be settled between CCASS and CMU, a Participant shall specify in its Transfer Instruction whether or not the transfer between CCASS and CMU is to be made against payment and if so, specify the amount and the currency of such payment, being the settlement amount and the settlement currency.

Where the transfer is to be effected between CCASS and CMU on a delivery versus payment basis in CMU with payment to be received by HKSCC, HKSCC is authorized to and it will, upon receipt of the settlement confirmation from CMU and the relevant settlement amount, issue a credit entry of the relevant amount to the Participants' Money Ledger to be settled against its Designated Bank Account in accordance with the Operational Procedures.

Where the transfer is to be effected between CCASS and CMU on a delivery versus payment basis in CMU with payment to be made to a Recognized Dealer or CMU Member, the Participant must pay the required amount of payment, being the aggregate of the settlement amount and an amount equivalent to the value determined by the CMU from time to time as the tolerance limit of settlement amount, to HKSCC before the specified deadline in accordance with the Operational Procedures to facilitate the settlement of the transfer between CCASS and CMU in accordance with the Transfer Instruction. Otherwise, the Transfer Instruction will not be effected. HKSCC is authorized to pay the required amount of payment received from the Participant or any part thereof to the relevant Recognized Dealer or CMU Member in respect of the settlement of the transfer between CCASS and CMU in accordance with the Operational Procedures and to return the remaining balance of the required amount of payment (if any) to the Participant. If the Transfer Instruction is not settled and cancelled, the required amount of payment received by HKSCC will be returned to the Participant. HKSCC is authorized to credit the Participant's Money Ledger with the relevant amounts in accordance with the Operational Procedures.

1206. Payments relating to Isolated Trades which are Clearing Agency Transactions

In relation to an Isolated Trade which is a Clearing Agency Transactions, the Clearing Agency Participant shall upon reporting of the transaction details, indicate whether or not the delivery of Eligible Securities in CCASS is to be made against payment in CCASS in accordance with the Rules.

The amount to be paid by the Participant receiving Eligible Securities in respect of an Isolated Trade which is a Clearing Agency Transaction shall be in accordance with the terms thereof as reported to HKSCC by the Clearing Agency Participant.

If delivery in respect of an Isolated Trade which is a Clearing Agency Transaction is to be made against payment in CCASS in accordance with the Rules, upon delivery of Eligible Securities in CCASS, HKSCC shall facilitate the settlement of money obligations by giving instructions to the Designated Banks of the Participants concerned to cause the relevant amount to be debited and credited, as the case may be, to their Designated Bank Accounts for value on the same

Settlement Day.

1206A. Payments relating to TSF FX Transactions and Stock Release FX Transactions

For payments relating to TSF FX Transactions and Stock Release FX Transactions, Rules 12A11 and 12A12 shall apply respectively.

1207. Set-off

HKSCC shall be entitled to apply any sums denominated in any currency standing to the credit of any account (including but not limited to any account in Money Ledger or CCMS) with HKSCC of a Participant in satisfaction of any sum denominated in any currency due or payable by such Participant to HKSCC, whether actual or contingent, and whether solely or jointly with any other person.

Subject to any applicable Clearing Links Agreement, where a Participant operates or is liable to HKSCC in one or more capacities (including but not limited to being a China Connect Clearing House) and under one or more arrangements (including but not limited to one or more Clearing Links) under these Rules, and HKSCC terminates the relevant arrangement(s) due to the declaration by HKSCC of an Event of Default in respect of such Participant, then upon such termination, all obligations between the Participant and HKSCC in any capacity or under any arrangement under the Rules to return any settlement guarantee fund, settlement reserve fund or other assets or amounts transferrable or transferred for risk management purposes in respect of the clearing and settlement of any Exchange Trades or China Connect Securities Trades (or the cash equivalent of such assets as determined by HKSCC) shall accelerate and become immediately due and payable, and HKSCC shall be entitled to apply any due and payable amounts owed between itself and such Participant in connection with the settlement or risk management of any Exchange Trades or China Connect Securities Trades and any sums denominated in any currency standing to the credit of any account (including but not limited to any account in Money Ledger or CCMS) with HKSCC of such Participant (in any capacity or under any arrangement) by way of set-off, such that only a net sum shall be payable by or to such Participant, provided that any paid shares held by such Participant on behalf of other persons shall not be included in such application.

Any agreement between a Participant and HKSCC to the contrary notwithstanding, if a Participant has multiple Designated Bank Accounts, HKSCC may treat them as one account for the purposes of this Rule.

For the purpose of this Rule, HKSCC is authorised to purchase with sums denominated in any currency standing to the credit of any such account such other currencies as may be necessary to effect such application and any agreement relating to such credit balance shall be deemed to incorporate a provision entitling HKSCC so to apply such credit balance whether or not the same is held on any special terms (including where it shall only be repayable at some future date).

HKSCC shall not be obliged to exercise its rights under this Rule.

1208. Sums payable on demand/default interest

Notwithstanding any other provision in the Rules, all sums due or payable by Participants to HKSCC pursuant to the Rules shall be payable on demand and HKSCC shall be entitled to require payment in such manner as it considers appropriate including, without limitation, payment by CHATS, telegraphic transfer, bank draft or cashier order.

If any sum due and payable by a Participant to HKSCC is not paid when due, HKSCC shall be entitled to require payment of default interest on the outstanding amount at such rate as shall

from time to time be decided by HKSCC (but not exceeding 3% above the prime lending rate prevailing at the time as determined by HKSCC).

Unless otherwise provided in the Rules, no interest will be payable by HKSCC on any sum due or payable by HKSCC to Participants.

1209. Extent of obligations of HKSCC

The extent of HKSCC's obligation to provide money settlement services hereunder is limited to the giving of instructions (i) to the Designated Banks to cause debits and credits to be made to the Designated Bank Accounts of Participants or the DB Nominee Accounts maintained for Participants which are FINI CP Users as contemplated in the Rules and to endeavour to give such instructions to the Designated Banks in time to achieve payment for value the same day and (ii) the generating of CHATS Payment Instructions from HKSCC to the Designated Banks of paying Participants to facilitate money settlement in accordance with the Operational Procedures.

The extent of involvement of HKSCC in relation to the payment of the New Issue Brokerage to the General Purpose Designated Bank Accounts of Clearing Participants which are Exchange Participants is limited to the provision of information relating to the General Purpose Designated Bank Accounts to the Issuer and/or its agent to facilitate them to make payment into such General Purpose Designated Bank Accounts.

Without prejudice to any liability that HKSCC may have in respect of anything not done or not omitted to be done in good faith on its part, HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC shall not be liable for any delay by any Designated Bank in giving effect to HKSCC's instructions or if HKSCC fails to give instructions to any Designated Bank in time on a Settlement Day to achieve payment for value the same day or for any error, discrepancy, delay, default or failure by any Issuer and/or its agent in paying the New Issue Brokerage into the General Purpose Designated Bank Account of any Clearing Participant which is an Exchange Participant or for any delay or failure by HKSCC in providing information in time to facilitate payment of the New Issue Brokerage into the General Purpose Designated Bank Account or for any delay, error or failure in the transmission, receipt or execution of information or instructions due to a breakdown or failure of any communication or telecommunications network facilities or for any delay, error, omission or default on the part of, or of any operator of, any clearing house for any Eligible Currency or of any institution or person providing clearing and settlement services in any Eligible Currency or, without prejudice to the generality of the foregoing, for any defective or incorrect or incomplete messages received from any such clearing house, operator, institution or person or from any action taken or omitted by HKSCC in reliance on such messages.

1210. Tax

HKSCC shall make any payments due to a Participant net of any Withholding Tax (whether withheld by HKSCC or any other parties), and HKSCC shall have no obligation to gross-up any such payment or to pay any additional amount as a result of such Withholding Tax. HKSCC shall be entitled to deduct Withholding Tax from payments to a Participant.

In the event that any payment made by a Participant to HKSCC is subject to deduction or withholding (either at the time of such payment or in the future) for or on account of any Withholding Tax, then the Participant shall pay to HKSCC an amount, in addition to the payment to which HKSCC is otherwise entitled, necessary to ensure that the net amount actually received by HKSCC (free and clear of any such deduction or withholding for or on account of any such Withholding Tax), will be equal to the full amount HKSCC would have received in the absence of any such deduction or withholding.

CHAPTER 12A

FOREIGN EXCHANGE SERVICES

12A01. The TSF

HKSCC may, as TSF operator, provide FX Services to TSF Participants for the purpose of facilitating the purchase and sale of TSF Stocks traded on the Exchange based on the following principles:

- (i) HKSCC may provide FX Services to TSF Exchange Participants for the conversion of HKD to RMB (to support TSF Buy FX Orders and TSF Buy FX Transactions) and to TSF Participants for the conversion of RMB to HKD (to support TSF Sell FX Orders, TSF Sell FX Transactions and Stock Release FX Transactions);
- (ii) TSF Exchange Participants which place a TSF Buy FX Order accept that the funds in RMB which HKSCC may provide under the FX Services shall be applied towards the purchase of the relevant TSF Stocks only and accordingly shall only be used for the purposes of settling the corresponding TSF Buy Exchange Trade, when effected on the Exchange Trading System;
- (iii) For the clearing and settlement of TSF Exchange Trades and for the settlement of the corresponding TSF FX Transactions, in accordance with Rule 901(ia) of the Rules, the rights and obligations of a TSF Exchange Participant under or in relation to a TSF Exchange Trade and the corresponding TSF FX Transaction shall be assumed and taken up, as principal, in substitution for, and with exactly the same rights and obligations under the TSF Exchange Trade and the corresponding TSF FX Transaction, by the TSF Clearing Participant which has been designated by the TSF Exchange Participant for clearing TSF Exchange Trades; and where a TSF Exchange Participant is itself a TSF Clearing Participant, such rights and obligations shall be assumed by it as Direct Clearing Participant under the Rules;
- (iv) For the purposes of providing the FX Services and fulfilling its obligations arising from the provision of such services, HKSCC may acquire RMB from, and sell RMB to, one or several TSF Partner Banks on a principal-to-principal basis. Subject to obtaining such RMB funding from TSF Partner Banks, HKSCC may provide the FX Services to TSF Participants also on a principal-to-principal basis. Accordingly, the provision of FX Services for a TSF FX Order and for the settlement of a TSF FX Transaction or a Stock Release FX Transaction is conditional and dependent on the relevant TSF Partner Bank providing FX rates to HKSCC and delivering to HKSCC the relevant funds in RMB or HKD, as the case may be;
- (v) TSF Stocks purchased with the support of the TSF shall be earmarked as such; held in TSF Accounts as prescribed by these Rules; and be subject to restrictions on transfer to other Stock Accounts and withdrawal of share certificates from CCASS;
- (vi) TSF Participants wishing to sell earmarked TSF Stocks shall, except where a Stock

Release Request is accepted by HKSCC or otherwise permitted under the Rules, be obliged to sell such TSF Stocks through the use of the TSF and to accept the sale proceeds of such TSF Stocks in HKD;

- (vii) The sale of earmarked TSF Stocks through the use of the TSF will result in the de-earmarking of the TSF Stocks. De-earmarking can also be effected through the submission of a Stock Release Request to HKSCC in accordance with the Rules and the Operational Procedures;
- (viii) In the event that HKSCC is unable to obtain RMB or HKD from TSF Partner Banks, HKSCC shall have the option to exercise its powers as set out in Rule 12A20 without obtaining the prior consent of any person; and
- (ix) The terms and conditions for the provision of the FX Services as set out in these Rules and the Operational Procedures may be amended by HKSCC from time to time. Without prejudice to Rules 102 and 103, HKSCC may impose additional requirements or special conditions on the provision of the FX Services whenever it considers appropriate. Further, HKSCC may vary, modify, waive or disapply these Rules to suit the circumstances of a particular situation as a variety of circumstances may exist which require it to make ad hoc decisions in relation to the operation of the TSF. Specifically, HKSCC has the power to suspend or cease to provide the FX Services temporarily or permanently in its sole and absolute discretion.

12A02. TSF Participants

Only TSF Participants will be permitted to use the TSF.

There are two categories of TSF Participants: TSF Exchange Participants and TSF CCASS Participants. The Exchange has the power to accept Exchange Participants as TSF Exchange Participants and HKSCC has the power to accept Participants as TSF CCASS Participants. An entity may be accepted as a TSF Exchange Participant and a TSF CCASS Participant.

There are two categories of TSF CCASS Participants: TSF Clearing Participants and TSF Custodian Participants. HKSCC may by notice from time to time prescribe the eligibility criteria for Participants to be accepted for registration and to remain registered as TSF CCASS Participants.

12A03. Criteria for registration as TSF CCASS Participants

- (i) Only the following categories of Participants shall be eligible to apply for registration and to remain registered as TSF CCASS Participants:
 - (a) Direct Clearing Participants;
 - (b) General Clearing Participants; and
 - (c) Custodian Participants.

- (ii) For the avoidance of doubt, the following categories of Participants shall not be eligible to apply for registration as TSF CCASS Participants:
 - (a) Investor Participants;
 - (b) Stock Lender Participants;
 - (c) Stock Pledgee Participants; and
 - (d) Clearing Agency Participants.
- (iii) In the case of a Clearing Participant, to be accepted for registration and to remain registered as a TSF Clearing Participant, it must:
 - (a) meet the TSF Participant Registration Criteria; and
 - (b) be approved as a TSF Clearing Participant and such approval must not have been withdrawn by HKSCC.
- (iv) In the case of a Custodian Participant, to be accepted for registration and to remain registered as a TSF Custodian Participant, it must:
 - (a) meet the TSF Participant Registration Criteria; and
 - (b) be approved as a TSF Custodian Participant and such approval must not have been withdrawn by HKSCC.
- (v) A Participant wishing to apply for registration as a TSF CCASS Participant must apply to HKSCC in writing in such form as HKSCC may from time to time prescribe. HKSCC's decision in respect of an application shall be final and conclusive. Where an application is rejected, HKSCC is not obliged to give any reasons for its decision.

12A04. TSF Stocks

HKSCC may establish and maintain a list of TSF Stocks designated as eligible to be traded on the Exchange with the support of the TSF. The list of TSF Stocks may be amended by HKSCC from time to time in its absolute discretion. HKSCC may publish the list of TSF Stocks on the HKEX website or by such other means as it considers appropriate.

Unless HKSCC otherwise determines, the TSF shall only be available for supporting the trading of Eligible Securities in the form of shares (which may be denominated in any currency) which are accepted for trading on the Exchange in RMB and which are included in the list of TSF Stocks.

12A05. FX Services

HKSCC may provide FX Services to TSF Participants in respect of TSF FX Orders, TSF FX Transactions and Stock Release FX Transactions. HKSCC reserves the right to impose a fee on the provision of the FX Services.

In the case of TSF Buy FX Orders and TSF Buy FX Transactions, provision of the FX Services involves HKSCC selling RMB to a TSF Participant on a principal-to-principal basis through the conversion of HKD to RMB.

In the case of TSF Sell FX Orders, TSF Sell FX Transactions and Stock Release FX Transactions, provision of the FX Services involves HKSCC buying RMB from a TSF Participant on a principal-to-principal basis through the conversion of RMB to HKD.

The FX Services will not be provided to support the trading of Eligible Securities which are not TSF Stocks.

12A06. Trades supported by TSF

TSF is only available for trades:

- (i) which are designated by a TSF Exchange Participant as trades which require the FX Services and are effected on the Exchange Trading System in accordance with the Exchange Rules; and
- (ii) which are Exchange Trades accepted by HKSCC for settlement under the CNS System in accordance with the Rules.

12A07. Trades and transactions not supported by TSF

TSF is not available to:

- (i) any trades that are not accepted by HKSCC for settlement under the CNS System or are settled under an Isolated Trade System;
- (ii) any SI, ISI, STI or Clearing Agency Transactions; and
- (iii) any trades which have not been designated by a TSF Exchange Participant as requiring the FX Services.

12A08. TSF Accounts

Upon registration of a Participant as a TSF CCASS Participant, HKSCC may allocate a TSF Principal Account and a TSF Segregated Account for the use of such Participant. The TSF Accounts are in addition to the Stock Accounts allocated to such Participant under Rule 601.

The TSF Accounts are Stock Accounts established within CCASS in the name of a TSF CCASS Participant for the sole purpose of holding earmarked TSF Stocks.

A TSF Principal Account is the main Stock Account where earmarking or de-earmarking of TSF Stocks is effected through the transfer of TSF Stocks into or out of this TSF Principal Account. The TSF Principal Account is the account which HKSCC may credit TSF Stocks to where a TSF Buy Exchange Trade has been cleared and settled and the account which HKSCC may debit earmarked TSF Stocks from for the settlement of a TSF Sell Exchange Trade.

A TSF Segregated Account is for the sole purpose of holding earmarked TSF Stocks. This account may be used by a TSF CCASS Participant to hold earmarked TSF Stocks for its clients as a segregated client account or for its own proprietary use.

Details regarding the TSF Accounts are set out in the Operational Procedures.

12A09. Earmarking and De-earmarking of TSF Stocks

All TSF Stocks purchased through the TSF shall be earmarked as such and shall be held in CCASS in either a TSF Principal Account or a TSF Segregated Account. Earmarking of TSF Stocks restricts the physical withdrawal of share certificates of the TSF Stocks by TSF Participants from CCASS.

TSF Participants wishing to sell earmarked TSF Stocks must do so by way of a TSF Sell Exchange Trade through the TSF and must accept the sale proceeds in HKD. The sale of earmarked TSF Stocks through the TSF shall result in de-earmarking of the TSF Stocks. De-earmarking of earmarked TSF Stocks can also be effected by the submission of a Stock Release Request as referred to in Rule 12A12.

TSF Stocks shall only be transferred into a TSF Principal Account or a TSF Segregated Account, as the case may be, in the following circumstances:

- (i) following the settlement of a TSF Buy Exchange Trade by a TSF Clearing Participant;
- (ii) where a TSF CCASS Participant receives earmarked TSF Stocks from another TSF CCASS Participant's TSF Account;
- (iii) by transfer between a TSF Principal Account and a TSF Segregated Account of the same TSF CCASS Participant and vice versa; or
- (iv) by transfer of share entitlements from an Entitlement Account to a TSF Principal Account of the same TSF CCASS Participant.

All earmarked TSF Stocks shall only be transferred out of a TSF Principal Account or a TSF Segregated Account, as the case may be, in the following circumstances:

- (i) by transfer to the Stock Clearing Account of a TSF CCASS Participant for settlement of a TSF Sell Exchange Trade;
- (ii) upon a release following HKSCC's acceptance of a Stock Release Request;
- (iii) by transfer to another TSF CCASS Participant's TSF Account;
- (iv) by transfer between a TSF Principal Account and a TSF Segregated Account of the same TSF CCASS Participant and vice versa; or
- (v) upon a release (with or without conditions being imposed) as HKSCC may determine in its absolute discretion, upon the TSF ceasing to operate or upon a temporary

suspension of the FX Services or in other circumstances in which HKSCC considers such release appropriate.

For the avoidance of doubt, the requirement under this Rule shall also apply to TSF Stocks which have been purchased with the support of the TSF but become the subject of a share split where an Issuer converts all or any of its shares in issue into a larger number of shares or subdivides all or any of its share capital into shares of smaller amount, or a share consolidation where an Issuer converts all or any of its shares in issue into a smaller number of shares or consolidates and divides all or any of its shares capital into shares of larger amount than its existing shares.

12A10. RMB FX Rates

On any Trading day when the FX Services are available and when the TSF has not been temporarily suspended or ceased to operate, the following rates will be published on the HKEX website or by such other means as HKSCC considers appropriate:

- (i) The RMB Buy Indicative FX Rate: In relation to HKSCC offering the FX Service of buying RMB, this is the indicative RMB buy rate, expressed as the amount of HKD per one RMB, for TSF Sell FX Orders input by TSF Exchange Participants during the Pre-Opening Session, the Morning Session or the Afternoon Session, as the case may be, of the relevant Trading day, to be published by HKSCC at approximately 9:30 a.m. for the Pre-opening Session and the Morning Session (if any), and at approximately 1:00 p.m. for the Afternoon Session (if any).
- (ii) The RMB Sell Indicative FX Rate: In relation to HKSCC offering the FX Service of selling RMB, this is the indicative RMB sell rate, expressed as the amount of HKD per one RMB, for TSF Buy FX Orders input by TSF Exchange Participants during the Pre-Opening Session, the Morning Session or the Afternoon Session, as the case may be, of the relevant Trading day, to be published by HKSCC at approximately 9:30 a.m. for the Pre-opening Session and the Morning Session (if any), and at approximately 1:00 p.m. for the Afternoon Session (if any).
- (iii) The RMB Buy Final FX Rate: In relation to HKSCC offering the FX Service of buying RMB, this is the RMB buy rate specified by HKSCC, expressed as the amount of HKD per one RMB, that shall apply to the settlement of TSF Sell FX Transactions generated during the Pre-Opening Session, the Morning Session or the Afternoon Session, as the case may be, of the relevant Trading day, provided that such RMB buy rate shall not be lower than the RMB Buy Indicative FX Rate published by HKSCC for the relevant trading session on the relevant Trading day. The RMB Buy Final FX Rate for TSF Sell FX Transactions generated during the Pre-opening Session and the Morning Session (if any) will be published at approximately 12:45 p.m., and the RMB Buy Final FX Rate for TSF Sell FX Transactions generated during the Afternoon Session (if any) will be published at approximately 4:45 p.m., of a Trading day.
- (iv) The RMB Sell Final FX Rate: In relation to HKSCC offering the FX Service of selling RMB, this is the RMB sell rate specified by HKSCC, expressed as the amount of HKD

per one RMB, that shall apply to the settlement of TSF Buy FX Transactions generated during the Pre-Opening Session, the Morning Session or the Afternoon Session, as the case may be, of the relevant Trading day, provided that such RMB sell rate shall not be higher than the RMB Sell Indicative FX Rate published by HKSCC for the relevant trading session on the relevant Trading day. The RMB Sell Final FX Rate for TSF Buy FX Transactions generated during the Pre-opening Session and the Morning Session (if any) will be published at approximately 12:45 p.m., and the RMB Sell Final FX Rate for TSF Buy FX Transactions generated during the Afternoon Session (if any), will be published at approximately 4:45 p.m., of a Trading day.

HKSCC may in its discretion determine to publish the FX rates set out in this Rule at such other times as it considers appropriate, whether due to a change in the trading hours of the Exchange or otherwise.

For the avoidance of doubt, where any order for the sale or purchase of TSF Stocks input into the Exchange Trading System by a TSF Exchange Participant during the Morning Session is not effected during that Session but is transferred to the Afternoon Session of a Trading day for execution:

- (a) the RMB Buy Indicative FX Rate or the RMB Sell Indicative FX Rate published by HKSCC for the Afternoon Session shall apply to the corresponding TSF FX Order; and
- (b) where the order is effected on the Exchange Trading System during the Afternoon Session, the RMB Buy Final FX Rate or the RMB Sell Final FX Rate published by HKSCC for the Afternoon Session shall apply to the corresponding TSF FX Transaction.

12A11. TSF Exchange Trades and TSF FX Transactions

Subject to Trade Amendments as allowed by the Exchange Rules and the publication of the FX rates referred to in Rule 12A10 on the relevant Trading day, upon effecting a TSF Exchange Trade on the Exchange Trading System, a TSF FX Transaction relating to the corresponding TSF FX Order shall automatically be generated for the purpose of settlement of the TSF Exchange Trade.

A TSF Participant's obligation under a TSF FX Transaction represents an unconditional and irrevocable commitment to buy RMB from or sell RMB to HKSCC at the applicable RMB Sell Final FX Rate or RMB Buy Final FX Rate. Subject to the Rules and the Operational Procedures, TSF FX Transactions shall be settled by TSF Clearing Participants on the same Settlement Day on which the corresponding TSF Exchange Trades are settled by the delivery to HKSCC of the relevant funds in RMB at the applicable RMB Buy Final FX Rate (in respect of a TSF Sell FX Transaction), or in HKD at the applicable RMB Sell Final FX Rate (in respect of a TSF Buy FX Transaction). Procedures on the settlement of TSF FX Transactions and related provisions are set out in the Operational Procedures.

12A12. Stock Release Requests and Stock Release FX Transactions

If a TSF CCASS Participant wishes to de-earmark earmarked TSF Stocks or to release earmarked TSF Stocks from the restrictions referred to in Rule 12A09 without selling them, it may effect a book-entry movement of the relevant number of earmarked TSF Stocks from its relevant TSF Account to any other Stock Account (except a Stock Collateral Control Account, an SSA with Statement Service and a Special Segregated Account) by inputting and authorising a Stock Release Request for submission to HKSCC.

Unless HKSCC otherwise determines, HKSCC shall notify its acceptance of a Stock Release Request through CCASS after validation of such Request.

Upon the submission of a Stock Release Request by a TSF CCASS Participant, the Participant shall be deemed to have placed an irrevocable order to sell RMB to HKSCC for HKD in respect of the amount representing the total market value of the earmarked TSF Stocks based on the closing price of the TSF Stocks on the Trading day immediately preceding the day on which the Stock Release Request was submitted, as recorded on the Exchange, at the FX rate set out in this Rule.

Upon HKSCC's acceptance of a Stock Release Request, a Stock Release FX Transaction shall automatically be generated and unless HKSCC otherwise determines, the transfer or debit of the specified number of earmarked TSF Stocks from the TSF CCASS Participant's relevant TSF Account to its other designated Stock Account will be effected. Such transfer, if permitted, shall have the effect of de-earmarking the relevant earmarked TSF Stocks and releasing the TSF Stocks from the restrictions set out in Rule 12A09.

Under a Stock Release FX Transaction, the relevant TSF CCASS Participant shall be deemed to have agreed, on an irrevocable and unconditional basis, to pay an amount in RMB representing the total market value of the earmarked TSF Stocks referred to above to HKSCC on the second Settlement Day after the day on which HKSCC accepts the Stock Release Request, and subject to the relevant TSF Partner Bank delivering the relevant funds in HKD to HKSCC, settlement of the Stock Release FX Transaction will be effected by HKSCC causing a credit to the relevant Designated Bank Account of the TSF CCASS Participant with an amount in HKD representing the equivalent of the RMB amount paid by the TSF CCASS Participant on the same Settlement Day, by reference to the following FX rates:

- (i) where a Stock Release Request is accepted by HKSCC at or before 12:00 noon on a Trading day, the applicable FX rate shall be the RMB Buy Final FX Rate published at approximately 12:45 p.m. on that Trading day; and
- (ii) where a Stock Release Request is accepted by HKSCC after 12:00 noon on a Trading day, the applicable FX rate shall be the RMB Buy Final FX Rate published at approximately 4:45 p.m. on that Trading day.

Detailed procedures on the submission and acceptance of Stock Release Requests and related provisions are set out in the Operational Procedures.

12A13. Extent of HKSCC's authority

In addition to Rule 1203, HKSCC shall be authorised to cause credits and debits to be made to the HKD and/or RMB Designated Bank Account(s) in relation to the following:

- (i) with respect to TSF Clearing Participants, the money obligations due to or from such Participants by or to HKSCC in relation to TSF Exchange Trades under the CNS System and all other money payments in relation thereto;
- (ii) with respect to TSF CCASS Participants, the money obligations due to or from such Participants by or to HKSCC in relation to TSF FX Transactions and/or Stock Release FX Transactions;
- (iii) with respect to TSF CCASS Participants, the payment or settlement of all other sums owing and obligations between HKSCC and the TSF CCASS Participants (including, without limitation, the fees and expenses payable hereunder) as contemplated in the Rules and all other sums which HKSCC may be authorised by such Participants to collect from time to time.

HKSCC reserves the right to debit or credit the HKD and/or RMB Designated Bank Account(s) of each TSF CCASS Participant to rectify erroneous payments made to or received from TSF CCASS Participants and shall notify affected TSF CCASS Participants if it exercises this right.

In relation to money obligations in respect of TSF FX Transactions and Stock Release FX Transactions to be settled via CPIs, HKSCC shall be authorised to generate CPIs in relation to such transactions to the HKD and/or RMB Designated Banks of paying TSF CCASS Participants in accordance with the Operational Procedures.

12A14. Collateral

Without prejudice to any other provisions of the Rules, HKSCC shall be entitled from time to time to require a TSF CCASS Participant which is (pursuant to Rule 901(ia)) a party to a TSF FX Transaction or (pursuant to Rule 12A12) a party to a Stock Release FX Transaction to pay to it forthwith on demand a cash sum of such amount as HKSCC shall consider appropriate as Collateral to be used by HKSCC as collateral for the TSF CCASS Participant's obligations and liabilities under a TSF FX Transaction or a Stock Release FX Transaction or to be applied in or towards the satisfaction of such obligations and liabilities, the payment of any sums or expenses incurred by HKSCC in respect of such TSF FX Transaction or Stock Release FX Transaction (including fees arising from a reversal of any transactions) or the payment of any fees or penalties due to or imposed by HKSCC from time to time.

Where Collateral is paid to HKSCC under this Rule, HKSCC shall have the right to apply all or part of the Collateral at any time without prior notice being given to a TSF CCASS Participant in or towards satisfaction or payment of the obligations and liabilities (actual or contingent) of such Participant as referred to above, and the only obligation of HKSCC in respect of such Collateral received shall be to pay the TSF CCASS Participant an amount equal to the balance remaining after satisfaction of all such obligations and liabilities.

A TSF CCASS Participant providing Collateral to HKSCC under this Rule represents and warrants to HKSCC that it has title and authority to provide such Collateral to HKSCC free from all encumbrances and third party rights of any nature whatsoever; and shall not create or permit to subsist any encumbrance over all or any part of the Collateral.

12A15. Set-off

HKSCC shall be entitled to apply any sums denominated in any currency standing to the credit of any account with HKSCC of a TSF CCASS Participant in satisfaction of any sum denominated in any currency due or payable by such TSF CCASS Participant to HKSCC, whether actual or contingent, and whether solely or jointly with any other person.

Any agreement between a TSF CCASS Participant and HKSCC to the contrary notwithstanding, if a TSF CCASS Participant has multiple Designated Bank Accounts (which shall include RMB Designated Bank Accounts), HKSCC may treat them as one account for the purposes of these Rules.

For the purpose of this Rule, HKSCC is authorised to purchase with sums denominated in any currency standing to the credit of any such account such other currencies as may be necessary to effect such application and any agreement relating to such credit balance shall be deemed to incorporate a provision entitling HKSCC so to apply such credit balance whether or not the same is held on any special terms (including where it shall only be repayable at some future date).

HKSCC shall not be obliged to exercise its rights under this Rule.

12A16. HKSCC's obligations

The provision of the FX Services by HKSCC and HKSCC's obligations to settle a TSF FX Transaction or a Stock Release FX Transaction are at all times conditional and dependent on the relevant TSF Partner Bank providing FX rates to HKSCC and delivering RMB or HKD to HKSCC on the relevant settlement day. Accordingly, should a TSF Partner Bank fail to deliver funds or sufficient funds in the relevant currency on the relevant settlement day, HKSCC is entitled not to:

- (i) settle a TSF FX Transaction notwithstanding that such TSF FX Transaction and the related TSF Exchange Trade shall be deemed to be binding on a TSF Participant upon the effect of a TSF Exchange Trade on the Exchange Trading System pursuant to the Exchange Rules; or
- (ii) settle a Stock Release FX Transaction notwithstanding that such Stock Release FX Transaction shall be deemed to be binding on a TSF CCASS Participant upon the submission of a Stock Release Request pursuant to Rule 12A12.

HKSCC shall not be responsible for any failure to provide the FX Services for any TSF FX Orders, TSF FX Transactions and/or Stock Release FX Transactions if its performance is prevented, hindered or delayed by the failure of one or more TSF Partner Banks to provide the FX rates to HKSCC or to sell or purchase RMB which leads to a suspension or cessation

of operation of the TSF in accordance with these Rules.

12A17. Default

Without prejudice to Rules 3701, 3702, 3703 and 3704, in the event that a TSF CCASS Participant fails to pay when due any sum due and payable in accordance with these Rules, or is otherwise in breach of these Rules, HKSCC, in its sole and absolute discretion, shall be entitled then or at any time thereunder whilst such event is, in the opinion of HKSCC, continuing unremedied, to take any one or more of the actions referred to in Rules 3702 and 3703. In addition, HKSCC may take such other actions as it deems necessary or desirable for the protection of HKSCC with respect to TSF FX Transactions and/or Stock Release FX Transactions to which a defaulting TSF CCASS Participant is a party, at such TSF CCASS Participant's expense and if appropriate, in its name. In the event that HKSCC takes one or more steps or actions referred to in this Rule, Rule 3702 or 3703 against a TSF CCASS Participant, HKSCC may declare the Participant to be a "Defaulter".

The defaulting TSF CCASS Participant shall indemnify HKSCC and hold HKSCC harmless against all losses, costs, damages or expenses incurred by HKSCC in connection with the TSF CCASS Participant's breach of these Rules and HKSCC shall be entitled to require payment of a default handling fee in respect of any outstanding amount as shall from time to time be decided by HKSCC.

12A18. Temporary suspension of TSF

Without prejudice to Rules 2601 and 2602, HKSCC may temporarily suspend all or any part of the FX Services in its sole and absolute discretion, including, without limiting the foregoing, when:

- (i) in the judgement of HKSCC, the FX Services or any part thereof may not be maintained or provided in a manner that would ensure the existence of a fair and orderly market;
- (ii) in the judgement of HKSCC, it has reasonable grounds for concern that the RMB and/or HKD funding available to HKSCC may not be sufficient to support the fulfilment of its obligations under, or to support the settlement of, any or all TSF FX Orders, TSF FX Transactions and Stock Release FX Transactions; or
- (iii) in the judgment of HKSCC, there are operational or technical issues which must be resolved prior to the continuation of the TSF or any part of the FX Services.

In exercising its judgement under this Rule, HKSCC is entitled to have regard to all relevant factors and circumstances including, without limitation, the availability of RMB and/or HKD in the market and the relevant FX rates, the demand for FX Services, the TSF Partner Banks' individual or aggregate commitment to provide FX rates or funding to HKSCC for the purposes of operating the TSF, the level of utilisation of such committed funding by HKSCC, whether a TSF Partner Bank has failed to provide committed funding and a TSF Partner Bank's willingness to be bound by, or its ability to perform, its obligation to provide FX rates or funding to HKSCC as agreed.

If HKSCC decides to suspend all or part of the FX Services, it shall publish an announcement, on the HKEX website and/or by such other means as HKSCC considers appropriate, stating which part of the FX Services will be suspended, whether any TSF Exchange Trade, TSF FX Transaction or Stock Release FX Transaction will be affected, the effective date and time of suspension and any other information as HKSCC shall consider appropriate.

Unless HKSCC otherwise determines or specifies:

- (a) a suspension of part of the FX Services does not affect the availability of other FX Services. Specifically, a suspension of the FX Services for TSF Buy FX Orders does not affect FX Services for TSF Sell FX Orders, and a suspension of the FX Services for TSF Buy FX Transactions does not affect the FX Services for TSF Sell FX Transactions or Stock Release FX Transactions and vice versa;
- (b) where the FX Services for TSF Buy FX Orders are suspended, all TSF Buy FX Orders input on the Exchange Trading System and all TSF Buy FX Transactions generated after the effective date or time of the suspension shall not be dealt with or settled by HKSCC; and
- (c) where the FX Services for TSF Sell FX Orders are suspended, all TSF Sell FX Orders input on the Exchange Trading System and all TSF Sell FX Transactions and Stock Release FX Transactions generated after the effective date or time of the suspension shall not be dealt with or settled by HKSCC.

In the event where paragraph (b) occurs, unless HKSCC otherwise determines, TSF CCASS Participants shall be responsible for obtaining the relevant funds in RMB to settle any TSF Buy Exchange Trades which are supported by TSF Buy FX Transactions generated after the effective date or time of suspension of the relevant FX Services. In the event where paragraph (c) occurs, unless HKSCC otherwise determines, TSF CCASS Participants shall be deemed to accept the relevant sale proceeds in RMB in respect of any TSF Sell Exchange Trades which are supported by TSF Sell FX Transactions generated after the effective date or time of suspension of the relevant FX Services. Further, all Stock Release Requests submitted to and Stock Release FX Transactions accepted by HKSCC after the effective date or time of suspension of the relevant FX Services shall be of no effect.

12A19. Cessation of operation of TSF

HKSCC may, in its sole and absolute discretion, decide to cease the operation of the TSF permanently, with immediate effect or otherwise by publishing an announcement on the HKEX website or by such other means as HKSCC considers appropriate.

If HKSCC decides to cease operating the TSF under this Rule, HKSCC shall notify the TSF Participants, the Exchange and the Commission in advance and shall specify the necessary arrangements and the conditions (including the treatment of earmarked TSF Stocks, any outstanding TSF FX Transactions and Stock Release FX Transactions) upon which the cessation of operation of the TSF shall take effect, having regard to such considerations and circumstances as HKSCC may consider fair and reasonable.

12A20. Powers of HKSCC

Without prejudice to HKSCC's sole and absolute discretion, where HKSCC is not able to obtain the necessary FX funding as committed by one or more TSF Partner Banks (whether due to a TSF Partner Bank's failure to provide FX rates or otherwise) or where one or more TSF Partner Banks fail to provide the committed FX funding to HKSCC in the relevant currency to settle any TSF FX Transaction and/or Stock Release FX Transaction and where, in either of the situations mentioned above, a TSF CCASS Participant has delivered, in full, the required funds in RMB or HKD for the settlement of its obligation under a TSF FX Transaction and/or a Stock Release FX Transaction, then, HKSCC shall, without the need to obtain the prior consent of any TSF CCASS Participant or any other Participant, have the power or option but not the obligation to take any one or more of the following actions:

- (i) as TSF operator, settle the TSF FX Transaction and/or the Stock Release Transaction notwithstanding a TSF Partner Bank's failure by obtaining the required funds in RMB or HKD through other means;
- (ii) in respect of TSF Sell FX Transactions and Stock Release FX Transactions, as TSF operator, de-earmark all or any earmarked TSF Stocks and disapply the restrictions or obligations imposed on all or any earmarked TSF Stocks under Rule 12A09 and/or Rule 12A12, including the obligation of TSF Participants to accept the relevant sale proceeds or FX conversion amount in HKD; and
- (iii) as central counterparty for the clearing of Exchange Trades, accept the relevant funds in HKD delivered by the TSF CCASS Participant and apply the funds towards settlement of TSF Exchange Trade(s) regardless of the Eligible Currency for the settlement of TSF Exchange Trade(s) and exercise the power granted to HKSCC under Rule 3606(ii) in accordance with the provisions of that Rule.

12A21. Clearing of TSF Exchange Trades by General Clearing Participants

Only General Clearing Participants which have been accepted for registration by and to remain registered as TSF Clearing Participants by HKSCC shall be eligible to clear and settle TSF Exchange Trades for Non-Clearing Participants and to settle TSF FX Transactions.

A General Clearing Participant which is a TSF Clearing Participant and which intends to clear and settle TSF Exchange Trades for Non-Clearing Participants shall:

- (i) ensure that the Clearing Agreement it enters into with each Non-Clearing Participant includes an obligation on its part to settle TSF Exchange Trades and all corresponding TSF FX Transactions. Such General Clearing Participant should consider bringing a Non-Clearing Participant's attention to the special features and restrictions of the TSF as highlighted in Rule 12A01, HKSCC's powers and other matters as set out in this Chapter 12A;
- (ii) capture all liabilities for all the TSF Exchange Trades concluded by each Non-Clearing Participant with which it has entered into a Clearing Agreement and all

corresponding TSF FX Transactions, as if it was a party to these trades and transactions and shall not be entitled to decline to settle and clear any TSF Exchange Trades of the Non-Clearing Participant or settle any corresponding TSF FX Transaction to which the Non-Clearing Participant is a party;

- (iii) have arrangements in place with each Non-Clearing Participant for the Non-Clearing Participant to notify it of all TSF Exchange Trades concluded by the Non-Clearing Participant and all corresponding TSF FX Transactions of which the Non-Clearing Participant is a party;
- (iv) have arrangements in place to monitor the ability of each Non-Clearing Participant with whom it has entered into a Clearing Agreement to satisfy promptly all obligations arising from the TSF Exchange Trades concluded by such Non-Clearing Participant and the TSF FX Transactions to which such Non-Clearing Participant is a party; and
- (v) forthwith notify HKSCC of any failure of its Non-Clearing Participant to meet its obligations under the Clearing Agreement.

12A22. [Repealed]

CHAPTER 13

BACK-UP CENTRE

1301. Scope of Back-Up Centre

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

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

CHAPTER 14

STATEMENTS AND REPORTS

1401. Advices, statements, reports available

HKSCC shall furnish Participants with such advices, statements and reports at such times and in such form and manner as may be specified in the Operational Procedures or as may be from time to time prescribed by it.

Pursuant to Section 16.8 of the Operational Procedures, HKSCC shall furnish SSA Statement Recipients with advices, statements and reports relating to SSA with Statement Service at such times and in such form and manner as may be specified in the Operational Procedures or as may be from time to time prescribed by HKSCC.

1402. Participants to check

It shall be the responsibility of each Participant to promptly check and reconcile with its own records details of such advices, statements and reports and to promptly notify HKSCC in writing of any error or omission contained in such advices, statements and reports (unless otherwise prescribed by HKSCC, in any event within one Business Day in the case of Participants other than Investor Participants and within ten Business Days in the case of Investor Participants). HKSCC reserves the right to rectify errors and omissions at any time.

1403. Advices, statements, reports to be conclusive

Unless otherwise stated in the Rules, any advice, statement or report provided by HKSCC shall, in the absence of manifest error (unless otherwise prescribed by HKSCC, and in any event after one Business Day of the availability of such advice, statement or report in the case of Participants other than Investor Participants and after ten Business Days of the deemed receipt of such advice, statement or report in the case of Investor Participants), be conclusive as to its subject matter. Except as otherwise agreed by HKSCC, the failure of a Participant to inform HKSCC of any error or omission in any advice, statement or report promptly (unless otherwise prescribed by HKSCC, in any event within one Business Day in the case of Participants other than Investor Participants and within ten Business Days in the case of Investor Participants) shall constitute a waiver in favour of HKSCC by such Participant of any right to require rectification.

HKSCC may in its absolute discretion entertain a late request by a Participant to rectify an error or omission, as aforesaid.

For the avoidance of doubt, HKSCC shall not be obliged to entertain any notification of error or omission in any advice, statement or report or any request to rectify any error or omission in any advice, statement or report from any person other than from a Participant or a Designated Bank.

1404. Audited accounts of HKSCC

HKSCC shall furnish Participants (other than Investor Participants) and the Commission with a copy of its audited accounts every year, together with a copy of the audited accounts of the

Guarantee Fund.

HKSCC shall furnish Investor Participants with a copy of its annual audited accounts if so requested by the Participant.

CHAPTER 15

LISTS TO BE MAINTAINED

1501. List of Eligible Securities and List of TSF Stocks

HKSCC shall maintain a list of Eligible Securities and shall from time to time add to such list or remove therefrom issues of Eligible Securities in accordance with the Rules.

HKSCC, as TSF operator, shall maintain a list of TSF Stocks; and shall from time to time add to or remove from such list TSF Stocks in accordance with Rule 12A04.

HKSCC shall publish the list of Eligible Securities and the list of TSF Stocks on the HKEX website or by such other means as it considers appropriate.

1502. Other lists

HKSCC shall maintain and keep up to date at regular intervals a list of Participants in each category (other than Investor Participants), Designated Banks, China Connect Clearing Houses and Appointed Depositaries in existence at the time. HKSCC shall publish such lists on the HKEX website or by such other means as it considers appropriate.

1503. Rules

HKSCC shall maintain and keep up-to-date the Rules. HKSCC shall publish the Rules on the HKEX website or by such other means as it considers appropriate.

CHAPTER 16

FEEES AND EXPENSES

1601. Fees and expenses payable

Participants shall pay such fees, charges, expenses and disbursements in respect of the services and facilities provided by HKSCC as shall be specified from time to time by HKSCC or as provided in the Operational Procedures, such amounts to be payable at such times and in such manner as shall be specified by HKSCC.

CHAPTER 17

CONTINUING OBLIGATIONS OF PARTICIPANTS

1701. Further conditions

Unless otherwise waived by HKSCC, a Participant shall continue to comply with any conditions of admission imposed by HKSCC and such further conditions as may be imposed by HKSCC from time to time.

1702. Further assurances

HKSCC shall be entitled from time to time to require Participants to provide on demand assurances or additional assurances in such form, to such extent and in such manner as is determined by HKSCC to be appropriate by reference to, inter alia, the level of exposure of such Participants to HKSCC and such other matters as HKSCC shall consider relevant.

A Participant providing assurances to HKSCC, where applicable, represents and warrants in favour of HKSCC that it has title and authority to provide such assurances to HKSCC, free from all liens, charges, encumbrances, equities and all other third party rights of any nature whatsoever.

HKSCC may apply all or any of the assurances (including all rights and entitlements thereto, if any) at any time without prior notice to the Participant in or towards satisfaction of the obligations and liabilities (actual or contingent) of such Participant to HKSCC.

A Participant shall not create or permit to subsist any mortgage, charge or other encumbrance over all or any of the assurances. The assurances shall be in addition to and independent of any security which HKSCC may at any time hold for the obligations and liabilities of such Participants.

In respect of any sums received by HKSCC as assurances from a Participant, the only obligation of HKSCC to such Participant shall be to pay such Participant an amount equal to the balance after satisfaction of all obligations and liabilities (actual or contingent) of such Participant to HKSCC.

1703. Other responsibilities

Each Participant undertakes that:-

- (i) it will comply with any law, decree, rule, regulation, or order of any government, regulatory authority, competent authority, court or tribunal anywhere in the world, applicable to it or to its status, the conduct of its business, the performance of its obligations as a Participant or its participation in any System, including, for the avoidance of doubt, all applicable laws, decrees, rules, regulations, and orders of any government, regulatory authority, competent authority, court or tribunal relating to the prevention of bribery, money laundering, tax evasion, financial crimes and terrorist financing;

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- (ii) it will comply with the Rules and with any orders, directions or practice notes from time to time issued or prescribed by HKSCC in respect of the services and facilities of HKSCC, whether of a temporary or permanent nature;
 - (iii) it will notify HKSCC of any change in the details supplied to HKSCC at the time of admission and thereafter, including but not limited to anything relating to such Participant, its directors or employees which would render inaccurate, incomplete or superseded a statement or information previously furnished by such Participant to HKSCC in connection with either (a) such Participant's application for admission to be a Participant or (b) the status of such Participant under the Tax Information Exchange Framework, the documentation previously furnished by such Participant on such status or the meeting by HKSCC under clause (vii) of any obligations relating to the Tax Information Exchange Framework;
 - (iv) it will notify HKSCC forthwith upon it becoming aware of the presentation of any petition for its bankruptcy or winding-up or of any winding-up or bankruptcy order made against it, the convening of any meeting to consider a resolution for its voluntary winding-up or the passing of such a resolution, the appointment or purported appointment of a receiver in respect of any of its property, any change in its financial conditions which may lead to its bankruptcy, winding-up or the appointment of a receiver in respect of its property, or any other change in its circumstances material to its participation in any System;
 - (v) it will keep records in sufficient detail of its use of any of the services and facilities of HKSCC and upon HKSCC's request, make available for inspection by HKSCC all such records and in the case of Participants other than Investor Participants, allow HKSCC, during normal office hours, to enter its premises where such records are kept and inspect such records;
 - (vi) it (which does not include an Investor Participant) will provide HKSCC with any information requested by an exchange, clearing house, regulatory authority or an organization (whether within or outside Hong Kong) with which HKEX, HKSCC or the Exchange has entered into an information sharing arrangement or agreement;
 - (vii) it will provide HKSCC with sufficient information so as to enable HKSCC to determine whether any payments to be made by HKSCC under these Rules are withholdable payments pursuant to the Tax Information Exchange Framework and to enable HKSCC to meet any applicable obligations relating to the Tax Information Exchange Framework; and
 - (viii) it (which does not include an Investor Participant) will provide to HKSCC:
 - (a) as soon as reasonably practicable subsequent to any reorganisation of its corporate group, an updated group organisation chart;
 - (b) on an annual basis, a list of each of its direct and indirect shareholders holding 10% or more of the share capital or voting rights of the Participant;
 - (c) as soon as reasonably practicable following a change (direct or indirect) of 10%

or more in the share capital or voting rights of the Participant (including any change in the interest of an existing shareholder who holds an interest (direct or indirect) of 10% or more in the share capital or voting rights of the Participant and any new shareholder acquiring an interest (direct or indirect) of 10% or more in the share capital or voting rights of the Participant), the relevant information setting out such change; and

- (d) within the time frame specified by HKSCC, such information as HKSCC may request from time to time including changes to its financial condition.

1704. GCPs which are registered institutions

Each GCP which is a registered institution under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) shall notify HKSCC in writing without delay providing full particulars known to it of:

- (i) any failure to maintain Tier 1 capital in an amount not less than that set out in Rule 303;
- (ii) a decrease in Tier 1 capital by more than 10% from the amount of Tier 1 capital shown on its most recent financial information as provided to HKSCC pursuant to Section 19.2.3 of the Operational Procedures;
- (iii) any events or matters which relate to its clearing activities and exposure to general and financial risks as from time to time specified in these Rules or as HKSCC may from time to time specify or notify to GCPs;
- (iv) any material breach, infringement of or non-compliance with any provisions of these Rules, or where it has reason to suspect any such breach, infringement or non-compliance whether by itself, or any other persons acting on its behalf; and
- (v) within the time frame specified by HKSCC, submit to HKSCC such statements, books, records, accounts, other documents or information which relate to its clearing activities or its exposure to general and financial risks as HKSCC may reasonably demand, and shall promptly respond to all queries from HKSCC.

CHAPTER 18

FINANCIAL AND ACCOUNTING REQUIREMENTS

1801. Scope of requirements

Each Participant shall comply with the financial and accounting requirements applicable to it as specified in the Operational Procedures.

CHAPTER 19

INDEMNITY

1901. Scope of indemnity

Each Participant shall indemnify HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC and their respective agents, nominees, representatives, officers and employees and hold each of them harmless against all costs, fees, expenses, liabilities, taxes, assessments, losses, fines, penalties, and damages of any nature whatsoever (including the interest accrued to any such amount) suffered or incurred by any of them directly or indirectly as a result of or in connection with the following matters (except where HKSCC is guilty of anything not done or not omitted to be done in good faith on its part and is directly responsible for the losses etc.):

- (i) the participation in any System by the Participant and/or its activities in any System, the provision of services by HKSCC to the Participant in respect of Eligible Securities held or recorded in CCASS or by an Appointed Depositary (as the case may be), the provision of Synapse services by HKSCC to the Participant if the Participant is a Synapse User, the provision of FINI services by HKSCC to the Participant if the Participant is a FINI CP User and the provision of the FX Services by HKSCC as TSF operator to the Participant if the Participant is a TSF CCASS Participant and all matters relating thereto as contemplated in the Rules;
- (ii) the failure by the Participant to comply with the provisions of the Rules and the Participant Agreement (including, without limitation, the representations and warranties contained therein) or to comply with any directions or regulations of HKSCC;
- (iii) the actions or omissions by HKSCC or its agents, nominees, representatives, officers and employees in reliance on instructions or communications believed in good faith by any of them to have been given by or on behalf of the Participant (including, but not limited to, the giving of effect to such instructions or communications by any of them) or the failure of the Participant to give instructions to HKSCC as contemplated in the Rules;
- (iv) the acceptance by HKSCC of Eligible Securities deposited by the Participant (including Eligible Securities deposited by the Participant for credit into the CCMS Collateral Account and TSF Accounts, and Eligible Securities held by an Appointed Depositary) and the giving of effect to transactions relating thereto by HKSCC in accordance with the Rules; and the withdrawal of Eligible Securities by the Participant;
- (v) the registration of Eligible Securities in the name of HKSCC or its nominee or in the name of an Appointed Depositary or its nominee (as the case may be) and the withdrawal of such Eligible Securities by the Participant (including, without limitation, all assessments, calls, taxes and charges in respect thereof; losses, liabilities and expenses arising from claims by third parties; and the inability of any

person entitled to exercise or enjoy any rights, entitlements and benefits accruing thereto on a timely basis);

- (vi) the failure by the Participant to make payment or to deliver Eligible Securities, or to perform such other duties or obligations contemplated in the Rules;
- (vii) the failure of any Designated Bank to perform in relation to money settlement services in CCASS and other matters involving payments as contemplated in the Rules or (where applicable) to perform its duties or obligations as contemplated in the FINI Terms and Conditions in respect of the Participant's Electronic Application Instructions for New Issue Shares;
- (viii) anything done, omitted or suffered by HKSCC under, arising out of or in connection with the CMU Software Sub-license Agreement, the CMU Membership Agreement including the CMU Rules and CMU Manual referred to therein (as referred to in Rule 703) or the CMU Service, insofar as the same arises out of or is connected with or related to Tender Instructions or Transfer Instructions given by the Participant;
- (viiiia) anything done, omitted or suffered by HKSCC, its agents, nominees, representatives, officers and employees under, arising out of, in connection with or otherwise related to Cross-Border Transfer Instructions given by the Participant;
- (ix) any proceeding or investigation brought by or on behalf of any government, regulatory body, self-regulatory organization, or any other regulatory authority exercising disciplinary functions to which the Participant is subject;
- (x) any action by HKSCC or its agents, nominees, representatives, officers and employees in respect of Eligible Securities held or recorded in CCASS or by an Appointed Depositary, taken in good faith to comply with any law, decree, regulation or order of any government, competent authority or any court or tribunal;
- (xi) any actions or omissions by HKSCC or its agents, nominees, representatives, officers and employees in relation to SSA Statement Recipients (including but not limited to any acts or omissions in reliance on or pursuant to the authorization of the Participant under Section 3.4A of the Operational Procedures) and all matters relating thereto as contemplated in the Rules;
- (xii) any actions taken or any transactions entered into by HKSCC, as TSF operator, to adjust, amend, or reverse any TSF FX Transactions or Stock Release FX Transactions in respect of or for a Participant which is a TSF CCASS Participant, whether such adjustment, amendment or reversal arises from a Trade Amendment or otherwise;
- (xiii) any actions taken by HKSCC, as the operator of Synapse, to effect any instruction in respect of or for a Participant which is a Synapse User; and

- (xiv) any actions taken or any transactions entered into by HKSCC, as the operator of FINI, to effect any Electronic Application Instructions for New Issue Shares in respect of or for a Participant which is a FINI CP User.

1902. Participants liable for officers, employees etc.

For the purpose of determining whether a Participant other than an Investor Participant or a Corporate Investor Participant is liable under Rule 1901, the acts or omissions of its officers, employees, agents, representatives, SSA Statement Recipients and the persons comprising SSA Statement Recipients, and NCPs shall be deemed to be the acts or omissions of the Participant or in the case of any NCCCP in respect of its China Connect Securities Trades, deemed to be the acts or omissions of its GCP designated for the clearing of such China Connect Securities Trades.

- 1903.** Each Participant shall indemnify HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC and keep HKSCC, the Exchange and a recognized exchange controller which is the controller of HKSCC indemnified from and against any loss, cost (including cost of enforcement), interests, liability (including any tax or other fiscal liability), claim, damage, cost or expenses of whatever nature which HKSCC, the Exchange and a recognized exchange controller which is the controller of HKSCC incurred or suffered in connection with any actions taken by HKSCC or any actions that HKSCC is required to take to comply with any obligations relating to the Tax Information Exchange Framework (or fails to take relating to Withholding Tax obligations) with respect to such Participant.

CHAPTER 20

DISCIPLINARY ACTIONS

2001. Circumstances subject to disciplinary actions

Subject to Rule 2013, 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 :-

- (i) a breach of the Rules or the Participant Agreement (including, without limitation, in the case of a Clearing Participant, where the Clearing Participant fails to comply with its obligations to HKSCC or to other Clearing Participants (as the case may be) in relation to the due and punctual settlement under the CNS System or under the Isolated Trades System and matters relating thereto);
- (ii) a failure to comply with any conditions or requirements for its continued participation in any System as are from time to time imposed by HKSCC;
- (iii) a failure to comply with any decision, requirement, condition or direction of HKSCC having binding effect;
- (iv) a failure to co-operate with HKSCC in matters relating to any System or an Appointed Depositary, whether or not relating to the Participant, which materially affects the interests of HKSCC or other Participants;
- (v) being subject to an adverse finding by any competent authority wherever situated including without limitation, any court of competent jurisdiction, the Commission or any committee or tribunal of the Commission, and/or the Exchange, any self-regulatory organization, recognized professional body, overseas regulatory body or other body exercising regulatory or disciplinary functions;
- (vi) errors, delays or other conduct detrimental to the operations of any System or an Appointed Depositary or conduct which in HKSCC's opinion is detrimental to the interests or reputation of HKSCC or other Participants;
- (vii) provision to HKSCC of information (including information for the purpose of becoming a Participant) which is false, misleading or inaccurate in a material particular;
- (viii) being knowingly concerned in, or improper conduct which causes or contributes to, an act of misconduct falling within sub-paragraphs (i) to (vii) of this Section by another person;
- (ix) failure to pay a fine or comply with any other disciplinary action or penalty imposed by HKSCC within the specified time;

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- (x) conduct which leads to any disciplinary action being taken against HKSCC or which leads to HKSCC being in breach of the rules of an Appointed Depositary;
 - (xi) failure to provide information requested by an exchange, clearing house, regulatory authority or an organization (whether within or outside Hong Kong) with which HKEX, HKSCC or the Exchange has entered into an information sharing arrangement or agreement (this act of misconduct does not apply to an Investor Participant) or pursuant to Rule 1703(iii) or (vii);
 - (xii) 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;
 - (xiii) 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 12A of the Operational Procedures and other related provisions in the Operational Procedures;
 - (xiv) if the Participant is a China Connect Clearing Participant, a failure to comply with any China Connect Clearing 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 provisions 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;
 - (xv) if the Participant is a China Connect Clearing House, a failure to comply with any China Connect Clearing House qualification requirements or any other conditions or requirements for its continued registration as a China Connect Clearing House, or a failure to comply with any provisions of, or any of its obligations under Chapter 42 of the Rules and other related provisions in the Rules and Operational Procedures, including those applicable to a Clearing Agency Participant which is a China Connect Clearing House;
 - (xvi) if the Participant is a Synapse User, a failure to comply with any conditions or requirements as set out in the Synapse Terms and Conditions and the Synapse User Guide; and
 - (xvii) if the Participant is a FINI CP User, a failure to comply with any FINI PFR or any money settlement obligations with respect to its Electronic Application Instructions for New Issue Shares.

2002. Participants responsible for officers, employees, etc.

For the purpose of determining whether a Participant may be liable to be disciplined under Rule 2001, the acts or omissions of its directors, partners, principals, officers, employees, trainees, agents and representatives shall be deemed to be the acts or omissions of the Participant.

2003. Disciplinary actions

Without prejudice to any other right HKSCC may have, on each charge admitted by or proved against a Participant, the Disciplinary Committee may take no action or impose any one or more of the penalties set out below: -

- (i) expel the Participant from participation in any System;
- (ii) suspend the Participant from participation in any System;
- (iii) limit the Participant's activities or access to certain services and facilities provided by HKSCC (whether in respect of Eligible Securities held in CCASS or otherwise) on such terms and for such period as HKSCC shall consider to be appropriate;
- (iv) impose a fine on the Participant;
- (v) publicly censure the Participant (including its directors, partners, principals, officers, employees, trainees, agents and/or representatives);
- (vi) prohibit or otherwise limit the activities of the directors, partners, principals, officers, employees, trainees, agents and/or representatives of the Participant in relation to the operations of any System, services or facilities provided by HKSCC, if the Disciplinary Committee determines that such directors, partners, principals, officers, employees, trainees, agents and/or representatives have engaged in conduct detrimental to the operations of such System, services or facilities provided by HKSCC or to the reputation of HKSCC or other Participants;
- (vii) notify the matter to any competent authority to which a Participant is subject;
- (viii) privately censure the Participant including any of its directors, partners, principals, officers, employees, trainees, agents and/or representatives;
- (ix) suspend the Participant's right to use any or all of the services and/or facilities provided by HKSCC (whether in respect of Eligible Securities held in CCASS or otherwise) and/or any or all of the ancillary services to which the Participant has access; and/or
- (x) take such other disciplinary action as the Disciplinary Committee shall consider appropriate in the circumstances.

2004. Expulsion of Participant

- (i) Where HKSCC considers it appropriate in the circumstances to expel a Participant from participation in CCASS following any disciplinary proceedings against the Participant, such disciplinary action against the Participant shall have to be approved by the Board before such disciplinary action shall have effect.
- (ii) No Participant who has been expelled from participation in CCASS shall be eligible for re-admission as a Participant, unless otherwise agreed by the Board in its absolute discretion.
- (iii) A Participant that has been expelled from participation in CCASS shall not have any claim in respect of its Contributions, if any, to the Guarantee Fund and/or any other fees paid to HKSCC except as provided for in the Rules.

2005. Notices of disciplinary action and right to be heard

If HKSCC proposes to take any disciplinary proceedings against a Participant in respect of any act of misconduct referred to in Rule 2001, it shall give written notice to the Participant and the secretary of the Disciplinary Committee and such notice shall include the statement of case which shall comprise the charge or charges as the case may be, and a summary of the facts to be relied on alleged to give rise to that situation.

2006. Notice of hearing and right to be heard

HKSCC shall give not less than 10 Business Days written notice to the Participant of the date, time and place of any disciplinary hearing. The Participant shall have the right to attend such disciplinary hearing and to make representations, and may at the discretion of the Disciplinary Committee to be legally represented at such disciplinary hearing.

HKSCC shall have the power to postpone or adjourn any such disciplinary hearing to a date, time and place to be determined by HKSCC and shall give notice to the Participant in writing or otherwise of any such postponement or adjournment.

2007. Procedures relating to any disciplinary proceedings

Where HKSCC takes or proposes to take any disciplinary proceedings against any Participant in respect of any act of misconduct referred to in Rule 2001 alleged to have been committed by the Participant, the procedures of any such disciplinary proceedings shall be as set out in Section 20 of the Operational Procedures as amended from time to time.

2008. Summary Disciplinary Action and Summary Suspension

- (i) Notwithstanding any other provisions of the Rules, HKSCC shall have the right to, and may proceed summarily against any Participant for any breach of the Rules or any act of misconduct as set out in Rule 2001, or if HKSCC is of the opinion that it would be in the interest of HKSCC and/or any System and/or Participants so to do.

- (ii) Notwithstanding Rules 2004, 2005 and Rule 2006, HKSCC may when proceeding summarily against any Participant:-
 - (a) (1) suspend the Participant from participation in any System, or
 - (2) limit the Participant's activities or access to the services and facilities in any System, and/or
 - (b) summarily fine the Participant or impose on the Participant any other penalty, without prior notification to the Participant.
- (iii) HKSCC shall immediately notify the Participant in writing of any summary suspension and/or any limitation that has been imposed, the duration of the suspension and/or the limitation imposed, if any, and/or any summary penalty or fine (and the amount thereof) imposed, on the Participant.

2009. Appeals to the Disciplinary Committee and the Disciplinary Appeals Committee

- (i) Where HKSCC takes summary disciplinary action against a Participant pursuant to Rule 2008(ii)(a), the Participant may within 10 Business Days of the receipt of the written notification pursuant to Rule 2008(iii), appeal to the Disciplinary Appeals Committee.
- (ii) Where HKSCC takes summary disciplinary action against a Participant pursuant to Rule 2008(ii)(b), the Participant may within 10 Business Days of the receipt of the written notification pursuant to Rule 2008(iii), appeal to the Disciplinary Committee.
- (iii) Within 10 Business Days of being notified in writing of any other decision of the Disciplinary Committee and the penalty, if any, to be imposed pursuant to Rule 2003 the Participant may appeal to the Disciplinary Appeals Committee against the decision of the Disciplinary Committee and/or against the penalty imposed by the Disciplinary Committee on the grounds set out in Rule 2010.

2010. Grounds for appeal

- (i) The Disciplinary Committee shall as an appellate tribunal, hear and determine appeals against the imposition of summary fines or penalties imposed by HKSCC pursuant to Rule 2008(ii)(b), on the ground that such fine or penalty is unduly excessive or on the ground that there is no justification for its imposition.
- (ii) The Disciplinary Appeals Committee shall hear and determine appeals against the summary suspension of, or the imposition of limitation on, a Participant by HKSCC in accordance with Rule 2008(ii)(a), on the ground that the duration of the suspension and/or limitation is unduly excessive or on the ground that there is no justification for

the imposition of such summary suspension or limitation, as the case may be.

- (iii) The Disciplinary Appeals Committee shall hear and determine appeals against a decision of the Disciplinary Committee as a tribunal of first instance on the following grounds:
 - (a) that the Disciplinary Committee misdirected or misconducted itself contrary to the Rules, Operational Procedures or the rules of natural justice;
 - (b) that the Disciplinary Committee's decision was one which no reasonable Disciplinary Committee could have reached;
 - (c) that the Disciplinary Committee's decision was based on an error of law or a gross misinterpretation of the Rules.
- (iv) A Participant may appeal against any disciplinary action or penalty imposed at any disciplinary hearing by the Disciplinary Committee on the ground that the disciplinary action taken or the penalty imposed by the Disciplinary Committee is unduly excessive.
- (v) The Procedure for any appeal to the Disciplinary Appeals Committee or the Disciplinary Committee, as the case may be, shall be as set out in Section 20 of the Operational Procedures, as amended from time to time.
- (vi) Any determination by the Disciplinary Committee in respect of any appeal submitted to it by a Participant pursuant to Rule 2009(ii) in relation to the imposition of a summary fine and/or other summary penalty shall be final.
- (vii) The decision of the Disciplinary Appeals Committee on an appeal made to it pursuant to Rule 2009(i) or on an appeal made to it pursuant to Rule 2009(iii) shall be final and conclusive.

2011. Order as to costs

- (i) Where HKSCC takes disciplinary action against a Participant, HKSCC may order any such Participant to pay such costs and expenses as it considers reasonable excluding any costs or expenses which, in HKSCC's view, regardless of the outcome of the disciplinary hearing, have been unnecessarily incurred. Such costs and expenses may include, without limitation, the remuneration and expenses of the members of the Disciplinary Committee adjudicating at the hearing, legal costs, administration costs and expenses, and costs and expenses incurred in the investigation, preparation and presentation of the case.
- (ii) Subject to Rule 2011(iii), any costs awarded against a Participant at any disciplinary hearing shall be payable within 10 Business Days of the delivery of the written notice of the order and the determination of the amount of the costs.

- (iii) Where a Participant to a disciplinary hearing appeals against a decision pursuant to Rule 2009(iii), the Disciplinary Committee in its absolute discretion may suspend any order as to costs from coming into effect. The Disciplinary Appeals Committee may affirm or reassess any order of costs made by the Disciplinary Committee whether or not an appeal is allowed, dismissed or withdrawn, and such order as to costs made by the Disciplinary Appeals Committee, if any, shall come into effect on the service of its decision on the Participant.

2012. Commission, Exchange to be notified

Where HKSCC takes disciplinary action against a Participant, it shall notify the Commission and, in the case of disciplinary action being taken against a Clearing Participant which is an Exchange Participant, also notify the Exchange.

2013. Rules 2001 to 2012 applicable to Participants other than Investor Participants

Rules 2001 to 2012 shall not apply to Investor Participants.

CHAPTER 21

DUTIES AND LIABILITIES OF HKSCC

2101. Duty to act in good faith

HKSCC undertakes to perform only such duties and obligations as are expressly set out in the Rules and the Participant Agreement. For the avoidance of doubt and recognising that the Rules do not constitute a contract of *uberrimae fide*, HKSCC shall be under a duty to act in good faith in respect of all matters and things to be undertaken or performed by it under the Rules.

2102. Liability for anything not done in good faith

Except as otherwise expressly provided in the Rules, HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC shall not be liable to any Participant or to any other person in respect of anything done or omitted to be done by it in good faith in connection with the operations of any System, the provision of services and facilities available thereunder, and all other matters as contemplated in the Rules.

2103. Force majeure

HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC shall not be liable for any action taken or for any failure, hindrance or delay in the provision of services or for any failure to give effect to or delay in giving effect to any instructions from Participants with respect to any nominee, depository or other services of HKSCC (or in the case of Foreign Securities held by an Appointed Depositary, with respect to any nominee, depository or other service provided by that Appointed Depositary, or in the case of China Connect Securities, with respect to any China Connect Clearing Services) or for the suspension or cessation of the TSF or the failure to provide any FX Services or FX rates for the operation of the TSF or for the suspension or cessation of any Clearing Link or the performance in whole or in part of its obligations under the terms of the Rules or under any Market Contract if such action, failure, hindrance or delay arises out of causes beyond its control.

Such causes may include, but shall not be limited to, acts of God or the public enemy, acts of a civil or military authority, embargoes, fires, floods, explosions, accidents, labour disputes, mechanical breakdowns, computer or system failures or other failures of equipment, failures of or defects in computer or system software, unavailability of or restrictions on any communication media for whatever reason (whether or not such media is used by Participants), interruptions (whether in whole or in part) of power supplies or other utility or service, any law, decree, regulation or order of any government, competent authority or any court or tribunal, and any other causes beyond HKSCC's control including, without limitation to the foregoing, any similar causes affecting the Exchange, Hong Kong Interbank Clearing Limited (whether or not specified in the Exchange Rules or the rules and regulations of Hong Kong Interbank Clearing Limited), the manager or trustee of any Exchange Traded Fund, an Appointed Depositary or a China Connect Clearing House.

2104. HKSCC not to be liable

In the absence of anything not done or not omitted to be done in good faith on the part of HKSCC, HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC shall have no liability for any losses, costs (including legal costs), charges, assessments and damages of any nature whatsoever suffered or incurred directly or indirectly as a result of or in connection with the following matters:-

- (i) a failure by a Participant to comply with the Rules;

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- (ii) the taking by HKSCC of action authorised, permitted or contemplated in the Rules or in any of the arrangements under Rule 703;
 - (iii) the insolvency of the Appointed Depositories, HKSCC's own banker, or any other sub-custodians, depositories, entities or other clearing entities appointed or used by HKSCC in relation to Eligible Securities (provided that the selection by HKSCC of such persons shall not have been unreasonable);
 - (iv) any delays, acts or omissions of any Designated Bank of, or of any operator of, any clearing house for an Eligible Currency or of any institution or person providing clearing and settlement services in any Eligible Currency or the insolvency of any of the foregoing;
 - (v) the inability of HKSCC to perform as a result of the invalidity or, cancellation of any insurance or assurances effected by HKSCC or the insolvency of such insurers or assurers (provided that the selection of such insurance, assurances or insurers by HKSCC shall not have been unreasonable at the time of selection);
 - (vi) the taking by HKSCC of any action or omission in accordance with the directions of any governmental or regulatory body, or an order made or directions given by a court in exercise of its proper jurisdiction, where it is required to do so by law;
 - (vii) [Repealed]
 - (viii) any acts or omissions of any Issuer, any agent of the Issuer or any other party involved in a New Issue, including any delay by any Issuer or its agents in notifying HKSCC of (a) the identity of Participants to whom New Issue Shares have been allocated and the number of New Issue Shares allocated to each of them or (b) the identity of Participants whose applications or tender have been unsuccessful in whole or in part and the amounts of the refunds due to each of them or any failure by any Issuer so to notify HKSCC or the insolvency of any Issuer, any agent of any Issuer or any such other party and/or any error, discrepancy, default, failure or delay by any Issuer or its agent in paying the New Issue Brokerage into the General Purpose Designated Bank Accounts of the Clearing Participants which are Exchange Participants or otherwise;
 - (ix) any acts or omissions of the HKMA or the employees or agents of the HKMA including (a) termination or suspension of HKSCC's appointment as a Recognized Dealer or HKSCC's membership of the CMU Service, (b) closure, termination, suspension or freezing of HKSCC's CMU Account or any sub-account(s) under it, (c) cancellation, freezing or suspension of trading in any Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments credited to HKSCC's CMU Account, or tendered or applied for by HKSCC in response to Tender Instructions, (d) the conduct of any issue of Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments, including the tendering or application process and any suspension or cancellation of the issue or the tendering or application process or (e) suspension, failure, malfunction, overload, variation or termination of the CMU Service whether wholly or partially or in a particular case or in respect of one or more processes or transactions;
 - (x) any acts or omissions of the owners and licensees of all hardware and software operated or used by the HKMA or HKSCC for the purposes of or in connection with the CMU (including the CMT Terminal and the hardware referred to in and the software which is the subject of the CMU Software Sub-licence Agreement between Hong Kong Interbank Clearing Limited and HKSCC) (or any acts or omissions of the

employees or agents of those owners and licensees) or any loss or damage whatsoever or howsoever caused arising directly or indirectly out of or in connection with the use of the CMT Terminal and any such hardware or software or any failure of or error or inaccuracy in the operation of the CMU;

- (xi) any acts, omissions or delays of the issuer of Exchange Fund Notes, Government Bonds, any Specified Instruments or any CMU Instruments, or any arranger, promoter or co-ordinator of any such issue (or any other person involved in any such issue) or the employees or agents of any of the foregoing;
- (xii) any acts, omissions or delays of the manager or trustee of any Exchange Traded Fund or the arranger or promoter of any issue of Units (or any other person involved in their issue) or the employees or agents of any of the foregoing;
- (xiii) any acts, omissions or delays of any Appointed Depositary or its employees or agents;
- (xiv) any proceeding or investigation brought by or on behalf of any government, regulatory body, self-regulatory organization, or other regulatory authority exercising any disciplinary functions to which the Participant is subject;
- (xv) any acts, omissions, defaults or delays of the Issuer of any Eligible Securities, or any other party involved in any Eligible Securities or the employees or agents, representatives or intermediaries of any of the foregoing (including an Issuer's principal or branch share registrar), or the insolvency of any of the foregoing;
- (xvi) the operation of the CMU Service or the taking by HKSCC of any action or omission in accordance with the provisions in the CMU Membership Agreement including the CMU Rules and CMU Manual (as referred to in Rule 703) including compliance with any notice or requirement of the HKMA not to make or allow any transfer, dealing or disposition of CMU Instruments in CMU Account or compliance with directions given by the HKMA thereunder;
- (xvia) any acts, omissions or delays of any entity, as referred to in Rule 823, with which an Overseas Account is maintained or with which HKSCC or its nominee has entered into relevant arrangements, or the insolvency of such entity;
- (xvii) any acts, omissions or delays of any service provider or any other person through which SMS and/or E-mail is provided or its employees or agents;
- (xviii) any acts, omissions or delays of any Depositary or its employees or agents;
- (xix) in relation to the provision of FX Services, any acts, omissions, defaults, failure to perform obligations or delays of any TSF Partner Bank or any other person providing RMB to HKD and/or HKD to RMB conversion services and/or liquidity to HKSCC, as TSF operator, or the insolvency of any of the foregoing;
- (xx) the inability of HKSCC to settle any TSF FX Transactions or Stock Release FX Transactions due to any acts, omissions, defaults, failure to perform obligations or delays of any TSF Partner Bank or any other person providing RMB to HKD and/or HKD to RMB conversion services and/or liquidity to HKSCC, as TSF operator, or the insolvency of any of the foregoing;

- (xxi) any failure, omissions, errors, delays, malfunction, suspension or cessation of operation of any system used by HKSCC or any third party system upon which HKSCC is reliant in the operation of the TSF, publication of FX rates or the provision of FX Services (including any system used by a TSF Partner Bank);
- (xxii) any suspension of the FX Services, any failure to provide or publish any FX rates or the cessation of operation of the TSF;
- (xxiii) any defective, incorrect, incomplete or omission of information provided by the Issuer of any Eligible Securities or its employees or agents;
- (xxiv) any failure, omissions, errors, delays, malfunction, suspension or cessation of operation of SWIFT or any system upon which HKSCC is reliant for the provision of the CA ISO Message Service;
- (xxv) any acts, omissions or delays of any Synapse User or any failure by any Synapse User to comply with the Synapse Terms and Conditions or any requirements in the Synapse User Guide;
- (xxvi) any acts, omissions or delays of any user of FINI (including a FINI CP User) or any failure by any user of FINI (including a FINI CP User) to comply with the FINI Terms and Conditions or any requirements in the FINI User Guide; and/or
- (xxvii) any securities being identified by an issuer or its agent as (a) Treasury Shares, (b) Treasury Units or (c) securities repurchased by an issuer which are not Treasury Shares or Treasury Units.

Nothing in this Rule 2104 shall operate to limit or restrict the operation of Rule 2103.

2105. No investigation

HKSCC makes no investigation with respect to and shall have no liability for : -

- (i) the creditworthiness or status of any Issuer or guarantor of any Eligible Security;
- (ii) the validity or binding effect of any Eligible Security or any New Issue Shares or any guarantee thereof or any related document; or
- (iii) any other similar matter.

CHAPTER 22

TERMINATION OF CCASS PARTICIPATION

2201. Termination by notice by HKSCC

HKSCC may at any time by the giving of not less than ten (10) Business Days' notice in writing terminate the participation in CCASS of a Participant other than a Clearing Agency Participant. With respect to a Clearing Agency Participant, the period of notice for termination by HKSCC to be given shall be such period as agreed between HKSCC and the Clearing Agency Participant.

2202. Forthwith termination by HKSCC

Without prejudice to any other rights HKSCC may have and notwithstanding anything to the contrary in the Rules, HKSCC may terminate the participation in CCASS of a Participant forthwith by notice: -

- (i) in the event of the death, incapacity of a Participant being an individual or the dissolution of a Participant being a partnership;
- (ii) in the event that a Participant ceases its business or a material part thereof in the determination of HKSCC;
- (iii) in the event that a Participant is the subject of an adverse finding by any competent authority to which it is subject;
- (iv) in the event of the bankruptcy, liquidation or winding-up of a Participant or the initiation of any proceedings in relation thereto (including, but not limited to, the commission of an act of bankruptcy or an analogous act by a Participant) or if HKSCC considers in its absolute discretion that the occurrence of such events are imminent or likely;
- (v) in the event of the appointment of a receiver or manager over the assets of a Participant or if a Participant suffers a composition with its creditors or if a scheme of arrangement is approved by the court (other than for the purposes of reconstruction or amalgamation) or if HKSCC considers in its absolute discretion that the occurrence of such events are imminent or likely;
- (vi) in the event of any distress, execution or other process being levied or enforced or served upon or against any property of a Participant;
- (vii) in the event that an Event of Default as referred to in Rule 3701 has occurred in respect of a Clearing Participant, including a failure to provide or replenish its Basic Contribution or Dynamic Contribution pursuant to Rules 2502 and 2509B, or a failure to provide Assessments pursuant to Rules 2508 and 2509; or
- (viii) if HKSCC considers in its absolute discretion that any delay in the termination of the

participation of a Participant will be materially detrimental to the interests of CCASS or of other Participants.

2203. Termination by notice by Participants

Subject as otherwise provided, any Participant other than a Clearing Agency Participant may by the giving of not less than one month's notice in writing to HKSCC terminate its participation in CCASS. A Clearing Agency Participant may terminate its participation in CCASS by giving HKSCC such period of notice in writing as agreed between HKSCC and the Clearing Agency Participant.

At any time after receipt of notice to terminate from a Participant, HKSCC shall have the right to decline to accept any instruction or give effect to any transaction involving such Participant if HKSCC considers it appropriate in the interests of HKSCC or other Participants.

2204. Consequences of termination

Within six months of the termination of participation in CCASS of a Participant, or as soon thereafter as is practicable, HKSCC shall, subject as otherwise provided in the Rules, cause to be returned to, or make available for collection by, the Participant all property or assets held by HKSCC for the Participant provided always that HKSCC shall have the right (without affecting any other rights it may have):-

- (i) to set off amounts due or which may become due to HKSCC from the Participant, if applicable; and/or
- (ii) to retain property or assets (but not Eligible Securities in the Stock Segregated Accounts of the Participant other than Derived Assets credited into the Entitlement Account of the Participant) or to refrain from arranging for the determination or cancellation of (as well as to require the provision of) insurance, assurances, indemnities, to provide in full for the fulfilment of the Participant's obligations and liabilities, actual or contingent, to HKSCC.

The termination of participation in CCASS of a Participant will not affect any rights or liabilities of the Participant arising out of matters which have taken place prior thereto and for the purpose of settlement of any such rights or liabilities of the Participant, HKSCC may continue to treat the Participant as a Participant.

Any provision which expressly or by implication is intended to come into or continue in force on or after termination of a Participant's participation in CCASS shall remain in full force and effect and binding on the Participant.

Subject to Rules 2508 and 2509 but notwithstanding any other provisions contained in the Rules, a Clearing Participant's obligations as a Relevant Clearing Participant shall survive the termination of the Clearing Participant's participation in CCASS. Without prejudice to any other rights of HKSCC, HKSCC shall be entitled to treat such Clearing Participant whose participation in CCASS has been terminated as a Relevant Clearing Participant for the purposes of Rules 2507, 2507A, 2508, 2509, 3705, 3706, 3709 and 4301, and all matters arising therefrom or in relation thereto so as to give full force and effect to the Rules. Such

Clearing Participant shall remain bound by those provisions and the related provisions as if the termination of its participation had not been effected.

2205. HKSCC to notify Participants etc.

In the case of a Participant other than an Investor Participant, in the event of the termination of participation by such Participant or the receipt of notification to terminate, HKSCC shall as soon as practicable notify the other Participants (other than Investor Participants), the Commission and, in the case of termination of participation by a Clearing Participant which is an Exchange Participant, the Exchange.

CHAPTER 23

INSOLVENCY

2301. Insolvency of Participants

In the event that a resolution is passed for the winding-up (save for the purpose of amalgamation or reconstruction) of, or that a bankruptcy or winding-up order is made against, a Participant, or the Participant if an Individual Investor Participant or if a Joint Individual Investor Participant, any individual or individual comprising such Joint Individual Investor Participant be declared to be subject to any legal incapacity by any competent court or body, HKSCC shall, except as otherwise determined by HKSCC to be in the interests of HKSCC or Participants, as soon as practicable after it becomes aware of the occurrence of such events cease to render all or any services to such Participant.

If HKSCC ceases to render services to a Participant other than an Investor Participant, either generally or in part, HKSCC shall endeavour to notify as soon as practicable all other Participants excluding Investor Participants and shall inform them of how pending matters of such Participant will be affected and the steps to be taken in connection therewith.

If HKSCC ceases to render services to an Investor Participant, HKSCC reserves the right to notify other Participants but will normally seek consent of the Investor Participant concerned before notifying all other Participants.

CHAPTER 24

SECURITIES LOSSES

2401. Declaration of a Securities Loss

Without prejudice to any obligation or liability that HKSCC may have (including, but not limited to, those under Rule 813, Rule 814, Rule 815 and Rule 816), if one or more Eligible Securities in CCASS is lost or otherwise becomes unavailable (such loss or unavailability being referred to as a "Securities Loss"), then, HKSCC may declare that a Securities Loss has occurred.

For the avoidance of doubt, HKSCC shall not declare that a Securities Loss has occurred unless it determines that it is not possible or reasonably practicable for HKSCC to replace the Eligible Securities which are the subject of the Securities Loss.

2402. Eligible Securities deemed to be lost or unavailable

For the purpose of Rule 2401, HKSCC may deem one or more Eligible Securities to be lost or unavailable if :

- (i) such Eligible Securities are lost or defective, including where Eligible Securities are stolen, mutilated or destroyed; or are forged, fraudulent or invalid; or if for any reason cannot be registered or re-issued or cannot be delivered or are unavailable for delivery; or
- (ii) such Eligible Securities are nationalised, expropriated or seized.

2403. Allocation of a Securities Loss to Participants

Upon a declaration of a Securities Loss, HKSCC shall allocate such Securities Loss to those Participants having the relevant Eligible Securities in their Stock Accounts at the time by debits to their Stock Accounts either pro-rata to their holdings at the time HKSCC declares that such Securities Loss has occurred or in such other manner as HKSCC shall in its absolute discretion consider fair and appropriate in the circumstances.

If, as a result of an allocation of a Securities Loss to affected Participants, there shall be in the Stock Accounts of such Participants fractional Eligible Securities, HKSCC shall be authorised to sell such fractional Eligible Securities on such terms as it sees fit for the benefit of such Participants.

CHAPTER 25

GUARANTEE FUND

2501. Establishment of Guarantee Fund

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

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

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

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

2502. Contributions by Clearing Participants

Each Clearing Participant shall pay to HKSCC the Basic Contribution and the Dynamic Contribution, being two types of contributions to the Guarantee Fund, in accordance with the Rules. HKSCC shall credit the Basic Contributions and Dynamic Contributions by Clearing Participants to the Guarantee Fund.

(i) Basic Contribution

Subject to this Rule, Rule 2509B and Rule 2509D, the amount of Basic Contribution from time to time required to be made by each Clearing Participant shall be determined by reference to and shall be subject to such adjustments as are provided in the Operational Procedures.

The minimum amount of Basic Contribution to be made by each DCP shall be HK\$50,000 or HK\$50,000 in respect of each Stock Exchange Trading Right held by such DCP in the Exchange, whichever is the higher. The minimum amount of Basic Contribution to be made by each GCP shall be HK\$150,000 or the aggregate of HK\$50,000 in respect of each Stock Exchange Trading Right held by it and HK\$50,000 in respect of each NCCCP with whom such GCP has entered into a Clearing Agreement, whichever is the higher. The minimum amount of Basic Contribution to be made by each Clearing Participant shall be made in cash. HKSCC may from time to time specify such other amount as the minimum amount of Basic Contribution by each Clearing Participant.

The size of the aggregate Basic Contributions required from all Clearing Participants shall generally be not less than HK\$100,000,000 provided that HKSCC reserves the right to determine from time to time the required size of the aggregate Basic Contributions.

(ii) Dynamic Contribution

There is no minimum amount of Dynamic Contribution required to be made by each Clearing Participant or minimum size of the aggregate Dynamic Contributions by all Clearing Participants. Subject to this Rule, Rule 2507A, Rule 2508, Rule 2509, Rule 2509B and Rule 2509D, the amount of the Dynamic Contribution from time to time required to be made by each Clearing Participant shall be determined by reference to and shall be subject to such adjustments as are provided in the Operational Procedures or as HKSCC may from time to time prescribe.

Each Clearing Participant may be allowed a Dynamic Contribution Credit, up to such limit as HKSCC may from time to time determine in its absolute discretion. For the avoidance of doubt, such limit may be determined by HKSCC on an individual Clearing Participant basis. The Dynamic Contribution Credit shall only be utilized for the purpose of reducing the amount of Dynamic Contribution (other than any Assessment or Voluntary Recap Amount) payable by a Clearing Participant to HKSCC in the manner as provided in the Operational Procedures. The amount of Dynamic Contribution Credit utilized by a Clearing Participant may be applied by HKSCC towards satisfaction of a Clearing Participant's share of obligations and liabilities in accordance with Rule 2507A.

The arrangement of allowing a Dynamic Contribution Credit to each Clearing Participant is put in place by HKSCC with the financial support of HKEX. Neither HKEX nor HKSCC shall be required to make any actual payment to a Clearing Participant at any time in respect of the whole or any part of the Dynamic Contribution Credit that has been utilized and/or applied as above mentioned.

Unless otherwise determined by HKSCC, where the whole or any part of the amount of Dynamic Contribution Credit utilized by a Clearing Participant is applied by HKSCC towards satisfaction of the Clearing Participant's (as the Relevant Clearing Participant's) share of the remaining obligations and liabilities pursuant to Rule 2507A, the Dynamic Contribution Credit to be allowed to the Clearing Participant thereafter will correspondingly be reduced by the amount applied. Unless otherwise determined by HKSCC, such reduction of Dynamic Contribution Credit follows the Clearing Participant even on its re-admission as a Clearing Participant after cessation of its existing participation in CCASS of Clearing Participant for any reason.

2503. Form of Contributions

(i) Basic Contributions in excess of the minimum amount of Basic Contribution required under Rule 2502 and (ii) Dynamic Contributions may be provided by Clearing Participants in cash in Hong Kong dollars or in any other currency prescribed by HKSCC from time to time or in such other form as may be acceptable to HKSCC.

Where applicable, a Clearing Participant providing Basic Contribution and/or Dynamic Contribution shall be deemed to represent and warrant in favour of HKSCC that it has title to and authority over such Contributions, free from all liens, charges, encumbrances, equities and other third party rights of any nature whatsoever.

2504. Additional resources to Guarantee Fund

In the event that payments out of the Guarantee Fund under paragraph (iii) of Rule 2507 are required, HKSCC will appropriate its resources up to 10% or such other percentage of the Guarantee Fund size as HKSCC may from time to time determine as contributions to the Guarantee Fund.

HKSCC may from time to time establish such additional arrangements, including but without limitation, bank facilities and policies of insurance, as it may from time to time consider appropriate for the purposes of providing additional resources to the Guarantee Fund. Such arrangements may be terminated by HKSCC from time to time at its discretion.

The costs and expenses incurred in establishing, maintaining, managing, administering and terminating such arrangements shall from time to time be paid out of the Guarantee Fund and/or the interest or other sums accruing to the assets of the Guarantee Fund. Further, HKSCC may require Clearing Participants to reimburse it in respect of such costs and expenses, pro-rata to their respective Contributions required under Rule 2502 or in such other manner as HKSCC considers fair and appropriate.

For the avoidance of doubt, the Dynamic Contribution Credit and Margin Credit arrangements put in place by HKSCC are not (i) additional arrangements for the purposes of providing additional resources to the Guarantee Fund; or (ii) appropriation of HKSCC resources to the Guarantee Fund.

2505. Investment of assets of Guarantee Fund

Without prejudice to any other rights of HKSCC in respect of the Guarantee Fund, HKSCC may invest the assets and resources of the Guarantee Fund or any part thereof in such manner and to such extent as shall be approved by the Risk Management Committee. Any gain or loss arising from the investment activities is for the Guarantee Fund.

Interest or any other sums accruing to the assets of the Guarantee Fund shall, unless otherwise provided in the Rules, be appropriated by HKSCC to the Guarantee Fund. Interest at negative rates on or other sums chargeable in respect of the assets of the Guarantee Fund will be charged by HKSCC to the Guarantee Fund and paid out of the Guarantee Fund unless otherwise provided.

For the avoidance of doubt, any obligation of HKSCC to redeliver Basic Contribution and Dynamic Contribution to a Clearing Participant and any interest on or other sums accruing to such Contributions HKSCC may pay and/or charge to the Clearing Participant in accordance with the Rules and the Operational Procedures shall not be affected by any gain or loss arising from the investment activities in respect of the assets and resources of the Guarantee Fund. Any such gain or loss, as mentioned above, is for the Guarantee Fund.

2506. Application of Guarantee Fund

Subject to Rule 2501 but without prejudice to other provisions of the Rules, the Guarantee Fund may be applied in respect of:-

- (i) the obligations and liabilities of HKSCC arising out of Market Contracts (including, but not limited to the costs and expenses incurred in relation to making recoveries from Clearing Participants and in relation to risk management measures effected by HKSCC with respect to Market Contracts); and

- (ii) the liabilities of HKSCC for a loss of or defects affecting Eligible Securities pursuant to Rule 813, Rule 814, Rule 815 and Rule 816 and in respect of which a Clearing Participant shall be liable to HKSCC.

If, in the opinion of HKSCC, the resources of the Guarantee Fund are at any time liable to be exhausted or are at any time at a level which is unlikely to meet all claims or potential claims, HKSCC may apportion the resources available under the Guarantee Fund between claims arising out of each of the categories referred to in paragraphs (i) and (ii) above (either on a pro-rata basis by reference to the aggregate amount of claims arising out of each of such categories subsisting at the time or in such other manner as the Risk Management Committee shall consider fair and appropriate in the circumstances).

Where the resources of the Guarantee Fund apportioned to a category under this Rule are insufficient to meet all the liabilities and obligations of HKSCC under that category at the time of apportionment, such resources shall be applied to all claims of that category on a pro-rata basis or in such other manner as HKSCC considers fair and appropriate.

If HKSCC applies any resources of the Guarantee Fund pursuant to this Rule, it shall promptly notify the Commission.

2507. Order of application of Guarantee Fund

Without prejudice to HKSCC's right to draw on other resources available to the Guarantee Fund and subject to the terms of any guarantees, facilities, policies or other assets from time to time forming part of the resources of the Guarantee Fund, payments out of the assets of the Guarantee Fund to satisfy the obligations and liabilities of HKSCC in relation to a Relevant Event shall be in the following order of priority: -

- (i) first, the Basic Contributions and Dynamic Contributions made by the Relevant Clearing Participants in default (if applicable);
- (ii) second, subject to Rule 2507A(ii), interest or any other sums accruing to the assets of the Guarantee Fund and appropriated by HKSCC to the Guarantee Fund;
- (iii) third, resources of HKSCC appropriated to the Guarantee Fund;
- (iv) fourth, the Basic Contributions made by all other Relevant Clearing Participants (or all Relevant Clearing Participants if sub-paragraph (i) above is not applicable); and
- (v) fifth, the Dynamic Contributions made by all other Relevant Clearing Participants (or all Relevant Clearing Participants if paragraph (i) above is not applicable).

The application of the Basic Contributions and Dynamic Contributions under paragraphs (iv) and (v) above shall also be subject to Rules 2507A(iii) and (iv) respectively.

Where HKSCC exercises its right to draw on any other resources available to the Guarantee Fund or other assets forming part of the Guarantee Fund, HKSCC may vary the order of priority of payments set forth above by including in it payment out of such other resources or assets, including the proceeds thereof, in such manner as HKSCC considers fair and appropriate.

HKSCC shall notify the Relevant Clearing Participants concerned in the case of an application under paragraph (i) of this Rule and shall notify all Relevant Clearing Participants in the case of an application under paragraphs (iv) and/or (v) of this Rule. Such notice to Relevant Clearing Participants of any application is referred to as a “notice of application”. Following such application, the Guarantee Fund Contribution Balance of each Relevant Clearing Participant shall be reduced by an amount equal to the amount so applied in respect of such Clearing Participant.

For the purposes of application of Guarantee Fund under this Rule and all matters arising therefrom or in relation thereto, where a Relevant Clearing Participant whose participation in CCASS as a Clearing Participant has been effectively terminated before the application, HKSCC shall be entitled to treat and apply the Basic Contribution and Dynamic Contribution made by the Relevant Clearing Participant as assets of the Guarantee Fund as if the termination of the Relevant Clearing Participant’s participation in CCASS had not occurred.

For the avoidance of doubt, Relevant Clearing Participants in relation to the Relevant Event do not include (a) Clearing Participants admitted into CCASS after the date of occurrence of the Relevant Event and (b) Clearing Participants whose participation in CCASS had been effectively terminated on or before the date of occurrence of the Relevant Event.

2507A. Application of Dynamic Contribution Credit and Margin Credit, etc.

- (i) In this Rule, “Dynamic Contribution calculated” has the same meaning as referred to in Section 18.2.1 of the Operational Procedures.
- (ii) In the event that there are obligations and liabilities of HKSCC remaining after payment under Rule 2507(i) (if applicable), HKSCC will first apply the amount of Dynamic Contribution Credit and the amount of Margin Credit utilized by the Relevant Clearing Participant in default (if applicable) on the Business Day immediately before the occurrence of the Relevant Event to satisfy the remaining obligations and liabilities, prior to making any further payments out of the Guarantee Fund in accordance with the order set out in Rules 2507(ii) – (v).

The Margin Credit arrangement, as referred to in Section 10.10A.2 of the Operational Procedures, is put in place by HKSCC with the financial support of HKEX. Neither HKEX nor HKSCC shall be required to make any actual payment to a Clearing Participant in respect of the whole or any part of the Margin Credit that has been utilized as provided in the Operational Procedures and/or applied as mentioned above.

- (iii) The amount of Basic Contribution in respect of each Relevant Clearing Participant to be applied pursuant to Rule 2507(iv) shall be calculated on a pro-rata basis by reference to the Relevant Clearing Participant’s share of the aggregate Basic Contributions made or required to be made by all the Relevant Clearing Participants on the Business Day immediately before the occurrence of the Relevant Event, excluding the Basic Contribution made or required to be made by the Relevant Clearing Participant in default (if applicable).
- (iv) The amount of Dynamic Contribution in respect of each Relevant Clearing Participant to be applied pursuant to Rule 2507(v) shall be determined as follows:-
 - (a) HKSCC will first calculate the Relevant Clearing Participant’s share of the remaining obligations and liabilities by reference to the Relevant Clearing Participant’s share of the Dynamic Contribution calculated in respect of all the Relevant Clearing Participants on the Business Day immediately before the occurrence of the Relevant Event, excluding the Dynamic Contribution

calculated in respect of the Relevant Clearing Participant in default (if applicable).

- (b) The Relevant Clearing Participant's share of the remaining obligations and liabilities calculated under sub-paragraph (a) above shall be borne by way of the Dynamic Contribution required from the Relevant Clearing Participant and the Dynamic Contribution Credit utilized by the Relevant Clearing Participant on a pro-rata basis, by reference to their respective proportions in the Dynamic Contribution calculated in respect of the Relevant Clearing Participant on the Business Day immediately before the occurrence of the Relevant Event, provided that the share borne by the Dynamic Contribution Credit utilized shall not exceed the Dynamic Contribution Credit allowed to the Relevant Clearing Participant. Any amount in excess of the Dynamic Contribution Credit allowed to the Relevant Clearing Participant shall be borne by the Relevant Clearing Participant by way of the Dynamic Contribution required from it.
- (c) The amount of Dynamic Contribution made by the Relevant Clearing Participant shall be paid out of the Guarantee Fund pursuant to Rule 2507(v) to satisfy the share of remaining obligations and liabilities borne by the Dynamic Contribution required, as determined under sub-paragraph (b) above. HKSCC will apply the amount of the Dynamic Contribution Credit utilized by the Relevant Clearing Participant to satisfy the share of remaining obligations and liabilities borne by the Dynamic Contribution Credit utilized (up to but not exceeding the amount of Dynamic Contribution Credit allowed to the Relevant Clearing Participant), as determined under sub-paragraph (b) above and subject to paragraph (v) below.
- (v) Where the whole or any part of the amount(s) of Dynamic Contribution Credit utilized and/or Margin Credit utilized is applied to satisfy the remaining obligations and liabilities pursuant to this Rule 2507A, the Relevant Clearing Participant in default (if applicable) shall be liable to repay to HKSCC the relevant amounts and HKSCC shall be entitled to recover the amounts from such Relevant Clearing Participant in default (if applicable), without prejudice to any other rights which HKSCC may have. To the extent that the amount recovered by HKSCC from such Relevant Clearing Participant in default (if applicable) represents the financial support provided by HKEX, HKSCC will pay the amount received by it to HKEX.

2508. Assessments

Upon the occurrence of a Relevant Event, whenever the whole or any part of the Guarantee Fund is applied in accordance with Rules 2507 and 2507A or HKSCC determines that the resources available to HKSCC under the Guarantee Fund and those that may be applied under Rules 2507A and 3702(ii) will not be sufficient to satisfy the obligations and liabilities of HKSCC in relation to a Relevant Event, HKSCC may issue a written notice ("Notice of Assessment") demanding each Clearing Participant to provide such additional contributions to bring the Guarantee Fund to the same level as that before any application is made or to be made and/or such additional contributions as HKSCC may require to meet any obligations and liabilities in relation to a Relevant Event, subject to the limit set out in Rule 2509 ("Assessments"). Each Clearing Participant shall provide its Assessments to HKSCC no later than the first Business Day after the date of the Notice of Assessment, or within such other time period as may be specified by HKSCC.

The Assessments to be provided by Clearing Participants under this Rule 2508 must be paid in full by the Clearing Participants in cash in Hong Kong dollars or in any other currency prescribed by HKSCC from time to time. Any Assessment provided by a Clearing Participant shall form part of its Guarantee Fund Contribution Balance.

The obligations and liabilities of a Clearing Participant to provide Assessments under this Rule in respect of any Relevant Events which occur during a Capped Liability Period which commenced prior to the Clearing Participant's termination of participation in CCASS shall survive the termination of the Clearing Participant's participation in CCASS notwithstanding the fact that the expiry of such Capped Liability Period occurs after termination, provided that the aggregate liability of the Clearing Participant shall be limited as provided for in Rule 2509 and provided that the Clearing Participant shall not have any obligations or liabilities to provide Assessments in respect of any Relevant Events which occur during a Capped Liability Period which commences after the termination of the Clearing Participant's participation in CCASS.

2509. Limit on Clearing Participant's liability to Assessments

In respect of one or more Relevant Events occurring during a Capped Liability Period, the aggregate liability of a Clearing Participant to provide Assessments pursuant to one or more Notices of Assessment given by HKSCC during a Capped Liability Period shall be limited to an amount which is equal to the Clearing Participant's Basic Contribution required and Dynamic Contribution calculated pursuant to Section 18.2.1 of the Operational Procedures on the Business Day immediately preceding the start of the Capped Liability Period, plus one time such amount.

2509A. Voluntary Recapitalization

- (i) If HKSCC determines at any stage that the loss arising from a Relevant Event is expected to exceed the financial resources available including the Guarantee Fund and the relevant amount received or to be received under Rule 2508 and those available to be applied under Rules 2507A and 3702(ii), HKSCC may issue a written notice (the "Voluntary Recap Request Notice") requesting each Clearing Participant to make a payment of funds (each a "Voluntary Recap Amount") to HKSCC.
- (ii) Upon receipt of a Voluntary Recap Request Notice issued by HKSCC in accordance with Rule 2509A(i), a Clearing Participant may, but is not obliged to, provide its Voluntary Recap Amount to HKSCC within one Business Day following receipt of the Voluntary Recap Request Notice. The Voluntary Recap Amount provided by Clearing Participants must be paid in cash in Hong Kong dollars or in any other currency prescribed by HKSCC from time to time. Any Voluntary Recap Amount made by a Clearing Participant to HKSCC may not be withdrawn.
- (iii) Any Voluntary Recap Amount received by HKSCC from a Clearing Participant shall form part of such Clearing Participant's Guarantee Fund Contribution Balance after such Voluntary Recapitalization is declared successful by HKSCC, and the application of such amount will be subject to Rules 2506 and 2507.
- (iv) If the total Voluntary Recap Amount received by HKSCC is less than the aggregate of the Voluntary Recap Amounts requested by HKSCC from the Clearing Participants, any amounts received will be refunded to the relevant Clearing Participants on the next Business Day and will not form part of the Dynamic Contributions or Guarantee Fund Contribution Balances of the relevant Clearing Participants.

2509B. Clearing Participants to replenish Guarantee Fund

Following the occurrence of a Relevant Event, any review of the Guarantee Fund size apart from under Rule 2508 shall be suspended during the relevant Capped Liability Period. Upon the expiry of the relevant Capped Liability Period, HKSCC shall review the size of the Guarantee Fund and the Basic Contribution and/or Dynamic Contribution required from each Clearing Participant in accordance with Rule 2502. Subject to Rule 2509D, HKSCC will notify the Clearing Participant of any replenishment amount required as Basic Contributions and/or Dynamic Contributions as a result of the review. The Clearing Participant shall make such Contributions no later than the first Business Day after the date of the notice, or within such other time period as may be specified by HKSCC. Any such Contributions made by the

Clearing Participant following the expiry of such Capped Liability Period shall only be applied in respect of Relevant Events which occur after the expiry of the relevant Capped Liability Period and shall not be applied in respect of any Relevant Event that occurred prior to the expiry of such Capped Liability Period.

2509C. HKSCC to make appropriations for Guarantee Fund

Following the expiry of a Capped Liability Period following a Relevant Event, if the whole or any part of HKSCC's contribution to the Guarantee Fund is applied in accordance with Rule 2507, HKSCC shall make appropriations for the deficiency of its contribution to the Guarantee Fund following the same replenishment time period as specified in Rule 2509B, subject to the approval of the Board and regulatory capital requirements applicable to HKSCC. Any part of HKSCC's contribution to the Guarantee Fund following the expiry of such Capped Liability Period shall only be applied in respect of Relevant Events which occur after the expiry of the relevant Capped Liability Period and shall not be applied in respect of any Relevant Event that occurred prior to the expiry of such Capped Liability Period.

2509D. Termination of participation in CCASS for limiting liability following the expiry of a Capped Liability Period

- (i) Where a Clearing Participant wishes to terminate its participation in CCASS to limit its liability to any subsequent Events of Default that may occur following the expiry of the applicable Capped Liability Period, it must:
 - (a) submit a notice of termination of participation in CCASS to HKSCC and receive an acknowledgement from HKSCC; and
 - (b) successfully close out or otherwise discharge its liabilities in respect of all its Markets Contracts in accordance with the Rules prior to the expiry of the Capped Liability Period.
- (ii) If the conditions set out in Rule 2509D(i) are met, and notwithstanding Rule 2203, the Clearing Participant will not be subject to the replenishment of Basic Contribution and/or Dynamic Contribution pursuant to Rule 2509B. If the conditions set out in Rule 2509D(i) are not met, the Clearing Participant will be subject to the replenishment of Basic Contribution and/or Dynamic Contribution pursuant to Rule 2509B (and liabilities thereto) upon the expiry of the applicable Capped Liability Period.

2510. Recovery of sums

If HKSCC receives any amounts from a Relevant Clearing Participant in default, or any other amounts howsoever recovered relating to the Relevant Event of the Relevant Clearing Participant in default, HKSCC shall, in the absence of any obligation of HKSCC to deal with the amounts so recovered in any other way, deal with the amount so received in accordance with this Rule, having regard to Rules 2507, 2507A, 2509A and 3709.

The amounts recovered (less any uncovered costs and expenses of recovery) may, but need not necessarily, be repaid to the Relevant Clearing Participants and HKSCC, subject to the terms of any relevant guarantee, bank facility or policy of insurance. If the amounts recovered are repaid to the Relevant Clearing Participants and HKSCC, it will be in the reverse order of priority with reference to the amounts and credits that have been utilized and applied to satisfy obligations and liabilities in relation to the Relevant Event including:

- (i) any amount paid out of the Guarantee Fund pursuant to Rule 2507;
- (ii) any amount of Dynamic Contribution Credit and Margin Credit that has been utilized and applied to satisfy any obligations and liabilities pursuant to Rule 2507A;
- (iii) any Voluntary Recap Amount that has been applied pursuant to Rule 2509A; and
- (iv) any amount of Unadjusted Termination Value Receivable which is not fully paid to the non-defaulting Clearing Participants or Clearing Agency Participants pursuant to Rule 3709 and Section 10.16 of the Operational Procedures.

Where any such payment or application is made on a pro-rata basis, the credit and repayment would be made on the same pro-rata basis. To the extent that a Relevant Clearing Participant's (other than the Relevant Clearing Participant in default) participation in CCASS has been effectively terminated, HKSCC may return such amount to the Relevant Clearing Participant or deal with it in such other manner as HKSCC considers appropriate, without prejudice to any other rights of HKSCC. To the extent that the amount repaid to HKSCC represents the financial support provided by HKEX, HKSCC will pay the relevant amount received by it to HKEX.

It may be a term of any guarantee, bank facility or policy of insurance that recoveries from the Relevant Clearing Participant in default be applied in a particular fashion other than repaid to the Relevant Clearing Participants or HKSCC, in which case the recoveries shall be applied in accordance with such term.

For the avoidance of doubt, a Relevant Clearing Participant in default shall be liable to reimburse or repay HKSCC in full for:

- (i) any amount paid out of the Guarantee Fund pursuant to Rule 2507;
- (ii) any amount of Dynamic Contribution Credit and Margin Credit that has been utilized and applied to satisfy any obligations and liabilities pursuant to Rule 2507A;
- (iii) any Voluntary Recap Amount that has been applied pursuant to Rule 2509A; and
- (iv) any unpaid amount of Termination Value Payable by the Relevant Clearing Participant in default pursuant to Rule 3709 and Section 10.16 of the Operational Procedures

as a result of its default.

2511. Information on assets and resources of Guarantee Fund

HKSCC shall maintain a separate record of:-

- (i) all amounts standing to the credit of;
- (ii) all resources appropriated by HKSCC as contributions to; and
- (iii) all guarantees, facilities or policies enuring for the benefit of

the Guarantee Fund from time to time. Without prejudice to the aforesaid, HKSCC shall maintain a separate account or separate accounts in respect of the Contributions.

HKSCC shall notify Clearing Participants and the Commission (on an annual basis) of the assets and resources available to the Guarantee Fund.

2512. Return of Contributions

For the avoidance of doubt, once credited to the Guarantee Fund, the Basic Contributions and Dynamic Contributions made by Clearing Participants shall be dealt with in accordance with the Rules and will not be returned to Clearing Participants except in accordance with the Rules.

Six months after the termination of the participation in CCASS of a Clearing Participant, provided that all liabilities of such Clearing Participant to HKSCC at the time of termination, actual and contingent, shall have been satisfied or provided for in full (including without limitation any pending applications of the Guarantee Fund at the time of such termination and, if applicable, any outstanding obligation to provide Assessments under Rule 2509), HKSCC may deliver or return to the Clearing Participant assets in such form and in such amount, as HKSCC deems appropriate, equivalent to the assets recorded as part of its Guarantee Fund

Contribution Balance. In the case of a Relevant Clearing Participant, HKSCC shall have the right (without prejudice to any other rights it may have) to retain, and not to redeliver or return, such Contributions or any part thereof as cover for any contingent liability of the Relevant Clearing Participant under Rules 2507, 2507A, 2508, 2509, 3707, 3709 and 4301.

2513. Dissolution of Guarantee Fund

If at any time it appears in the opinion of HKSCC to be in the interests of Clearing Participants or in the interests of the operations of CCASS, HKSCC may, with the approval of the Risk Management Committee and the Commission, dissolve the Guarantee Fund. Unless otherwise provided in the Rules, HKSCC shall be entitled to adopt such procedures in relation to the dissolution of the Guarantee Fund as it shall deem appropriate.

2514. Application upon dissolution of Guarantee Fund

Upon dissolution of the Guarantee Fund, HKSCC may apply the Guarantee Fund in respect of one or more of the following matters:-

- (i) in payment of all sums to be paid out of the Guarantee Fund;
- (ii) in payment of the costs and expenses of and incidental to the administration and management of the dissolution of the Guarantee Fund;
- (iii) at the discretion of HKSCC, the balance of the Basic Contributions and Dynamic Contributions may be returned to Clearing Participants; and
- (iv) with the approval of the Risk Management Committee and the Commission, for use in such manner as HKSCC considers appropriate, including but not limited to the transfer to a new fund having similar objectives as the Guarantee Fund of all amounts standing to the credit of and all guarantees, facilities or policies enuring for the benefit of the Guarantee Fund.

CHAPTER 26

SUSPENSION OF SERVICES

2601. HKSCC may suspend services

If in the opinion of the Chief Executive, the Board or the HKEX board an emergency (including but not limited to fire, epidemic or other casualty or accident, severe weather conditions, earthquake, natural disaster, power failures, communications breakdowns, computer malfunction, war, riot, civil commotion, labour strike, terrorist attack and other similar events) is imminent or threatened or has occurred or developed, and in consequence no orderly operation of HKSCC's clearing, settlement and other services can take place, the Chief Executive (with prior reference to the Board) and the Board shall have full authority (in consultation with the Commission) to suspend the whole or any part of HKSCC's facilities or services and to take such other action as the Chief Executive and Board may, in their absolute discretion, deem necessary or appropriate to deal with such emergency or as directed by the HKEX board. Notwithstanding the foregoing, the Chief Executive may suspend HKSCC's facilities or services under this Rule without prior reference to the Board if, but only if, in his opinion it is not possible for a meeting of the Board to be convened immediately. The Chief Executive may not otherwise suspend HKSCC's facilities or services under this Rule and whenever HKSCC's facilities or services are suspended by the Chief Executive in accordance with this Rule, he shall arrange for a meeting of the Board to be held as soon as practicable after the suspension. Under no circumstances shall HKSCC or HKEX be responsible for damages arising from any such emergency or any action taken by HKSCC in respect thereof.

2602. Notification of suspension

HKSCC shall notify Participants other than Investor Participants, the Exchange and the Commission as soon as practicable upon a decision to suspend any operation or service of any System or any other service or facility relating to the settlement and/or clearance of Foreign Securities held by an Appointed Depositary and shall also provide information as to any other action it proposes to take.

HKSCC shall notify Investor Participants as soon as practicable via the CCASS Internet System of any decision to suspend any operation or service of CCASS.

Notification of suspension of any operation or service of FINI will be given to users of FINI in accordance with the FINI Terms and Conditions and the FINI User Guide.

CHAPTER 27

INSURANCE

2701. HKSCC shall maintain insurance

HKSCC shall maintain insurance of such type and to such extent as it in its absolute discretion considers appropriate in relation to the operations of any System and the services and facilities available thereunder to Participants.

CHAPTER 28

DISCLOSURE

2801. Disclosure required by law etc.

HKSCC shall have authority to disclose the details of any information concerning a Participant and a recipient of copies of Corporate Communications in its possession, any information received from a Participant and any other information in connection with a Participant at any time if so required (i) by any applicable law, decree, rule, regulation or order of any government, regulatory authority, court, tribunal, or other competent authority; (ii) pursuant to any requirement or request of any governmental, regulatory or other competent authority whether within or outside Hong Kong (including, but not limited to, the Commission, HKMA and the Inland Revenue Department of the Hong Kong government); or (iii) by or in accordance with the Tax Information Exchange Framework. Without prejudice to the rights and powers of HKSCC under Rules 2803 to 2805, if required for HKSCC to comply with any local or international regulatory standards applicable to it, HKSCC shall also have authority to disclose on an aggregated and/or anonymised basis any information concerning or in connection with a Participant at any time, including disclosure to specified persons or to the public.

2802. Disclosure to Issuers or Depositaries of Eligible Securities

HKSCC shall from time to time upon the written request of an issuer of Eligible Securities or a Depositary in the case of Depositary Receipts disclose to that issuer or Depositary details of Participants' holdings of that Eligible Security in CCASS or in any Appointed Depositary of the Eligible Securities concerned.

HKSCC may also disclose the details of names and addresses of recipients of copies of Corporate Communications from time to time to the Issuer of the relevant Eligible Securities or Depositary in the case of Depositary Receipts or to their registrars. Participants shall not release such details to HKSCC without first obtaining from the recipients written authorization authorizing such release of his/her details.

At the request of the HKMA or an Issuer of any Specified Instruments or an Issuer of any CMU Instruments, HKSCC may provide to the HKMA or any such Issuers or persons any information held in CCASS relating to Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments, as the case may be, including any information about Tender Instructions or Transfer Instructions given by, or made by, any Participant.

Upon receiving the written request of an Issuer informing HKSCC that New Issue Brokerage is to be passed on to the General Purpose Designated Bank Accounts of Clearing Participants which are Exchange Participants, HKSCC may disclose, in such manner as HKSCC may from time to time determine, information relating to the General Purpose Designated Bank Accounts of the relevant Clearing Participants to the Issuer and/or its agent to facilitate the payment of the New Issue Brokerage. Such written request shall be in such form and include such provisions as HKSCC may from time to time require, and be received by HKSCC in advance before the date of the Prospectus in respect of the relevant New Issue. HKSCC is deemed to have been authorised by the Clearing Participants which are Exchange Participants to disclose such information to the Issuer and/or its agent.

HKSCC may but is not obliged to release the information authorized to be disclosed under this Rule 2802 to an Issuer via the internet in accordance with the terms of any agreement as has been entered into between HKSCC and the Issuer.

2803. Disclosure to others

HKSCC may also disclose information at any time to the Exchange, any recognized exchange controller, any company of which the recognized exchange controller which is the controller of HKSCC is the controller, the Commission, any self-regulatory organization, overseas regulatory body, other body exercising regulatory and disciplinary functions, a competent authority to which a Participant other than an Investor Participant is subject, the Appointed Depositaries and to other parties in relation to the entering into of contractual arrangements (including, but not limited to, insurance) in relation to the operations of any System or to the services and facilities provided by HKSCC to Participants and issuers of Eligible Securities. HKSCC may disclose information in relation to the operations of any System or to the services and facilities provided by HKSCC to Participants and issuers of Eligible Securities including information relating to Participants and/or their activities in any System to other clearing houses, central depositories, and exchanges in Hong Kong or elsewhere, if HKSCC considers such disclosure to be in the general interest of HKSCC or Participants.

- 2804.** HKSCC may provide information in relation to a Participant other than an Investor Participant to any exchange, clearing house, governmental, regulatory or competent authority or any organization (whether within or outside Hong Kong) with which HKEX, HKSCC or the Exchange has entered into an information sharing arrangement or agreement or pursuant to the Tax Information Exchange Framework.
- 2805.** HKSCC may make available to the public, via the HKEX website or such other means or person as it considers appropriate, details of Participants' holdings of Eligible Securities in CCASS or any Appointed Depositary (other than those of Investor Participants unless their consent is obtained). Details of Participants' holdings of Eligible Securities in CCASS or any Appointed Depositary that were or could have been disclosed or made available to the public as aforesaid will remain viewable and accessible by the public after the termination of their participation in CCASS for whatever reason.
- 2806.** Without prejudice to the other provisions and any other rights HKSCC may have, HKSCC may direct a Participant to provide it with any information required or requested by a governmental, regulatory or other competent authority, a regulated exchange or clearing house whether within or outside Hong Kong with which HKEX, HKSCC or the Exchange has entered into an information sharing arrangement or agreement or pursuant to the Tax Information Exchange Framework.

CHAPTER 29

AMENDMENTS

2901. Amendments

Subject to applicable law, HKSCC may from time to time amend, extend or delete the provisions of the Rules or the Operational Procedures and the amendment, extension, or deletion may be made with immediate effect or otherwise as HKSCC shall determine.

2902. Notification of amendments

HKSCC shall notify Participants in the event of any amendment, extension or deletion to be made to the Rules or to the Operational Procedures and the effective date thereof. Such amendment, extension or deletion shall be available for perusal by Participants on the HKEX website.

CHAPTER 30

NOTICES

3001. Notice by HKSCC

Unless otherwise provided in the Rules, all notices, requests, demands or other communications from HKSCC to Participants other than Investor Participants may be given orally or in writing, in person or by post, by electronic or wire transmission, by telephone or facsimile, by posting on the HKEX website, or by any means of computer data transmission. Investor Participants will be notified in writing by post, by posting on the HKEX website or such other means as HKSCC considers appropriate and, for Investor Participants using the CCASS Internet System, through the CCASS Internet System.

In the case of communications sent by post to the address last specified by a Participant as its address, the communications from HKSCC shall be deemed to have been received by the Participant on the following Business Day if the address is in Hong Kong and, if the address is outside Hong Kong, on such day as HKSCC may from time to time specify with reference to the time the communications would be delivered to such address in the ordinary course of post. If the communications are delivered in person to such address, the communications will be deemed to have been received by the Participant at the time of delivery made to such address.

In the case of communications made by HKSCC to a Participant by electronic or wire transmission, by telephone or facsimile, by posting on the HKEX website or any other instantaneous means, the communications shall be deemed to have been received by the Participant immediately.

3002. Notice by Participants

Unless otherwise provided in the Rules, all notices from Participants to HKSCC shall be given in writing and sent in person or by post, or by facsimile transmission (or such other means as may be acceptable to HKSCC).

Notice by Participants to HKSCC shall be deemed to have been given at the time of receipt by HKSCC.

CHAPTER 31

PARTIAL INVALIDITY

3101. Partial invalidity not to affect remainder

If at any time any provision of the Rules becomes illegal, invalid or unenforceable in any respect the legality, validity or enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

CHAPTER 32

GOVERNING LAW

3201. Hong Kong Law

The Rules shall be governed by the laws of Hong Kong and each Participant shall submit to the jurisdiction of the courts in Hong Kong.

CHAPTER 32A

SUB-DELEGATION OF THE BOARD'S FUNCTIONS

3201A. Sub-delegation

- (i) Where the Board makes a delegation under the Articles of Association of HKSCC, it may at the same time authorize the person or committee to whom the delegation is made to sub-delegate the function delegated and such authorization may contain restrictions or conditions as regards the exercise of the power to sub-delegate under the authorization.
- (ii) Where any person or committee purports to act pursuant to a delegation or sub-delegation under the Articles of Association of HKSCC and/or this Rule, he or it shall be presumed, until the contrary is shown, to be acting in accordance with the terms of the delegation or sub-delegation.

PART B: EXCHANGE TRADES AND TRANSACTIONS BETWEEN PARTICIPANTS

CHAPTER 33

CONTINUOUS NET SETTLEMENT SYSTEM

3301. Novation of Exchange Trades, Clearing Agency Transactions, China Connect Securities Trades and replacement by Market Contracts

Upon acceptance of an Exchange Trade by HKSCC for settlement under the CNS System in accordance with the Rules, such Exchange Trade shall be replaced by two Market Contracts through Novation, one between the selling Clearing Participant or Clearing Agency Participant and HKSCC as buyer, as principals to such contract, and another between the buying Clearing Participant or Clearing Agency Participant and HKSCC as seller, as principals to such contract.

Upon acceptance of a Clearing Agency Transaction by HKSCC for settlement under the CNS System in accordance with the Rules, such Clearing Agency Transaction shall be replaced by two Market Contracts through Novation, one between the Participant other than Investor Participant and HKSCC, as principals to such contract, and another between the Clearing Agency Participant and HKSCC, as principals to such contract.

In respect of a China Connect Securities Trade with a China Connect Clearing Participant on one side or each of the two sides of the trade, there shall be created through Novation, simultaneous with the multilateral net settlement process of the relevant China Connect Clearing House, a Market Contract between HKSCC and the China Connect Clearing Participant as described in Rule 4106. The China Connect Clearing Participant and HKSCC will act as principals to such contract. To a buying China Connect Clearing Participant, HKSCC will be the seller and to a selling China Connect Clearing Participant, HKSCC will be the buyer.

3302. Terms of Novation

HKSCC's obligations whether as seller or buyer under Market Contracts, as the case may be, under the terms of the Novation, shall be performed in the manner and form and by such time as may be prescribed in the Rules (including, without limitation, Rules 3307, 4106 and 4107(xi)).

The benefit of the performance by HKSCC of such obligations is conferred upon Clearing Participants or Clearing Agency Participants or China Connect Clearing Participants, as the case may be, as principals and not upon any other person whatsoever.

Subject as otherwise provided in the Rules, Market Contracts shall be on the same terms as the relevant Exchange Trade, Clearing Agency Transaction or China Connect Securities Trade replaced by such Market Contracts.

3303. Daily netting

Immediately upon Novation, the obligations to deliver Eligible Securities between HKSCC and each Clearing Participant or Clearing Agency Participant, as the case may be, under Market Contracts in respect of the same issue of Eligible Securities and having the same settlement date (and, in the case of a Clearing Agency Participant, in respect of the same Special Participant and, in the case of a Multi-counter Eligible Security, in respect of the same Eligible Currency traded) shall be set-off against each other and settlement of the net delivery obligation of a Clearing Participant or a Clearing Agency Participant in respect of the same Special Participant, as the case may be, or HKSCC in that issue, shall take place in accordance with the Rules. For the avoidance of doubt, prior to the occurrence of an Event of Default in respect of a Clearing Agency Participant, its rights and obligations in respect of a Special Participant shall not be set off against its rights and obligations in respect of another Special Participant.

3304. Cross-day netting

In respect of its obligations to deliver Eligible Securities under Market Contracts, HKSCC may, if it does not have sufficient Eligible Securities available to effect settlement on due dates, carry forward such obligations to subsequent Settlement Days.

In accordance with the Operational Procedures, the obligation to deliver Eligible Securities by a Clearing Participant or Clearing Agency Participant, as the case may be, arising out of Market Contracts in respect of an issue of Eligible Securities (and, in the case of a Clearing Agency Participant, in respect of the same Special Participant and, in the case of a Multi-counter Eligible Security, in respect of the same Eligible Currency traded) on a particular Settlement Day shall be offset against any previously unsettled obligations to deliver Eligible Securities by HKSCC to it arising out of Market Contracts in the same issue and in the case of a Clearing Agency Participant, in respect of the same Special Participant (or added to any previously unsettled obligations to deliver such Eligible Securities by it to HKSCC, as the case may be) and vice versa.

3304A. Same stock netting for Multi-counter Eligible Securities

Prior to Batch-settlement-runs, there will be a same stock netting process applicable to Multi-counter Eligible Securities on each Settlement Day after any applicable cross-day netting.

In accordance with the Operational Procedures, any unsettled obligations to deliver Eligible Securities by a Clearing Participant or Clearing Agency Participant, as the case may be, arising out of Market Contracts in respect of an issue of Multi-counter Eligible Securities traded in one trading counter (and, in the case of a Clearing Agency Participant, in respect of the same Special Participant) on a particular Settlement Day shall be offset against any unsettled obligations to deliver Eligible Securities by HKSCC to it arising out of Market Contracts in the same issue but traded in other trading counter and vice versa.

3305. Allocation algorithm

In effecting settlement of its obligations to deliver Eligible Securities arising out of Market Contracts, HKSCC may allocate Eligible Securities available to it to Clearing Participants or Clearing Agency Participant, as the case may be, due to receive Eligible Securities in

accordance with such allocation algorithm as is provided in the Operational Procedures or in such other manner as it considers appropriate.

HKSCC may effect partial deliveries in respect of its obligations to deliver Eligible Securities arising out of Market Contracts.

3306. Daily netting of money sums upon delivery in CCASS

Upon delivery of Eligible Securities in CCASS on each Settlement Day pursuant to Market Contracts, the amounts to be paid between each Clearing Participant or Clearing Agency Participant, as the case may be, and HKSCC arising thereunder shall be determined in accordance with the Operational Procedures and (subject to the procedures in relation to Multi-counter Eligible Securities as referred to in this Rule 3306 below) shall be set-off against each other to arrive at a daily net money position for such Participant due to or from HKSCC on each Settlement Day.

Settlement of such daily net money positions is to be made by HKSCC causing debits or credits to the Designated Bank Accounts of Clearing Participants or Clearing Agency Participant, as the case may be, and corresponding credits and debits to its own bank account for value on the same Settlement Day.

In relation to Multi-counter Eligible Securities, there will be no set-off of CNS money positions with different Eligible Currencies. For risk management purpose applicable to the settlement of money positions relating to Multi-counter Eligible Securities that are subject to same stock netting as referred to in Rule 3304A, if a Clearing Participant or Clearing Agency Participant (except where the Clearing Agency Participant is a China Connect Clearing House) has any DDI rejected by the Designated Bank, the corresponding DCI of the Clearing Participant or Clearing Agency Participant in connection with such settlement will, unless otherwise determined by HKSCC in its absolute discretion, be rejected as specifically set out in the Operational Procedures.

3307. HKSCC's obligations under Market Contracts

To the extent that the aggregate of the funds or assets available to HKSCC are insufficient at any time to meet the aggregate of HKSCC's liabilities to Clearing Participants or Clearing Agency Participants under all Market Contracts subsisting at any time, based on the amount of the funds or assets available to HKSCC for the purpose at the time (taking into account HKSCC's other liabilities then subsisting), as certified in writing by HKSCC, each Participant to whom HKSCC is liable under such Market Contracts shall, subject to Rules 3705 to 3707, 3709, 4107(xi) and 4301, only be entitled to receive payment pro-rata to the amount due to it as compared with the aggregate amount due to all Clearing Participants or Clearing Agency Participants under such Market Contracts; subject to Rules 3708, 3709 and 4302, HKSCC shall remain liable for such Market Contracts but payment of the balance of such amounts due shall only be made as and when and to the extent that funds or assets are subsequently available. In relation to the funds or assets available to HKSCC to meet both its liabilities to Clearing Participants or Clearing Agency Participants under Market Contracts and its liabilities to Participants pursuant to Rules 813, 814, 815 and 816 (as referred to in Rule 816), HKSCC may, subject to Rule 4107(xi), apportion the funds or assets so available to it between its liabilities to Clearing Participants or Clearing Agency Participants under such Market Contracts and such liabilities to Participants pursuant to Rules 813, 814, 815 and 816, either on a pro-rata basis or in such other manner as HKSCC shall consider fair and reasonable in the circumstances. HKSCC shall only exercise its powers to defer making payment to Clearing Participants or Clearing Agency Participants under this Rule in consultation with the Commission.

Without prejudice to the foregoing provisions regarding pro-rata payment in circumstances where the aggregate of the funds or assets available to HKSCC are insufficient to meet the aggregate of its liabilities to Participants under all Market Contracts subsisting at the time (other than those arising from China Connect Securities Trades), in respect of HKSCC's obligations to deliver Eligible Securities under Market Contracts, to the extent that HKSCC determines that it is not possible or reasonably practicable to deliver Eligible Securities, HKSCC's obligation shall be to make money compensation to Participants concerned in substitution for the delivery of Eligible Securities in whole or in part and in such amount as HKSCC may in its absolute discretion determine by reference to the market value of such Eligible Securities at the time of payment of compensation by HKSCC (or the value at such other time as HKSCC shall consider fair and reasonable in the circumstances). The money compensation shall be in such currency or currencies (whether in the Eligible Currency in which the Eligible Securities are denominated or otherwise) 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.

Without prejudice to the foregoing provisions regarding pro-rata payment in circumstances where the aggregate of the funds or assets available to HKSCC are insufficient to meet the aggregate of its liabilities to Participants under all Market Contracts subsisting at the time (other than those arising from China Connect Securities Trades), in respect of HKSCC's obligations to make payment to Clearing Participants or Clearing Agency Participants under Market Contracts in an Eligible Currency in which the relevant securities are denominated or in a specified Eligible Currency, 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.

3308. Non-operation of CNS System

In the event that HKSCC elects not to operate the CNS System pursuant to Rule 903, all Exchange Trades and Clearing Agency Transactions are to be settled under the Isolated Trades System. In such a case, the provisions of the Rules relating exclusively to the CNS System shall have no effect.

For the avoidance of doubt, each Clearing Participant shall still provide to HKSCC its Basic Contribution and Dynamic Contribution as referred to in Rules 2502 and 2509B.

CHAPTER 34

ISOLATED TRADES SYSTEM

3401. Direct settlement in CCASS between Participants

Subject to Rule 3407, each Participant shall settle the Isolated Trades to which it is a party or in the case of a GCP, to which its NCP is a party direct with the other counterparty Participants concerned in CCASS and for the avoidance of doubt, HKSCC will not be responsible for the failure of a Participant to settle Isolated Trades in CCASS.

3402. Possible measures by HKSCC in case of late delivery

If a Participant fails to deliver Eligible Securities on time under the Isolated Trades System, without prejudice to such other rights as it may have under the Rules, HKSCC reserves the right at any time:

- (i) to impose a default fee on that Participant for each Settlement Day that it is in default, such fee to be of such amounts and to be payable at such times as shall be specified by HKSCC; and/or
- (ii) to direct that Participant to effect a borrowing of Eligible Securities (up to the quantity required) or itself to effect such a borrowing upon such terms and conditions and at such fees as HKSCC may consider appropriate and the Participant shall forthwith upon demand by HKSCC pay to HKSCC such sums in respect of fees and expenses incurred by HKSCC and/or provide collateral in such form as required by HKSCC (such collateral to be used in such manner as HKSCC shall see fit and shall constitute security in respect of its obligations and liabilities to HKSCC) and shall indemnify HKSCC against all costs, fees, expenses, liabilities, losses and damages as a result of HKSCC effecting such borrowing and matters relating thereto; and/or
- (iii) to direct that Participant to execute or arrange on the same day a Buy-in on the Exchange to purchase the Eligible Securities required by that Participant in order to settle obligations under Isolated Trades in respect of which it is the seller or delivering party; and/or
- (iv) to execute or arrange on behalf of that Participant a Buy-in on the Exchange to purchase the Eligible Securities required by that Participant in order to settle obligations under Isolated Trades in respect of which that Participant is the seller or delivering party. For such purpose, HKSCC may on behalf of that Participant instruct its authorized brokers to assist.

A Buy-in pursuant to this Rule will be settled under the Isolated Trades System. Without prejudice to any other rights HKSCC may have, HKSCC may require that such a Buy-in be settled on the day of its execution or within such other period as HKSCC in its absolute discretion considers appropriate. In the event that a Buy-in is required by HKSCC to be settled under the Isolated Trades System, if the counterparty Clearing Participant to a Buy-in fails to deliver Eligible Securities on the due date, HKSCC may direct that Clearing

Participant to (or may itself on behalf of that Clearing Participant) execute or arrange a further Buy-in on the Exchange to purchase the Eligible Securities required to settle the original Buy-in and so on and so forth.

If HKSCC executes a Buy-in on behalf of a Participant pursuant to this Rule, it shall do so 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). Further, each Participant on whose behalf HKSCC executes a Buy-in shall indemnify HKSCC against all costs, fees, expenses, liabilities, losses and damages of any nature whatsoever suffered or incurred by it directly or indirectly arising out of the execution of such a Buy-in by HKSCC.

For the avoidance of doubt, HKSCC may, but shall not be obliged to, take any one or more of the measures referred to in this Rule.

3403. Possible measures by HKSCC in case of late payment

If a Participant fails to make payment under the Isolated Trades System, then without prejudice to any other rights it may have under the Rules, HKSCC may, but shall not be obliged to, require the defaulting Participant to pay to it a default fee for each Settlement Day that it is in default, such fees to be of such amounts and to be payable at such times as shall be specified by HKSCC. HKSCC shall also be entitled to require the defaulting Participant to make payment forthwith to the non-defaulting Participant in such manner as it considers appropriate, including, without limitation, payment by telegraphic transfer, by bank draft or by cashier order.

3404. Duty to report late delivery or payment

Each Participant shall be under a duty to immediately report in writing to HKSCC in respect of any default or late delivery or payment by a counterparty Participant in respect of an Isolated Trade.

3405. Procedures for adjustments in respect of dividends etc. in case of late delivery

HKSCC may establish such rules, facilities and procedures as it considers appropriate in relation to adjustments or claims in respect of dividends, interest payments, debt redemptions, rights, entitlements, securities and other property accruing to Eligible Securities as a result of late deliveries of Eligible Securities by Participants under the Isolated Trades System.

Any such rules, facilities and procedures established by HKSCC shall, unless expressly agreed to the contrary in writing by the two counterparties to an Isolated Trade, be deemed to form part of the agreement between them and shall be binding on them.

Subject as provided herein, any such rules, facilities and procedures established by HKSCC shall be adhered to and be binding on Participants. HKSCC may but shall not be obliged to take such actions permitted by the Rules to ensure that Participants comply with such rules, facilities and procedures.

Without prejudice to any other right HKSCC may have, if as a result of late deliveries of

Eligible Securities by a Participant under the Isolated Trades System such Participant is liable to deliver securities or other property accruing to Eligible Securities to its counterparty Participant, HKSCC may require such Participant to purchase such securities or property and further, may itself at any time purchase such securities or property and the costs and expenses of such purchase shall be borne by the Participant.

HKSCC shall notify the Participant concerned in respect of such a purchase and will effect any such purchase at what it determines to be the best prevailing market price and terms available (but taking into account that HKSCC may need to act promptly and provided that HKSCC shall have no liability if it acts in good faith).

Each Participant undertakes to indemnify HKSCC against all costs, fees, expenses, liabilities, losses and damages of any nature whatsoever suffered or incurred by HKSCC directly or indirectly as a result of or in connection with the purchase of such securities or property.

For the avoidance of doubt, each Participant acknowledges and confirms that HKSCC is not liable in relation to adjustments or claims in respect of dividends, interest payments, debt redemptions, rights, entitlements, securities and other property accruing to Eligible Securities as a result of late deliveries by other Participants under the Isolated Trades System and shall not be so liable as a result of the rules, facilities or procedures, if any, established by HKSCC in relation thereto.

3406. Disputes in relation to settlement of Isolated Trades

Disputes relating to the settlement of Isolated Trades between Participants shall be immediately reported to HKSCC. Participants agree that HKSCC's decision on such disputes, if any, shall be conclusive and binding on the Participants.

3407. Rules 3401 to 3406 applicable to Participants other than Investor Participants

Rules 3401 to 3406 shall not apply to Investor Participants.

CHAPTER 35

LATE DELIVERY OF SECURITIES - CNS SYSTEM

3501. Default fee, stock borrowing and Buy-in for Eligible Securities other than China Connect Securities

Subject to the Rules and except for Eligible Securities which are China Connect Securities, if a Clearing Participant or Clearing Agency Participant fails or considers prior to T+3 that it may be unable to deliver Eligible Securities on time under the CNS System by the final Batch-settlement-run of such Eligible Securities on the due date (i.e. T+2), then without prejudice to such other rights as it may have under the Rules, HKSCC reserves the right at any time:

- (i) to impose a default fee on any such Participant that is in default, such fees to be of such amounts and to be payable at such times as shall be specified by HKSCC; and/or
- (ii) to effect on behalf of any such Participant a borrowing of such Eligible Securities (up to the quantity required), upon such terms and conditions and at such fees as HKSCC may consider appropriate, and any such Participant shall forthwith upon demand by HKSCC from time to time pay to HKSCC such sums in respect of fees and expenses incurred by HKSCC and/or provide Collateral in such form as required by HKSCC (such Collateral to be used in such manner as HKSCC shall see fit and shall constitute security in respect of its obligations and liabilities to HKSCC) and shall indemnify HKSCC against all costs, fees, expenses, liabilities, losses and damages as a result of HKSCC effecting such borrowing and matters relating thereto; and/or
- (iii) to execute on behalf of any such Participant on T+3 (or, if it is not practicable to do so on T+3, at any time thereafter) a Buy-in on or off the Exchange to purchase such Eligible Securities (up to the quantity required); and/or
- (iv) to permit such Participant to make an irrevocable request to HKSCC to execute on behalf of such Participant a Buy-in to purchase an amount of Eligible Securities up to the quantity requested by such Participant. Such Buy-in shall be effected in accordance with the Operational Procedures.

For the purpose of paragraphs (iii) and (iv) of this Rule 3501, HKSCC may on behalf of that Participant instruct its authorized brokers to assist in executing such Buy-in on or off the Exchange. HKSCC reserves the right to disclose the name and other details of such Participant to its authorized brokers effecting the Buy-in together with such details of the relevant Market Contracts in respect of which a Buy-in is to be effected as HKSCC deems fit.

HKSCC may grant an exemption from or suspend a Buy-in on behalf of a Clearing Participant or Clearing Agency Participant, as the case may be, on T+3 in accordance with the Operational Procedures.

The Clearing Participant or Clearing Agency Participant, as the case may be, to whom an

exemption from a Buy-in is granted shall be obliged to settle overdue short positions of which exemption is granted by day-end of T+3. In the event that any 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.

The rights given to HKSCC under this Rule 3501 are without prejudice to any other rights which HKSCC may have under the Rules as a result of such failure to deliver, including, but not limited to its rights under Rules 3701 to 3704.

For the avoidance of doubt, any borrowing of Eligible Securities effected by HKSCC pursuant to paragraph (ii) of this Rule shall not affect the obligation of any such Participant to deliver Eligible Securities under the CNS System (in respect of which a borrowing was effected) and HKSCC shall be free to make use of the Eligible Securities so borrowed in such manner as it considers appropriate to satisfy its obligations to deliver Eligible Securities to Clearing Participants or Clearing Agency Participants, as the case may be, under the CNS System.

In respect of any sums paid and/or Charged Property provided as Collateral by a Clearing Participant or Clearing Agency Participant, as the case may be, which has failed to deliver Eligible Securities under the CNS System, the only obligation of HKSCC in respect of any such sum so paid by such Participant and/or Charged Property provided by the Participant shall be to pay such Participant an amount equal to the balance remaining after satisfaction of all obligations and liabilities (actual or contingent) of such Participant to HKSCC 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.

HKSCC may execute a Buy-in trade on behalf of the Clearing Participant or the Clearing Agency Participant, as the case may be, in default to fulfil its delivery obligation and that Buy-in trade will normally be settled under the CNS System in CCASS in accordance with Rules 3301 to 3307.

Without prejudice to any other rights HKSCC may have, HKSCC may require that a Buy-in pursuant to this Rule be settled under the Isolated Trades System and may also require that such a Buy-in be settled on the day of its execution or within such other period as HKSCC in its absolute discretion considers appropriate. In the event that a Buy-in is required by HKSCC to be settled under the Isolated Trades System, if the counterparty Clearing Participant to a Buy-in fails to deliver Eligible Securities on the due date, HKSCC may direct that Clearing Participant to (or may itself on behalf of that Clearing Participant) execute or arrange a further Buy-in on the Exchange to purchase the Eligible Securities required to settle the original Buy-in and so on and so forth.

In the event that HKSCC executes a Buy-in on behalf of a Clearing Participant or Clearing Agency Participant, as the case may be, pursuant to this Rule, it shall do so at what it determines to be the best prevailing market price and terms available (but taking into account the fact that HKSCC may need to act promptly and provided that HKSCC shall have no liability if it acts in good faith).

Further, each such Participant on whose behalf HKSCC executes a Buy-in shall indemnify HKSCC against all costs, fees, expenses, liabilities, losses and damages of any nature whatsoever suffered or incurred by it directly or indirectly arising out of the execution of such

a Buy-in by HKSCC.

For the avoidance of doubt, HKSCC may, but shall not be obliged to, take any one or more of the measures referred to in this Rule.

For the avoidance of doubt, under normal circumstances, Buy-in of a Multi-counter Eligible Security will be executed as a transaction under the trading counter in HKD. HKSCC reserves the right to execute the Buy-in in any other trading counter of such Multi-counter Eligible Security in its absolute discretion as it may think fit.

3501A.Default fee and Buy-in for China Connect Securities

Subject to the Rules, if a China Connect Clearing Participant fails to deliver China Connect Securities on time by the final Batch-settlement-run of such China Connect Securities on the due date (i.e. T day), then without prejudice to such other rights as HKSCC may have under the Rules, HKSCC reserves the right at any time:

- (i) to impose a default fee on any such Participant that is in default, such fees to be of such amounts and to be payable at such times as shall be specified by HKSCC; and/or
- (ii) to execute on behalf of any such Participant on T+1 (or, if it is not practicable to do so on T+1, at any time thereafter) a Buy-in via the relevant Trading Link to purchase such China Connect Securities (up to the quantity required, rounded up to the nearest Board Lot if the quantity required is not in full Board Lots).

For the purpose of paragraph (ii) of this Rule 3501A, HKSCC may on behalf of that Participant instruct its authorized brokers to assist in executing such Buy-in via the relevant Trading Link. HKSCC reserves the right to disclose the name and other details of such Participant to its authorized brokers assisting in effecting the Buy-in together with such details of the relevant Market Contract in respect of which a Buy-in is to be effected as HKSCC deems fit.

HKSCC may grant an exemption from or suspend a Buy-in on behalf of a China Connect Clearing Participant on T+1 in accordance with the Operational Procedures.

The China Connect Clearing Participant to whom an exemption from a Buy-in is granted shall be obliged to settle the overdue short positions for which exemption is granted by day-end of T+1. 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+2 (or, if it is not practicable to do so on T+2, at any time thereafter) in its absolute discretion as it may think fit up to the outstanding quantity, rounded up to the nearest Board Lot if the quantity is not in full Board Lots.

The rights given to HKSCC under this Rule 3501A are without prejudice to any other rights which HKSCC may have under the Rules as a result of such failure to deliver, including, but not limited to its rights under Rules 3701 to 3704.

In respect of any sums paid and/or Charged Property provided as Collateral by a China Connect Clearing Participant which has failed to deliver China Connect Securities under the CNS System, the only obligation of HKSCC in respect of any such sum so paid by such Participant and/or Charged Property provided by the Participant shall be to pay such Participant an amount equal to the balance remaining after satisfaction of all obligations and

liabilities (actual or contingent) of such Participant to HKSCC 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.

HKSCC may execute a Buy-in trade on behalf of the China Connect Clearing Participant in default to fulfil its delivery obligation and that Buy-in trade will normally be settled under the CNS System in CCASS in accordance with Rules 3301 to 3307 and 4106.

In the event that HKSCC executes a Buy-in on behalf of a China Connect Clearing Participant pursuant to this Rule, it shall do so at what it determines to be the best prevailing market price and terms available (but taking into account the fact that HKSCC may need to act promptly and provided that HKSCC shall have no liability if it acts in good faith).

Further, each such Participant on whose behalf HKSCC executes a Buy-in shall indemnify HKSCC against all costs, fees, expenses, liabilities, losses and damages of any nature whatsoever suffered or incurred by it directly or indirectly arising out of the execution of such a Buy-in by HKSCC, including the Buy-in of any China Connect Securities in excess of the outstanding quantity due to the rounding up of such quantity to the nearest Board Lot.

For the avoidance of doubt, HKSCC may, but shall not be obliged to, take any one or more of the measures referred to in this Rule.

3502. Procedures for adjustments in respect of dividends etc.

HKSCC may from time to time establish such facilities and procedures as it considers appropriate in relation to adjustments or claims in respect of dividends, interest payments, debt redemptions, rights, entitlements, securities and other property accruing to Eligible Securities as a result of late deliveries of Eligible Securities by Clearing Participants or Clearing Agency Participants, as the case may be, under the CNS System. Any such facilities and procedures shall be binding on such Participants and any such Participants failing to deliver Eligible Securities on time shall be liable to HKSCC accordingly. Save as otherwise provided, a Clearing Participant or Clearing Agency Participant, as the case may be, due to receive Eligible Securities from HKSCC under the CNS System shall have no claims against HKSCC in respect of such dividends, interest payments, debt redemptions, rights, entitlements, securities and other property as aforesaid.

Without prejudice to any other right HKSCC may have, if as a result of late deliveries of Eligible Securities by a Clearing Participant or Clearing Agency Participant, as the case may be, under the CNS System such Participant is liable to deliver securities or other property accruing to Eligible Securities to HKSCC, HKSCC may require such a Participant to pay to it forthwith a cash sum of such amount as HKSCC considers appropriate as collateral, until such time as the Participant shall have delivered such securities or other property to HKSCC. HKSCC may require any such Participant to purchase such securities or property and further, may itself at any time purchase such securities or property and the costs and expenses of such purchase shall be borne by the Participant. In respect of any cash collateral provided to HKSCC by any such Participant, the only obligation of HKSCC in respect of any such sum so paid by the Participant shall be to pay such Participant an amount equal to the balance remaining after satisfaction of all obligations and liabilities (actual or contingent) of the Participant to HKSCC.

HKSCC shall notify the Participant concerned in respect of such a purchase and will effect any such purchase at what it determines to be the best prevailing market price and terms

available (but taking into account that HKSCC may need to act promptly and provided that HKSCC shall have no liability if it acts in good faith).

Each such Participant undertakes to indemnify HKSCC against all costs, fees, expenses, liabilities, losses and damages of any nature whatsoever suffered or incurred by HKSCC directly or indirectly as a result of or in connection with the purchase of such securities or property.

3503. Compulsory stock borrowing by HKSCC in case of late delivery

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

- (i) meet the aggregate of HKSCC's delivery obligations to Clearing Participants or Clearing Agency Participants, as the case may be, which have not been satisfied as a result of a failure by any Clearing Participant or Clearing Agency Participant, as the case may be, to deliver Eligible Securities to HKSCC by the final Batch-settlement-run on the due date (i.e., T+2); or
- (ii) replace, in whole or in part, HKSCC's stock borrowing under any other Compulsory Stock Borrowing Transaction.

The rights and obligations of the Lender and HKSCC in respect of a Compulsory Stock Borrowing Transaction shall be governed by the Compulsory Stock Borrowing and Lending Regulations. HKSCC shall not be obliged to exercise its rights under this Rule 3503.

Each Participant that becomes a party to a Compulsory Stock Borrowing Transaction shall be bound by and shall comply with:

- (i) all of the provisions of the Rules relating to Compulsory Stock Borrowing Transactions; and
- (ii) the Compulsory Stock Borrowing and Lending Regulations.

In the event of any conflict between the Rules and the Compulsory Stock Borrowing and Lending Regulations, unless HKSCC otherwise determines, the Compulsory Stock Borrowing and Lending Regulations shall prevail.

The Compulsory Stock Borrowing and Lending Regulations shall constitute the "stock borrowing and lending agreement" for the purposes of section 19 of the Stamp Duty Ordinance (Cap. 117) in relation to a Compulsory Stock Borrowing Transaction.

In the event that HKSCC enters into a Compulsory Stock Borrowing Transaction, HKSCC intends to discharge the stock lending fee it incurs thereunder from the default fees collected from the short Participants under Rule 3501.

For the avoidance of doubt, any borrowing of Eligible Securities effected by HKSCC pursuant to this Rule 3503 shall not affect the obligation of the Clearing Participant or Clearing Agency Participant, as the case may be, to deliver Eligible Securities under the CNS System.

CHAPTER 36

RISK MANAGEMENT MEASURES - CNS SYSTEM

3601. Marks

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

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

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

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

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

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

3601A. Margin

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

House, Margin will be computed with reference to the Marginable Position of unsettled Market Contracts arising from Exchange Trades that are executed by each of its Special Participants separately. Such Marginable Position will be determined by HKSCC in accordance with the Operational Procedures or such other methodology and assumptions as HKSCC may consider appropriate.

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

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

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

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

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

HKSCC may at any time in its absolute discretion determine the Margin amount required to be provided by a Clearing Participant or Clearing Agency Participant, and the time and manner of payment of the Margin amount by the Participant.

3602. Collateral

HKSCC shall be entitled from time to time to require a Clearing Participant or a Clearing Agency Participant to provide on demand collateral (including Guarantee Fund Risk Collateral and Collateral required under Rule 4107(iii)) or additional collateral in such form, to such extent and in such manner as is determined by HKSCC to be appropriate by reference to, inter alia, the level of exposure of such Participant to HKSCC (including, but not limited

to, the risks associated with the effecting of Closing-out Contracts pursuant to Rule 3607 or 4107(x), the risks of effecting Buy-ins pursuant to Rule 3501 or 3501A in the event of a default by the Participant, the risks associated with the clearing and settlement of China Connect Securities Trades and in the case of a Clearing Agency Participant which is a China Connect Clearing House, the risks associated with the clearing and settlement of Exchange Trades in respect of each of its Special Participants) and such other matters as HKSCC shall consider relevant, all in accordance with the Rules.

Unless otherwise approved by HKSCC, it shall be mandatory for a Clearing Agency Participant which is participating in CCASS pursuant to a Clearing Link to provide to HKSCC as Collateral Security on T-day the relevant quantity of Eligible Securities representing its short stock positions in Market Contracts arising from Exchange Trades and no Marks will be payable on such short stock positions to the extent that they are so covered.

Without limiting the generality of the above, when the Guarantee Fund Expected Uncollateralised Loss exceeds the Guarantee Fund Risk Predefined Limit, a Clearing Participant is subject to a Guarantee Fund Risk Collateral as determined by HKSCC from time to time in accordance with the Operational Procedures, in order to cover the residual risk exposure when the size of the Guarantee Fund has reached the Guarantee Fund Threshold.

A Clearing Participant which is a China Connect Clearing Participant may, but is not required to, provide Collateral to HKSCC for the early release of China Connect Securities that are Securities-on-hold in accordance with Sections 10A.14.4A and 10A.14.5A of the Operational Procedures.

A Clearing Participant or Clearing Agency Participant providing Collateral to HKSCC, where applicable, represents and warrants in favour of HKSCC that it has title and authority to provide such Collateral to HKSCC, free from all liens, charges, encumbrances, equities and all other third party rights of any nature whatsoever.

For the avoidance of doubt, HKSCC may at any time require Clearing Participants and Clearing Agency Participants who are parties to Clearing Agency Transactions to be settled under the CNS System to provide Collateral, including Guarantee Fund Risk Collateral (if applicable), to HKSCC.

3602A. Mainland Settlement Deposit and Mainland Security Deposit

Each China Connect Clearing Participant shall on demand provide to HKSCC such amount of Mainland Settlement Deposit and Mainland Security Deposit for each China Connect Market as may from time to time be determined by HKSCC to be payable by the China Connect Clearing Participant in respect of its or its NCCCPs' China Connect Securities Trades on that China Connect Market.

HKSCC shall be entitled from time to time and at any time to compute Mainland Settlement Deposit and Mainland Security Deposit using the methodology set forth in the Operational Procedures or such other methods and assumptions as HKSCC may consider appropriate. Unless HKSCC otherwise specifies, in respect of each China Connect Market, (i) Mainland Settlement Deposit will be computed with reference to the buy turnover in China Connect Securities and any overdue short CNS stock positions in China Connect Securities of a China Connect Clearing Participant and its NCCCPs on that China Connect Market and the sell turnover in China Connect Securities that are executed on that China Connect Market by the

China Connect Clearing Participant and its NCCCPs for Special Segregated Accounts; and (ii) Mainland Security Deposit will be computed with reference to the net trading amount in China Connect Securities Trades of the China Connect Clearing Participant and its NCCCPs on that China Connect Market.

3603. Form of Marks, Margin and Collateral

Unless HKSCC otherwise agrees or the Operational Procedures otherwise provided, Clearing Participants and Clearing Agency Participants shall provide Marks, Margin and Collateral required pursuant to Rules 3601, 3601A and 3602 in the form of cash in the currency in which Marks, Margin and/or Collateral is calculated and denominated. The provision of Marks, Margin and Collateral in any other currency or any other form, if it is accepted by HKSCC, shall be subject to such conditions and up to such limits as HKSCC may from time to time determine.

HKSCC shall be entitled from time to time to accept Eligible Securities from Participants as Collateral Securities for discharge and satisfaction of Marks, Margin and/or Collateral of the Participants required pursuant to Rules 3601, 3601A and 3602. The calculation and collection of Collateral Securities shall be made in accordance with the Operational Procedures.

Without prejudice to Rules 3601, 3601A and 3602, HKSCC may, for the purposes of deciding whether or not to require Clearing Participants and Clearing Agency Participants to provide Marks, Margin or Collateral, prescribe position limits on such Participants.

HKSCC may apply all or any of the Marks, Margin, and/or Collateral (including all rights and entitlements thereto, if any) and/or Charged Property or the proceeds thereof at any time without prior notice to a Clearing Participant or Clearing Agency Participant, as the case may be, which has made the provision of Marks, Margin, Collateral and/or Charged Property in or towards satisfaction of the obligations and liabilities (actual or contingent) of such Participant to HKSCC.

HKSCC has absolute discretion to determine the order of application of such Marks, Margin, Collateral and Charged Property in such manner as it considers appropriate.

A Clearing Participant or Clearing Agency Participant, as the case may be, which provides Marks, Margin, Collateral and/or Charged Property shall not create or permit to subsist any mortgage, charge or other encumbrance over all or any of the Marks, Margin, Collateral or Charged Property. The Marks, Margin, Collateral and Charged Property shall be in addition to and independent of any cover provided to HKSCC and any security which HKSCC may at any time hold for the obligations and liabilities of such Participant.

In respect of any sums received by HKSCC and/or Eligible Securities deposited with HKSCC as Marks, Margin, Collateral and/or Charged Property from a Clearing Participant or Clearing Agency Participant, as the case may be, the only obligation of HKSCC to such Participant shall be to pay such Participant an amount equal to the balance remaining after satisfaction of all obligations and liabilities (actual or contingent) of such Participant to HKSCC 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.

3603A. Marks, Margin and Collateral in the form of cash

Cash in Hong Kong dollar and other currencies provided by a Clearing Participant or Clearing Agency Participant to HKSCC pursuant to Rules 3601, 3601A, 3602 and/or 3603 are amounts paid by the Participant to HKSCC. Such amounts shall be recorded as credit entries in the CCMS House Collateral Account (or any other CCMS Collateral Account as determined by HKSCC) allocated to the Participant or, in the case of a Clearing Agency Participant which is a China Connect Clearing House, to such Clearing Agency Participant in respect of the relevant Special Participant. The only obligation of HKSCC to the Participant in respect of such amounts shall be to pay the Participant an amount equal to the balance remaining after satisfaction of all obligations and liabilities (actual or contingent) of such Participant to HKSCC.

3604. Securities-on-hold

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 Clearing Participant or Clearing Agency Participant as the case may be under the CNS System on a particular Settlement Day; and (ii) such payment is good and irrevocable, or, in the case of China Connect Securities, the required amount of Collateral has been received in good and irrevocable funds pursuant to an application for the early release of Securities-on-hold that has been approved by HKSCC in accordance with Section 10A.14.5A of the Operational Procedures, or unless otherwise agreed by HKSCC, title, property or any interest in such Eligible Securities (“Securities-on-hold”) shall not pass to such Clearing Participant or Clearing Agency Participant, as the case may be.

For the avoidance of doubt, title and property in Securities-on-hold shall be deemed to have passed when such Clearing Participant or Clearing Agency Participant, as the case may be, is allowed by HKSCC to use or withdraw such Eligible Securities from CCASS but at any time before then, HKSCC shall be free to use or apply such Eligible Securities in such manner as HKSCC considers appropriate.

3605. Evidence of Securities available for settlement

In relation to Exchange Trades, China Connect Securities Trades or Clearing Agency Transactions in Eligible Securities which are subject to expiry (e.g. warrants) or which HKSCC considers as high risk securities and which are to be settled under the CNS System, the delivering Clearing Participant, delivering China Connect Clearing Participant or the delivering Clearing Agency Participant as the case may be must ensure that when they or, in the case of GCPs, including their NCCCPs, place a selling order or in the case of a Clearing Agency Transaction when the transaction is reported to HKSCC by the Clearing Agency Participant they have readily available evidence showing that, on or before the due date for settlement of the Market Contracts, they have or will have the required quantity of Eligible Securities in their stock accounts in CCASS for settlement of the Market Contracts. The delivering Clearing Participant, delivering China Connect Clearing Participant or delivering Clearing Agency Participant, as the case may be, shall provide the evidence to HKSCC upon request.

If at any time HKSCC is not satisfied that such Participant has or will have the Eligible Securities on the due date for settlement of the Market Contract, HKSCC may direct such Participant to arrange or may on behalf of such Participant execute immediately a Buy-in on or off the Exchange to purchase the Eligible Securities required by that Participant to settle its obligations in respect of that Market Contract. If a Buy-in is unable to be effected, HKSCC may require additional cash collateral to be provided by the Participant in such amount as

HKSCC considers appropriate.

3606. Money compensation and payment obligations

In addition to any other rights HKSCC may have under the Rules:

- (i) where HKSCC has an obligation to deliver securities under a Market Contract, HKSCC may in lieu of delivering securities make money compensation to the Participant concerned notwithstanding that such securities may be available in the market. HKSCC shall only exercise its powers under this Rule in circumstances when HKSCC considers in its reasonable opinion that the securities are not freely available in the market. The money compensation shall be in such amount and in such currency or currencies (whether in the Eligible Currency in which the securities are denominated or otherwise) as HKSCC considers to be fair and reasonable having regard to all the circumstances of the case;
- (ii) where HKSCC has an obligation to make payment under a Market Contract in an Eligible Currency in which the relevant securities are denominated or in a specified Eligible Currency, notwithstanding that the relevant Eligible Currency may be available, HKSCC may in lieu of making payment in that Eligible Currency make payment to the Participant concerned, 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 having regard to all the circumstances of the case. HKSCC shall only exercise its powers under this Rule in circumstances when HKSCC considers in its reasonable opinion that the relevant Eligible Currency is not freely available or convertible in the market.
- (iii) where the situation contemplated in Rule 12A20 occurs, HKSCC shall have the right to take the actions set out in Rule 12A20(iii) in relation to the settlement of TSF Exchange Trades.

3607. Closing-out

If at any time HKSCC decides that an Event of Default exists in relation to a Clearing Participant or Clearing Agency Participant, HKSCC may, in respect of the obligations of such Clearing Participant or Clearing Agency Participant arising out of all or any Market Contracts to which it is a party and which are unsettled at the time (whether or not due for settlement), on behalf of the Clearing Participant or Clearing Agency Participant, enter into Closing-out Contracts at what it determines to be the best prevailing market price and terms available (but taking into account that HKSCC may need to act promptly and provided that HKSCC shall have no liability if it acts in good faith) and for such purpose, HKSCC may instruct other authorized brokers to assist.

Each defaulting Clearing Participant or Clearing Agency Participant shall indemnify HKSCC against all costs, fees, expenses, liabilities, losses and damages of any nature whatsoever suffered or incurred by it directly or indirectly arising out of the entering into such Closing-out Contracts by HKSCC.

3608. Charged Property

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

HKSCC shall have a first fixed charge over:-

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

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

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

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

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

Without prejudice to HKSCC's rights in Rule 3702, upon any failure by a Participant to perform its obligations to HKSCC under the CNS System or when HKSCC otherwise deems it necessary for its own protection:

- (i) HKSCC may sell or apply the Charged Property of the Participant without further reference to the Participant and the provisions of Rule 3702 shall apply equally to such sale. Following such sale or application, the only obligation of HKSCC to such Participant in respect of its Charged Property shall be to pay such Participant an amount equal to the balance and/or to return to such Participant the balance of the Charged Property remaining after satisfaction of all obligations and liabilities (actual or contingent) of such Participant to HKSCC;

- (ii) Derived Assets credited to the Entitlement Account may not be transferred from such Account without the express consent of HKSCC and may be transferred to the Participant's CCMS Collateral Account by HKSCC; and
- (iii) all dividends, interests and other distributions in respect of the Charged Property not forming part of the Derived Assets may be retained and used by HKSCC.

3609. [Repealed]

3610. Risk management measures for Multi-counter Eligible Securities

Without prejudice to HKSCC's rights in this Chapter 36 and unless HKSCC otherwise agrees or the Operational Procedures otherwise provided, for the purposes of calculating the Marks, Margin and Collateral to be collected from a Clearing Participant or Clearing Agency Participant in respect of its transactions in Multi-counter Eligible Securities, HKSCC will have absolute right to refer to the unsettled stock positions in the same Multi-counter Eligible Security on a cross-currency offset basis.

CHAPTER 37

DEFAULT RULES - CNS SYSTEM

3701. Events of Default

In the event that:-

- (i) a Clearing Participant or Clearing Agency Participant fails duly to perform or is, in the opinion of HKSCC, in material breach of any provision of the Rules or of any agreement, understanding or arrangement which the Clearing Participant or Clearing Agency Participant has from time to time entered into with HKSCC;
- (ii) a Clearing Participant which is an Exchange Participant is in breach of the terms of its Exchange Participantship or the rules of any market or is suspended or expelled from Exchange Participantship or ceases to be an Exchange Participant or a SEOCH Participant ;
- (iii) a Clearing Participant ceases to be a licensed corporation licensed or a registered institution registered to carry on Type 1 regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or fails to comply with the rules and regulations applicable to such licensed corporation or registered institution;
- (iiia) failure by a GCP which is a registered institution under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to demonstrate to the satisfaction of HKSCC its capability to manage the portfolio of a defaulting NCCCP for which it clears. Such capability might include, for example, having a valid, binding and effective Clearing Agreement with more than one NCCCP for which it provides clearing services which permits such GCP to close out positions of the NCCCP in the event of a default by such NCCCP under the Exchange Rules;
- (iv) a Clearing Participant or Clearing Agency Participant defaults in payment of any sum payable to HKSCC; or, in respect of a Clearing Participant which is also a participant or member of any clearing and settlement system operated by HKEX or its affiliates:
 - (a) it fails to meet any obligation owed by it to the central counterparty or operator of such system; or
 - (b) it breaches the rules or terms of participation or membership of such system; or
 - (c) a declaration of default by, or suspension or expulsion from participation or membership of such system by the central counterparty occurs;
- (v) a Clearing Participant or Clearing Agency Participant fails to pay when due any sum due and payable, or is otherwise in default under the terms of any agreement or threatens or proposes to suspend payment or to default under the terms of any agreement;

- (vi) in respect of a Clearing Participant or Clearing Agency Participant, a bankruptcy or winding-up petition is presented, or a notice of a proposal for a resolution for its winding-up is given, or a voluntary arrangement is approved by the court for the benefit of creditors, or if HKSCC considers in its absolute discretion that the occurrence of such events are imminent or likely;
- (vii) in respect of a Clearing Participant or Clearing Agency Participant, a receiver, manager or administrative receiver is appointed or a composition or scheme of arrangement is approved by the court, or if HKSCC considers in its absolute discretion that the occurrence of such events are imminent or likely;
- (viii) an assignment or composition is made by a Clearing Participant or Clearing Agency Participant for the benefit of its creditors or any of them, or if HKSCC considers in its absolute discretion that the occurrence of such events are imminent or likely;
- (ix) in respect of a Clearing Participant or Clearing Agency Participant, a resolution is passed for its winding-up (save for the purpose of amalgamation or reconstruction) or a bankruptcy or winding-up order is made, or if HKSCC considers in its absolute discretion that the occurrence of such events are imminent or likely;
- (x) a Clearing Agency Participant, in its capacity as a China Connect Clearing House under a Clearing Link, defaults in any delivery or payment obligations to HKSCC under the Clearing Link;
- (xi) any distress, execution or other process is levied or enforced or served upon or against any property of a Clearing Participant or Clearing Agency Participant;
- (xii) in respect of a Clearing Agency Participant that is a “recognized clearing house” under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as the term is defined therein, if it ceases to be so recognized;
- (xiia) HKSCC becomes aware of circumstances affecting a client, associate or affiliate of a Clearing Participant which might, in the opinion of HKSCC, result in that Clearing Participant being unable to meet any of its obligations under the Rules or any Market Contract to which it is a party; or
- (xiii) HKSCC considers it necessary or desirable to take action under this Rule for its own protection or the protection of other Participants;

then on the occurrence of any one or more of such events (each an "Event of Default"), in its absolute discretion, HKSCC shall be entitled then or at any time thereafter whilst such event is, in the opinion of HKSCC, continuing unremedied, to take any one or more of the actions referred to in Rule 3702.

In the case of a China Connect Clearing Participant clearing China Connect Securities Trades for one or more China Connect Markets, if an Event of Default occurs in connection with the

clearing and settlement obligations of such China Connect Clearing Participant in respect of any Eligible Securities (including but not limited to China Connect Securities), HKSCC shall be entitled to take any one or more actions referred to in Rule 3702 in respect of all of the unsettled Market Contracts to which such China Connect Clearing Participant is a party, all of the Marks, Margin, Collateral, Collateral Security, Specific Cash Collateral, Charged Property, Mainland Settlement Deposit, Mainland Security Deposit and all other security furnished by such China Connect Clearing Participant, to discharge and satisfy all obligations and liabilities of such China Connect Clearing Participant to HKSCC, whether in respect of a China Connect Market or otherwise.

In the case of a Clearing Agency Participant which is a China Connect Clearing House, if an Event of Default occurs in connection with the clearing and settlement obligations of such Clearing Agency Participant in respect of any of its designated Special Participants, HKSCC shall be entitled to take any one or more of the actions referred to in Rule 3702 in respect of all of the unsettled Market Contracts to which such Clearing Agency Participant is a party, all of the Marks, Margin, Collateral, Collateral Security, Specific Cash Collateral, Charged Property and other security furnished by such Clearing Agency Participant and all of the Stock Clearing Accounts allocated to the Clearing Agency Participant in respect of all of its designated Special Participants, to discharge and satisfy all obligations and liabilities of such Clearing Agency Participant to HKSCC in respect of all of its Special Participants.

The default provisions applicable to a TSF CCASS Participants as set out in Rule 12A17 are in addition to the above provisions. The event of default included in that Rule shall be incorporated in this Rule as an Event of Default.

3702. Actions on default

Without prejudice to any other provision of the Rules, the actions which HKSCC may take as referred to in Rule 3701 are:-

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

- (v) to debit Eligible Securities from the Stock Clearing Account of a defaulting Clearing Participant or Clearing Agency Participant without further reference to the Clearing Participant or Clearing Agency Participant;
- (vi) to exercise all rights attaching to the Charged Property, including, but not limited to voting rights; and
- (via) [Repealed]
- (vii) to take such other action as it deems necessary or desirable for the protection of HKSCC with respect to Market Contracts to which a defaulting Clearing Participant or Clearing Agency Participant is a party, at the Clearing Participant's or Clearing Agency Participant's expense and if appropriate, in its name.

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

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

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

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

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

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

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

3702A. Confidentiality Obligation

- (i) Each Clearing Participant agrees and undertakes that, in consideration of it being provided with Default Information (in such capacity a **“Receiving Clearing**

Participant”) it shall: (i) keep the Default Information strictly confidential and secure; (ii) only use the Default Information for the Permitted Purpose; and (iii) only disclose the Default Information to its employees, officers, representatives, advisers or Receiving Clearing Participant Affiliates for the Permitted Purpose (and to that extent only) and on a strict need to know basis.

- (ii) Upon demand by HKSCC and to the extent reasonably practicable, and in any event upon conclusion of the actions set out in Rules 3607, 3702 and 4107, the Receiving Clearing Participant shall promptly return to HKSCC all or any part of the Default Information in its possession or the possession of any of its employees, officers, representatives, advisers or Receiving Clearing Participant Affiliates in whatever form it may be by a secure method or destroy or procure the destruction of any copies or reproductions of any material, paper, programme or record incorporating the Default Information including the destruction or expungement thereof from any memory device or medium, provided that the Receiving Clearing Participant may retain copies of any Default Information as required by law. Upon demand by HKSCC, the Receiving Clearing Participant shall provide to HKSCC a written confirmation that it has fully complied with the foregoing.
- (iii) Each Receiving Clearing Participant shall establish adequate procedures and mechanisms to ensure that the Default Information is, at all times, solely used for the Permitted Purpose by it and any of its employees, officers, representatives, advisers or Receiving Clearing Participant Affiliates.
- (iv) Nothing in these Rules shall prohibit disclosure or use of the Default Information if and to the extent: (i) it becomes publicly available other than as a result of a breach of these Rules by the Receiving Clearing Participant; (ii) the Receiving Clearing Participant is required to do so by order of a court of competent jurisdiction which arises as a result of the application of a third party; (iii) the Receiving Clearing Participant is required or requested to do so by any governmental authority which exercises a regulatory or supervisory function over the Receiving Clearing Participant; or (iv) HKSCC has given prior written approval to the disclosure.

3703. Declaration as Defaulter

A Clearing Participant or Clearing Agency Participant declared to be a Defaulter shall, unless otherwise decided by HKSCC, thereupon cease to be a Participant but shall nevertheless be bound to take or refrain from taking all such action and suffer all such things to be done under the Rules in the case of a Defaulter and shall continue to be bound by the Rules in relation to all matters, transactions and circumstances arising whilst it was a Participant.

3704. Certification of net sum due

Upon conclusion of the steps taken by HKSCC against a Defaulter as are permitted under the Rules, HKSCC shall certify the net sum payable by or to the Defaulter in respect of its rights and obligations arising under the Rules. The Defaulter shall pay any net amount so payable by it to HKSCC forthwith and vice versa.

3705. HKSCC Failure to Pay Event

- (i) For the purposes of this Rule, references to “Market Contract” mean a Market Contract other than 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.

- (ii) Notwithstanding Rule 3307, if HKSCC fails to make, when due, any payment to a Clearing Participant and Clearing Agency Participant (other than a defaulting Clearing Participant or Clearing Agency Participant) under a Market Contract, the relevant Clearing Participant or Clearing Agency Participant may provide written notification (the “Failure to Pay Notice”) to HKSCC formally informing HKSCC of such failure pursuant to this Rule 3705.

An “HKSCC Failure to Pay Event” shall be deemed to occur if after the receipt of the Failure to Pay Notice by HKSCC, HKSCC has not made all relevant payments to the Clearing Participant or Clearing Agency Participant by the end of the relevant HKSCC Failure to Pay Grace Period, provided that no HKSCC Failure to Pay Event shall occur if (1) such failure to pay arises as a result of technical or administrative reasons beyond the control of HKSCC; or (2) during the HKSCC Failure to Pay Grace Period, HKSCC has exercised its powers under Rules 3705(iii)(1) and/or 3705(iii)(2). The exercise by HKSCC of its rights pursuant to either a Clearing Service Termination Event or contract termination pursuant to Rule 3709 shall not constitute an HKSCC Failure to Pay Event. During the HKSCC Failure to Pay Grace Period, the relevant Clearing Participant or Clearing Agency Participant shall continue to be obliged to pay when due all amounts required by HKSCC in accordance with the Rules and the Operational Procedures and shall satisfy in full all its other obligations under the Rules and the Operational Procedures.

- (iii) During the HKSCC Failure to Pay Grace Period, HKSCC may take the following action or actions:

- (1) designate an Early Termination Date in respect of all the Market Contracts of the relevant Clearing Participant or Clearing Agency Participant (each a “Relevant CP Contract”) by delivering a notice to the relevant Clearing Participant or Clearing Agency Participant whereupon all the Relevant CP Contracts shall be novated with effect from the day that falls on the second Business Day following the date of delivery of such notice by HKSCC. Upon the delivery of such notice, the relevant Clearing Participant or Clearing Agency Participant agrees that HKSCC shall novate all the Relevant CP Contracts on the designated Early Termination Date by terminating such Relevant CP Contracts and registering in the name of any other Clearing Participant or Clearing Agency Participant (other than a defaulting Clearing Participant or Clearing Agency Participant) Market Contracts on substantially similar terms as any Relevant CP Contract with the agreement of such other Clearing Participant or Clearing Agency Participant, and the provisions as set out in Rules 3707 to 3708 shall apply; or
- (2) declare and notify all Clearing Participants and Clearing Agency Participants of the occurrence of a Clearing Service Termination Event pursuant to the terms set out in Rule 4301, whether or not HKSCC has, prior to such declaration of Clearing Service Termination Event, exercised its power pursuant to subparagraph (1) above. Upon the occurrence of a Clearing Service Termination Event, the clearing and settlement services in relation to Market Contracts, including the Relevant CP Contracts, will be wound down in accordance with Rules 4301 to 4302.

- (iv) Upon the occurrence of an HKSCC Failure to Pay Event, if HKSCC has not taken any action under Rule 3705(iii)(1) or Rule 3705(iii)(2) above, the relevant Clearing Participant or Clearing Agency Participant may terminate and liquidate all the Relevant CP Contracts by delivering a notice to HKSCC. In the event that the relevant Clearing Participant or Clearing Agency Participant delivers a notice to HKSCC to terminate all the Relevant CP Contracts pursuant to this Rule 3705, HKSCC shall:

- (1) terminate all the Relevant CP Contracts on the day that falls on the second Business Day following the date of delivery of such notice by the relevant

Clearing Participant or Clearing Agency Participant (such day being the “Early Termination Date” for the purpose of this Rule 3705) by registering in the name of any other Clearing Participant or Clearing Agency Participant (other than a defaulting Clearing Participant or Clearing Agency Participant) one or more Market Contracts on substantially similar terms as any Relevant CP Contract with the agreement of such other Clearing Participant or Clearing Agency Participant on the Early Termination Date and Rules 3707 to 3708 shall apply; or

- (2) declare and notify all Clearing Participants and Clearing Agency Participants of the occurrence of a Clearing Service Termination Event, upon which the clearing and settlement services in relation to Market Contracts, including the Relevant CP Contracts, will be wound down in accordance with Rules 4301 to 4302.

3706. HKSCC Insolvency Event

For the purposes of this Rule, references to “Market Contract” mean a Market Contract other than 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.

An “HKSCC Insolvency Event” shall occur if HKSCC voluntarily commences a procedure seeking or proposing liquidation, administration, receivership, judicial management or a scheme of arrangement, or other similar relief with respect to itself or its debts under any bankruptcy, insolvency, regulatory, supervisory or similar law, or if any of the foregoing case or procedure (other than one that is frivolous or vexatious in nature) is commenced in relation to HKSCC by any other person and either:

- (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for the winding-up or liquidation of HKSCC; or
- (ii) such case or procedure is not dismissed, discharged, stayed or restrained in each case within 21 Business Days of the institution or presentation thereof.

Upon the occurrence of an HKSCC Insolvency Event, a non-defaulting Clearing Participant or Clearing Agency Participant may by written notice to HKSCC, declare the HKSCC Insolvency Event and designate an Early Termination Date for the termination and liquidation of all Market Contracts then registered in its name.

In the event that a non-defaulting Clearing Participant or Clearing Agency Participant delivers a notice to HKSCC to terminate all of its Market Contracts then registered with HKSCC pursuant to this Rule 3706 as a result of the occurrence of an HKSCC Insolvency Event, then all Market Contracts of all Clearing Participants and Clearing Agency Participants will be terminated with effect from (and including) the day that falls on the second Business Day following the date of delivery of such notice by the non-defaulting Clearing Participant or Clearing Agency Participant (such day being the “Early Termination Date” for the purpose of this Rule 3706) and Rules 3707 to 3708 will apply to each Clearing Participant and Clearing Agency Participant. Upon receipt of a notice from a non-defaulting Clearing Participant or Clearing Agency Participant declaring the occurrence of an HKSCC Insolvency Event, HKSCC will notify all Clearing Participants and Clearing Agency Participants of (1) the occurrence of such event and (2) the Early Termination Date with respect to all Market Contracts registered in the name of all Clearing Participants and Clearing Agency Participants.

3707. Calculations of Net Payments under an HKSCC Failure to Pay Event or an HKSCC Insolvency Event

For the purposes of this Rule, (i) references to “Eligible Securities” mean Eligible Securities other than China Connect Securities; and (ii) references to “Market Contract” mean a Market Contract other than 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.

Upon the designation of an Early Termination Date pursuant to either Rule 3705(iii) or Rule 3705(iv) in respect of an HKSCC Failure to Pay Event or under Rule 3706 in respect of an HKSCC Insolvency Event, every Market Contract between HKSCC and the relevant Clearing Participant or Clearing Agency Participant shall be terminated and all prevailing obligations of HKSCC and such Clearing Participant or Clearing Agency Participant in respect of each such Market Contract between them (including the obligations to deliver any Eligible Securities under such Market Contract) shall cease and be replaced with the obligation of HKSCC or the relevant Clearing Participant or Clearing Agency Participant, as the case may be, to pay the other party a net sum which shall take into account the termination value and any unpaid amounts of each such Market Contract as determined by HKSCC under this Rule and Section 17B.1 of the Operational Procedures. The termination value for each Market Contract shall be determined based on the prevailing market price on the Early Termination Date, or if such market price is not available, the price shall be such price as HKSCC may reasonably determine. HKSCC may also take into account any unpaid amounts that have become due and payable in respect of any Market Contract on or prior to the designation of the Early Termination Date.

Following the payment by each relevant Clearing Participant or Clearing Agency Participant of the HKSCC Default Interim CP Payable or HKSCC Default Final CP Payable with respect to the CNS positions from its Market Contracts, HKSCC shall pay an amount equal to the Margin Balance in respect of a Clearing Participant or Clearing Agency Participant to such Clearing Participant or Clearing Agency Participant in accordance with Section 17B.1 of the Operational Procedures; and HKSCC shall pay an amount equal to the Guarantee Fund Contribution Balance in respect of a Clearing Participant or Former Clearing Participant to such Clearing Participant or Former Clearing Participant in accordance with Section 17B.1 of the Operational Procedures.

HKSCC will, as soon as reasonably practicable, inform the Commission of the occurrence of an HKSCC Failure to Pay Event or HKSCC Insolvency Event upon becoming aware of the same.

3708. Liability of HKSCC under an HKSCC Failure to Pay Event or an HKSCC Insolvency Event

Notwithstanding the provisions of Rule 3307, settlement (by payment, set-off or otherwise) of the HKSCC Default CP Receivable with respect to the CNS positions of each relevant Clearing Participant or Clearing Agency Participant arising from such Market Contracts pursuant to Rule 3707 and Section 17B.1 of the Operational Procedures discharges in full the obligations of HKSCC in respect of these Market Contracts and no Clearing Participant, Clearing Agency Participant or client of a Clearing Participant or Clearing Agency Participant shall have any recourse against HKSCC or to any fund or other entity, including without limitation any affiliate or recognized exchange controller which is the controller of HKSCC in relation to any Market Contract once the resources available to HKSCC including those available to be applied under Rules 2507, 2507A and 3702(ii) have been exhausted. In particular, no Clearing Participant, Clearing Agency Participant or client of a Clearing Participant or Clearing Agency Participant shall be entitled to instigate any action for the winding-up or the appointment of a receiver or manager over any property of HKSCC.

3709. Contract Termination

For the purposes of this Rule, (i) references to “Eligible Securities” mean Eligible Securities other than China Connect Securities; and (ii) references to “Market Contract” mean a Market Contract other than 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.

Following the occurrence of an Event of Default, if HKSCC reasonably believes that:

- (i) it will not be able to effect Closing-out Contracts with respect to all or any Market

Contracts of the defaulting Clearing Participant or Clearing Agency Participant within a reasonable time as determined by HKSCC; or

- (ii) there will not be sufficient resources to satisfy its obligations and liabilities arising out of prevailing Market Contracts with non-defaulting Clearing Participants and Clearing Agency Participants as a result of such Event of Default;

HKSCC may, without prejudice to Rules 3307, 3705, 3706 and 4301, invoke the contract termination process as provided for in this Rule in consultation with the Commission.

HKSCC will terminate all unsettled Market Contracts of the defaulting Clearing Participant or Clearing Agency Participant and will determine which unsettled Market Contracts of the non-defaulting Clearing Participants or Clearing Agency Participants shall be terminated under this Rule (such unsettled Market Contracts of the defaulting Clearing Participant or Clearing Agency Participant and those of the non-defaulting Clearing Participants or Clearing Agency Participants so determined by HKSCC shall collectively be referred to as “Identified Market Contracts”). HKSCC will notify relevant Clearing Participants and Clearing Agency Participants of its determination, including details of the Identified Market Contracts and the effective date of termination of such Identified Market Contracts. In making this determination, HKSCC may:

- (i) select those Market Contracts which are in the same Eligible Securities as, but whose side is opposite to, the unsettled Market Contracts to which the defaulting Clearing Participant or Clearing Agency Participant is a party. The Market Contracts to be terminated shall, to the extent practicable, be allocated among the non-defaulting Clearing Participants and Clearing Agency Participants holding such Market Contracts on a pro-rata basis with reference to the CNS positions in the relevant Eligible Securities held by such non-defaulting Clearing Participants and Clearing Agency Participants; or
- (ii) select some or all of the Market Contracts in one or more Eligible Securities, regardless of whether the side of such Market Contracts is the same as or opposite to that of the unsettled Market Contracts to which the defaulting Clearing Participant or Clearing Agency Participant is a party; or
- (iii) select all of the Market Contracts in all Eligible Securities which are to be cleared and settled in CCASS.

Upon termination of one or more Identified Market Contracts under this Rule, all prevailing obligations of HKSCC and the relevant Clearing Participant or Clearing Agency Participant in respect of each such Identified Market Contracts between them (including the obligation to deliver any Eligible Securities under the Identified Market Contracts) shall cease and be replaced with the obligation of HKSCC or the relevant Clearing Participant or Clearing Agency Participant, as the case may be, to pay the other party a net sum equal to the aggregate termination value of each Identified Market Contract between them, as determined by HKSCC under this Rule and Section 10.16 of the Operational Procedures.

The termination value for each Identified Market Contract shall be determined based on the prevailing market price at the time of contract termination, or if such market price is not available, the price shall be such price as HKSCC may reasonably determine.

Notwithstanding the above, at any time during the contract termination process but prior to the effective date of termination of the relevant Identified Market Contracts, HKSCC may instead of proceeding with the termination of such Market Contracts, declare the occurrence of a Clearing Service Termination Event, and in such case the Identified Market Contracts shall not be terminated in accordance with the contract termination process but shall be terminated in accordance with Rule 4301.

Notwithstanding the provisions of Rule 3307, payment by HKSCC of the Termination Value Receivable with respect to the CNS positions of each relevant Clearing Participant or Clearing Agency Participant arising from its Identified Market Contracts pursuant to this Rule and Section 10.16 of the Operational Procedures discharges in full HKSCC's obligations in respect of these Identified Market Contracts and no Clearing Participant, Clearing Agency Participant or client of a Clearing Participant or Clearing Agency Participant shall have any recourse against HKSCC or to any fund or other entity, including without limitation any affiliate or recognized exchange controller which is the controller of HKSCC in relation to any Identified Market Contract once the resources available to HKSCC including those available to be applied under Rules 2507, 2507A and 3702(ii) have been exhausted. In particular, no Clearing Participant, Clearing Agency Participant or client of a Clearing Participant or Clearing Agency Participant shall be entitled to instigate any action for the winding-up or the appointment of a receiver or manager over any property of HKSCC.

CHAPTER 38

SETTLEMENT AGENT

3801. Application for Settlement Agents to be connected to CCASS

HKSCC may, on a Participant's application, approve the appointment of a Settlement Agent by a Participant to access CCASS and conduct settlement and other activities in CCASS on behalf of the Participant. For the avoidance of doubt, Investor Participants are not entitled to apply for the appointment of a Settlement Agent, and a Participant (other than an Investor Participant) shall not appoint more than one Settlement Agent unless with the prior written approval of HKSCC.

In applying for the appointment of a Settlement Agent to access CCASS, a Participant shall follow such procedures as may from time to time be prescribed by HKSCC.

Approval of an application for the appointment of a Settlement Agent is entirely at the discretion of HKSCC. HKSCC may impose such conditions and restrictions as it thinks fit at the time of approval of such application and at any time thereafter during the appointment of the Settlement Agent by giving written notice to the Participant.

HKSCC shall be entitled to revoke any approval granted to a Participant concerning its appointment of a Settlement Agent and to disconnect its Settlement Agent's connection to CCASS, at any time after the appointment has commenced by notifying the Participant in writing. For the avoidance of doubt, in the event that any connection to CCASS by a Settlement Agent is determined by HKSCC to be incompatible with or in any way inappropriate for CCASS, HKSCC may revoke any approval granted to a Participant concerning its appointment of the Settlement Agent and to disconnect all connections of the Settlement Agent at any time by giving written notice to the Participant.

3802. Obligations of CCASS Participants in connection with Settlement Agents

So long as its appointment of a Settlement Agent is valid, the Participant shall ensure and shall procure that the Settlement Agent, in conducting its activities in CCASS on behalf of the Participant, complies with the Rules and the Operational Procedures as set out by HKSCC from time to time. Where its Settlement Agent's access to CCASS is from a foreign jurisdiction or its Settlement Agent's office premises are located in a foreign jurisdiction, the Participant shall specifically comply with Rules 3901 to 3904.

A Participant shall give prompt notice to HKSCC of any change in information regarding the Settlement Agent or its appointment as supplied to HKSCC at the time of application under Rule 3801 or as supplied to HKSCC from time to time after the application has been approved.

A Participant shall, in relation to all its activities, dealings and transactions in CCASS or with HKSCC or in relation to all Eligible Securities standing to its credit in CCASS from time to time, be liable to HKSCC under the Rules as principal notwithstanding its arrangement with a Settlement Agent. For the avoidance of doubt, all acts done, instructions input and communications given in or related to CCASS by a Participant's Settlement Agent or purported to be done, input or given via the Participant's Settlement Agent's access and connection to CCASS shall, for the purposes of the Rules, be treated as those of the Participant, and the Participant shall be liable as principal for all such acts, instructions and communications.

A Participant shall ensure that it is able to, and shall continue to, comply with all of its obligations as a Participant under the Rules despite its appointment of and engagement of the services of a Settlement Agent. A Participant shall further ensure that its Settlement Agent does not subcontract, assign or in any way permit

any other party (whether or not associated with the Settlement Agent or the Participant) to perform its rights and obligations as the Participant's Settlement Agent except with the prior written approval of HKSCC.

CHAPTER 39

ACCESS TO CCASS FROM A FOREIGN JURISDICTION

3901. Obligations of Participants or Settlement Agents located in a foreign jurisdiction

A Participant that wishes (i) to install a CCASS Terminal at its or its Settlement Agent's office premises located in a foreign jurisdiction or (ii) to access and operate CCASS from a foreign jurisdiction must obtain HKSCC's prior written approval to do so. Where approval is granted, such installation shall be subject to the following Rules of this chapter and such conditions as prescribed by HKSCC from time to time.

A Participant shall ensure that it is able to, and shall continue to, comply with all of its obligations as a Participant under the Rules despite the location from where it is accessing CCASS and despite its appointment of a Settlement Agent which accesses or operates from a foreign jurisdiction.

A Participant shall ensure that its money obligations arising from the operation of CCASS or other liabilities owing to HKSCC are settled in Hong Kong via one of the Designated Banks and that all money settlement is effected under Hong Kong business hours within the time and in accordance with the process specified under the Rules.

A Participant shall satisfy such other requirements and conditions in relation to its or its Settlement Agent's access to CCASS from a foreign jurisdiction as may from time to time be imposed by HKSCC. For the avoidance of doubt, in the event that any access to CCASS from a foreign jurisdiction is determined by HKSCC to be inappropriate for CCASS, HKSCC may discontinue such arrangement at any time by notifying the Participant in writing.

3902. Books and records

A Participant or its Settlement Agent which accesses and operates CCASS from a foreign jurisdiction, shall maintain in Hong Kong a set of books and records of its CCASS related activities, and ensure, and shall procure the Settlement Agent to ensure, that it is kept up-to-date on a day to day basis. The duplicate set can be in hardcopy or electronic form. Upon HKSCC's request, a Participant shall make available the hardcopy of books and records for inspection by HKSCC. Such copy shall be certified by a director or the company secretary of the Participant that it is a true and complete copy of the original.

In the event that HKSCC, in its absolute discretion, considers it necessary to inspect the books, records or systems relating to CCASS or transactions conducted through CCASS, the Participant shall grant or shall procure its Settlement Agent to grant, HKSCC or its authorized persons or agents access to such books, records and systems and the Participant shall reimburse HKSCC all the costs incurred.

3903. Communication

A Participant shall provide a means of communication with HKSCC, so that HKSCC will not bear any additional cost or suffer from any inconvenience due to the location of the Participant's CCASS Terminal or the location from where the Participant or its Settlement Agent access CCASS. A Participant may be required to reimburse HKSCC against all costs incurred by HKSCC in connection with any communication or correspondence with the Participant and its Settlement Agent, employees or representatives outside Hong Kong. The Participant shall be available for contact during normal CCASS operation hours. Emergency contacts in the relevant foreign jurisdictions shall also be available for time outside normal CCASS operation hours.

A Participant shall be responsible for all the costs and expenses in relation to the connection of

communication links between the Hong Kong service provider and its or its Settlement Agent's office premises in a foreign jurisdiction.

3904. Legal liabilities

A Participant shall obtain from a reputable law firm of a foreign jurisdiction a legal opinion issued in favor of HKSCC confirming that :

- (i) having the Participant's CCASS operation and the placement of the CCASS Terminal in a foreign jurisdiction; and/or
- (ii) appointing a Settlement Agent which accesses CCASS on the Participant's behalf from or has its operation in a foreign jurisdiction

will not (a) subject HKSCC, the Exchange or a recognized exchange controller to any legal, regulatory, reporting, registration or other requirements of the foreign jurisdiction (b) deem HKSCC, the Exchange or a recognized exchange controller to be carrying on any business in that jurisdiction; (c) have any tax implications on HKSCC, the Exchange or a recognized exchange controller; and (d) affect the right of inspection by HKSCC to books, records or systems relating to CCASS or transactions conducted through CCASS in that jurisdiction. The legal opinion shall be issued in such form as may be required by HKSCC.

A Participant shall ensure that it complies with all applicable laws, regulations and requirements of the jurisdiction where its and its Settlement Agent's CCASS Terminals, office premises or operations are located.

CHAPTER 40

CLEARING BY GENERAL CLEARING PARTICIPANTS

4001. Execution of Clearing Agreement

Every GCP which intends to clear and settle Exchange Trades or Clearing Agency Transactions for an NCP and/or China Connect Securities Trades for an NCCCP shall enter into a Clearing Agreement in such form or containing such provisions as may from time to time be required by HKSCC with such NCP or NCCCP. Except as otherwise approved by HKSCC and subject to such terms and conditions as HKSCC may from time to time specify, a GCP shall not accept for clearing and settlement of any Exchange Trades or Clearing Agency Transactions for an NCP and/or China Connect Securities Trades of an NCCCP unless and until there is in place a valid, binding and effective Clearing Agreement between it and the NCP or the NCCCP. Every GCP which is a TSF CCASS Participant which intends to clear and settle TSF Exchange Trades for NCPs shall, in addition to the above, comply with Rule 12A21. Every GCP which is a China Connect Clearing Participant which intends to clear and settle China Connect Securities Trades for NCCCPs shall, in addition to the above, comply with Rule 4104.

4002. Notification of execution of Clearing Agreement

A GCP shall notify HKSCC of each Clearing Agreement it entered into with an NCP or NCCCP forthwith upon its execution. Such notification shall be in such form as HKSCC may from time to time specify. The GCP shall, at the request of HKSCC, supply it with a certified copy of the executed Clearing Agreement.

4003. Obligations of GCP

A GCP shall capture all liabilities for all the Exchange Trades or Clearing Agency Transactions concluded and, where applicable, designated to it for clearing by each NCP and/or China Connect Securities Trades concluded by each NCCCP with which it has entered into a Clearing Agreement, as if it were a party to these trades and transactions and shall not be entitled to decline to settle and clear any such Exchange Trades or Clearing Agency Transactions of the NCP, and/or China Connect Securities Trades of the NCCCP. A GCP shall have arrangement in place with each NCP or NCCCP for the NCP or NCCCP to notify it of all Exchange Trades and Clearing Agency Transactions concluded and, where applicable, designated to it for clearing by the NCP and/or all China Connect Securities Trades concluded by the NCCCP.

A GCP shall have arrangement in place to monitor the ability of each NCCCP with whom it has entered into a Clearing Agreement to satisfy promptly all obligations arising from the Exchange Trades, Clearing Agency Transactions and/or China Connect Securities Trades, as the case may be, concluded by such NCCCP. A GCP must forthwith notify HKSCC of any failure of an NCCCP to meet its obligations under the Clearing Agreement, and in the case of an NCP, HKSCC may disclose such information to any other GCP of the NCP.

A GCP shall, within a period as HKSCC may specify, provide information in its possession about its NCCCPs to HKSCC, including but not limited to, financial position, an NCCCP's underlying client information or any other information or documents as HKSCC may demand.

A GCP shall ensure that the Clearing Agreement to which it is a party, and all subsequent agreements to amend the Clearing Agreement do not contain any provision which is inconsistent with the Rules and has terms and conditions to facilitate the performance of, and

be consistent with, the GCP's obligations under the Rules. The Clearing Agreement shall incorporate any additional conditions prescribed by HKSCC from time to time. A GCP shall be bound by and comply strictly with the terms of each Clearing Agreement to which it is a party, to the extent that those Clearing Agreements are consistent with the Rules.

A GCP shall notify HKSCC of any changes to any of the Clearing Agreements it entered into forthwith upon such changes being made. Such notification shall be in a form as HKSCC may from time to time specify and be accompanied by a certified copy of a document evidencing such changes. For the avoidance of doubt, a GCP must ensure that any changes to the Clearing Agreement and any amendment agreement are in compliance with these Rules.

Every GCP which is a TSF CCASS Participant which intends to clear and settle TSF Exchange Trades for NCPs shall, in addition to the above, comply with Rule 12A21. Every GCP which is a China Connect Clearing Participant which intends to clear and settle China Connect Securities Trades for NCPs shall, in addition to the above, comply with Rule 4104.

4004. Termination of Clearing Agreement

A GCP shall give prior written notice to HKSCC if it or an NCCCP intends to terminate the Clearing Agreement between them, unless the NCCCP has already given notice to terminate the Clearing Agreement to the Exchange in accordance with the Exchange Rules.

When HKSCC receives a termination notice from a GCP or when HKSCC receives notification from the Exchange that notice to terminate the Clearing Agreement had been given by an NCCCP, HKSCC will issue a confirmation of termination to the GCP (with a copy to the NCCCP concerned) in writing and unless and until written confirmation has been issued to the GCP, the Clearing Agreement shall be treated as valid, binding and effective by HKSCC for the purposes of these Rules notwithstanding any provision to the contrary in the Clearing Agreement and/or the termination notice from the GCP or the NCCCP and the GCP shall continue to be bound by the Clearing Agreement and responsible for all the Exchange Trades, Clearing Agency Transactions and/or China Connect Securities Trades, as the case may be, concluded and, where applicable, designated to it for clearing by such NCCCP.

Notwithstanding the above, the Clearing Agreement is deemed to be terminated when the GCP is declared as a defaulter or suspended from further activities in CCASS under the Rules.

The termination of Clearing Agreement will not affect any rights or liabilities of the GCP and the NCCCP arising out of matters which have taken place prior to the termination of the relevant Clearing Agreement and for the purpose of settlement of any such rights or liabilities of the GCP and the NCCCP, HKSCC may continue to treat the GCP as the GCP of the relevant NCCCP.

CHAPTER 41

CHINA CONNECT CLEARING SERVICES

4101. Cross-boundary Clearing Links

HKSCC and a China Connect Clearing House may enter into a Clearing Link (a) to facilitate the clearing and settlement of securities trades which are executed on a China Connect Market by or for Exchange Participants under a Trading Link, including China Connect Securities; and (b) to provide depository, nominee and other services to Participants in respect of such securities.

This Chapter 41 sets out the provisions that apply to (i) China Connect Clearing Participants which participate as China Connect Exchange Participants or which act as General Clearing Participants for China Connect Exchange Participants in respect of China Connect Securities Trades executed on a China Connect Market via a Trading Link; and (ii) Participants other than Investor Participants to which China Connect Clearing Services may be provided by HKSCC.

4102. China Connect Clearing Services

HKSCC may provide such services as it may consider appropriate to Participants other than Investor Participants in accordance with the provisions of the Rules for the purposes referred to in Rule 4101 regarding a Clearing Link. Such services may include, without limitation, the following:

- (a) the clearing and settlement of China Connect Securities Trades with China Connect Clearing Participants by HKSCC in its capacity as central clearing party to China Connect Clearing Participants and as participating clearing house and clearing participant of the relevant China Connect Clearing House; and
- (b) the provision of nominee and depository services by HKSCC in its capacity as registered holder of China Connect Securities.

The use of China Connect Clearing Services by Participants shall be subject to such terms and conditions and the payment of such fees as HKSCC may from time to time prescribe.

4103. China Connect Clearing Participants and Eligibility Criteria for Registration

Only China Connect Clearing Participants may use China Connect Clearing Services relating to the clearing and settlement of China Connect Securities Trades.

To be accepted for registration and to remain registered as a China Connect Clearing Participant, a Participant must:

- (a) be a Direct Clearing Participant or a General Clearing Participant;
- (b) undertake to pay HKSCC such amount of Mainland Settlement Deposit, Mainland Security Deposit, Marks and Collateral as may be specified by HKSCC in accordance with the Operational Procedures; and
- (c) meet all other relevant China Connect Clearing Participant Registration Criteria.

HKSCC may from time to time prescribe additional eligibility criteria for Participants to be accepted for registration and to remain registered as China Connect Clearing Participants.

HKSCC may prescribe different eligibility criteria for registration in respect of different China Connect Markets and different China Connect Securities under different Clearing Links. HKSCC will publish the China Connect Clearing Participant Registration Criteria and a list of China Connect Clearing Participants on the HKEX website or by such other means as it considers appropriate.

Applications under this Rule 4103 must be made in writing in such form as HKSCC may from time to time prescribe. Participants may be required to make separate applications with respect to the clearing and settlement of China Connect Securities Trades in different China Connect Markets under different Clearing Links. Approval may be given subject to such terms and conditions as HKSCC may consider appropriate.

4104. General Clearing Participants as China Connect Clearing Participants

Only General Clearing Participants which are China Connect Clearing Participants shall be eligible to clear and settle China Connect Securities Trades for NCCCPs which are China Connect Exchange Participants.

A General Clearing Participant which is a China Connect Clearing Participant and which intends to clear and settle China Connect Securities Trades for NCCCPs which are China Connect Exchange Participants shall:

- (i) ensure that the Clearing Agreement it enters into with each such NCCCP includes an obligation on its part to settle China Connect Securities Trades. Such General Clearing Participant should bring its NCCCPs' attention to the special features and restrictions of the China Connect Securities Trades as highlighted in paragraph (vi) below with regard to the execution of selling orders for China Connect Securities via the Trading Links, HKSCC's powers and other matters as set out in this Chapter 41;
- (ii) be liable to HKSCC for all the China Connect Securities Trades concluded by each such NCCCP with which it has entered into a Clearing Agreement, as if it were a party to these trades and shall not be entitled to decline to settle and clear any China Connect Securities Trades of the NCCCP;
- (iii) have arrangements in place with each such NCCCP for the NCCCP to notify it of all China Connect Securities Trades concluded by or for the NCCCP;
- (iv) have arrangements in place to monitor the ability of each such NCCCP with whom it has entered into a Clearing Agreement to satisfy promptly all obligations arising from the China Connect Securities Trades concluded by or for such NCCCP;
- (v) forthwith notify HKSCC of any failure of an NCCCP to meet its obligations under the Clearing Agreement, and in the case of any NCP, HKSCC may disclose such information to any other GCP of the NCP; and
- (vi) designate its CCASS stock accounts, which may either be its stock accounts or specific SSAs with Statement Service, to such NCCCPs for the purposes of maintaining their holdings of China Connect Securities in CCASS and for facilitating the determination of the maximum amount of China Connect Securities that may be sold by an NCCCP on a particular Trading day. Subject to the Rules and the Exchange Rules, a General Clearing Participant shall ensure that such account designation is performed accurately and properly, and shall have measures in place to ensure that each of its NCCCPs will not place or execute selling orders for any China Connect Security via the relevant Trading Link such that the aggregate selling quantity of such China Connect Security on a Trading day is in excess of the

aggregate holding of the China Connect Security in the CCASS stock account(s) designated to the NCCCP as of the end of the immediately preceding batch-settlement run of Settlement Instructions on China Connect Securities effected by HKSCC.

4104A. Custodian Participants and non-Exchange Participant GCPs to maintain Special Segregated Accounts for clients

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 in CCASS and for facilitating the determination of the maximum amount of China Connect Securities that may be sold by such client on a particular Trading day. Subject to the Rules and the Exchange Rules, a Custodian Participant or a GCP which is not an Exchange Participant shall ensure that such account designation is performed accurately and properly, and shall have measures in place to ensure that its clients' holdings of China Connect Securities will be correctly maintained in their designated Special Segregated Accounts.

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 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.

4105. China Connect Securities and China Connect Clearing Houses

HKSCC may accept any China Connect Securities that are executed via a Trading Link as Eligible Securities under Rule 501 and may discontinue the acceptance of any China Connect Securities as Eligible Securities under Rule 502.

HKSCC will establish and maintain the following lists and will publish them on the HKEX website or by such other means as it considers appropriate:

- (a) a list of China Connect Securities that are accepted as Eligible Securities;
- (b) a list of China Connect Clearing Houses with which it has entered into Clearing Links; and
- (c) a list of China Connect Clearing Participants as mentioned in Rule 4103.

4106. Clearing and settlement of China Connect Securities Trades

- (a) Any China Connect Clearing Services in relation to clearing and settlement shall be provided by HKSCC in accordance with the following principles:
 - (i) any China Connect Securities Trade shall, similar to the clearing and settlement arrangements for other non-China Connect Securities Trades on the relevant China Connect Market, be cleared and settled by the relevant China Connect Clearing House in accordance with its rules and procedures; and

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- (ii) in addition, HKSCC shall, in its capacity as participating clearing house and clearing participant of the relevant China Connect Clearing House and in its capacity as central clearing party to China Connect Clearing Participants, provide clearing and settlement services in respect of China Connect Securities Trades to China Connect Clearing Participants.
 - (b) In relation to any China Connect Securities Trade executed by the relevant SEHK Subsidiary for a China Connect Exchange Participant with a member of the relevant China Connect Market, HKSCC and the relevant China Connect Clearing Participant agree that:
 - (i) the rights and obligations of the parties to the China Connect Securities Trade (or of their respective participants of the relevant China Connect Clearing House, if the relevant party is not itself a participant of the China Connect Clearing House) shall be transferred to the China Connect Clearing House, which becomes substituted as the sole settlement counterparty of each of the buyer and seller of the China Connect Securities Trade, in accordance with the rules of the China Connect Clearing House;
 - (ii) at the same time as such transfer of rights and obligations to the China Connect Clearing House, there shall be created through Novation a Market Contract between HKSCC and the relevant China Connect Clearing Participant on the same terms as the rights and obligations created pursuant to the rules of the relevant China Connect Clearing House between HKSCC and the China Connect Clearing House under (i) above, but with the China Connect Clearing Participant taking on the rights and obligations of HKSCC and HKSCC taking on the rights and obligations which are assumed by the China Connect Clearing House from the other participant of the China Connect Clearing House under the China Connect Securities Trade as mentioned in (i) above;
 - (iii) the relevant China Connect Clearing Participant referred to in (ii) above shall be the China Connect Exchange Participant for whom the China Connect Securities Trade was executed or, if it is not a China Connect Clearing Participant, its General Clearing Participant; and
 - (iv) the arrangements set out in this Rule 4106(b) shall be construed to amount to the Novation or replacement of the China Connect Securities Trade, at the time of transfer of the rights and obligations to the relevant China Connect Clearing House, into or by:
 - (1) the relevant rights and obligations between the relevant participant of the China Connect Clearing House and the China Connect Clearing House pursuant to its rules, as referred to in (i) above;
 - (2) the relevant rights and obligations between HKSCC and the China Connect Clearing House pursuant to its rules, as referred to in (i) above; and
 - (3) a Market Contract between HKSCC and the China Connect Clearing Participant pursuant to the Rules, as referred to in (ii) above.
 - (c) In relation to any China Connect Securities Trade executed between an SEHK Subsidiary for a China Connect Exchange Participant on the one side and an SEHK Subsidiary for another China Connect Exchange Participant on the other side:

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- (i) the provisions of Rule 4106(b) shall mutatis mutandis apply except that, at the same time as such transfer of rights and obligations to the relevant China Connect Clearing House whereby the relevant China Connect Clearing House becomes substituted as the buyer to HKSCC as seller on the one side and as the seller to HKSCC as buyer on the other side, there shall be created through Novation two Market Contracts as follows:
 - (1) a contract between HKSCC and one relevant China Connect Clearing Participant on the same terms as the rights and obligations created between HKSCC as seller and the China Connect Clearing House as buyer as aforesaid, but with the China Connect Clearing Participant taking on the rights and obligations of HKSCC as seller and HKSCC taking on the rights and obligations which are assumed by the China Connect Clearing House as buyer; and
 - (2) an equal but opposite contract between the other relevant China Connect Clearing Participant and HKSCC on the same terms as the rights and obligations created between HKSCC as buyer and the China Connect Clearing House as seller as aforesaid, but with the China Connect Clearing Participant taking on the rights and obligations of HKSCC as buyer and HKSCC taking on the rights and obligations which are assumed by the China Connect Clearing House as seller;
 - (ii) the arrangements set out in this Rule 4106(c) shall be construed to amount to the Novation or replacement of the China Connect Securities Trade, at the time of transfer of rights and obligations to the relevant China Connect Clearing House, into or by:
 - (1) a Market Contract between the first relevant China Connect Clearing Participant and HKSCC pursuant to the Rules;
 - (2) the relevant rights and obligations between HKSCC and the China Connect Clearing House corresponding to such contract pursuant to its rules;
 - (3) another Market Contract between the other relevant China Connect Clearing Participant and HKSCC pursuant to the Rules; and
 - (4) the relevant rights and obligations between HKSCC and the China Connect Clearing House corresponding to such other contract pursuant to its rules.
 - (d) Each Market Contract between the relevant China Connect Clearing Participant and HKSCC arising from the Novation of the China Connect Securities Trade as described in this Rule 4106 shall be settled by the China Connect Clearing Participant in accordance with the Rules with HKSCC in its capacity as participating clearing house of the China Connect Clearing House. HKSCC, in its capacity as participating clearing house and also a clearing participant of the China Connect Clearing House, will in turn settle the relevant rights and obligations between HKSCC and the China Connect Clearing House arising from the China Connect Securities Trade as described in this Rule 4106 in accordance with the rules of the China Connect Clearing House, subject to any Clearing Link Agreement which HKSCC may have entered into with such China Connect Clearing House.

4107. Risk Management Measures applicable to China Connect Securities Trades

i. Mainland Settlement Deposit and Mainland Security Deposit

Each China Connect Clearing Participant shall on demand provide to HKSCC such amount of Mainland Settlement Deposit and Mainland Security Deposit for each China Connect Market as may from time to time be determined by HKSCC to be payable by the China Connect Clearing Participant in respect of its or its NCCCPs' China Connect Securities Trades on that China Connect Market.

HKSCC shall be entitled from time to time and at any time to compute Mainland Settlement Deposit and Mainland Security Deposit using the methodology set forth in the Operational Procedures or such other methods and assumptions as HKSCC may consider appropriate. Unless HKSCC otherwise specifies, in respect of each China Connect Market, (i) Mainland Settlement Deposit will be computed by reference to the buy turnover in China Connect Securities and any overdue short CNS stock positions in China Connect Securities of a China Connect Clearing Participant and its NCCCPs on that China Connect Market and the sell turnover in China Connect Securities that are executed on that China Connect Market by the China Connect Clearing Participant and its NCCCPs for Special Segregated Accounts; and (ii) Mainland Security Deposit will be computed by reference to the net trading amount in China Connect Securities Trades of the China Connect Clearing Participant and its NCCCPs on that China Connect Market.

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

HKSCC shall have the right to satisfy its obligations as clearing participant to the China Connect Clearing House under the relevant Clearing Link with, or otherwise use, funds provided by China Connect Clearing Participants as Mainland Settlement Deposit and Mainland Security Deposit. Without limitation to the foregoing or to application of such funds in accordance with the rules of the China Connect Clearing House, HKSCC may use such funds for money settlement in the event that the usual money settlement procedures between HKSCC and the China Connect Clearing House under the relevant Clearing Link are temporarily delayed or prevented as a result of any severe weather condition, human error or delay, third party or technical incidents or force majeure events, provided that HKSCC will endeavour to replenish the funds used in such money settlement as soon as practicable. For the avoidance of doubt, in such situations HKSCC shall still be liable to pay to a China Connect Clearing Participant an amount equal to the Mainland Settlement Deposit and Mainland Security Deposit provided by it (less any amount if any used to satisfy obligations and liabilities of such China Connect Clearing Participant) in accordance with Rule 4107(v).

ii. Marks

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 a China Connect Clearing Participant by reference to the market price of the China Connect Securities.

Each China Connect Clearing Participant shall on demand provide to HKSCC such amounts of Marks as may be considered appropriate by HKSCC as a result of the Mark-to-market of all unsettled CNS stock positions in China Connect Securities to which such Participant is a party.

The calculation and collection of Marks shall be made in accordance with the Operational Procedures.

iii. Collateral

Each China Connect Clearing Participant shall on demand provide to HKSCC such Collateral in such form, to such extent and in such manner as may from time to time be determined by HKSCC to be appropriate by reference to, inter alia, the level of exposure of such China Connect Clearing Participant to HKSCC (including, but not limited to, the risks associated with the effecting of Closing-out Contracts relating to China Connect Securities pursuant to Rule 3607 in the event of a default by the China Connect Clearing Participant) and such other matters as HKSCC shall consider relevant, all in accordance with the Rules.

A China Connect Clearing Participant may, but is not required to, provide Collateral to HKSCC for the early release of China Connect Securities that are Securities-on-hold in accordance with Sections 10A.14.4A and 10A.14.5A of the Operational Procedures.

A China Connect Clearing Participant providing Collateral to HKSCC, where applicable, represents and warrants in favour of HKSCC that it has title and authority to provide such Collateral to HKSCC, free from all liens, charges, encumbrances, equities and all other third party rights of any nature whatsoever.

iv. Form of Mainland Settlement Deposit, Mainland Security Deposit, Marks and Collateral

Unless HKSCC otherwise approves or the Operational Procedures otherwise provide, China Connect Clearing Participants shall provide Mainland Settlement Deposit, Mainland Security Deposit, Marks and Collateral required pursuant to Rules 4107(i) to (iii) in the form of cash in Renminbi and Collateral referred to in Rule 4107(iii) for the early release of Securities-on-hold in the form of cash in HKD or USD. The provision of Mainland Settlement Deposit, Mainland Security Deposit, Marks and/or Collateral in any other currency or any other form, if it is accepted by HKSCC, shall be subject to such conditions and up to such limits as HKSCC may from time to time determine.

HKSCC may without prior notice to the relevant China Connect Clearing Participant apply all or any of the Mainland Settlement Deposit, Mainland Security Deposit, Marks and/or Collateral (including all rights and entitlements thereto, if any) provided by it in or towards the satisfaction of any of its obligations and liabilities (actual or contingent) to HKSCC. The only obligation of HKSCC to such Participant in respect of any Mainland Settlement Deposit, Mainland Security Deposit, Marks and/or Collateral provided to HKSCC shall be to pay such Participant an amount equal to the balance remaining after satisfaction of all such obligations and liabilities.

HKSCC has absolute discretion to determine the order of application of such Mainland Settlement Deposit, Mainland Security Deposit, Marks and/or Collateral in such manner as it considers appropriate.

A China Connect Clearing Participant shall not create or permit to subsist any mortgage, charge or other encumbrance over all or any of the Mainland Settlement Deposit, Mainland Security Deposit, Marks and/or Collateral provided by it to HKSCC. The Mainland Settlement Deposit, Mainland Security Deposit, Marks and/or Collateral shall be in addition to and independent of any cover provided to HKSCC and any security which HKSCC may at any time hold for the obligations and liabilities of such China Connect Clearing Participant.

v. Mainland Settlement Deposit, Mainland Security Deposit, Marks and Collateral in the form of cash

Cash in Renminbi or any other currency provided by a China Connect Clearing Participant to HKSCC pursuant to Rules 4107(i), 4107(ii) and/or 4107(iii) shall be recorded as credit entries in the CCMS House Collateral Account (or any other CCMS Collateral Account as determined by HKSCC) of the Participant. The only obligation of HKSCC to the Participant in respect of such amounts shall be to pay the Participant an amount equal to the balance remaining after satisfaction of all obligations and liabilities (actual or contingent) of such Participant to HKSCC.

vi. Guarantee Fund

A China Connect Clearing Participant's money settlement obligations and CNS positions in China Connect Securities shall be included in the determination of the China Connect Clearing Participant's Contributions to the Guarantee Fund. The calculation of the Contributions by a Clearing Participant to the Guarantee Fund, whether or not it is a China Connect Clearing Participant, shall be made in accordance with the Operational Procedures.

vii. [Repealed]

viii. Securities-on-hold

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 particular Settlement Day; and (ii) such payment is good and irrevocable, or the required amount of Collateral has been received in good and irrevocable funds pursuant to an application for the early release of Securities-on-hold that has been approved by HKSCC in accordance with Section 10A.14.5A of the Operational Procedures, or unless otherwise agreed by HKSCC, title, property or any interest in such China Connect Securities ("Securities-on-hold") shall not pass to the China Connect Clearing Participant.

For the avoidance of doubt, title, property or interest in Securities-on-hold shall be deemed to have passed when such China Connect Clearing Participant is allowed by HKSCC to use or transfer such China Connect Securities in CCASS but at any time before then, HKSCC shall be free to use or apply such China Connect Securities in such manner as HKSCC considers appropriate.

ix. Money compensation and payment obligations

In addition to any other rights HKSCC may have under the Rules:

- (i) where HKSCC has an obligation to deliver securities under a Market Contract in any China Connect Security, HKSCC may in lieu of delivering securities make money compensation to the China Connect Clearing Participant concerned notwithstanding that such securities may be available in the relevant market. HKSCC shall only exercise its powers under this Rule in circumstances when HKSCC considers in its reasonable opinion that the securities are not freely available in the relevant market. The money compensation shall be in such amount and in such currency or currencies (whether in the Eligible Currency in which the securities are denominated or otherwise) as HKSCC considers to be fair and reasonable having regard to all the circumstances of the case;
- (ii) where HKSCC has an obligation to make payment under a Market Contract in any

China Connect Security in an Eligible Currency in which the relevant securities are denominated or in a specified Eligible Currency, notwithstanding that the relevant Eligible Currency may be available, HKSCC may in lieu of making payment in that Eligible Currency make payment to the China Connect Clearing Participant concerned, 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 having regard to all the circumstances of the case. HKSCC shall only exercise its powers under this Rule in circumstances when HKSCC considers in its reasonable opinion that the relevant Eligible Currency is not freely available or convertible in the market.

x. Closing-out

If at any time HKSCC decides that an Event of Default exists in relation to a China Connect Clearing Participant, HKSCC may, in respect of the obligations of such China Connect Clearing Participant arising out of all or any Market Contracts in China Connect Securities to which it is a party and which are unsettled at the time (whether or not due for settlement), on behalf of the China Connect Clearing Participant, enter into Closing-out Contracts at what it determines to be the best prevailing market price and terms available (but taking into account that HKSCC may need to act promptly and provided that HKSCC shall have no liability if it acts in good faith) and for such purpose, HKSCC may instruct other authorized brokers to assist.

Each defaulting China Connect Clearing Participant shall indemnify HKSCC against all costs, fees, expenses, liabilities, losses and damages of any nature whatsoever suffered or incurred by it directly or indirectly arising out of the entering into such Closing-out Contracts by HKSCC.

xi. Obligations of HKSCC in respect of China Connect Securities Trades

Notwithstanding any provisions of the Rules to the contrary, the obligations of HKSCC under a Market Contract arising from a China Connect Securities Trade shall be limited exclusively to:

- (a) the amount of securities or payments it receives from the China Connect Clearing House in respect of such China Connect Securities Trade; and
- (b) amounts recovered by HKSCC from the China Connect Clearing House pursuant to any claims that may be made by HKSCC against the China Connect Clearing House.

To the extent that the aggregate of the amounts received or recovered from the China Connect Clearing House is insufficient at any time to meet the aggregate of HKSCC's liabilities to China Connect Clearing Participants under all Market Contracts arising from China Connect Securities Trades subsisting at any time (whether due to the insolvency or winding-up of the China Connect Clearing House or any breach, default or inability to perform any of its obligations under the relevant Clearing Link or any other reason), each China Connect Clearing Participant to which HKSCC is liable shall only be entitled to receive payment or delivery of securities pro rata according to the amount due to it as compared with the aggregate due to all China Connect Clearing Participants as determined by HKSCC. HKSCC shall remain liable on all such Market Contracts which remain to be settled by HKSCC, but payment or delivery of the balance of any amounts due shall only be made as and when, and to the extent that, the amounts are subsequently received or recovered from the China Connect Clearing House.

4108. Fees and charges of China Connect Clearing Houses

Participants shall pay all fees, charges, levies and taxes that are required by the relevant China Connect Clearing House or applicable laws to be payable in respect of the China Connect Securities that are maintained in HKSCC's account with the China Connect Clearing House, including all fees, charges, levies and taxes relating to the clearing, settlement, custodian and other services that may be provided in respect of such China Connect Securities. HKSCC will publish information on fees, charges, levies and taxes payable and the manner of collection on the HKEX website or through such other means as HKSCC considers appropriate.

4109. Conditions and restrictions on the use of China Connect Clearing Services

HKSCC has absolute discretion to impose or amend conditions or restrictions for access to or the use of China Connect Clearing Services from time to time for the purpose of ensuring that the clearing and settlement of China Connect Securities and the depository, nominee and other services relating to China Connect Securities through the use of China Connect Clearing Services will not contravene applicable laws or for any other reasons which HKSCC considers appropriate. Different conditions or restrictions may be prescribed in respect of different China Connect Securities and China Connect Markets. HKSCC will publish the conditions or restrictions on the HKEX website or through such other means as HKSCC considers appropriate. Participants shall comply with all such conditions and restrictions in all respects.

4110. Compliance with applicable laws and the Rules**i. General**

Each Participant holding China Connect Securities through HKSCC and each Participant registered as a China Connect Clearing Participant agrees and represents to HKSCC that it shall, for so long as it continues to have such holding or remains so registered, comply with and abide by:

- (a) all applicable laws with regard to any interest it may have in China Connect Securities that are held through HKSCC, including laws and regulations relating to shareholding, transfer or off-market dealing restrictions, disclosure of interests and payment of taxes; and
- (b) the Rules and any requirements, conditions, restrictions, arrangements and other stipulations that may be issued or published pursuant to the Rules with regard to the clearing and settlement of China Connect Securities or the use of China Connect Clearing Services.

A Participant is subject to and shall comply with this Chapter 41 in addition to those applicable to it under the other provisions of the Rules, unless otherwise determined by HKSCC. For the avoidance of doubt, nothing in this Chapter 41 shall affect or relieve the obligations and liabilities of a Participant under the Rules.

HKSCC may suspend, restrict or terminate a Participant's access to or use of any China Connect Clearing Services where the Participant fails to comply with the Rules including any provision in this Chapter 41. This is without prejudice to any other action that HKSCC may take against the Participant or any other rights of HKSCC.

ii. Obligation to provide information and disclosure of information

Without prejudice to the generality of Rule 2806, HKSCC may direct a Participant to provide it with such information or document in Chinese (or where the information or document is not in the Chinese language, a Chinese translation thereof) as required by a China Connect Clearing House or a relevant governmental, regulatory or competent authority for the purpose of any investigation within a period specified by HKSCC.

Without prejudice to the rights and powers of HKSCC under Rules 2803 to 2805, if required for a China Connect Clearing House to comply with any local or international regulatory standards applicable to it in respect of any Clearing Link entered into between HKSCC and such China Connect Clearing House, HKSCC may disclose to the China Connect Clearing House any information concerning or in connection with a Participant at any time, and the China Connect Clearing House may disclose such information on an aggregated and/or anonymised basis at any time to specified persons or to the public.

iii. Restrictions on non-trade transfers

In accordance with the requirements of the relevant governmental, regulatory or competent authority, Participants shall not effect any non-trade transfer in China Connect Securities, other than any transfer as a result of or in connection with the following:

- (a) stock borrowing and lending as permitted under the Exchange Rules for the purpose of the short-selling of China Connect Securities;
- (b) stock borrowing and lending as permitted under the Exchange Rules for the purpose of enabling a client to sell China Connect Securities which the client holds but which have not been transferred to the Stock Account of the relevant Participant in time for pre-trade checking;
- (c) the rectification of a trading error between an Exchange Participant and a client;
- (d) post-trade allocation of China Connect Securities to funds or sub-funds in different accounts by fund managers who have entered into China Connect Securities Trades for the collective account of funds or sub-funds under management;
- (e) succession;
- (f) divorce;
- (g) the dissolution, liquidation or winding-up of any company or corporation;
- (h) donation to a charitable foundation;
- (i) assisting in any enforcement in connection with proceedings or action taken by any court, prosecutor or law enforcement agency; or
- (j) any other transfer as may be permitted by the relevant China Connect Market Operator, China Connect Clearing House and/or the China Securities Regulatory Commission.

For the avoidance of doubt, (i) any Stock Account transfer relating to China Connect Securities that does not involve any change in beneficial interest and (ii) the taking of security or collateral over China Connect Securities in a manner that does not involve non-trade transfer, shall not be affected or otherwise prevented.

iv. Shareholding restrictions

In the event that HKSCC, the Exchange or an SEHK Subsidiary is notified by the relevant China Connect Market, China Connect Clearing House or governmental, regulatory or competent authority that HKSCC's holding in a China Connect Security for Participants has caused any foreign shareholding limit to be exceeded in breach of any applicable law, HKSCC shall have the power to require Participants, as determined by HKSCC on a last-in-first-out basis, to reduce such amount of holdings in their respective Stock Accounts within such time period as may be required by HKSCC such that the applicable foreign shareholding limit will no longer be exceeded.

Upon receipt of a Forced-Sale Notice, the Participant shall:

- (a) notify HKSCC of such information as may be requested by HKSCC, including the particulars of the persons (as determined on a last-in-first-out basis) whose holdings in the China Connect Security need to be sold, details of such holdings, and if such holdings have been transferred by Settlement Instructions to the custody of any other Participant, details of such Participant(s);
- (b) where any of the holdings are for the account of the Participant itself, sell such holdings in the China Connect Security by the required amount within the time period specified in the Forced-Sale Notice;
- (c) where any of the holdings are for the account of a client, instruct such client to sell its holdings in the China Connect Security by the required amount within the time period specified in the Forced-Sale Notice;
- (d) unless its or the relevant client's holdings in the China Connect Security have already been transferred to another Participant by the time the Forced-Sale Notice is received, ensure that such holdings are not transferred by Settlement Instruction or otherwise out of the Stock Accounts of the Participant except for the settlement of the sale of such holdings as required under the Forced-Sale Notice;
- (e) where the relevant client's holdings remain in or have been transferred back to the Stock Accounts of the Participant but its client fails to effect the sale of its holdings as required within the period specified by HKSCC, the Participant shall effect such sale on behalf of the client on the Trading day immediately following the expiry of such period. Participants shall have arrangements and authorizations in place to enable them to effect such sale on behalf of their clients should they fail to do so within the specified time period; and
- (f) once its and/or its clients' holdings have been sold as required, notify HKSCC and provide HKSCC with such supporting document as it may require.

In the event that a Participant which is a GCP has been notified by HKSCC or has otherwise been informed that any NCCCP of the Participant has been issued with a Forced-Sale Notice, the Participant shall ensure that such NCCCP's relevant holdings (to the extent they still remain in the Participant's Stock Account) are not transferred by Settlement Instruction or otherwise out of the Stock Accounts of the Participant except for the settlement of the sale of such relevant holdings as required under the Forced-Sale Notice. If by the time it is notified of the Forced-Sale Notice, the relevant holdings of the NCCCP have already been transferred to another Participant, the Participant shall provide HKSCC with such details of such other Participant as HKSCC may require.

Notwithstanding the above, in the event that the aggregate foreign shareholding in the

relevant China Connect Security is reduced to below the statutory limit after a Forced-Sale Notice is served on the Participant or an NCCCP of the Participant, and the Participant has been notified that the Forced-Sale Notice no longer applies, the Participant shall not be obliged to comply with paragraphs (d) to (f) above or the immediately preceding paragraph in respect of all or part (as the case may be) of its clients' or the NCCCPs' holdings in the China Connect Security.

If the relevant holdings of the Participant's clients or NCCCPs have already been transferred to any other Participant by the time a Forced-Sale Notice is received as mentioned above, such other Participant shall:

- (a) provide such confirmation to HKSCC as it may require regarding the clients' or NCCCPs' holdings in the China Connect Security;
- (b) transfer such clients' or NCCCPs' holdings back to the original Participant by way of Settlement Instruction within such time period as may be specified by HKSCC unless prior to the expiry of such period, a waiver from compliance with the sale requirement has been notified to the Participant. Participants shall have arrangements and authorizations in place to enable them to effect such transfers on behalf of their clients should their clients fail to expressly instruct them to do so within the specified time period; and
- (c) once such clients' or NCCCPs' holdings have been transferred back to the original Participant, notify HKSCC and provide HKSCC with such supporting documents as it may require.

4111. Suspension and Cessation of Operation of China Connect Clearing Services and emergency arrangements

Without prejudice to its right under Rule 2601, HKSCC may temporarily suspend or restrict the China Connect Clearing Services or any part thereof in its sole and absolute discretion. Suspension or restriction may be in respect of all or any of the China Connect Securities or any one or more China Connect Markets or China Connect Clearing Houses, and for such duration and frequency as HKSCC may consider appropriate.

The circumstances under which the powers under this Rule 4111 may be exercised include, without limitation, the following:

- (a) in the judgment of HKSCC, orderly, fair and expeditious clearing and settlement arrangements for any transactions in China Connect Securities may not exist or be maintained;
- (b) in the judgment of HKSCC, there are operational or technical issues which must be resolved before the China Connect Clearing Services should continue to be made available or not be restricted;
- (c) where the Commission, a relevant governmental, regulatory or competent authority or a China Connect Clearing House has requested for a suspension or restriction of the China Connect Clearing Services or any part thereof; and
- (d) where all or part of the relevant Clearing Link or Trading Link is suspended for any reason.

If HKSCC decides to suspend or restrict the China Connect Clearing Services or any part thereof under this Rule 4111, HKSCC shall publish an announcement on the HKEX

website or by such other means as HKSCC considers appropriate, stating the nature of the suspension or restriction, the effective date and time of suspension or restriction and any other information as HKSCC considers appropriate.

If in the opinion of HKSCC, the operation or functioning of the China Connect Clearing Services is, or is likely to be, severely or adversely threatened or affected by an emergency including but not limited to fire or other casualty or accident, severe weather conditions, power outage, communications breakdown, system failure, computer malfunction, war, riot, civil commotion, labour strike, material change of law or issue of any governmental or regulatory order, decree or judgment having significant impact on the continuous operation of the China Connect Clearing Services, a China Connect Clearing House or a China Connect Market Operator or other similar events, HKSCC shall have full authority to take such actions, steps or measures, whether in relation to the China Connect Clearing Services (including suspension or restriction of access to or use of all or part of the services or change of operational hours) or otherwise as it may deem necessary or appropriate to deal with such emergency.

HKSCC may decide to cease the provision of the China Connect Clearing Services permanently with immediate effect or otherwise by publishing an announcement on the HKEX website or by such other means as HKSCC considers appropriate, and HKSCC will specify the arrangements and conditions (including the treatment of any outstanding positions in China Connect Securities Trades or any holdings of China Connect Securities) upon which cessation shall take effect, having regard to such considerations and circumstances as HKSCC may consider appropriate.

4112. [Repealed]

4113. Responsibilities of HKSCC

In making the China Connect Clearing Services available, HKSCC is only providing arrangements and services to facilitate the clearing and settlement of China Connect Securities Trades and related nominee and depository services. Except expressly provided for under these Rules, HKSCC, the Exchange and HKEX and their respective directors, employees and agents shall not be liable for any obligation with respect to any China Connect Securities Trade, and all obligations and liabilities in relation to or arising from any China Connect Securities Trade, the holding of any China Connect Securities or the use of any China Connect Clearing Service by a Participant shall be borne by the Participant concerned. In addition to any indemnities given by a Participant under these Rules, each Participant shall fully indemnify HKSCC, the Exchange and HKEX and their respective directors, employees and agents and keep each of them indemnified against all third party claims, actions and proceedings in relation to or arising from, directly or indirectly, any China Connect Securities Trade of the Participant, the holding of any China Connect Securities or the use of any China Connect Clearing Service by the Participant and all losses, damages, costs and expenses incurred by HKSCC, the Exchange and HKEX and their directors, employees and agents in relation to such claims, actions and proceedings.

HKSCC, the Exchange and HKEX, and their respective directors, employees and agents shall not be responsible or held liable for any loss or damage directly or indirectly suffered by a Participant, its clients or NCCCPs (if applicable) or any third parties arising from or in connection with the China Connect Clearing Services including, without limitation, the following:

- (1) any suspension, delay, restriction, interruption or cessation of any China Connect Clearing Services, or any inability to access or use any China Connect Clearing Services;

- (2) any special arrangement put in place or any action, step or measure taken or not taken to deal with an emergency;
- (3) the clearing and settlement of any China Connect Securities Trades through the use of the China Connect Clearing Services and any related nominee, depository or other services;
- (4) any delay or failure to provide any China Connect Clearing Services due to any system or connection failure, power outage, software or hardware malfunction or events beyond the control of HKSCC;
- (5) any delay, failure or error of CCASS or any system of the relevant China Connect Clearing House or any of its or HKSCC's designated or agent banks or any other system upon which HKSCC is reliant in providing the China Connect Clearing Services;
- (6) any delay or failure to execute or error in clearing or settling any China Connect Securities Trades due to reasons beyond the control of HKSCC including but not limited to any action, decision or order taken or made, or not taken or made, by any China Connect Clearing House or a relevant governmental, regulatory or competent authority or a court of competent jurisdiction, including but not limited to any court order or injunction that may be made against the account maintained by HKSCC with the China Connect Clearing House;
- (7) any delay or failure to execute or error in clearing or settling any China Connect Securities Trades by the relevant China Connect Clearing House for any reason;
- (8) any delay or failure by any bank or payment system designated or used by HKSCC or the relevant China Connect Clearing House in effecting settlement or other payment instructions, in providing cross-boundary transfer of Renminbi or other currencies between Mainland China and Hong Kong or in providing any other services upon which HKSCC is reliant in providing China Connect Clearing Services or in operating the relevant Clearing Link, or the insolvency of any such bank;
- (9) the imposition, introduction or change of any condition, restriction or requirement on the use of the China Connect Clearing Services under these Rules; and
- (10) the taking of any action or the exercise of any discretion, or not doing so, by HKSCC pursuant to these Rules or otherwise.

4114. Termination as China Connect Clearing Participant

HKSCC may at any time by giving not less than ten (10) Business Days' notice in writing terminate the registration of a Clearing Participant as a China Connect Clearing Participant.

Subject as otherwise provided, a Clearing Participant may by giving not less than one month's notice in writing to HKSCC terminate its registration as a China Connect Clearing Participant. At any time after receipt of notice to terminate registration, HKSCC shall have the right to decline to accept any instruction or give effect to any transaction relating to the clearing and settlement of China Connect Securities Trades involving such Clearing Participant if HKSCC considers it appropriate in the interests of HKSCC or other Participants.

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 these Rules, repay to the Clearing Participant such amount as shall represent the balance of any Mainland Settlement Deposit and Mainland Security Deposit which the Clearing Participant has provided to HKSCC within eight months of the termination of the Clearing Participant as a China Connect Clearing Participant, or such other period as HKSCC in its absolute discretion considers appropriate.

CHAPTER 42

CHINA CONNECT CLEARING HOUSES

4201. Cross-boundary Clearing Links in relation to Exchange Trades

HKSCC and a China Connect Clearing House may enter into a Clearing Link under which China Connect Clearing Services may be provided by HKSCC to Participants pursuant to Chapter 41 in respect of China Connect Securities Trades that are executed by an SEHK Subsidiary on a China Connect Market. HKSCC and a China Connect Clearing House may also enter into a Clearing Link to enable such China Connect Clearing House to provide clearing, settlement, depository, nominee and other services to its participants in respect of Exchange Trades in SEHK Securities that are executed by a Special Participant on the Exchange.

This Chapter 42 sets out the provisions that apply to a China Connect Clearing House which has entered into a Clearing Link with HKSCC relating to Exchange Trades in SEHK Securities.

4202. Services to a China Connect Clearing House in relation to Exchange Trades

HKSCC may provide such services as it may consider appropriate for the purposes of establishing and operating a Clearing Link in relation to Exchange Trades referred to in Rule 4201 to any China Connect Clearing House that is a Clearing Agency Participant in accordance with the provisions of the Rules. Such services may include, without limitation, the following:

- (1) the clearing and settlement of Exchange Trades by HKSCC in its capacity as central counterparty for such China Connect Clearing House in its capacity as Clearing Agency Participant; and
- (2) the provision of nominee, depository and other related services in respect of SEHK Securities by HKSCC to such China Connect Clearing House in its capacity as Clearing Agency Participant.

4203. Qualification requirements for China Connect Clearing Houses to clear Exchange Trades

A clearing house applying to be a China Connect Clearing House that is allowed to participate in CCASS in respect of Exchange Trades in SEHK Securities must satisfy the following criteria:

- (1) be a Clearing Agency Participant authorised by HKSCC to clear and settle Exchange Trades in SEHK Securities in the CNS System;
- (2) be an ATS provider authorised by the Commission under section 95 of the Ordinance;
- (3) be a clearing house duly authorised by all relevant regulators in Mainland China to provide securities clearing and settlement services to its participants;
- (4) be of good financial standing and integrity;

- (5) satisfy any regulatory conditions specified by the Commission under the Ordinance or in relation to the authorisation of the China Connect Clearing House as an ATS provider by the Commission;
- (6) have a valid, binding and effective Clearing Links Agreement with HKSCC; and
- (7) meet all other relevant participation criteria as HKSCC may prescribe from time to time.

4204. Application procedure

Applications made under Rule 4203 must be in writing and in such form as HKSCC may from time to time prescribe. Upon request, an applicant must demonstrate to the satisfaction of HKSCC that it is able to comply with the regulatory conditions that may be imposed on it by the Commission. Approval may be given subject to such terms and conditions as HKSCC may consider appropriate. A clearing house that is approved by HKSCC under this Rule 4204 will (to the extent it is not already so added) be added to the list of China Connect Clearing Houses referred to in Rule 4105(b), and the list will note that such China Connect Clearing House has been approved for the purpose of a Clearing Link in relation to Exchange Trades.

4205. Clearance of Exchange Trades by China Connect Clearing Houses

A China Connect Clearing House which has been approved by HKSCC under Rule 4204 may participate in CCASS as a Clearing Agency Participant and clear and settle Exchange Trades in SEHK Securities that are executed by one or more Special Participants, subject to these Rules.

A China Connect Clearing House may clear and settle Exchange Trades in SEHK Securities in respect of designated Special Participants only. It shall not clear and settle Exchange Trades in non-SEHK Securities or in respect of a participant of the Exchange other than a Special Participant designated by the China Connect Clearing House and with whom it has entered into a Clearing Agreement. The China Connect Clearing House shall ensure that any such Clearing Agreement to which it is a party, and all subsequent agreements to amend the Clearing Agreement do not contain any provision which is inconsistent with the Rules. The China Connect Clearing House shall, at the request of HKSCC, supply it with a certified copy of each executed Clearing Agreement.

A China Connect Clearing House shall not be entitled to decline to settle and clear any Exchange Trades in SEHK Securities that are executed by any of its designated Special Participants.

Clearance of Exchange Trades by a China Connect Clearing House in respect of its designated Special Participants shall be in accordance with the Rules, including Rule 901. A China Connect Clearing House may, subject to HKSCC's approval, have one separate set of Stock Accounts (including a separate Stock Clearing Account, Stock Collateral Control Account and separate Stock Segregated Accounts) in respect of each designated Special Participant. Subject to the Rules, Exchange Trades cleared by a China Connect Clearing House in respect of its designated Special Participants are to be cleared and settled in CCASS under the CNS System and novated in accordance with Rule 3301.

4206. Restrictions applicable to a China Connect Clearing House relating to the clearance of Exchange Trades and other transfers

Notwithstanding any other provision in the Rules to the contrary, the following restrictions

shall apply to a China Connect Clearing House:

- (1) an Exchange Trade may not be cleared under the Isolated Trades System, whether by election of the counterparties to the Exchange Trade or otherwise;
- (2) no transactions arising out of any Settlement Instructions or (for the avoidance of doubt) any Investor Settlement Instructions, Transfer Instructions or Cross-Border Transfer Instructions shall be accepted for settlement and/or clearance by HKSCC, except as mentioned in Rule 4206(3) below or as authorized by HKSCC;
- (3) the China Connect Clearing House and its participants shall not effect any non-trade transfer or settlement of transactions in Eligible Securities outside of the relevant Trading Link, other than (i) any non-trade transfer or settlement of Eligible Securities as a result of succession, divorce, loss of legal person status, donation to a charitable foundation or approval by any relevant state authority in Mainland China (ii) any matter relating to the creation or enforcement of pledge, (iii) any assistance in judicial enforcement or (iv) any other transfer as may be permitted by the China Securities Regulatory Commission; and
- (4) no transactions arising out of any instructions to transfer between Stock Accounts or CCMS Collateral Accounts allocated to the China Connect Clearing House in respect of different Special Participants shall be accepted for settlement and/or clearance by HKSCC (including for the avoidance of doubt, any transfers otherwise permitted under Rule 4206(3) but for this Rule) unless authorised by HKSCC.

4207. Nominee and depository services provided to China Connect Clearing Houses in respect of SEHK Securities

HKSCC shall provide nominee and depository and other services in respect of SEHK Securities to any China Connect Clearing House which has been approved by HKSCC under Rule 4204 on the same basis as for other Participants as set out in these Rules, provided that:

- (1) no deposit or withdrawal of Eligible Securities from CCASS shall be permitted;
- (2) no SSA with Statement may be opened by such China Connect Clearing House;
- (3) the China Connect Clearing House shall not be entitled to apply for Eligible Securities by giving Electronic Application Instructions for New Issue Shares to HKSCC;
- (4) HKSCC will not be obliged to provide or arrange to provide copies of corporate communications for corporate communications events to participants of the China Connect Clearing House or any of their clients;
- (5) where the entitlements or securities being granted or offered by an issuer under any corporate action do not constitute Eligible Securities, HKSCC may, at the cost of the China Connect Clearing House, make such arrangement with or for the China Connect Clearing House regarding the disposal or realization of such securities as HKSCC may consider appropriate; and
- (6) where the China Connect Clearing House clears in respect of more than one Special Participant, nominee, depository and other services shall be provided separately in respect of SEHK Securities that are held by the China Connect Clearing House in respect of each of its designated Special Participants.

4208. Continuing obligations of China Connect Clearing House

A China Connect Clearing House which has been approved by HKSCC under Rule 4204 shall at all times:

- (1) comply with the qualification requirements set out in Rule 4203;
- (2) comply with and be bound by these Rules as in force from time to time and all procedures, requirements, regulations, conditions and guidance published by HKSCC pursuant to these Rules, in each case insofar as they relate to its participation in CCASS in respect of SEHK Securities, subject to the terms of the Clearing Links Agreement between itself and HKSCC;
- (3) provide, within such period as HKSCC may specify, such information in its possession as HKSCC may request about a Special Participant with whom it has entered into a Clearing Agreement for the clearing and settlement of Exchange Trades in SEHK Securities, including but not limited to information relating to a Special Participant's financial position, its underlying members or clients, and any other information or documents as HKSCC may from time to time demand; and
- (4) provide such amount of SEHK Securities as shall represent its short CNS stock positions in Exchange Trades executed by each of its designated Special Participants in such SEHK Securities to HKSCC as Collateral Securities and ensure that it is authorized to provide such Collateral Securities to HKSCC.

4209. Insulation against risk spillover

A China Connect Clearing House which has been approved by HKSCC under Rule 4204 is exempt from contributing to the Guarantee Fund. Amounts standing to the credit of the Guarantee Fund will therefore not be applied by HKSCC towards meeting any obligations arising out of Market Contracts between HKSCC and a Clearing Agency Participant which is a China Connect Clearing House.

4210. Disclosure of information

HKSCC shall have the authority to disclose the details of any information concerning a China Connect Clearing House at any time if so required pursuant to any local or international regulatory standards applicable to HKSCC in respect of any Clearing Link entered into between HKSCC and the China Connect Clearing House.

CHAPTER 43

CLEARING SERVICE TERMINATION EVENT

4301. Clearing Service Termination Event

For the purposes of this Rule, (i) references to “Eligible Securities” mean Eligible Securities other than China Connect Securities; and (ii) references to “Market Contract” mean a Market Contract other than 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.

Notwithstanding Rules 3307, 3705, 3706 and 3709, if HKSCC, in consultation with the Commission, determines at any stage that:

- (1) the losses resulting from one or more Events of Default occurring within the same Capped Liability Period will exceed the resources available to it including those available to be applied under Rules 2507, 2507A and 3702(ii) with respect to all such Events of Default; or
- (2) the clearing and settlement services in relation to Market Contracts shall cease to be provided,

HKSCC shall notify all Clearing Participants and Clearing Agency Participants of its determination to cease providing clearing and settlement services in relation to Market Contracts (a “Clearing Service Termination Event”) and the clearing and settlement services in respect of the Market Contracts will be wound down in accordance with this Rule.

Upon the occurrence of a Clearing Service Termination Event, every Market Contract between HKSCC and a Clearing Participant or Clearing Agency Participant shall be automatically terminated and all prevailing obligations of HKSCC and such Clearing Participant or Clearing Agency Participant in respect of each such Market Contract between them (including the obligations to deliver any Eligible Securities under the Market Contract) shall cease and be replaced with the obligation of HKSCC or the relevant Clearing Participant or Clearing Agency Participant, as the case may be, to pay the other party a net sum which shall take into account the termination value and any unpaid amounts of each such Market Contract as determined by HKSCC under this Rule and Section 17A.1 of the Operational Procedures. The termination value for each Market Contract shall be determined based on the prevailing market price at the time of contract termination, or if such market price is not available, the price shall be such price as HKSCC may reasonably determine. HKSCC may also take into account any unpaid amounts that have become due and payable in respect of any Market Contract on or prior to the occurrence of the Clearing Service Termination Event.

Following the payment by each relevant Clearing Participant or Clearing Agency Participant of the Limited Recourse Interim CP Payable or Limited Recourse Final CP Payable with respect to the CNS positions from its Market Contracts, HKSCC shall pay an amount equal to the Margin Balance in respect of a Clearing Participant or Clearing Agency Participant to such Clearing Participant or Clearing Agency Participant in accordance with Section 17A.1 of the Operational Procedures; and HKSCC shall pay an amount equal to the Guarantee Fund Contribution Balance in respect of a Clearing Participant or Former Clearing Participant to such Clearing Participant or Former Clearing Participant in accordance with Section 17A.1 of the Operational Procedures.

4302. Liability of HKSCC under a Clearing Service Termination Event

Notwithstanding the provisions of Rule 3307, settlement (by payment, set-off or otherwise) of the Limited Recourse CP Receivable with respect to the CNS positions of each relevant Clearing Participant or Clearing Agency Participant arising from its Market Contracts pursuant to Rule 4301 and Section 17A.1 of the Operational Procedures discharges in full

HKSCC's obligations in respect of these Market Contracts and no Clearing Participant, Clearing Agency Participant or client of a Clearing Participant or Clearing Agency Participant shall have any recourse against HKSCC or to any fund or other entity, including without limitation any affiliate or recognized exchange controller which is the controller of HKSCC in relation to any Market Contract once the resources available to HKSCC including those available to be applied under Rules 2507, 2507A and 3702(ii) have been exhausted. In particular, no Clearing Participant, Clearing Agency Participant or client of a Clearing Participant or Clearing Agency Participant shall be entitled to instigate any action for the winding-up or the appointment of a receiver or manager over any property of HKSCC.